

# Instacart's ad business slowed in Q4

## Article

**The news:** Growth in Instacart's advertising business slowed considerably in Q4, a concerning sign given how critical it is to the company's [long-term prospects](#).

- Instacart's "advertising and other" revenues grew just 7% year-over-year in the quarter, a significant deceleration from the 19% increase seen in Q3.
- Total revenues grew 6% YoY to \$803 million, missing analysts' consensus estimate of \$804.2 million.

- Still, the company is upbeat: Instacart expects adjusted earnings between \$150 million and \$160 million in Q1, outpacing estimates of \$150.3 million. Gross transaction value (GTV) is forecast at between \$8 billion and \$8.2 billion, again beating estimates of \$7.9 billion.

**How we got here:** CEO **Fidji Simo** attributed the slowdown to two major factors: the lapping of its launch of shoppable ad formats, which drove significant increases in ad revenues in 2022, and caution from advertisers following the “underwhelming GTV growth” Instacart saw last year.

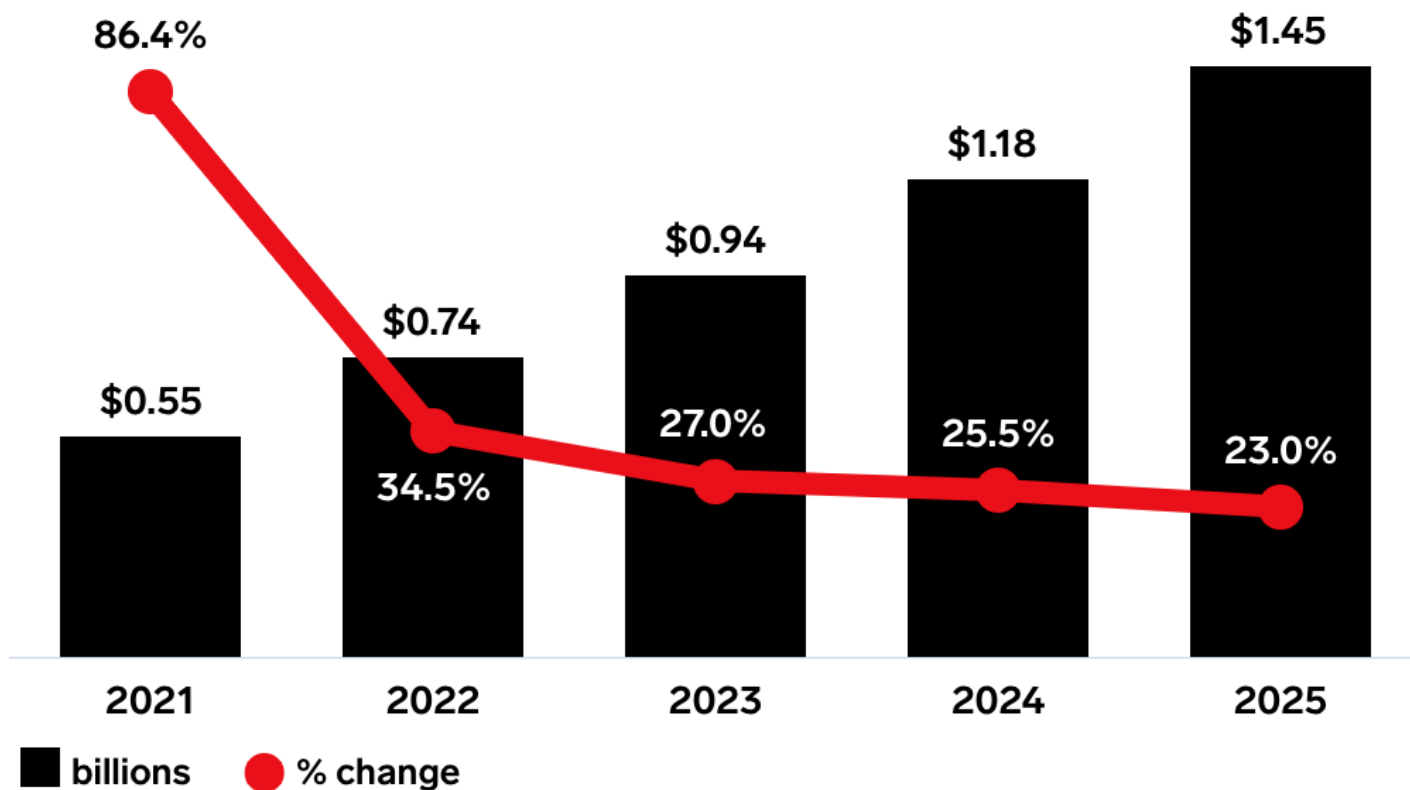
- As Simo emphasized, growth in Instacart’s ad business is driven by growth in its core grocery business—which is finally showing signs of acceleration. GTV has grown for three straight quarters, and is on track for a fourth, driven mainly by an increase in orders.
- But the company faces numerous headwinds, including growing competition from **Uber** and **DoorDash** as well as the fact that consumers are ordering grocery delivery less than they used to.
- Grocery delivery sales in January were 0.5% lower YoY due to declines in order volumes and frequency, causing delivery’s share of online grocery sales to fall by 82 basis points, [according to](#) a survey fielded by Brick Meets Click and Mercatus.

**The big takeaway:** Instacart’s latest restructuring makes it clear that growing its ad business is a priority—and for good reason.

- Our forecast expects [Instacart’s ad business](#) to grow nearly twice as fast as its [grocery sales](#) this year.
- But given how intertwined ad growth is with its grocery business, Instacart can’t afford to stop investing in the latter.

# Instacart Ad Revenues

US, 2021-2025



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: Insider Intelligence | eMarketer, October 2023

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