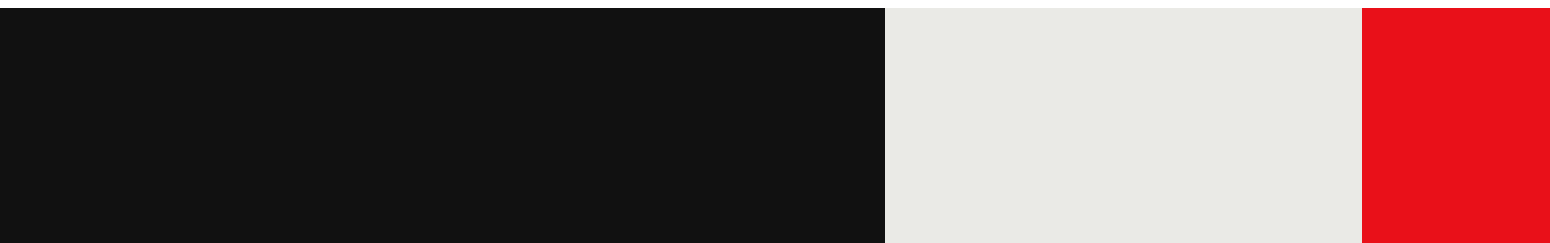



Companies ignore the obvious cracks in the rapid delivery model

Article



The trend: While some rapid delivery startups are folding or scaling back, retailers sense an opportunity to expand their quick fulfillment capabilities via partnerships with delivery platforms.

The news roundup:

- **Walmart partnered with Instacart to pilot rapid delivery** in Toronto, Canada, per a press release.
- **DoorDash and Canadian grocer Loblaw are teaming up** to offer delivery in 30 minutes or less, the companies announced.
- **Deliveroo's** rapid grocery venture Hop has begun offering grocery-as-a-service to retailers, per The Grocer.
- India-based food delivery platform **Zomato finalized its purchase of rapid delivery company Blinkit** for 44.47 billion rupees (\$602 million), per Reuters.
- **Gorillas** officially exited the Belgian market last week as it focuses on achieving profitability.

Rapid delivery startups lose ground: Fast delivery companies are facing an existential crisis as high interest rates and sustained losses limit the cash-heavy operating model's appeal to investors. That's forced many to adjust their approach.

- **Jokr** and **Gorillas** cut back their global operations and shed workers in an attempt to streamline operations amid a lack of funds.
- Deliveroo's transition to offer its rapid grocery capabilities to retailers could be an opportunity to turn a loss-making business into a profitable one. That might spur other quick commerce companies to offer their delivery know-how to retail partners as an additional—and potentially lucrative—revenue source.

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

% of respondents in each group

	Male	Female	18-34	35-54	55+	Total
Walmart	56%	56%	71%	56%	33%	56%
Amazon (including AmazonFresh and Whole Foods)	60%	50%	55%	55%	53%	54%
Grocery store's website (e.g., Kroger.com, Albertsons.com, Publix.com, HEB.com)	26%	26%	33%	23%	21%	26%
Target	29%	24%	38%	21%	16%	26%
Club store's website (e.g., Costco)	19%	15%	19%	13%	22%	17%
Instacart	18%	16%	26%	14%	8%	17%
Other digital grocery delivery company (e.g., FreshDirect, Uber Eats, Doordash, etc.)	13%	17%	25%	13%	6%	16%
Meal kit company (e.g., Blue Apron, Hello Fresh etc.)	8%	8%	15%	5%	3%	8%
Quick commerce (e.g. Gopuff, Getir, Gorillas, etc.)	6%	2%	8%	3%	0%	4%
Other	4%	11%	5%	7%	14%	8%

Source: "The Insider Intelligence Ecommerce Survey" conducted in April 2022 by Bizrate Insights, April 18, 2022

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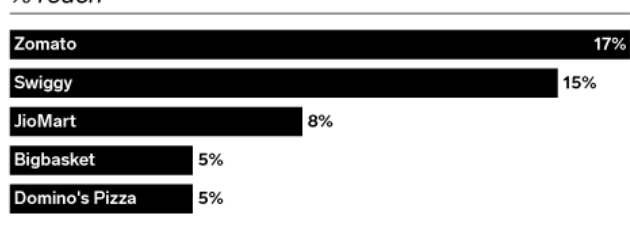
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Quick commerce booms in India: Even as investors cool off on rapid delivery in other markets, Indian startups are raking in cash as they vie to dominate the country's nascent but booming food delivery industry. As in China, quick commerce is easier to execute profitably in India due to high population density in urban centers and lower labor costs.

- Zomato is one of several players, including **Zepto**, **Dunzo**, and **Swiggy**, looking to acquisitions as a way to quickly build market share and dominate the industry.
- In a letter to shareholders, Zomato CFO **Akshant Goyal** noted that **acquiring Blinkit would be cheaper than building a proprietary quick commerce business**. But the company estimates it will take years for Blinkit to break even, let alone turn a profit.

Reach of Select Digital Grocery/Food Platforms Among Internet Users in India, Nov 2021

% reach



Source: Comscore MMX Multi-Platform, "Digital Media Highlights: India 2021" Media-Highlights-India-2021, Jan 26, 2022

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The bigger picture: There's been a fundamental shift in the rapid grocery model. The first wave was largely made up of startups that quickly built their own warehouse and fulfillment networks, at great expense. What we're seeing now is more retailers jumping on the rapid delivery bandwagon by leveraging the fulfillment infrastructure of partners like Instacart and DoorDash.

- It's easier (and more cost-effective) for retailers with an existing brick-and-mortar presence to leverage their warehouses and stores as rapid fulfillment centers.
- The ability to tap into DoorDash or Instacart's delivery muscle and tech platform for rapid delivery allows retailers to boost their appeal to consumers without expending too many resources.