

Instacart adds 'tech provider' to its already lengthy resume

Article

The news: Instacart unveiled **Instacart Platform**, a collection of omnichannel solutions that grocers can implement on their own properties, per a company release.

The platform includes:

- Ecommerce services including custom-built storefronts and product discovery tools

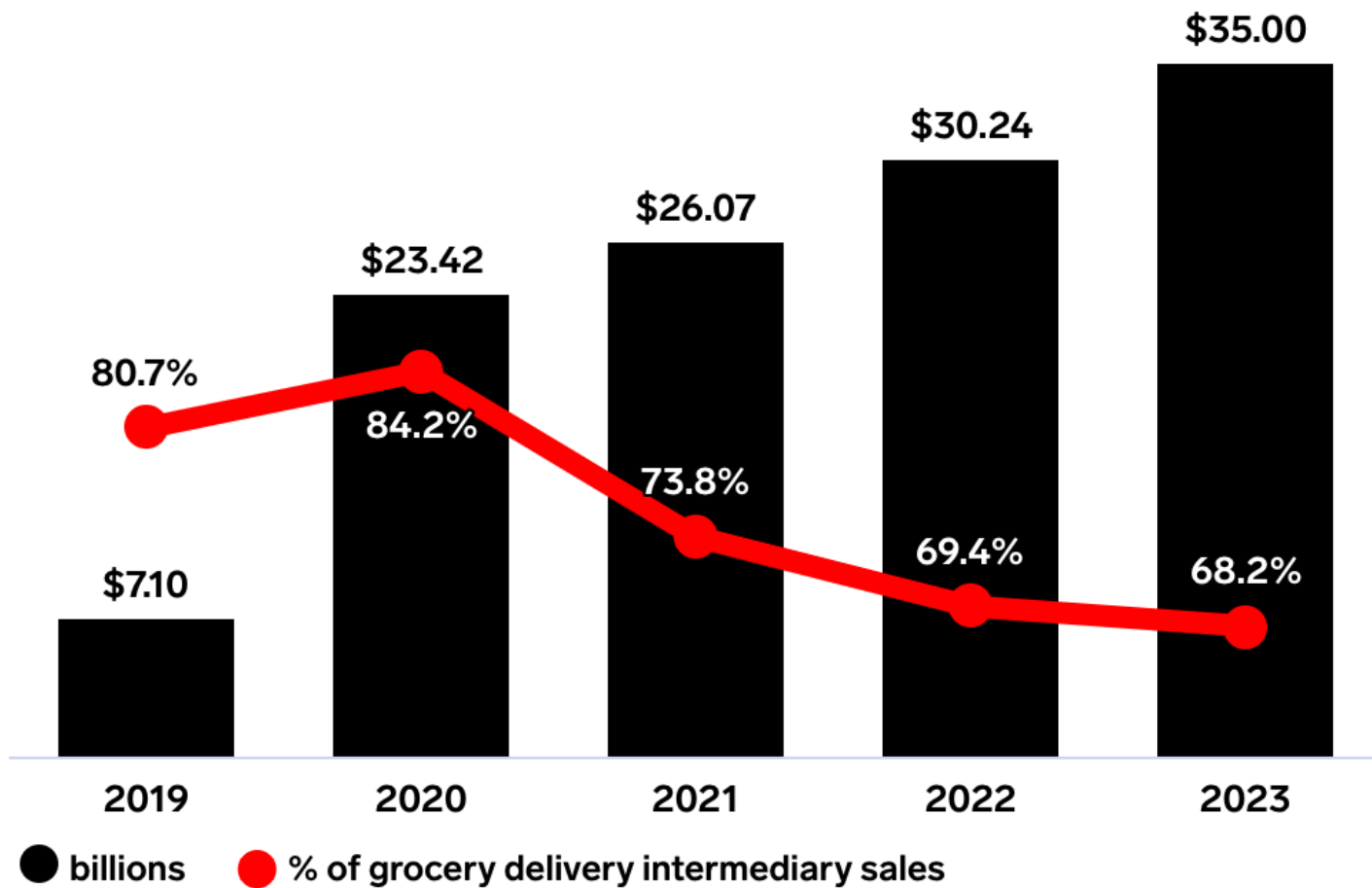
- Access to **Carrot Warehouses**, microfulfillment centers that enable retailers to offer 15-minute delivery
- Tools to enhance the in-store experience, including the ability to incorporate scanless shopping
- **Carrot Insights**, a data analytics tool that allows retailers to optimize operations by monitoring key metrics such as item popularity, delivery times, and gross merchandise value
- **Carrot Ads**, which allows retailers to leverage Instacart's advertising capabilities to show ads on their own sites and apps

Competitors catch up: While Instacart usage soared during the pandemic, the company no longer controls the third-party delivery market like it used to: We forecast its share of the market will drop to **69.4%** this year.

- One of the biggest threats to Instacart's delivery model is the prospect of retailers building out their own fulfillment network, which **Walmart, Costco**, and others **are already doing**.
- Walmart has also **encroached on Instacart's turf** with GoLocal, a service that lets retailers leverage Walmart's own delivery capabilities.
- Rapid delivery startups like **Gopuff**, as well as established delivery platforms such as **DoorDash**, are also chipping away at Instacart's dominance.

Instacart Grocery Sales

US, 2019-2023



Source: eMarketer, August 2021

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Diversifying revenues: Instacart has expanded the types of retailers it serves as well as the services it offers as it tries to stay ahead.

Recent tactics include:

- Partnering with **non-grocery retailers** like **Lowe's** and **Office Depot** to provide same-day delivery
- Expanding into **rapid delivery**

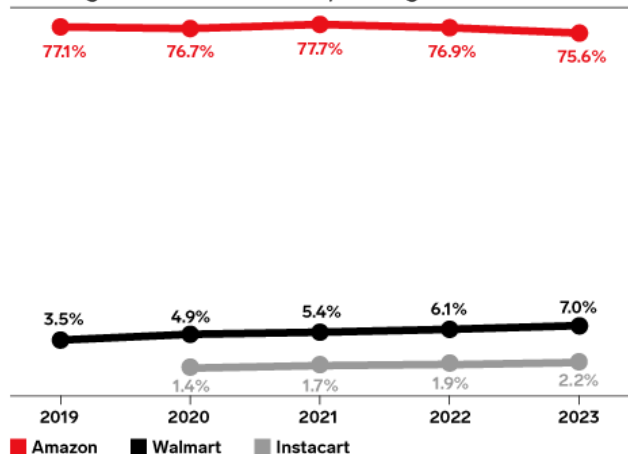
- Offering **ready-made meals** and meal kits

Capturing ad dollars: Instacart is also looking to advertising **to drive profits**. The company hopes to generate **\$1 billion** from its ad business this year, per The Wall Street Journal.

- Instacart **ranks higher** than any grocer on our 2022 “Retail Media Networks Perception Benchmark,” thanks in part to the traffic its platform sees.
- But with Walmart, **Kroger**, and others building out their advertising platforms, Instacart will have to develop more sophisticated capabilities to attract advertisers’ attention.

US Digital Retail Media Net Ad Revenue Share, by Company, 2019-2023

% of digital retail media ad spending



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: eMarketer, Oct 2021

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However: Instacart’s new initiatives have yet to restore investor confidence: Last week, Instacart cut its valuation by more than a third, to **\$24 billion**.

- While a company spokesperson said the markdown was due to “market turbulence,” the move came shortly after **several investors devalued Instacart’s shares by 18%**.
- While Instacart’s revenues increased by 20% in 2021, DoorDash’s revenues rose by 70% in the same period, per The Information. DoorDash reported \$4.89 billion in revenues for 2021—three times what Instacart generated.

The big takeaway: With its new technology suite, Instacart is hoping to reduce its reliance on delivery while establishing itself as the partner retailers can rely on to support their businesses.