

Report: Grubhub considers sale as competition intensifies

January 9 2020, by Michelle Chapman



This Feb. 20, 2018, file photo shows the Grubhub app on an iPhone in Chicago. Food delivery service Grubhub is considering a possible sale of the business as competition intensifies in the sector. The Wall Street Journal reports that the company is looking at its strategic options. Grubhub competes in a sector filled with players including Uber Eats, DoorDash and Postmates. Consolidation in the industry is expected. (AP Photo/Charles Rex Arbogast, File)

Grubhub may put itself up for sale with competition in the online delivery business growing increasingly intense.

Shares jumped almost 13% after The Wall Street Journal first reported late Wednesday that the [company](#) is exploring its options. Shares before the opening bell Thursday are rising.

Grubhub Inc. said it would not comment on speculation.

The Chicago company was a pioneer in the sector, but it's since been joined by Uber Eats, DoorDash and Postmates. The companies are finding that customers jump freely between services to find the best deal, making it more difficult to deliver stable sales numbers.

In October GrubHub slashed its full-year revenue expectations and cautioned on competition, sending its shares tumbling 43%. In a letter to shareholders at the time, the company noted the trend in which its customers switch services depending on what's being offered, saying that they have become "more promiscuous."

"As we dug into the data, we saw that our newer diners, particularly those in our newer markets, were not driving as many orders as we expected at that point in their lifecycle," the company said in the letter.

According to market research firm NPD Group, the forecast annual growth rate of digital restaurant orders from 2017 to 2020 is 22%. In the year ending September 2019, 2 billion delivery orders were placed at U.S. restaurants, up 5% from the previous year.

But delivery represents only about 3% of all [restaurant](#) orders, according to NPD. That leaves GrubHub and its rivals to battle it out over customers.

The difficult environment has given some businesses pause. In October PostMates postponed plans to become a publicly traded company, saying the conditions were not favorable.

Grubhub has said it hopes to double the number of restaurants on its platform by the end of 2020 by expanding a [pilot program](#) that included non-partnered restaurants. The company has admitted the new strategy contradicts its philosophy of delivering only for partnered restaurants and that it was not in the company's best interests long-term, but that its an [efficient way](#) to keep current customers and lure new ones.

The reported developments at Grubhub sent shares of rival Uber Inc. up more than 1% before the opening bell Thursday.

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