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The 15-minute grocery delivery dream is taking its toll on startups

Article

The news: The grocery delivery boom brought on by the pandemic only heated up in 2021, creating a congested field of competitors looking to outdo one another with faster and faster delivery times, resulting in the widespread promise of 15-minute delivery. But now, startups bearing the high cost of running rapid grocery delivery services in the US are rolling back that 15-minute dream and looking for ways to stave off losses, per The Information.

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How we got here: Sensing opportunity, investors pumped **$10.1 billion** into grocery companies in the first seven months of 2021, as compared with $7 billion in all of 2020.

- The bullishness from VCs isn't unfounded: We forecast that over **half the US population** placed at least one digital grocery order in 2021, and that US grocery ecommerce sales will nearly double from $122.39 billion in 2021 to **$243.67 billion by 2025**.
- Still, the losses for instant delivery startups were immediate, but expected: **Jokr**, a grocery delivery startup founded in 2021, was losing **$159 per order** in New York City just three months into its operation, according to The Information. Other NYC-operating companies like **Fridge No More** were experiencing similar losses.
- Now, startups are dialing back on speed and looking for other ways to differentiate themselves from competitors and introduce different revenue streams. If an "expansion first, profits later" approach is what fueled 15-minute delivery's meteoric rise, then the speed has finally caught up with them, and many are now in a fight for survival.

More on this: An increasing number of grocery delivery services are pivoting away from the 15-minute standard, citing high operating costs in US urban areas, issues finding adequate space for dark stores (urban warehouses where delivery services store items), and large competitors like **Instacart**.

- Jokr, which raised **$260 million** as recently as early December and is valued at over $1.2 billion, is introducing longer delivery times in order to fulfill more orders per drive (as is competitor **Buyk**) and will experiment with a subscription service.
- Looking to cut losses and make itself stand out, Fridge No More is both looking to obtain a liquor license and invest in more private-label products for delivery customers—a model that has proved successful for quick ecommerce firms like **FastAF**.
- Available warehouse space has also been an issue for many startups including Fridge No More and the now-defunct **1520**. Companies need large warehouses with square footage in the thousands, which can be extremely expensive and are also highly sought after. GoPuff declined to purchase warehouses when 1520 went out of business because they were too small.

Looking forward: As more startups struggle to eke out a profit in the hyper-competitive grocery delivery market, investors are betting on a highly consolidated future.

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- The path toward consolidation for grocery delivery could look similar to how things panned out for ridesharing and food delivery services. With a few leaders like **Uber** (or Instacart, in the case of groceries) and **DoorDash** sitting comfortably at the top, smaller competitors as well as their customers and infrastructure could be scooped up to reduce the margins that 15-minute grocery delivery imposes.

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