

United States Senate

WASHINGTON, DC 20510

April 16, 2024

Tony Xu
Chief Executive Officer
DoorDash, Inc.
303 2nd Street, South Tower, 8th Floor
San Francisco, CA 94107

Dear Mr. Xu:

We are writing to express concerns about DoorDash’s practice of using hidden extra fees to raise prices for consumers on food delivery transactions. American workers and families are relying more and more on deliveries to put food on the table while contending with difficult work schedules, caring for young children or elderly parents, and other obstacles that force them to prioritize convenience over cost.¹ DoorDash and other platforms have taken advantage of consumers to tack on confusing, unnecessary, and unexplainable fees, which can triple order prices.² We write to request information about the fees DoorDash charges and the cost for consumers.

American families are struggling with high food prices, and research shows that in many cases, corporate actions such as price gouging and shrinkflation are to blame. Big food companies used the supply chain shocks of the pandemic and recent inflation as a cover for raising their prices far beyond the level commensurate with the increase in their input costs.³

¹ USA Today, “Why are Americans spending so much on Amazon, DoorDash delivery long after COVID’s peak?,” Daniel de Visé, September 28, 2023,

<https://www.usatoday.com/story/money/personalfinance/2023/09/28/americans-spending-big-amazon-doordash-delivery/70985566007/>; Lending Tree, “Spending on Delivery Services Up 159% Since 2021 to \$407 Monthly, on Average,” Maggie Davis, August 14, 2023, <https://www.lendingtree.com/credit-cards/study/delivery-services/>.

² Intelligencer, “The Year Food-Delivery Prices Went Insane Your go-to Chipotle order cost double? Blame the apps.,” Kevin T. Dugan, December 26, 2023, <https://nymag.com/intelligencer/2023/12/food-delivery-apps-like-doordash-got-so-expensive-in-2023.html>.

³ CNN, “Grocery stores are excited to charge you higher prices,” Nathaniel Meyersohn, June 18, 2021, <https://www.cnn.com/2021/06/18/business/grocery-store-inflation-kroger-albertsons/index.html>; Fortune, “‘Greedflation’ caused more than half of last year’s inflation surge, study finds, as corporate profits remain at all-time highs,” Irina Ivanova, January 20, 2024, <https://fortune.com/2024/01/20/inflation-greedflation-consumer-price-index-producer-price-index-corporate-profit/>; Groundwork Collaborative, “Inflation Revelation: How Outsized Corporate Profits Drive Rising Costs,” Liz Pancotti and Lindsay Owens, January 2024, <https://groundworkcollaborative.org/wp-content/uploads/2024/01/24.01.17-GWC-Corporate-Profits-Report.pdf>.

These corporate practices, as well as higher than normal inflation in recent years,⁴ have led consumers to spend more than 11 percent of their disposable income on food – more than they have since the early 1990s.⁵ Increased spending on food away from home, including food delivery services, has driven this uptick.⁶ Sales for major food delivery services like DoorDash grew by 162 percent from April 2019 to April 2020.⁷ The end of lockdowns and the worst of the pandemic has not stopped growth for delivery platforms – sales grew by 6 percent between August 2022 and August 2023.⁸

Food delivery platforms like DoorDash appear to have adopted a multi-layered pricing strategy to maximize profits. Consumers pay a premium on each item ordered through delivery platforms because restaurants often increase their listed prices on DoorDash to offset the huge fees that platforms charge restaurants for using their service – which can sometimes go up to 30 percent.⁹ DoorDash then adds extra fees for delivery and other services to this existing markup. These platform fees fluctuate depending on location, distance from the restaurant, how many items are ordered, how many delivery drivers are available, and general demand for DoorDash in the order area.¹⁰ While these fees can start off as small dollar amounts and percentages of an order subtotal, they quickly add up: the total markup on a food delivery order (before tip) can be as much as 95 percent.¹¹ Moreover, customers cannot see the fees until just before paying, meaning a significant proportion of the total cost of ordering is hidden from customers until there is only one button left to press.

Delivery platforms' hidden fees have kept climbing since the pandemic. One 2023 investigation found that in several cities, the total price to order a Big Mac by delivery was triple the price of

⁴ Pew Research Center, “In the U.S. and around the world, inflation is high and getting higher,” Drew Desilver, June 15, 2022, <https://www.pewresearch.org/short-reads/2022/06/15/in-the-u-s-and-around-the-world-inflation-is-high-and-getting-higher/>

⁵ Axios, “It's been more than 30 years since food ate up this much of Americans' income,” February 27, 2024, https://www.axios.com/2024/02/27/price-food-us-inflation-data-groceries?utm_campaign=editorial&utm_source=twitter&utm_medium=social.

⁶ *Id.*

⁷ USA Today, “Why are Americans spending so much on Amazon, DoorDash delivery long after COVID's peak?,” Daniel de Visé, September 28, 2023, <https://www.usatoday.com/story/money/personalfinance/2023/09/28/americans-spending-big-amazon-doordash-delivery/70985566007/>.

⁸ *Id.*

⁹ Cord Cutters News, “Yes, Food Costs More On Uber Eats – Here is How Much More You Are Paying Before You Even Add The Delivery Fee At Some Restaurants & Why,” Luke Bouma, August 21, 2023, <https://cordcuttersnews.com/yes-food-costs-more-on-uber-eats-here-is-how-much-more-you-are-paying-before-you-even-add-the-delivery-fee-at-some-restaurants-why/>; Vox, “How did the cost of food delivery get so high?,” Whizy Kim, April 3, 2024, <https://www.vox.com/money/24118201/food-delivery-cost-expensive-doordash-ubereats-grubhub>.

¹⁰ The Hill, “Food delivery fees add up. Who keeps the money from all those surcharges?,” Alix Martichoux, May 29, 2023, https://thehill.com/homenews/nexstar_media_wire/4020677-food-delivery-fees-add-up-who-keeps-the-money-from-all-those-surcharges/.

¹¹ Business Insider, “You might be paying twice as much by ordering takeout food on DoorDash or Postmates, new study says,” Alex Bitter, January 29, 2024, <https://www.businessinsider.com/doordash-postmates-food-delivery-costs-twice-as-much-as-pickup-2024-1>.

purchasing in store due to extra hidden fees and markups.¹² This price difference is up significantly from 2022, when the total markup ranged from 135 to 152 percent.¹³ Platforms have also tacked on new fees in certain jurisdictions, purportedly to account for new laws aimed at preventing the platforms from squeezing small businesses and paying their workers next to nothing.¹⁴

Platforms often provide little or no explanation for where their service and delivery fees go. The explanation for DoorDash's delivery fee simply states that the fee "varies ... based on your location and other factors" with no explanation for what costs the fee goes to cover, while the explanation for the service fee notes that the fee "helps us operate DoorDash." These explanations are insufficient for fees that can sometimes cost more than the order itself. Price listings should include all mandatory fees up front, and fee descriptions should include the purpose of each fee (i.e., exactly what costs are covered by each fee) and whether the fee is optional.

While DoorDash squeezes its customers with hidden fees, it continues to line the pockets of executives and shareholders. In 2020, the year DoorDash went public and when most Americans were feeling the economic brunt of the pandemic, you were the highest-paid CEO in Silicon Valley, with a total compensation of nearly \$413 million.¹⁵ And instead of reinvesting revenue in delivery workers' compensation or in cutting down on frivolous fees for consumers, in February DoorDash announced a new \$1.1 billion round of stock buybacks.¹⁶ Hidden fees are critical to DoorDash's success, as was stated in a 2022 Securities and Exchange Commission annual report: "We generate a substantial majority of our revenue from orders completed through our Marketplaces and the related commissions charged to partner merchants and fees charged to consumers."¹⁷

While big corporations impose costs on American families, the Biden administration and Democrats in Congress are cracking down on hidden junk fees and increasing transparency so consumers can see exactly what they are paying for. The Federal Trade Commission (FTC)'s recently proposed rule to ban junk fees would ban businesses from "running up the bills with hidden and bogus fees, ensure consumers know exactly how much they are paying and what they are getting, and help spur companies to compete on offering the lowest price."¹⁸ If the rule is

¹² Intelligencer, "The Year Food-Delivery Prices Went Insane Your go-to Chipotle order cost double? Blame the apps.," Kevin T. Dugan, December 26, 2023, <https://nymag.com/intelligencer/2023/12/food-delivery-apps-like-door-dash-got-so-expensive-in-2023.html>.

¹³ *Id.*

¹⁴ KIRO 7, "'Why?': KIRO 7 investigates DoorDash, Uber Eats extra fees," Brittany Toolis, February 20, 2024, <https://www.kiro7.com/news/local/why-kiro-7-investigates-door-dash-uber-eats-extra-fees/MNGHAOSSAJE67MKULITABK7YA4/>; The Hill, "Food delivery fees add up. Who keeps the money from all those surcharges?," Alix Martichoux, May 29, 2023, https://thehill.com/homenews/nexstar_media_wire/4020677-food-delivery-fees-add-up-who-keeps-the-money-from-all-those-surcharges/.

¹⁵ SFGate, "The highest-paid CEO in San Francisco was valued at \$413 million in 2020," Joshua Bote, June 8, 2021, <https://www.sfgate.com/tech/article/Door-dash-highest-paid-CEO-San-Francisco-413-million-16231057.php>.

¹⁶ DoorDash, "DoorDash Releases Fourth Quarter and Full Year 2023 Financial Results," press release, February 15, 2024, <https://ir.doordash.com/news/news-details/2024/DoorDash-Releases-Fourth-Quarter-and-Full-Year-2023-Financial-Results/default.aspx>.

¹⁷ DoorDash, "Form 10-K," 2022, p. 67, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001792789/c2520ba0-bff3-4944-b771-c6843aad24dc.pdf>.

¹⁸ Federal Trade Commission, "FTC Proposes Rule to Ban Junk Fees," press release, October 11, 2023, <https://www.ftc.gov/news-events/news/press-releases/2023/10/ftc-proposes-rule-ban-junk-fees>.

finalized, businesses will have to include all mandatory fees when telling customers a price, putting an end to bait-and-switch tactics that deceive customers. Businesses will also have to tell customers the purpose of extra fees and whether they are refundable. In Congress, Senators Warren and Casey recently reintroduced the *Price Gouging Prevention Act*, which would give the FTC even stronger tools to crack down on corporate price gouging, and introduced the *Shrinkflation Prevention Act*, which would make clear the FTC has authority to go after “shrinkflation” (when companies charge the same or a higher price for less of a product).¹⁹

Notably, this is not the first congressional investigation into DoorDash’s fee structure. Senator Luján wrote to you last year raising similar concerns about your high consumer fees and lack of transparency.²⁰ While your response provided some additional information about DoorDash’s consumer fees, it made clear that consumers using the DoorDash app only see part of the story. For example, your response notes very broadly that delivery and service fees “help us fund a variety of costs associated with operating our platform, including, but not limited to, Dasher pay, occupational accident insurance and other Dasher safety support, technology developments related to merchant and consumer experience, logistics, marketing, and merchant and consumer support.”²¹ This very general answer provides little clarity or reassurance regarding DoorDash’s customer fee structure; meanwhile, DoorDash app users receive no explanation for what their delivery and service fees cover beyond helping you “operate DoorDash.”

A business model that can only work by overcharging customers and underpaying workers while executives and shareholders reap the benefits is unsustainable. When additional hidden fees nearly triple the price of an order, that is price gouging – plain and simple. To address our questions about this matter, we request responses to the following questions by no later than May 15:

1. Please provide a list of every type of fee or service charge DoorDash currently charges, including order- and location-specific fees.
 - a. For each fee type or service charge, please provide the minimum and maximum dollar amounts per order, or, if the fee or service charge is charged on a percentage basis, the minimum and maximum percentage of the charge.
 - b. For each fee type or service charge, please provide a detailed breakdown of exactly what costs the fee purports to cover.
2. What is the dollar amount of fees collected from consumers by DoorDash on food delivery orders in each year from 2014 to 2024?
 - a. Please provide a detailed breakdown of what costs are covered by fees paid by consumers.
 - b. What percent of money collected from consumer fees goes to delivery workers? What percent goes to executive compensation?

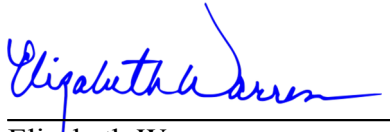
¹⁹ Price Gouging Prevention Act, S.3803, <https://www.congress.gov/bill/118th-congress/senate-bill/3803>; Shrinkflation Prevention Act, S.3819, <https://www.congress.gov/bill/118th-congress/senate-bill/3819>.

²⁰ Office of U.S. Senator Ben Ray Luján, “Luján, Blumenthal, Wyden Urge Transparency for Delivery Service Junk Fees,” press release, February 22, 2023, <https://www.lujan.senate.gov/newsroom/press-releases/lujan-blumenthal-wyden-urge-transparency-for-delivery-service-junk-fees/>.

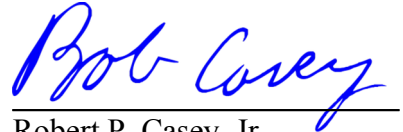
²¹ Letter from Max Rettig, Vice President, Public Policy & Social Impact, DoorDash, to Senator Luján and colleagues, March 10, 2023, on file with the office of U.S. Senator Elizabeth Warren.

3. Is executive compensation (whether base pay, bonuses, or other compensation) in any way contingent on increasing the fees collected from consumers?

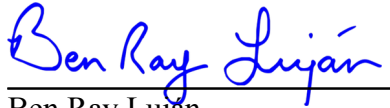
Sincerely,



Elizabeth Warren
United States Senator



Robert P. Casey, Jr.
United States Senator



Ben Ray Lujan
United States Senator