

# Rapid delivery is at an inflection point

## Article

**The stat:** Investment in rapid grocery has fallen by more than 50% in 2022, [per Pitchbook](#), as high operational costs and fierce competition dim investor enthusiasm.

- Investors shelled out \$3.6 billion to quick commerce startups this year—well below the \$7.6 billion companies netted last year.
- The number of deals also fell significantly, from 36 last year to 15 so far this year.

**Quick commerce companies consolidate:** While last year's gold rush fueled a wave of startups, the number of players is [rapidly diminishing](#) as cash reserves run dry. Should Getir

acquire **Gorillas**, that number will shrink further, leaving only two major players—Getir and **Gopuff**—whose primary business is rapid grocery delivery.

But even that may not be enough to guarantee their survival as established delivery companies like **Uber Eats**, **DoorDash**, and **Deliveroo** take advantage of their existing infrastructure to **build out rapid fulfillment capabilities**.

- **Uber Eats is getting into the rapid grocery game with the UK launch of Uber Eats Market**, which is a partnership with frozen grocery chain **Iceland** that aims to deliver products in as little as 20 minutes, per The Grocer.
- DoorDash continues to invest heavily in its DashMart convenience store offering, which CFO **Prabir Adarkar** said is “on any given day” one of the top 10 stores on the company’s platform in terms of sales.

**Digital Channels From Which US Digital Buyers Purchase Food/Beverage Products, by Demographic, Aug 2022**

% of respondents in each group

|   | Female | Male | 18-34 | 35-54 | 55-65 | Total |
|---|--------|------|-------|-------|-------|-------|
| Walmart   | 56%    | 62%  | 66%   | 61%   | 45%   | 59%   |
| Amazon (including AmazonFresh and Whole Foods)  | 52%    | 56%  | 48%   | 60%   | 53%   | 54%   |
| Target  | 25%    | 30%  | 37%   | 30%   | 10%   | 27%   |
| Grocery store’s website (e.g., Kroger.com, Albertsons.com, Publix.com, HEB.com, etc.) | 22%    | 26%  | 25%   | 23%   | 23%   | 24%   |
| Instacart   | 16%    | 21%  | 24%   | 19%   | 10%   | 18%   |
| Other online grocery delivery company (e.g. FreshDirect, UberEats, Doordash, etc.)    | 16%    | 20%  | 21%   | 18%   | 12%   | 18%   |
| Club store’s website (e.g., Costco)   | 15%    | 16%  | 16%   | 14%   | 15%   | 15%   |
| Meal kit company (e.g., Blue Apron, Hello Fresh, etc.)                                | 8%     | 6%   | 9%    | 8%    | 4%    | 7%    |
| Quick Commerce (e.g. Gopuff, Getir, Gorillas, etc.)                                   | 3%     | 5%   | 8%    | 3%    | 0%    | 4%    |
| Other   | 8%     | 4%   | 3%    | 9%    | 7%    | 6%    |

Source: “The Insider Intelligence Ecommerce Survey” conducted in Aug 2022 by Bizrate Insights, Aug 24, 2022

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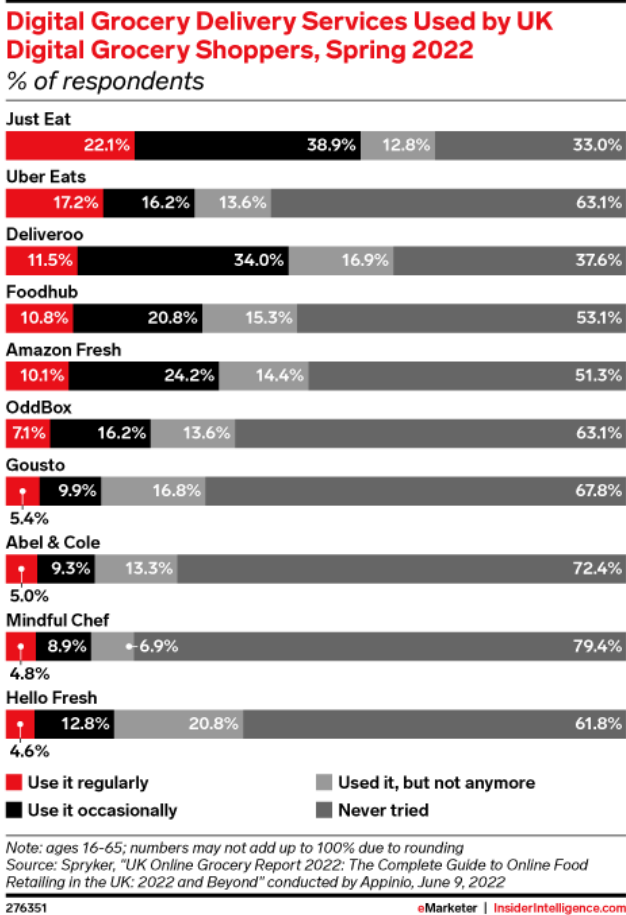
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**The evolution of the dark store:** Uber Eat’s partnership with Iceland is notable because it represents a significant departure from the tactics rapid grocery startups—and even competitors like DoorDash and Deliveroo—have taken to build out their quick commerce capabilities.

- Despite being labeled “Uber Eats Market,” the 1000+ products available are sourced entirely from Iceland, meaning Uber Eats doesn’t have to worry about striking deals with suppliers to

stock warehouse shelves.

- While DashMart orders are packed and fulfilled by DoorDash workers, **orders from Uber Eats Market are packed by Iceland workers and delivered by Uber couriers.**
- But the most striking difference is that orders are fulfilled directly from Iceland stores, which eliminates the need to establish dark stores or other microfulfillment centers.
- Nor is Uber Eats the only company rethinking the need for dark stores: [Deliveroo is experimenting](#) with opening its microfulfillment centers up to customers for in-store grocery shopping and pickup.



**An uncertain outlook:** While rapid delivery startups have cut staff and exited markets in a drastic attempt to reduce costs, that may not be enough to protect them as inflation causes consumers to pull back on grocery and food delivery.

- **Just Eat Takeaway reported an 11% year-over-year decline in orders during Q3**—a sign that rising prices are causing some consumers to think twice about ordering delivery.
- Gopuff recently let go of another 250 or so employees as part of its restructuring plan to reduce cash burn, per Bloomberg.

To stay alive, these companies need to find more sustainable ways to scale—either along the lines of [Gopuff's partnership with Grubhub](#), which broadens its audience considerably, or by adjusting the dark store model to make it easier for customers to make a purchase. Otherwise, the only players left standing will be the same ones that dominated before the pandemic.

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