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Why Checkers & Rally's Chose To Partner With Five Delivery Companies (For Now)

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Checkers & Rally's are specifically drive-in concepts; they are speedy and convenient by nature. But even their guests want delivery, which means a new standard for convenience has officially been set.

CREDIT: CHECKERS & RALLY'S

When Checkers & Rally's Restaurants announced the launch of its delivery platform last month, the news may have read as just a piece of a broader narrative. Quick-service chains have been adopting delivery in droves throughout the past two years in a mad dash to keep up with consumer demands.

But Checkers & Rally’s is taking a bit of a different approach than its QSR peers, initially partnering with five national delivery services – Uber Eats, DoorDash, Postmates, Grubhub and Amazon Restaurants.

On the surface, this approach might seem either forward-thinking – Grubhub CEO Matt Maloney told CNBC this week that "over time, exclusivity is just not going to happen" – or, risky. A study by market research firm Zion & Zion finds that 62% of consumers who receive a bad food delivery experience often blame both the restaurant and the delivery company, underscoring the need for restaurants and delivery companies to develop a symbiotic relationship. That’s tricky with five such partners.

However, CEO Rick Silva believes the company is able to circumvent such risks because of its systemwide point-of-sale integration with partner Olo. He has a point. Such integration allows the company to maintain consistency regardless of which company is facilitating the delivery. It also enables order accuracy and efficiency.

“Our biggest concerns with adding delivery were quality and control. We were able to overcome those concerns because of this full integration. All of the orders go straight to the kitchen. You won’t see iPads on the front counter that our employees have to re-key orders into every time,” Silva said. “We’re getting high ratings with our delivery so far and we think it’s because of the way we put this system together.”

Negative ratings on delivery most often stem from speed, food quality and inaccurate orders. Checkers & Rally’s CMO and EVP Terri Snyder said the company eliminated most of these issues during its roll out.

“We’re tightly tracking (key performance indicators) from a delivery perspective and making sure they’re measured and managed like any other KPI in our business. Our KPIs around delivery time and satisfaction are the same as they are with anything we do in the store," she said.

In addition to speed and accuracy, the company is also focused on ease of operation and franchisee profitability. If either is compromised, delivery isn't worth it, Silva said. But so far, so good. For operations, the company's packaging is slightly different for delivery meals, but that is the only difference. The company has also ensured profitability by building any third-party fees into the price of the product.

“This way franchisees aren’t having to add this volume for free or lose margin. It makes our franchise system eager to be a part of delivery,” Silva said. “And since customers understand how the world of delivery works – including the extra costs –most are comfortable with it.”

In fact, research from Zion & Zion shows that people with income under $10,000 order via online delivery the most compared to any other income bracket, demonstrating that consumers are willing to pay more for the convenience no matter what.

What this news further illustrates is that we’ve reached a sort of critical mass with delivery. Checkers & Rally’s are specifically drive-in concepts; they are speedy and convenient by nature. But even their guests want delivery, which means a new standard for convenience has officially been set.

“QSR on its own is incredibly convenient. For us, we have 900 restaurants across the country. You show up at any time – no reservation – and you wait maybe 3 to 5 minutes and you get hot food at an outstanding value,” Silva said. “It’s perfect for people on the go. It is integral to how people live. But now, convenience is being redefined by people who don’t want to leave home or work.”

Younger consumers, Snyder adds, are doing the redefining.

“These customers literally want what they want when they want it and the world is doing that for them,” she said. “We used to define convenience our way – being in the car and on the go. Now, consumers are defining it their way and if we’re going to relevant, we have to, too.”

Silva and Snyder believe the company is able to gain more relevance by partnering with multiple aggregates. Indeed, there is a lot of competition in the burgeoning food delivery space, and as the biggest players jockey back and forth for market share, that competition is intensifying. DoorDash recently passed Grubhub for market share – 27.6% to 26.7% – for example, while Uber

Eats is close behind with 25.2%. Regardless of how this horse race ends, Checkers & Rally's brands are now available on all three.

"We wanted to make sure our customers had maximum choice, so we made a platform that wouldn't force our customers onto another platform they might not use," Silva said. "Consumers are marketplace users and if a brand isn't on a marketplace, they're less relevant. We really attacked that."

In addition to the partnership with five national providers, Checkers & Rally's also has relationships with local delivery companies that are more penetrated in some areas than the big players are. Because of the POS integration, the company can expand its delivery program to more aggregates at any time as well.

"For us to achieve the highest convenience, it's important that we show up on the delivery apps that are out there. That way the occasion manifests itself," Silva said.

"Customers aren't starting with the restaurant brand as much anymore. They're starting with 'I'm not leaving where I am, what can I get my food delivered' and they go to the app they're most comfortable using. So, we're going to optimize that," Snyder adds.

Checkers & Rally's has experienced a higher check than average from delivery (1.5-to-2 times higher), as well as more sales of higher-margined items. The company is also yielding incremental sales in the 70% range from the channel. Right now, delivery accounts for about 4% of the business, and Snyder believes the industry will see it grow up to 30 or 40% sooner than later.

"Supply will create demand here," she said.

That's not to say delivery comes without its challenges, however. Silva admits the company loses a direct relationship with its consumers – and their data – by collaborating with aggregates, a grievance echoed across the industry. But, he concedes, delivery is too important to ignore and therefore restaurant companies have to find some middle ground.

"We can't ignore that the marketplace has our customers' data and, in a perfect world, we'd have that direct relationship. But the customer decides how they want to get their food and we have to play in that space," Silva said. "There are other ways we can create a relationship with guests outside of delivery, like through a loyalty program. What we know today is that our customers are saying what we have works now, but we'll continue to get more sophisticated as the market does."