



Office of the Chair

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**Remarks by Chair Lina M. Khan
Grubhub Press Conference
Matter Number 2023157**

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Good morning, everyone. Thank you for joining us today. I am so glad to be here with Illinois Attorney General Kwame Raoul, who is a vigorous defender of people’s rights—and a committed partner to the FTC in taking on corporate lawbreaking.

Today, the FTC and the state of Illinois are announcing a law enforcement action against Grubhub, the online platform that facilitates food delivery from restaurants to people at home.

Our joint investigation found that, for years, Grubhub deliberately and systematically cheated its customers, deceived its drivers, and undermined restaurants that did not partner with Grubhub.

Grubhub relied on these underhanded tactics to accelerate its growth—and pocketed hundreds of millions of dollars through its unlawful practices.

The backdrop here was that Grubhub wanted to grow quickly and achieve scale. Succeeding as a platform that connects different sets of market participants requires gaining a critical mass of customers on one side, so that you can draw more customers on the other side.

Rather than grow organically through honest tactics, Grubhub decided to take shortcuts and lure customers by deceiving them. It used a multi-pronged strategy to do this.

Our complaint alleges that Grubhub baited diners into using its platform by marketing that delivery would cost as little as \$2.49—or even that delivery would be free. In reality, Grubhub later tacked on “service” and other fees that were basically renamed “delivery fees”—all so that it could get away with falsely advertising its delivery as “free.” Top executives at Grubhub directed these deceptive practices and even described the fee structure as a “pricing shell game.” Customers complained to Grubhub that these tactics were misleading, but the company persisted—earning close to *half a billion dollars* from these misnamed “service fees” in 2022 alone.

Our investigation also found that Grubhub deceptively marketed its subscription program, Grubhub+, and then made it absurdly difficult for subscribers to cancel. While users could sign up through one or two clicks, Grubhub designed its cancellation process to thwart people from being able to easily get out.

Customers were not the only ones subjected to Grubhub’s illegal tactics. Wanting to boost the number of restaurants listed on its platform, Grubhub resorted to adding *tens of thousands* of restaurants without their knowledge or consent—ultimately damaging their revenues and reputations.

Because the restaurants had not agreed to partner with Grubhub, its listings were often cobbled together from inaccurate sources and routinely had out-of-date menus and inaccurate hours. And because restaurants had not chosen to list with Grubhub, the company went out of its way to disguise its involvement. Grubhub’s decision to falsely list unaffiliated restaurants routinely led to cancelled orders, delays, and missing items. Unaware of Grubhub’s deception, unhappy customers blamed the restaurants—leading to reputational harm and lost revenues.

Thousands of restaurants sent cease-and-desist letters to Grubhub and repeatedly requested to be removed from its platform. Grubhub would routinely ignore these requests—and sometimes even used restaurants’ pleas to pressure them into signing up for paid partnerships instead. Restaurants had to resort to extreme measures just to get Grubhub to stop listing them—reaching out to the press, threatening legal actions, or reconfiguring their systems to block Grubhub cards.

One restaurant owner here in Chicago said that it was “absolutely ludicrous” that Grubhub could “list a restaurant on their website without the restaurant’s consent, let alone take orders based off old, incorrect menus.”¹

A Milwaukee restaurant wrote: “Shame on you, Grubhub. Stop abusing small businesses.”²

And this was not all. Grubhub extended its bait-and-switch tactics to its drivers, too. It claimed that drivers could “make up to \$26/hr” or “earn up to \$40 per hour.” But very few drivers earned anything approaching those amounts. In 2023, for example, only the top *two percent* of drivers typically earned these amounts.

We have ordered Grubhub to pay \$25 million for the harm it caused, which will allow us to put money back in customers’ pockets. Our order will also require Grubhub to advertise the full cost of delivery, honestly advertise pay for drivers, and list restaurants on its platform only with their consent.

I am thankful for the FTC team’s rigorous work on this matter, especially the team here in our Chicago office, who spearheaded the investigation and its resolution. I especially want to acknowledge Claire Stewart, Lisa Bohl, and Katharine Roller, the lead attorneys.

¹ Ashok Selvam, *Illinois Could Bar Delivery Companies From Listing Restaurants Without Permission*, EATER (May 3, 2021), <https://chicago.eater.com/2021/5/3/22417048/illinois-legislation-online-delivery-services-chicago-restaurants-unauthorized-listings>.

² Adam Rogan, *Grubhub, Postmates and Doordash Keep Adding Milwaukee Restaurants to Their Apps Without Permission*, MILWAUKEE (Dec. 17, 2019), <https://www.milwaukeeemag.com/grubhub-postmates-doordash-keep-adding-milwaukee-restaurants-apps-without-permission/>.

This case is the latest installment in the FTC's efforts to ensure that all our markets are fair, honest, and competitive—including in the “gig” economy, where workers can face greater precarity.

Sometimes when firms operate through different technologies or reconfigured business models, we hear claims that the laws should not apply to them.

It's critical that law enforcers stay clear-eyed and not get dazzled by these claims of novelty.

In recent years, the FTC has brought enforcement actions against a slew of “gig” firms—making clear that there is no “gig” firm exemption from the laws on the books. All corporations must abide by the antitrust and consumer protection laws, no matter the technology or business model. Our recent actions against HomeAdvisor, Lyft, Arise Virtual Solutions, and Care.com all uncovered a slew of unfair or deceptive practices by these firms.

All told, our actions have recovered more than \$100 million from these firms—and we've put in place stronger rules and notices that will ensure businesses can also be on the hook for penalties.

Businesses that try to accelerate their growth and scale through violating the law should know they will be held to account.

And with that, I am pleased to welcome our partner, Illinois Attorney General Kwame Raoul.
