

Instacart's Value Is Fading As Competition Intensifies

Companies: ACI, AMZN, CART, COST, CVS, DASH, KR, OCDDY, TGT, UBER, WBA, WMT

November 7, 2023

Report Type: Initial Coverage Previously Covered Full Report Update Rating: **1.5/5**

Research Question:

Can Instacart get back to double-digit transaction volume growth in the face of increasing competition?

Summary of Findings

- Maplebear Inc.'s (CART) [Instacart](#) has little chance to return to consistent double-digit growth in transaction volume as competition gets more fierce, the pandemic-fueled spike in demand for online grocery buying fades, and its relationships with retail partners show signs of fraying, according to 13 interviews with grocers, consumer packaged goods (CPG) brands, and other industry specialists.
- Many grocers embraced Instacart as a way to quickly offer online ordering during the height of the pandemic, but some are growing uncomfortable with the arrangement. Some retailers see Instacart standing between them and their customers, giving the grocers less control than they'd like on both the shopping experience and the valuable consumer data generated by online buying.
- The likelihood that retailers will build their own online ordering and delivery systems is the biggest competitive threat to Instacart, five sources said, but hardly the only one. Instacart is going to be increasingly challenged by delivery options from behemoths like [Walmart Inc.](#) (WMT) and [Amazon.com Inc.](#) (AMZN), as well as restaurant delivery services like Uber Technologies Inc.'s (UBER) [Uber Eats](#) and [DoorDash Inc.](#) (DASH). One source said retailers would rather use a delivery service like DoorDash than a marketplace like Instacart because the retailers can maintain more control over the process.
- All that Instacart has going for it right now is its size, two sources said, and bigger retailers should have little trouble duplicating Instacart's platform. Building an in-house solution will be more difficult for smaller grocers and chains, with one source saying his regional chain tried to develop its own online ordering system but abandoned it because it was too expensive. He referred to Instacart as a "necessary evil."
- Sources were more optimistic about Instacart's advertising business, citing its ability to reach a large number of consumers right at the decision-making point for buying. However, multiple sources representing some of the world's biggest CPG brands said their 2024 spending on Instacart advertising was likely to be flat or up slightly at the most, citing a combination of better returns on sites like Walmart, questions about performance data that Instacart shares, and Instacart's lack of some fundamental ad capabilities.
- One source with a snack food maker said some brands are hesitant to commit too many ad dollars to Instacart because of "collective skepticism" about the platform's long-term relevancy. Three sources said they expect retailers to increasingly attempt to claw back Instacart's ad revenue for themselves.

Key Quotes

"Can Instacart get back to double-digit growth in transaction volume? Absolutely not. ... There's more competition for deliveries ... and consumer demand for deliveries has plateaued. ... Instacart did well because people were afraid [to be in stores during the pandemic], but they aren't anymore."

"Grocery stores are tolerant of Instacart rather than happy with it. ... [Retailers] want Instacart in their business as little as possible until they can get rid of it."

"There remains real concern on the part of retailers around whether they want to effectively let Instacart develop a position that is between them and their customer."

"[Instacart] had an opportunity to provide some really interesting ad and promotional products ... but what I've seen has not been very compelling yet."

"Instacart's reason to exist during the pandemic was obvious. They provided a service that very few could provide. Today, anybody could provide that service. What is the reason then for the consumer to continue to give them attention?"

"In terms of our [ad] spending on Instacart, we are staying the same or increasing slightly, for now. The limited visibility of data is the biggest reason we're not doing more already. There's a collective skepticism about whether Instacart will make it and still be as relevant by the end of next year as they are today."

"Long term, I don't know what advantages Instacart has."

"It's not one single big competitive threat but that there are too many alternatives out there."

	Instacart's Growth Outlook	Instacart's Competitive Positioning	Instacart's Ad Business
Industry Specialists	↓	↓	→
Grocery Retailers	↓	↓	NA
Advertisers and Agencies	↓	→	→

Background

Instacart, which went public in September, is one of the leading online grocery shopping and delivery services in the United States. [More than \\$29 billion](#) in gross transaction volume (GTV) flowed through Instacart's platform on 263 million customer orders for the 12 months ending June 30. The company generates most of its revenue—about 72%—through transaction fees paid by consumers and its more than 1,400 retail partners, a group that collectively operates 80,000 stores representing about 85% of the U.S. market. The rest of Instacart's revenue comes primarily from digital advertising by CPG brands.

Despite its industry-leading position, shares of Instacart have lost more than 30% of their value since opening for trading at \$42 per share at the company's Sept. 19 IPO. [Investors appear concerned](#) about the company's growth prospects: After a pandemic-related surge that saw GTV skyrocket from \$5.1 billion in 2019 to \$28.8 billion in 2022, GTV growth slowed to 4% on flat order volumes for the six months ending in June. Company executives have said that once they are past the difficult COVID-era comps, they believe they can get back to 10% GTV growth. Instacart is banking on the increased prevalence of online grocery shopping. Online grocery sales have quadrupled since 2019 but still account for only about 12% of all grocery sales, far below many other sectors.

One of the key issues for Instacart is more competition. Restaurant food delivery services like Uber Eats and DoorDash are increasingly moving into groceries. In September, DoorDash unveiled a list of [new grocery partners](#), adding around 100,000 nonrestaurant stores to its operations. Other worrisome competitors include Target Corp. (TGT), which owns the same-day delivery platform [Shipt](#); Amazon, owner of the [Whole Foods Market](#) grocery chain; and Walmart, whose monthly subscription plan includes free grocery deliveries. Further, some of Instacart's own retail grocery partners continue to build out their own shopping and delivery services. More than 40% of Instacart's total GTV comes from [just three of its retail partners](#), so losing any one of them to an in-house solution could be a major blow.

With such pressure on its shopping and delivery operations, Instacart is focusing resources on a growing opportunity around digital advertising. The company's revenue from ads placed by CPG brands like Campbell Soup Co. (CPB), Nestlé S.A. (NSRGF), and PepsiCo Inc. (PEP) grew 24% year over year to \$406 million during the first half of 2023. Instacart touts its [wealth of data](#) on consumer shopping habits and ability to provide advertisers direct attribution as product ads are placed in front of buyers when they shop on Instacart's website. The company claims its ads deliver a 15% incremental sales lift on average. However, in one of its pre-IPO filings, Instacart said that macroeconomic conditions may be [pressuring ad sales](#) and that brands may be disappointed in their returns, as the company's GTV has stagnated.

Current Research

Blueshift Research assessed Instacart's outlook for boosting transaction volume growth. We employed our pattern mining approach to establish three independent silos, comprising 13 primary sources (including one repeat source). Interviews were conducted Oct. 16-30.

- 1) Industry specialists (6)
- 2) Grocery retailers (2)
- 3) Advertisers and agencies (5)

Next Steps

Blueshift Research will continue following the emerging competitive threats to Instacart from retailers and delivery services, as well as monitor sentiment around Instacart's advertising platform.

Silos

1) Industry Specialists

All six sources in this silo consider it difficult or unlikely for Instacart to boost its transaction volume growth back into double-digit percentages. The key obstacles are slowing demand for online grocery buying compared with the height of the pandemic and increased competition, including the possibility of Instacart's retail partners offering their own online buying services. Instacart helped many retailers quickly add an e-commerce option when COVID-19 sent demand soaring, but many of those same retailers are now questioning the arrangement. Grocers see Instacart as coming between them and customers, leaving the grocers with less control of the shopping experience and less of the valuable data generated by online transactions. Online grocery buying will continue to grow but at a much reduced pace as pandemic fears fade. Food is an area where consumers still prefer to shop in person, four sources said. Instacart does not have any especially valuable technology that retailers could not replicate, and its network of gig workers that pick groceries does not represent a meaningful advantage, partly because churn among such workers is significant. Three sources suggested Instacart could pivot to becoming an online retailer itself, fulfilling orders with its own brands and products, but such a move would make them direct competitors with their grocer customers and likely lead to the end of those retail partnerships. In addition to retailers building copycats of Instacart, the platform is going to face increasing competitive pressure from restaurant delivery stores and national chain operations like Walmart and Amazon. The latter two continue to devote significant resources to beefing up their grocery delivery services, while retailers could be more open to delivery-only types of operations like DoorDash than they are to Instacart's model. Instacart's only competitive advantage right now is its scale, two sources said. In that vein, its advertising platform is valuable for CPG brands, as Instacart can get promotions in front of a lot of people at a key moment in the buying process, three sources said. Food brands rely on such advertising to maintain pricing power and to combat share loss to store brands. However, three sources also said retail grocers are likely to try to capture some of that ad revenue currently going to Instacart and may have the leverage to do so.

Key Silo Findings

Instacart's Retail Partnerships

- 6 of 6 said they are skeptical that Instacart can return to double-digit growth in transaction volume.
- 6 said grocers appreciated the ease of setting up online ordering through Instacart during the pandemic but are growing increasingly uncomfortable with the relationship.
 - o 2 said retailers do not like that Instacart comes between them and their customers and would prefer more control over both the online shopping experience and the consumer data that's generated.
 - o 1 said grocers lose \$7 to \$15 on every online order.
- 2 said retailers would prefer a "click and collect" model where customers order online, the store fulfills the order, and customers pick up their order at the store.
 - o 1 said Amazon and Walmart are having success with such a system, and the industry is likely to move in this direction.
- 1 said grocers generally do not like online orders but think they have to offer it because a small percentage of customers want and expect it.
- 4 said demand for online grocery ordering has stagnated following the pandemic-fueled spike.
 - o 3 said consumers tend to prefer grocery shopping in stores; the growth in online shopping during the pandemic was because of fears around COVID and did not represent a lasting shift.
- 2 said Instacart's cadre of shoppers do not represent a competitive advantage, as there is a lot of churn in the workforce, and other platforms have grocery pickers just as familiar with store layouts.

- 3 said Instacart has valuable data on consumers but does not provide retailers as much data as it could, which is a sore point.
- 4 said Instacart does not have any significantly valuable or innovative technology that retailers could not duplicate.
- 1 said Instacart is making some progress with chatbots, its user interface, and artificial intelligence, all of which could improve sales.
- 1 said Instacart's investment in smart carts could provide a new revenue stream, though larger retailers will likely develop such solutions themselves.
- 3 said one strategy for Instacart may be to become an online grocery retailer and fulfill orders itself with its own products and brands, though 2 noted that such a move would put it in direct competition with its current partners.

Competitive Landscape

- 4 said the biggest competitive threat to Instacart is its retail partners building their own online ordering and delivery systems.
- 3 said restaurant delivery services such as DoorDash and Uber Eats also represent a threat to Instacart.
 - o 1 said DoorDash is faster than Instacart; has better staffing; and has a better model, in that its employees do not pick the groceries but just deliver them.
 - o 1 said retailers are more open to using a service like DoorDash than Instacart because using the former allows grocers to keep more control over the shopping experience.
- 3 said Target, Amazon, and Walmart are all competitive threats to Instacart.
 - o 2 noted the large investments that Amazon and Walmart are making in grocery deliveries.
 - o 1 said Amazon could easily be disruptive to Instacart if it acquired and scaled up an online operation such as [Jackbe](#).
- 2 said Instacart's only advantage in the market right now is its scale.
- 1 said consumers tend to be more loyal to a store such as Target than to a service like Instacart.

Advertising

- 3 said packaged-food makers find advertising on Instacart to be valuable because of how many shoppers they can reach through the platform and the immediate attribution they can get when a customer makes a purchase after seeing a promotion.
 - o 1 said such advertising is key to maintaining prices and recapturing sales they have lost to store brands.
- 3 said retailers are increasingly eyeing the ad revenue that is going to Instacart and likely to try to capture more of it themselves.
- 1 said that so many digital ad options for brands exist that ad revenue is unlikely to be a game-changing revenue stream for Instacart.

1) Grocery industry analyst

There's no chance that Instacart will get back to double-digit growth in transaction volume. Customer complaints about the service are pushing retailers away. Grocery stores are trying to move toward "click and collect" service, where customers order online and pick up their items at the store. Consumers tend to enjoy shopping in stores, which also works against Instacart. Instacart's competition is stiff among retailers like Target, Walmart, and Amazon, not to mention third-party services like Shipt and DoorDash. Advertising is a crucial element for Instacart, and retailers are eager to advertise on the app to be front-of-mind for consumers.

Retail Partnerships

- "Whether grocery stores are happy with their Instacart relationships depends to some extent on when they signed their deals. In some of its original deals with retailers, Instacart didn't share data. Those retailers aren't happy. But some retailers who had to scramble for deliveries during the pandemic are happy."
- "Still, less and less retailers are happy with them. Customers are complaining about service. Retailers want to own the experience. When a delivery is late, a product is not up to par, or an Instacart shopper doesn't find things, customers blame the store."
- "[Retailers] are pushing for click-and-collect, where customers order online and then come to the store to pick up their groceries. The store keeps all the money and can control the entire shopping experience."
- "No one is making money on deliveries. Instacart's IPO prospectus shows that's a question mark for them."

- “Can Instacart get back to double-digit growth in transaction volume? Absolutely not. I’m not even sure they want to. They want to get involved with more allied services, like advertising and promotion deals.”
- “There’s more competition for deliveries from retailers and third parties like Target’s Shipt, and consumer demand for deliveries has plateaued. It went up during the pandemic, and now it’s coming down.”
- “Also, people enjoy going to the supermarket and having a good experience. Instacart did well because people were afraid [to be in stores during the pandemic], but they aren’t anymore.”
- “Experienced shoppers don’t represent an advantage for Instacart. There are a lot of complaints about the company from shoppers in Facebook groups. There’s a lot of churn in the shopper workforce.”
- “It’s not always the same person shopping in the same store. For shoppers to make money, they have to do two or three orders at the same time. [That increases the chance of mistakes] and has Instacart carts blocking aisles.”
- “The data that Instacart provides grocers is very valuable. There’s been a rift between retailers and Instacart about some retailers not getting the data. [The provision of data] isn’t universal, and that’s critical.”
- “The data allows retailers to plan what to put on their shelves and to plan their marketing strategies. It opens the door for them to serve the needs of consumers. Instacart has to give good data and has the technological capability to do it.”
- “Instacart is making progress on software, such as chatbots and an improved interface with graphics. Artificial intelligence will absolutely be important. I don’t think Instacart will get in the hardware business [with devices like smart carts].”

“People enjoy going to the supermarket and having a good experience. Instacart did well because people were afraid [to be in stores during the pandemic], but they aren’t anymore.”

Grocery industry analyst

Competitive Landscape

- “Instacart’s biggest competitors when it comes to delivery are retailers themselves and third-party delivery services. The ‘click and collect’ model also presents a threat.”
- “DoorDash and Uber Eats are eating into Instacart’s market share, especially DoorDash. We’re seeing announcements every week that it’s signing up a new grocery retailer.”
- “DoorDash is No. 2. They deliver faster than Instacart. Their staffing is better, and their operational model is different. DoorDash doesn’t pick groceries; the grocery stores do that. DoorDash just delivers.”
- “Target, Walmart, and Amazon are major threats for Instacart. Target’s Shipt is big. Walmart is ramping up deliveries, and Amazon has a lower [minimum] threshold on groceries.”

Advertising

- “CPG companies love advertising on Instacart’s app and are willing to pay for it. Pepsi committed to Instacart because of the advertising. They want to control that space and not give it away to [The Coca-Cola Co.’s/KO] Coke. They see it as a real opportunity.”
- “There’s a big push for [brands] to capture dollars. They’re trying to get back the shoppers they lost to store brands. Also, advertising is important in allowing them to keep prices up.”

2) Brittain Ladd, business consultant and supply chain strategist

Instacart will not get back to double-digit growth in transaction volume. Grocers are not happy to lose revenue to Instacart and want customers to come into their stores. They offer online sales only out of necessity, and those sales have slid as the pandemic has faded. Customers also want to shop in-store themselves. Shipt, Uber Eats, and DoorDash offer stiff competition for Instacart, while Walmart and Amazon pose a threat, too. The future of online grocery buying likely centers on pickups rather than delivery. Advertising is a strong point for Instacart now, but grocers will work to take it back for themselves.

Retail Partnerships

- “Grocery stores are tolerant of Instacart rather than happy with it. Online accounts for only 10% of grocery sales, but it’s the most difficult part to manage. Grocery stores lose \$7 to \$15 on every online order. They’re paying Instacart, they’re paying pickers, and they have to devote storage space for orders.”
- “They built stores for customers to come in. Online sales aren’t desirable, but they have to do it because a small percentage of customers want it.”

- “Instacart may have exclusivity with a few retailers, but not many. They can’t prevent retailers from bringing in Shipt, Uber Eats, or Door Dash.”
- “Instacart can’t get back to double-digit growth in transaction volume. Online grocery shopping has stagnated. There are other areas Instacart wants to tap, like [Caper Carts](#) with scanners, but the only part of the business that’s growing is advertising.”
- “Customers who were buying online groceries during COVID have reduced that activity, because most prefer to shop in-store. With COVID gone, there’s nothing to spur growth in online grocery shopping.”
- “There’s also a growing challenge to retain labor. Instacart doesn’t have the labor to sustain online sales growth. I think it will be just low single digits for the long term.”
- “Instacart may have had a competitive advantage in terms of experienced shoppers two to three years ago. But now, Shipt, Uber, and DoorDash have people in the stores, too. Instacart is the biggest player in the industry now. That’s their only advantage. But the competition is becoming fierce.”
- “Pickup is growing faster than deliveries. Amazon and Walmart already have cool drive-and-pick-up models. That’s what the industry will move toward rather than online delivery.”
- “On the data front, Instacart isn’t providing as in-depth data as they could. But they are investing in data. They have hired people from [Dunnhumby](#) grocery analytics.”
- “Looking at technology, all of the stuff Instacart has created, except ads, hasn’t done much. I don’t think there is anything out there from Instacart where grocers are saying we have to have that. [Retailers] want Instacart in their business as little as possible until they can get rid of it. They don’t want to give information to potential competitors.”
- “Growth will stagnate for Instacart. Even advertising generates low revenue. What’s left for them is to become an online grocery retailer. They’d just be fulfilling their own orders.”

“Instacart is the biggest player in the industry now. That’s their only advantage. But the competition is becoming fierce.”

Brittain Ladd, business consultant and supply chain strategist

Competitive Landscape

- “The main [competitive threat] is that grocery retailers are determined to do online sales themselves. That’s what’s starting to happen. Retailers are using Instacart now, but they don’t have to. Gig workers can do [shopping and delivery].”
- “Grocery retailers might decide to outsource their online delivery to someone who doesn’t come in the store. They can use robotic pickers. They don’t need Instacart at all. Some retailers might say no more to online delivery; customers must come to the store to shop or pick up online orders at a drive-through.”
- “DoorDash and Uber Eats are gaining customers, but they aren’t taking much market share from Instacart. They’re mostly going after customers not using Instacart.”
- “Walmart is a threat to Instacart in that it could stop using Instacart. Amazon is a threat. They are piloting a micro-fulfillment store. They could fulfill orders for themselves and grocers. Jackbe could be a threat if Amazon wants to acquire it or work with it. Amazon could scale that up and be a huge disrupter to Instacart.”

Advertising

- “Consumer product companies see advertising as an opportunity for themselves. Grocery retailers have said Instacart controls advertising in their stores. Instacart is taking money from retailers, and they’re pushing back. So Instacart won’t generate \$2 billion to \$3 billion in advertising because retailers won’t let them get that big.”
- “Some brands may want to increase their advertising on Instacart, but they can do that only if grocery retailers allow it. Most are allowing it for now. Until that stops, brands will continue to advertise with Instacart, and some may increase spending.”
- “Grocery retailers who use Instacart can influence Instacart’s ability to generate ad revenue by doing the following: Informing Instacart that if they accept advertising from CPG companies, the retailer will either end their agreement with Instacart or severely minimize the amount of business that they provide to the retailer.”
- “Or, retailers can inform CPG companies who advertise on the retailers’ in-house media network that the retailer requires an exclusive advertising agreement. This means the CPG companies who do business with the retailer won’t be able to advertise on Instacart’s platform.”

3) Retail and technology innovations specialist

Getting back to double-digit growth in transaction volume is going to be challenging for Instacart. Retailers are concerned that Instacart is developing a position between grocers and customers, and the retailers will fight to regain ownership of those relationships. Instacart should be concerned about competition such as Uber Eats and DoorDash, which offer delivery services without collecting data about shoppers and their buying habits. Retailers want such data for themselves. Instacart offers some technology benefits to smaller retailers, but large ones are looking to build out their own capabilities so they can monetize them. Brands seem generally happy with Instacart as an ad platform, but retailers are increasingly realizing they could be getting those ad dollars. Instacart may explore becoming a retailer itself, because it already has troves of customer data.

Instacart's Retail Partnerships

- “It’s going to be a challenge [for Instacart to get back to double-digit transaction volume growth] from several different perspectives. From a competitive standpoint, there’s DoorDash, Uber Eats, etc., out there. There’s also Amazon that is certainly not giving up on grocery. They’re actually working hard to grow it. They’ve already got a delivery network infrastructure. There’s also Walmart that has invested heavily and is continuing to build out their delivery infrastructure.”
- “The other side is that there remains real concern on the part of retailers around whether they want to effectively let Instacart develop a position that is between them and their customer.”
- “The larger retailers are comfortable with being able to protect their relationship and being able to gain access to data, but I do not see that concern on the part of retailers going away.”
- “It was very clear in Instacart’s IPO filing that there is a real dependency on retail media advertising revenue flowing through. Obviously, the more transactions Instacart is able to handle, the more advertising revenue they can generate. But again, retailers are already concerned that Instacart is getting ad dollars from the big brands that they should be getting as the retailer.”
- “That concern is not going away. It’s only going to grow as Instacart tries to grow their media revenue.”
- “One pro for retailers is that the retailer can offload delivery and, in some cases, offload the picking or fulfillment of that order to Instacart. That alleviates the labor headache and cost for the retailer.”
- “That’s a short-term sort of pro. As e-commerce continues to grow, retailers—or at least the smarter retailers—are going to understand that Instacart is an extension of their physical stores, and I don’t think they’re going to want to give up those customer relationships.”
- “Any of these different perspectives or angles come back to the core question: Does that retailer want to let a third party, Instacart, come between them and their shopper? We can talk about other things, but that is the core issue.”
- “In general, e-commerce is down from the height of the pandemic, and it’s slowly building back up.”
- “More people are getting more comfortable with the idea of someone else doing their grocery shopping for them—this varies market by market—as people begin having to go back into the office. This reduces how much time they have available to go shop for themselves. Retailers are getting smarter and better about understanding how to do e-commerce.”
- “I think long term, e-commerce in grocery is absolutely going to continue to grow. I’m sure it’ll be slower and faster at different points in time, but it will continue to grow as the industry tries to figure out what the future is going to look like, how the physical store comes together with this digital world.”
- “Beyond the big guys like Walmart, Amazon, and maybe [The] Kroger [Co./KR], to a degree, I think everyone else is looking at using a delivery partner today.”
- “But there are key differences: Where is that online order coming in from? Is it coming in from the retailer’s own e-commerce site or from a marketplace or a third-party site? And then, who gets the data, and who really is owning that customer relationship? If the retailer is simply using a delivery partner—Door Dash, Uber Eats, or whoever—just for the delivery, they are owning the online order, they are owning the fulfillment or picking up that order, and they are simply handing it off to Uber Eats or someone else to deliver. I think we’re going to see more and more of that.”

“As e-commerce continues to grow, retailers—or at least the smarter retailers—are going to understand that Instacart is an extension of their physical stores, and I don’t think they’re going to want to give up those customer relationships.”

Retail and technology
innovations specialist

- “The tech that Instacart is offering retailers is going to be most valued by small retailers that don’t necessarily have access to those technologies. The bigger players, loosely defined as the top 10 or maybe top 25 grocery retailers, can access all that technology themselves.”
- “As an example, the smart carts that Instacart offers have a screen, and there’s a lot of data that comes out of that smart cart: where their shopper is going in the store, who their shopper is, what’s being displayed on that screen. There’s data, and the screen becomes a way to show ads. Instacart is going to view that as another monetization path, and maybe they’re going to share a little of that revenue with the retailer. But the bigger retailers are, I think, going to take the attitude that now they’re going to do that themselves.”
- “To the bigger retailers, I don’t think [Instacart offers anything innovative], not around trying to leverage technology that Instacart can use into providing that tech to these bigger retailers. The bigger retailers have simply got the resources to do it themselves. They don’t want somebody else getting in between them and the data, the monetization opportunities, and them and their customer.”

Competitive Landscape

- “[Instacart] should be very concerned [about competition] because I think that many retailers would respond very positively to a third party that is simply providing delivery services that is not looking to operate an online marketplace, to get online orders that are directed to that retailer, that is not looking to capture that data, and that is not looking to monetize that data via advertising.”
- “If someone like Uber Eats, for example, goes to the retailer and says we simply want to do delivery for you, I think a large number of retailers would be all over that.”
- “Long term, I don’t know what advantages Instacart has. From an Instacart perspective today, they’ve got a relationship with some tens of millions of households across the country that use Instacart at different retailers. Because of that traffic, they’ve got the opportunity to monetize that back with the brands.”
- “I would not be surprised to see Instacart pushed into a position where if they can’t grow through the retailers, they become a retailer [themselves]. They’ve got detailed purchase data on tens of millions of households across this country. They know what James Smith buys every week from whatever retailer, so they could very easily build out a network of automated distribution centers and effectively sell to James Smith directly, cutting the retailer out.”
- “[The worry about Instacart’s future is based on] the concern around Instacart owning that customer relationship, it’s the concern around who owns and controls the data, it’s the concern around who monetizes that data, and are the orders that are flowing into a retailer from Instacart truly incremental to the retailer? Would that shopper have gone to that retailer’s website if Instacart wasn’t there?”

Advertising

- “For brands and advertisers, they like [Instacart advertising] for the most part simply because Instacart can get that brand ad in front of a lot of people. They are also in a position to understand, to some degree, that the customer saw a promoted item and where they actually purchased it from. That’s valuable data to the brands.”
- “There’s value to the CPG brands today, but how well that’s going to remain into the future, there’s a fairly big question around it because the more ad dollars that Instacart tries to collect, the more battles they’re going to have with the retailer who says it’s their money. It’s the retailer who is buying that inventory; they’re funding and paying for putting their product on the shelf and all the carrying costs and the labor to move it through the supply chain to put it on the shelf. The retailer is doing all the work, and then they’re not getting the ad dollars.”
- “At the end of the day, the brands allocate so many dollars. They have a budget for retail media networks, for digital, etc. The question the brands ask themselves is where can they spend that money to the best effect, the best ROI? A significant majority of those funds are being sucked up by Amazon, by Kroger, by [Albertsons \[Cos. Inc./ACI\]](#), by Target, by the very biggest retailers. And those retailers are collecting literally billions of dollars.”
- “[Securities and Exchange Commission filings suggest] Instacart had generated around \$400 million in ad revenue—\$400 million is a lot of money, but when you compare it to the billions of dollars that Amazon, Kroger, and Walmart are collecting, it’s not.”
- “I would be willing to bet [that ad spending on Instacart] is probably growing, but probably not massively.”
- “My sense is that if brands are seeing a good ROI, they’ll continue to spend money with Instacart. But I do foresee a day where the bigger retailers for Coca Cola and Pepsi or [Mondelez International Inc.’s/MDLZ] Nabisco or whoever are going to say, ‘You’re going to spend more of that money with us now.’ ”

“The more ad dollars that Instacart tries to collect, the more battles they’re going to have with the retailer who says it’s their money.”

Retail and technology innovations specialist

4) Neil Saunders, managing director and a retail analyst at [GlobalData](#); repeat source

It will be difficult for Instacart to get back to double-digit growth in transaction volume as growth in online grocery sales has slowed following a pandemic-era spike and competition has increased. Instacart's retail partners are its biggest competitive threat as they try to build their own fulfilment and e-commerce capabilities, not necessarily to replace Instacart but to avoid ceding control of the shopping experience. Grocers also want more control of the valuable data that Instacart has amassed on shoppers. Instacart's technology, while good, is not that innovative, and retailers could copy it. To grow further, Instacart could start fulfilling orders from its own warehouses and sell its own brands to consumers, but such a step would threaten its relationships with its retail partners. While the advertising business has been good for Instacart, retailers have their eye on trying to capture that revenue themselves. Still, there are advantages for retailers to use Instacart, including its simplicity and the large audience for its app and website.

Instacart's Retail Partnerships

- "It would be quite difficult [for Instacart to get back to double-digit transaction volume growth] for several reasons. First, Instacart has already had a good run of growth. Now, it's a more mature business. Mathematically, that makes it more difficult to grow by double digits than when they were younger and starting from a small base. Now they are at a much higher base, and that makes it harder to grow by double digits."
- "Second, the market at the moment is somewhat against them. There was a good run of online growth in groceries during the pandemic and its aftermath. Online is still growing, but not as much as it once was. The market is much more challenging, and that makes it much more difficult to get back to double-digit transaction volume growth."
- "Third, there is also a lot more competition now. There are more platforms that are doing delivery, like Uber Eats. Retailers are also trying to do more fulfilment and e-commerce by themselves so they are not quite as dependent on Instacart as they once were. Those things stack up and make it more difficult for Instacart."
- "Instacart has picked the low-hanging fruit, and they've partnered with a lot of retailers and got them on board. There are still opportunities for them, and they can still get to double digits in some periods, but it's just much more difficult to do that now. We are seeing the [e-commerce grocery] market leveling off, and they are leveling off as well."
- "Retailers see the pro for Instacart as simplicity. Instacart is a ready-made solution for e-commerce in grocery. It's a way of bolting on an e-commerce solution that is very quick, very easy, and not capially very intensive for the retailer. It can also be a way of ramping up the volume that e-commerce business can do without spending too much money. It's like a turnkey solution."
- "The other thing that's attractive about Instacart is because Instacart is an app and a website in its own right, people go on Instacart to buy things. A retailer who's on Instacart can potentially win some customers just because Instacart itself has an audience."
- "The con is that ... Instacart controls [the shopping experience], and not all retailers are comfortable with that. Also, I think it can cause problems in stores where their shoppers can clutter up the shopping experience, making things more difficult for regular customers at counters or with customer service in general."
- "Another thing is that the retailer doesn't get control of the data—who's shopping and what they're buying, all the dynamics."
- "A final con is that retailers can become very reliant on them, and retailers don't like that. They don't want a third party to drive their sales. They would rather do that themselves."
- "I wouldn't say retailers necessarily have an eye on replacing Instacart. That's maybe not their aim, but more are looking to build out their own services [in addition to using Instacart]. This is because e-commerce is now a bigger thing, and the volumes support it. Retailers feel that they can manage the whole process better if they own the end-to-end fulfilment of online groceries. Especially the bigger retailers are looking to build their own capacity. It's not so much the smaller ones, because it would be difficult and expensive for them."
- "[Instacart's technology] has value attached to it, but I don't think it's all that valuable. There's not that much proprietary about it. It's basically an app on the web that allows ordering to take place, and they have a network of workers who go and pick things. It's more the network and the operation that is valuable. I don't think there's anything particularly interesting or exclusive about the technology."

"Instacart has picked the low-hanging fruit, and they've partnered with a lot of retailers and got them on board. There are still opportunities for them, and they can still get to double digits in some periods, but it's just much more difficult to do that now."

Neil Saunders, managing director and a retail analyst at GlobalData

- “With [Ocado \[Group PLC/OCDDY\]](#), they have proprietary technology like robotics that can pick products from a warehouse. It’s exclusive. Instacart’s technology is good, and it’s great they built out their whole network, but it’s not something that no one else is doing. Other people can easily imitate it or develop it.”

Competitive Landscape

- “The biggest competitive threats to Instacart come from the retailers themselves. The retailers hold the cards, and if more of them decided to go direct, and more decided they are going to invest in their own fulfillment operations, it could potentially leave Instacart out in the cold. But that’s not going to happen overnight.”
- “[Instacart is] very reliant on other retailers for their business. They don’t have their own products or their own warehouses. They are just a middleman that performs fulfillment. That is the biggest risk and the biggest competitive threat.”
- “If a retailer does not want to be in Instacart anymore, that weakens the proposition. If a second one says that, it weakens it even more. The threat is retailers on the Instacart platform who could leave it.”
- “A lot of retailers are developing their own solutions. Kroger does its own fulfillment already, but it also uses Instacart. It’s worrying for Instacart because these retailers are not just sitting back with no solutions. Some of them actually do have their own solutions.”
- “CVS [Health Corp./CVS] and Walgreens [Boots Alliance Inc./WBA] also deliver things themselves, but not as quickly. A lot of these players have their own technology already, and it’s just a matter of them expanding it and dropping Instacart.”
- “They might not drop it and would instead keep Instacart because it is such a useful addition. It may not come to that, but it’s always a threat.”
- “But then, there are a lot of other players in the market—fulfillment players like Uber, for example, or Target-owned Shipt, which does a lot of fulfillments. There are a lot of moving parts in the market. Instacart has an advantage because it’s big, and it has a lot of customers. It’s been established for a while, and it has a pretty good brand, but that doesn’t mean it can stay that way eternally.”
- “Instacart probably needs to start fulfilling from their own warehouses. They would need to promote their own brands and their own products in a way that Ocado has done in its home UK market. Ocado has its own products. However, the problem with Instacart going direct would be that then they would be in competition with the retailers. That’s problematic, and they’ve painted themselves into a corner.”
- “If they do try to go direct to the consumer, retailers are probably going to tell them they don’t want to work with them because they are competing with them. And if they don’t move into that space, they run the risk of retailers over time developing more of their own things. Instacart is caught between a rock and a hard place.”
- “One of Instacart’s advantages is its scale. It’s a big platform, has a lot of retailers and brands on board, and it’s well-known by consumers. Competitors could make inroads, but it would be difficult for anyone to chip away at Instacart more so than to chip away at Uber Eats or Shipt.”

“One of Instacart’s advantages is its scale. It’s a big platform, has a lot of retailers and brands on board, and it’s well-known by consumers.”

Neil Saunders, managing director and a retail analyst at GlobalData

Advertising

- “I think brands find the advertising on Instacart valuable. Brands go where customers are, and Instacart has a lot of customers. It also does a lot of volume. Brands are very interested and very keen to advertise on Instacart to drive decisions around customers purchasing their brands. Advertising is actually one of the more impressive parts of Instacart, and it’s one of the things helping to push them into profitability. The core business is much weaker and not that profitable. Advertising is a very lucrative stream of revenue.”
- “Along with that, retailers themselves also want advertising revenue. It’s one of the reasons retailers want less end-to-end e-commerce like Instacart, because they think that advertising revenue should be coming to them. It’s a bit of a double-edged sword, but it’s very important for Instacart at the moment.”
- “I think advertisers are pretty pleased with the Instacart platform so far and its delivery results. Instacart shows that because it has grown its advertising revenue quite strongly. It’s gained more traction on that front. Because it’s digital, they have a lot of ability to track and to target-market to the correct customers. That’s what advertisers like about it.”

5) [Gary Sankary](#), retail industry strategist for ESRI

Instacart quickly filled a need during the early days of the pandemic, but its meteoric rise might also lead to its downfall, as new competitors are jumping into the space, and retail partners are looking for ways to bring online ordering services in-house.

Instacart's Retail Partnerships

- “Prior to COVID, we were talking about home delivery and curbside, but retailers were slow to implement it. Then COVID comes along, and the world changes, literally, overnight. Some companies—the Targets and Walmarts of the world—had already been investing in the infrastructure to stand up these services. They were able to get them online pretty fast. For other grocers who didn't have those investments already or those who recognized the sense of urgency, Instacart was a great partner.”
- “If [a grocery store] had a partner like Instacart who came in and just got [online ordering] going right away—met the customers' needs right away—that was really a good value proposition. And it was why we saw the meteoric rise of Instacart.”
- “Grocers are trying to look for a way to cut expenses. One way is to stand up these capabilities on their own.”
- “Instacart has reported that business is off. I think more of their grocer customers are doing these capabilities on their own so they don't have to go with a third party. They get the benefit of having data about their customers, and the customers get a better branded experience.”
- “Instacart needs to relook at what they provide for the customer and, more importantly, what they are providing for the retailer.”
- “Exclusivity [with Instacart] was a deal early on. But now if [the grocers] are going to go toward doing it themselves, you are going to see the exclusivity goes away because they don't need it.”
- “The challenges [for Instacart] are formidable. If I was sitting on the board, two years ago I would have said go into [restaurant] food delivery, but everyone has gotten into that now.”
- “The nice thing about grocery is that most people, most households, do it at least once a week, so there is a lot of repeat business.”
- “The thing Instacart has going for it is same-day delivery. Same-day delivery challenges profitability. How much extra is the customer willing to pay? Target and Walmart are offering same-day delivery, but for a fee. Customers are demanding more services, but they don't want to pay for them.”
- “Retailers use third-party services to help them accelerate delivery, but it is really more profitable for them to do it on their own. Then they can control loyalty better.”
- “A customer may like that Instacart can go to five different places. That might be a value proposition they can deliver on. But if I'm Target, I don't really care for that. I want you stay in the Target ecosystem. If [Target does online ordering and delivery themselves], the consumer will adjust their buying patterns so they can do everything in one trip or one shop.”
- “A lot of those kinds of technology [such as smart carts] have become obsolete with devices now. I can put a phone holder on a cart and do everything that I could have done with the smart carts.”
- “I hate to say I'm not bullish, but Instacart needs to change their business model for the future.”

Competitive Landscape

- “The No. 1 competitive threat is the very companies they are doing business with. The companies they are shopping for are hard at work developing this capability on their own so they don't have to split it with Instacart. That is the biggest threat that I see.”
- “Instacart has to figure out, from the customer's experience, what differentiates Instacart from Uber or DoorDash.”
- “One of the challenges of retail is every strategy you develop in retail, you share with your competitors the day you implement it. And there is nothing to stop them from doing the same thing.”
- “DoorDash has a very clever incremental sales perspective. It is the virtual version of end-capping a retail store.”
- “The problem Instacart has is they are at the pleasure of these companies to operate in their stores.”
- “If I am a customer who is brand-loyal to Target, the question becomes: Is it more important for me to do business with an Instacart brand, or more important to do business with the retailer that I am in love with? And I would argue that 99% of the time, it's doing business with the retailer.”

“Instacart has to figure out, from the customer's experience, what differentiates Instacart from Uber or DoorDash.”

Gary Sankary, retail industry strategist for ESRI

Advertising

- “If I’m a CPG [brand], I really want that ad to be in front of people at the point they are making a decision. If that decision is on Instacart, that’s great. But for my marketing dollars, I think more people are probably on the Target site making those decisions, so that might be a better source for my ad spending.”
- “Instacart is going to wind up as victims of their own success.”
- “If Instacart keeps their numbers where they are and demonstrates that they are a very valuable platform, they still are valid. Then they have a better shot of attracting those advertising dollars. But it’s tough competition. The competition is going to be a problem for them.”

6) Founder and CEO of a strategy and marketing consulting firm

Instacart was at the right place at the right time when COVID hit. A sense that the market had shifted and consumers would increasingly rely on delivery services left Instacart overvalued. Now there is less demand and more competition. Its advertising platform generates some revenue, but not a substantial amount.

Instacart’s Retail Partnerships

- “The entire investment industry didn’t understand the impact of COVID on delivery. They thought people were going to try delivery, love it, and never go back to stores. And that wasn’t the case. It never was the case. So they originally valued [Instacart] someplace in the tens of billions of dollars. And that has come way down. And the stock continues to fall.”
- “The biggest issue here is competition. Everybody can do it now.”
- “Success is their biggest enemy. If they are successful in a venture with a retailer, the retailer is stupid not to do it themselves.”
- “If a retailer’s customers start buying more and more from delivery, why wouldn’t a retailer just deliver direct?”
- “While the business strategy is a good one, it is not a great one, and the competition will end up painting them into a smaller corner than anyone ever imagined.”
- “The other problem is people like to shop. People didn’t stay home [during the pandemic] because they were lazy; people stayed home because they were scared. People like to shop. They like to pick out their produce; they like to pick out their meats. It may not matter if they are buying beverages because they are alike, but people like to shop. Their biggest competition is people going back in the stores and shopping the aisles.”
- “The secondary competition is the retailers themselves, as they realize they can do this. If it scales, they can do it. If it doesn’t scale, they’ll let Instacart do it. But it’ll be a small business, and that’s not good.”
- “The third competition is the other delivery systems, like Uber.”
- “Some [Instacart retailers] are happy and want to continue the relationship; they just don’t want to get involved. Some want to learn how Instacart does it so they can do it themselves. And some are not happy. Some can’t wait to get out.”
- “It was easy [for Instacart] to do double-digit growth off a small base with limited competition and people desperately needing stuff they weren’t willing to go get themselves. But that’s all changed. The base is very large. There is a lot of competition. People actually want to get back into stores.”
- “[Instacart’s enterprise technology] is brilliant. It is a barrier to entry [for competitors]. But the larger retailers have the capability of duplicating that and, frankly, want to. So their technology has been a competitive advantage, and it has been a barrier to entry for smaller players in the market, but it is no longer a sufficiently large barrier to prevent retailers and other competitors from coming in and completing effectively.”
- “I am absolutely certain they are [working on new technologies]. What the technology is, we don’t know, but it is unlikely that they are going to be sufficiently ahead of the curve and have any proprietary protection for that technology they bring to market. The competition is going to be right behind them.”

“It was easy [for Instacart] to do double-digit growth off a small base with limited competition and people desperately needing stuff they weren’t willing to go get themselves. But that’s all changed. The base is very large. There is a lot of competition. People actually want to get back into stores.”

Founder and CEO of a strategy and marketing consulting firm

Competitive Landscape

- “Their customers and retailers [are big competitive threats].”

- “People wanting to shop is the biggest competition. The second is retailer, and the third is the competitive services like Uber and DoorDash.”
- “The smart money will develop their own delivery system.”

Advertising

- “Right now, the major advertisers are overwhelmed. Instacart is yet another viable advertising alternative. But it is one of so many. Are they smart to do it? Yes. Will they make some money doing it? Also yes. Will they be a major factor? No.”

2) Grocery Retailers

Most grocers would prefer not to work with Instacart and would rather offer online shopping and delivery services themselves, said the two sources in this silo, both of whom represent regional supermarket chains. However, building and maintaining such a system is difficult for smaller retailers, leaving them stuck with Instacart for now. Instacart provides a service that a small percentage of customers use, but grocers are uncomfortable with it because its fees cut deeply into store margins, and it controls both the shopping experience and user data. One source said his chain did try to develop its own website for online ordering but abandoned it because of the cost. The store has tried raising prices to offset Instacart's fees but then finds itself at a disadvantage against the likes of Walmart, which has been able to keep prices down. Instacart orders account for less than 5% of store sales, but online order values are more than double that of in-store purchases, one source said. Both sources said Instacart faces fierce competition from Walmart and restaurant delivery services like DoorDash. One said it is not one particular competitor that is the problem but the sheer volume of alternatives. Grocers are likely to settle on one delivery service for their stores and customers rather than offer multiple and will gravitate toward the biggest and best-known service.

Key Silo Findings

Instacart's Retail Partnerships

- 2 of 2 said they tolerate rather than appreciate their partnerships with Instacart.
- 2 said grocers would love to cut out Instacart and offer online ordering and delivery services themselves.
- 2 said it would be difficult for smaller retailers to build in-house solutions.
 - o 1 said his regional chain tried to do just that but found it to be too expensive.
- 2 said the fees that grocers pay to Instacart cut deeply into profit margins.
 - o 1 said his store tries to raise prices to help offset Instacart's fees but has to worry about competition from Walmart, which has better held the line on grocery pricing.
- 1 said grocers would prefer more control over the online ordering and delivery process than what they get with Instacart.
- 1 said Instacart orders account for less than 5% of his store's sales and have been flat to slightly down this year.
- 1 said average orders from Instacart are about \$100, far ahead of the \$40 average for in-store shopping.
- 1 said they offer Instacart because online ordering is a convenience that some customers appreciate, but would much prefer to get customers into their stores, where impulse buying is a possibility.
- 1 said Instacart shares some but not all data about consumers with retailers and may someday attempt to sell larger data sets.
- 1 said that Instacart's shoppers do not offer the platform a competitive advantage and that Instacart has trouble hiring enough people.

Competitive Landscape

- 1 said Instacart's long-term viability is in doubt because of competition, especially from Walmart.
- 1 said that he sees signs of DoorDash's encroaching on the grocery space and that both DoorDash and Uber Eats will be strong competitors to Instacart.
- 1 said he expects grocers to choose one delivery partner rather than offer multiple options.
 - o They are likely to go with the biggest and best-known option.

Advertising

- Did not discuss.

1) Store executive at a regional chain

This source's chain tried to build its own online ordering system but had to abandon it. Store executives consider Instacart a "necessary evil" because the platform's 10% transaction fee eats into margins, sometimes wiping them out entirely, even though average online order sizes are more than double in-store orders. Instacart's future is uncertain because of tough competition, especially from Walmart, and an uncertain economy. Only 5% of sales at this source's chain are through Instacart, with volumes flat to down slightly this year compared with last.

Instacart's Retail Partnerships

- "We tried to do our own website [for online ordering] for about two years and really struggled. Then we abandoned it because Walmart is just too big. Maintaining our own site was too expensive vs. what it brought in. Another chain here also did their own and gave up."
- "We now use Instacart to do all the shopping and delivery, but it hasn't been a good experience. I'm not a big fan of Instacart."
- "We lose margin on every Instacart transaction. We pay Instacart almost 10% on top of every transaction. Sometimes that's higher than the profits on the order. We add some fees to our prices on Instacart to try to offset what we pay them, but even that way we lose."
- "Instacart carves into our profit margins, but it's a necessary evil."
- "Instacart does less than 5% of our business. ... Our Instacart volumes are flat to slightly declining [year over year]. Money is tight, and there are better alternatives [for consumers]."
- "I don't see Instacart moving forward because there is too much competition. It's ill-fated."
- "I also believe that the economy is in horrible shape. As the economy gets worse, [it's not in Instacart's favor]."
- "On top of that, there really is a labor shortage. In our market, and it's probably also nationwide, we could hire hundreds of people tomorrow, but we can't find them. They don't want to work. We try to be competitive in pay, but we can't get people. We're lucky if people stay two weeks to collect their first paycheck. Our expenses have gone through the roof."
- "We charge additionally to offset Instacart's fee, but it's not that much. We can't raise prices too much because of competition from Walmart's pickup service."
- "Walmart has seen a resurgence because they toed the line with their prices. We've had to continue to go up. We sell food, and we don't have the same general merchandise that Walmart does."
- "COVID was hard on the grocery business."
- "Instacart's service was good during COVID when people were getting extra pay, and some people could afford that premium service, but now the economy is not in the same place."
- "I don't think there's any advantage to us to use Instacart. We're a [high-low grocery operator](#). We strive to have better merchandising so we can have one more dollar in the cart. But we are fighting competitors who lower everyday prices. And we are fighting competitors online."
- "It's amazing to see the amount of online pickup that Walmart does, their clientele for it."
- "It's interesting that the cart that comes in online is always much larger. In store it's maybe \$40, and online the carts average around \$100. It's a bigger order, but you're not making a lot of money on the orders."
- "Instacart's shoppers are not impressive. They are Joe Public. They can't hire enough people, either. Their shoppers are whoever they can get for that week."
- "Their technology is OK. It's not bad, but it's OK."

Competitive Landscape

- "Walmart is the biggest competitor [to Instacart]. We also have a big local competitor that is also doing their own deliveries."
- "Shipt isn't a big competitor in this area, but I know it's a competitor in the market."
- "We also have DoorDash and [Grubhub](#) doing some deliveries here."
- "It's not one single big competitive threat but that there are too many alternatives out there. Instacart is more specialized on the grocery side, but we're seeing DoorDash moving in even if they started on the restaurant side."
- "Above all, as the economy continues to tighten up, what we're seeing is that vendors have brought their prices so high that their dollars are hanging in there or slightly up, but their units have fallen off the table."
- "You don't keep facilities open and employ people on dollars, it's on how many units you are moving. They're all seeing dramatic decreases in unit volumes because their prices have gone so high."

Advertising

- Did not discuss.

2) Executive with a Southern California grocery chain

Grocers that partner with Instacart appreciate the convenience it offers to customers but would prefer more control over the process. Most would like to offer such a service themselves, but it would be especially difficult for smaller operators to do so. Instacart shares some data but not all, and it's possible it will look to sell data back to grocers. Instacart is about to face a lot of formidable competition from the likes of Uber Eats and DoorDash. Grocers are likely to choose one delivery service to offer customers rather than multiple and will gravitate toward the best and most recognizable brand.

Retail Partnerships

- "I think every grocery, if they had the ability to do themselves [what Instacart does] in a way that made sense, they certainly would do it."
- "When you do something like [online ordering and delivery] for your customer, it is a value-added. But we are giving away some precious gross profits, or we are adding some expenses."
- "Every grocery likes the idea that we have e-commerce in place, but the ones that have Instacart probably wish they had a little more control of it."
- "The pros of Instacart: It's a level of convenience the customer gets, and judging from the sales and the activity from all kinds of demographics, it is a convenience that the customer appreciates. We cater to a less affluent customer. This customer still takes advantage of the convenience."
- "If you think about e-commerce in general, anyone who is doing e-commerce, whether Amazon or Instacart, they are having the products delivered at home. They've taken away the ability for the retailer to bring the customer into the store to gain an impulse opportunity or experience. It only allows the retailer to sell to the customer exactly what they want and what they've decided to buy on the listing. They choose groceries and no more. An experiential retailer would rather drive the customer into the store for an experience, which results in a bigger, better basket."
- "I've worked for a few smaller companies, and they have always been challenged on the side of IT. It would be difficult for small retailers to build something like [Instacart] unless they join together in a co-op and do a sharing, but I don't see that happening."
- "[Instacart] shares data, but they haven't shared everything. I think that at some point, they will make it part of a service they can sell back to you—which, it's your shoppers in the beginning, but I get it. Data is a resource, and it certainly is an asset."

"Every grocery, if they had the ability to do themselves [what Instacart does] in a way that made sense, they certainly would do it. ... it is a value-added. But we are giving away some precious gross profits, or we are adding some expenses."

Executive with a Southern California grocery chain

Competitive Landscape

- "There is competition coming for Instacart, and it's good competition. Uber is a good option. DoorDash is a good option."
- "Uber already does rideshare, and then they put in Uber Eats and a trucking opportunity, even though it's not a retail operation, and now you have this food delivery from grocery stores. They have a whole flywheel of convenience. They will be a good competitor now and in the future and give Instacart some problems."
- "Competitors in this area are already very strong at what they do, and they are getting stronger. All the names in the competition area are household names. It's going to become a dogfight."
- "As retailers go down this road, they probably won't offer all three options; they are going gravitate toward one option."
- "As the competition heats up for Instacart with companies like DoorDash and Uber, retailers such as ourselves will end up going with one preferred service, not three or four. We'll go with the biggest, the best, the one that customers recognize the most. That will be a threat to Instacart. The guy with the biggest market share will win."
- "Instacart wants to make sure their relationships with the independent grocers and regionals, even the largest grocers, is solid as solid can be so they work with retailers to be differentiated from Walmart. We all do a few things that make our grocery stores special. We can make those things available through Instacart to our customers."

Advertising

- Did not discuss.

3) Advertisers and Agencies

Three of five sources in this silo had generally positive commentary around Instacart's advertising platform, while the two others were more lukewarm. The more positive sources said Instacart has enough scale that return on ad spending has been good—better than Amazon in some categories, said one; and among the top three options for retail media along with Amazon and Walmart, said another. One added the caveat that while returns on Instacart appear good, that is based solely on data Instacart provides that cannot be independently verified. The more negative sources said Instacart ad performance was only fair at best. One said Instacart's ad platform is less than compelling, its measurement tools are lacking, and its returns lag those of sites like Walmart. The three sources who discussed ad spending plans for Instacart all agreed that growth will be minimal in 2024 compared with this year—flat or up slightly at best. One said there is real concern that Instacart's long-term place in the market is tenuous. Instacart will have an exceedingly tough time returning to double-digit growth in transaction volume, said three sources. Instacart helps retailers bring in new customers and offers useful technology, including a user interface that is the best in the business for online grocery shopping. However, grocers have numerous complaints about the relationship: They do not like that Instacart controls the shopping experience; the platform's value has faded post-pandemic; high use of Instacart can wreak havoc with in-store product placement planning; and its app does not always correctly display brand promotions. In the near term, Instacart's growth will be highly dependent on broader economic conditions as it is considered a luxury that can easily be dropped. The platform also faces a host of competitive threats, including Amazon, Walmart, and its own retail partners. One said Walmart appears to have developed a leadership position in online grocery buying. For now, restaurant delivery services are mostly “small basket” competitors.

Key Silo Findings

Instacart's Retail Partnerships

- 3 of 5 said it is unlikely that Instacart can boost transaction volume growth rates into the double digits.
- 1 said Instacart's volume growth should outpace in-store sales growth based on overall trends in e-commerce, but its ability to hit double-digit growth depends on the broader economy.
- 2 said Instacart offers some key advantages to grocery retailers, including bringing in new customers, offloading labor, and providing useful technology around websites and ads.
 - o 1 said Instacart has the best user interface in the online grocery market, offering better product information and making it easier for repeat purchases than other systems.
- 1 said retailers do not like that Instacart “owns” the grocery buyer.
- 1 said Instacart's value to retailers exploded during the pandemic but has now gone by the wayside, leaving it an open question how Instacart can continue to thrive.
 - o The platform needs to be acquired, buy a retail operation, or expand into new categories.
- 1 said high use of Instacart can wreak havoc with a store's product planning.
- 1 said Instacart's app sometimes has technical difficulties that result in promotions not being displayed properly.
- 1 said Instacart is working on ways to increase impulse buying on its app—something usually associated with in-store shopping—and its use of artificial intelligence in this area could help.
- 3 said Instacart is vulnerable to broader economic conditions because it charges higher prices and is considered a luxury that can be easily dropped by many users.
 - o 1 noted a downturn in Instacart's order volumes when some governmental benefits recently ended and said she is watching closely the impact of student loan borrowers having to resume payments.
- 2 said a key Instacart demographic is people using the service to get groceries for elderly relatives or acquaintances.
- 1 said one bad experience with an Instacart shopper picking a bad batch of fruits and vegetables can turn a consumer off the service forever, especially in certain ethnic communities.

Competitive Landscape

- 5 said major retailers such as Walmart, Amazon, Target, Kroger, and [Costco Wholesale Corp.](#) (COST) are the biggest competitive threats to Instacart.
 - o 1 said Walmart is looking like the big winner in grocery delivery right now.
 - o 1 said the combination of Amazon and Whole Foods has more to offer than Instacart.
- 1 said it will not be a simple task for retailers whose expertise is in brick-and-mortar stores to develop an in-house substitute for Instacart.
- 1 said Instacart and others gained some market share when Amazon increased its minimum order size for grocery deliveries.

- 2 said restaurant delivery services like DoorDash and Uber Eats are a growing threat to Instacart.
 - o 1 said DoorDash is mostly a “small basket” shopping alternative right now but could challenge Instacart on full-basket shopping as it adds more grocery retailers to its roster of partners.

Advertising

- 3 said their ad spending on Instacart will be flat to up slightly in 2024 over this year.
 - o 1 said spending on Instacart is not growing faster because the platform offers limited data to verify its effectiveness and because of questions about Instacart’s long-term viability.
- 3 said the return on ad spending on Instacart is good.
 - o 1 said Instacart ads have performed better than those on Amazon, while 1 other said Instacart’s ROI is in the top three for retail media with Walmart and Amazon.
 - o 1 said Instacart’s ROI looks strong based on company-provided data, but the platform does not allow the same level of verification as some other ad networks, including Walmart.
- 2 described the impact of Instacart ad spending as fair to middling.
 - o 1 said the ROI is less than 1 after accounting for fees.
 - o 1 said Instacart has a good opportunity in advertising but has not yet developed anything compelling.
 - o 1 said his company’s brands see better impact from advertising with Walmart, and he has not seen a measurement tool to prove that spending on Instacart is better than alternatives like Target.
 - o 1 said it is unclear that advertising on Instacart results in incremental sales.
 - o 1 said Instacart may offer a good ROI for some food categories but not necessarily much volume opportunity.
- 2 said Instacart’s advantage is that it is the largest ad network of its kind, focused on full-basket shopping.
- 1 said Instacart has a tremendous amount of valuable consumer data.
- 1 said Instacart advertising is less expensive than large networks like Target but still difficult to afford for smaller brands.
- 1 said the level of automation in Instacart’s ad platform is subpar, and it does not offer some basic tools around targeting and attribution.
 - o Unlike Amazon, Instacart is unable to tell advertisers when their products already show up organically at the top of search results and thus does not need promotional spending.
- 1 called Instacart’s ad platform “clunky” and not as sophisticated as some others.

1) Digital executive for a major CPG brand

It will be difficult for Instacart to get back to double-digit growth because of increasing competition and because its ad product offerings are not that impressive. Instacart is an important part of the grocery ecosystem that brands need to invest in because of its large footprint of retailers. However, its tools for targeting and measurement are lacking, and the impact of Instacart ads vs. other options remains unclear. This source’s ad spending with Instacart is likely to be up only in the low single digits in 2024 because other opportunities, such as advertising with Walmart, are better investments. Walmart is a bigger competitive threat to Instacart than delivery services like DoorDash because the former has a large store footprint.

Instacart’s Retail Partnerships

- “It’s going to be very difficult for Instacart to get back to double-digit growth in transaction volumes.”

Competitive Landscape

- “They are all threats, but I think Walmart is a bigger threat [to Instacart] than DoorDash. The retailers are bigger threats than delivery. Amazon would be in second place as a threat, but it’s a different type of threat. Walmart is important because of their store footprint even if it’s not that big in delivery, but it has a different impact for consumers in terms of grocery pickup than Amazon.”
- “Instacart has a broader selection across retailers. DoorDash has some of that, too, but Instacart has a better footprint than DoorDash.”

Advertising

- “I think [Instacart] had an opportunity to provide some really interesting ad and promotional products on top of all those retailers, but what I’ve seen has not been very compelling yet.”

- “[Instacart falls short] in some of their ad products, some of their measurement attribution tools, and incrementality.”
- “Instacart is a really important part of the grocery and delivery-to-consumer ecosystem. You need to be playing in that from a brand perspective. That said, I think their offering is only OK. It’s not great in terms of tool sets and the ability to think about the nimbleness of your relationship with Instacart.”
- “The impact that they drive is only OK as well. They’re important but not the most critical part. For me, there also remain real questions around the incrementality of any activity at Instacart vs. activity elsewhere.”
- “I have reservations around the tools they offer around targeting and measurement attribution. I think they’ll be improving those things, but as of right now, their solution is just OK.”
- “The way Instacart is servicing the market is essentially through other grocers or other retailers. Is there incrementality in me investing at Instacart vs. investing in those grocers or retailers outside of Instacart? We are trying to determine the incrementality. There’s not a tool out there that I know of that helps to show that investing in Instacart—let’s say \$10 in Instacart—is better than \$10 at Target or \$5 at Target and \$5 somewhere else. That would be a really important criteria for my decision to increase investment in Instacart.”
- “ROI [on Instacart advertising] completely varies by brand, and that’s what I would expect. I would expect some brands to do better than others. One of the components of ROI is the real number. For every dollar we invest, we get three back or four back or five back, or whatever the number. But there’s also the volume opportunity. I could get a really good ROI but not have a great volume opportunity because there’s just not a good addressable universe within Instacart searching for these products. The ROI and the volume opportunity both matter.”
- “The volume opportunity also varies by category, and there could also be weakness there at larger retailers depending on the category.”
- “Instacart is different in that I can go into retailers and invest directly. Target would be an example. I can go invest at Target and cut Instacart out if I find that I get more incrementality and better return at Target in particular, for example.”
- “Our spending with Instacart is mostly flat. For 2024, it will be up in low single digits. There are other places, like Walmart, where we believe we can get more impact from our investment.”

“Instacart is a really important part of the grocery and delivery-to-consumer ecosystem. You need to be playing in that from a brand perspective. That said, I think their offering is only OK.”

Digital executive for a major CPG brand

2) Senior digital commerce executive for a top CPG brand

Instacart will continue to grow faster than in-store sales, buoyed by more e-commerce, but reaching double-digit growth in transaction volume will depend on the macro environment. Instacart’s biggest competitors are Amazon and Walmart, while DoorDash is recruiting more retailers to its platform. For now, DoorDash is not a full-basket retailer like Instacart but could become so. Ad spending on Instacart by this source’s brand is growing but not as fast as during COVID. Ad spending on Instacart should be flat to up slightly in 2024. ROI on Instacart ad spending is among the top three in grocery retail. Instacart has good capabilities for advertisers but room to improve, especially around automation and data. Instacart’s use of AI to help users have a similar experience to in store, where shoppers are prompted to do more impulse buying, will help Instacart grow.

Instacart’s Retail Partnerships

- “Instacart can offload labor for retailers, and it provides a new capability for them. Beyond the app, Instacart has a full infrastructure to help run websites and advertising for retailers. They offer things that a retailer might not know how to do well. Some retailers leverage that very well.”
- “In markets where people use Instacart a lot, it can really hurt the experience at the shelf. Just a few Instacart orders can really kill the [planogram](#) so that there is no more product available for the shoppers that are in the store. There will have to be a solution for high Instacart markets. There are stores that are 40% e-commerce for Instacart. It’s great for Instacart, but for the planograms, it really creates a problem.”
- “While Instacart has very good technology, there are situations where promotions don’t come through the system. The grocery might be running a promo, and it doesn’t come through on the app. Not all their tech is fully correctly wired. This could be a negative experience if a person is comparing prices between retailers on the Instacart app.”

- “I think Instacart will continue to grow faster than in-store sales [based on trends for online growth]. It’s difficult to predict the macro environment at the moment and say whether their volume growth will be double digits. That will depend on the whole market environment.”
- “Instacart will have to find other ways to grow [besides adding more retailers], and they do have other ways to grow—for example, with [better] transparency of promotions in their app. I think they are also going to figure out how to prompt more impulse [buying] on their app. In store, displays and front-ends appeal to the customer, and I think Instacart can do more of that on their app with the help of AI. I think they’re ahead on that, and it will help them accelerate growth.”
- “Also , Instacart is very sticky shopping experience.”
- “Instacart’s platform is incredibly easy to use for the shopper. I think they also have a good network of shoppers who do the picking.”
- “People might feel their prices are high, even though it’s not their fault but a result of the deals they’ve made with the retailers. [Instacart’s] somewhat inflated prices at times of tightening wallets could be a challenge. They saw a negative effect when the SNAP [Supplemental Nutrition Assistance Program] benefits stopped. They are going to have to figure out how to navigate those waters.”
- “In terms of dollar volume and consumption, Instacart is incremental for grocery sales. Online e-commerce has pulled some dollars from in-store [sales] just based on shopping behavior, so it’s a transition from in-store dollars being spent to online dollars being spent. The retailer is getting those dollars because it’s still going through their register. It’s just that it’s an Instacart shopper doing it vs. an in-store shopper.”
- “Instacart is not growing as fast as in the middle of COVID, but they are still growing in terms of category. Our categories are continuing to grow.”
- “There was some slowing when SNAP benefits went away. We are watching closely what is happening this month now that student loan borrowers have to resume their loan repayments. A lot of college-educated people are on Instacart.”

“[Instacart’s] somewhat inflated prices at times of tightening wallets could be a challenge. They saw a negative effect when the SNAP [Supplemental Nutrition Assistance Program] benefits stopped. They are going to have to figure out how to navigate those waters.”

Senior digital commerce executive
for a top CPG brand

Competitive Landscape

- “Their biggest competitors are Amazon and Walmart.”
- “DoorDash for now is minor, but it could become an emerging competitor, maybe beyond 2024. DoorDash is recruiting more retailers into their site that are also on Instacart. Potentially, DoorDash could become more of a full-basket grocery competitor. For now, DoorDash is more about impulse and last minute and small-basket shopping, while Instacart is big basket. But if DoorDash continues to recruit Target and Kroger and others, it could become more challenging to Instacart in the future.”
- “DoorDash is coming from a smaller base, and because of that, they are growing very fast. Even just because they are adding retailers, they are going to grow faster. Instacart doesn’t have that many more retailers to add; it’s not an advantage they can have. They are already very highly penetrated with retailers.”
- “Walmart is on a major trajectory of investments that will lead to strong growth. They are feeling like the winner in the market at this time, but things can change very quickly in e-commerce.”
- “Instacart and others in grocery categories are seeing some [market share] transition from Amazon. Amazon went to \$150 minimum [and now \$100] to get free shipping. For grocery shoppers on Amazon, that made some people choose a different avenue, but generally it’s not impacting one single retailer. It’s more incremental to retailers.”

Advertising

- “I think advertising on Instacart is a strong opportunity because it is the largest last-mile that’s focused on full-basket groceries in the market. If you advertise on Instacart, you’re able to get to a higher awareness or a higher number of eyeballs to see your ad.”
- “Compared to more awareness advertising like [Alphabet Inc.’s/GOOG/GOOGL] Google and Meta [Platforms Inc./META], Instacart is not at all close to their ROI. But in a retail media comparison, they are in the top three [along with Walmart and Amazon]. They are not the best, but they are pretty good.”
- “For a CPG brand looking to focus on groceries, Instacart might not be as high as Walmart, but they are quite high. In terms of retail consumption dollars going through the Instacart platform, they are No. 2 or 3.”
- “Advertising dollars for Instacart are considered retail media, and retail media is growing everywhere. We’re continuing to grow on Instacart also, so we’re not pulling it from somewhere else.”

- “In the end, everyone is getting more dollars year over year. The people that might complain [about ad dollars going to Instacart instead of to retailers] are those who don’t have retail media, but it’s their challenge that they’re not providing that capability.”
- “I think [ad spending on Instacart in 2024] will be flat to slightly up. That’s based on potential deflation and on category trends. For us, we also need to be careful and make sure that we maximize our ROI on the advertising spends that we already have.”
- “Overall, I think Instacart has good [advertising] capabilities. There are many different ways to spend money on Instacart, and some are easier or harder to use than others. They are not as automated as they could be, so that’s still an opportunity for them where they could have more automation compared to their competitors. The way Instacart does things is a little more bespoke. They have spent on adding additional capabilities but not necessarily on improving their foundational capabilities.”
- “As an example, one of the things is that we don’t want to spend money on [advertising] products that already show up organically at the top. Instacart doesn’t have the capabilities to tell you not to spend money if the product already wins on the digital shelf. Some of their competitors, like Amazon, have that capability, which I think is foundational. Generally, Instacart could still continue to work on their foundational capabilities before they add new ways to spend money.”

3) Senior digital executive for a top 10 snack brand

Instacart’s path back to double-digit growth in transaction volume will be difficult. The platform has a lot of pros, including an excellent user experience and the ability to bring new business to stores, which it proved during the pandemic. However, others now provide the same service. Instacart should be concerned about DoorDash and Uber Eats in particular. Unless Instacart finds a new way to differentiate itself, there is no guarantee it will still be relevant by the end of next year. One solution might be to expand to categories other than groceries or make an acquisition, such as DoorDash. Instacart says its advertising outperforms others, but such claims are based on limited data that Instacart shares. Ad spending on Instacart has been flat to up slightly and will remain so in 2024. Working against Instacart are its high prices, making it a luxury service that can easily be dropped when consumers are tightening their budgets.

Instacart’s Retail Partnerships

- “Instacart brings an audience and traffic that a store would otherwise probably not get. If a store can realize that the audience coming through Instacart is different, they realize they are benefiting from additional revenue.”
- “[On the downside], the consumer is owned by Instacart and not by the store. That puts a cap on Instacart’s ability to grow if the retailer will only let them take X percent of the revenue before switching to do their own thing because they decide Instacart is getting too big. It’s like a glass ceiling on top of what a retailer should allow Instacart to be as a percentage of their total revenue.”
- “As a brand, I’m cheering for Instacart. I want them to win.”
- “It’s a great service. It’s the best user interface of all the online buying options. They do things better than everyone else. They have better product information, better product selection opportunities, and better repeat purchase opportunities than anyone else. They are better organized, very easy to navigate, very user-friendly. It’s a great consumer experience.”
- “The negative is more in their business model, their competitive advantage. That advantage exploded during the pandemic because there was a pandemic, but now what?”
- “Instacart’s reason to exist during the pandemic was obvious. They provided a service that very few could provide. Today, anybody could provide that service. What is the reason then for the consumer to continue to give them attention?”
- “Instacart can get back to double-digit transaction growth, but I don’t know if they will. I am skeptical about whether they will.”
- “Instacart would need to make another strategic move before I am more sure they will grow. They either need to buy a retailer or get bought by one, or they need to move into a category other than grocery, like [the arrangement they made](#) with [The] Michael’s [Cos. Inc.]. It has to go beyond the grocery store.”

“The negative is more in their business model, their competitive advantage. That advantage exploded during the pandemic because there was a pandemic, but now what?”

Senior digital executive for
a top 10 snack brand

- “Instacart needs to do something compelling for their reason to exist beyond just the service they provide now. They need to provide something new, but I don’t know what that is.”
- “They need to do something to gain more of the attention of the audience. Maybe it’s an acquisition where they buy DoorDash. They can’t become a grocer because then they end up competing with their customers.”
- “Instacart has exceptional user experience, and they deal with inertia. If you’re in Instacart, it’s very easy to just reorder what you got the last time. That’s very powerful.”
- “Instacart is very expensive, so the economy is a threat to them. They are a premium/luxury service. With everyone getting hit by inflation, people need to be mindful about their dollar. As a luxury, Instacart is the first thing people are going to cut out.”
- “Instead of Instacart, people will go on Walmart.com and get the same things for 20% less. They’ll then get into their car to drive over, and Walmart will put it in their trunk for them. For some people, that 20% difference is worth it because they don’t have as much to spend as they used to.”
- “In their model, Instacart is not the source of the product, it’s the retailer who is. Instacart is at the mercy of the source [which can raise prices]. That’s an inherent concern in their business model.”
- “When the pandemic hit and people didn’t leave their homes, Instacart capitalized on that. They were at the right place at the right time, and they served a very important purpose. Now that the pandemic is over, we are looking at who stayed with Instacart and why. It’s either very wealthy people who can afford this service, or somebody who wants to buy their elderly parents living in another city their groceries and have it delivered to them. That’s handy, and there’s some need for that.”
- “But that’s it. It’s convenience and need. Instacart has shrunk their market to that.”
- “They have a compelling business model that they’ve white-labeled for [Aldi](#) [Inc.], for [Publix](#) [Super Markets Inc.], for other good-sized regional grocers or national grocers. Their user interface is excellent, so for the consumer experience, it’s wonderful. They have a ton of consumer data. They know what people buy. They know how often they buy. They know the brands and the types of products those people like, and it’s very valuable. But they’re missing something, and I can’t say exactly what it is.”
- “The way I would describe Instacart is that my eyebrow is raised about how long they’re going to be this great. But for right now, they’re really great.”

Competitive Landscape

- “The major retailers—Amazon, Walmart, Target, Kroger, and Costco—are the biggest competitive threats because they have the attention of the consumer.”
- “Instacart should 100% be concerned [about restaurant delivery services like DoorDash and Uber Eats]. [Gopuff](#), DoorDash, and Uber Eats are all coming after Instacart’s delivery. They’re claiming to do it faster, but they’re not necessarily better.”

Advertising

- “The [advertising opportunity on Instacart] is compelling. It’s tantalizing. They should have everything, but they don’t.”
- “Instacart’s ROI is above everyone else’s. But there’s a caveat. The performance they show us is better performance than the other retail media platforms. However, they show us less data than everybody else. The reason is that their arrangement with their retail partners limits the data they’re allowed to share with us.”
- “If I believe what they are saying is true, they are outperforming everybody. But because they don’t provide granular data, I can’t verify that what they’re saying is true. With Walmart, I have ways of verifying directly. As a vendor to Walmart, I can see units moved in one data set. I can see retail media metrics and units moved on the other side, and I can match them up closely enough.”
- “In terms of our spending on Instacart, we are staying the same or increasing slightly, for now. The limited visibility of data is the biggest reason we’re not doing more already. There’s a collective skepticism about whether Instacart will make it and still be as relevant by the end of next year as they are today.”
- “I can say with certainty that Amazon will be relevant a year from today. Walmart will be, too. So will Kroger and so will Target. All of these are guaranteed to still be relevant by the end of next year. For Instacart, however, it’s just a maybe.”
- “I love Instacart, and I’m cheering for them probably louder than anyone else. I really want them to win. As a manufacturer, I want as many options as I can have to serve my customers, however or wherever they want to buy my products. But there are inherent concerns in Instacart’s structure that give me pause.”

- “Our [Instacart ad spending] plan for 2024 is also flat to up slightly. As long as they keep performing, we’ll keep spending, [but only slightly more] because Instacart is on a shorter leash than everybody else because their long-term strategic value is a question.”

4) Founder of a boutique e-commerce ad agency for natural food brands

It will be difficult for grocery retailers to build in-house replacements for Instacart as their expertise is in brick-and-mortar stores, not e-commerce technology. But shoppers are generally comfortable with both in-store shopping and ordering online from Amazon and Walmart, which leaves little need for Instacart. On the advertising side, Instacart’s platform is a bit clunky and not as sophisticated as some others but performs extremely well, even compared to a platform like Amazon.

Instacart’s Retail Partnerships

- Did not discuss.

Competitive Landscape

- “Albertsons and Kroger are better as brick-and-mortar grocery stores; that is in their DNA. They are not good at software. It would take a lot for them to outpace someone like Instacart [in e-commerce technology], which is all they do.”
- “The threat [to Instacart] is more this omnichannel approach. People are buying things where they are comfortable. People are comfortable going to the grocery store and buying online through Amazon or Walmart. They don’t need to use Instacart when they can get it elsewhere or go to the store itself.”
- “If people are OK bifurcating their orders from the same platform—same shopping cart but delivery multiple ways—then the Amazon-Whole Foods combo has more to offer than someone like Instacart, who is filling from that local grocery or drugstore.”

Advertising

- “A big differentiator between Amazon and Instacart is that on Amazon, everything has to be shelf-stable as it relates to the food products vs. Instacart, which is [a platform on which] brands can advertise a refrigerated or frozen product. That is a huge advantage.”
- “[Instacart] is e-commerce, in a sense that you are ordering from your phone or computer, and someone is delivering it to you. But it’s operated differently than typical e-commerce because it’s not a marketplace per se; it’s really what is in stock at that local grocery store. It’s almost a subset of brick and mortar.”
- “The whole [Instacart] philosophy is different than Amazon, where it’s nationwide as opposed to ... that customer and the grocery store.”
- “When [brands] are advertising with Instacart, they are not necessarily seeing the fruits of labor. They are showing they spent \$X and sold Y but that the money does not go into their account. It’s part of their grocery business, just one more piece of how they market in grocery.”
- “From the five brands we work with [as an ad agency], the return [from Instacart] is much better than what we see on something like Amazon, just out of the gate.”
- “It doesn’t seem like there is as much competition happening on Instacart.”
- “We have a frozen-dumpling brand that right out of the gate was doing three times return on ad spend [on Instacart], which is typically unheard of. If that was on Amazon, we’d be lucky to be at a 2x out of the gate.”
- “It’s still early days [of Instacart], and it reminds me of Amazon, say, seven or eight years ago when they had limited abilities to advertise. It’s kind of clunky; and it’s not a sophisticated ad platform like you’d see on Google, Amazon, or Facebook. But at the same time, it performs well, so I think that from the ad buyer side where we sit, we can put up with the basic ad systems because the performance is there.”
- “[Instacart] is not sophisticated like you would see from platforms that have been around longer. It’s nothing against Instacart; it’s just new. They are learning the way as they go.”

“From the five brands we work with [as an ad agency], the return [from Instacart] is much better than what we see on something like Amazon.”

Founder of a boutique e-commerce ad agency for natural food brands

5) President of a small ethnic foods company

Instacart will not get back to double-digit growth in transaction volume, as the pandemic was responsible for a lot of its success. Consumers, especially those below middle class, are looking to eliminate conveniences amid inflation, and that includes Instacart. Blue-collar shoppers are not interested in the service. Instacart is easy to use as an ad platform, is constantly trying to upgrade its service, and is cheaper than bigger competitors. But the return on investment is minimal, reducing its appeal for small companies.

Retail Partnerships

- “Instacart can’t get back to double-digit growth in transaction volume. Their growth was fueled in large part by a once-in-a-lifetime global event.”
- “In the face of inflation, consumers are looking for ways to save money. As many Instacart users realize the price of their groceries is higher [than buying in-store], they will shy away. With Instacart’s dynamic pricing, some groceries are way more expensive than in-store. Blue-collar consumers would scoff at someone shopping for them.”
- “People are getting squeezed, especially below the middle class. They will forgo conveniences, and Instacart is a convenience. It’s a service that gets good traction in the upper middle class. It has ignored the large amount of consumers who don’t want to pay for deliveries.”
- “I don’t think Instacart will ever really penetrate the ethnic [minority] community. If they get one horrible batch of food or vegetables, they will abandon Instacart. Fruits and vegetables are a big part of the ethnic experience.”
- “One area where Instacart does have an opportunity is people using it to help the elderly get groceries. I’ve heard and seen anecdotes of that. I don’t know how well they’ve tapped that market. With an aging population, it could bode well.”

“Instacart can’t get back to double-digit growth in transaction volume. Their growth was fueled in large part by a once-in-a-lifetime global event.”

President of a small ethnic foods company

Competitive Landscape

- “Competition is stiff. The biggest threat is Amazon because it’s the world’s largest logistics company. Walmart is also a top player.”

Advertising

- “We’ve been advertising on Instacart for about a year. It’s free as part of an initiative to help minority-owned businesses advertise on the platform. It was supposed to be a trial period for \$5,000, but they’re perpetually re-upping it. They’ve now given us \$30,000 to \$60,000 of free advertising.”
- “The Instacart team is continually looking to improve its service. The user interface is well-considered. Instacart is far simpler than Google Analytics or Facebook advertising.”
- “In today’s digital age, it’s one of best places to go in the supermarket space if you’re going to advertise, because it’s the only way to differentiate yourself on the digital shelf. Instacart has brand recognition and an installed base.”
- “It’s also affordable compared to places like Target, which has its own advertising service that is built for big national brands. Smaller brands like us can’t spend \$80,000 to \$150,000 to be part of their app.”
- “On the downside, if we had to pay for our Instacart advertising, it would be more difficult because we’re self-funded rather than venture-capital-funded. Our threshold for whether something is worthwhile is much more stringent than VC-funded companies.”
- “You’re getting less than 1 times ROI [on Instacart advertising] after accounting for fees. From that perspective, if it wasn’t free, we would use it on a smaller scale.”
- “Instacart does have the ad units we need. If you’re a well-funded company, it’s effective. But my brand is niche.”

Additional research by Eva Cahen, Marianne Weaver, and Dan Weil.

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