

Instacart: Friend or Foe?

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Retail Mindsteps (def): Key developments that have caused dramatic and irreversible changes to paradigms and world views in the fast moving consumer goods retail industry.

Retail Mindsteps INNOVATION BRIEF



Gary Hawkins has lived his career ahead of the curve, putting him in the right place at the right time to lead the fast moving consumer goods retail industry into the future during a time of exponential technology growth using never-before-available capabilities to innovate the future of shopping.

His expansive industry view and early insight into disruptive technology makes him a sought-after keynote speaker at conferences in the U.S. and around the world. Hawkins is the author of Building the Customer Specific Retail Enterprise; Customer Intelligence; Retail in the Age of I, and Bionic Retail, along with the Retail Mindsteps Innovation Briefs and White Papers. Hawkins lives in Colorado with his wife Heather, and Remington, their Bernese Mountain Dog..

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Instacart: Friend or Foe?

Instacart has been busy lately as it moves towards its 'someday' IPO. The company has made several recent acquisitions and just rolled out an impressive suite of products and services for its retail partners. For many retailers these will be hard to resist; Instacart is offering a one-stop shop to help retailers as the digital and physical worlds of shopping blend together. And the company is also enriching its proposition for CPG brand manufacturers.

The company is positioning this suite of technologies as Connected Stores, intended to help retailers provide a seamless, cohesive, personalized shopping experience in-store and online. The Connected Stores suite includes the Caper Cart, Scan & Pay, Lists, Carrot Tags (electronic shelf tags), FoodStorm Department Order capability, and Out of Stock insights.

"We believe the future of grocery won't be about choosing between shopping online and in-store - consumers are going to do both," said Fidji Simo, Chief Executive Officer at Instacart. "The launch of Connected Stores is another exciting step for Instacart as we partner with retailers to help invent the future of grocery. Through these technologies, we can now offer consumers the best of online shopping inside physical stores, and vice-versa. Ultimately, we believe that the more customers connect with grocers across both online and in-store experiences, the more retailers' businesses will grow."

What's left unsaid is that the shoppers are increasingly connecting through Instacart.

Here's the problem.

Big retailers are diversifying their revenue streams, with companies like Walmart, Kroger, Albertsons, Target, and others building proprietary Retail Media Networks. And no wonder as big advertisers, especially the major CPG brand manufacturers, ramp up their spending; U.S. Retail Media Network spend is projected to be over \$40b in 2022.

What's the attraction for the brand marketers? Access to massive in-store and online audiences, the ability to slice and dice data to fine tune audience targeting, myriad vehicles to reach the shopper, and complete attribution from ad view to purchase.

So here's the problem: Retailers that give up digital engagement with their shoppers are relinquishing their access to a valuable new revenue stream from retail media that is growing by the day. And that's just today's lost opportunity. Forsaking shopper digital engagement threatens retailers' future value creation.

There are already whisperings of tension between some of Instacart's largest retail partners and the company as Instacart seeks to grow its ad revenue to a projected \$1 billion in 2022.

The retailers actually carrying the inventory, handling, and selling the products feel that those dollars should be coming to them.

As I've written about before, Instacart sits atop a massive storehouse of data gleaned from the transactions of millions of shoppers across the country. Instacart knowing - by shopper - their brand preferences, discount propensity, purchase cadence, email addresses, mobile phone numbers, home addresses, and far more.

Instacart's data grows in lockstep with digital services provided to the shopper. Every use of Instacart's smart cart gives the company knowledge of that shopper's behavior in the brick & mortar store; where the shopper goes in the store, how long they spend in each department and aisle, what products are purchased, and more. Imagine the opportunity to monetize that data stream back into brand manufacturers.

Product out-of-stock data? Obviously valuable to the retailer, who ideally can quickly replenish the shelf stock and mitigate sales loss. But imagine the opportunity to, at scale, help CPG brands - especially DSD brands - understand where out-of-stocks are occurring. Another source of revenue.

Powering the shopping list used in store? How about the opportunity to flag certain promotions or suggest certain brands all while the shopper is in-store and in front of the category. What do you think CPG brands would pay for that?

Sure, the retailer may get a revenue share of all those dollars Instacart can generate, but is that enough? Shoppers are not dumb, they realize that it is Instacart that is powering the digital service and delivering new values. The real question retailers should be asking is who owns the shopper relationship.

Health & Wellness

Alongside the Connected Stores news, Instacart also announced Instacart Health, "a sweeping new initiative designed to deliver the ingredients for healthier living. Through new products, strategic partnerships, cutting-edge research, and policy advocacy commitments, Instacart Health is built to help increase nutrition security, make healthy choices easier for consumers, and expand the role that food can play in improving health outcomes."

Fresh Funds is a new product that provides insurance companies, insurers, and employers the ability to give funds to people to buy nutritious foods from Instacart retailers.

Care Carts is a new service designed to give healthcare providers the ability to order groceries on behalf of a patient. Nutrition platform Good Measures has partnered with WellCare of Kentucky to use Care Carts along with several other health concerns.

Health Tags give shoppers the ability to view up to 23 product attributes like low-salt, low-sugar, keto, and more when they shop on Instacart.

Healthy Recipes: Instacart is significantly expanding its library of healthy recipes.

Influencers: Instacart is partnering with a range of health influencers, dietitians, wellness experts, chefs, and others to create curated collections of shoppable content.

I have written many times of the growing convergence of the massive food and healthcare industries. We are seeing growing interest from health insurance companies and big payers to incentivize healthier eating. This fast growing trend should provide food retailers a massive opportunity to build even deeper relationships with their shoppers but instead Instacart is further disintermediating the retailer by inserting itself into the health space.

Instacart is doing something I've long suggested food retailers should do: Leverage their digital shopper audiences into new services and value creation. Instacart is beating retailers to it and creating new revenue streams through its growing partnership ecosystem focused around health & wellness.

Don't forget about health related data. Imagine the ability to target shoppers based on their health interests and conditions. And what's the value of helping CPG brands understand health trends as they relate to product offerings?

And wouldn't it be ironic if Instacart were to sell the retailer's own data back to them, giving the retailer a realtime view to out-of-stocks or helping the retailer understand their product assortment through the lens of shoppers' health conditions?

So, friend or foe?

"Instacart has become a staple in millions of households, which puts us at the heart of the relationship that people have with food, and therefore, their health. We have a responsibility to use the power of our platform, products and partnerships to expand access to nutritious food and improve health outcomes," said Fidji Simo, CEO of Instacart.

There is no doubt that Instacart is providing a valuable service to retailers through Instacart Health and the Connected Stores (maybe it should be called Connected Shoppers?) suite of products & services. Accessing these technologies would be difficult for many smaller and mid-size retailers. But at what cost?

As the digital transformation of the massive retail industry begins to mature, too many retailers fail to understand that future success is dependent on shopper digital engagement and data-driven shopper intelligence. Forsaking either or both entails growing risk.

And while Instacart may be a benevolent partner today, are retailers willing to bet their futures on that?

So, is Instacart a friend or a foe?