



Special Delivery

The big food delivery apps are killing local restaurants. Dozens of locally owned services are proving there's a better alternative.

By Kennedy Smith
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ILSR INSTITUTE FOR
Local Self-Reliance

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The author would like to thank everyone interviewed for this report for their time and insights.

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Introduction

Candy Yiu, her husband, and their three business partners spent more than two years planning their new restaurant, Malka, in Portland, Oregon. The restaurant finally opened in January 2020. But within weeks, the COVID-19 pandemic shut down indoor dining. Like thousands of other restaurateurs across the country, Yiu quickly pivoted to curbside pickup and delivery.

But she and her husband, Akshay Dua, immediately realized that they couldn't succeed, no matter how many customers they had. The big third-party restaurant delivery apps – DoorDash, Grubhub, Postmates, Uber Eats – were gutting independently owned restaurants like theirs by charging fees that amounted to 30 percent or more of the meal's tab. Local restaurants typically eke out margins of just **3-6 percent of gross sales**. The math just didn't work. Yiu and her husband decided to take action. "We knew we had to do something," Yiu told us.

A few months later, on the other side of the country in Hawthorne, N.J., Tatiana Amador lost her job as a Montessori schoolteacher. She and her husband, Dorian, thought about opening a coffee shop. But when they reached out to restaurant owners for advice, they realized that they probably couldn't succeed, no matter how many customers they had. And it wasn't just about the fees. The apps use a range of predatory tactics, from listing restaurants' menus on their websites without permission to buying domain names nearly identical to existing restaurants. "It was nauseating to hear," Dorian said. But the conversations gave them a business idea.

From opposite sides of the country, both Candy Yiu and Tatiana Amador and their husbands created locally based delivery services that would charge reasonable fees and succeed by strengthening independent restaurants, not preying on them. They are two of at least 50 entrepreneurs across the US who have taken up this challenge.

In the process, these local delivery services are exposing the sham at the heart of the big delivery apps' business model. The major apps offer no real economies of scale; it's still just people driving food orders to customers' homes, an inherently local, labor-intensive service. Despite more than **\$26 billion in revenues** in 2020 – dollars taken directly from the cash registers of local restaurants – DoorDash, Grubhub, Postmates, and Uber Eats continue to post **sizeable losses**, even after roughly a decade in business. It's a standard monopolistic strategy: By using Wall Street's backing to expand rapidly and lock in market share, the big delivery apps are trying to become permanent tollbooths between restaurants and their customers. The goal is not creating value, but extracting wealth.

Meanwhile, the local entrepreneurs profiled in this report are building viable businesses. And they're doing so while charging restaurants lower fees, paying their drivers more, and not using deceptive and predatory tactics. Meal delivery is a service that inherently works better at the local level, where the relationships between the delivery service, the drivers it hires, and the restaurants it serves make an enormous amount of difference in both ensuring a quality delivery experience and in meeting the bottom line.

Local delivery services are exposing the sham at the heart of the big delivery apps' business model.

Despite the many benefits these local delivery services offer, they face a policy and regulatory environment that heavily favors the big apps. For several decades, the federal government has done little to punish deceptive and predatory business tactics. This lax enforcement, combined with the massive capital injections the big apps receive from venture capitalists and shareholders, has given the big apps room for almost unlimited growth. They were growing rapidly before COVID-19, and the pandemic supercharged their market domination. But, at fees of 30 percent or more, every single transaction chips away at restaurants' bottom lines. Some have even resorted to crowdfunding campaigns to keep the doors open.

This report profiles 20 locally based restaurant meal delivery services. Together they offer a rich collection of experiences that can help entrepreneurs, business support organizations, and local governments create locally owned delivery services that bolster independent restaurants and build community wealth. Drawing on what we learned from these case studies, the report begins with findings about the advantages that local delivery services have over the big apps, and then explores ways that policymakers – and customers – can support locally based restaurant delivery services.



Findings: Main Street vs. Wall Street

The oversized fees that Wall Street-supported apps charge – for fielding orders, making deliveries, marketing, and more – are just one of their predatory tactics. For example, they often list “non-partner” restaurants on their websites and mobile apps without their permission, then undercut them with messages telling would-be customers that a restaurant is not currently accepting orders or is outside the delivery range, driving customers to their partner restaurants. They capture valuable customer data, such as popular menu items, customer demographics, profitable neighborhoods, which would otherwise go to the restaurants themselves. They use this information to launch delivery-only “ghost kitchens” – restaurants offering only delivery and pick-up, not dine-in

service – that then compete against their restaurant partners. They direct traffic away from restaurants' websites by creating nearly identical sites with **nearly identical domain names**. The list of abuses goes on and on – and almost all of these issues have been the subject of high-profile lawsuits.

Even before the pandemic, the four dominant delivery apps were growing at a brisk pace. Between 2018-2019, DoorDash's revenues grew by 55 percent, for example, and Grubhub's grew by 30 percent.

When the pandemic hit and restaurants closed their dining rooms, the numbers of orders customers placed through third-party delivery apps skyrocketed, and the apps' revenues soared. DoorDash raked in \$2.9 billion in revenues in 2020, a **241 percent increase** over 2019. Uber Eats' revenues grew by **153 percent**, and Grubhub's by **38 percent**.

Where did this revenue growth come from? It came almost exclusively from the cash registers of local restaurants, many of which could not survive on carryout and delivery at the exorbitant rates the third-party delivery apps charge. Over 17 percent of the nation's restaurants closed between the March and December 2020 – **more than 110,000 businesses**, gone, with nearly **2.5 million restaurant industry workers** losing their jobs.

The four major delivery apps have not turned a profit, even with fees of 30 percent or more of meal sales.

The carnage is likely to continue post-pandemic; the apps' combined revenues are projected to grow by **59 percent by 2025**. Their enlarged market positions, together with new customer habits, could now make them an even greater threat to independent restaurants.

In spite of their revenue growth, the four major delivery apps have not yet turned a profit, even with fees of 30 percent or more of meal sales. Yet Wall Street continues to pump in money to keep them going. When DoorDash, which commands 45 percent of the restaurant delivery market, went public in 2021, Wall Street set its market value at a staggering **\$71 billion**. Uber Eats, which controls another 30 percent of the market, had a market value of



\$20 billion in 2018; Grubhub, with an 18 percent market share, was valued at more than **\$7 billion** in June 2020.

Even some company insiders question the logic of a business model fueled by global capital for what is essentially a local service. In a **2016 interview** with Forbes magazine, Grubhub's founder and CEO, Matt Maloney, called out the economic absurdity of offering a local service – food delivery – while trying to meet Wall Street's demand for earnings. "I'm running my delivery-based business with the explicit goal to break even," he said. "That's not fun for me, and normally I'd say that's the dumbest business you could ever be in. Why run a break-even business? That's a pain in the butt."

A growing army of locally owned delivery services is now proving that there's a much better way forward – one that makes better financial sense for restaurants, creates good jobs, and keeps wealth local. Entrepreneurs like Candy Yiu and the Amadors are demonstrating that restaurant meal deliveries can be managed much more efficiently and effectively at the local level than at the national level.

Each of these locally based services is unique, with its own approach to solving the challenges of making a delivery service work well for restaurants, deliverers, and customers. Unlike the one-size-fits-all Wall Street-backed third-party delivery apps, they fit their communities' particular needs and circumstances. Their designs reflect the values and perspectives of the people who created them and



the needs of the communities they serve. Some deliver groceries and other products in addition to restaurant meals, while others focus only on restaurants. Some earn income on both the customer and restaurant sides of the ledger, while others only charge customers. Some develop their own platforms, while others use existing platforms (and, in some instances, no platform at all – just a phone-based order dispatching system). Some serve large, rural areas, while others serve dense urban neighborhoods. Despite their variety of approaches, these locally based delivery services all offer enormous benefits over the big, corporate third-party delivery services:

- **Local delivery services charge lower fees than the dominant apps, and they succeed by strengthening restaurants, not preying on them.** Almost all of the people whose locally based delivery services are included in this report were motivated to launch their operations by a desire to help locally owned restaurants flourish – not just during the pandemic, but for the long haul. Every single entrepreneur with whom we spoke talked about how alarmed they are by the predatory prices and business practices of the major third-party delivery apps. A restaurant earning \$500,000 in gross revenues annually would have to spend roughly \$150,000 in commissions with DoorDash, Grubhub, Postmates, or Uber Eats, making it almost impossible to keep the doors open – and starving the community of the jobs, tax revenue, rents, supply purchases, utility payments, advertising, and other impacts that the \$150,000 would otherwise support if it stayed local. All of the delivery services included in this report have found ways to be profitable while minimizing costs for restaurants and making costs predictable. Some are

operating successfully without charging restaurants anything at all. “We just sort of rearranged the dollars and did it in such a way where it is still competitive for the end-user, and it’s still very competitive and profitable for the restaurants themselves,” the owner of *appétit*, a delivery service in Buffalo, N.Y., said in a TV interview. Independently owned restaurants usually clear only about 3-6 percent profit on their gross revenues, so any charges above that could cut into their bottom lines and put them at risk.

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- **Rather than a cookie-cutter approach, local delivery services customize their operations for a community’s specific needs.** Some have been built to serve certain types of businesses or customers, such as immigrant-owned restaurants, Spanish-speaking customers, or military veteran drivers. Some place special emphasis on providing jobs for laid-off restaurant workers. Some make a conscious effort to give back to the community. Astoria, Oregon’s *Slurpalicious*, for example, offers a **pay-it-forward feature** through which people can donate to a fund for people needing meals. Someone who needs a meal just opens the *Slurpalicious* app, chooses a restaurant, then clicks “Free, if you need it.” The app won’t ask for payment, and the restaurant

won't know that the meal is a pay-it-forward meal. Co-owner Candy Yiu says that, as of March 2021, people had donated almost \$10,000 to the program.

- **Local delivery services are accountable to restaurants.** Locally based delivery services are accountable to the restaurants whose food they deliver, in ways that Wall Street-backed delivery services are not. Once an order leaves the restaurant, it's the delivery service and the deliverer, not the restaurant, who are in charge of food quality and, by extension, the restaurant's reputation. A delivery service owned and operated by someone who lives in the community has a vested interest in helping restaurants succeed by ensuring that the food it delivers is fresh, hot, and on time. The Wall Street-controlled third-party delivery apps have a vested interest only in generating returns for shareholders. George Cobbs, who runs Takeout 2 You in Chattanooga, explained to us that, "My business line is my cellphone. Anyone can reach me anytime. I know all the drivers personally. It's just a completely different style of service from DoorDash, that big corporate monster."

"We're all working together to provide living wages for all of our employees, from couriers to line cooks to the front-of-house worker — everyone deserves to make a living wage."

— CHRIS POWERS, TO-GO-GO

- **Local delivery services ensure that restaurants, not Wall Street-funded corporations, own and control their own sales and customer data.** Data is a powerful resource. With the pandemic-fueled shift to online ordering, restaurants can use information about their customers' demographic characteristics, their best-selling menu items, the peak hours at which customers from different neighborhoods order food, and much more to customize their offerings and boost sales. But, by fielding orders through their own apps and websites, the big third-party delivery services intercept this valuable data and divert it for their own uses, including using it to create ghost kitchens that then compete with their restaurant partners. By contrast, most locally based delivery services openly share the data they collect with their restaurant partners, putting the power of this information in the hands of local restaurants.

"Businesses should 'own' their customers, not rent them from third party middlepersons," noted Chicago restaurateur Nick Kokonas.

- **Local services generally pay drivers more.** The big third-party delivery apps have gained notoriety for how poorly they treat their delivery drivers. They pay low wages, with poor or nonexistent benefits. At least one of them has even **used drivers' tips to help pay wages**. In 2020, they waged a \$200 million campaign to persuade California voters to approve Proposition 22, a law that exempts ride-sharing and delivery companies from treating gig workers as employees. It was the most expensive ballot initiative in California's history, with a budget that would have been almost impossible without Wall Street's backing. By comparison, the locally based delivery services mentioned in this report compensate their drivers fairly, paying them a decent base salary and letting them keep all the tips. "The idea that we're all working together to provide living wages for all of our employees, from couriers to line cooks to the front-of-house worker — everyone deserves to make a living wage," according to local delivery service DC To-Go-Go co-founder Chris Powers.
- **Local delivery services explain the importance of choosing options that support restaurants and keep dollars in the community.** During the pandemic, almost 40 percent of restaurant customers said that they used delivery services because they want to support locally owned restaurants. Ironically, many people do not realize that using the Wall Street-controlled delivery services actually harms local restaurants. The locally based companies mentioned here make a point of explaining this. Foodie Taxi's Dorian Amador puts it succinctly, "So it's us and the locally owned restaurants against Grubhub and Uber and McDonalds and Burger King and all of that," he said.
- **Local delivery services build local wealth.** Locally based delivery services are locally owned businesses themselves. They patronize other locally owned businesses, support community services with their taxes, and contribute to community organizations. Their profits remain in the community and build local economic strength.



Lessons for Policymakers

Restaurants are powerful economic engines. They provide **one of every ten of the nation's jobs** and account for more than four percent of the nation's gross domestic product. They employ a higher percentage of minority workers than any other industry – **47 percent**, versus 36 percent across all industries. They are vital in creating a sense of community identity. And they support a vast network of farmers, dairies, packagers, distributors, distillers, truckers, and other food-related businesses.

Because of restaurants' crucial role in local economies, some state and local governments and business improvement districts are helping restaurants by actively supporting local restaurant delivery services. Policymakers can, and should, do a number of important things to support locally owned restaurants. These include:

Capping the fees that third-party delivery apps can charge: Local governments can set a cap on the commissions and fees that third-party delivery apps charge. In fact, more than 60 US cities, ten counties, and four states had done so by March 2021. Most cap total fees – delivery fees, plus marketing and other fees – at 15 percent of a customer's total order. While all of these fee caps were designed to expire after the pandemic-era state of emergency is lifted, some states and cities are considering

making them permanent, recognizing the damage that the apps' exorbitant fees do to restaurants and, by extension, to local economies. Many of these fee caps also include penalties for violations.

Prohibiting predatory activity: Local and state governments can require that delivery services are transparent about their fees, disclosing every commission and charge to customers and restaurants. And they can prohibit them from **listing a restaurant** in the delivery service's roster without a restaurant's explicit permission. For instance, California's **Fair Food Delivery Act** requires delivery apps to have a partnership agreement with each restaurant they list. Before this law went into effect at the beginning of 2021, Postmates (which is owned by Uber) had 40,000 non-partner restaurants listed in its roster in California alone. California also enacted a law, **AB 3336**, that requires food delivery companies to ensure cleanliness and proper food handling, including using tamper-proof seals.

Investigating coercive practices: **Three Members of Congress** have asked the Federal Trade Commission to investigate these private equity-fed delivery companies' predatory business practices. The letter, from US Representatives Jan Schakowsky, Mary Gay Scanlon, and Pramila Jayapal, states that, "Restaurants can only choose whether to participate with the services and terms set by the dominant firm in their market. The platforms have used this leverage to set excessive fees and commissions, and to undertake multiple coercive and potentially deceptive marketing actions such as creating fake phone numbers and websites for restaurants and offering delivery services without restaurants' consent." Several communities have asked state Attorneys General to investigate apps for **antitrust activity**, concerned that their market dominance could prevent smaller companies from competing and could, in turn, drive up fees.

Supporting local delivery services: Local governments can encourage and support the development of one or more locally based restaurant delivery services. In fact, many have already done so, offering everything from marketing campaigns to investment capital. For example, Collingswood, New Jersey's Business Improvement District partnered with Bloc, a Philadelphia-based electric bike delivery service, to make deliveries for locally owned restaurants and retail businesses. The BID picked up the delivery fees. And the City of Fort Wayne, Indiana partnered with the Downtown Improvement District and

Waiter on the Way, a local restaurant delivery service, to cover the costs of delivery from 176 participating local restaurants from October-December 2020. The program garnered almost 40,000 orders, totaling more than \$2.5 million in restaurant sales. The city used \$208,000 of its federal CARES Act allocation to pay for the program. Other cities used portions of their CARES Act funds for similar programs as well. The City of Boulder used CARES Act funds to cover the costs of the restaurant-side delivery fees for delivery co-op Nosh through the end of December 2020, after which it capped delivery fees at 15 percent.

Several communities have asked state Attorneys General to investigate apps for antitrust activity, concerned that their market dominance could prevent smaller companies from competing.

In the absence of a local delivery service, the **City of Beachwood, Ohio**, offered free restaurant meal delivery for community residents during the winter of 2021. Ten local restaurants participated in the program. After receiving a carryout order of \$25 or more, a restaurant staff person would call a driver hired by the City, who would then pick up the food and deliver it. Drivers were paid \$20 per hour, plus tips. The program, Beachwood Delivers, was originally scheduled just for January, but it was so popular that the City extended it through the end of March. In an interview with Today, Karen Carmen, the City's community services director, explained that she got the idea for the program from the City's senior citizen transportation program.

Support has come at the state level also. New York State partnered with Ritual, an online restaurant ordering platform that supports curbside pickup, to provide the platform for free to New York restaurants from December 2020 through April 2021.

Some of these interventions, investigations, and actions predate the COVID-19 pandemic; others were created because of it. But all of them offer guidance and inspiration for a more robust support system for local restaurants and the extensive network of employees, wholesalers, food producers, and many others that they support.



Advice for Customers

Local governments aren't the only ones with a crucial role to play in saving locally owned restaurants. The most important role is ultimately that of community residents, who can consciously and deliberately choose to use a local delivery service or to simply call their favorite restaurant directly to order takeout rather than to use one of the big, Wall Street-supported third-party delivery apps. Every order that someone places via one of the market-dominant third-party apps undercuts locally owned restaurants, pumping roughly 30 percent of their sales out of the community and putting local restaurants at risk.

More than twice as many people who choose to order food for delivery prefer to order directly from a restaurant.

A growing number of people appear to be hearing this message. According to Sense360, a consumer research service, more than twice as many people who choose to order food for delivery prefer to order directly from a restaurant (either by phone, website, or the restaurant's own app) rather than using one of the big third-party delivery apps. In February 2021, 59 percent said they prefer to order this way, versus 25 percent who prefer using third-party apps. When asked why they prefer to order directly from a restaurant, 32 percent said that they do so specifically because they want their money to go directly to the restaurant.

The pandemic has permanently changed the restaurant industry – and has also permanently changed diners' habits, preferences, and expectations. The creative, locally based restaurant delivery services and ordering platforms profiled in this report, and many others like them, are proving that restaurant delivery can be a win-win for restaurants, customers, and the community.



Profiles of Local, Independent Delivery Services

This report outlines a few of the many locally owned and restaurant-friendly delivery service models that have emerged during the pandemic. Although each of them is unique, with its own special features, they generally fall into one (or more) of five broad groups:

- Co-op delivery services
- Delivery services that assign most or all costs to customers
- Membership-based delivery services
- Delivery services offering lower commissions
- Online ordering platforms

Co-op delivery services

As with all co-op businesses, restaurant meal delivery co-ops are owned collectively by a group of people who benefit from its services and who equitably share its profits. This has been a popular model for locally based restaurant meal delivery services during the pandemic. Some of these new co-ops are owned by a group of restaurants; some include delivery drivers as owners as well.

Delivery Co-op

Lexington, Kentucky | Launched: 2020

Aaron Withers comes from a restaurant background and, in early 2020, he was thinking about opening a new restaurant in Lexington, Ky. But when the pandemic hit, he shelved his plans and changed direction. Like others who have launched a local restaurant delivery service, he saw the damage that the big third-party delivery apps were doing to his city's restaurants. To Withers, a locally owned co-op delivery service seemed like a good solution. His kids go to a co-op school, he shops at a co-op grocery store, and the co-op model of generating local wealth appealed to him. "We're in line with putting money back into the communities, paying our drivers well, and helping these independent restaurants not get scraped by the big guys," he told us.



With help from two partners with tech and entrepreneurial experience, Withers put together a co-op business model and a suite of three integrated apps – one for customers, one for restaurants, and one for delivery drivers. Customers

get unlimited free delivery from participating restaurants for a \$25/month membership fee, roughly what they would pay DoorDash or Grubhub for two deliveries. Restaurants pay a flat \$300/month membership fees – no commissions, no additional fees, penalty-free cancellation. Drivers are paid a base salary of \$10/hour and keep all the delivery tips, putting them at about \$20/hour in total earnings. Health benefits kick in after a driver has worked full-time for three months, and after one year of employment they become co-op owners, with profit-sharing privileges. At the end of the year, 20 percent of the profits are redistributed to the restaurants and drivers.

"We're in line with putting money back into the communities, paying our drivers well, and helping these independent restaurants not get scraped by the big guys."

– AARON WITHERS, DELIVERY CO-OP

By March 2021, the co-op had 320 members and seven restaurants in its roster, with significant growth on the horizon: Withers has a waiting list of 50 or more restaurants which he plans to add to the roster as soon as he can scale up delivery capacity. He's also exploring new approaches to food-delivery by partnering with the maker of Vespa scooters to beta-test a delivery robot. And he gets emails from people throughout the country who are interested in bringing Delivery Co-op's model to their communities.

Chomp

Iowa City, Iowa | Launched: 2017

LoCo Omaha; LoCo Las Vegas; LoCo Nashville

Launched: 2020, 2021

In 2017, OrderUp, which had offered food delivery in Iowa City, was bought out by Grubhub. Grubhub quickly doubled the 15 percent commission that OrderUp had charged restaurants. That prompted Jon Sewell, who owns a D.P. Dough franchise, to speak with other Iowa City restaurateurs about creating their own delivery service. The result – Chomp – is owned collectively by local restaurants. It charges a 15 percent commission – a little steeper than many other locally owned meal delivery services, but it is half the commission that the big third-party delivery apps charge, and the money stays local. Drivers work as independent contractors.



Based on his experience with Chomp, and his earlier experience as a healthcare executive, Sewell used Chomp as a model for restaurant delivery co-ops in other places, including Omaha (LoCo Omaha), Las Vegas (LoCo Las Vegas), and Nashville (LoCo Nashville).

937 Delivers

Dayton, Ohio | Launched: 2020

Dayton, Ohio's 937 Delivers opened for business in late November 2020. Co-op Dayton, a local nonprofit that promotes cooperative business models for startup businesses and for ownership transitions, worked with Flyer Consulting, a student-run organization at the University of Dayton that provides free consulting services for small businesses, to develop a business model to help locally owned restaurants during the pandemic and beyond. The name – 937 Delivers – refers to Dayton's area code and underscores the co-op's focus on locally owned businesses.

937 Delivers operates a bit like Delivery Co-op. Restaurants pay a \$300/month membership fee to participate. Customers pay a flat \$6 delivery fee, part of which goes to the driver and part to the restaurants. Any profits the co-op generates will be redistributed to co-op members or used for the delivery service's future development.

Just two months after launch, it had already generated over \$100,000 in food sales and expanded from nine participating restaurants to 17, with 25 drivers. The co-op also offers sponsorship opportunities for local businesses, accepts donations through GiveLively.org, and offers gift cards redeemable at any of the restaurants for which they make deliveries.

Candlestick Courier Collective

San Francisco, California | Launched: early 2000s

San Francisco's Candlestick Courier Collective's focus is bike deliveries – punk and fixed-gear bike deliveries, in particular – and making sure that bike deliverers are compensated fairly. The co-op is owned by the delivery riders, all of whom own one share. The Collective was born, in part, by frustration at the low pay and lack of benefits offered by the big third-party delivery apps – including Uber, whose headquarters is just a few blocks away.

Candlestick Courier Collective's clients are all locally owned businesses, and most are restaurants (it also delivers parcels, documents, and other bike-friendly items). Its commitment to locally owned businesses is fundamental to its ethos. In a 2020 interview with KQED, Tasha Rose, one of the Collective's owner-workers, explained that, "We are working with local businesses and only local businesses because the whole goal is to put the money back into our pockets, back into restaurant pockets, back into the community."

"The whole goal is to put the money back into our pockets, back into restaurant pockets, back into the community."

– TASHA ROSE, CANDLESTICK COURIER COLLECTIVE

It has four owner-workers and 60 bike couriers. Rather than placing a food order through Candlestick Courier Collective's app, customers order directly from a restaurant, then submit a pickup request to the courier.

Delivery services that assign most or all costs to customers

Meal delivery is essentially a convenience – an extra service that customers might buy, rather than something restaurants might be expected to provide for free. Recognizing this, some locally owned delivery services push all or most of the delivery costs to customers, rather than asking restaurants to forgo a cut of their revenue.

USVets Deliver

Humboldt County, California | Launched: 2020

Navy veteran Jim Richards was laid off from his job at the Bear River Casino in Humboldt County, Calif., when the pandemic hit. To cover his bills, he started driving for DoorDash. In a December 24, 2020 interview with North Coast Journal, he said that the experience “really opened my eyes to the whole restaurant industry,” including the huge commissions the big apps impose on restaurants. He decided to launch a local delivery service, USVetsDeliver, to help locally owned restaurants and to provide drivers with decent wages.

Richards contacted his Small Business Development Center about potential sources of financing, but he found that the US Small Business Administration, from which he had hoped to obtain a loan, was overwhelmed by processing Paycheck Protection Program loans. Instead, he decided to launch a GoFundMe page to raise start-up funds, offering to pay 9.75 percent interest, the amount he anticipated that he would have paid an SBA lender, to people who invested \$1,000 or more in his delivery service. He raised just over \$10,000 from 16 investors and launched the business.

Delivery is completely free for participating restaurants in USVetsDeliver’s service area, which includes Arcata, Eureka, Ferndale, and McKinleyville. Customers pay 15 percent, with a minimum order of \$10. USVetsDeliver keeps \$2 per order; the rest, plus all tips, go directly to the delivery driver.

It doesn’t have a downloadable app or a tracking map for customers, or an interface for restaurants. Instead, customers text a dispatcher who finds an available driver. The customer calls the restaurant of her or his choice to place an order, then texts the dispatcher the restaurant address, the delivery address, the total amount of the order, and the time the order will be ready. The company

also delivers groceries and provides a local package delivery service.

Hot Shots Magnolia Delivery Service

Magnolia, Alabama | Launched: 2020

Hot Shots Magnolia Delivery Service opened in December 2020 and began making deliveries a month later. It serves customers within 10 miles of its restaurant partners, charging customers 15 percent of the total order, plus a flat \$5 fee. There is no charge to participating restaurants. In addition to its regular delivery pricing, Hot Shots offers monthly memberships of \$10-40, providing from 5-20 free deliveries.

KnockKnock KC

Kansas City, Missouri | Launched: 2020

James Bates was at home in Kansas City on March 11, 2020, the day the World Health Organization declared COVID-19 a global pandemic. He had just sold his half of his IT human resources firm in January and was mulling over options for his next business venture. His kids had come home from college, and his family ordered carry-out. And that’s when he realized that the astronomical fees charged by the big third-party meal delivery apps were killing his favorite Kansas City restaurants. He decided to tap his human resources expertise to provide trained, uniformed delivery personnel to local restaurants on an hourly basis, with restaurants setting the delivery fees. Within one year, KnockKnock KC was helping nearly 20 local restaurants.

“It’s all about getting money back in the hands of the local economy and keeping that money in Kansas City and not having to go out to these big national companies that don’t have a care in the world for restaurants.”

– JAMES BATES, KNOCKKNOCK KC

“It’s all about getting money back in the hands of the local economy and keeping that money in Kansas City and not having to go out to these big national companies that don’t have a care in the world for restaurants,” Bates told us.

Bates works out a schedule with each restaurant a week in advance, with restaurants hiring drivers for as few or as many hours as they wish. The restaurants set their own

delivery rates, which they charge directly to customers – so, just a few deliveries every hour can cover the cost of a driver. Restaurants pay no additional charges. Drivers work exclusively for one restaurant during each shift, wearing the restaurant's uniform. They earn an hourly wage and keep all the tips.

Runner City

Austin, Texas | Launched: 2020

Austin's Runner City is a loose, casual service that matches people who want food delivered with "runners" willing to deliver it. Runner City uses a no-frills Facebook page as its platform. People post tasks – such as picking up carry-out food orders – and interested runners then bid on the task, posting a digital business card that verifies that he/she has undergone and passed an evaluation process. The customer and runner then negotiate details privately, with mandatory minimum tips based on the amount of time it takes to deliver an order. Runners work as independent agents, are paid directly by the customer, and are expected to report their earnings on their local, state, and federal taxes.

Although food delivery is a frequently requested service, Runner City isn't limited to food delivery; people can ask for deliveries from other types of businesses, plus other kinds of services. And customers can ask for assistance in ways that typical delivery apps cannot accommodate. One customer recently wanted to have food delivered to a friend of hers whose mother had passed away – and she wanted to also send along some handmade face masks. The Runner City driver came to her house to pick up the face masks, then picked up the food. In an interview with Spectrum Local News, the customer said, "So, you know that's the kind of stuff you can't really do when it's through an app, because there's no ability to kind of modify things."

Runner City groups have popped up in other cities in and beyond Texas, but, with more than 18,000 users at the end of March 2021, Austin's group is one of the most active.

Chekout

New York, New York | Launched: 2021

Launched in March 2021 in New York City, Chekout charges restaurants nothing for its delivery services. Customers pay a ten percent service fee, which Chekout retains, plus a \$2.50 delivery fee, which goes to a delivery service with which Chekout contracts. The company was created by Christopher Bruno, who runs a catering business.

According to Bruno, one of the biggest challenges he faces is simply educating the public about the danger to restaurants of the big third-party apps.

Membership- and subscription-based delivery services

Rather than charging commissions based on sales, membership- and subscription-based delivery services charge restaurants a flat monthly fee. This makes costs predictable – and manageable – for restaurants. And it makes it easier for a delivery service to scale up and grow.

appétit

Buffalo, New York | Launched: 2020

Buffalo, New York's appétit charges restaurants a \$99 monthly fee, with no commissions, plus a one-time \$99 setup fee. Customers pay a distance-based delivery fee. In an interview with WGRZ TV, co-owner Bob Heil explained that "We just sort of rearranged the dollars and did it in such a way where it is still competitive for the end-user, and it's still very competitive and profitable for the restaurants themselves." The service also delivers groceries, liquor, and baked goods. As of March 2021, it had nearly 90 locally owned restaurants in its roster.

"We just sort of rearranged the dollars and did it in such a way where it is still competitive for the end-user, and it's still very competitive and profitable for the restaurants themselves."

– BOB HAIL, APPÉTIT

OrderEats

Albany, Georgia | Launched: 2019

Restaurant owner Terry Ho and his business partners originally envisioned their restaurant order platform, OrderEats, as a tool to make it possible for customers to place orders without needing to wait for a server, whether dining in, driving through, or waiting in line. They weren't imagining delivery as part of the platform. Ho and his partners began designing the ordering app in late 2018. They then tested it in Albany, Ga., in late 2019, and launched it in January 2020. Then the pandemic hit – so, in March, they added delivery service.

As part of their product development research, they looked at how the big third-party delivery apps work. In an interview with the Albany Herald, Ho said, “What I found was alarming. Those services charge the restaurants from 20 to 30 percent of the cost of the menu item, then charge the customer a higher price than is on the menu, a flat delivery fee and add-on fees. The services are getting money on both ends.” So, instead of charging a percentage of the tab, OrderEats charges restaurants a monthly fee with a tier pricing plan, based on order volume. Customers pay a flat delivery fee.



Slurpalicious

Astoria, Oregon | Launched: 2020

Candy Yiu and her husband, Akshay Dua, are both software engineers. When they saw the financial damage that the big third-party apps were doing to restaurants like theirs in Portland, Ore., and those in nearby Astoria, where they own and operate a boutique hotel, they knew there must be a way to make meal delivery work better for restaurants. So, they created an affordable online ordering platform and delivery service, Slurpalicious.com. They have experimented with pricing – currently, restaurants pay only a one-time \$99 set-up fee – and Yiu and Dua were the first delivery drivers. Customers pay seven percent of the tab, plus 60 cents per mile, round-trip. Slurpalicious has gradually added more drivers as its roster of restaurants has grown, trying to optimize the ratio between them.

Delivery services offering lower commissions

The big third-party delivery apps charge enormous commissions. But locally owned delivery services can offer the same service for significantly less. Why? Because they don't have to repay venture capital or meet stockholders' hefty revenue expectations. They simply have to cover their costs and earn a modest profit for their owners.

Chop Chop RVA

Richmond, Virginia | Launched: 2018

Richmond, Virginia's Economic Development Authority gave a grant to a local restaurant delivery service, Chop Chop RVA, so that it could reduce the fee it charges restaurants from 20 percent of the total order to seven percent for three months. The grant also made it possible for Chop Chop RVA to enlarge its delivery area. Chris Chandler, who started Chop Chop RVA in 2018, is hoping that the increased business will make it possible for him to keep the company's commission fee at seven percent permanently – and that it will change Richmond residents' dining habits.

“I live in Richmond and I'm going to be here my whole life,” Chandler said in an interview with Richmond Biz Sense. “I want it to grow and be amazing. If one of the things we can do is help keep the money in Richmond and not keep giving it to these bigger companies, that'd be great.”

DC To-Go-Go

Washington, DC | Launched: 2020

When the pandemic hit, the owners of Ivy and Coney, a bar and restaurant in Washington, D.C.'s Shaw neighborhood, gave Grubhub a try. But they quickly realized that the steep fees were unsustainable. So, the three of them – Chris Powers, Adam Fry, and Josh Saltzman – decided to create their own platform. With a \$10,000 grant from Shaw Main Streets, a nonprofit neighborhood revitalization organization, they launched DC To-Go-Go (its name riffs on Washington, DC's famed go-go music scene).

DC To-Go-Go offers restaurants three membership tiers. The first tier provides an online ordering and payment system for restaurants offering curbside pickup, for a commission of five percent per transaction. The second

tier includes the ordering and payment system, plus a delivery option, with restaurants hiring their own drivers, for a ten percent commission. In the third tier, DC To-Go-Go provides trained drivers, for a 15 percent commission.

Fry, Powers, and Saltzman are deeply committed to making sure restaurant meal deliverers are treated fairly and earn decent wages. Although they have no way to enforce this, they ask their restaurant partners to pay drivers \$18 per hour and to guarantee them a set, consistent number of hours each week.

“The idea that we’re all working together to provide living wages for all of our employees, from couriers to line cooks to the front-of-house worker – everyone deserves to make a living wage,” Fry said in a May 2020 interview with Washington City Paper. “Part of partnering with us is that you’re going to work toward that mission as well.”



Foodie Taxi

Hawthorne, New Jersey | Launched: 2020

When Tatiana Amador was laid off in October 2020 from the Montessori school in Hawthorne, N.J., she and her husband, Dorian, thought about opening a coffee shop. As part of their research, they spoke with local coffee shop and restaurant owners, and they heard how worried they were that their businesses might not survive the pandemic. They also heard about the steep commissions that the big third-part delivery apps were charging them.

“We saw that all these others – Grubhub, Uber Eats, all these others – they’re charging an exorbitant amount of money,” Dorian told us.

That’s when they changed direction and decided to create a local restaurant delivery service, Foodie Taxi, instead. Foodie Taxi charges restaurants a 10 percent commission and customers a flat \$3.99 delivery fee (although the Amadors have suspended the delivery fee during the pandemic). They chose DriverLogic as their software platform, with driver dispatches managed manually. “My wife watches the dispatch screen constantly,” Dorian said. They make deliveries within a 12-mile radius. It’s a heavily populated area, with lots of restaurants, so their drivers don’t have to travel far. So far, Foodie Taxi has 23 restaurants in its roster, with another half dozen or so waiting to join. It works only with locally owned restaurants, not chains. “So it’s us and the locally owned restaurants against Grubhub and Uber and McDonalds and Burger King and all of that,” he said.

“So it’s us and the locally owned restaurants against Grubhub and Uber and McDonalds and Burger King and all of that,”

– DORAIN AMADOR, FOODIE TAXI

Dorian said they hope to expand in the future, probably by gradually expanding their delivery area, and to transition to a fleet of electric cars in order to be as green as possible.

Takeout 2 You

Chattanooga, Tennessee | Launched: 2019

George Cobbs worked in the corporate world for more than 20 years, including assignments involving some of the big third-party delivery apps, so he was very familiar with how they work. “They completely gouge the restaurants with their fees,” he told us.

When he found himself suddenly laid off, and relocated from Arlington, Va., to Chattanooga, Tenn., he pivoted to food delivery in western Tennessee. He launched Takeout 2 You in November 2019, just months before the pandemic hit, and has expanded it into seven counties in western Tennessee and one in Kentucky. Takeout 2 You charges restaurants nothing; all the delivery costs are passed along to the customer. As Cobbs explained it to us, “My business

license is as a courier. I work for the customer, not the restaurant.” DoorDash entered the region after Cobbs had launched Takeout 2 You, and some of the chain restaurants were obligated to sign up with them. But, in at least one town – Martin, Tenn. – not a single independently owned restaurant signed on with DoorDash.

“I’ve worked for the corporate side. My business line is my cellphone. Anyone can reach me anytime. I know all the drivers personally. It’s just a completely different style of service from DoorDash, that big corporate monster.”

– GEORGE COBBS, TAKEOUT 2 YOU

“My tagline is ‘support local,’” he told us. “I’ve worked for the corporate side. My business line is my cellphone. Anyone can reach me anytime. I know all the drivers personally. It’s just a completely different style of service from DoorDash, that big corporate monster.”

Maritime Bicycle Couriers

Long Beach, California | Launched: 2014

Long Beach, California’s Maritime Bicycle Couriers charges restaurants ten percent, plus a flat \$5 delivery fee. Couriers earn a salary and keep the tips. The cycle collective, which has a shared interesting but not, like a co-op, shared ownership, delivers food for restaurants in three Long Beach zones stretching along the waterfront. It also delivers alcohol from a locally owned wine shop, a local distiller, and a specialty grocer. According to Langdon Taguiped, one of the cycle collective’s co-founders, “It just helps the local synergy when you buy local. You buy something from a local spot, and that dollar stays in the community.”

Richmond Eats

Staten Island, New York | Launched: 2020

A family-owned and operated delivery service on New York’s Staten Island, Richmond Eats charges restaurants a 10 percent service fee. Delivery fees, which are paid by customers, are based on distance and go directly to the drivers. It launched in April 2020 with grocery deliveries, then added restaurant deliveries in late June.

Windy City Delivery

Casper, Wyoming | Launched: 2020

Richard Konkler and Kathy Fox launched Windy City Delivery in Casper, Wyo., to keep their family working during the pandemic. In addition to restaurant meals, it also delivers groceries, birthday gifts, flowers, papers, and just about anything else customers might request. It charges a modest commission fee to the businesses for which it delivers, plus a flat delivery fee to customers. All tips go to the driver.

Online ordering and delivery platforms

For several reasons, some restaurants have opted not to use a third-party delivery service. In many cases, it is simply because there is no local, budget-friendly delivery service available. In some cases, it’s because a restaurant wants to manage quality control during delivery. In all instances, though, the challenge of developing online and mobile order platforms is a daunting one. Fortunately, the number of turnkey online ordering platforms has grown during the pandemic.

Sociavore, created by husband-and-wife team Thusenth Dhavaloganathan and Amina Gilani, provides a simple ordering interface that is easy for restaurateurs to customize (Dhavaloganathan calls it “a shopify for restaurants”). Dhavaloganathan’s father owns a restaurant in Guelph, Ontario, and Dhavaloganathan grew up working there as a dishwasher, busboy, server, and line cook, so he has a first-hand understanding of what restaurants need. Sociavore charges restaurants \$49 per month, plus Square’s credit card processing fees. A subscription includes drag-and-drop website building tools for online ordering, managing curbside pickup and deliveries, selling gift cards and other restaurant merchandise, gathering customer feedback, and analyzing data. Based in Ontario, Sociavore grew from 150 subscribers before the pandemic to 400 by April 2021, and as far away as California.

San Diego’s **InHouseDelivery** is a meal delivery platform for restaurants that hire their own drivers. It optimizes delivery routes for a restaurant’s drivers, provides a platform for scheduling drivers based on anticipated order volume, gives restaurants the ability to track deliveries in real time, and integrates with ordering platforms like ChowNow and Squarespace. It charges a flat \$99 monthly fee, plus

\$1 per delivery. Restaurants then charge their customers a delivery fee, typically \$5-8. Through a partner app, DriverSharing, restaurants can share delivery staff with other restaurants.

There are many others, as well – Restolabs, Otter, Webdiner, and ApplInstitute, to name a few. One of them, Montreal-based **CHK PLZ**, started out in 2018 as an app through which customers could place in-restaurant orders and pay their bills without needing to wait for a server. Early in the pandemic, it partnered with **Eva** a local ridesharing co-op, to offer restaurant meal deliveries, for which CHK PLZ charges three percent of the total order.

Even some of the big order management platform developers have changed their operating models to help independent restaurants.

Tock, a restaurant order management platform created by Chicago restaurateur Nick Kokonas in 2015, launched **Tock To Go** in April 2020, helping restaurants manage pickup and delivery orders for a low two to three percent commission. Kokonas saw Tock's restaurant clients in Asia going quiet in February 2020, then those in Italy, then Seattle, as the pandemic hit North America. By the time the pandemic reached Chicago, where Kokonas owns and operates several restaurants, he was prepared. Tock To Go was up and running in just eight days. It offers two options for restaurants: a flat \$199 monthly fee, plus two percent of the orders processed, or three percent with no monthly fee. And, unlike the big third-party delivery apps, Tock To Go lets restaurants capture all the data about their customers and their order characteristics. In January 2021, Kokonas **tweeted**, "Businesses should 'own' their customers, not rent them from third party middlepersons."

"It just helps the local synergy when you buy local. You buy something from a local spot, and that dollar stays in the community."

– LANGDON TAGUIPED, MARITIME BICYCLE COURIERS

Chownow, another leading online and mobile app through which customers can order pickup from local restaurants, charges restaurants a flat monthly membership fee of \$99-\$149 (depending on the billing plan), keeping costs transparent and predictable. In August 2020 it added Loyal Local, a loyalty program for its restaurant partners' customers. Customer can buy a membership, the proceeds of which go entirely to the restaurant, in exchange for future discounts.

Almost all of these ordering and order management platforms can be integrated with an external delivery service or used for a restaurant's own drivers. For example, Elmwood, a restaurant in St. Louis's Maplewood neighborhood, uses Tock To Go and opted to offer its own delivery service, for which it hired two drivers who alternate making deliveries within a six-mile radius every 15 minutes, helping ensure that food arrives hot and fresh. Delivery costs \$3, which the driver keeps. The entire team splits the tips. ■