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Restaurant chain leaders say inflated pricing and direct delivery are winning third-party delivery strategies

Salata Salad Kitchen and ZaLat Pizza executives speak on MUFSO panel about creating successful partnerships with delivery companies; Thanx CEO and NRN Power Lister Zach Goldstein urges top U.S. mayors to make third-party delivery fee caps permanent

Nancy Luna | Oct 15, 2020

Third-party delivery companies are taking a lot of heat for high commission fees at a time when restaurants are struggling to survive during the COVID-19 pandemic.

But operators from Salata Salad Kitchen and ZaLat Pizza told a virtual MUFSSO audience that positive relationships can be made with delivery companies such as Uber Eats and DoorDash. During Restaurants Rise powered by MUFSSO, Sarah Baylis, director of off-premise for Salata and ZaLat Pizza CEO and founder Khanh Nguyen, gave tips on how they work with delivery companies such as Uber Eats and DoorDash.

Both recommended keeping in constant communication with delivery partners to ensure your brand is maximizing its presence on third-party platforms.

Here's what they had to say:

Direct Delivery Keeps Consumers Close

When Houston-based Salata first launched delivery last year, the company's ultimate strategy was to keep consumers on its branded channels, rather than losing them to third-party marketplaces.

So, at first, they did direct delivery using DoorDash as the last-mile delivery provider.

That meant orders were made through Salata's digital channels, allowing them to keep consumer data.

Eventually, Salata, which has nearly 90 units, expanded its digital infrastructure to include Olo Dispatch, which acts as a one-stop funnel for restaurants fielding delivery orders from multiple providers.

It connects restaurants to various delivery brands and averts the "tablet hell" that can be involved when dealing with multiple delivery providers, Baylis said.

Constant Communication

Nguyen and Baylis said they are in constant communication with their delivery providers. Sometimes they hold weekly meetings to talk "numbers" and to discuss what kind of promotions might work to increase orders, Nguyen said.

With a majority of Salata's units being franchises, Baylis said her team is also talking to delivery companies to ensure "they're listening to our franchisees" to make sure their needs are being addressed.

Designing Restaurants for Mobile, Delivery Orders

Nguyen said his company, which has nine units in Texas, tried in-house delivery before working with third-party companies. He quit that business model after one day because the logistics involved "was taking our focus off" making good pizza.

Having empathy for drivers also helps. Taking care of them means understanding that they make money by the number of runs they make in a day, so operators should not let them wait too long.

Nguyen says his employees sometimes hand drivers orders as they pull into the parking lot so they don't have to enter the store.

Baylis said some Salata stores have separate pick up areas for delivery and dispatch areas.



Order pick up at Salata.

"The driver knows already where to go. They can get in and out," she said.

Salata is not alone in designing stores with pick up areas for mobile orders and delivery. When McDonald's first launched an exclusive partnership with Uber Eats, new stores were designed with Uber Eats pick up stations.

Chipotle Mexican Grill and Noodles & Company have added pickup shelves for digital orders. Shake Shack said it would start adding drive-up lanes and walk up windows to new and existing stores.

Chipotle is also adding drive-thru lanes for mobile orders, which Salata is also adopting. The chain has seven stores with pick-up lanes for mobile orders. A few more are planned next year.

"We have pickup windows in some of our locations and those locations are typically higher volume anyways because they have that added ability to have more throughput," Baylis said.

Inflated Pricing

For a long time, Baylis said she was against adding third-party delivery to Salata's platform.

"We wanted to be able to control the guest experience all the way through," she said.

Eventually, Salata figured out a way to partner with third-party delivery companies by first launching direct delivery with DoorDash. The brand eventually expanded to third-party delivery marketplaces, which is necessary to generate order volume.

But hefty commission fees hurt profits, prompting some cities like San Francisco, New York City, Los Angeles, Seattle and Denver to temporarily cap fees to help struggling restaurants during the pandemic.

On Thursday, Zach Goldstein, CEO of Thanx and a 2020 NRN Power List recipient, initiated a campaign to extend caps in major U.S. cities. Goldstein's company provides restaurants with digital customer-engagement solutions that

allow them to retain customers. During COVID, his company rolled out a contactless tableside ordering system for dine-in customers that integrates a brand's loyalty system.

In his letter, Goldstein urged mayors of the 50 largest cities in the United States to protect restaurants by capping third-party delivery fees until restaurants gain access to customer data.

“This action will protect your restaurant employees from predatory practices, preserve diversity in the local hospitality ecosystem, and encourage innovation vital to your local economy,” he wrote.

Salata's Baylis said she's found another way to combat third-party delivery fees: inflated pricing.

Salata's menu prices on aggregator sites are higher, a move that serves two purposes. It offsets margin-hurting commission fees. It also incentivizes consumers to return to Salata's branded channels, where menu prices match the lower prices found in the restaurant or on the Salata app.

Other chains have adopted premium pricing on delivery sites including Del Taco, Noodles & Company and El Pollo Loco.

Baylis urged operators to take this profit-saving step, especially franchisees.

“If you're able to inflate your marketplace pricing, please do, because that takes that burden off the operators and it makes it much more profitable,” she said.

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Source URL: <https://www.nrn.com/delivery-takeout-solutions/restaurant-chain-leaders-say-inflated-pricing-and-direct-delivery-are>