

Can delivery apps help retailers take on Amazon?

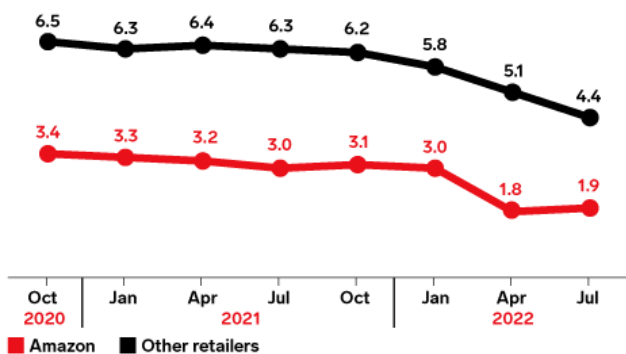
Article

The rise of Instacart and DoorDash has given retailers the opportunity to shortcut Amazon's longstanding best-in-class delivery speeds. Will the promise of same-day delivery—often accompanied by additional fees—be enough to woo consumers away from the ecommerce giant?

Amazon's delivery speeds have long been best in class—and they're only getting faster. As of July 2022, the retailer's average click-to-door time for US digital purchases was less than two days sitewide—more than twice as fast as all other retailers combined, per analysis from NielsenIQ.

Click-to-Door Speed* for US Digital Purchases Made on Amazon vs. Other Retail Sites, Oct 2020-July 2022

days



Note: represents activity on NielsenIQ's platform; broader industry metrics may vary; *the number of days from a digital purchase transaction to package arrival
Source: NielsenIQ as provided to Insider Intelligence, Aug 10, 2022

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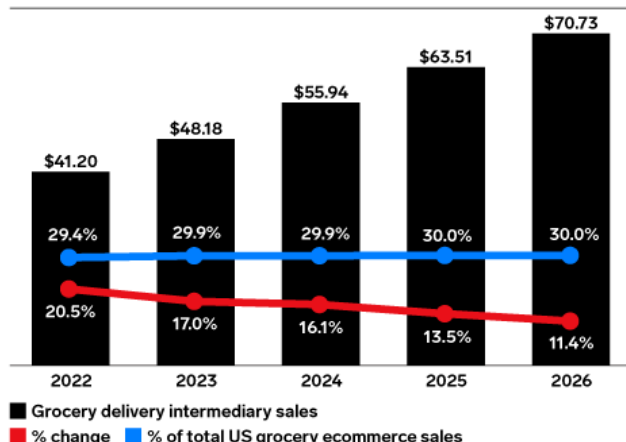
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But now delivery platforms offer a new path for retailers. Instacart, DoorDash, Uber, and Shipt have partnered with hundreds of retailers to offer same-day delivery. The bulk of these partnerships are in the grocery and convenience categories, but the delivery platforms also work with retailers like Bed Bath & Beyond, Best Buy, Lowe's, PetSmart, and Sephora.

Delivery companies' share of total US digital grocery sales is approaching 30%, according to our forecast. This includes sales of food and beverages, pet food, household cleaning products, personal care products, and other household consumables.

US Grocery Delivery Intermediary Sales, 2022-2026

billions, % change, and % of total US grocery ecommerce sales



Note: sales of grocery products ordered via digital services like DoorDash, Instacart, Shipt, and Uber, where the sale occurred on the delivery intermediary's site/app; excludes taxes and tips; excludes restaurant sales; includes pickup and delivery
Source: eMarketer, Aug 2022

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Delivery platforms can help retailers compete with Amazon, but the partnerships come at a hefty cost.

- **Sales:** Delivery platforms make money by charging a commission from retailers. For example, Instacart was taking more than 10% for each grocery order in 2020, per The Wall Street Journal. This makes it difficult for retailers to make a profit online, particularly with low-margin consumer packaged goods products.
- **Ad dollars:** Retailers hand over valuable shopper data when partnering with delivery companies. This fuels delivery platforms' media networks, which compete directly for retail media ad dollars.
- **Customer experience:** Delivery platforms are involved in almost every step of the customer journey. A bad delivery experience can sour the customer on a retailer's digital offerings.
- **Subscription loyalty:** Retailers compete directly with partnering delivery platforms for customer loyalty through paid membership programs. The more retailers that are listed on a delivery platform, the more appealing its subscription becomes.

Report by Blake Droesch Dec 16, 2022

The Future of Last-Mile Delivery

