



**A Strategic Audit of Instacart**

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**Abstract:**

Instacart is an online grocery delivery and pick-up service that allows users to order groceries and other household items from local and large stores and retailers through its website or mobile app. Apoorva Mehta founded Instacart in 2012 with the intent to help people conveniently access the food they enjoy, and the service now reaches over 14,000 cities across the United States and Canada. This report provides a comprehensive analysis of the company as its rise to becoming a prominent player in the online grocery delivery industry has skyrocketed demand for the service and presented numerous operational challenges for the quickly scaled, recently public organization. The report delves into Instacart's founding mission and evolution, highlighting its strategic growth and competitive landscape. The internal analysis includes a detailed SWOT analysis to examine Instacart's target market, size, and segments. The industry analysis includes a PESTEL and Porter's Five Forces analysis to shed light on the external factors influencing Instacart's operations, alongside an exploration of its key competitors. The Strategy and Strategic Objectives section outlines Instacart's resources that lead to a competitive advantage and identifies its core competencies within the market. Anticipated challenges provide insights into potential hurdles Instacart faces, followed by recommendations to address these challenges and sustain its growth trajectory in the dynamic online grocery delivery landscape.

Key Words: Instacart, users, shoppers, grocery delivery, e-commerce

## Introduction to Instacart

Instacart, a pioneer in online grocery delivery since Apoorva Mehta founded the company in 2012, revolutionized the shopping experience by facilitating orders from local stores for convenient home delivery or pickup. Founded with a mission to “create a world where everyone has access to the food they love and more time to enjoy it together” (Instacart, 2023, p. 3), Instacart's journey, highlighted by its IPO in 2023, reflects its strategic growth and fierce competition within the dynamic landscape of grocery e-commerce. Instacart navigates a fiercely competitive landscape alongside industry giants like Amazon Fresh, Walmart Grocery, Shipt, Peapod, and FreshDirect. Despite formidable competition, Instacart maintains competitive advantages through its brand recognition, extensive partner network, and innovative technology infrastructure, positioning itself as the industry leader poised for continued success.

## Internal Analysis

### *Target Market*

Instacart's target market comprises busy individuals and families seeking convenience and time-saving solutions for their grocery shopping needs. The company's target customers value the flexibility and convenience of ordering groceries online and having them delivered to their doorstep. Instacart caters to diverse demographics, including working professionals, parents with young children, elderly individuals, and people with disabilities who may find traditional grocery shopping challenging or time-consuming. In line with its mission, Instacart targets people living in food deserts or areas with limited access to fresh and affordable groceries, as the app offers a wide range of options from various stores, including specialty and local establishments. Instacart spans

all 50 states in the United States and over 90% of Canadian households (Instacart, 2021). Instacart's comprehensive coverage of households enrolled in SNAP and its reach of more than 93% of households in low-income, low-access food areas in the U.S. demonstrates its commitment to serving underserved communities (Instacart, 2023). With a focus on accessibility, convenience, and inclusivity, Instacart aims to meet the needs of demographically diverse, convenience-driven consumers seeking a seamless grocery shopping experience.

### *Size and Segments*

#### Size

The grocery delivery market is expected to reach \$257.50 billion in revenue by 2024, with a projected Compound Annual Growth Rate (CAGR) of 12.1% from 2024 to 2029, potentially reaching \$455.90 billion by 2029. The market's average revenue per user (ARPU) estimation is \$1,740 in 2024 (Statista, 2024). Instacart holds a market share of approximately 21.6% in 2024 (Oberlo, 2024) (see [Figure 1](#)), solidifying its position as a significant player in the industry. Instacart reported an annual revenue of \$3.04 billion in 2023, marking a 19.25% increase from 2022 (see [Figure 2](#)). The platform has over 615,000 shoppers (see [Figure 3](#)) and 33 million users (see [Figure 4](#)). Instacart's innovative platform, extensive network of partnerships with retailers, and focus on customer experience have contributed to its substantial share of the grocery delivery market. With its continued growth trajectory and market leadership, Instacart is well-positioned to capitalize on the expanding opportunities within the grocery delivery sector (Statista, 2024).

## Segments

Instacart operates within three primary segments: Users, Shoppers, and Stores (Pereira, 2024). Within the Users segment, Instacart caters to diverse demographics but similar psychographics. The first segment includes consumers seeking convenience, such as working professionals or parents with young children. The second segment consists of individuals seeking a solution for the lack of access or ability to grocery shop, including elderly individuals, residents of food deserts or low-access food areas lacking nearby grocery stores, low-income individuals reliant on affordable options, or people with disabilities. Instacart's ability to understand and address the specific needs of its user segments drives its marketing strategies and service offerings, ensuring that it remains accessible and relevant to a broad spectrum of consumers. Users across its demographic segments share common psychographic traits, generally seeking efficiency, convenience, and improved food access, further shaping Instacart's approach to meeting their needs. The two largest age groups Instacart serves are between 25-34 and 35-44 (see [Figure 5](#)). Instacart maintains a user gender composition of about 55% female, 44% male, and 1% people who choose not to identify (see [Figure 6](#)).

Instacart also recognizes Shoppers as a crucial segment of its business model. Shoppers are vital in fulfilling orders, acting as the frontline workforce responsible for selecting and delivering groceries to users. Instacart markets to Shoppers to attract and retain a motivated workforce, offering earning opportunities and flexible working arrangements to appeal to individuals seeking

supplemental income or flexible employment options. Instacart jumped from 130,000 shoppers in 2019 to 500,000 shoppers in 2020 due to the platform's significant rise in demand as a result of the pandemic. Since 2020, Instacart's workforce has increased to about 615,000 shoppers (see [Figure 3](#))

Furthermore, Stores represent a crucial segment for Instacart as they deliver the groceries that are available for purchase through the platform. By forming strong partnerships with various retailers, including major grocery chains and local stores, Instacart enhances its offerings and expands its product selection to meet the diverse needs of its user base. Cultivating these partnerships is essential for Instacart to maintain a competitive edge in the online grocery delivery market, ensuring users access to a wide range of products and brands. Instacart's segmentation strategy allows it to effectively target and serve the distinct needs of Users, Shoppers, and Stores, thereby driving growth and success in the online grocery delivery industry.

### *SWOT Analysis*

#### Strengths

- **Brand Recognition:** Instacart benefits from strong brand recognition, enhancing trust and credibility among consumers.
- **Technology Infrastructure:** The company has developed a robust technology infrastructure, enabling efficient order processing, real-time inventory management, and personalized customer experiences.

- Extensive Partner Network: Instacart has cultivated an extensive partner network with major grocery retailers, brands, and local stores, expanding its product offerings and geographic reach (Maplebear Inc., 2023, p. 2).
  - Instacart reaches 14,000 cities as of 2022 (see [Figure 7](#)) and expects to continue growing.
- Strategic Partnerships: Strategic partnerships with key stakeholders contribute to Instacart's market position and operational efficiency.
- Data Analytics Capabilities: Instacart leverages advanced data analytics to gather insights into customer preferences, which enables targeted marketing and personalized item recommendations.
- Subscription Offering: The company offers subscription-based services, incentivizing customer loyalty and generating recurring revenue streams (Sorvino, 2021).
- "First Mover" with Innovation Culture: Instacart's early entry into the market and innovation culture has positioned it as a pioneer in the online grocery delivery industry.

### Weaknesses

- Low Margins: Instacart faces low margins due to high delivery costs and pricing pressures from various stakeholders. On average, grocers experience a 10% cost per digital delivery, contrasting with the industry's historical margins of typically 2% or less (Sorvino, 2021), which compounds the challenge of operating within an industry already characterized by narrow profit margins.

- **Pricing Pressures:** Pricing pressures from competitors, grocers, consumers, and individuals grappling with regular economic strain due to decreased discretionary income amidst inflation and the rising cost of living impact Instacart's profitability and pricing strategy.
- **Regulatory Compliance:** Compliance with regulatory requirements presents challenges and potential legal liabilities.
- **Customer Acquisition Costs Rising:** Instacart incurs rising customer acquisition costs, impacting its bottom line and long-term sustainability (see [Figure 8](#)) (Maplebear Inc., 2023, p. 123).
- **Market Saturation:** Market saturation poses a weakness for Instacart, as the increasing number of competitors and service providers in the online grocery delivery space has led to heightened competition, reduced differentiation, and challenges in acquiring and retaining customers.

### Opportunities

- **Diversification of revenue streams:** Instacart can explore branching out to create additional products like Instacart Business and Caper Carts and consider venturing into meal kit and medication delivery services to expand its offerings (Maplebear Inc., 2023, pp. 116-179).
- **Strong performance expected in the future for the grocery delivery market:**
  - The grocery delivery market is projected to achieve \$786.80 billion by 2024, with a robust CAGR of 12.74% between 2024-2028 and a projected market value of \$1.271 trillion by 2028 (Satista, n.d.).



- The forecasted average revenue per user for the industry in 2024 is estimated to be \$510 per user (Satista, n.d.).
  - E-commerce sales are anticipated to increase by 9.3% year over year in 2024, with perishables driving e-commerce delivery growth (Samet, 2024).
  - Digital grocery currently constitutes 16.4% of e-commerce sales (Samet, 2024).
  - The number of users in this market is projected to reach 2.103 Billion by 2028, with user penetration estimated at 20.1% in 2024 (Satista, n.d.).
  - The retail delivery market is expected to reach a market volume of \$195.4 billion in 2024 (Satista, n.d.).
- Customer loyalty programs: Instacart can capitalize on the growth potential of customer loyalty programs, which have shown a 12.3% annual growth rate and generated over \$27.5 billion in sales in 2023 (Samet, 2024).
- International expansion: China is expected to be the largest revenue generator in the grocery delivery market, with an expected revenue of \$266 billion. Instacart can explore opportunities in this market by leveraging its mature online grocery delivery market and strong customer base. Other countries generating significant revenue for online grocery delivery include the United States, Japan, India, and the UK. Additionally, countries like the United States, South Korea, Norway, Sweden, and Denmark exhibit high user penetration rates for online shopping, indicating potential expansion opportunities (Satista, n.d.). However, international expansion may face challenges due to a crowded market (Kang et al., 2023).

- Stay ahead of consumer trends: Instacart can align with consumer trends by catering to the increase in frequent online shoppers, focusing on sustainability initiatives such as reducing packaging waste, and providing data-driven personalization through recommendations, discounts, and targeted advertisements (Samet, 2024).
- Reach food stamp users: Instacart can target food stamp users as a potential customer segment to expand its market reach and enhance inclusivity. Its mission to increase food access is noble but requires more expansive marketing efforts to achieve its goal.
  - Instacart's current marketing channels are primarily direct marketing, which comprises 58.4% of its marketing efforts, and Search Engine Optimization (SEO), which totals 34.7% of Instacart's marketing (see [Figure 9](#)).
- Customer retention: Instacart can focus on retaining customers, particularly those who joined post-pandemic, as they are more likely to become repeat users (Kang et al., 2022).
- Advertising: Instacart has the opportunity to generate additional revenue by becoming an advertising platform, charging food companies to promote their products. However, pursuing an advertising model puts Instacart in direct competition with major retailers like Walmart and Kroger, which are attempting to eliminate third-party grocery delivery (Kang et al., 2022).

### Threats

- **Uncertainty Surrounding Data Privacy:** With Google phasing out cookies, there is a pressing need for companies, including Instacart, to devise alternative methods for securely collecting and storing customer data (Sorvino, 2021).
- **Growing Popularity of In-Store Pickup:** In-store pickup is gaining traction, projected to constitute 67% of US click-and-collect buyers by 2027, surpassing curbside pickup at 45.3%. In 2023, 94.3 million people opted for in-store pickup, with projections indicating a steady increase in the coming years (Samet, 2024). Though Instacart offers in-store pick-up options, a primary revenue driver for the company's business model is its delivery service.
- **Shift Towards Direct-to-Consumer (D2C) Approaches:** Companies increasingly favoring D2C models pose a threat to Instacart's third-party platform approach, potentially reducing its market share and revenue opportunities (Samet, 2024).
- **Workforce Disruptions and Unionization:** Past instances of workforce disruptions, including union formations and strikes due to safety concerns, highlight potential labor-related challenges that could impact Instacart's operations and reputation (Curry, 2024).
- **Investor and Stakeholder Confidence:** Despite successful funding rounds and an IPO in recent years, future economic downturns may not be as favorable to Instacart as the COVID-19 pandemic, posing risks to investor and stakeholder confidence (Gould, 2023).
- **Competition from Established Logistics Providers:** DoorDash and Uber, leverage their core competencies as logistics providers, posing a threat to Instacart's market position by potentially offering lower-cost solutions for non-

grocery local purchases, thereby gaining a competitive advantage (Kang et al., 2023).

## Industry Analysis

### *PESTEL Analysis*

Instacart's political landscape is influenced by factors such as political stability and local government policies, including tax rates and regulatory practices, which is especially relevant in Instacart's future global operations. Civil society, protest groups, and unions can also impact the company's operations and decision-making processes, especially concerning labor practices and regulations.

Instacart's economic outlook faces challenges due to its reliance on changing consumer behavior and spending habits. Economic instability, particularly exacerbated by events like the COVID-19 pandemic, creates unexpected surges and plunges in labor supply and consumer demand in prosperous and struggling economies alike. The economic outlook of SNAP/food stamps outreach and accessibility significantly shape Instacart's customer base and demand for its services. Instacart's economic impact is notable, adding 231,000 grocery jobs and \$8 billion in revenue to the U.S. grocery industry. Customers have saved over 700 million hours, while shoppers have over \$15 billion through the platform. Additionally, Instacart's collaboration with over 5,500 brand partners highlights its role in driving sales growth for businesses, helping brands grow sales by an average of 15% from ads and 30% for produce advertisers. Instacart is in high demand, specifically in underserved areas such as food deserts, reaching over 93% of households (Instacart, 2023).

Socially, Instacart faces challenges related to unions and union busting for its corporate employees, as well as its impact on small businesses and customer attitudes toward consumerism. The platform aims to be a force for good, contributing to social causes by spotlighting over 250 Black and women-owned brands across 30 states and allowing them to leverage their free advertising credits to help them reach new customers and grow their businesses (Instacart, 2023, p. 16).

Instacart remains an innovating pioneer in the grocery delivery market, adapting to technological advancements such as the transition to 5G infrastructure and shifting consumer preferences towards mobile usage over desktop. Changes like the phasing out of “cookies” (Konstantinovic, 2024), which help collect and organize customer data, and the saturation of Software as a Service (SaaS) companies across the globe pose both challenges and opportunities for Instacart, as some areas are in dire need of a solution to food deserts, while others have expansive grocery delivery options that would make entering the market challenging. Integrating AI technologies into Instacart’s platform impacts data security, order and profile customization, and advertising strategies, ultimately enhancing its data analytics capabilities, but also increasing privacy concerns from customers.

Environmental concerns are significant for Instacart, particularly regarding emissions and waste generated from last-mile delivery operations. Compliance with local and national environmental regulations and adopting electric vehicles (EVs) is crucial in mitigating the company's environmental impact. Because Instacart hires drivers as contractors and does not supply the vehicles, Instacart has somewhat limited control over

its emissions from deliveries and could face criticism from environmentally-conscious consumers. However, Instacart Green's opt-in feature helps users track emissions, a significant differentiator that no other major competitor currently offers (Reed, 2019).

Legally, Instacart operates within the framework of the gig economy, employing independent contractors as drivers whose status affects organizational control, payroll, taxes, and benefits (Instacart, 2023, p. 64-65, 133). Though most employees are contracted workers, Instacart still faces scrutiny regarding the pay and fair treatment of its workers, as evidenced by the California lawsuit *People v. Maplebear Inc.* Though the court ruled that workers are considered "employees" for companies like Instacart, the company challenged the decision and ultimately remains an employer in the gig economy (White, 2022). Due to social activism and fair labor advocates, future legal issues regarding Instacart's employment classifications may arise. Compliance with local employment laws is essential for Instacart's operations in different regions, especially as the company considers global expansion.

### *Porter's 5 Forces Analysis*

Instacart faces a moderate threat of new entrants due to the relatively low barriers to entry in the online grocery delivery market. While establishing partnerships with retailers and developing a robust logistics network require investment and expertise, the increasing demand for online grocery services may attract new players seeking to capitalize on this growing market. However, Instacart's first-mover advantage, established brand recognition, and a strong network of users, shoppers, and stores provide it with a competitive edge against potential new entrants.

The bargaining power of buyers, primarily users of Instacart's services, is moderate to high. Users have the option to choose from multiple online grocery delivery platforms, giving them leverage to switch based on factors such as pricing, convenience, and the availability of products. However, Instacart's expansive network of stores and ability to offer a wide selection of products may somewhat mitigate consumer bargaining power (Maplebear Inc., 2023, pp. 12-13). The loyalty and convenience Instacart provides to its users could reduce the propensity to switch to competitors.

The bargaining power of suppliers, which, in this case, are the grocery stores partnering with Instacart, is relatively high. These suppliers include major grocery chains, local stores, and specialty retailers. While Instacart relies on these suppliers to provide the products for delivery, the suppliers can negotiate terms and pricing with Instacart based on factors such as volume and demand. However, Instacart's extensive network and large user base may incentivize suppliers to maintain partnerships to reach a broader customer base and increase sales.

The threat of substitutes for Instacart is moderate. While traditional brick-and-mortar grocery stores remain a primary substitute for consumers, the increasing popularity of online grocery delivery services has expanded the range of substitutes available. Competitors such as Amazon Fresh, Walmart Grocery, and Shipt offer similar services, providing users with alternative options for convenient grocery shopping. Retailers like Target that offer in-store or curbside pickup give consumers additional alternatives. Instacart's focus on partnerships, customer experience, and its wide range of available stores and products may help differentiate it from substitutes.

Competitive rivalry within the online grocery delivery market is high. Instacart competes with various players, including major e-commerce platforms, traditional grocery chains with their own delivery services, and specialized delivery services like Shipt. The fierce competition drives innovation, pricing strategies, and marketing efforts as companies battle for market share and consumer loyalty. However, Instacart's established brand, extensive network, and focus on user experience position it well to withstand competitive pressures and maintain its leading position in the market.

### *Competitors*

Instacart is a formidable competitor in the online grocery delivery space, offering delivery and pickup options from a wide array of stores through its on-demand grocery delivery model. Its strength lies in its diverse range of store partnerships, providing customers with a convenient and flexible shopping experience. Instacart's first nine years of operations were supported by numerous funding rounds, the most recent totaling \$265 million in 2021(see [Figure 10](#)) before its September 2023 IPO. Due to its recent IPO and newfound accountability toward its shareholders, Instacart's shifting ownership structure has posed a challenge for the organization as competitors like Amazon and Walmart have been publicly traded for years.

Amazon Fresh, a direct rival to Instacart, with its large resource base, long-standing company history, and emphasis on innovation and integrating technology into daily shopping, integrates seamlessly with the Prime ecosystem and Whole Foods stores, leveraging Prime membership benefits to attract customers. With nationwide availability and a vast selection of products, Amazon Fresh appeals to shoppers looking for convenience and speed, as well as people within the Amazon ecosystem. It has been a



publicly traded company since 1997, long before Amazon Fresh was introduced (Amazon, n.d.).

Walmart Grocery competes directly with Instacart by offering delivery and pickup services, leveraging its extensive physical store network for easy access to groceries. Walmart is attempting to establish its own vertical integration as the development of its app and grocery delivery services are intended to cut out third-party distributors like Instacart and institute a direct-to-consumer approach in addition to its existing offerings and business model. Walmart has been operating as a publicly traded entity since 1972. While it emphasizes affordability and convenience, it does not utilize its network of stores to address societal issues like food deserts, a focus that Instacart aims to tackle. Additionally, users are bound exclusively to the items Walmart has in stock, whereas competitors like Instacart allow users to select where they would like to purchase groceries (Walmart, n.d.).

Shipt, acquired by Target in 2017, specializes in same-day grocery delivery and utilizes a membership model similar to Instacart. With integration into the Target app and the ability to order from various stores, Shipt provides a seamless shopping experience for customers. However, because Target owns the organization, its partnership network is significantly smaller and lacks the variety of competitors like Instacart. Shipt's technology innovation is considerably less notable than that of competitors like Instacart and Amazon; users have few store options, and the company does not address low food access areas (Shipt, n.d.).

Peapod is a privately owned company that competes with Instacart in the online grocery delivery market but also focuses on meal kits and partnerships with grocery chains to expand its offerings. Its longstanding presence since 1989 and emphasis on partnerships give it an advantage over newer competitors like Instacart. However, Instacart's rapid response to increased demand during the pandemic, its flexible workforce model, and its emphasis on technology integration differentiate it from Peapod, as it is a much larger organization with a much broader scope of offerings, unlike Peapod's meal-kit emphasis (Peapod, n.d.).

FreshDirect, a private company founded in 2002, targets health-conscious consumers primarily in the New York City area, offering fresh and organic foods. Its differentiation lies in local sourcing and culinary expertise, providing a curated selection of high-quality products tailored to its niche market. Instacart is significantly larger and more well-known nationally than FreshDirect. Though the competitor has existed for a decade longer than Instacart, its small-scale expansion and local focus do not pose much of a threat to Instacart and its current growth objectives (FreshDirect, n.d.).

While Instacart faces stiff competition from key players like Amazon Fresh and Walmart Grocery, its status as a technology company and its commitment to diverse store partnerships and a flexible shopping experience distinguishes it as a formidable contender in the online grocery delivery space, positioning it well for continued growth and success (Cuofano, 2024).

## Strategy and Strategic Objectives

Instacart has strategically positioned itself as a tech company, emphasizing technology-driven solutions to revolutionize the grocery retail industry. Instacart's overarching goal is to create an industry-leading omnichannel tech solution for grocery retailers, which is supported by its employees, over 40% of whom are dedicated to its tech team. The company's strategic objectives underscore the company's commitment to leveraging technology to enhance the customer experience and streamline operations for its partners (Maplebear Inc., 2023).

Instacart prioritizes order growth as its key business driver, recognizing that it reflects both the company's expansion and the value it delivers to its customers. Instacart employs various growth strategies to achieve its goal, including attracting new customers through incentives and marketing programs. The company seeks to expand omnichannel penetration by introducing more in-store technologies, such as Caper Carts, which facilitate the integration of Instacart's technology into existing grocery stores (Instacart, n.d.). Instacart's approach enables vertical integration of Instacart's grocery services without the need to establish its own grocery stores, demonstrating a strategic move towards scalability and efficiency (Maplebear Inc., 2023).

Furthermore, Instacart seeks to diversify its revenue streams and expand its market reach by broadening its use cases and introducing services like Instacart Business, which allows businesses to utilize same-day grocery delivery services (Instacart, n.d.). Improving affordability and offering a more comprehensive range of payment options are also part of Instacart's growth strategy, aiming to increase accessibility to its platform and further its dedication to reaching underserved and low-food-access communities. Additionally, initiatives like the Instacart+ subscription service target membership growth, where members typically spend double

compared to non-members, elevating customer retention and lifetime value (Instacart, n.d.).

Instacart strengthens customer loyalty and recurring revenue streams by incentivizing membership and driving engagement.

Alongside its growth objectives, Instacart pursues strategic acquisitions of emerging grocery technology companies to expand its platform capabilities, consolidating its position as a leader in the industry. Looking beyond the grocery category, Instacart seeks to diversify its offerings and enter international markets, further expanding its reach and market presence. Instacart aims to solidify its position as a tech-driven leader in the online grocery delivery sector while laying the foundation for sustained growth and innovation. Through these strategic initiatives, Instacart remains committed to delivering value to its customers, partners, and shareholders while driving sustainable long-term growth (Clinton, 2023; Maplebear Inc., 2023).

## **Competitive Advantage**

Instacart's competitive advantage lies in three key areas:

### Technology Innovation

Instacart has established itself as a technology-driven company, leveraging advanced algorithms, data analytics, and machine learning to optimize its operations. The seamless integration of its continuously innovated platform with grocery retailers' systems enables efficient order processing, real-time inventory management, and personalized customer experiences. Because of Instacart's technology, its retail partners grew their Gross Transaction Value (GTV) by 80% between 2018 and 2022; the industry average increase in GTV was 50%, demonstrating Instacart's position as the leading grocery technology organization in North America (Maplebear Inc., 2023, p. 106).

### Ads Offerings

Instacart is quickly becoming recognized as not just a technology company but also an advertising company. Since 2019, when the company introduced its paid search feature, Instacart has focused on advertising as an additional revenue stream. Instacart's advertising platform is a beneficial addition to the business model as ads help customize shoppers' experiences, push products off shelves, increase retailers' revenues, and diversify Instacart's revenue streams (Schiff, 2023).

### Omnichannel Approach

Instacart's omnichannel approach distinguishes it from competitors by offering a multi-faceted approach to serving each segment. Instacart gives customers the flexibility to choose from an array of delivery options and use the service for various use cases. By integrating its technology into brick-and-mortar stores, Instacart provides a holistic shopping experience that caters to the evolving preferences of modern consumers. The company's omnichannel approach uses the user preference and behavior data collected by Instacart Marketplace to improve its Instacart Enterprise platform and ensure company partners can best meet customer needs. Instacart's omnichannel approach is both flexible and efficient, making it a superior partner to retailers (Maplebear Inc., 2023, pp. 9-10).

### *Resources Leading to Competitive Advantage*

Instacart possesses several vital resources that contribute to its competitive advantage and help sustain its position in the online grocery delivery market:

#### Extensive Partner Network

Instacart has cultivated partnerships with a wide array of grocery retailers, including major chains and local stores. Its extensive network gives Instacart access to a diverse selection of products and allows it to serve customers across various geographic locations, giving it a competitive edge in reach and availability.

#### Brand Recognition and Trust

Instacart has built a strong brand presence and earned consumers' trust through its reliable service and commitment to quality. As one of the pioneers in the online grocery delivery industry, Instacart enjoys brand recognition and customer loyalty, giving it a competitive advantage over newer entrants (Maplebear Inc., 2023, p. 188).

#### Technology Infrastructure

Instacart's robust technology platform, including its website, mobile app, and backend systems, enables seamless order management, real-time tracking, and efficient communication between customers, shoppers, and retailers. The company's advanced infrastructure enhances user experience and operational efficiency, setting Instacart apart from competitors.

#### Gig Workforce Model

Instacart's gig-based workforce model, consisting of independent contractors who serve as shoppers and drivers, allows for flexibility in staffing and scaling operations according to demand. Its agile workforce enables Instacart to adapt to fluctuating order volumes and optimize resource allocation, contributing to its operational efficiency and cost-effectiveness (Maplebear Inc., 2023).

#### Data Analytics Capabilities

Instacart leverages data analytics to gather insights into customer preferences, shopping behaviors, and market trends. By analyzing this data, Instacart can personalize recommendations, optimize inventory management, and tailor marketing strategies to enhance customer satisfaction and drive sales. Additionally, Instacart provides extensive consumer insights to company partners to improve the platform's offerings and help both organizations better understand the customer journey (Maplebear Inc., 2023, p. 219).

#### First-Mover Advantage

As one of the pioneers in the online grocery delivery market, Instacart has established a first-mover advantage, allowing it to capture market share, secure strategic partnerships, and build brand awareness. Its early entry into the market provides Instacart with a strong foundation and competitive edge in the rapidly growing industry.

Instacart's multifaceted competitive advantage is underscored by its innovative technological solutions, expansive partner network, brand reputation, and agile workforce, positioning it as a leader in the rapidly evolving online grocery delivery market.

### **Anticipated Challenges**

As Instacart continues to navigate the dynamic landscape of the online grocery delivery market, several anticipated challenges loom on the horizon. From economic uncertainties to operational complexities, addressing these challenges will be crucial for sustaining growth and maintaining a competitive edge in the industry.

#### Stock Price Volatility

Instacart is poised to encounter hurdles associated with stock price volatility, especially in the wake of its IPO debut in 2023, followed by a significant drop in the company's

value. Instacart's value as of 2024 is about \$8.2 billion, a substantial decrease from its 2021 high of \$39 billion (see [Figure 11](#)). The potential for fluctuations in its stock value presents a risk, potentially eroding investor confidence and hindering the company's capacity to secure necessary funds for future expansion endeavors. Furthermore, as Instacart embarks on its inaugural year as a publicly traded entity in 2024, it faces heightened scrutiny and pressure to demonstrate sustained value creation, adding another layer of complexity to its strategic decision-making processes. Effectively managing stock price volatility will be paramount for Instacart to navigate these challenges and maintain its growth trajectory and success in the competitive market landscape (Maplebear Inc., 2023, pp. 170-172; F-25-26).

#### Decrease in Order Volume

Instacart may experience a decline in order volume due to various factors, including increased retailer prices, the winding down of COVID-19, the lifting of related restrictions, and increasing consumer concerns regarding sustainability. Additionally, consumers' decreased discretionary spending resulting from high interest rates, the effects of inflation, and increased prices from retailers could lead to reduced demand for grocery delivery services in the coming years (Maplebear Inc., 2023, pp. 36, 56-57, 168).

#### Operational Challenges

Scaling quickly to meet growing demand may pose operational difficulties for Instacart, including logistics challenges, workforce management issues, and supply chain disruptions for grocers that ultimately impact Instacart. Managing expenses, forecasting revenue accurately, and planning capital expenditures require careful attention to avoid financial strain (Maplebear Inc., 2023).



### Market Evolution

Instacart operates in a rapidly evolving online grocery shopping market (Maplebear Inc., 2023, p. 36). As competition intensifies and consumer preferences shift, the company must adapt its strategies to remain competitive and retain market share. Strategies to pursue market share dominance include expanding its geographic reach, anticipating and responding to changes in market conditions, and continuously innovating services and technology capabilities to meet evolving customer needs (Maplebear Inc., 2023).

### Limited Operating Experience at Scale

Instacart's lack of prior experience operating at its current scale presents a challenge in accurately predicting and estimating future performance (Maplebear Inc., 2023, pp. 17, 52). The company must overcome uncertainties associated with managing large-scale operations, forecasting revenue, and budgeting effectively to sustain long-term growth and profitability.

### Integration of AI and Emerging Technologies

Instacart faces the challenge of effectively integrating AI and emerging technologies into its operations while mitigating potential risks and ensuring regulatory compliance.

Leveraging these technologies to enhance efficiency, personalize customer experiences, and optimize operations requires strategic planning and investment in talent and infrastructure. Instacart must stay abreast of technological advancements and industry best practices to maintain its position as the industry leader in the rapidly evolving online grocery delivery market.

### Decline in the Gig Economy

Instacart faces a potential decline in the gig economy, which comprises a significant component of its workforce model. As the gig economy changes due to evolving labor laws, worker preferences, and economic shifts, Instacart may encounter difficulties maintaining a reliable pool of “gig” workers. Instacart heavily relies on gig workers for its delivery services, and any decline in the availability or willingness of gig workers to participate could disrupt its operations and lead to service disruptions or increased labor costs. Moreover, regulatory changes or legal challenges related to the classification of gig workers may further complicate Instacart's workforce management strategies (White, 2022). Proactively addressing these challenges by exploring alternative workforce models, investing in employee retention initiatives, and advocating for policies that support gig workers' rights can help mitigate the potential impact of a decline in the gig economy on Instacart's operations and ensure the continued reliability and scalability of its delivery services.

Addressing these anticipated challenges requires strategic foresight, proactive management, and a commitment to innovation and continuous improvement. Instacart must remain agile and adaptable in its approach to navigate the complexities of the market and sustain its growth trajectory amidst changing economic, technological, and competitive landscapes.

## **Recommendations**

### Maintain Identity as a Technology Company

Instacart should continue to emphasize its identity as a technology company, positioning itself as a leader in innovation within the online grocery delivery sector. By prioritizing

technological advancement and showcasing its technology-driven solutions, Instacart can reinforce its competitive edge and appeal to customers and company partners alike.

#### Keep Innovation a Priority

Instacart should prioritize ongoing innovation in its technology offerings to stay ahead of the industry and meet evolving customer needs. By investing in research and development, Instacart can introduce new features and functionalities that enhance the user experience and drive customer satisfaction.

#### Expand Product Suite

Instacart should continue to develop a comprehensive suite of products so it can integrate its offerings into every part of the shopping experience, like Instacart Business and in-store solutions like Caper Carts. Creating a suite of products enables Instacart to provide end-to-end solutions for grocery retailers by enhancing their operations, providing analytics, and improving customer experiences while solidifying Instacart's position as a strategic partner.

#### Analytics Integration

Instacart should pitch to potential company partners the benefits of implementing its technology to provide analytics insights. Developing an in-store and online analytics system for grocers and retailers, especially local stores that generally lack access to robust data collection capabilities, can help them track key metrics and optimize their operations. The company's vast technology capabilities could position Instacart as an innovator in the data-collection space, further enhancing its strategic appeal to partners.

### Vertical Integration

Building a fully vertically integrated system of online grocery delivery services and bringing Instacart's technology into existing grocery stores presents a significant opportunity for the company. By seamlessly integrating its technologies like Caper Carts into partners' stores, Instacart's continuous implementation of a vertically integrated approach would capture shoppers at every stage of their shopping journey, enhance convenience for shoppers, and increase exposure to a wider variety of consumers, thereby expanding Instacart's reach and brand recognition.

### Reward Programs and Cost-Savings Initiatives

Instacart should establish rewards programs or cost-saving initiatives for loyal users, particularly those in food deserts or low-access communities with the least discretionary income. Creating initiatives can help combat rising costs, which threaten order volume, and promote inclusivity, ensuring that Instacart remains accessible to all socio-economic groups, as its mission is to "create a world where everyone has access to the food they love and more time to enjoy it together" (Instacart, 2023, p. 3)

### Community Engagement

Instacart should illuminate its efforts to reach food deserts and low-food-access communities through marketing activities, emphasizing its commitment to social responsibility and community welfare. The organization should explore additional marketing channels as its direct marketing efforts may not reach the lowest-income sector of its target market. By vocalizing its dedication to addressing food inequality issues, Instacart can enhance its brand reputation and build stronger connections with socially conscious consumers.

### Sustainability

Instacart should incentivize sustainability and the use of EVs among its drivers by offering EV credits or additional “Green Benefits” to demonstrate its commitment to sustainability. Allowing users to elect EV delivery for their orders would contribute to Instacart's commitment to environmental sustainability and align with consumer preferences for eco-friendly practices. By promoting environmentally friendly practices, Instacart can reduce its carbon footprint and potentially attract additional segments of drivers and consumers.

By capitalizing on its existing strategic advantages and demonstrating its customer-centric approach in its marketing efforts, Instacart can broaden its market reach and solidify its position as a dominant force and key player in the highly competitive grocery delivery market.

Instacart has emerged as a formidable force in the online grocery delivery industry, leveraging its innovative technology, extensive partner network, and strategic partnerships to maintain a competitive edge. However, the company faces various challenges, including pricing pressures, regulatory compliance, and increasing competition from industry rivals. By proactively addressing these challenges and capitalizing on emerging opportunities, Instacart can continue leading the market and fulfilling its mission of providing convenient access to food while enhancing customer satisfaction and loyalty. As the industry continues to evolve, Instacart's ability to adapt, innovate, and prioritize customer needs will be critical in sustaining its growth and success in the years to come.

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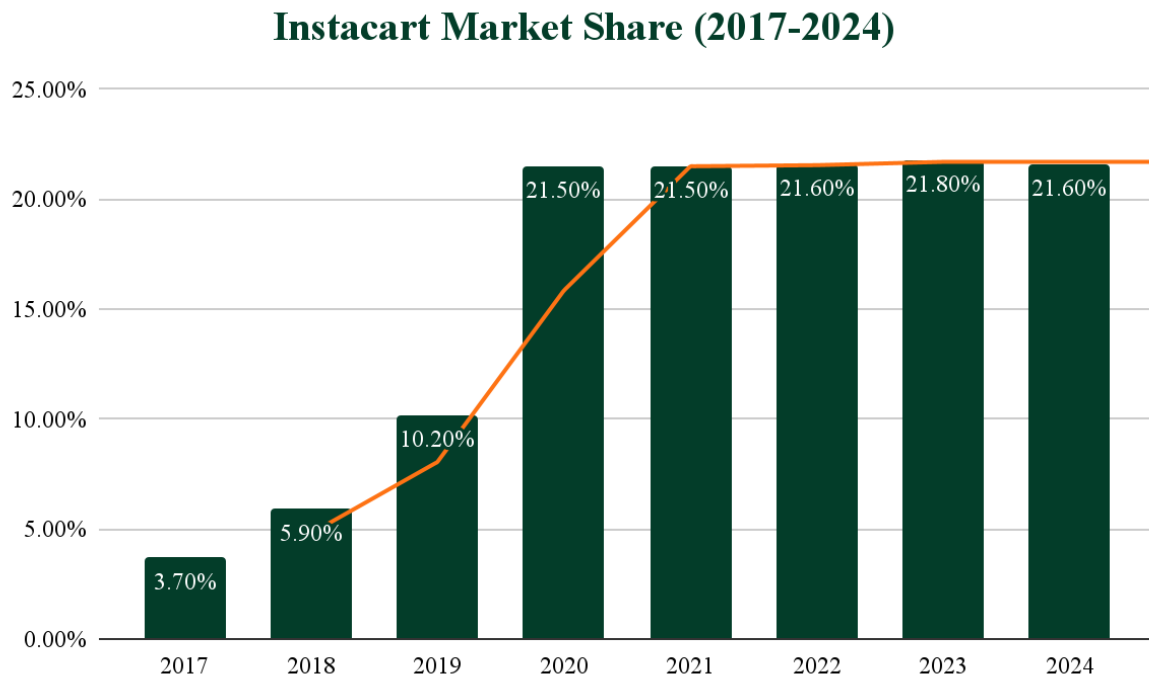
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## Appendix

*Figure 1 (Oberlo, 2024)*



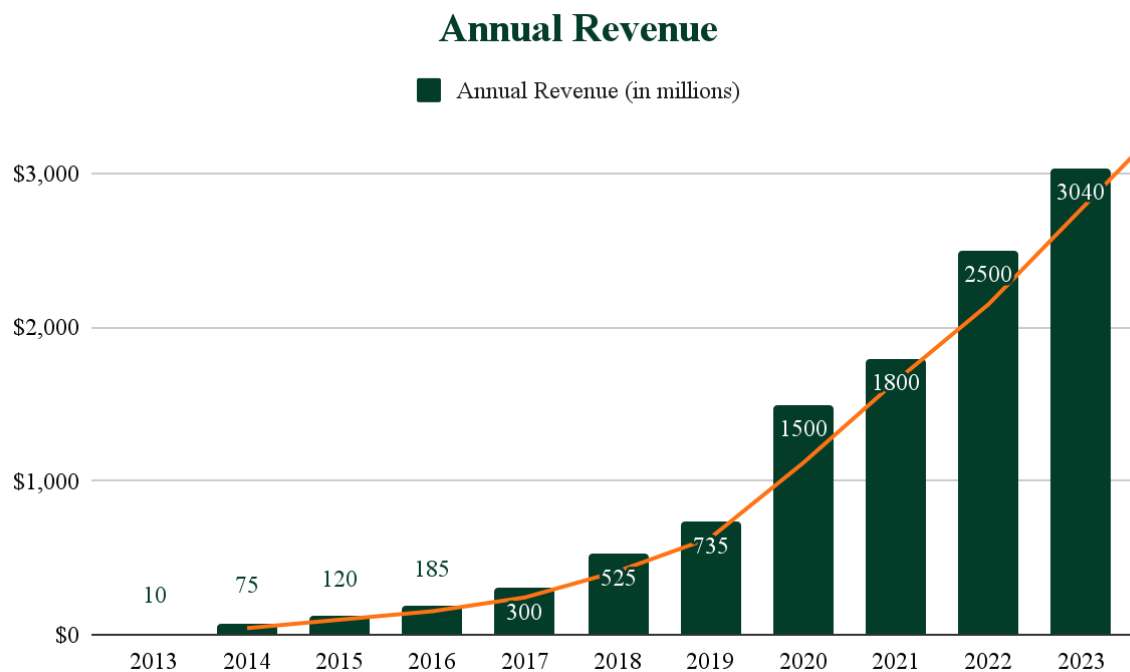
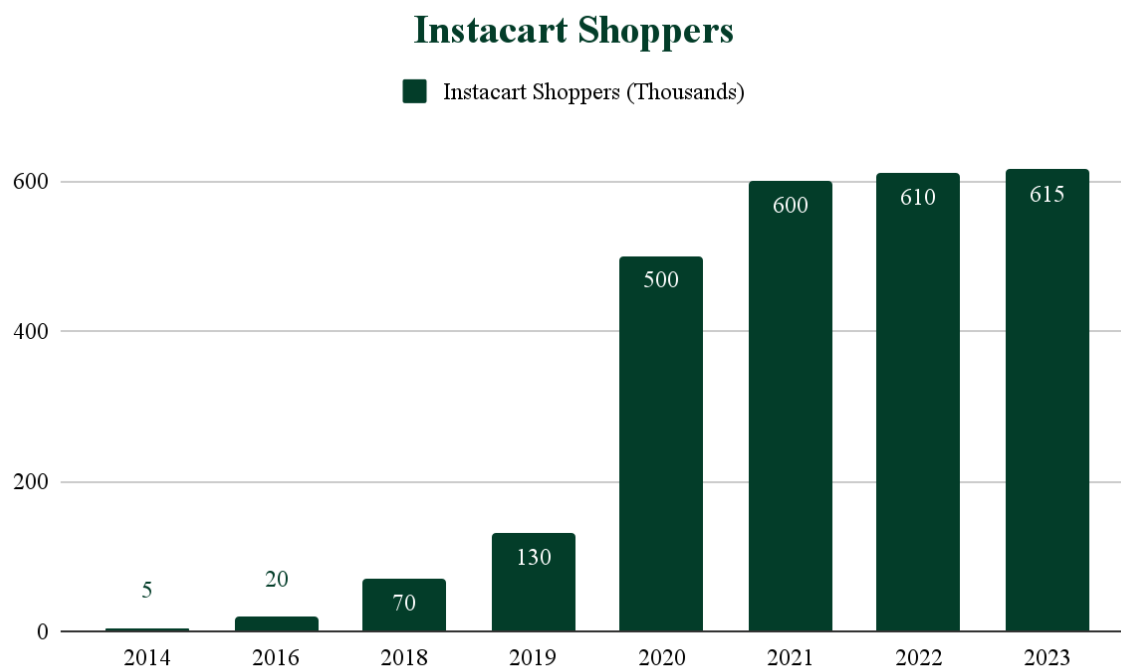
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Figure 4 (Larson, 2024) (Curry, 2024)

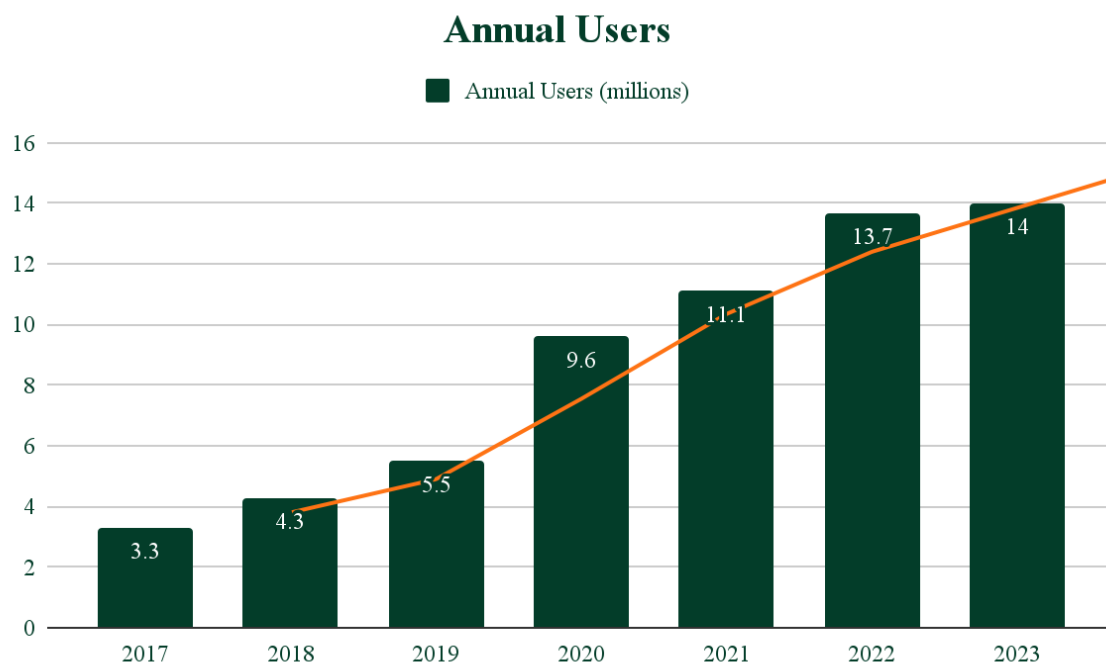
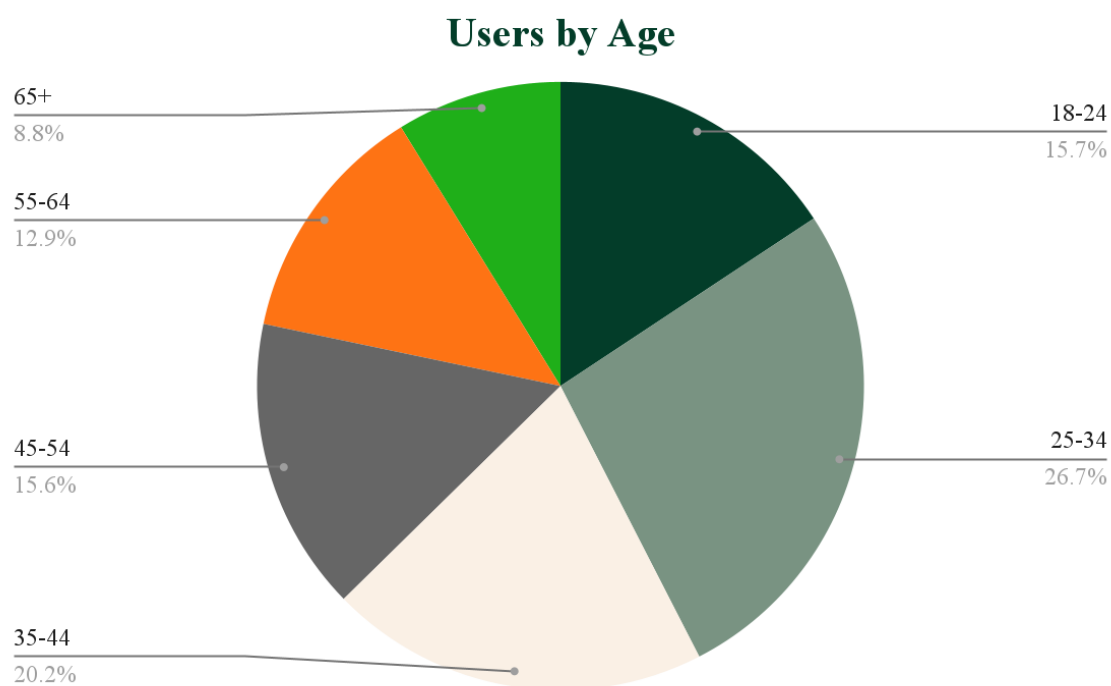
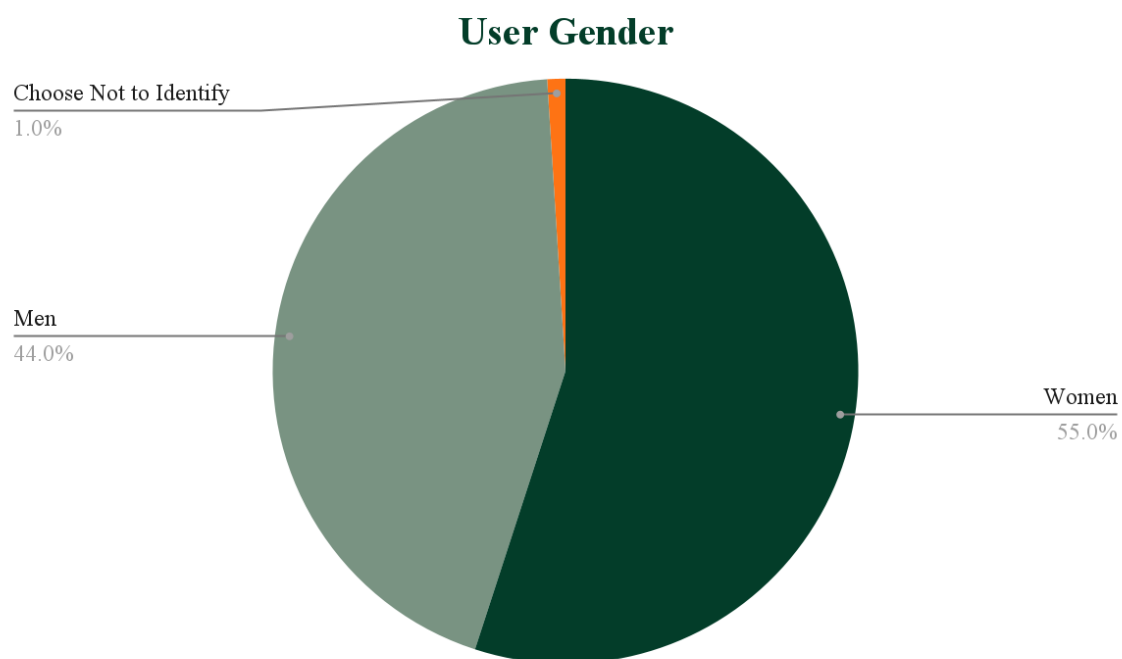
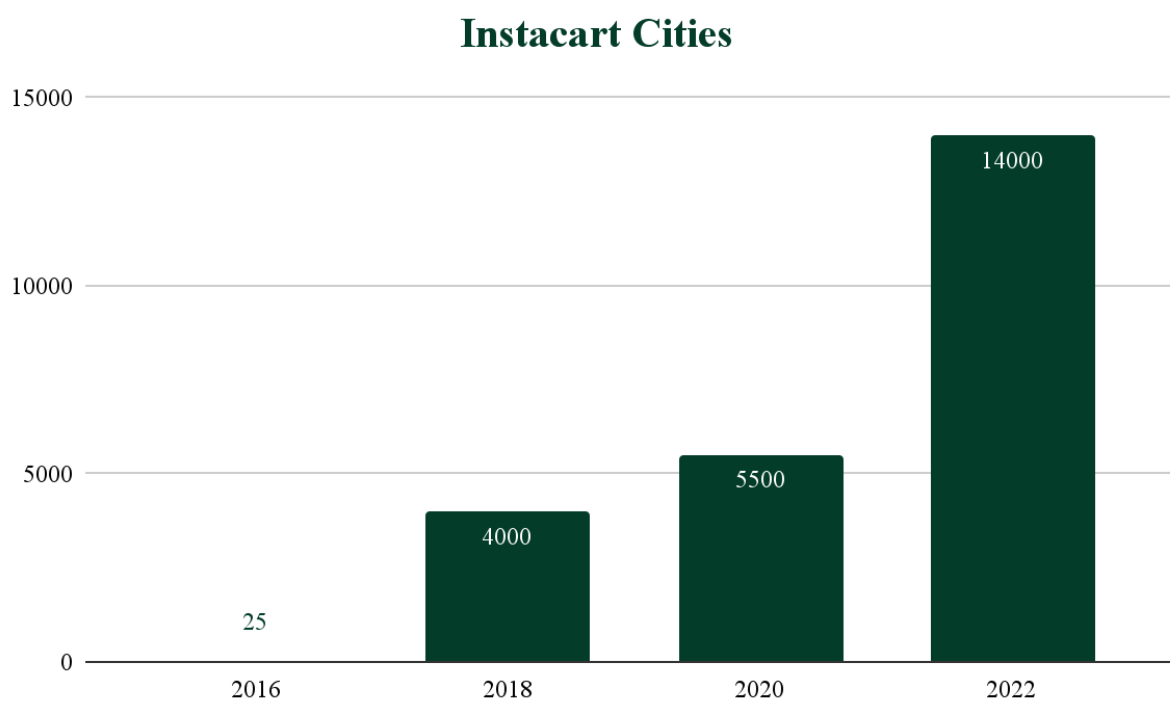


Figure 5 (Larson, 2024)



*Figure 6 (Larson, 2024)**Figure 7 (Larson, 2024)*

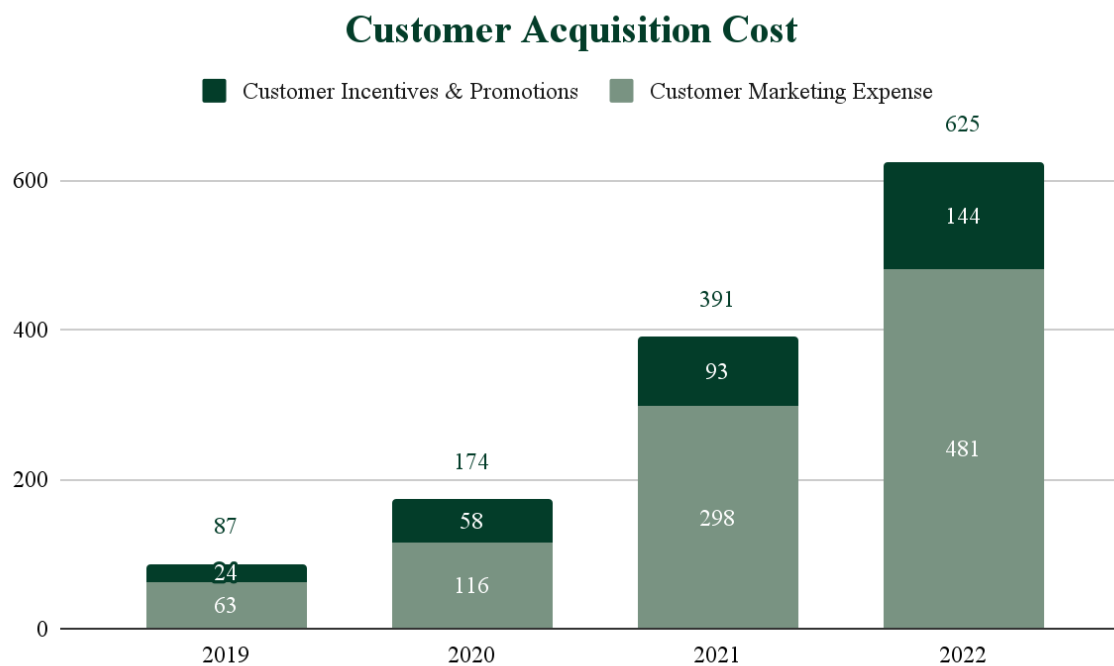
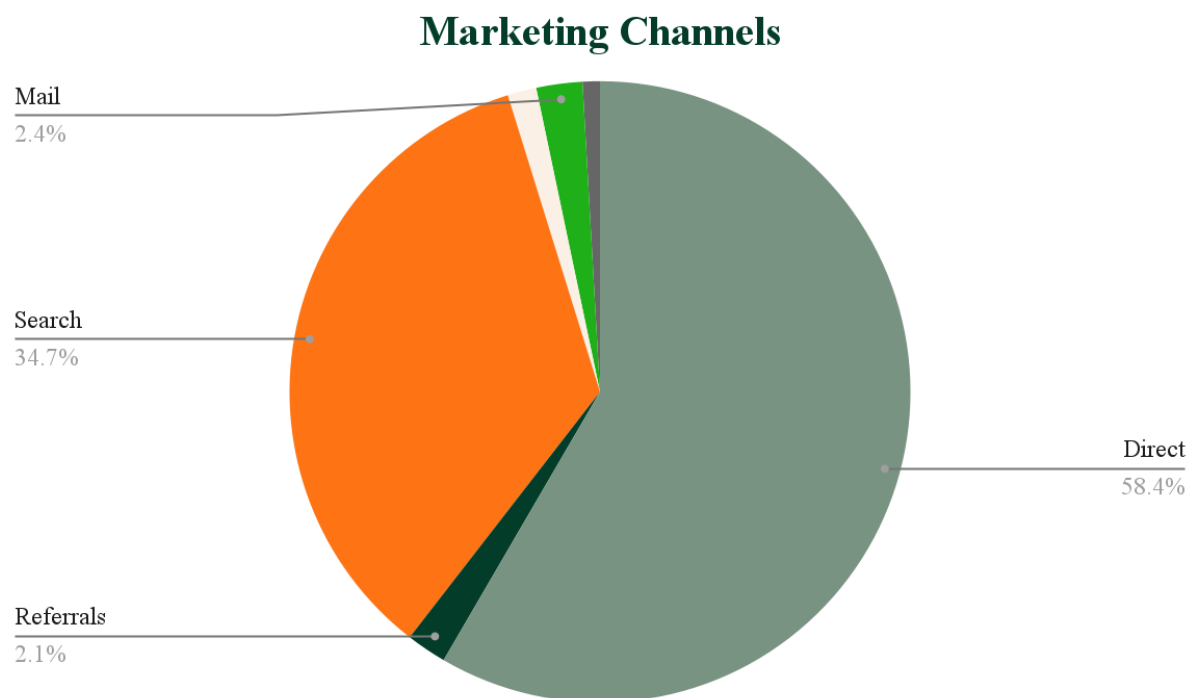
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Figure 10 (Kimelman, 2023)

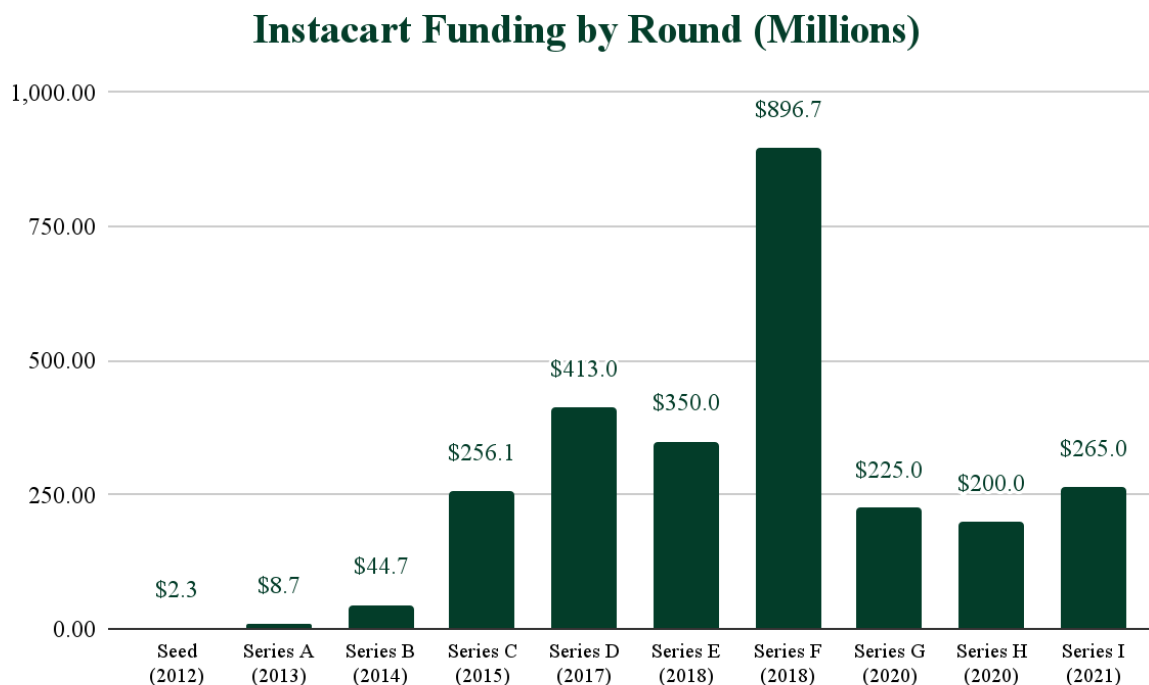


Figure 11 (Larson, 2024)

