

Rapid Roundup: The latest from grocers and food delivery platforms

Article

The roundup:

- **Uber Eats** is partnering with **Tesco** to bring groceries to UK customers, with delivery guaranteed within an hour, the company announced.

- Uber is also expanding its partnership with **Albertsons** to include over 2,000 stores, per a press release.
- **Publix** has begun **offering 15-minute grocery delivery** in Miami through a partnership with **Instacart**, the delivery platform said.
- **Zepto**, a rapid grocery startup based in Mumbai, raised **\$200 million** to bring its valuation to roughly **\$900 million**, per Bloomberg.

What this means: The rapid delivery market has been rocky over the past several months amid price pressures, the resurgence of in-person shopping, and lack of investor enthusiasm.

- The result has been a consolidation in the number of rapid grocery players, as smaller startups like **Fridge No More** and **Buyk** shut down due to lack of funding.
- Even established startups are rethinking their approach to the industry: Insider reported that **Gorillas**, the Berlin-based rapid grocery service valued at around **\$3 billion**, has discussed a merger with competitor **Jokr** as it seeks more funding.
- **Just Eat** is **looking to sell Grubhub** less than a year after acquiring the company for **\$7.3 billion**.
- While Zepto's cash infusion signals that investors aren't done with the space yet, it's also a reflection of the opportunity they see in India's highly competitive—and still relatively nascent—quick commerce market.

The opportunity: To circumvent the threat posed by rapid grocery startups, grocers are retooling their fulfillment networks to offer quick delivery in more markets, but it's an expensive process.

- That's why Albertsons, Publix, Tesco, **and others** are leveraging the infrastructure provided by delivery platforms to speed up their ability to provide rapid fulfillment. In addition to reducing the cost of entry, it also enables them to expand quick delivery services to less densely populated areas.
- Companies that started as rapid grocery providers, like **Gopuff** and **Gorillas**, are increasingly offering their expertise and courier networks to supermarkets instead of directly competing with them.
- In the long term, those companies might find it more profitable to function as intermediaries between customers and retailers rather than as grocery purveyors themselves.

The big takeaway: As Instacart's **current struggles** illustrate all too well, even companies that quickly come to dominate their niche can see their fortunes wane just as swiftly. This is especially true for food delivery, as the widespread return to in-person shopping and dining combined with inflation driving consumers to reassess their spending causes pandemic-era behaviors to fall by the wayside.

- For rapid delivery companies, partnering with supermarkets is an opportunity not only to generate revenues, but also to cut costs associated with purchasing and storing inventory—all important considerations as they look for ways to quickly reach profitability.
- Rising coronavirus cases in many parts of the US could be a short-term boon for food delivery platforms, but they'll have to make more significant changes to their business models to sustain growth in the long run.

Digital Channels from Which US Digital Buyers Purchase Food/Beverage Products, by Demographic, Feb 2022

% of respondents in each group

| | Female | Male | 18-34 | 35-54 | 55+ | Total |
|--|--------|------|-------|-------|-----|-------|
| Amazon (including AmazonFresh and Whole Foods) | 52% | 57% | 59% | 53% | 48% | 54% |
| Walmart | 52% | 57% | 64% | 54% | 39% | 54% |
| Target | 26% | 25% | 40% | 24% | 9% | 26% |
| Grocery store's website (e.g., Kroger.com, Albertsons.com, Publix.com, HEB.com) | 27% | 23% | 25% | 25% | 27% | 26% |
| Other online grocery delivery company (e.g. FreshDirect, UberEats, Doordash, etc.) | 22% | 15% | 39% | 12% | 2% | 19% |
| Instacart | 21% | 15% | 24% | 19% | 10% | 18% |
| Club store's website (e.g., Costco) | 17% | 15% | 17% | 15% | 16% | 16% |
| Meal kit company (e.g., Blue Apron, Hello Fresh etc.) | 13% | 10% | 14% | 11% | 10% | 12% |
| Quick Commerce (e.g. Gopuff, Getir, Gorillas, etc.) | 4% | 7% | 12% | 2% | 1% | 5% |
| Other | 7% | 5% | 0% | 8% | 11% | 6% |

Source: "The Insider Intelligence Ecommerce Survey" conducted in February 2022 by Bizrate Insights, Feb 7, 2022

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