

# DoorDash makes grocery gains, Instacart bets on ads, and Uber Eats wants the best of both worlds

Article

DoorDash's grocery business is booming, and Instacart is leaning on advertising to tide it over as its delivery volumes are down. Perhaps taking a cue from both, Uber Eats continues to add

non-restaurant delivery partners while also building out its advertising platform.

## DoorDash wins the grocery games

Q2 2023 was the best quarter ever for DoorDash in terms of total order numbers, marketplace gross order value (GOV), and revenues, said the company in its Q2 earnings report.

- Total orders increased 25% YoY to 532 million.
- Marketplace GOV increased 26% YoY to \$16.5 billion.
- Revenues increased 33% YoY to \$2.1 billion.

Though the strength of its core restaurant business has played a huge role in DoorDash's wins, an expansion into grocery has fed the company's recent success.

“Over the last two and a half years, we've built a multibillion-dollar grocery business from scratch,” said Tony Xu, DoorDash's co-founder, chairman, and CEO, in Q2 2023's earnings call. “We're growing faster than every other platform and gaining share dramatically in virtually all categories, and certainly—and very specifically—also in grocery.”

DoorDash says it's attracting more new customers via its non-restaurant business than any other delivery intermediary platform. It now has to find ways to turn those new customers into repeat buyers.

**Our view:** DoorDash should continue to build out its grocery and non-restaurant partners to become a one-stop shop for consumers. But it also needs to keep price in mind as consumers seek out deals on essential categories like food and beverage and health and personal care.

## Instacart buoys itself with ads

**Grocery order volume was down** 2% YoY for Instacart in Q1, and transaction volume grew just 3%, per The Information.

As the **leader of the intermediaries**, Instacart has a lot less room for growth in its core delivery business than DoorDash or Uber Eats. Instead, it's focused on finding growth opportunities elsewhere—specifically, ads.

The company's **retail media business** generated roughly \$740 million in 2022, up 30% YoY, per The Information. By the end of this year, we forecast Instacart's ad revenues will hit \$1.14 billion and continue to grow by upper double digits through 2025.

In order to stay competitive, **Instacart is forming partnerships with companies like Roku**, which enables advertisers to use Instacart data to see if consumers bought a product after seeing an ad for it on TV.

**Our view:** The health of Instacart's ad business depends on the success of its delivery business. With no consumer insights, advertisers will not be interested in forking over dollars to advertise on Instacart's platform. It will need to make investments in both its delivery and ad business to maintain its edge.

### **Uber has it both ways**

Uber's delivery division, Uber Eats, had a reasonably successful Q2, marked by an increase in gross bookings and delivery frequency, according to the company.

- Delivery gross bookings accelerated 14% YoY.
- Delivery frequency also hit an all-time high of four monthly orders per eater, up 8% YoY.

Like DoorDash, Uber Eats is investing in verticals outside of restaurants, including grocery, convenience, and alcohol. According to Uber, new verticals generated \$6 billion in annualized gross bookings in Q2, 10% of all delivery gross bookings.

But Uber is also expanding its advertising business.

- The company launched video ads through Uber, Uber Eats, Drizly, and in-car tablets.
- Advertising formats were expanded to include sponsored item opportunities for consumer packaged goods brands.
- Uber also partnered with Omnicom Media Group to strengthen the unique ad-buying offering of mobility and retail media inventory.

**Our view:** Uber's grocery potential lies within its membership program, Uber One.

"They're trying to get people to sign up for their paid memberships because they're already frequent ride-share customers or they're already frequent grocery delivery [customers]," said

our analyst Blake Droesch on a recent “[Behind the Numbers: Reimagining Retail](#)” podcast episode.

“They don’t want to pay the fees [when] they can go to the store, but they use ride-share [services] enough or they get restaurant delivery enough that they were swayed to sign up for these services and all of a sudden, now they’re getting groceries for free,” said Droesch.

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