

Online Ordering System Hopes Eateries Take Bytes

INTERNET: Investors fill ChowNow's plate with \$3 million in funding.

By **BETHANY FIRNHABER** and **NATALIE JARVEY** Staff Reporters

At first, **Tianxiang Zhuo** said he was skeptical about investing in a Santa Monica tech company that helps restaurants take online orders. But **ChowNow** won him over.

Zhuo, managing partner at **Karlin Ventures**, said he decided to put money into the company after talking to 10 local restaurateurs who use the company's services.

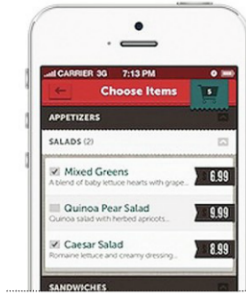
"I think this is almost a necessity for restaurants, where the Holy Grail is to build engagement with customers," he said. "With ChowNow, they can manage promotions and interact with customers directly."

ChowNow, which creates online and mobile ordering platforms for restaurants, announced last week that it has raised \$3 million in funding led by local venture capital firm **GRP Partners**. Other local investors include **Karlin** and **Double M Capital**.

Christopher Webb, chief executive and one of the company's three co-founders, said ChowNow will use the money to expand its sales and marketing efforts as well as to develop more tools for its restaurant customers.

ChowNow works with dining chains and independent eateries to create restaurant-branded mobile and Facebook ordering apps in addition to online ordering systems that integrate easily with each restaurant's existing website. Its service, which includes limited advertising efforts to promote the new online ordering platforms, costs restaurants \$89 a month.

Co-founders **Webb** and **Eric Jaffe** started working on their idea for ChowNow about two



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Order Up: Phone with ChowNow restaurant ordering system.

years ago. **Webb** previously worked on Wall Street as an investment banker; **Jaffe** worked in commercial real estate. The two brought in third co-founder **Josiah Carlson**, a former **Google Inc.** engineer, shortly after developing their first prototype for the software in 2011. The company was part of accelerator **Launchpad L.A.**'s third class of startups.



Jaffe

The company has already used some of the money it raised to hire four salespeople and three marketing employees. The company employs 20. On the development side, ChowNow is working to help its restaurant customers market themselves online. The company has been collecting data from people who order online in order to give restaurants targeted advertising information. For example, the data includes customer addresses that restaurants could use in the future to determine how far people travel to eat their food.

That kind of information wasn't always easily available and manageable in the past. Normally, **Webb** said, customers eat, pay and leave.

"The restaurant doesn't know who you are," he said. "But we're collecting all this data. Using that data, we can build some cool marketing tools."

But ChowNow has some stiff competition in the online food-ordering space. **Seamless**, in New York, has a popular food-ordering platform, and **GrubHub**, in Chicago, operates a website and app that allows people to search for local restaurants and order food for pickup or delivery.

Hollywood startup **PayDragon** likewise is trying to become a player in the online food delivery space. It's also planning to deliver grocery store items to a customer's door.

Integration issue

ChowNow, **Webb** said, puts its focus on working with restaurants more than its consumer-focused competitors, most of which charge a 15 percent service fee for every order placed through their systems.

The company also helps restaurants advertise that they have a new online ordering system, which he said helps in getting restaurants to switch to ChowNow's service.

"Once someone's set up an account and places that first order, we see a lot of repeat business," **Webb** said.

But ChowNow faces challenges, particularly in convincing restaurants to use a service that doesn't integrate with in-house ordering systems.

For example, when a customer places an order for food from a ChowNow platform, the order pops up on an iPad tablet inside the restaurant. Once there, a worker must confirm receipt of the order, accept or deny it and estimate a preparation time. Only then can the order be communicated to the kitchen.

Jerry Prendergast, principal at Culver City restaurant consultancy **Prendergast & Associates**, said restaurants would be better off paying more upfront to install more sophisticated point-of-sale systems that allow for online ordering than paying a monthly fee indefinitely for a service that doesn't integrate with the back of the house.

"If this online ordering doesn't connect to my point-of-sale system, it's just a labor issue for me," he said. "Who's going to read these orders coming in, and who's going to put them into my point-of-sale system?"

Jaffe, chief operating officer, said ChowNow doesn't try to integrate with restaurant point-of-sale systems because it just doesn't work.

"Philosophically, we don't do it because they're always breaking, and if they break, that means we will suffer an error in terms of process," he said. "Our goal is to be really efficient with the restaurant's time. We're not looking to change their inside processes by any means."

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