DoorDash offers lower-priced delivery plans amid criticism

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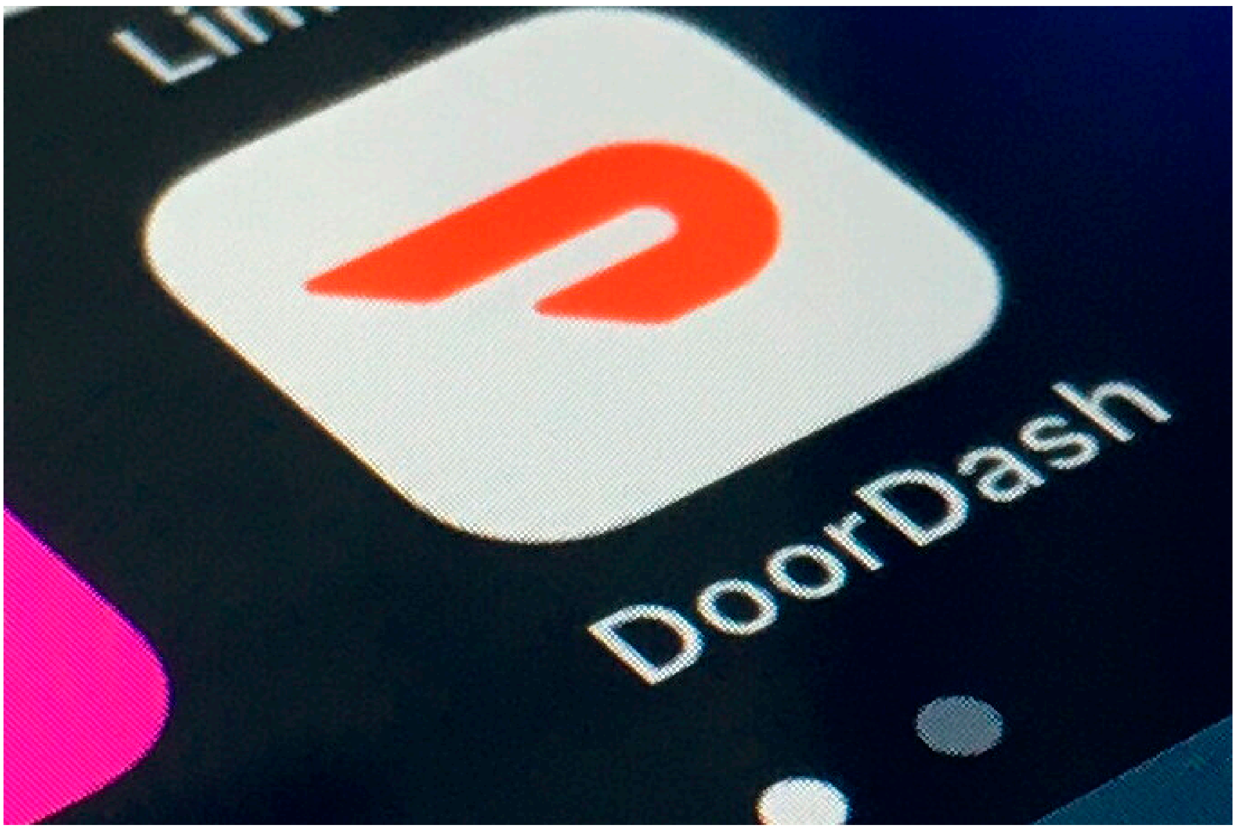

The DoorDash app is shown on a smartphone on Feb. 27, 2020, in New York. DoorDash is launching lower-priced delivery options for U.S. restaurants, responding to criticism that the commissions it charges are too high for the beleaguered industry. The San Francisco-based delivery company said Tuesday, April 27, 2021 it will offer a new basic plan which will charge restaurants 15% per order for delivery, or around half the cost of previous plans. (AP Photo, File)

DoorDash is launching lower-priced delivery options for U.S. restaurants, responding to criticism that the commissions it charges are too high for the beleaguered industry.

The San Francisco delivery company said Tuesday it will offer a new basic plan that will charge restaurants 15% per order for delivery, or around half the cost of previous plans. That plan will limit the delivery area and shift more delivery costs to customers—they might pay $4.99 instead of $2.99, for example.

Restaurants can pay more—commissions of 25% or 30%—for other plans if they want a larger delivery area, more visibility in DoorDash's app or lower customer delivery fees.

DoorDash said local restaurants and chains with less than 75 locations are eligible for the new rates. The company wouldn't say how many of its partner restaurants meet that criteria. But DoorDash delivers from nearly 400,000 restaurants using a network of 1 million freelance drivers.

Even before the pandemic, DoorDash, Grubhub and other delivery companies had a rocky relationship with restaurants, who criticized their high fees, lack of transparency and sometimes spotty service. That relationship was further tested by the pandemic, which closed dining rooms, greatly expanded customer demand for delivery and forced many restaurants to shift to carryout and delivery to survive.

Sympathetic lawmakers temporarily capped delivery companies' commission fees—generally at 15%—in dozens of cities and states during the pandemic in an effort to help restaurants. In those cities, DoorDash said, the new rates will go into place once those caps expire.

But DoorDash insisted the caps weren't the reason it changed its fees. Instead, the company said it was acting in response to restaurant owners who wanted more options. DoorDash Chief Operating Officer Christopher Payne said the company spent the last six months developing a plan that would help restaurants but still ensure drivers—and DoorDash itself—can make money.

"One size fits all really doesn't work with restaurants," Payne said.

Payne said restaurants can change their plans depending on their needs at any given time. A new restaurant that wants to boost traffic and visibility might elect a plan with a higher commission fee, while an established restaurant that doesn't rely much on delivery might choose a lower-cost plan.

DoorDash said it's also dropping its commission fee for pickup orders—which customers place through the DoorDash app but pick up themselves—to 6% from 15%.

DoorDash rival Uber Eats has also been experimenting with lower-priced plans in recent months. A light plan—with a 5% commission fee—lets restaurants use their own drivers, for example.

Some restaurant owners remain wary. David Singh, who owns Mesa Pizza Co. in Santa Barbara, California, said he would welcome a plan with a 15% commission. But he is concerned there will be hidden fees attached.

Singh partnered with Grubhub early in the pandemic but quickly found he was losing money on every order. Grubhub was not only charging him a 30% commission, but also a credit card processing fee, and customers were getting charged a raft of service fees on top on that.

Now, Singh does his own delivery, but the liability is expensive, so he'd gladly hand that off if he could.

"Fifteen percent I would do, as long as there are no hidden costs and they take care of my customers," he said.