DEC 10
Rachel Wolff

Rapid grocery delivery startups abound, but are they the future of retail?

Article

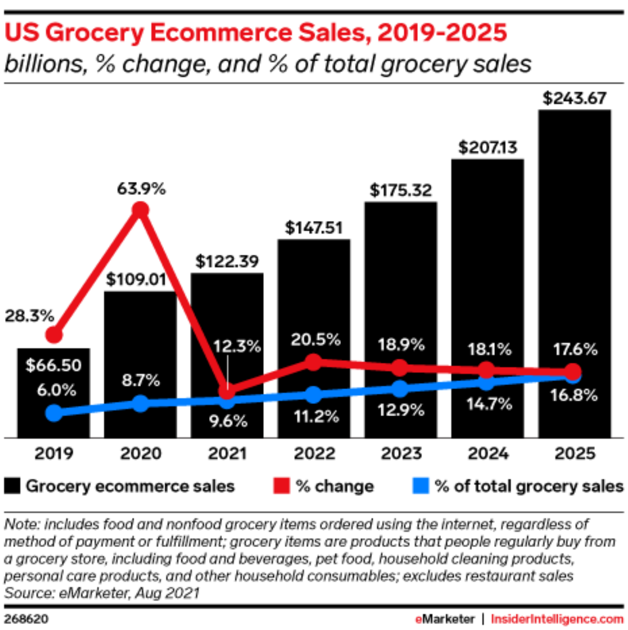
The trend: Grocery startups promising delivery in 15 minutes or less have cropped up in urban areas around the world, raising millions of dollars from investors and reshaping cities' retail footprints.

- **Jokr** recently raised **$260 million**, bringing its valuation to **$1.2 billion**.

- **Gopuff,** another rapid delivery startup, is **currently valued at $15 billion**, while competitor **Gorillas** is worth $3.1 billion.
- More established companies are also looking to get in the game: **DoorDash recently debuted 15-minute grocery delivery** in New York City, while **Uber** has partnered with Carrefour to provide a similar service in Paris.

How we got here: Grocery delivery boomed during the pandemic, and its popularity shows no sign of abating.

- We forecast that over half of the US population will make at least one digital grocery purchase this year, with sales increasing by **12.3% to $122.39 billion**.
- VCs sensed an opportunity: In the first seven months of 2021, grocery companies raised over $10 billion, compared with $7 billion for all of 2020, according to data from Pitchbook.



A bullish outlook? These startups currently rely on a steady flow of VC capital and a surfeit of available commercial real estate to build market share, but these conditions won't last forever.

- Grocery fulfillment is an expensive business, requiring buildings and personnel. As of the end of July, Jokr had garnered just $1.7 million in revenues—and losses of $13.6 million, per a report by The Information.
- One grocery app, 1520, shut down this month after running out of cash.

- “Eventually, they are going to need to turn a profit and won't be able to afford the pricey real estate in cities like New York, especially as the market rebounds,” notes **Blake Droesch, eMarketer analyst at Insider Intelligence**. “They are going to have to be more economical when choosing where and how many microfulfillment centers to set up, which will likely impede their ability to keep their delivery as fast and cheap as it is right now.”

The dark side of retail: Observers are particularly worried about how these startups will redefine communities.

- With brick-and-mortar sellers increasingly losing out to ecommerce, there are fears that local bodegas and convenience stores will be hit hard.
- The proliferation of “dark stores,” which are small warehouses that delivery companies use to source goods, will also reshape what Bloomberg calls “sidewalk life”—the vibrancy and communality of city streets.

The big takeaway: Ultrafast grocery delivery companies have big ambitions and deep pockets, but success is far from assured due to intense competition, high costs, and concerns from community activists.