

As life in China returns to normal, food delivery platforms face a slowdown

Article

The trend: Food delivery apps like **MissFresh** and **Meituan** exploded during lockdowns as Chinese consumers stuck at home had few alternatives to obtain groceries and other food.

But as restrictions begin to ease, these platforms' ability to keep their user base and order volume steady is in doubt.

A successful quarter: Meituan reported “healthy growth” in Q1 as Shanghai and other metropolises coped with lockdown measures. Food delivery revenues grew **17.4%** year-over-year (YoY), while operating profits increased by **41.3%** YoY, per its earnings statement.

- The company attributed these increases to higher order volume and average order values, as well as an overall increase in the number of users.
- Meituan also noted that reduced travel around Chinese New Year helped the company, as people stayed home and ordered food delivery for celebrations.
- Competitor MissFresh revealed in a press release that its average daily volume in Beijing at the end of April **exceeded 1.2 million items per day** as the city coped with rising numbers of COVID-19 infections and restrictions.

How we got here: As in the United States, grocery delivery apps really began to thrive during the pandemic as consumers in China adjusted to the realities of lockdown life. That led to a wave of venture capital and a number of new players vying for market share.

- An executive at **Didi's** now-shuttered grocery arm Chengxin Youxuan told Chinese publication Caixin that at its height, **the industry was “burning at least 10 billion yuan [\$1.57 billion] every month.”**
- But as lockdowns loosened and the Chinese government began to criticize delivery companies' business models, platforms struggled to maintain the heady growth they saw during the worst of the pandemic.
- A similar pattern has played out in the US, with **Instacart, DoorDash, Uber Eats**, and other platforms experiencing slower or declining sales as consumers order less food online.

Looking ahead: While the second wave of zero-COVID lockdowns in China has proved beneficial for food delivery platforms, a number of factors—including limited customer loyalty, price wars, and a poor customer experience—could hurt their efforts to become permanently ingrained in users' lives.

- Even if people decide to hold onto the apps once shops and restaurants are fully open, average order sizes will likely decline as shoppers use online orders to supplement other purchases.

- That's led platforms like MissFresh and **Dingdong** to make investments in private label brands, expand their fresh produce offerings by teaming up with local suppliers, and move into prepared meals to capture additional revenues.
- US players are taking similar tactics: **Gopuff** is [turning to prepared food](#), **Gorillas** announced it would launch private label products, and DoorDash and Instacart are offering their delivery services to non-food retailers.

The big takeaway: While grocery delivery is more profitable in China thanks to lower labor costs and high population density, the industry's overall struggles to develop a sustainable model show how difficult it is to get people to change their shopping behaviors, even after a pandemic-induced interruption.

Go further: For more on Chinese consumers' buying habits, read our analyst take [here](#).

Frequency with Which Digital Buyers in China Make Digital Purchases, by Product Category, Aug 2021

% of respondents

	At least once a week	2-3 times a month	Once a month	Once every 2-3 months	At least once or twice a year	Every 2 years or less often
Fresh food/beverage	40%	35%	18%	6%	1%	-
Grocery	16%	30%	31%	19%	3%	-
Sport	11%	23%	32%	23%	10%	1%
Books	10%	26%	32%	22%	9%	1%
Toys	10%	25%	34%	23%	8%	-
Fashion	9%	29%	32%	23%	7%	-
DVD/CD/video games	8%	27%	30%	21%	12%	2%
Leisure	8%	24%	39%	20%	7%	2%
Beauty/healthcare	7%	26%	31%	29%	6%	1%
Heavy home furniture	7%	20%	19%	17%	22%	15%
White goods/home appliances	7%	13%	16%	14%	32%	18%
Medicine	6%	25%	31%	26%	12%	-
Accessories & jewelry	6%	24%	27%	27%	15%	1%
Shoes	5%	21%	28%	32%	14%	-
Car equipment	5%	18%	22%	19%	25%	11%
High-tech/electronics	5%	14%	14%	16%	37%	14%
Small home furniture/decoration	4%	22%	26%	29%	17%	2%

Note: ages 18+

Source: DPDgroup, "E-shopper barometer 2021," Feb 11, 2022

273866

eMarketer | InsiderIntelligence.com