

# Instacart ventures onto DoorDash's turf with prepared food delivery

## Article

**The news:** Customers will now be able to order ready-made meals from grocery retailers via **Instacart**, per a company announcement.

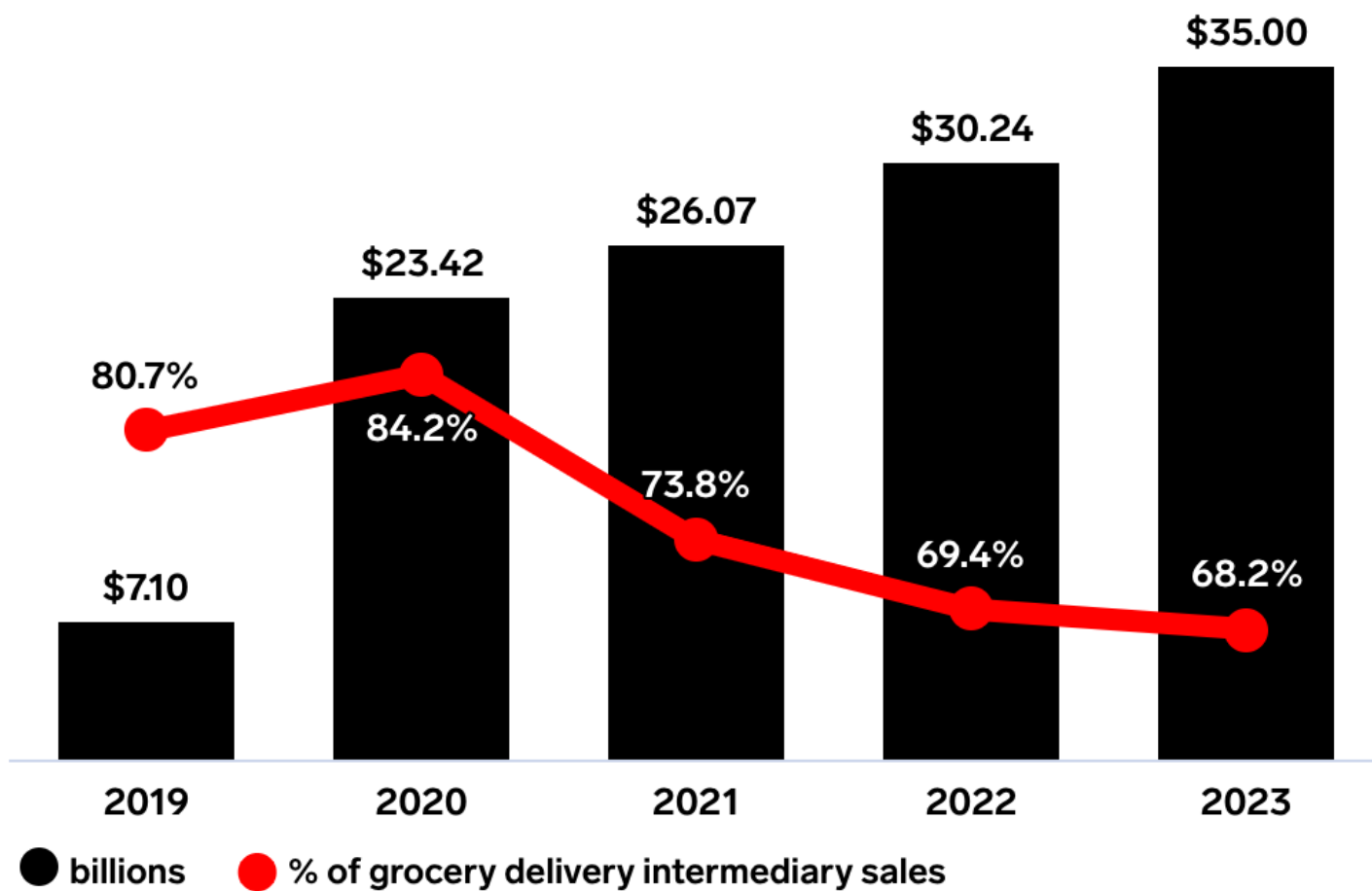
- Instacart's press release **bills** its new "Ready Meals" options from retailers like **Kroger** and **Publix** as "fresh, healthy and cost-effective alternatives to restaurant takeout," putting the company in direct competition with food delivery platforms such as **DoorDash** and **UberEats**.

**How we got here:** While Instacart currently dominates the market for third-party grocery delivery services, with **73.8%** of grocery intermediary sales in 2021, it faces significant challenges on several fronts.

- Ultrafast grocery delivery startups like **Gopuff** and **Gorillas** are gaining popularity among consumers, cutting into profits for both grocery retailers and Instacart itself. With established platforms such as DoorDash **also looking** to get in on rapid grocery delivery, Instacart is attempting to forestall them by making its own move into 15-minute delivery, **per** The Information.
- At the same time, grocers are beefing up their own fulfillment capabilities. For example, **Walmart recently announced** plans to expand its InHome delivery service, which delivers groceries directly to consumers' fridges, to **reach 30 million households**.
- As a result, we forecast that Instacart's share of third-party grocery delivery sales will fall this year to **69.4%**.

## Instacart Grocery Sales

US, 2019-2023



Source: eMarketer, August 2021

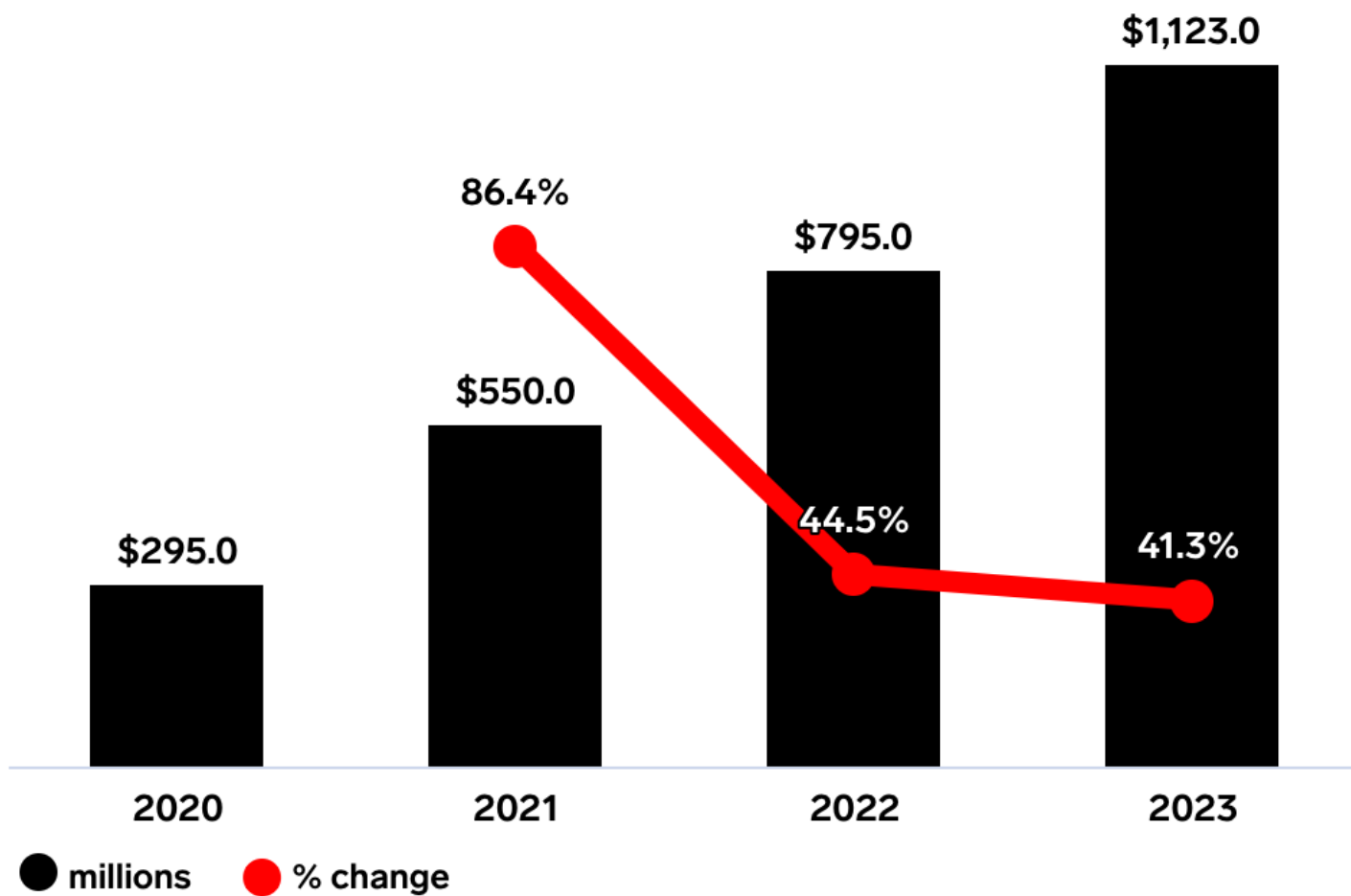
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**With that said,** Instacart's success is not solely due to its delivery dominance: Its advertising platform has become a significant source of revenues, generating **\$550.0 million** in 2021.

- While the company does not publicly release sales or earnings, its revenues last year are thought to have reached at least **\$1.65 billion**, and the company is profitable, **according to The Information**.
- Instacart ad revenues are on pace to grow **44.5%** this year to **\$795.0 million**, according to our forecasts.

## Instacart Ad Revenues

US, 2020-2023



Source: eMarketer, October 2021

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**The opportunity:** Instacart noted in its release that customers who buy prepared foods and catering items “have significantly larger baskets and shop more frequently than those who do not.” Retailers also generally get more profit from selling these items than “traditional groceries.”

- As a result, Instacart’s “Ready Meals” service not only enables the company to appeal to a highly lucrative audience, but it also gives retailers the opportunity to upsell existing consumers, thus making it advantageous for grocers to remain on the platform.

**The big takeaway:** While the company has **not yet** made definite plans for an IPO date, its recent actions reveal a company attempting to prove long-term worth to investors by finding new revenue streams and thwarting would-be competitors.

- By taking a first step into prepared food delivery, Instacart is signaling that while its loyalty remains to grocery for now, it can easily move into restaurant delivery—and perhaps beyond.