

DoorDash and Instacart look to dive into the credit card space

Article

On-demand delivery firm DoorDash and online grocery giant Instacart are reportedly planning to introduce credit cards for consumers, [per](#) The Wall Street Journal.

Here's what you need to know:

- **Instacart:** The firm will be working with JPMorgan Chase to issue a credit card that will reportedly let customers earn 5% cash back on Instacart purchases. The card is said to launch next year.
- **DoorDash:** The company is rumored to have several bidders lined up for its rewards credit card, including JPMorgan Chase, but is reviewing its options before making a decision in the next few weeks. DoorDash is also in the process of recruiting restaurant partners and stores to offer cardholders rewards and discounts on a rotating or permanent basis.

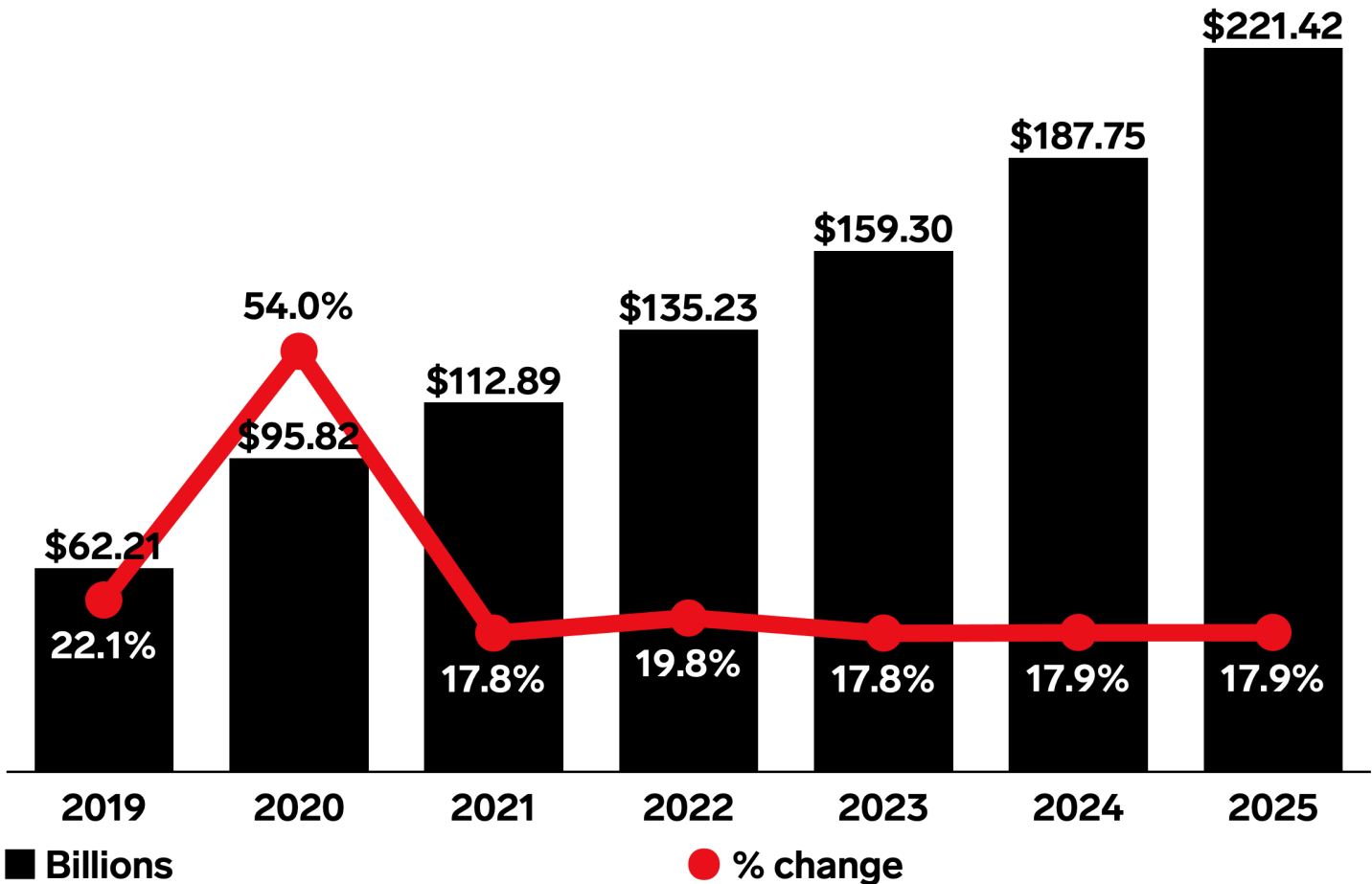
Both firms have experienced tremendous growth during the pandemic and may now be looking for opportunities to continue that trajectory and solidify customer loyalty post-pandemic:

- **A rewards credit card can help Instacart fend off growing competition.** The [online grocery](#) sector grew 54% year over year (YoY) in 2020 in the US, [according to](#) eMarketer forecasts from Insider Intelligence. This demand helped bolster Instacart's business: Its customer order volume skyrocketed [500%](#) YoY in the weeks following the onset of the pandemic in the US. But Instacart still faces some challenges ahead: There's [growing](#) competition in the space, and the firm faces the risk of consumers abandoning online grocery shopping post-pandemic. This may be why the firm is choosing now to pursue a credit card offering, which might help keep customers on its platform and position it for growth after the pandemic.
- **Offering a credit card could help maintain DoorDash's growth.** The firm went [public](#) in December following months of explosive pandemic-driven growth for food delivery services. DoorDash's post-IPO earnings show 226% YoY revenue growth, amounting to \$970 million in [Q4 2020](#). Offering a rewards card could help DoorDash fight off a potential drop in demand as consumers warm up to in-person dining again. A credit card could also complement [DashPass](#), the firm's membership program, by giving cardholders free or discounted access to the program.

Issuers like JPMorgan are likely interested in working with Instacart and DoorDash to help offset travel card losses. The pandemic hit the travel industry hard, resulting in a [\\$1.1 trillion](#) loss in 2020. This plunge in demand put a dent in airline and hotel credit cards, which hurt issuers like JPMorgan Chase and [American Express](#)—[28%](#) of Amex's proprietary billed business volume stemmed from travel and entertainment in Q4 2019. Therefore, issuers might be interested in offering cards geared toward high growth sectors like online grocery and food delivery because it'd let them diversify their offerings—which may help offset travel card losses from 2020 and revitalize cobrand credit card volume.

Grocery Retail Ecommerce Sales

US, 2019–2025



Note: Includes products or services ordered using the internet, regardless of the method of payment or fulfillment; grocery products include food and beverage (both perishable and nonperishable items) and household consumables such as cleaning, personal care, and pet products that you would typically find at a grocery store; excludes food services and drinking place sales. Sales can occur through channels outside of traditional grocers or supermarkets, such as warehouse clubs and superstores, convenience stores, gas stations, pharmacy/drug stores, and online delivery and meal-kit subscription services.

Source: eMarketer, February 2021

Methodology: Estimates are based on the analysis of data from benchmark source US Department of Commerce, estimates from other research firms, historical trends, reported and estimated revenues from major online retailers, consumer online buying trends, and macro-level economic conditions

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