HOW TO LAUNCH A FOOD DELIVERY CO-OPERATIVE

Autonomy

CO-OPERATIVES UK
COOP

CoopCycle

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Autonomy

Autonomy is an independent think tank that provides necessary analyses, proposals and solutions with which to confront the changing reality of work today. Our aim is to promote real freedom, equality and human flourishing above all. To find out more about our research and work, visit

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Published 2021 by:

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BEFORE YOU BEGIN

ABOUT THE GUIDE

Hi! This guide has been written for those interested in starting a food delivery co-operative. If you've just started out and are exploring different options then you have come to the right place.

The document has been produced through a collaboration between the Autonomy think tank, CoopCycle, Co-operatives UK and a number of co-operatives across the UK. This collaboration also led to the production of an accompanying policy paper, Delivering Rights: Alternatives in the Online Food Economy.

WHY CO-OPERATIVES FOR THE FOOD DELIVERY INDUSTRY?

Food delivery platforms have changed the way we eat. The market for food delivery via platforms is £500m in London alone and is growing at a double digit rate. The market is highly competitive and the exploitation of riders and restaurant owners is prolific. Riders are classified as independent contractors and are forced onto precarious work contracts that have no guarantee of a minimum wage or other employment benefits.

Co-operatives provide a potential solution to this problem and an ethical model for the food delivery industry. Riders own and democratically control the business. Assets and profits are shared between members which takes work arrangements out of the hands of unaccountable tech companies. Food delivery co-operatives are:

- **good for riders -** offering control over work, pay and how the business is run
- **good for restaurants -** restaurants can get a greater cut of what they sell and build a solid relationship with a local food delivery business
- **good for customers -** customers can support fair work and the local economy
- **good for society -** co-operative food delivery services support independent businesses and the local community
- **good for the environment -** delivering by bicycle takes carbon out of the atmosphere and is more environmentally sustainable

IS IT RIGHT FOR YOU?

Starting a co-operative requires a big investment of time, energy and resources to get things started. Before you begin, take some time and do your research to consider whether it's the right choice for you. Remember that at the end of the day a food delivery co-operative is first and foremost an enterprise and its success will largely depend on your ability to own and manage your own business. Do you have a dedicated team to be part of your co-operative? Are you prepared to create a business plan and research your market? Have you looked into how to create and maintain a healthy culture in the co-operative? Can you commit to working on the project for several years to ensure its success? Most small businesses fail within the first three years so it's important to make sure you are ready for the challenge and responsibility before you begin.

YOUR TEAM

Your co-operative will require a strong team of members and a healthy co-operative culture. You should aim to assemble a team with a range of different skills, expertise and backgrounds. Being able to draw from a diverse pool of knowledge and experience will help you overcome unforeseen challenges.

You will need a team of riders and people who are interested in helping out with the administrative side of the co-operative. You may also want to consult professionals such as an accountant and financial advisor.

CREATING A BUSINESS PLAN

A business plan is a description of your objectives for the business and how you plan to achieve them. These plans usually outline your projection for what will happen during the first 3 to 5 years of the co-operative.

Creating a business plan doubles your chances of securing a loan, receiving investment and growing your co-operative.

A business plan helps you:

- clarify your business idea
- discover potential problems with how it would work in practice
- set concrete objectives and strategies
- establishes a benchmark from which to judge performance
- build commitment from your team by involving them in planning

Download a free business plan template on The Prince's Trust website.

Get detailed information about how to write a business plan on the Start Up Donut website.

MARKET RESEARCH

To start a food delivery co-operative you need to have an understanding of the market you are entering, who your customers are, who your competition is and the unique value proposition of your business.

This will involve some initial research to find out more information and discover where the gaps are in your existing knowledge.

How much does the average person spend on takeaway? How often do people order out? What do customers value in a food delivery platform? How much are they willing to pay? All of this will help you determine how you should set up your business and what your projected profits will be. To create a viable business your estimates should be realistic and take into consideration the relevant risks and uncertainties that are involved. This research will include:

Competitor analysis: research who the competitors are in your sector including their share of the market, their business model and how you plan to compete. Will you be going up against the big on-demand delivery platforms or will you attempt to corner a more niche market?

Customer profiling: who is in your target market and what do you know about them? Why would they use your service and not a competitor's? How will they hear about your service and what incentives can you offer them to use it? You can prepare customer surveys on Survey Monkey or Google Forms that will allow you to ask questions directly from potential customers so that you can better understand their needs.

Market Analysis: You can find information online about the size of your market and any trends in how it is developing. This could include information such as Deloitte's analysis of the impact of third-party delivery platforms on restaurants. You should also look for other industry benchmark reports that you don't have to pay for that give you a general idea about recent trends.

INSURANCE AND OTHER LEGAL REQUIREMENTS

You Will Need Insurance

It's mandatory to have insurance before you begin trading as a food delivery business. It's illegal to send couriers out if you don't have public liability and employer's insurance (if the riders are employees).

One option for you to consider is the specialist cycle insurance from Yellow Jersey. They offer instant online quotes for bicycle insurance and can cover the two types of insurance you will need, which are public liability and employers' liability.

One co-operative we consulted in London with six riders, pays £404.04 a year for their insurance inclusive of Insurance Premium Tax plus a £90.00 arrangement fee to get started. This is merely indicative of what you could pay. You will need to obtain your own quotations based on your individual circumstances.

Registering as a Food Business

As a food delivery co-operative you will also need to register with your local authority as a food business even if you are only delivering food.

It's free to register, and your registration cannot be refused. You should register at least 28 days before opening. If you're already trading and have not registered, you need to do this as soon as possible.

You can apply for this licence from gov.uk here.

Registering as an Employer

If you want to employ riders then will need to register as an employer with HM Revenue and Customs (HMRC).

You must register before the first payday. It can take up to 5 working days to get your employer PAYE reference number. You cannot register more than 2 months before you start paying your employees.

You can apply to register as an employer with gov.uk here.

What Funding is Available?

Before seeking external funding most businesses rely on personal savings and donations from friends and family.

But for those interested in extending their startup capital, here is a summary of some of the opportunities currently open to small businesses in the UK for grants and funding.

Currently, a lot of organisations are focused on supporting people through Covid. In certain cases, this has meant some of their more general funding has been suspended or reduced. Opportunities for funding can be separated them into six categories:

1. Non-repayable grants and seed funding – these tend to come from foundations, charities and sometimes local councils. They are also very competitive and tend to focus on organisations with a strong social mission.

The National Lottery Community Fund offers a range of different grants for community groups from £300 to £500,000 that focus primarily on delivering community or charity funding to instigate social change.

Creative England New Ideas Fund - seed funding between £1,00 and £25,000 to small seed funding to sole traders, start-ups and small businesses for their creative business ideas.

The Prince's Trust grants provide financial assistance to young entrepreneurs since 1976. They offer an exclusive Enterprise Program that provides funding and mentors to young individuals to help them start their own business.

UnLtd Grow it Award - You can apply for up to £15,000 to help you grow along with a support package of one-to-one coaching, training, mentoring and access to networks.

Power to Change's "Bright Ideas Fund" - aims to provide community groups with the support and tools to start setting up a community business. A programme of support and grants of up to £15,000 is available.

Oxfordshire Go-Create Grants offer eligible Small and Medium-sized Enterprises (SMEs) grants from £1,000 to £50,000 (a minimum 3:1 co-investment requirement by the applicant business). Go-Create Grants are offered as part of the Innovation Support for Business

(ISfB) Phase 2 programme.

2. Small and medium business loans – There are a number of government-backed and independent schemes that make loans available to businesses. These tend to be regionally based so it's best to look out for what is available to your co-operative in your specific area by searching online. You should also check with your local council to see whether there is any funding available to support local businesses with a positive social mission. Her are some indiciative results:

Barrow Cadbury Trust's "Fair by Design" Venture Funding - capital investment in companies seeking loans and equity funding from Seed through to Series A and beyond.

Northern Powerhouse Investment Fund provides funding throughout the north of England (and a similar scheme is also available in the Midlands and North East). It offers loans of £25k-£100K according to three different funding options to help your business grow, ranging from Microfinance and Debt Finance for growing businesses, and Equity Finance for start ups or young businesses.

3. Community shares - this is an investment model where community members can invest in an equity stake in your businesses. This option offers the advantage of investment coming from the same community that supports your co-operative and which you intend to benefit. Since 2009 more than £60m of share capital has been raised from over 60,000 investors. The Community Shares Handbook is the definitive guide for community shares - covering all the relevant legal requirements and voluntary good practice standards for share offers.

4. Crowdfunding – these websites put your idea out thre so that individuals you haven't met can invest in your business. You will need to create a campaign for your idea and pitch it in a way which will be attractive to potential funders. You can start with GoFundMe and Indiegogo which are among the best for small business owners. You can also check out the 12 best crowdfunding sites for small businesses.

5. New enterprise schemes – there are also schemes available such as the New Enterprise Allowance which supports people to start or develop a business. To be eligible for this scheme you need to be over 18 and either on social security or be a lone parent, sick or disabled and on Income Support. It provides an allowance of up to £1,274 in total spread over up to 26 weeks.

6. Commercial loans – many banks offer special services forcommunity groups and small businesses.

Co-op Finance – co-operative & community finance

The Co-operative Bank

Triodos Bank

Santander: designed specifically for not-for-profit organisations such as clubs, societies and charities with an annual turnover of up to £250,000 and up to three signatories.

Royal Bank of Scotland (RBS): Social and community capital.

HSBC: Small business loans.

Barclays: Not for profit/charities.

II.

GETTING STARTED

WHICH BUSINESS MODEL WORKS FOR YOU?

Within the food delivery sector, companies operate using different business models depending on whether they aim to be involved in the ordering, cooking or delivery parts of the service.

We are assuming that you are interested in the order and delivery side of the equation and that you won't be cooking your own food. We cover four main business models you can consider.

1. **On-Demand Platform to Custome**r: a cooperative alternative to companies like Deliveroo and UberrEats
2. **Scheduled Deliveries:** food delivery from businesses to customers, but with some form of scheduling of deliveries
3. **B2B:** delivering food products from business to business

This guide will help you decide which option might be right for you.

Options that we won't be discussing in this guide include:

Delivery Service Aggregators: Platforms like JustEat and GrubHub provide 'order only' services in which they advertise different restaurants' menus on their website and collect orders, leaving the restaurant to make their own deliveries.

Full-Stack Model: In this model, the business offers everything in-house from ordering to cooking and delivery. Often, these businesses prepare food in 'cloud' or 'ghost' kitchens that do not offer dine-in facilities and only prepare food for deliveries. This includes companies like Sprig, Maple, and SpoonRocket, which have since gone out of business.

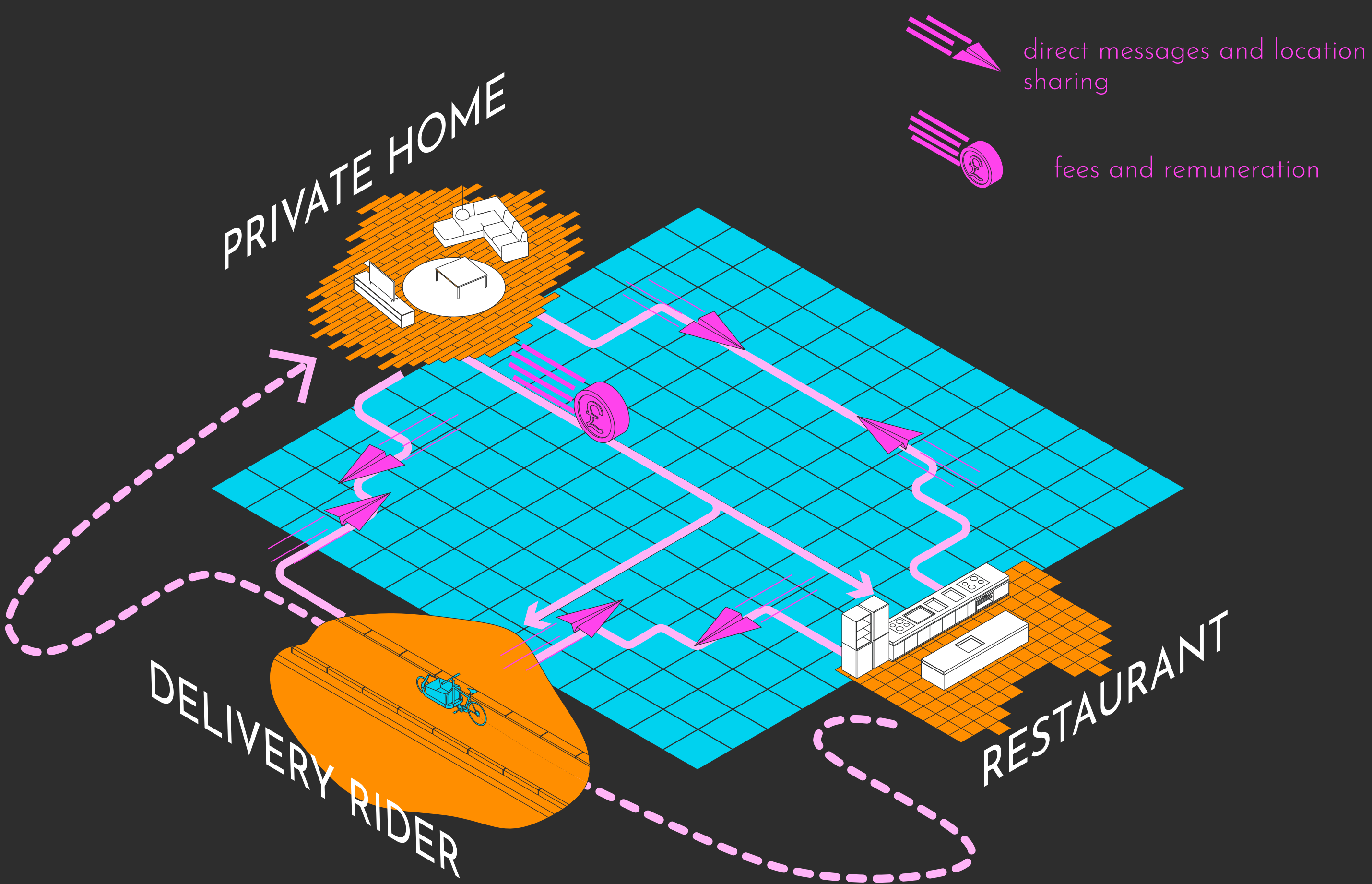
1. ON-DEMAND PLATFORM TO CUSTOMER

In this model, the co-operative operates a platform which lists available partner restaurants close to the customer and accepts orders, usually through an app or website. The co-operative then arranges delivery of the food to the customer once the order has been prepared by the restaurant. The co-operative takes a percentage cut from the restaurant and charges customers a delivery fee.

The model is about a three-way relationship between restaurants, riders and customers.

Diagram 1. On-Demand Delivery Platform

In this diagram a co-operative delivers food from a restaurant to a private home



How do you earn money?

commission from restaurants - the business takes a percentage of every sale facilitated on the platform from restaurants. In the case of a company like Deliveroo this is anything from 25 to 35 percent. This depends on the agreement negotiated with restaurants.

delivery fees from customers - the platform can also charge fees to customers for each delivery which would vary depending on the distance of the customers home from the restaurant.

What are the key challenges?

low margins - delivery platforms only make a small amount of profit on each order from restaurants.

high operational costs - there are many costs associated with running the platform such as the foodtech, administration, insurance, marketing, and recruitment.

customer acquisition - once customers are acquainted with a food delivery platform it is difficult to get them to switch to a new one (80% of customers never or rarely switch).

fluctuations in orders - these businesses have high levels of fluctuation in orders which makes it difficult to schedule riders to manage demand. If you are planning to run a viable platform you need enough riders to handle peak times and surges.

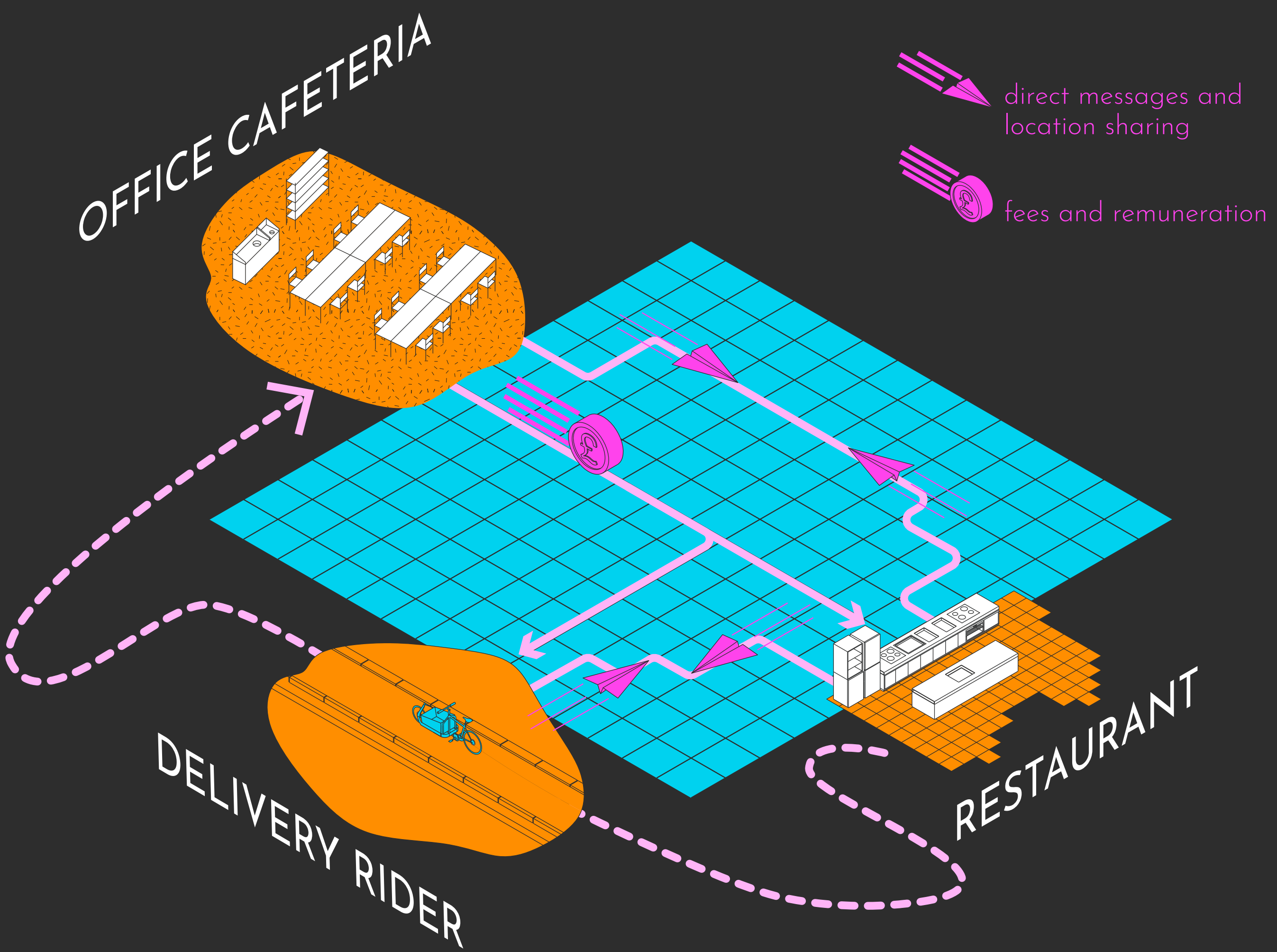
fierce competition from venture-capital-backed platforms - the on-demand food delivery space is very competitive with many startups not becoming profitable for several years of operation.

2. SCHEDULED DELIVERIES

Scheduled deliveries could adopt different models, but the most obvious choice for your co-operative would be to partner with restaurants to make deliveries of their food at scheduled times. This could be regular drop-offs on a daily or weekly basis or it could be to run an on-demand service for the restaurant during a peak period such as 5:30 PM - 9:30 PM.

Diagram 2. Scheduled Deliveries

In this diagram a co-operative delivers food from a restaurant to a workplace



How do you earn money?

commission from restaurants - the restaurant would pay you a commission on all sales made that were delivered using your service.

delivery fees from customers - customers could also pay delivery fees depending on the distance of the customers home from the restaurant.

What are the key challenges?

low margins - delivery platforms only make a small amount of profit on each order from restaurants.

fluctuations in orders - these businesses have high levels of fluctuation in orders which makes it difficult to schedule riders to manage demand.

restaurant acquisition - you will need to find restaurants willing to partner with you who either have their own platforms for delivery or who would be willing to work with you alongside other food delivery platforms.

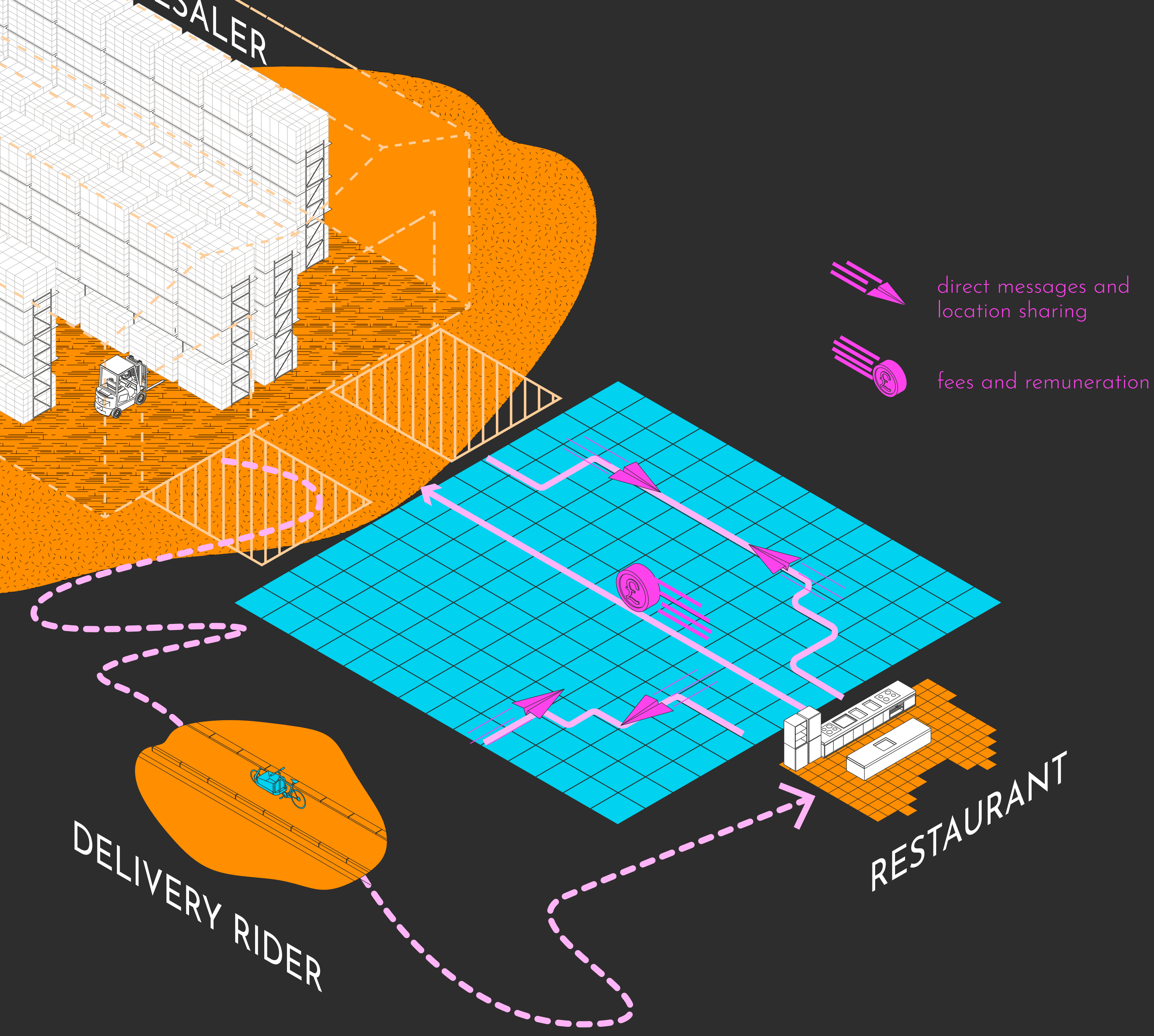
difficulties in scaling - unlike on-demand food delivery platforms, scheduled deliveries offer a more niche service that is more difficult to roll out to larger areas and requires many personal relationships with restaurants.

3. B2B

Co-operatives could also service food preparation facilities and other businesses in need of food products. These businesses range from local restaurants to cafeterias, hotels and catering companies. A food delivery co-operative offering B2B services would deliver food products from distributors to these facilities charging a commission per delivery.

Diagram 3. B2B Food Delivery

In this diagram a co-operative delivers ingredients from a wholesale warehouse to a restaurant kitchen



How do you earn money?

commission from food distributors - the distributors would pay you a commission on each delivery.

What are the key challenges?

high start-up costs - to service big food preparation facilities requires significant delivery capacity.

low margins - delivery platforms only make a small amount of profit on each delivery.

client acquisition - it can be difficult to enter this space with such large incumbent players.

KEY PERFORMANCE INDICATORS (KPIs)

Each business model will require its own set of KPIs, but there are a number of important indicators of a food delivery business' success that you should consider:

Total amount of orders - this is the key metric for emerging food delivery businesses. You should aim for rapid growth in your first months ofoperation.

Number of weekly users - how many people use your service at least once a week.

Customer retention rate - what percentage of your new customers stick with the service as regular users.

Deliveries per hour during peak/off peak times - you should measure how many deliveries you are making and when are your peak periods.

Total number of restaurant partners - this will affect what you can offer on your platform and will influence your total orders.

Profit per delivery - this will depend on what your total expenses are and whether you are able to achieve sufficient economies of scale to make profit on your orders.

Average delivery time - you will need to track how long it is taking your riders to reach clients measured from the moment they place their order to when they receive their food.

Rider on order vs. idle time - riders can be paid per order or by the hour, but either way it is important to know how much time is spent riding orders versus waiting for work.

Number of complaints - this could include undelivered orders, wrong ingredients, missing items, rider accidents and other issues.

WHAT TECH WILL YOU NEED?

One of the most important early questions for your food delivery co-op will be how you organise the logistics of your system. This can involve something as simple as sending WhatsApp messages between businesses up to developing your own bespoke app.

If you are just starting out with a few orders doing B2B you might not need to invest in any special technology and could do everything using a simple message service.

If you wish to operate an on-demand delivery service or if you have multiple riders doing simultaneous deliveries you might want to use the software that has been made available by the federation of courier co-operatives, CoopCycle.

The CoopCycle Software

CoopCycle is a federation of bike delivery co-ops which provides new member organisations with free usage of its fully-enabled bike delivery software. The software allows co-operatives to manage their deliveries, provide an interface for restaurants and an app for customers' orders. The software is protected by a license which specifies only co-operatives may use it.

The software is a complete logistical and e-commerce system that enables products to get from A to B. The platform is composed of two main parts:

The urban-cycle software: this schedules deliveries for riders on their smartphone (iOS and Android) and provides directions for their route. An administrator of the platform can follow in real time through a dispatch screen.

e-commerce/food tech: clients can order from a restaurant's menu and select a time and address for a delivery. Restaurants receive this order in real time and can accept or refuse the order. Restaurants can mark the order as ready for delivery and can also manage their menu and payments online.

JOINING THE COOPCYCLE FEDERATION

CoopCycle is governed democratically by its member co-operatives. It enables them to stand united and to reduce their costs thanks to resource pooling. It also creates a powerful collective voice for negotiations and defending members' rights.

It was founded in 2016 in opposition to the extractive commercial platforms and for the purpose of creating a fairer model for cycle delivery groups. It has grown over the years into an international federation with several dozen cooperatives across Europe and the world. You can join the CoopCycle project by sending an email to contact@coopcycle.org.

What does CoopCycle do?

The goal is to share resources and knowledge of member organisations in the network to support co-operatives in the delivery industry. CoopCycle helps individual co-operatives with elaborating their business model, expanding sales, offering advice on organisation structure, developing tools, and communications. In short, everything that is necessary for developing a courier delivery service in a manner which protects workers' rights.

CoopCycle has both a social and a technological side. In addition to supporting its member organisations with advice and support it also provides free use of its software.

CoopCycle is a federation of co-operatives and therefore does not directly pay riders. Instead, each local co-operative employs their own riders and runs their own business.

Every collective of the federation can participate in a working group through joining the specific channel on Slack. These working groups include: co-ordination and governance, welcoming new collectives, institutional relations, partners, knowledge sharing, budget, software, communications and commercial service.

Within the federation:

- Individuals exchange messages on the platform Slack.
- Group decisions are made through a form of consensus decision-making via Loomio.
- Each co-operative has 1 vote.

The organisation also arranges periodic meetings to discuss matters.

Who can Join the Federation?

Groups must be social enterprises or co-operatives according to the national law in their country. They must have a democratic governance structure. Riders must also be members of the co-operative or employed directly by the co-operative. To change the model of the predatory platforms, riders in the federation cannot have the status of independent contractors.

Member organisations must also contribute to CoopCycle in two ways:

- A contribution of 2.5% of their total turnover.
- Participating in working groups to strengthen and grow the network.

Learn how you can become a part of CoopCycle here.

COST STRUCTURE

How much should you charge?

Of the food delivery co-ops we spoke to, we found the average fee was 15% of the total order charged to the restaurant and a £4 delivery fee charged to the customer. However, CoopCycle recommends that when platform co-operatives are starting out a fee of 20-25% (before tax) is advisable to ensure profitability.

You can consider different variations depending on how you want to balance the need to ensure profitability on orders of different values and distances with retaining an attractive price for restaurants and customers.

The following options for a fee structure were created by CoopCycle for their European partners. It might give you a guide for how these different options could be adopted for the UK context. You should choose the option that will work for your co-operative.

Fee for restaurant	Fee for client	Minimum spend	Avantages	Disadvantages
30% of total order	3.50 €	12.00 €	• allows for high profitability	• little differentiation from big platform competitors which could make it harder to entice new restaurants to use the service
15% of total order	5.00 €	30.00 €	• savings for restaurants who will be more likely to use your service • targets a more niche clientele willing to pay more for an ethical service	• requires a higher minimum spend to ensure deliveries are still profitable • limits the number of potential new clients
24% of total order	3.50 €	12.00 €	• easy to explain it's a 20% savings for restaurants when compared to the big platforms but still enables high profitability	• the minimum spend cannot be too low because small orders are not profitable.
15.5% of total order +1.80€	3.50 €	15.00 €	• allows the co-op to not lose money on small orders • can say to restaurants 'the larger the order, the closer the percentage is to 15.5%, so it's much cheaper than the big platforms'	• can be complicated to explain to restaurants • difficult to make profitable on the more distant orders
7,25€	3.50 €	no minimum spend	• no surprises for the restaurant. fee always the same	• can be difficult to get restaurants to accept a minimum basket that is not too high. If minimum spend is too high this can limit orders and create a bad user experience. It is necessary to think in terms of average basket across multiple orders to measure profitability.

Projected Profit & Loss Years 1-4

As part of your business plan you should determine what your profits and losses are likely to be for each year of trading. These projections will help you work out how much money you will need and whether your business will be profitable. The following table gives you an idea of the types of categories you will need to take into consideration for income and expenses.

Year	1	2	3	4
Riders				
Restaurants				
Customers				
Office staff				
Orders per week				
Customer income				
Restaurant income				
Total Income				
Expenses				
Order expenses				
Rider pay				
Office staff pay				
Office				
Professional fees				
IT costs				
Rider acquisition costs				
Restaurant acquisition costs				
Customer acquisition costs				
Total Expenses				
Net Profit				
Cumulative				

RIDERS

Rider training

Riders that begin working for the co-operative will need to undergo a training program to learn the co-operative's policies and to be shown how to safely deliver orders. Designing and implementing an effective training program will be an important part of the setup phase of the co-operative.

How many riders will you need?

This will depend on how big you want to grow. In the beginning it is recommended that you have a small team of riders who would be able to work short shifts during the evening when the bulk of the orders come in. Collectives with 3 to 6 riders can fulfil orders from a small group of local restaurants. To service more than this you will probably need more riders during the peak periods. You could expect to double the number of riders required from a Monday night to a Friday night.

One co-operative we interviewed required 2 riders and one dedicated dispatch to service one restaurant during quiet hours and 3 riders and a flying dispatch when busy. A major challenge of this industry is balancing on-demand food delivery pricing and demand and ensuring the co-operative has enough riders operating at any given time without major wait time in between orders for the riders.

What times should you deliver?

You will have to determine which days and hours are most profitable in your area for the particular restaurants you are partnering with. Some co-operatives we interviewed only worked weekends while others found that Mondays were their busiest day. It's best to trial different options to see what will work best.

Below is an example of one co-operative's experience with a restaurant. After experimenting with different options, the co-operative worked out that it was most profitable for them to only offer service between the hours of 17:00 and 21:00 from Thursday to Sunday. During these hours they could expect close to 10 orders an hour from the restaurant.

Average Number of Orders from Restaurant

	15:00 to 17:00	17:00 to 19:00	19:00 to 21:00	21:00 to 23:00	Total
Monday	closed	closed	closed	closed	0
Tuesday	closed	closed	closed	closed	0
Wednesday	closed	closed	closed	closed	0
Thursday	closed	20	18	closed	38
Friday	closed	16	18	closed	34
Saturday	closed	18	16	closed	34
Sunday	closed	16	20	closed	36

RESTAURANTS

Which Restaurants?

You should look to attract a range of different restaurants within a specific geographic locality. Well-known restaurants that offer highly-rated cuisine are likely to have a positive effect on your whole service. Moreover, brand awareness of restaurants which already have a large audience will make your service known to a larger audience.

How Many?

It all depends on your goal. If your co-operative is relatively small (4-6 riders) and you want to focus on quality, then you can aim for restaurants that work according to your selection criteria. Keep in mind, however, that your target customers must also want to order from these outlets. On the other hand, if your objective is to aim for volume, and to grow sufficiently to hire more riders, you will probably need a very wide range of restaurants, of all types of cuisine, and especially for all budgets, (particularly the lower end of

the market).
The bulk of foodtech activity on platforms today is snacks and fast food.

Building Relationships with Restaurants

One of the major challenges for your co-operative will be to generate traffic on your platform and therefore ultimately generate orders. Through your publicity, you will be able to build up your own clientele who will order from one restaurant or another off your platform. To increase this traffic, one of your levers will be for you to be introduced to new clients by your restaurant partners.

So, for example, a restaurant with a good reputation (measurable for example in the number of people following it on Facebook) and wishing to put you forward on this same network regularly, will undoubtedly have a beneficial effect on the entire platform. This is much more important than a restaurant with little social media focus that wants to work with Uber / Deliveroo as much as with you.

How do you attract new restaurant partners?

You won't initially have the capacity to be able to assure the restaurant owner that your service will bring them more activity than Uber / Deliveroo. So your pitch to them might consist of other elements, including:

- **Customer service:** human after-sales service on the phone, reachable at any time in the event of a problem, regular updates on the activity. No unilateral decisions made by your company, possibility of adapting the operation to the needs of the restaurant owner.
- **Riders co-responsible for the co-operative** and therefore concerned about the quality of service. Better relationships between riders, restaurant staff and customers
- **100% cycling**, so environmentally more friendly.
- **supporting the local economy**

CUSTOMERS

One of the most important metrics for you to monitor early on is how many new customers are using the service. It is important to raise awareness of your new co-operative through word of mouth and publicity. One strategy for attracting new customers is to offer discounts and provide existing customers with incentives to refer their friends.

Customer acquisition cost refers to how much you need to spend to attract a new customer to your service. This would include publicity, special deals for new customers and any discounts you need to offer. This is a difficult aspect in food delivery since 80% of UK users of food delivery apps never or rarely switch between platforms.

Customers surveyed about why they chose a food delivery service reported being most interested in receiving cheap and fast delivery. Following this reason, customers were also interested in the service offering a wide range of restaurants and special discounts and rewards.

Only 17% of respondents thought that choosing an ethical or socially responsible company was important for them. This suggests that the market for those who would pay slightly more for an ethical value proposition remains limited.

You will also need to monitor your customer retention to determine how many of your new customers are sticking with your service and how often they use it. This will help you know whether your customers are satisfied with the service.

TIMELINE

You should also develop a detailed timeline for your business about what you expect to be doing at each stage of the business' development. Here is an example of what you might expect for a small on-demand food delivery platform serving a local area.

Prelaunch	Weeks 1-3	Restaurant visits to build relationships and plan tech rollout Rider recruitment Develop brand identity
	Weeks 4-6	Sign contracts with initial 10 partner restaurants Technical onboarding for restaurant staff Brand identity finalised; create marketing assets and web presence
	Weeks 6-8	Rider training and induction Begin local marketing campaign
Trading	Weeks 9-16	Launch platform for trading Initially 2 nights per week with 2, rising to 4 active riders Focus on customer acquisition through marketing and referral incentives
	Week 17	Review point. Adjust service capacity to demand and expected growth.
	Weeks 18-26	By the end of 4th trading month, expected to increase to 6 active riders servicing 20 restaurants

CHOOSING A LEGAL STRUCTURE

Now it's time to revisit the questions of legal structure and governance.

Co-operatives are businesses owned and controlled by their members, who can be customers, staff, suppliers, local residents or a combination of these stakeholders. Members have an equal say in how the business is run and can choose what to do with profits, whether distributing among members, reinvesting in the business or giving to the community.

To be a co-operative according to the International Co-operative Alliance you must simply follow the co-operative values: self-help, self-responsibility, democracy, equality, equity, and solidarity in addition to the following four ethical values: honesty, openness, social responsibility and caring for others.

You must also subscribe to the following set of cooperative principles: voluntary and open membership, democratic member control, member economic participation, autonomy and independence, provision of education, training and information, co-operation among co-operatives, and concern for the community.

For more information on this see the International Co-operative Alliance.

If you intend to trade, you will need to incorporate as a legal entity. Incorporation means you create an organisation with a separate legal identity. Your co-operative will have its own rights and duties that are separate from its members.

This has several advantages:

- Individual members are not personally liable for the debts of the co-operative
- You can make contracts in the co-operative's name
- Risk is shared between members

When you incorporate you also indicate how decisions are made in your co-op:

- Members may hold one vote only on any business to be decided in general meetings irrespective of how many shares a member may own.
- Board composition: may be governed collectively by all members, or via an elected Board.
- Options to decide what happens to any assets remaining after winding up.

When it comes to choosing your legal form there are many options available and it can be easy to get lost in this. The three main options when incorporating as a Co-operative are:

- A Limited Liability Partnership

- A Company
- A Society

For a full list of options see the approved models list from Co-operatives UK. The options are explained below but you can also seek advice from Co-operatives UK. Seeds for Change also have a useful table to compare the advantages and disadvantages of different legal models.

Once you have selected the legal form that is right for you, you can also choose the model governing documents.

Option 1. A Limited Liability Partnership

You may set up a co-operative as a Limited Liability Partnership (LLP) under the Limited Liability Partnership Act 2000. LLP members enjoy limited liability. The liability of an individual member of an LLP is limited to the sum, if any, which he or she agreed with the other members to be liable for on the winding up of the LLP. Property owned and contracts signed can be made in the name of the LLP and so the individual partners would not be liable.

Option 2. A Company

You may choose to register your co-operative as a limited company which is a legal entity under the Companies Act 2006.

A limited company is either:

1. A company limited by guarantee
2. A company limited by shares

This can be suitable for a co-operative that is owned and controlled by its employees. If you do not intend to sell shares to your members, then we would recommend a company limited by guarantee as it is administratively easier to operate. To incorporate you will need to register with Companies House and you will need to keep records that must be filed yearly with both HMRC and Companies House.

Option 3. A Society

Another option is to register as a society under the Co-operative and Community Benefit Societies Act 2014. A Society is either:

1. A Co-operative Society: run for the mutual benefit of its members based upon their common economic, social and cultural needs or aspirations and in line with the seven co-op principles.
2. A Community Benefit Society: run primarily for the benefit of the community at large, rather than just for the members of the society. This means that it must have an overarching community purpose that reaches beyond its membership.

A Society provides the advantage of raising share capital specific to the co-operative sector in the form of community shares.

Societies register with the Financial Conduct Authority (FCA) and need to keep records that must be filed yearly with both HMRC and the FCA.

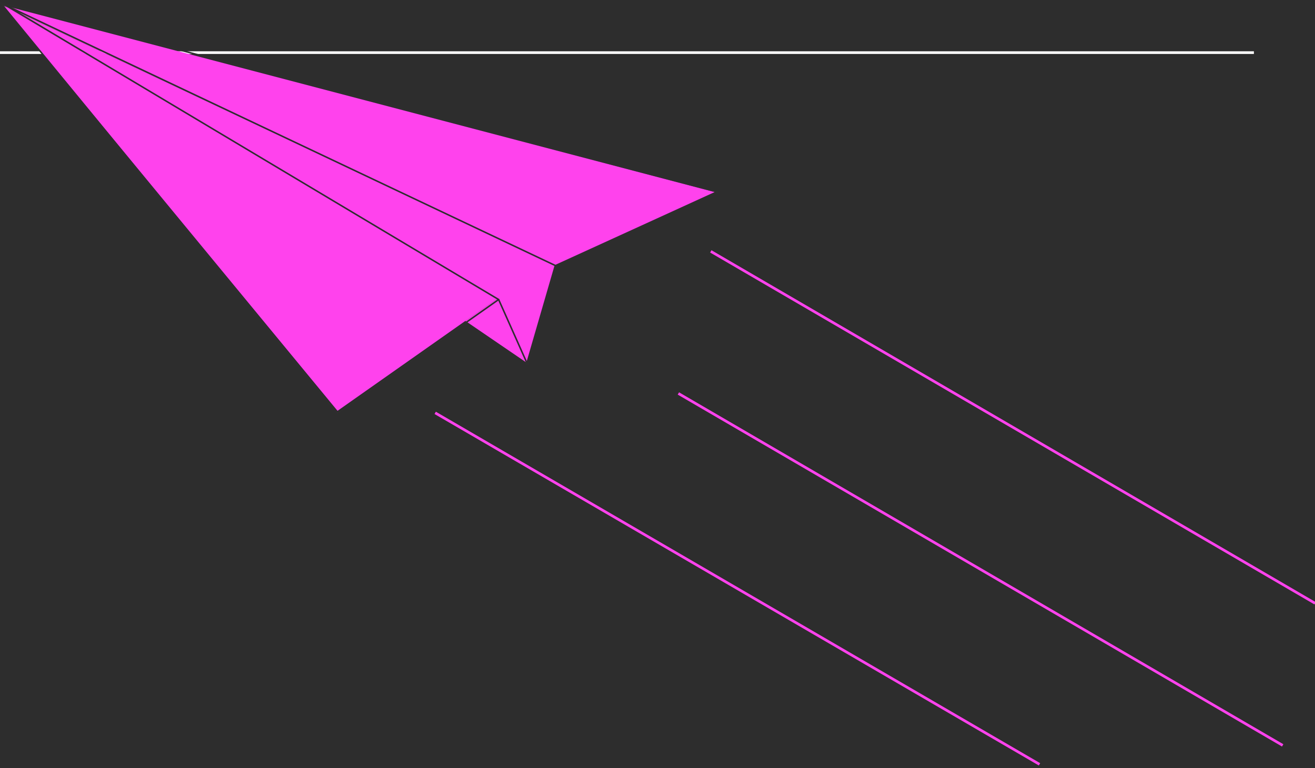
CHOOSING A GOVERNANCE STRUCTURE

Co-operatives UK have developed a step-by-step tool to help outline the options available for your co- operative regarding legal form and organisational type, based on your business plan. The governing body of a co-operative needs to lead a profitable business that meets the needs of its members and is resilient in the face of adversity.

Co-operatives UK have also identified three key elements of good governance:

- **Governance structure:** this involves the structure and constitution of your governing body and your governing documents
- **Processes and Policies:** these might cover how directors are appointed and held accountable, how to deal with conflict within the co-operative and how meetings are conducted.
- **Skills and Behaviour**: Ensure that members of a governing body have the appropriate skills and knowledge to fulfil their roles properly.

For more information on which governance structure will work for you check out Co-operative UK's, Simply Governance: A comprehensive guide to understanding the systems and processes concerned with the running of a sustainable community enterprise.



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Published 2021 by:
© Autonomy
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