

Instacart and Uber take aim at DoorDash with new partnership

Article

The news: Instacart and Uber are joining forces to stave off competition from DoorDash.

- Instacart customers will soon be able to order restaurant delivery, powered by Uber Eats, via a dedicated tab in the Instacart app.

- The deal will broaden Instacart’s appeal to customers and bring it closer to becoming an all-in-one delivery service, while giving Uber Eats a valuable opportunity to acquire customers.

Better together: The fact that the two companies felt it necessary to team up speaks to the threat DoorDash poses to both of their businesses as it ventures deeper into grocery delivery and scoops up a larger share of restaurant delivery sales.

- Uber CEO **Dara Khosrowshahi** took pains to emphasize in an interview with Bloomberg that both companies are “a threat to DoorDash” individually and as a team, and that the partnership will allow the two to grow their business in a “highly, highly competitive marketplace.”
- That’s certainly necessary for Uber, which is struggling to keep pace with DoorDash in the restaurant delivery space despite healthy order and user growth.
- The company is trying to differentiate itself through initiatives such as a [TikTok-like video feed](#) to drive restaurant discovery and orders and a (successful) partnership with **Domino’s**—but the gulf is widening.
- We expect [Uber Eats’ share of US restaurant delivery intermediary sales](#) to shrink to 29.0% this year, while DoorDash will dominate the market with 55.7%.
- However, the partnership could reverse that trend by enabling Uber to push deeper into suburban markets, where it’s under-penetrated but Instacart is well-represented.

Instacart’s defensive strategy: The motivation is slightly different for Instacart, which is trying to protect its grocery business from increased competition from DoorDash, Uber, and grocers themselves, as well as convince customers to rely on the platform for non-grocery orders.

- The deal with Uber helps establish Instacart as shoppers’ go-to platform for food delivery, whether it’s groceries or restaurant meals; the company also gets an affiliate fee for every Uber Eats order placed through its app.
- The partnership is good news for **Instacart+** members, who now benefit from free delivery on restaurant orders over \$35.
- And, most importantly for Instacart, it helps ward off the threat of DoorDash’s fast-growing grocery business. Our forecast expects [DoorDash’s US grocery ecommerce sales](#) to grow by

33.4% this year, handily outpacing Instacart's 12.8% growth—although it should be noted that the former's grocery sales are roughly one-fifth the size of the latter's.

The advertising angle: Of course, as with most retail initiatives these days, there is the potential upside to both companies' advertising businesses.

- Uber's newly expanded reach gives merchants on its platform a bigger incentive to increase their ad budgets.
- Likewise, the new delivery offering will make Instacart a more attractive prospect for advertisers looking to get in front of customers.

Grocery Delivery Intermediary Sales Penetration, by Company US, 2024

% of Grocery Delivery Intermediary Sales

Instacart

69.9%

DoorDash

12.6%

Other

11.2%

Uber

6.3%

% of Grocery Ecommerce Sales

Instacart

17.8%

Other

7.0%

██████████ 4.1%

DoorDash

██████████ 3.2%

Uber

██████████ 1.6%

Note: sales of grocery products ordered via site/app; excludes taxes and tips; includes pickup and delivery

Source: EMARKETER Forecast, February 2024

