

The Real Costs of Third-Party Delivery for Restaurants: What Operators Need to Know

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For many restaurant operators, partnering with third-party delivery platforms like **Uber Eats**, **Grubhub**, and **DoorDash** feels like a necessary move in today's convenience-driven market. Delivery has exploded, consumers expect it, and the platforms promise incremental revenue. But behind the promise lies a complex cost structure that can quietly erode margins if not managed strategically.

As consultants, we routinely break down these economics with operators—helping them understand whether delivery is profitable, how to structure it, and how to avoid the pitfalls that sink many restaurants.

Here's a clear, data-driven look at what delivery really costs

1. Commission Fees: The Most Visible—and Most Damaging—Expense

Delivery platforms typically charge:

- **15–30% commission on food sales** (marketplace fee)
- **3–7% credit card processing or order-related fees**
- **Additional marketing or promotional fees** when you opt in to boost visibility

Once combined, it's not uncommon for restaurants to pay **25–35% per order**.

For a typical restaurant with a **10–15% profit margin**, that commission **wipes out profit entirely** unless menu prices or delivery strategies are adjusted.

Example:

A \$25 delivery check with a 30% commission = **\$7.50 fee**.

Most restaurants net only \$2–\$4 on a \$25 dine-in ticket. Delivery takes that and drives it negative.

2. Menu Markups: Necessary, But Risky

Most operators now increase menu prices on third-party platforms by **10–25%** to offset fees.

Pros:

- Protects margin
- Reduces losses on each order

Cons:

- Consumers notice the price difference
- Potential for negative reviews (“Why is your burger \$3 more on Uber Eats?”)
- Platforms may penalize operators for “excessive markups” by reducing visibility

Pricing strategy is now a balancing act: protect margin without driving customers away.

3. Incorrect Orders, Refunds, and Chargebacks

A hidden cost operators rarely quantify:

- Incorrect deliveries
- Missing items
- Driver errors
- Customer fraud
- Platform-issued refunds

Platforms often **side with the customer**, leaving restaurants to absorb the loss.

Some operators lose **2–5% of monthly delivery revenue** just to refund-related write-offs.

4. Increased Packaging Costs

Third-party delivery requires:

- High-quality tamper-evident containers
- Insulated packaging
- Spill-proof cups
- Bags, napkins, cutlery, and labels

Packaging costs per order typically increase **\$0.75–\$2.50** compared to dine-in.

For high-volume delivery restaurants, this becomes a significant line item.

5. Labor Pressure and “Delivery Prep Fatigue”

Delivery orders usually spike during peak times, adding operational stress:

- More hands needed at the expo window
- Staff managing driver pickups
- Runners handling order staging
- More QC checks for accuracy

Restaurants often add **one extra hourly employee per peak shift**, especially on weekends. That’s another **\$15–\$22/hour** in markets with higher labor costs.

6. Impact on Kitchen Workflow and Dine-In Experience

When delivery volume is high, kitchens choke if not properly staffed or laid out:

- Slower service for dine-in guests
- Ticket times balloon
- Staff morale drops
- Front-of-house experiences suffer

In extreme cases, dine-in guests abandon visits because the kitchen is “working on 15 Uber orders before our table.”

7. Loss of Customer Data

Perhaps the most overlooked cost:

You **don’t own the customer relationship**.

Platforms keep:

- Customer names
- Addresses
- Order histories
- Behavioral data
- Promotional data

This prevents restaurants from building loyalty programs, remarketing directly, or understanding customer patterns.

Delivery platforms often turn that data into **competitive insights** that help promote similar restaurants—your direct competitors.

8. Cannibalization of Dine-In and Takeout Sales

Delivery rarely replaces *new* demand. Instead, a portion of existing guests shift to delivery—where margins are thinner or nonexistent.

Many operators see:

- **10–25% of takeout** cannibalized by third-party delivery
- Loyal customers switching to delivery because it's easier
- Higher cost per order with no increase in total volume

This cannibalization effect is one of the biggest reasons restaurants feel “busy but broke.”

9. The Myth of “Incremental Sales”

Delivery sales are often sold as **free incremental volume**, but the math rarely works in the operator's favor.

Incremental sales only matter if they generate **incremental profit**.

Most operators see:

- Higher labor during peak
- Higher packaging costs
- Higher error/refund costs
- No boost in fixed-cost absorption unless volumes are very large

Incremental sales with zero or negative margin are not incremental—they're liabilities.

10. So Should Restaurants Offer Delivery?

Delivery can work. Many brands profit from it. But it requires:

Strategic Pricing

Mark up delivery menus appropriately and competitively.

Cost Controls

Track packaging, refunds, labor, error rates, and menu profitability.

Operational Adjustments

Separate prep lines, dedicated expo workers, or delivery-only menus.

Balanced Marketing

Use third-party platforms as acquisition tools—but drive customers back to **first-party ordering** whenever possible.

A Clear Policy for Peak Hours

Many restaurants turn off delivery during Friday/Saturday dinner rushes, protecting dine-in experiences and margins.

Final Word: Delivery Is a Tool, Not a Strategy

The delivery platforms created a new convenience economy for consumers—but not necessarily for restaurants. As consultants, our role is to help operators:

- Understand their true delivery cost structure
- Create delivery pricing models
- Build delivery-ready menus
- Optimize labor and kitchen workflow
- Shift customers back to profitable channels

Delivery isn't inherently good or bad—it's just expensive if you don't control it.