



ABHINAV KAPUR, CEO



HOW TO CONVERT CUSTOMERS

from third-party delivery
to first-party



bikky.com



abhinav@bikky.com



How to convert customers from third-party delivery to first-party

I'll be frank. If you're looking for an easy answer, there isn't one. Converting guests from third-party delivery requires some risk and digital-marketing know-how.

The reward? Better profits and **more customer data**. At the end of the day, aren't those the main objectives when it comes to restaurant marketing?

Regardless, the key is to never stop fighting.

Grubhub, DoorDash, Uber...they're all "nice" partners, in theory. But underneath all the talk of incrementality and helping brands participate in the growth of digital ordering + delivery, they're waging a continuous battle for your guests — the heart of your business.

Their marketing engines never stop.

The only way they win big is by locking-in guests who should be ordering or visiting direct. The only way they create lock-in is by using the order data to optimize the guest experience. And by optimizing the guest experience, they further force restaurants to compete inside *their* marketplace for what is now *their* customer. Isn't that the biggest signal from Uber Eats entering **the ads business**?

In this e-book we'll outline exactly what you need to do to convert guests from third-party delivery to your direct platform, and drive higher direct ordering revenue overall. We'll show you what stores to choose, how to create a Facebook audience impacting only guests at these locations, how to measure conversion, and understand ROI (i.e. whether or not the test was a success). It's a highly repeatable process, **and we've seen first hand with our own customers** exactly how using the data in this manner can achieve a >7x return on ad spending (seriously).



High-level ways to create native platform lock-in

To convert guests from third-party delivery, you need to create platform lock-in. You have three options:

- **Price** — menu prices on your native platform are cheaper than on third-party platforms (phrased another way: raise your prices on third-party delivery)
- **Scarcity** — your best sellers or favorite items are only available on first-party
- **Loyalty** — your loyalty program is fully integrated with delivery so guests earn points / rewards with every order

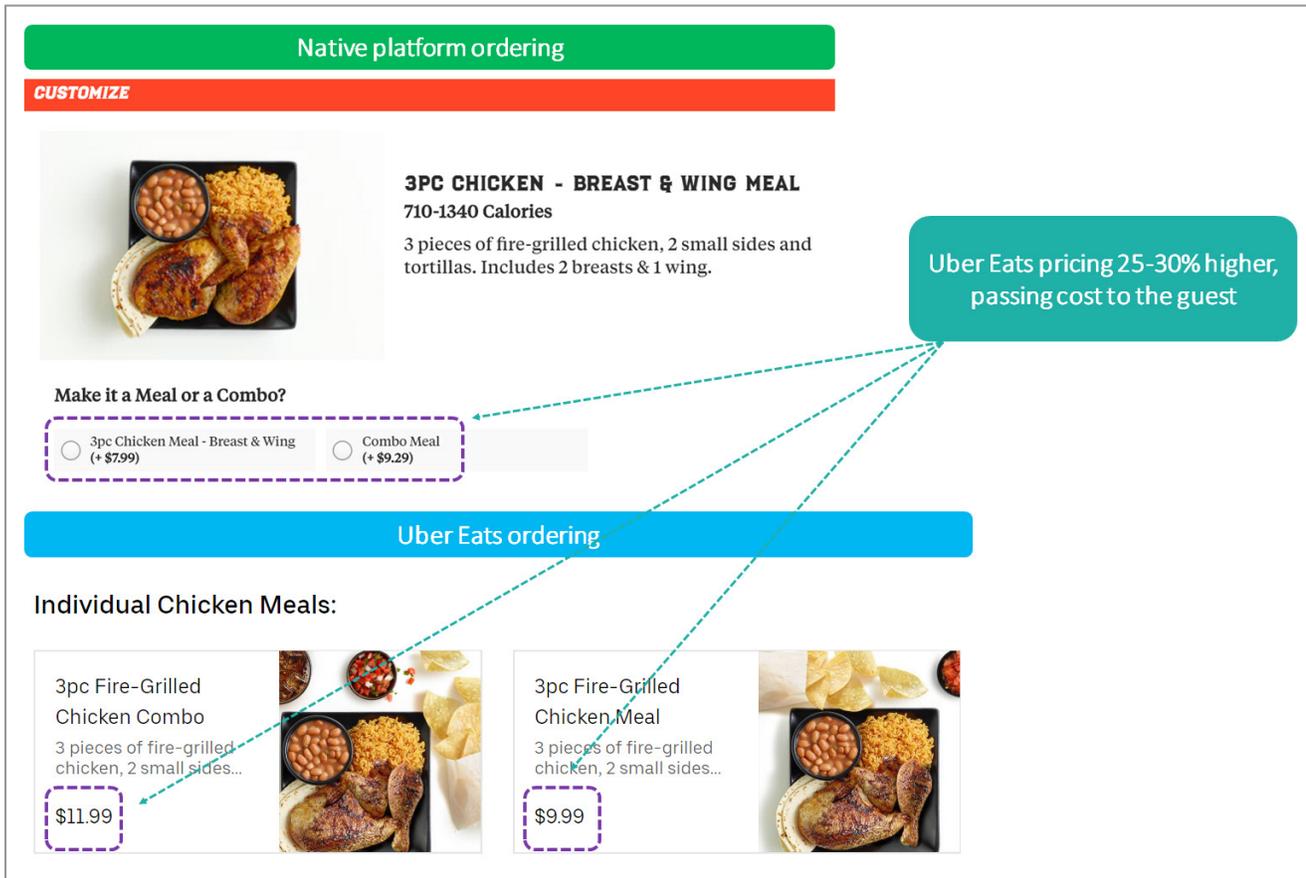
You can (and should) build towards at least including two of these. One is good, but two hammers home the incentives for favoring your native platform.

Before diving in, a special shout-out to the following, who heavily influenced our thinking:

- a newsletter subscriber I met at a conference in September 2019 (yes I have been thinking about this for that long)
- **Moe's Southwestern Grill**, who lists brand specialties exclusively on their first-party menu;
- and **El Pollo Loco** who raised prices across all third-party delivery platforms.

Figure 1 shows a side-by-side of native vs. third-party delivery prices for an El Pollo Loco location in Houston, TX.

Figure 1: El Pollo Loco prices are ~30% higher on Uber Eats than its native platform



The message is clear: the cost for an El Pollo Loco guest ordering through third-party delivery is a 25-30% tax on core menu items. And since Uber Eats charges 30% per order, the restaurant is essentially passing off the entire cost to the guest.

For our experiment, we're only focusing on scarcity, but you can certainly run it on pricing as well. The ad copy / messaging will change, but the methodology for selecting initial test locations and creating your Facebook audiences / guest targeting should still be applicable. It's also the easiest way to isolate the business impact, and requires minimal marketing chops.

Now onto our experiment.



An overview of the experiment

Here's the tactical step-by-step outline of what you'll be running. Please don't be intimidated — every step is straightforward.

1. Identify your brand's top sellers / fan favorites
2. Pick the locations on which you want to run this test
3. For those locations, remove your top sellers / fan favorites from your third-party menus so they *only appear on your first-party platform*
4. Update your website so prospective customers for those locations know that they can only find your favorites on your direct ordering site
5. Design your Facebook / Instagram ad copy advertising that fan favorites for those locations are exclusively on your native channel
6. Use Facebook Ads Manager to target customers in your delivery zip codes for your test stores
7. Measure impressions, click-through rates, and conversions over a 3 to 6 week period
8. Keep an eye on third-party delivery volumes — it's OK if they dip, as long as it's offset by an increase in first-party volume
9. Measure conversions and ROI
10. If it's working, roll out to some more stores and test again. Keep an eye on performance. ROI doesn't have to be the same as your initial test, just "good enough" (you should notice the impact in the P&L and decide from there).
11. Monitor performance of the first batch of stores. What does retention look like? Are guests churning back to third-party? If retention is good, store-level profitability should grow over time.
12. Rinse + repeat until you're live across all stores

As I said before, there are no easy answers. You are fighting ("partnering", lol) with companies that are **wantonly subsidizing the true cost of delivery** with their treasure troves of VC funding.



Are you ready for this test?

MUST HAVES

- At least 5 locations
- At least one third-party delivery platform
- A native ordering or loyalty platform
- A digital marketing person or team that is ROI-focused and good with data
- Comfort running campaigns via Facebook Ads Manager
- Zip codes in your delivery area for each store
- Access to guest data from your first-party platforms (may have to be requested as some don't make it readily available...not sure why since it's your data). This includes first name, last name, phone number, and street address.
- \$500 — \$1,000 for a first test (budget can vary, but doesn't have to be huge)

NICE TO HAVE

- A Facebook custom audience of existing delivery customers (makes targeting more precise and can form the basis for lookalike audiences)
- **A restaurant CRM** (dramatically simplifies calculating conversion and ROI)
- Some corporate locations (easier to test when you don't need a franchisee's permission)



Bikky Burger Barn

I'm going to use my own dream concept to illustrate how I'd run the test and what the results can look like.

Let's assume I run a trendy fast casual concept called Bikky Burger Barn. We've got 10 locations around NYC (across all boroughs, not that fake ass "only Manhattan and select Brooklyn neighborhoods" nonsense), we have a few all-star dishes, some reasonable performers, and a few that don't do so great, but I hold onto them anyway.

Figure 2 shows how my business currently shakes out:

Figure 2: Bikky Burger Barn is as diverse in its P&L as it is in its cuisine

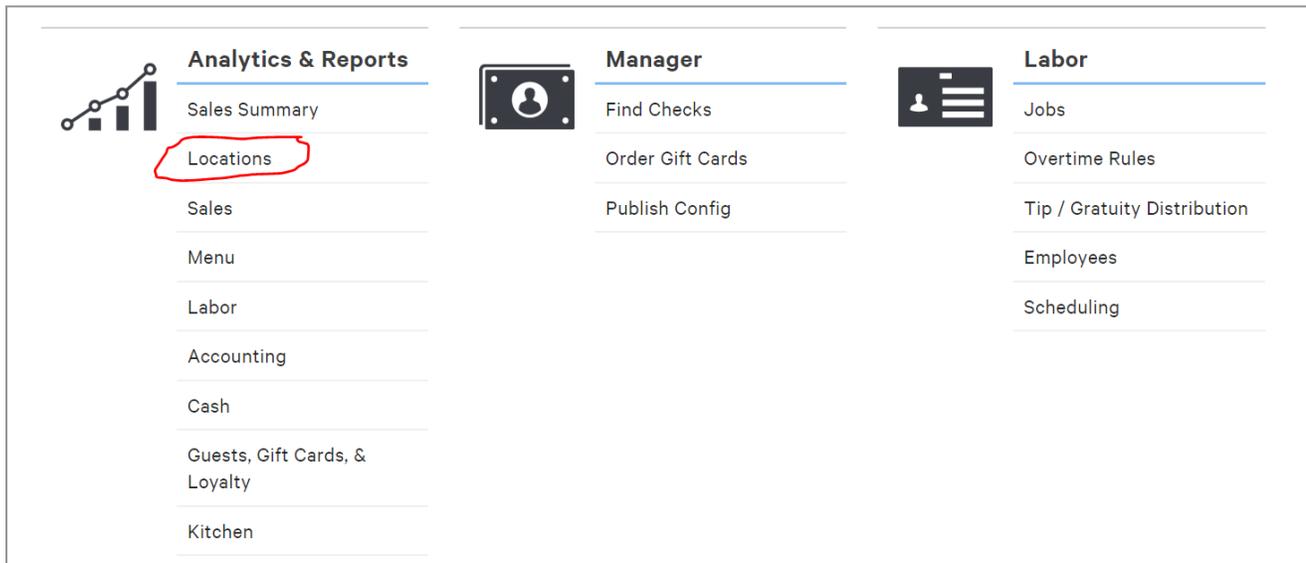
	Bikky Burger Barn Locations										
	East Village	Harlem	Williamsburg	Bed Stuy	Coney Island	Great Kills	Port Richmond	South Bronx	Flushing	Forest Hills	Total
Weekly AUV											
in store	\$12,000	\$17,500	\$7,500	\$7,200	\$8,000	\$12,600	\$12,000	\$10,000	\$4,800	\$7,700	\$99,300
3p delivery	6,000	5,000	4,500	3,000	2,000	4,500	1,500	5,000	2,000	1,650	35,150
1p delivery	2,000	2,500	3,000	1,800	--	900	1,500	5,000	1,200	1,650	19,550
Weekly AUV	\$20,000	\$25,000	\$15,000	\$12,000	\$10,000	\$18,000	\$15,000	\$20,000	\$8,000	\$11,000	\$154,000
Weekly net profit											
in store	\$2,400	\$3,500	\$1,500	\$1,440	\$1,600	\$2,520	\$2,400	\$2,000	\$960	\$1,540	\$19,860
3p delivery	600	500	450	300	200	450	150	500	200	165	3,515
1p delivery	300	375	450	270	--	135	225	750	180	248	2,933
Weekly net profit	\$3,300	\$4,375	\$2,400	\$2,010	\$1,800	\$3,105	\$2,775	\$3,250	\$1,340	\$1,953	\$26,308
Weekly AUV composition											
% in store	60%	70%	50%	60%	80%	70%	80%	50%	60%	70%	64%
% 3p delivery	30	20	30	25	20	25	10	25	25	15	23
% 1p delivery	10	10	20	15	--	5	10	25	15	15	13
total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net profit margins											
% in store	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
% 3p delivery	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
% 1p delivery	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
total	16.5%	17.5%	16.0%	16.8%	18.0%	17.3%	18.5%	16.3%	16.8%	17.8%	17.1%

I got a good business, and my all-stars are the the Bikky Barnyard Classic (bacon and eggs on an Impossible burger), our classic Masala Fries, and our Cinnamon + Turmeric Lassi (our Indian twist on a milkshake).

My team works too damn hard and my product is just too good for a 10% (at best) profit margin on third-party delivery. I have a hunch if I move these best sellers to my native site — where I can ensure a quality experience — that my guests will follow.

My financials are in a spreadsheet, but you can most definitely access yours from your POS. If you're running on Toast, here's how you can figure out which locations are a good fit for the experiment (*Figure 3*).

Figure 3: Overview of the main Toast dashboard



Once you open this report and select all locations, Toast automatically ranks them by sales over your specified time frame (see *Figure 4* on the next page).

Bikky Burger Barn has 10 locations — isolating 2 of them should be enough data to start (20% of your locations may be too much depending on your size, but as a smaller brand I need a larger % in order to discern signal from noise).

I don't just want to look at overall sales though — I need to also take into account the mix of those sales. I want two locations that rank in the middle relative to my other locations, but also have relatively high third-party delivery exposure.

Here's how they stack up based on these two criteria (*Figure 5*).

I've highlighted Great Kills, Williamsburg, and Bed Stuy. They're all middle-of-the-pack and have high-enough delivery exposure to warrant this test.

There's other nuance we can parse out as well.

Figure 4: First rank locations by sales to figure out where to start

Location Name	Sales Rank	Net Sales	Discounts	Gross Sales	Labor Rank	Labor Cost
	1	Actual figures have been obscured to protect the innocent.			3	
	2				4	
	3				2	
	4				1	
	5				5	
	6				6	
	7				7	

I could just focus on Williamsburg and Bed Stuy because they're both in Brooklyn. Sticking to the same geography would make my website and menu updates, ad design, and zip code targeting on Facebook easier.

Figure 5: Choose locations that are middle-of-the-road in terms of sales and third-party delivery

Location	Rank	
	AUV	3p delivery exposure
Harlem	1	7
East Village	2	1
South Bronx	3	3
Great Kills	4	3
Williamsburg	5	1
Port Richmond	6	10
Bed Stuy	7	3
Forest Hills	8	9
Coney Island	9	7
Flushing	10	3

Or I could leave out Williamsburg since it has the second-largest third-party delivery exposure. Testing where the stakes are lower might be a safer bet.

At a minimum though, I'm definitely leaving out Port Richmond. It ranks in the middle on sales, but just doesn't do enough third-party delivery business relative to the other locations. Any testing here just wouldn't make a big enough impact to call this test a success or failure.

I'm rolling with Williamsburg and Great Kills.

Now that I have my menu items and locations picked out, I can get started on the marketing piece.



Build your audience

There are two ways to build the audience — with Facebook’s help, or something more precise.

Use Facebook’s help for maximum reach and when you don’t have your own data. You’ll have more impressions, but potentially lower conversions (that’s the trade-off when you’re not directly targeting folks that already like your brand).

Use a custom audience when you already have some guest data (check your native ordering or loyalty platform for email, phone, and zip codes). You can directly re-target folks and also build a lookalike audience to target others like your existing customers.

Shameless plug: as a Bikky customer, you’ll already have the data aggregated in one place — across POS, loyalty, and delivery. To build a custom audience, you just need to export the data from your Bikky dashboard and upload the CSV file to Facebook.



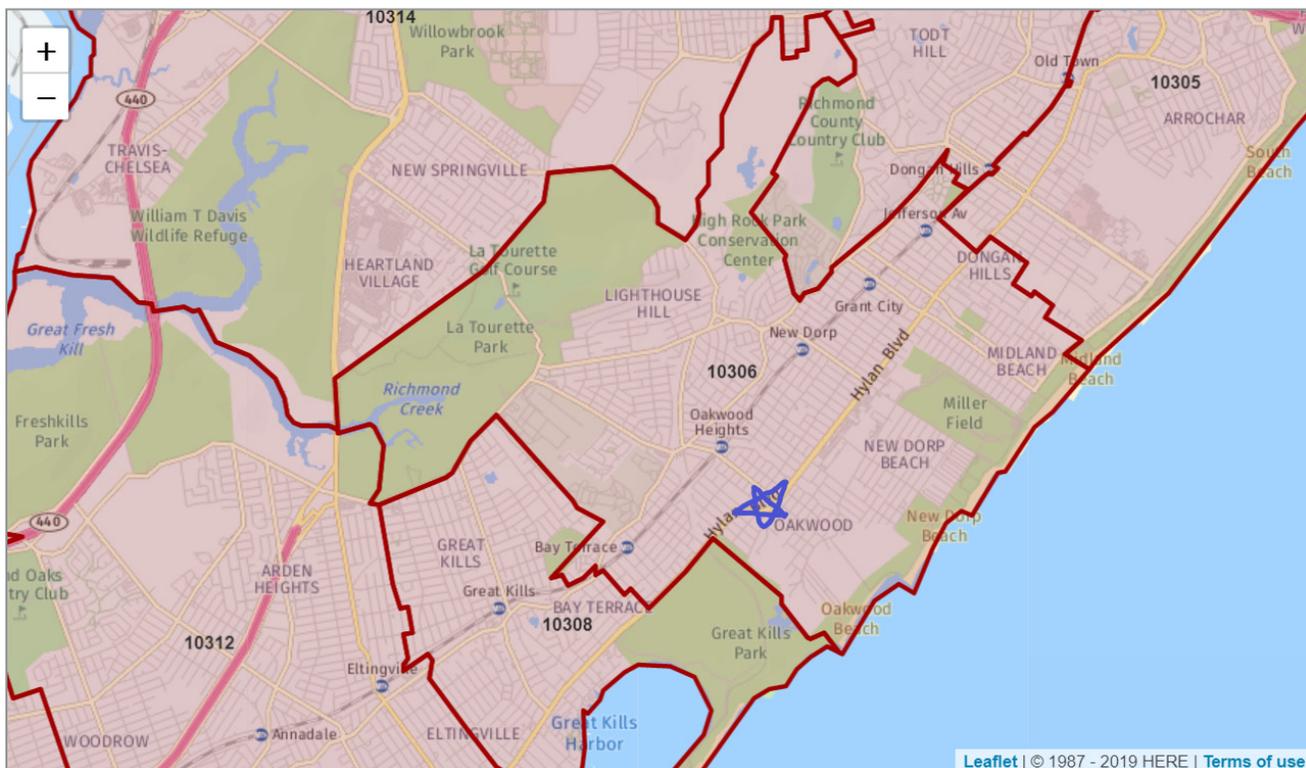


Quickly creating a saved audience

For this, we just need the delivery zip codes for our test stores. If you're not sure, you can pull it from your various third-party delivery dashboards.

For Great Kills, we'll go with 10306, 10308, 10312, 10314, and 10305 (Figure 6).

Figure 6: Selecting zip codes in our delivery zone for Great Kills



A nice spot off Hylan Boulevard, right by the beach.

For Williamsburg we'll use 11211, 11249, 11206, 11222, 11205, and 11237.

Brooklyn is big so we gotta keep our zone manageable. Just make sure we're targeting as many hipsters as possible (Figure 7).

With our zip codes figured out, so let's head over to our [Facebook audiences](#). Click "Create a Saved Audience" (Figure 8).

Figure 7: Selecting zip codes in our delivery zone for Williamsburg

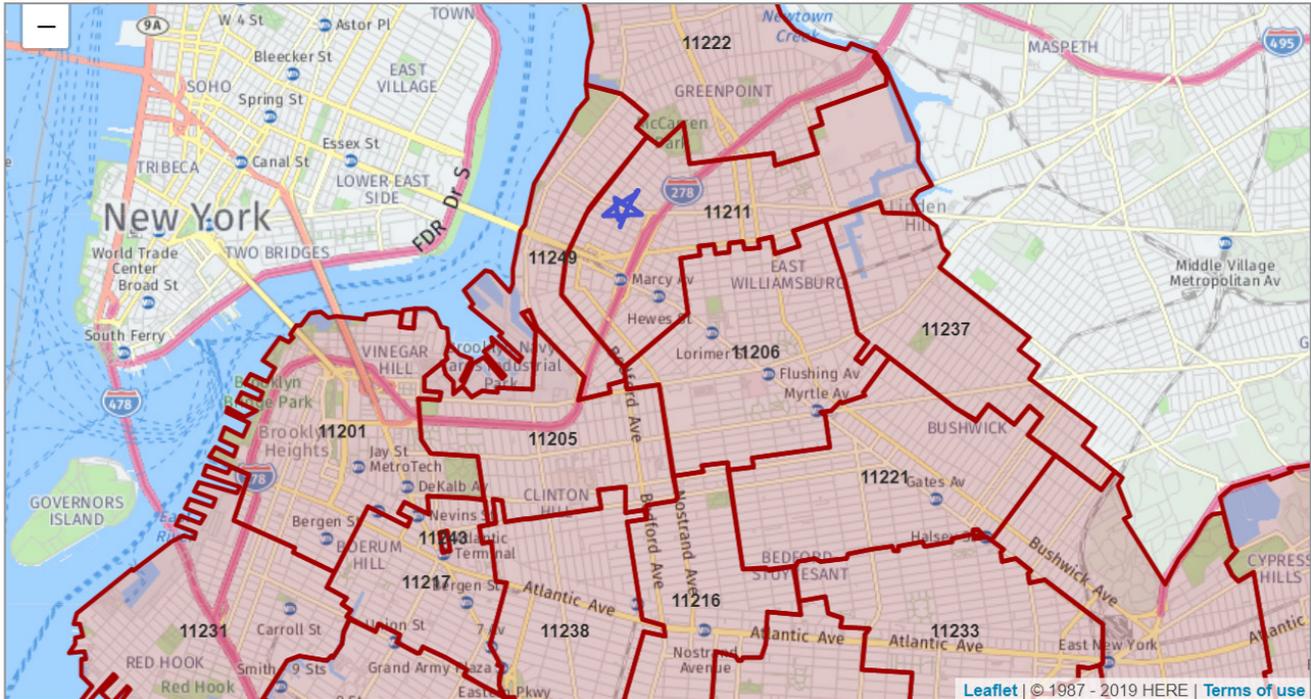


Figure 8: Use Facebook's pre-defined triggers to build a large saved audience

Reach the People Who Matter to You

Create and save audiences to reach the people who matter to your business. [Learn More](#)

Custom Audiences

Connect with the people who have already shown an interest in your business or product with Custom Audiences. You can create an audience from your customer contacts, website traffic or mobile app.

[Create a Custom Audience](#)

Lookalike Audiences

Reach new people who are similar to audiences you already care about. You can create a lookalike audience based on people who like your Page, conversion pixels or any of your existing Custom Audiences.

[Create a Lookalike Audience](#)

Saved Audience

Save your commonly used targeting options for easy reuse. Choose your demographics, interests, and behaviors, then save them to reuse in future ads.

[Create a Saved Audience](#)

I dropped in all my target zip codes. I could stop here, and reach an estimated 650,000 people. Not bad (*Figure 9*).

Figure 9: Large enough geographically, but let's narrow it down

Create a Saved Audience

Audience Name

Potential Audience:
Potential Reach: 650,000 people ⓘ

Custom Audiences ⓘ

Exclude | Create New ▼

Everyone in this location ▼

- 10305
- 10306
- 10308
- 10312
- 10314
- 11205

Audience Details:

- Location:
 - United States: New York (11237), New York (11205), New York (10306), New York (10308), New York (10312), New York (10314), New York (10305), New York (11211), New York (11249), New York (11206), New York (11222) New York
- Age:
 - 18 - 65+

I can also be more specific by adding some of Facebook's own filters. If that's the route I wanna go, then I should head down to the "Detailed Targeting" box and hit the "Browse" button.

I'll take folks who are interested in fast casual + fast food. I can make it even more targeted by focusing the ad on folks that Facebook deems "Engaged Shoppers," i.e. they've clicked a "Shop Now" button in the past week (*Figure 10*).

This narrows down the potential audience to a still-respectable 200,000 people (*Figure 11*).

A note of caution — you'll have to gauge your own potential audience after switching on these filters. The rest of the U.S. doesn't share the same population density as NYC (shocker!). It's better to be specific, but we still need the target audience to be a big enough.

After that, all I need to do is click "Create Audience."

Figure 10: Choose recent shoppers who love fast food / fast casual

The screenshot shows the Facebook targeting interface. At the top, it says "Include people who match" with an information icon. Below this, there are two main sections: "Behaviors > Purchase behavior" and "Interests > Food and drink > Restaurants". Under "Behaviors", there is a sub-section "Engaged Shoppers". Under "Interests", there are two sub-sections: "Fast casual restaurants" and "Fast food restaurants". At the bottom of the targeting section, there are links for "Add demographics, interests or behaviors", "Suggestions", and "Browse". Below the targeting section, there is a section for "Connections" with an "Add a connection type" dropdown menu. At the bottom right, there are "Cancel" and "Create Audience" buttons.

Figure 11: We're ready to roll — still a big enough audience, but much more refined.

The screenshot shows the "Create a Saved Audience" interface. The "Audience Name" field contains "delivery test". Below this, there is a "Custom Audiences" section with a dropdown menu set to "Everyone in this location". The location is set to "United States" with a list of zip codes: 10305, 10306, 10308, and 10312. On the right side, there is a "Potential Audience" section with a circled "Potential Reach: 200,000 people" and an information icon. Below this, there is an "Audience Details" section with the following information:

- Location:
 - United States: New York (11237), New York (11222), New York (11206), New York (11249), New York (11211), New York (10305), New York (10314), New York (10312), New York (10308), New York (10306), New York (11205) New York
- Age:
 - 18 - 65+
- People Who Match:
 - Interests: Fast casual restaurants or Fast food restaurants
 - Behaviors: Engaged Shoppers



Creating a Custom Audience

This is where things get a bit more interesting. You'll have a bunch of options when you click-through to create a custom audience. We'll focus on the top 2 sources (*Figure 12*).

Figure 12: Let's create a custom audience using our first-party data

The screenshot shows the 'Create a Custom Audience' interface. It is divided into two main columns. The left column lists various sources for creating a custom audience, grouped into 'Use your sources' and 'Use Facebook sources'. The 'Use your sources' group includes 'Website traffic' (with a globe icon) and 'Customer list' (with a person icon), both of which are circled in red. Other options in this group are 'App activity' (with a phone icon) and 'Offline activity' (with a person walking icon). The 'Use Facebook sources' group includes 'Video' (with a play button icon), 'Instagram business profile' (with an Instagram icon), 'Lead form' (with a document icon), 'Events' (with a star icon), 'Instant Experience' (with a location pin icon), and 'Facebook Page' (with a page icon). The right column features an illustration of three people in pots being watered by a watering can, with the text 'About Custom Audiences' and 'Create the most relevant audiences by adding people from the sources that matter to you.'

If you have the Facebook pixel installed on your native ordering site or app, then you can go ahead and click on “Website traffic”. Bikky Burger Barn doesn’t have that level of sophistication, unfortunately, so we’ll focus on uploading a customer list. It’s more manual, but still straightforward.

When you click on customer list, you get three options (*Figure 13*).

So a few easy options for me to build my audience. If you regularly upload all your guest data into Mailchimp (a good weekly practice), then you can go ahead and select that to target folks by email.

Let’s say this is the first time though that I’m putting all this together. I’ll select “Use a file that doesn’t include LTV” since I’m not sure if that data point is readily available.

Figure 13: If you have LTV or Mailchimp data that's up-to-date, use it. We'll assume we don't, so go with the middle option

Create a Custom Audience

Customer list

- Use a file that includes customer lifetime value (LTV)
- Use a file that doesn't include LTV
- Import from Mailchimp



Customer list best practices
We recommend using a .csv file that includes customer lifetime value (LTV).

Facebook tells me exactly what info they need (*Figure 14*).

Figure 14: Don't be intimidated — we don't need all these fields, only a few select ones.

Create a Customer List Custom Audience

1 Prepare a File with Your Customer Data Show Tips

Identifiers you can use (15)

Email Phone Number Mobile Advertiser ID First Name Last Name ZIP/Postal Code City State/Province Country

Date of Birth Year of Birth Gender Age Facebook App User ID Facebook Page User ID

2 Add Your File

Original Data Source **Select the origin of this upload**

Add a new file (CSV or TXT) Download file template

Drag and drop your file here or **Upload File**

Copy and paste

3 Name Your Audience

Name your audience 50 × Add Description

I'll start consolidating all the data according to [this template](#). I'll download it as a CSV file and start inputting my first-party guest data. It's super important that we separate out each line of the address — we need to target by zip code after all.

After uploading my data and naming my audience, I'll have to make sure Facebook can accurately map all my data (*Figure 15*).

Figure 15: Here's how it should look when you upload the key fields into Facebook

Create a Customer List Custom Audience [Close]

4 Preview and Map Your Data [Show Tips]

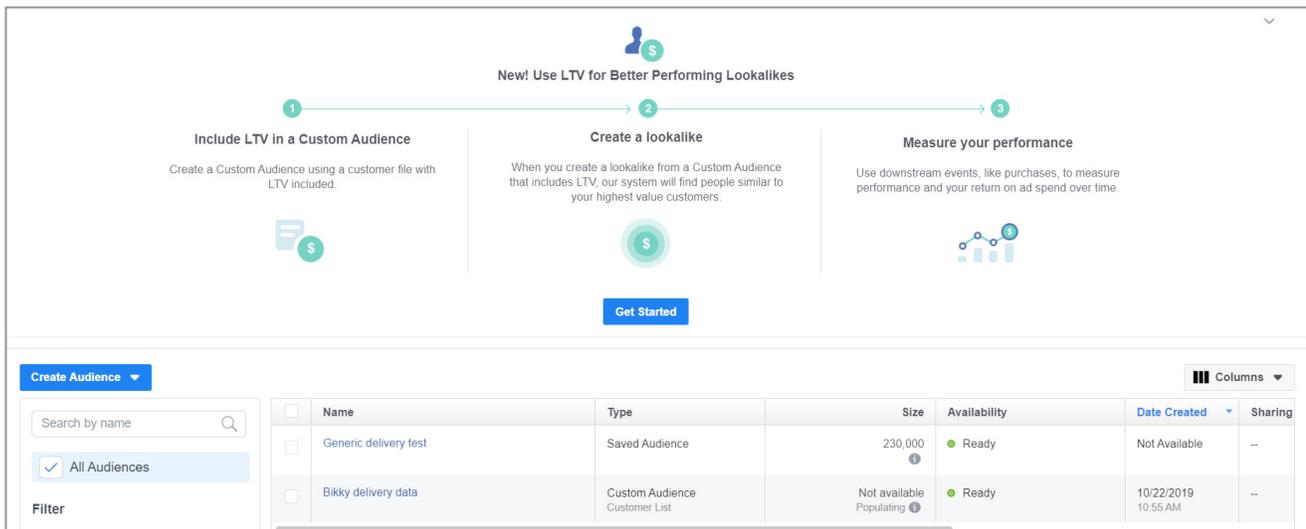
Map your data to upload it. Your data will be hashed before it's uploaded. [Learn more.](#)

Field Name	Preview	Mapping
Firstname	James Marie Robert Julia	First Name
Lastname	J C I W	Last Name
phone	191736676208 191736648717 19167211215 19173669641	Phone Number
Street	8 Spruce St 100 80 Julia St 7c 77 Water St Suite 200 92 Wood St 100	Do Not Upload
City	New York New York New York New York	City
State	NY NY NY NY	State/Province
Zipcode	10008 10008 10008 10008	ZIP/Postal Code

If the identifier above looks incorrect, [Modify the delimiter.](#) ⓘ

Once I'm good with this, Facebook will "hash" (the term they use to figure out which guests from my list they can target) the data. I'll be taken back to my audience screen (*Figure 16*).

Figure 16: Audiences are set. Now we'll get ready to build our ad



1 Include LTV in a Custom Audience
Create a Custom Audience using a customer file with LTV included.

2 Create a lookalike
When you create a lookalike from a Custom Audience that includes LTV, our system will find people similar to your highest value customers.

3 Measure your performance
Use downstream events, like purchases, to measure performance and your return on ad spend over time.

Get Started

Name	Type	Size	Availability	Date Created	Sharing
Generic delivery test	Saved Audience	230,000	Ready	Not Available	--
Bikky delivery data	Custom Audience Customer List	Not available Populating	Ready	10/22/2019 10:55 AM	--

So both my audiences are *nearly* ready — I'm just waiting on Facebook to figure out the final size of my custom audience. This can take up to 30 minutes (but even then Facebook won't reveal the full audience size due to privacy concerns).

Three options from here:

- dig up the LTV data to create custom + lookalike audiences that target my best-performing guests
- switch to designing my creative that advertises the menu change
- get a cup of coffee — always good to take a break and stretch the legs!

Pro tip: we've focused on manually building a custom audience using data from just your native ordering platform. With a restaurant CRM like Bikky you can consolidate your guest data from both first-party and third-party sources and expand the reach of your custom audience.

When you've got all your audiences built, you're set.

Now let's create our ad and launch this.

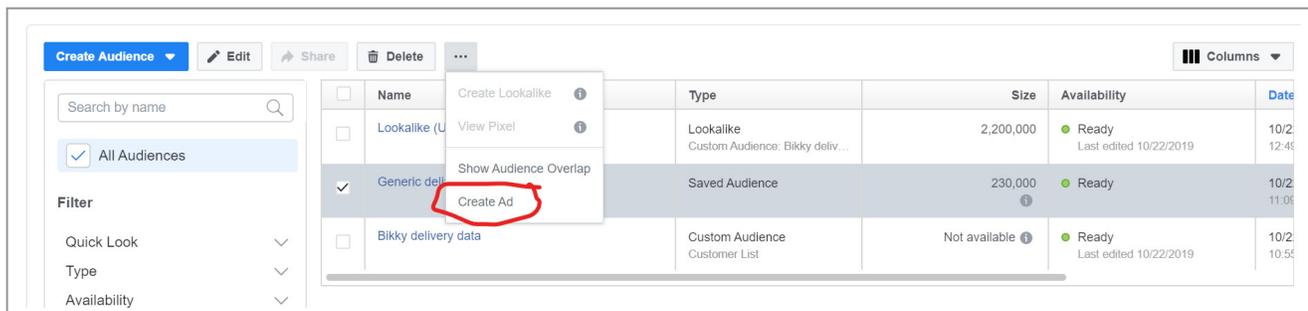


Create your ad

I'm going to start with my more generic "Saved Audience". It's less targeted, but at least I've set it up so I'm only capturing folks that I know are in my delivery zone.

(Pro tip: from our experience here at Bikky HQ [not to be confused with the Burger Barn], custom audience ad performance is almost universally better. Still, let's keep the example simpler for now, see Figure 17).

Figure 17: Select your audience and let's do this



Now we need to define our objective. There are a couple options: traffic or conversions. Remember, in this example I'm using my larger — but less targeted — generic delivery audience. I want to advertise that favorites are now only available on my native platform, and at the very least drive more people to my site to learn more. For those reasons, I'm going with the **traffic** objective.

If I'm using my much more targeted custom audience, I'll use the **conversion** objective. These folks are already customers, so I just want to ensure their next order comes through my native platform (Figure 18).

Figure 18: Go for traffic — we need to drive folks through to our native platform

Awareness	Consideration	Conversion
Brand awareness	<input checked="" type="checkbox"/> Traffic	Conversions
Reach	Engagement	Catalog sales
	App installs	Store traffic
	Video views	
	Lead generation	
	Messages	

Traffic

Send more people to a destination on or off Facebook such as a website, app or Messenger conversation. [Learn More](#)

Campaign Name [Create name template](#)

Create Split Test OFF

A/B test your creative, placement, audience, and delivery optimization strategies. [Learn More](#)

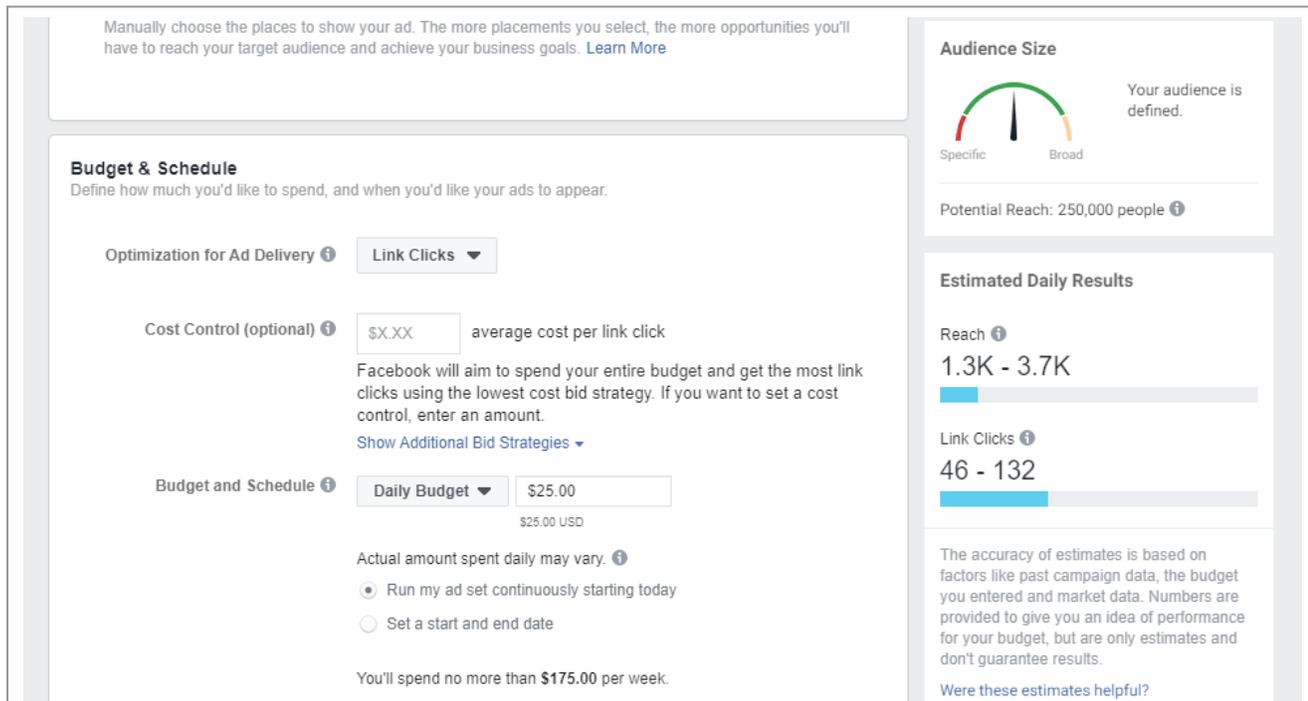
Campaign Budget Optimization OFF

Optimize budget across ad sets

On the next page under “Traffic”, make sure you choose website.

I’m fine with Facebook’s defaults here, the only thing I want to change is the budget down at the bottom. I’ll increase mine to \$25 per day. My reach increases, the estimated click rate doesn’t really change, and I’m spending ~\$175 per week. That means it’ll cost me no more than \$700 to run a 4-week test, plenty of time and data to figure out if this is working. For simplicity, we’ll assume we’re only spending \$500 (Figure 19).

Figure 19: Set a budget that makes sense for you — it doesn't cost a lot to learn a lot



Last thing left to do is to design our ad. With a carousel, you can put images for every item that's exclusive to your native platform. For simplicity, I'm going with a single image, but emphasizing in the copy that the Barnyard Classic — and other favorites — are only available on direct ordering (*Figure 20*).

When your copy and images are set, hit confirm at the bottom of the page...and you're live!

Now comes the fun part — if you've got the Facebook pixel set up on your site (again, we don't here at Bikky Burger Barn) — then you can accurately track click-throughs and conversions.

Instead, I'll rely on my P&L to figure out if I'm converting guests from third-party delivery platform.

Figure 20: Build the urgency and explain how ordering direct brings exclusive access

Text & Links
Set up the text and links for your ad. [Learn More](#)

Primary Text ⓘ

The Bikky Barnyard Classic - the legendary local burger, only available when you order direct.

The Barnyard Classic, Masala Fries, and Golden Milkshake - exclusive for direct ordering.

+ Add Another Option 2 of 5

Headline (optional) ⓘ

Breakfast or lunch? Both.

+ Add Another Option 1 of 5

Description (optional) ⓘ

Enter your first link description

+ Add Another Option

Destination

Website

Facebook Event

Website URL ⓘ Preview URL

order.bbb.com

Build a URL Parameter

Display Link (optional) ⓘ

Enter the link you want to show on your ad

Call to Action ⓘ

See Menu

Stories Customizations

Edit Stories background colors ⓘ

Desktop News Feed View More Variations

Edit Refresh

Bikky HQ
Sponsored ·

The Bikky Barnyard Classic - the legendary local burger only available when you order direct.

ORDER.BBB.COM See Menu

Breakfast or lunch? Both.

Like Comment Share

Highlight the copy and direct ordering details for our ad.

⚙ Measuring ROI

I'll add one disclaimer before diving into this section: Bikky Burger Barn is fake, and so are all these numbers. I kept going back and forth about how to actually measure ROI — do you just look for the traditional 4x return on ad spending (in which case we need \$2,000 incremental revenue since our test assumes \$500 in spending), or do we target a “minimum” growth rate in weekly revenue and profit?

I wasn't sure, so just defaulted to the traditional method. All I want to do is provide a framework for how I would think about it if these numbers were real and I were running a brand. At the end of the day, any impact needs the context of your specific business objectives. But hopefully you can use this post as a step-by-step guide of how to achieve those desired outcomes.

As a reminder, here are the key metrics for the two locations we selected, Williamsburg and Great Kills (*Figure 21*).

Figure 21: Here are our two test locations pre-test — and the metrics we need to move

	Pre test		
	Williamsburg	Great Kills	Total
Weekly transactions			
in store	500	840	1,340
3p delivery	180	180	360
1p delivery	90	25	115
Weekly transactions	770	1,045	1,815
Average order value			
in store	\$15.00	\$15.00	\$30.00
3p delivery	25.00	25.00	50.00
1p delivery	35.00	35.00	70.00
Average order value	\$19.68	\$17.20	\$18.25
Weekly AUV			
in store	\$7,500	\$12,600	\$20,100
3p delivery	4,500	4,500	9,000
1p delivery	3,150	875	4,025
Weekly AUV	\$15,150	\$17,975	\$33,125
Weekly net profit			
in store	\$1,500	\$2,520	\$4,020
3p delivery	450	450	900
1p delivery	473	131	604
Weekly net profit	\$2,423	\$3,101	\$5,524
Weekly AUV composition			
% in store	50%	70%	61%
% 3p delivery	30	25	27
% 1p delivery	21	5	12
total	100%	100%	100%
Net profit margins			
% in store	20.0%	20.0%	20.0%
% 3p delivery	10.0	10.0	10.0
% 1p delivery	15.0	15.0	15.0
total	16.0%	17.3%	16.7%

Totals are off a bit in Williamsburg due to rounding

The important thing to note is the disparity between our test locations. Williamsburg is *much more* dependent on delivery than Great Kills. Let's assume that our weekly in-store transactions stay flat during the test period. That means we need a relatively smaller shift in first-party volume for Williamsburg to see a revenue and profit impact.

But Great Kills isn't a delivery-heavy shop, and there's a huge gap between first-party and third-party orders (>150 per week). That means here we need to really move the needle on native site orders. The goal for this store isn't just to *convert* guests from third-party delivery, but to ramp up our native site traffic overall.

This provides the framework for success. A still large but achievable tweak for Williamsburg (with third-party conversion), and a big jump for Great Kills.

Now remember, I'm spending \$500 over 4 weeks for this test. I want to drive at least \$2,000 in native site revenue over that time frame. That's the indicator I need to track before I can roll-out on a second batch of stores.

After a 4-week run for our test, here's what that could look like (*Figure 22*).

So I need to add 36 orders per week in Williamsburg and 25 in Great Kills. This includes converting 5 orders per week from third-party delivery in Williamsburg and 4 in Great Kills (that's 9 out of the total 61, or ~15%, consistent with the ROI we see in our data at Bikky HQ).

That's about 3% overall weekly transaction growth. But something we consistently see in our data at Bikky HQ is that average order value on native platforms is actually much higher than on third-party delivery. Assuming that difference, we can increase our weekly revenue and net profit by 5-6%.

Note as well that while the overall first-party *order counts* may not seem massive, they are pretty substantial percentages: 40% growth in Williamsburg and 100% growth in Great Kills.

Figure 22: We're massively growing 1p ordering — but that should happen when we're putting money behind the test

	Pre test			Post test			Δ		
	Williamsburg	Great Kills	Total	Williamsburg	Great Kills	Total	Williamsburg	Great Kills	Total
Weekly transactions									
in store	500	840	1,340	500	840	1,340	--	--	--
3p delivery	180	180	360	175	176	351	(3.0%)	(2.0%)	(2.5%)
1p delivery	90	25	115	126	50	176	40.0%	100.0%	53.0%
Weekly transactions	770	1,045	1,815	801	1,066	1,867	4.0%	2.0%	2.9%
Average order value									
in store	\$15.00	\$15.00	\$30.00	\$15.00	\$15.00	\$30.00	--	--	--
3p delivery	25.00	25.00	50.00	25.00	25.00	50.00	--	--	--
1p delivery	35.00	35.00	70.00	35.00	35.00	70.00	--	--	--
Average order value	\$19.68	\$17.20	\$18.25	\$20.33	\$17.59	\$18.77	3.3%	2.3%	2.8%
Weekly AUV									
in store	\$7,500	\$12,600	\$20,100	\$7,500	\$12,600	\$20,100	--	--	--
3p delivery	4,500	4,500	9,000	4,365	4,410	8,775	(3.0%)	(2.0%)	(2.5%)
1p delivery	3,150	875	4,025	4,410	1,750	6,160	40.0%	100.0%	53.0%
Weekly AUV	\$15,150	\$17,975	\$33,125	\$16,275	\$18,760	\$35,035	7.4%	4.4%	5.8%
Weekly net profit									
in store	\$1,500	\$2,520	\$4,020	\$1,500	\$2,520	\$4,020	--	--	--
3p delivery	450	450	900	437	441	878	(3.0%)	(2.0%)	(2.5%)
1p delivery	473	131	604	662	263	924	40.0%	100.0%	53.0%
Weekly net profit	\$2,423	\$3,101	\$5,524	\$2,598	\$3,224	\$5,822	7.2%	3.9%	5.4%
Weekly AUV composition									
% in store	50%	70%	61%	46%	67%	57%			
% 3p delivery	30	25	27	27	24	25			
% 1p delivery	21	5	12	27	9	18			
total	100%	100%	100%	100%	100%	100%			
Net profit margins									
% in store	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%			
% 3p delivery	10.0	10.0	10.0	10.0	10.0	10.0			
% 1p delivery	15.0	15.0	15.0	15.0	15.0	15.0			
total	16.0%	17.3%	16.7%	16.0%	17.2%	16.6%			

I think this is achievable though because:

- I'm growing off a relatively small base
- Facebook tells me I'm going to get an average of 90 clicks per day. That means 630 clicks per week. If I exclude out the 9 weekly orders I'm converting from third-party delivery, then that means I need 52 net-new orders from the 630 weekly clicks. That's an 8% conversion rate. Not easy, but in-line still with what we see at Bikky HQ.

Still, it's good to map the range of possibilities here, so I put together a sensitivity analysis. The main variables are expected growth in first-party delivery at each location, and what weekly AUV growth, incremental revenue, and return on ad spend would look like in each scenario (Figure 23).

Figure 23: To make this test a success, we need a 3x return on ad spend. That’s just an extra 45 1p orders across both locations.

New weekly first-party delivery transactions						Incremental first-party delivery revenue						
Williamsburg						Williamsburg						
	20.0%	30.0%	40.0%	50.0%	60.0%		20.0%	30.0%	40.0%	50.0%	60.0%	
Great Kills	60.0%	33	42	51	60	69	60.0%	1,155	1,470	1,785	2,100	2,415
	70.0%	36	45	54	63	72	70.0%	1,243	1,558	1,873	2,188	2,503
	80.0%	38	47	56	65	74	80.0%	1,330	1,645	1,960	2,275	2,590
	90.0%	41	50	59	68	77	90.0%	1,418	1,733	2,048	2,363	2,678
	100.0%	43	52	61	70	79	100.0%	1,505	1,820	2,135	2,450	2,765

Growth in weekly AUV						Return on ad spending						
Williamsburg						Williamsburg						
	20.0%	30.0%	40.0%	50.0%	60.0%		10.0%	20.0%	30.0%	40.0%	50.0%	
Great Kills	60.0%	3.1%	4.0%	5.0%	5.9%	6.9%	45.0%	2.3x	2.9x	3.6x	4.2x	4.8x
	70.0%	3.3%	4.3%	5.2%	6.2%	7.1%	55.0%	2.5x	3.1x	3.7x	4.4x	5.0x
	80.0%	3.6%	4.6%	5.5%	6.5%	7.4%	65.0%	2.7x	3.3x	3.9x	4.6x	5.2x
	90.0%	3.9%	4.8%	5.8%	6.7%	7.7%	75.0%	2.8x	3.5x	4.1x	4.7x	5.4x
	100.0%	4.1%	5.1%	6.0%	7.0%	7.9%	85.0%	3.0x	3.6x	4.3x	4.9x	5.5x

If I’m willing to be flexible, I *could* settle for a 3x return on ad spending. That’s as low as I’d be willing to go though.

And per my sensitivity analysis, that means I need at least \$1,500 in incremental revenue per week and 45 new first-party transactions, or ~65% growth at Great Kills and 30% growth at Williamsburg.

Maybe I’ll run my custom audience campaign in conjunction with the generic delivery targeting one to increase my chances of hitting these numbers. Remember, this is a smaller, more precise list of first- and third-party delivery guests. I already know they love my brand, I just need to either convert them or increase their order frequency.

At Bikky HQ, we’ve seen ROI on the smaller custom audiences range from 12-20x (no joke). You’re already tapping into their love of your brand, but just letting them know that they need to come directly to you now to get it.

And if I’m not on track for these numbers right out the gate, I can’t give up.

I’ll have to keep iterating on ad copy and formats until I settle on something that starts converting at a higher rate. At the very least, I’m going to stick it out for the month and spend the \$500 to \$700 needed to see if I can make this a success.

And if it is, I'm ready to a) potentially throw more ad dollars behind the existing stores (increasing the Facebook ad budget? stickers on every bag to let all third-party delivery customers know where they can find my trademark items?); and b) select another 2-3 stores and repeat the playbook all over again.



Conclusion

The point here is that these are repeatable tests. Remember, third-party delivery platforms never sleep. It's their job to build a marketing engine that continuously grabs hold of every potential guest and lock them in to their platforms.

But you need to do the same. You need to fight back based on the strength of your brand and food. It's a long, arduous road, but the payoff is obvious: better data and better margins.

And if you need some help (another shameless plug alert), get a restaurant CRM like **Bikky** to help you aggregate the data, use it to run these types of campaigns, and easily measure the ROI.

And as always, send over your feedback, questions, and results.

See you out there.

Abhinav Kapur, CEO @ Bikky



bikky.com



abhinav@bikky.com

