

Tipping point for food delivery leaves small business short changed

UberEats and Deliveroo suggesting customers should tip restaurants, while they leave their delivery fees the same, does little to provide relief to struggling small business, according to the Franchise Council of Australia.

The Franchise Council of Australia has been calling on food delivery services to halve their delivery fees to food retail and hospitality businesses, who have seen their turnover drop by around 80% due to the Covid-19 business restrictions.

Orders through home delivery have surged since the Covid-19 lockdown but, with the exception of new player DoorDash, other delivery platforms have ignored the call to help vulnerable consumers, jobs and small businesses depending on food delivery platforms by halving fees.

“UberEats, which dominates Australia’s delivery market with around 80% market share, in many instances takes almost a third of the share of the total cost of a meal. Food delivery platforms share of revenue is much greater than the flat delivery fee customers see – a reality for struggling small businesses that consumers don’t appreciate,” said FCA CEO Mary Aldred.

“Vulnerable consumers who are not able to travel to supermarkets depend on home delivery for many of their supplies, and small businesses already under massive financial strain urgently need food delivery platforms like UberEats and Menulog to lower their delivery fees,” Mary Aldred said.

“If food delivery platforms don’t ease the cost pressures to help their partners in food retail survive, there will be a greatly reduced food retail industry left to support them in the future,” Ms Aldred said.

“The announcements by UberEats and Deliveroo to encourage stay-at-home customers to add a tip to ‘help the hospitality industry’ is shifting their responsibility to support struggling small businesses, consumers and employees,” added Ms Aldred.

“UberEats and Deliveroo are experiencing a massive lift in revenue, but outside of delivery driver payments, their costs remain fixed in most cases, and yet they are refusing to provide flexibility in pricing” said Ms Aldred.

On top of food and labour costs, a small business can make nearly nothing out of a standard delivery. In contrast, food delivery platforms face little overheads after paying labour. Their delivery drivers only receive a small amount, and as demand rockets in the current environment, the delivery platforms are making huge dividends.



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“The hospitality sector is at the ‘tipping point’. A reduction of delivery fees is one of the most significant things that can be done to help small businesses survive and keep people in employed.”

“If delivery services want to genuinely support hospitality, they should halve their fees rather than put an additional financial burden on small businesses struggling for survival.”

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The Franchise Council of Australia is the peak industry body for the \$184 Billion Australian franchise sector representing franchisors, franchisees and suppliers/advisors. www.franchise.org.au