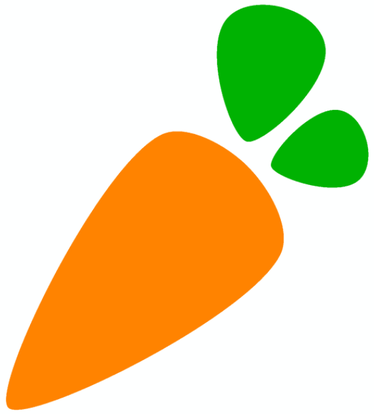


instacart Product Plan

By

Nishant C

Agenda

Instacart Recent IPO Performance

Performance and Concerns

Customer/Shopper Problems - Intro, Personas, Solution, Metrics, Mockups

Partner Problems - Validation and Intro, Solution, Metrics

Addressing Low Margin - Business Model, Solution, Metrics



Instacart Recent IPO Performance



Instacart went public on June 23, 2023, raising $2.9 billion. The company's stock price opened at $30 per share, but it has since fallen to around $25 per share.

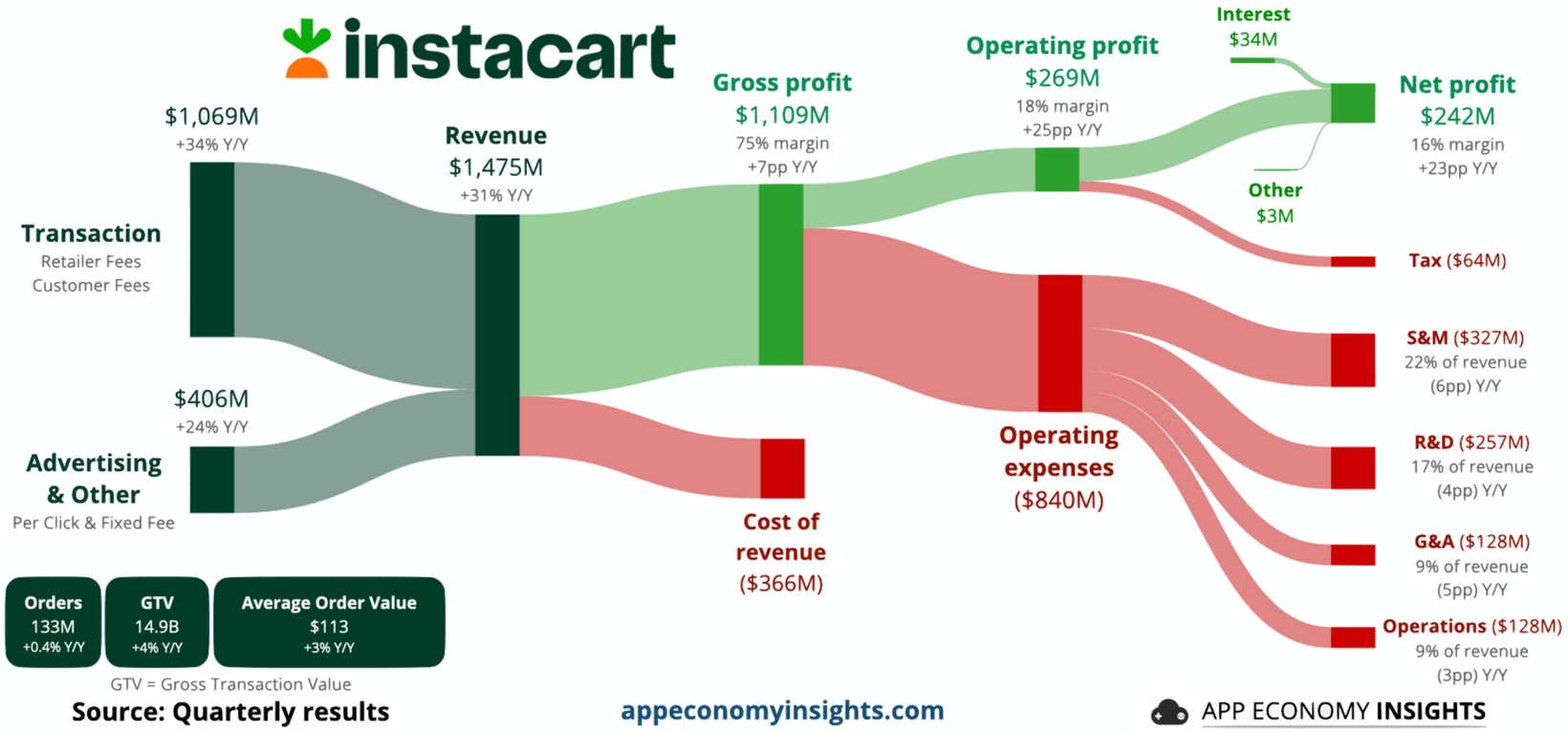
LOW MARGIN BUSINESS

The grocery delivery business is notoriously low-margin, and this has raised concerns among investors about Instacart's ability to generate long-term profits.

ORDER GROWTH IS SLOW

Instacart's lack of order growth could negatively impact advertising revenue growth and long-term profitability, potentially undermining investor confidence.

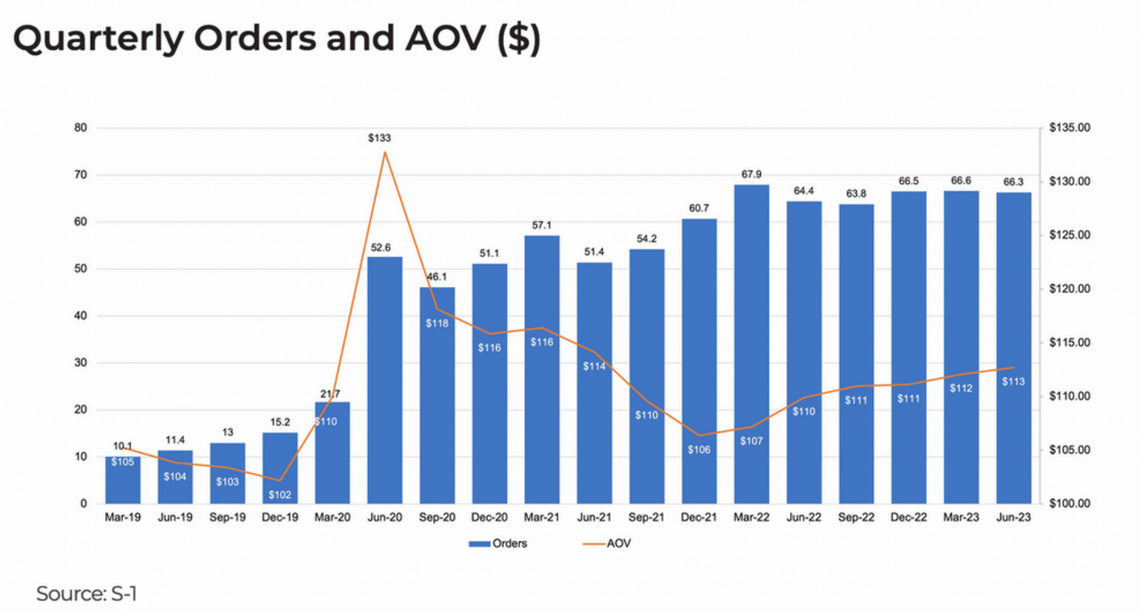
“We are making only $7 every $100 of revenue, making it tough to scale”

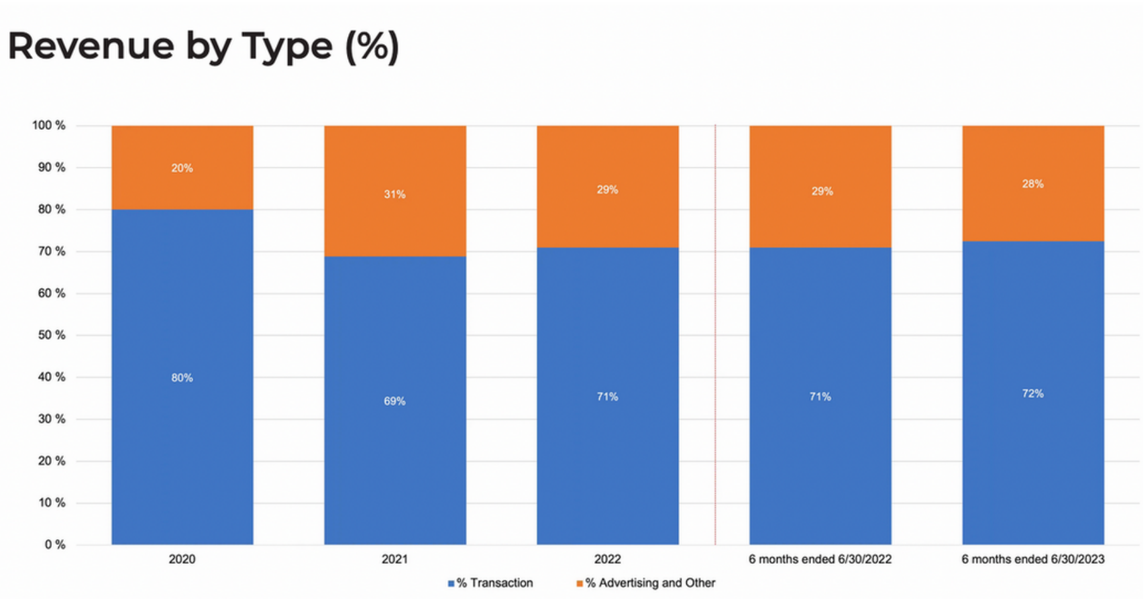


- Market share reduced in 2022 to 20% from 23% in 2021.

“ Orders growth is flat which could be concern for our growing Ad revenue “

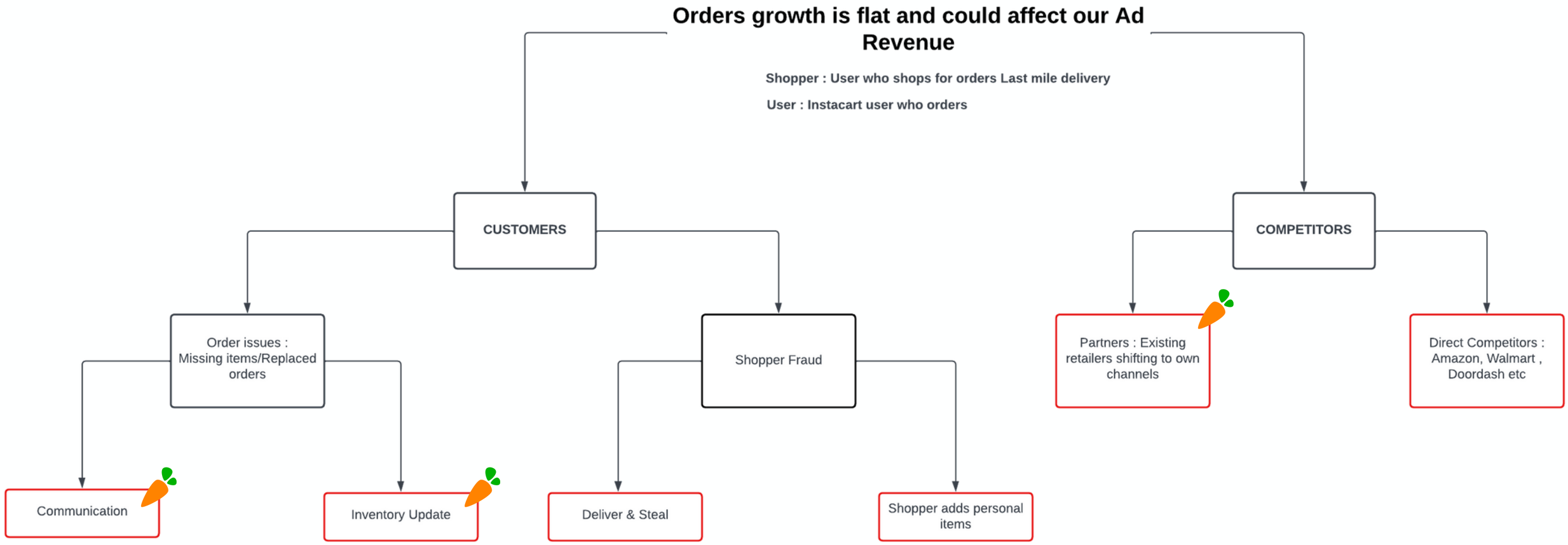
- Ad revenue grew 24% to $406 million from $327 million





More orders more ads

Problem Deep Dive



Catering to customers & shoppers



Shoppers help groceries to reach end customers



Name: Alex

Age: 22

Occupation: Part-time shopper at Insta-cart

Location: Pittsburgh, PA

GOALS

- To achieve financial stability
- To provide exceptional service to the customers

MOTIVATIONS

- Positive customer interactions
- Flexible work timings

FRUSTRATIONS

- Inconsistent income - Earnings flucate based on the demand, time of the day and other factors
- Not able to identify the correct products listed in the orders
- Shopping for multiple orders at multiple locations, with multiple delivery addresses gets confusing
- Traffic and unexpected delays are frustrating when they can't meet the expected delivery-time

Our customers rely on accurate and quick deliveries



Name: Melissa

Age: 31

Occupation: Marketing Manager

Location: Pittsburgh, PA

GOALS

- Efficient time management - Easy and Quick shopping
- Maintain a balanced and a healthy diet

MOTIVATIONS

- Convenience of ordering groceries to their doorstep
- Easy to navigate and simple User-Interface

FRUSTRATIONS

- Delay in deliveries disturbs their busy work schedule
- Unavailable products and substituted products that are significantly different from their original choice
- Not being able to shop from different retailers for the same delivery
- Availability of only a limited retailers
- Misses order update notifications regarding substitutions, delays, etc,.

We researched order complaint types

Shopper

instacart

User

Like Reply Share 57m

Cl[redacted]
I can't find the item and they are out of stock if multiple items. I hate loosing pay.
Like Reply Share 56m 6

Dona[redacted]
Customers that don't answer my texts.
Like Reply Share 52m 9

Vick[redacted]
Item is unavailable and I get something their 2 choice. Then they write back and say I don't want that get a didn't flavor

Customers who don't respond the chat cause something is out of stock, and then give a low rating cause I didn't bring anything 😤😤😤😤

Top comments

An[redacted]
Store shelves not being stocked. Customers who don't respond to chats. ICs "as the crow flies" version of mile estimate on batch acceptance screen. The fact that IC even offers a button for low tip amounts.

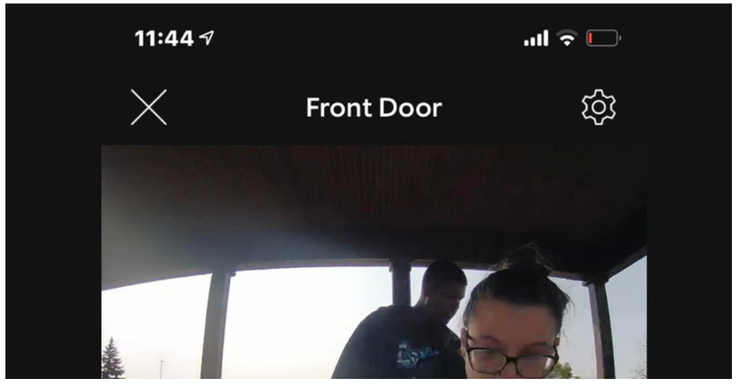
Janet Naylor Vandenabeele
I am getting real tired of Instacart shoppers getting my orders wrong. I'm disabled and can't do my own shopping or I would. I miss it. But when I order green tomatoes and am told there are no substitutions but I get green apples? Come on. You MUST sta...
See more
Like Reply 6w 3

Kathy Olender ▸ Instacart
5d ·

I just had the worst experience with Instacart! I have been sick the last week and have not been able to do my own shopping. I ordered earlier this week and everything was fine. I only ordered 5 items today and was shocked to find my order came to over $80. First the shopper substituted items that were supposed to be refunded. He also added a mystery item that cost $13.99. There was no picture or description of this item, just a note saying it was a special request. I made no such request. When I called customer service no one could tell me what this item was. My order was supposed to be delivered by 4:14 pm. I was surprised at 5:18 pm the app told me my order had been delivered. There was no order! When I called customer service again, they said the shopper said he handed over the order to me so there was no photo for proof that the order was delivered. This was a lie! My advice is always check your receipts! They sometimes substitute items with products that cost more. That's why I always ask for a refund. I had never seen an item that was a special request before and since no one could tell me what it was, it is hard to dispute. Luckily, I got a full refund. Yes, shoppers are human and make mistakes and some people just suck!

3 comments

This lady on Instacart stole bits and pieces from my order then told customer service she dropped it off. And they called me a liar. Said we will issue a refund for those items to satisfy you 🧐 so she stealing people food and y'all on her side. Definitely took my tip back and will be going to the store from now on 😉 beware of Bianca she chats about items to replace then steals them.



Communication is a problem



Shopper

instacart



User

Problem :

“User doesn’t respond to my message for replacement or missing items and even during delivery but ends up giving me a bad rating after delivery”

Problem :

“ Shoppers always miss items or bring the wrong items when I rely on Instacart service “



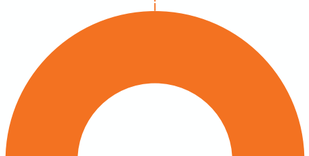
Disconnect

Why ?

Can’t wait for user to respond
Multiple Orders

Why ?

Failed alerts
100s of notifications
Phone on Silent



1.

Hard notifications to help

Assumptions

- User settings allowed to change-
- User Updates App
- User would like to be reminded

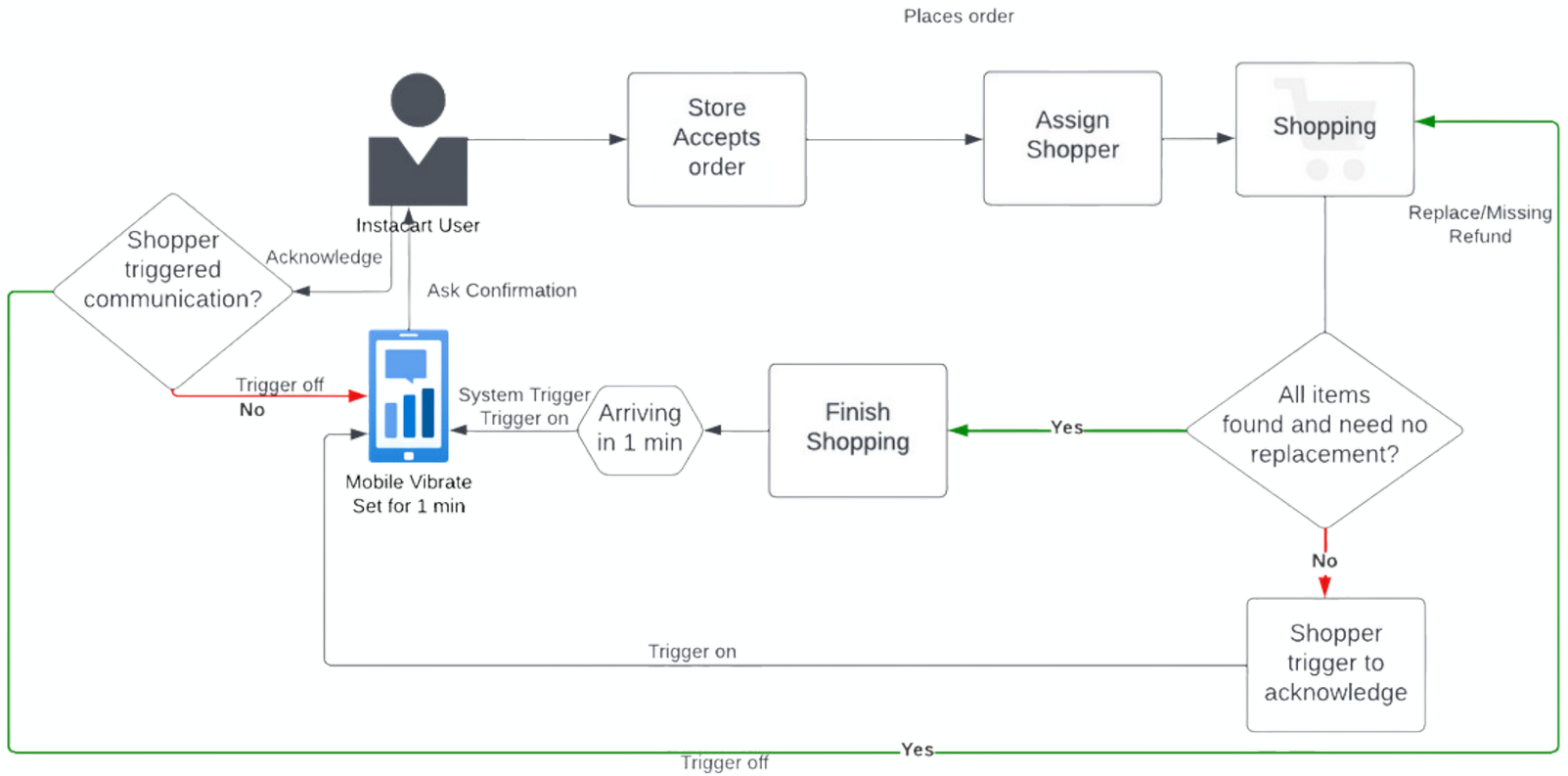
Hard Notifications

Shopper Triggered :

1 min Hard Notification in-app with vibrate till we receive user acknowledgment or action to add/replace or confirm change

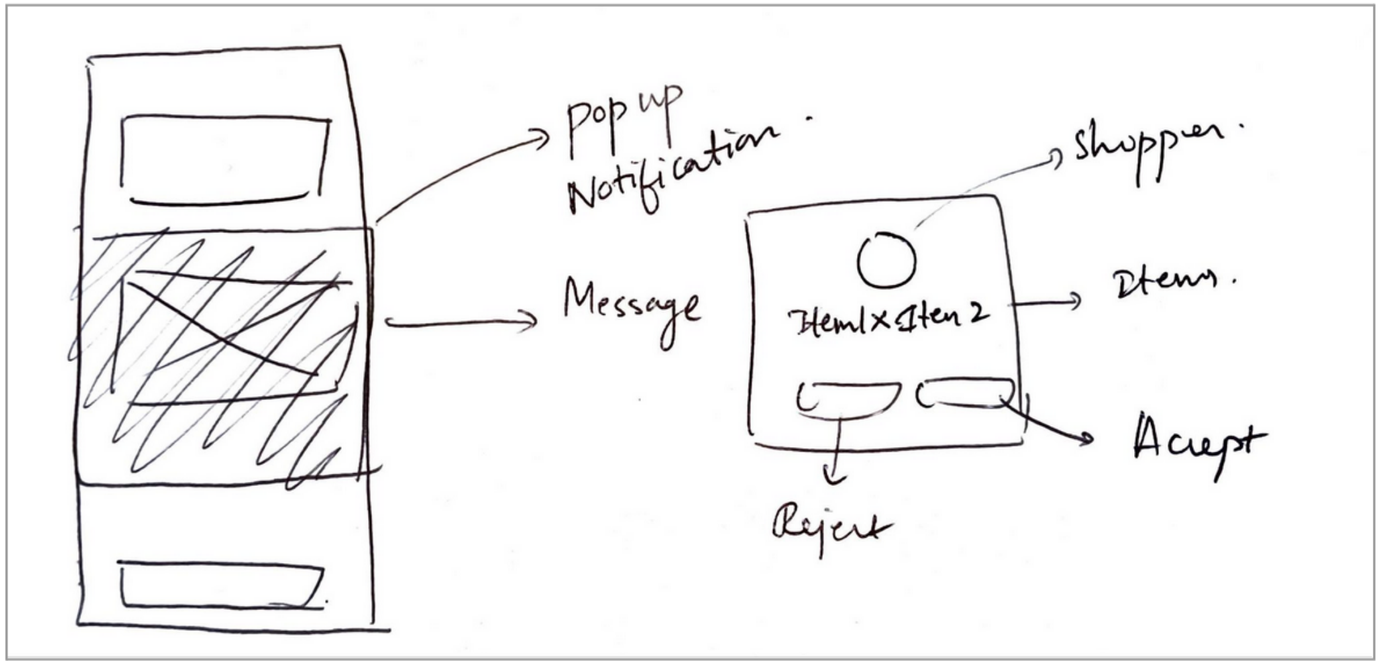
System Triggered :

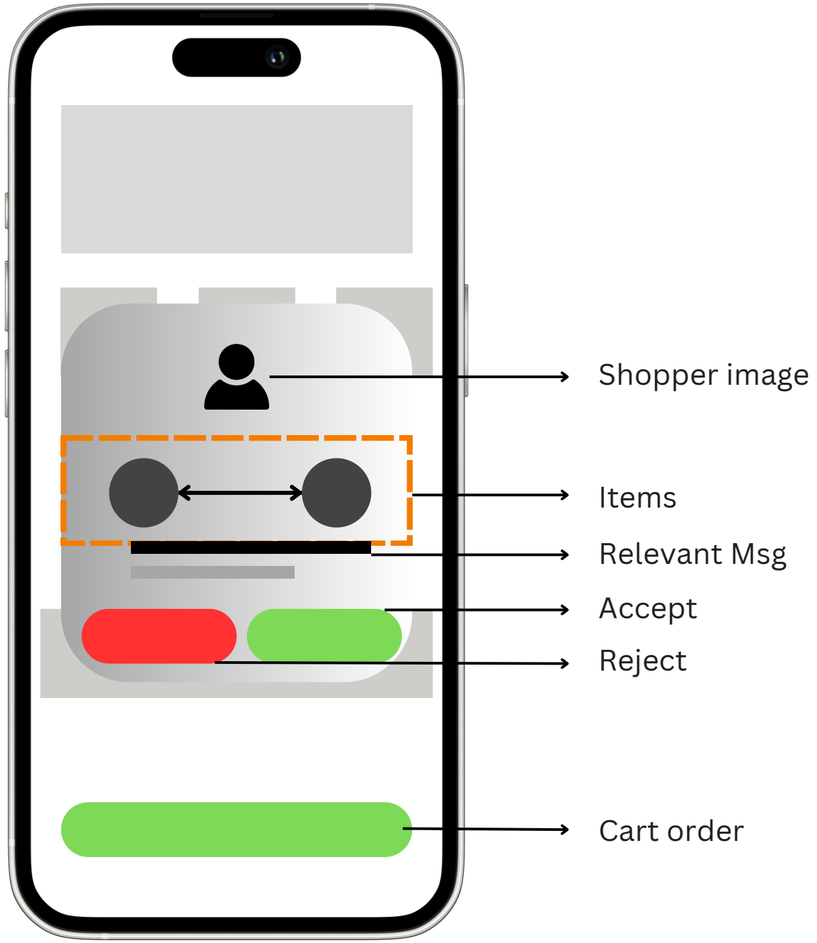
Hard notification in app as a preference when the shopper is 1 min away from delivery location



Flow Diagram

Sketch & Low Fidelity Mockup







Metrics to Track

Number of orders

Improvement in customer experience should see a growth in orders with user growth

Customer Acknowledgements

To measure if the notifications are being checked and the user is updated

Shopper Complaints

Better communication should reduce shopper complaints about customers not answering or responding.

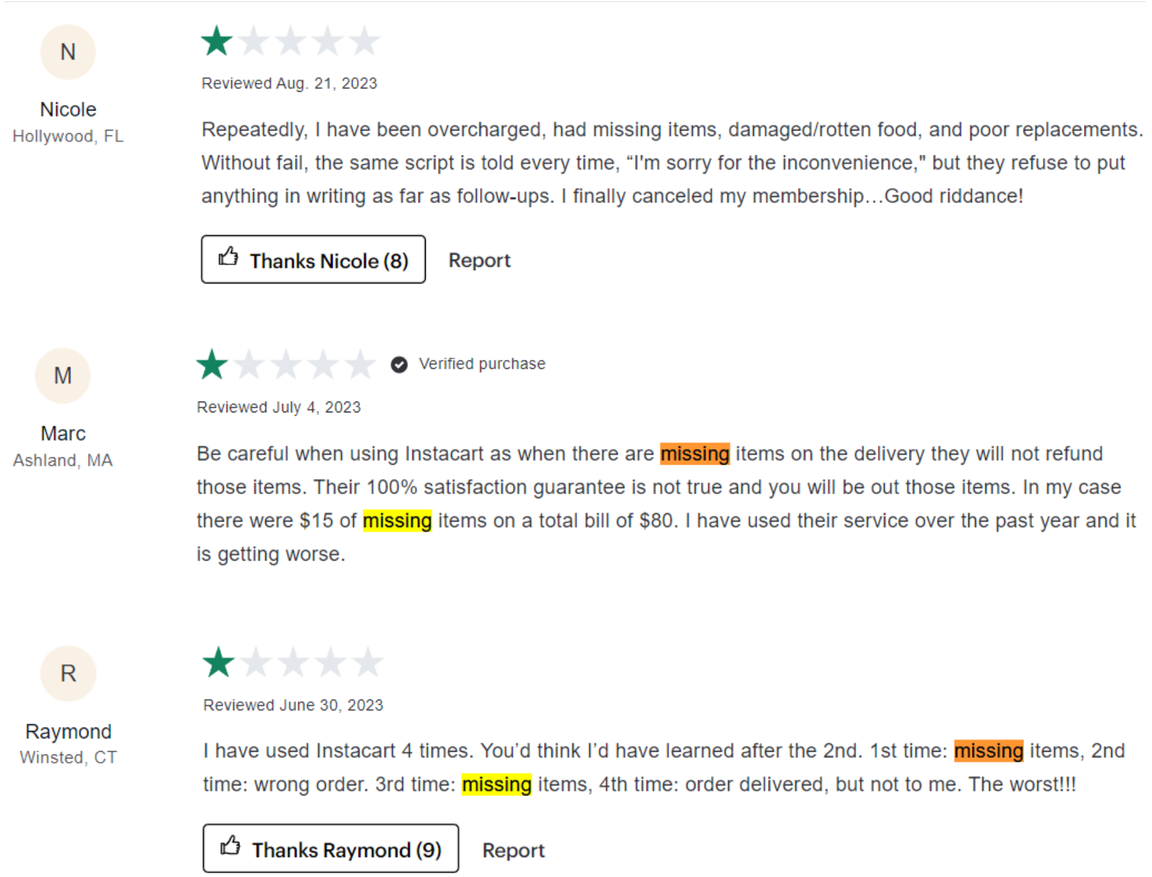
instacart

"Never miss an important order update"



More customer reviews on inventory problems

Customer reviews



N

Nicole
Hollywood, FL

★☆☆☆☆

Reviewed Aug. 21, 2023

Repeatedly, I have been overcharged, had missing items, damaged/rotten food, and poor replacements. Without fail, the same script is told every time, “I'm sorry for the inconvenience," but they refuse to put anything in writing as far as follow-ups. I finally canceled my membership…Good riddance!

Thanks Nicole (8) Report

M

Marc
Ashland, MA

★☆☆☆☆ Verified purchase

Reviewed July 4, 2023

Be careful when using Instacart as when there are missing items on the delivery they will not refund those items. Their 100% satisfaction guarantee is not true and you will be out those items. In my case there were $15 of missing items on a total bill of $80. I have used their service over the past year and it is getting worse.

R

Raymond
Winsted, CT

★☆☆☆☆

Reviewed June 30, 2023

I have used Instacart 4 times. You’d think I’d have learned after the 2nd. 1st time: missing items, 2nd time: wrong order. 3rd time: missing items, 4th time: order delivered, but not to me. The worst!!!

Thanks Raymond (9) Report

Instacart Research Insights

“Customers with orders that have a perfect found rate are twice as likely to retain and re-order compared to those with a low found rate.” Resource

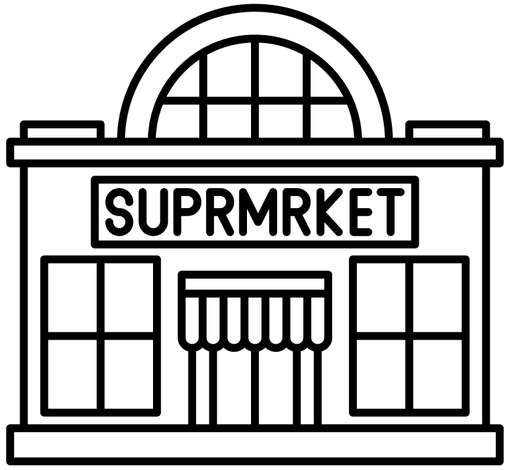
“Based on our research, we discovered that effectively communicating product availability to customers is crucial for making informed choices.” Resource

Instacart faces the challenge of balancing selection, the number of items displayed to users, and the found rate of the ordered items. Resource

Our Scale: 200 million grocery items every day



100000 shoppers



across 20000 physical stores



scans millions of items per day &



delivers them to the customers

Problem: “Not Found”

If a shopper cannot find an item in the store, the item is labelled as “not found”

A “not-found” item is bad for every stakeholder in our marketplace

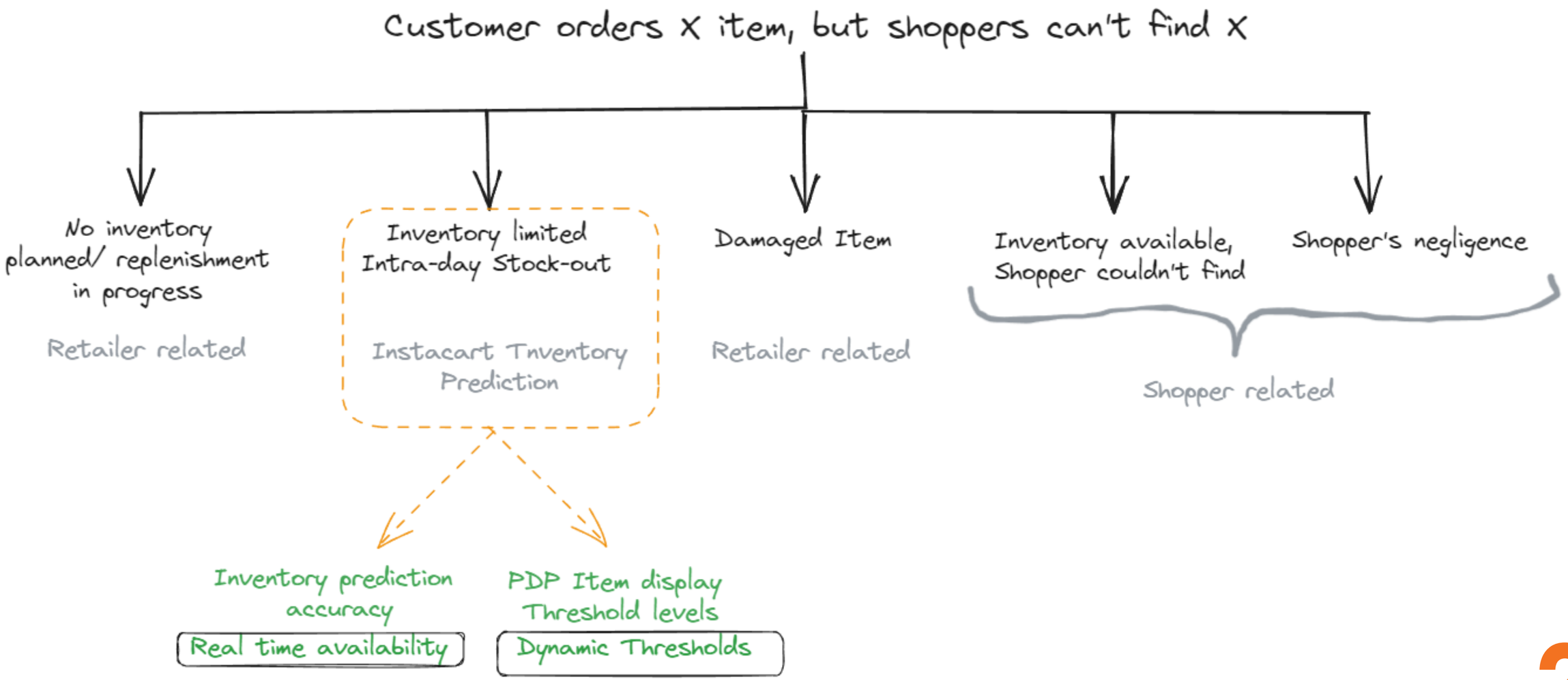


Lose out on revenue

Wasted time searching items

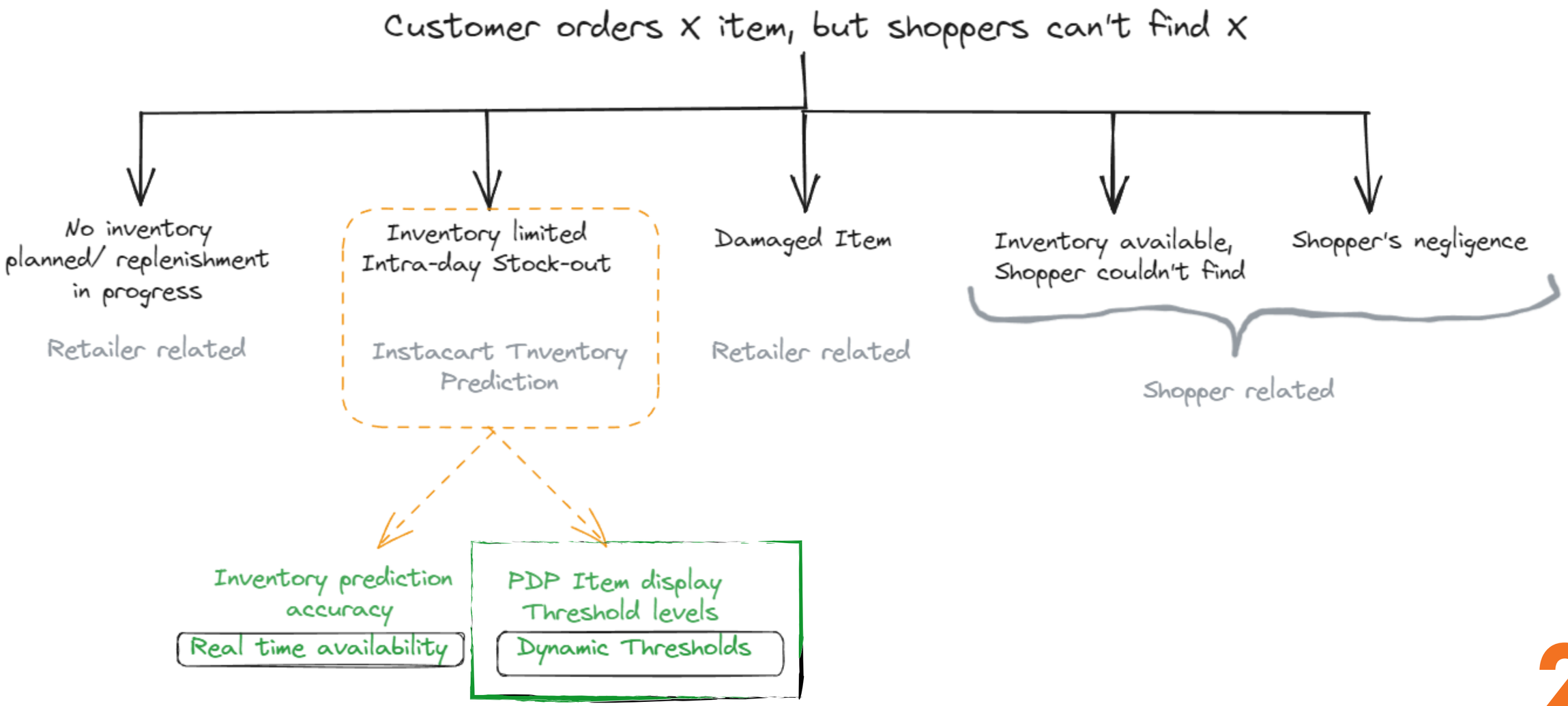
Bad customer experience

Deep dive of “Not Found”



2.

Deep dive of “Not Found”



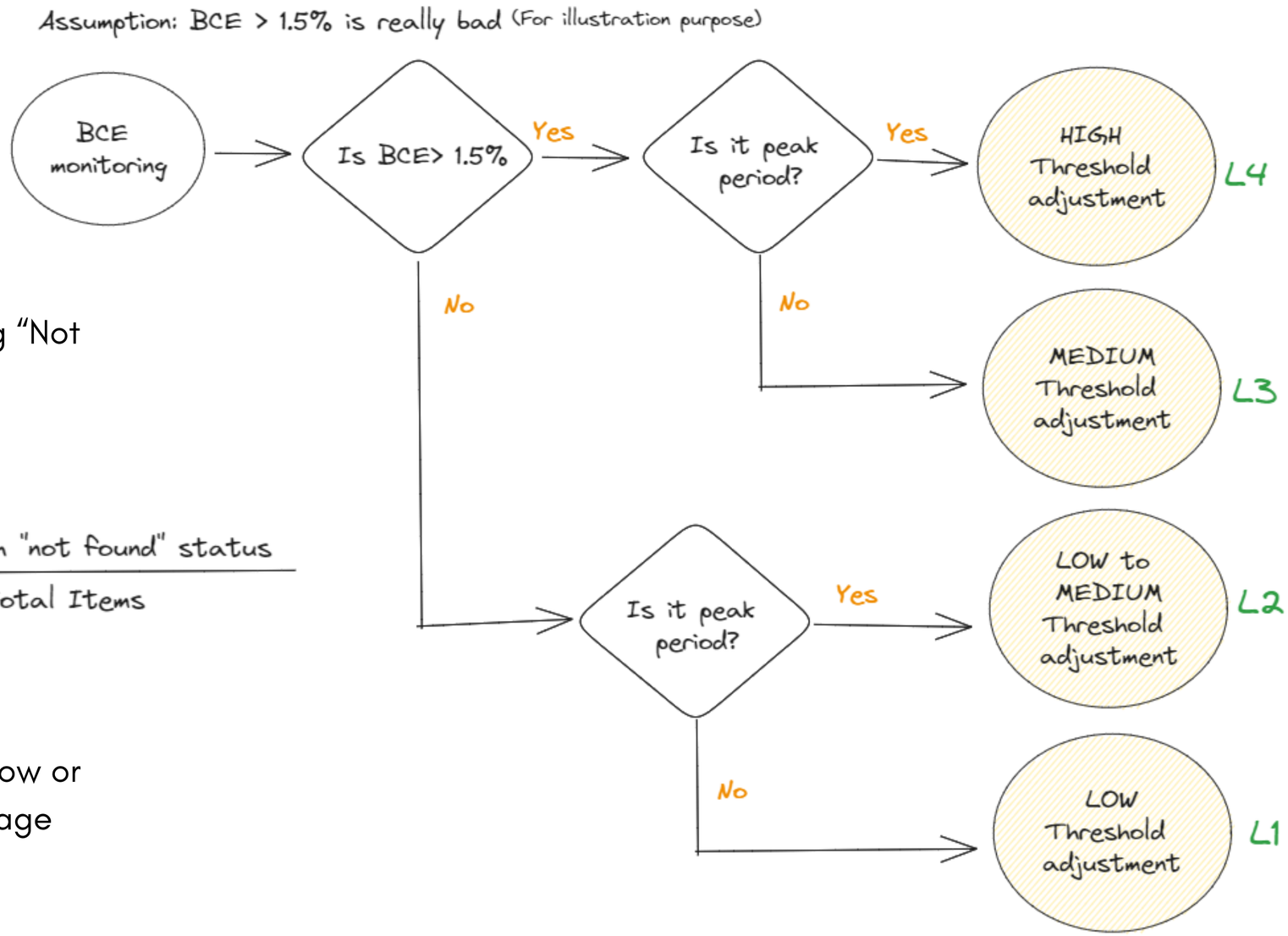
Solution: Dynamic Threshold Design - Backend

Problem statement :
Improving customer experience by reducing “Not Found” SKUs

Define metrics:

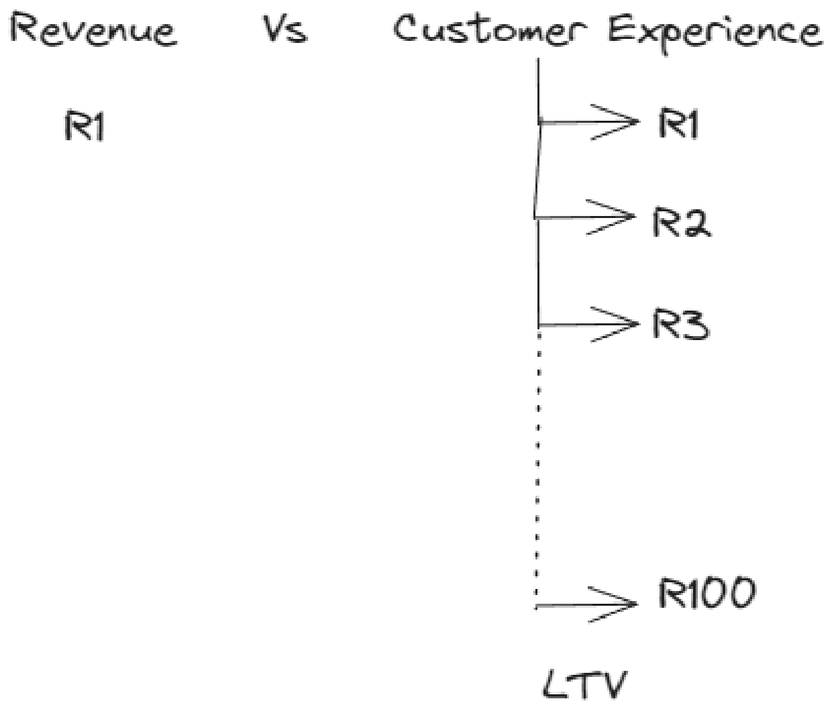
$$\text{Bad customer Experience (BCE)} = \frac{\%\text{items with "not found" status}}{\text{Total Items}}$$

Output:
As per the dynamic threshold, decide to show or not show the SKU on the product display page



Trade-offs & Next Steps

Trade-offs

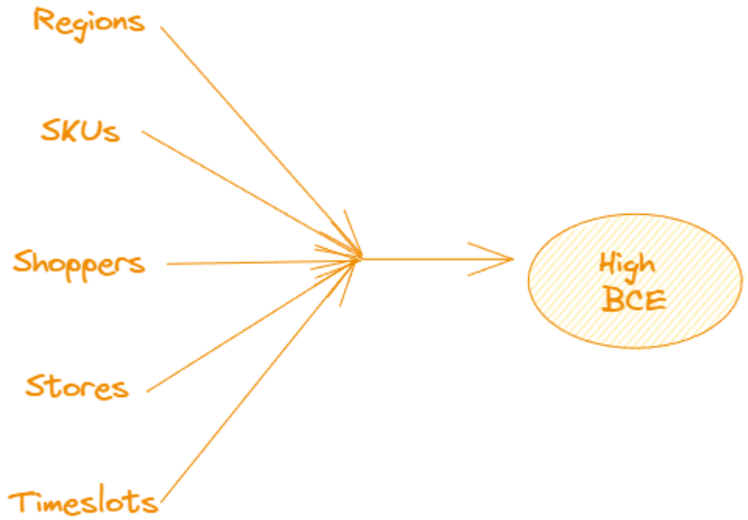


R1 : Revenue in first transaction (current)
RX, where X is transaction count

Better customer experience brings in better Life Time Value

Next Steps

Define Bad Demand:
Based on historic data, take different pockets of below attributes individually or bundles and define bad demand which has High BCE



Strategic decision to not serve “Bad demand” pockets. And periodically re-visit this decision.

2.



Metrics to Track

Bad customer experience

Decline in bad customer experiences through the decrease in the percentage of "not found" items out of the total items ordered.

Net Promoter Score

Evaluating overall customer satisfaction post-order delivery, encompassing all items, to gauge the likelihood of customer recommendations and loyalty.

instacart

"We deliver what we promise."



Catering to partners



Our retail partners are an important part of the business



Partner Name: DailyFresh by Aldi

Industry: Grocery retail

Size: Medium-sized

Years in operation: 3 years

Location: Pittsburgh, PA

GOALS

- To reach high number of customers and be accessible to all
- Leverage the delivery partnership to increase sales and revenue

MOTIVATIONS

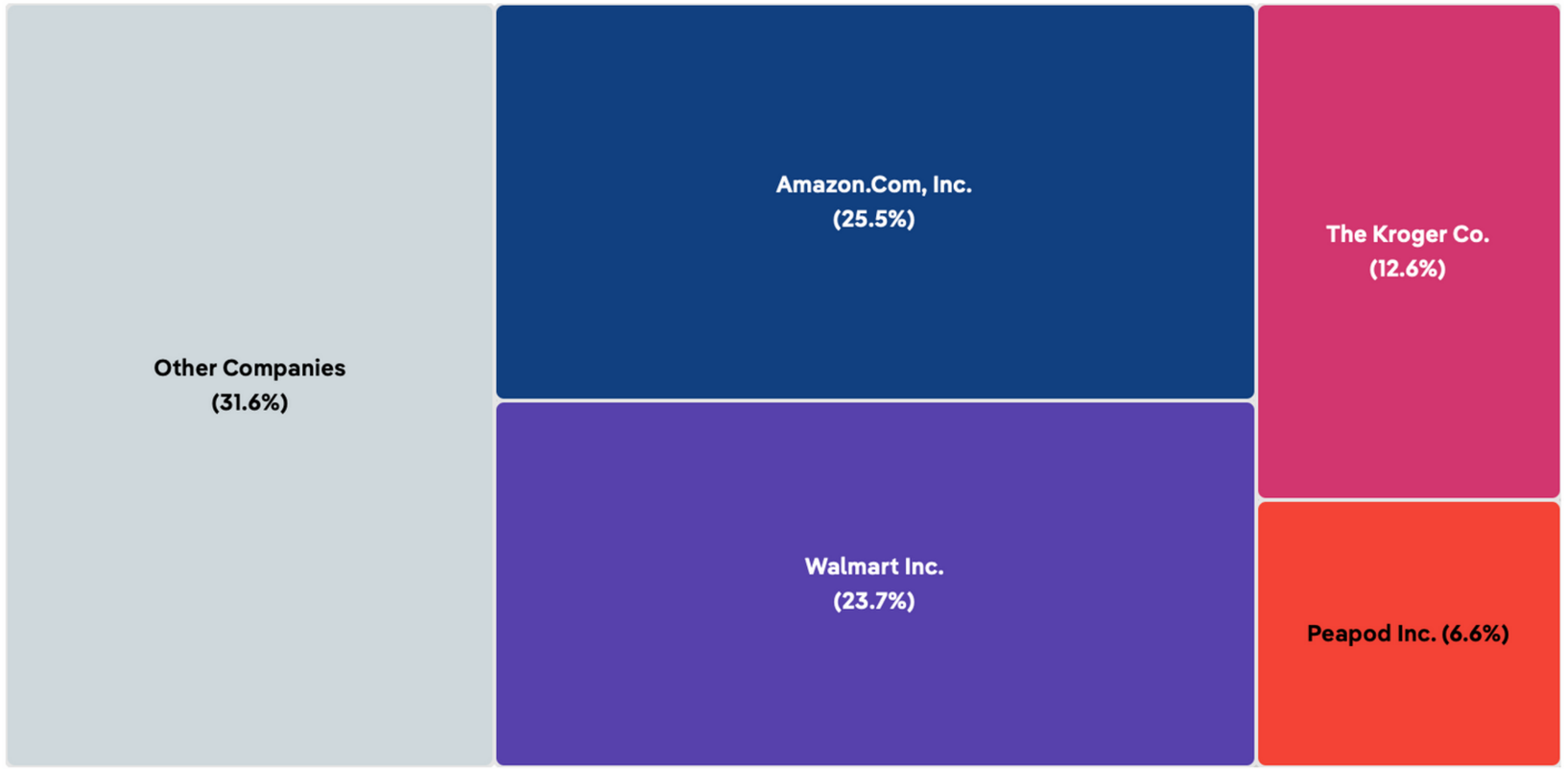
- Market expansion by increasing visibility and capturing new customers
- Gather user-data to understand their customers better

FRUSTRATIONS

- Efficient collaboration and communication with the delivery partners
- Unavailable customer data and insights
- Less orders and high service charges
- Technical challenges and integrations with the partner's existing systems

Partners are moving to own apps and offering same-day deliveries

Instacart had over 600 partners, with **5 large firms accounting for 46% of retailers**



2021

Instacart post their first profitable year

Partners are moving to own apps and offering same-day deliveries

Partners are catching up with Instacart and improving their market shares

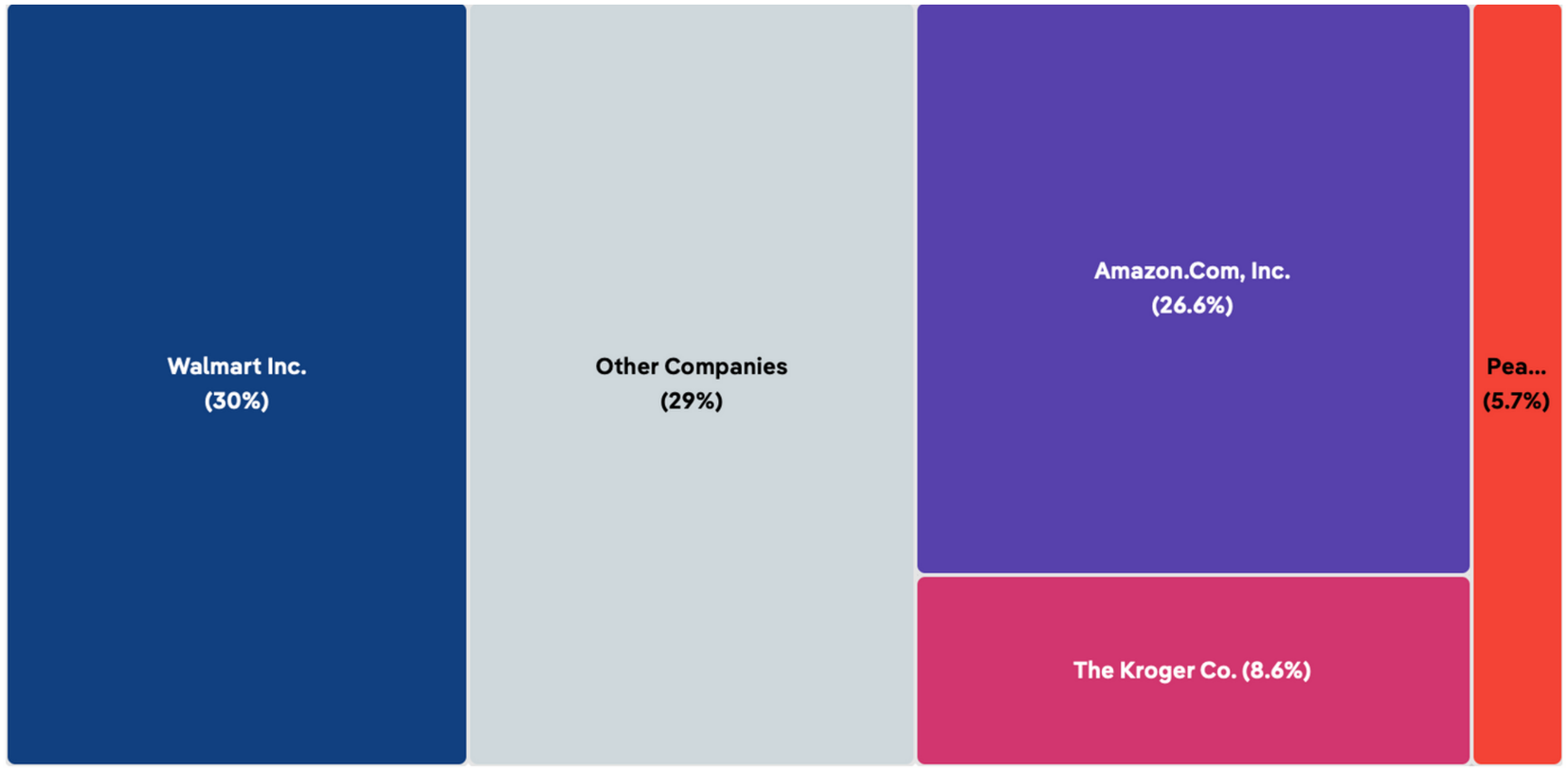


2022

Walmart, Kroger and Whole Foods begin same day delivery on their own apps

Partners are moving to own apps and offering same-day deliveries

Partner market share in the industry improved byan average 3% in 2023



2023

Instacart takes a hit to their market share

Lack of reporting mechanisms

Competitors are offering solutions to cope up with this indirect competition

DOORDASH

Includes a merchant dashboard (2021)
Provides a Reporting API (2022)

amazonfresh

Provides Business Analytics as a platform (2009)
Provides a Reporting API (2010)

vs.

instacart

Walmart

Walmart+ launched in late 2020
Internal reporting API available

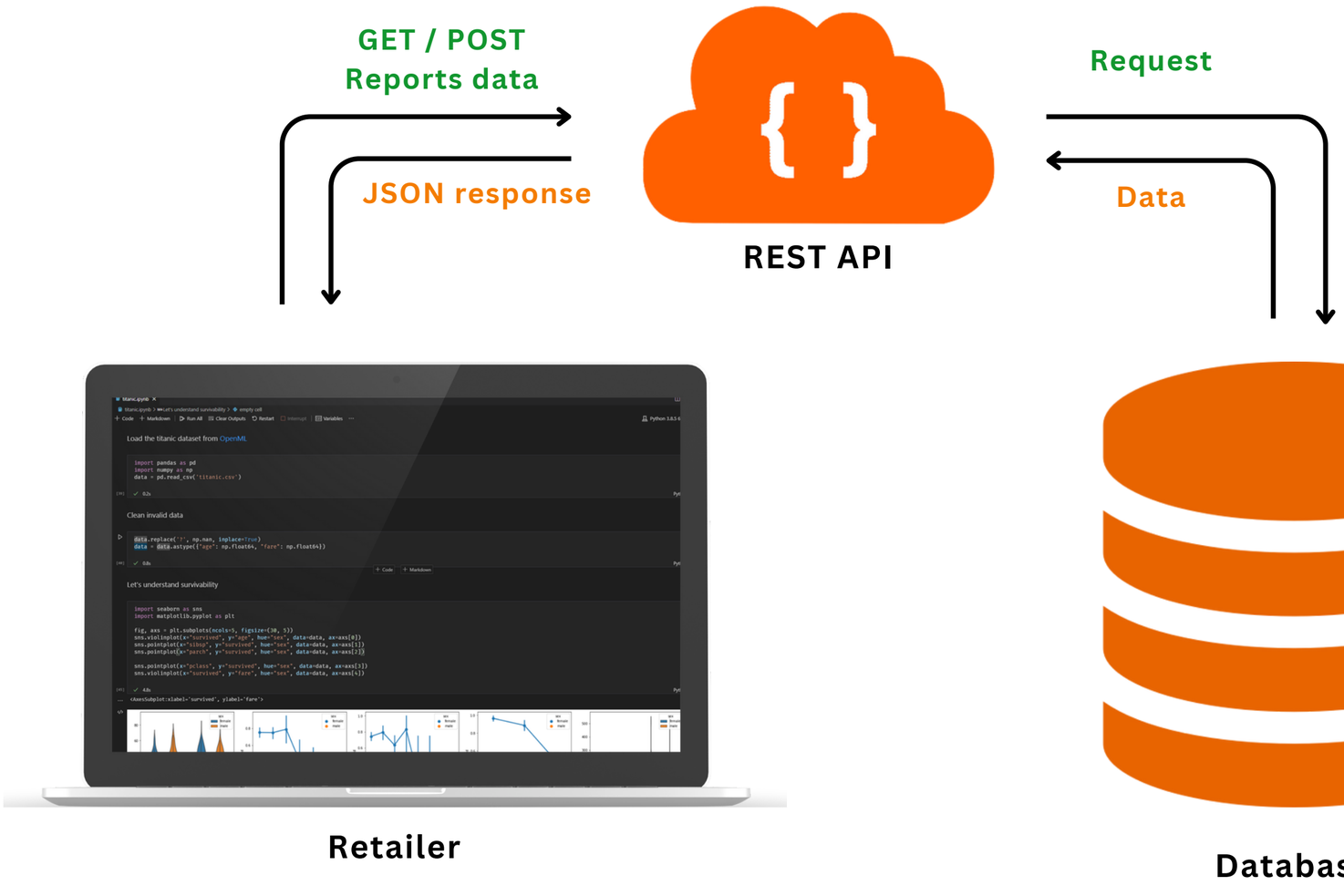
Offering access to data

API call to fetch customer data

Endpoint URL - dynamic & scalable

Use the endpoint, and provided API key in Instacart's developer portal to fetch customer and usage data in a structured manner.

[Endpoint: https://api.yourretailer.com/instacart-data]



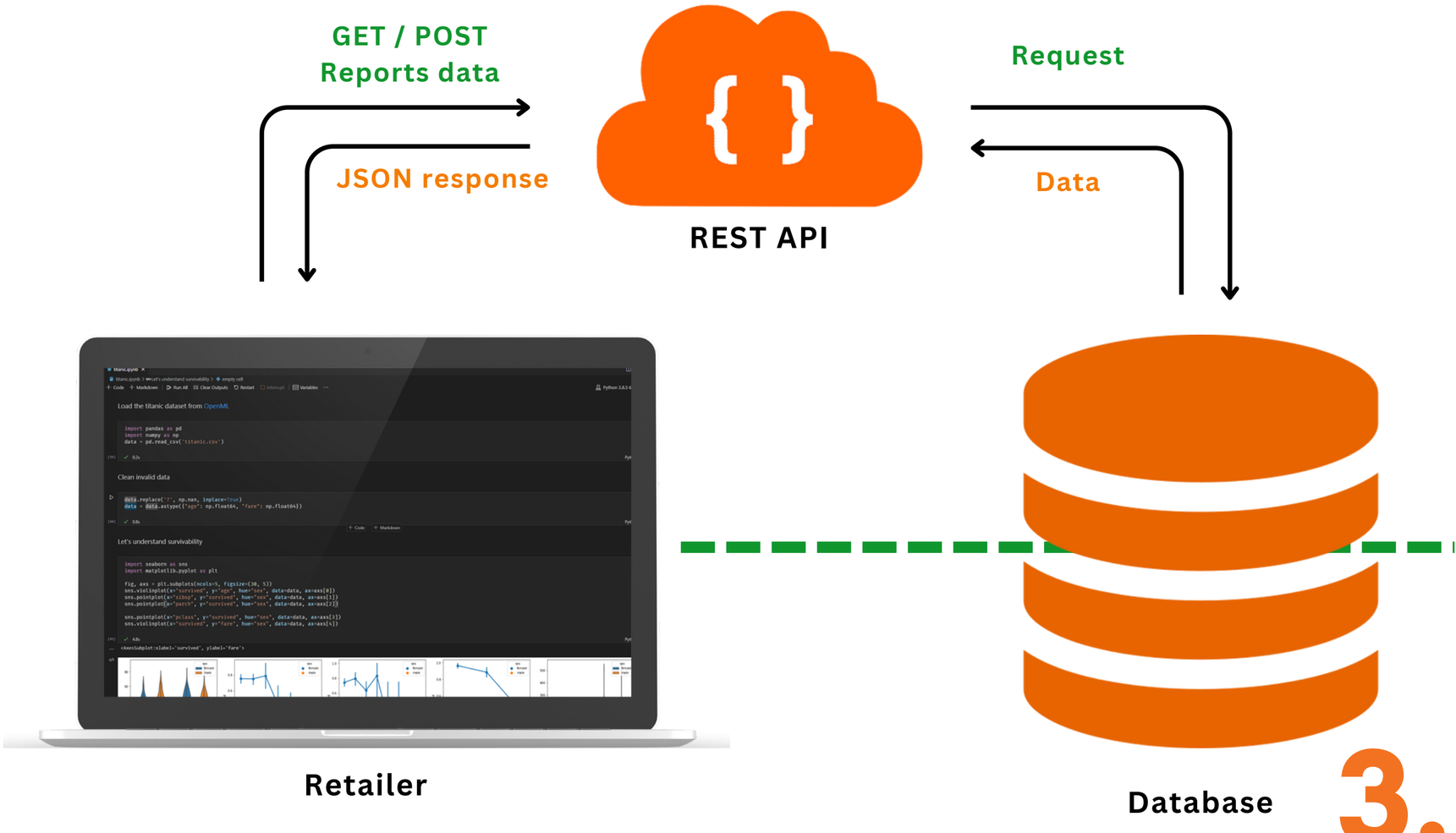
Offering access to data

API call to fetch customer data

Endpoint URL - dynamic & scalable

Use the endpoint, and provided API key in Instacart's developer portal to fetch customer and usage data in a structured manner.

[Endpoint: https://api.yourretailer.com/instacart-data]



A dynamic, clean and accurate response to win on Instacart

- Enhanced customer insights
- Improved brand loyalty
- Market expansion

json

```
{
  "timeline": [],
  "demographics": {
    "age": 0,
    "gender": "",
    "location": ""
  },
  "account_type": "",
  "subscription_level": "",
  "last_products_purchased": [],
  "product_basket_purchased": [],
  "segment": "",
  "retention_rate": 0,
  "average_basket_size": 0,
  "average_rating_provided": 0,
  "number_of_reviews_provided": 0,
  "lifetime_value": 0,
  "preferred_channel": "",
  "cart_abandonment_rate": 0,
  "products_frequently_purchased_together": [],
  "preferred_payment_method": "",
  "net_promoter_score": 0,
  "time_spent_browsing": 0,
  "help_clicks": 0
}
```

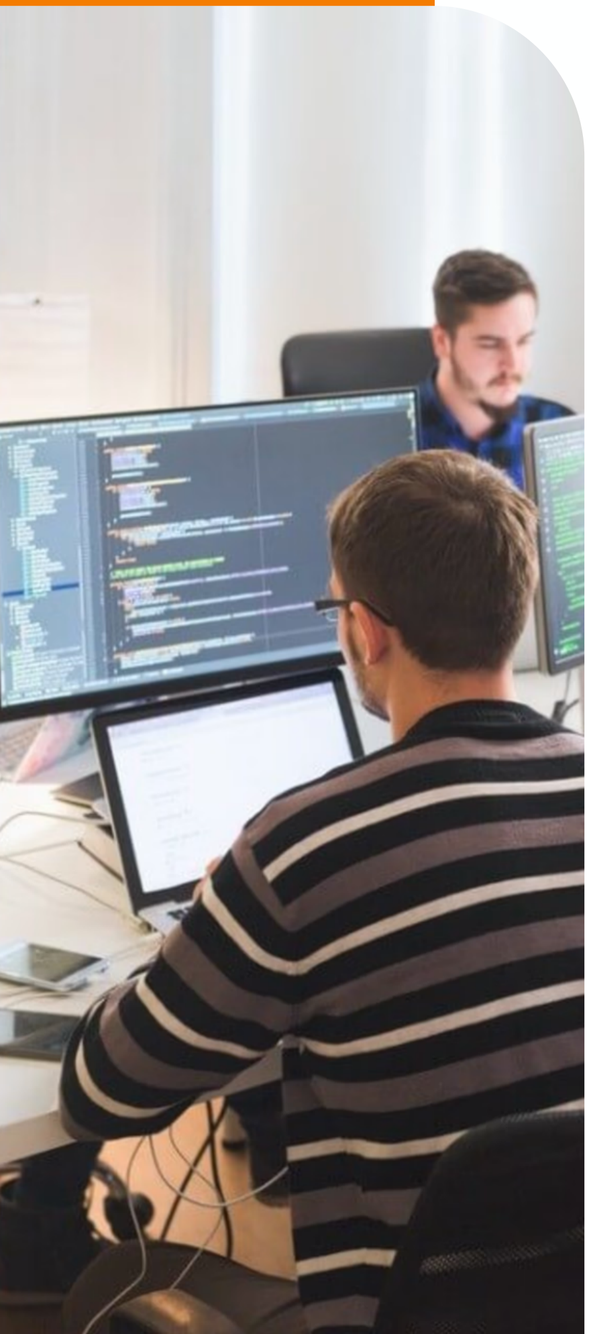
Customer demographics API response

json

```
{
  "timeline": [],
  "sales_volume": 0,
  "sales_revenue": 0,
  "product_view_count": 0,
  "click_through_rate": 0,
  "search_positioning": 0,
  "current_price": 0,
  "last_price": 0,
  "average_product_rating": 0,
  "number_of_reviews": 0,
  "regional_sales_performance": {}
}
```

Product usage API response

3.



Metrics to Track

Adoption rate

The number of retailers requesting to access the API through Instacart's platform

API calls made

The total number of API calls made. To identify need for fetching data and by whom.

Order value by adopters

As per hypothesis, retailers using the API should be better informed and be able to optimize their basket value.

instacart

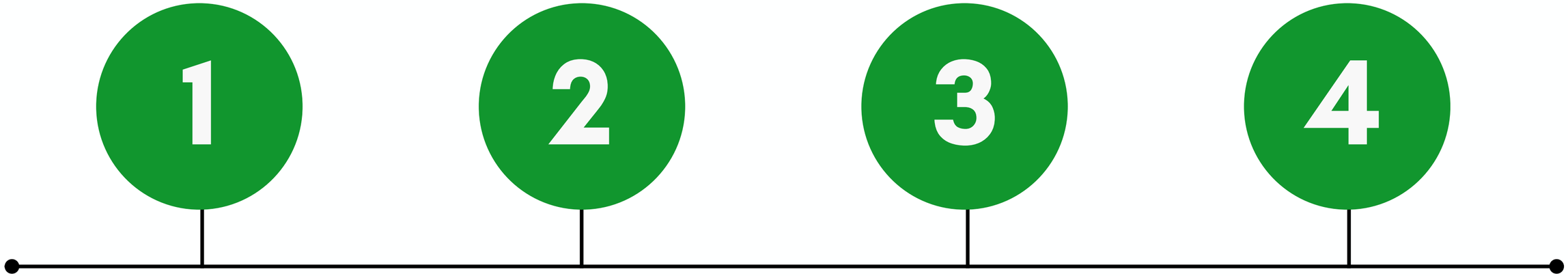
"Customer data - Reliable, scalable, and all yours!"



Instacart's greatest asset here is the ability to tie multiple services together. Grocers now treat digital retailing as a network operation, with consumer data, which in turn helps fuel the storefronts that can deepen shopper loyalty and partner trust

4.

THE BRIGHT SIDE



THOUSDANS OF RETAILERS

Instacart's advantage is that it's tied in with hundreds of retailers

BEYOND ECOMMERCE

Even if those relationships have been strained of late, Instacart can move beyond e-commerce

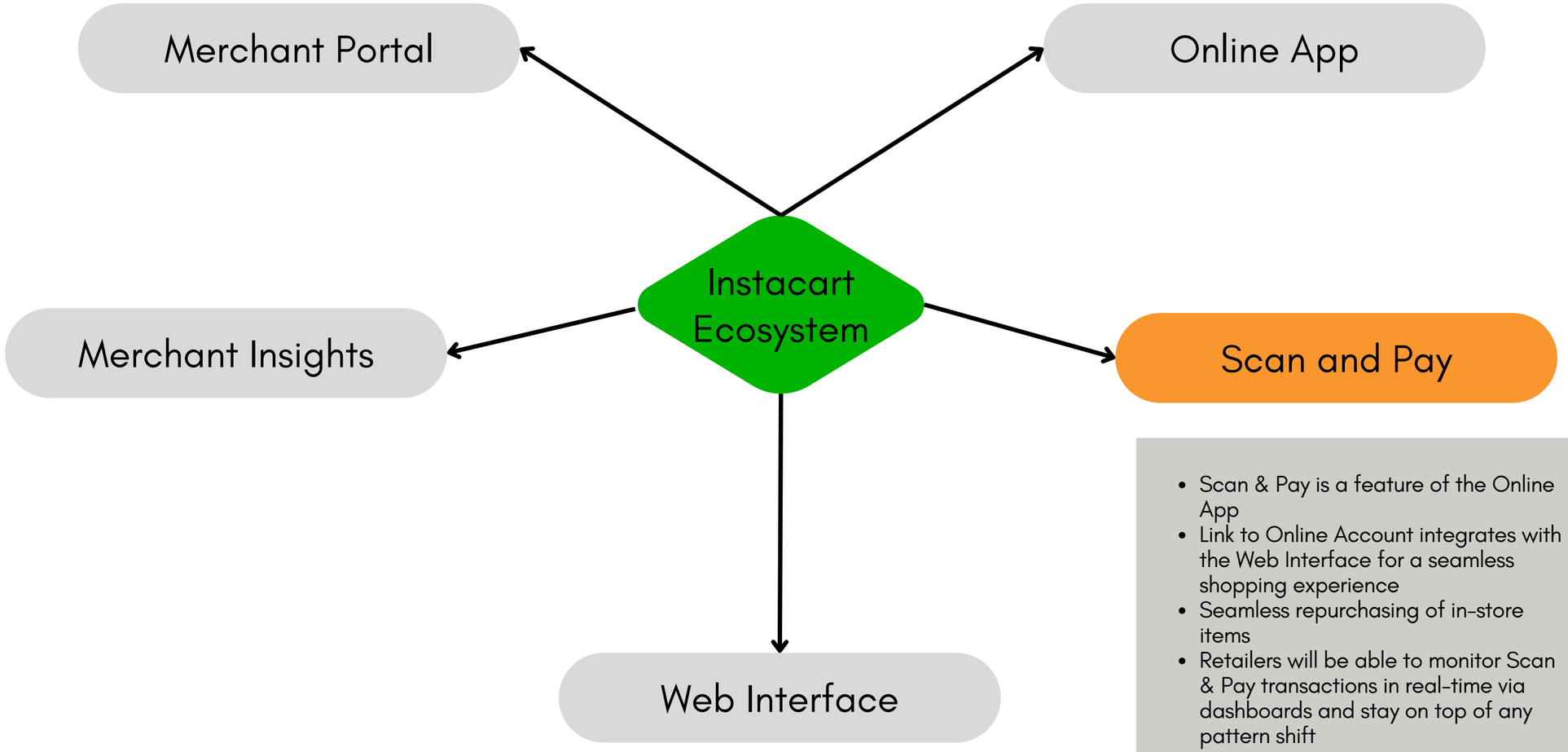
ALL IN ONE SERVICE PROVIDER

Pitch itself as an all-in-one service provider

CONNECT SHOPPERS AND RETAILERS

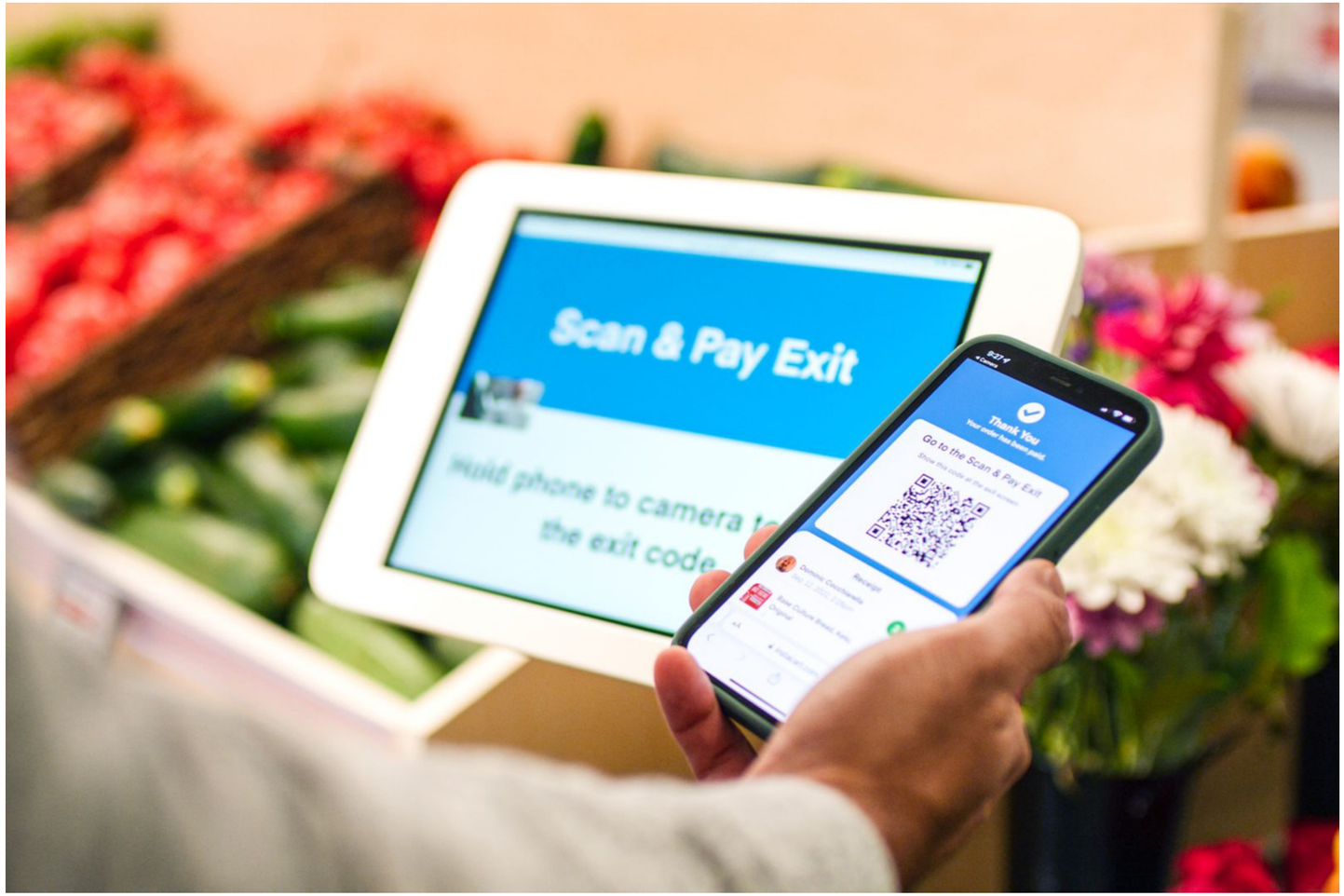
Connect them in ways that appeal to shoppers as well as retailers' bottom lines

Synergy in the Grocery Retail Ecosystem



- Scan & Pay is a feature of the Online App
- Link to Online Account integrates with the Web Interface for a seamless shopping experience
- Seamless repurchasing of in-store items
- Retailers will be able to monitor Scan & Pay transactions in real-time via dashboards and stay on top of any pattern shift

Scan and Pay –A Seamless Shopping Experience



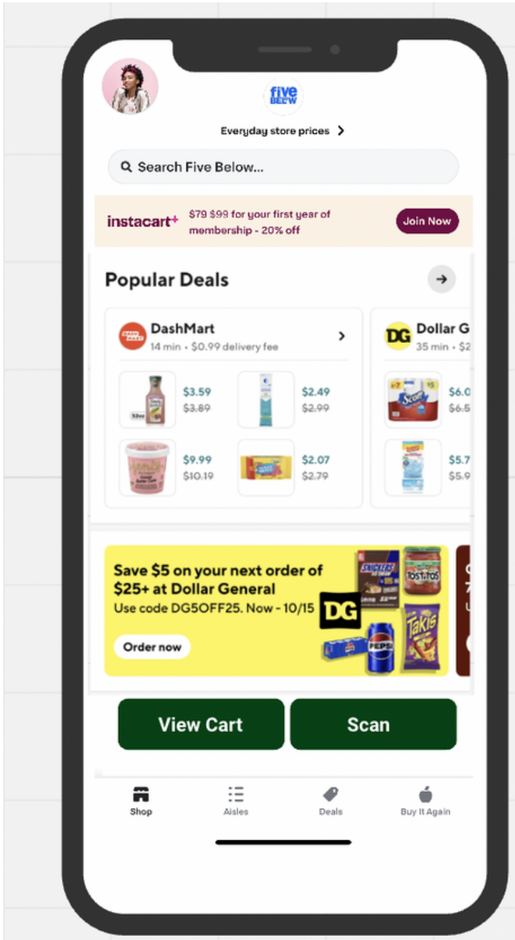
Shoppers can seamlessly scan items using their smartphones

These scanned items are then linked to the shoppers' online accounts, simplifying future repurchases

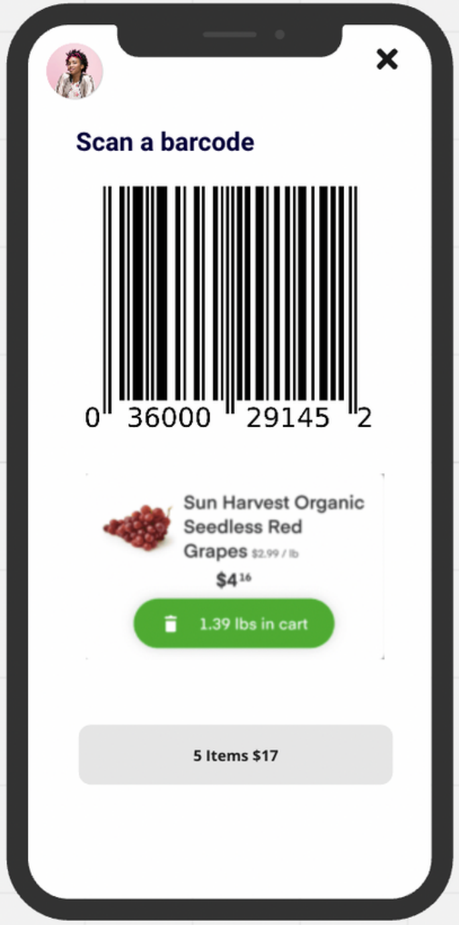
Checking out and displaying a QR code generated on their phone to confirm payment before they exit the store

Shoppers can save the list of items they buy through Scan & Pay and use it again for in-store or online orders

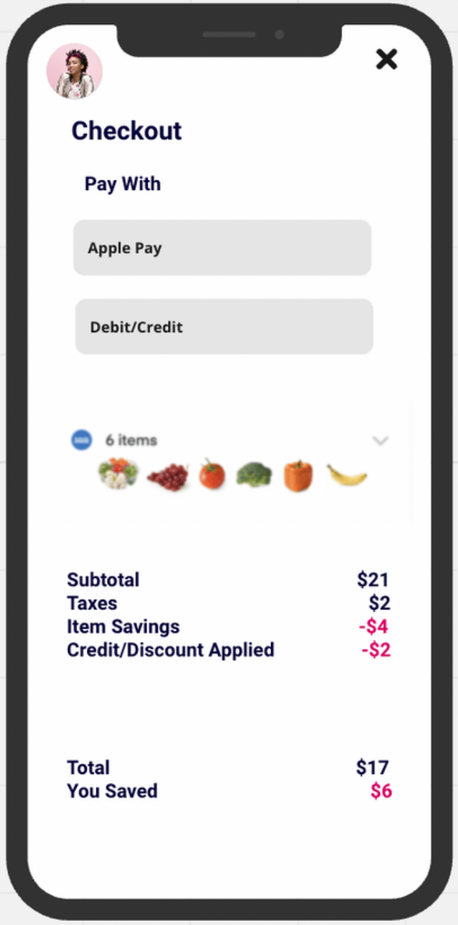
Low Fidelity Designs



Store Home



Scan



Pay



Exit

Merchants Benefits

Data Insights and Analytics

Store associates will be able to track consumers' scan times, journey throughout the store and loyalty status, among other factors, which can help determine which baskets to check. The digital kiosk will tell shoppers if they've been flagged for an audit.

Operational Efficiency

By offering a streamlined checkout process, the solution can reduce congestion at checkout counters. This results in quicker customer turnover, lower operational costs, and increased overall store efficiency

Audit and Security Measures

The digital kiosk not only enhances the customer experience but also offers security and audit capabilities. If shoppers are flagged for an audit, it helps maintain loss prevention and security protocols.



Metrics to Track

Adoption Rate

The percentage of customers who use the Scan & Pay feature compared to the total number of in-store shoppers

Checkout Speed

Measure the time it takes for customers to complete their transactions using Scan & Pay, helping assess the efficiency of the solution

Queue Length Reduction

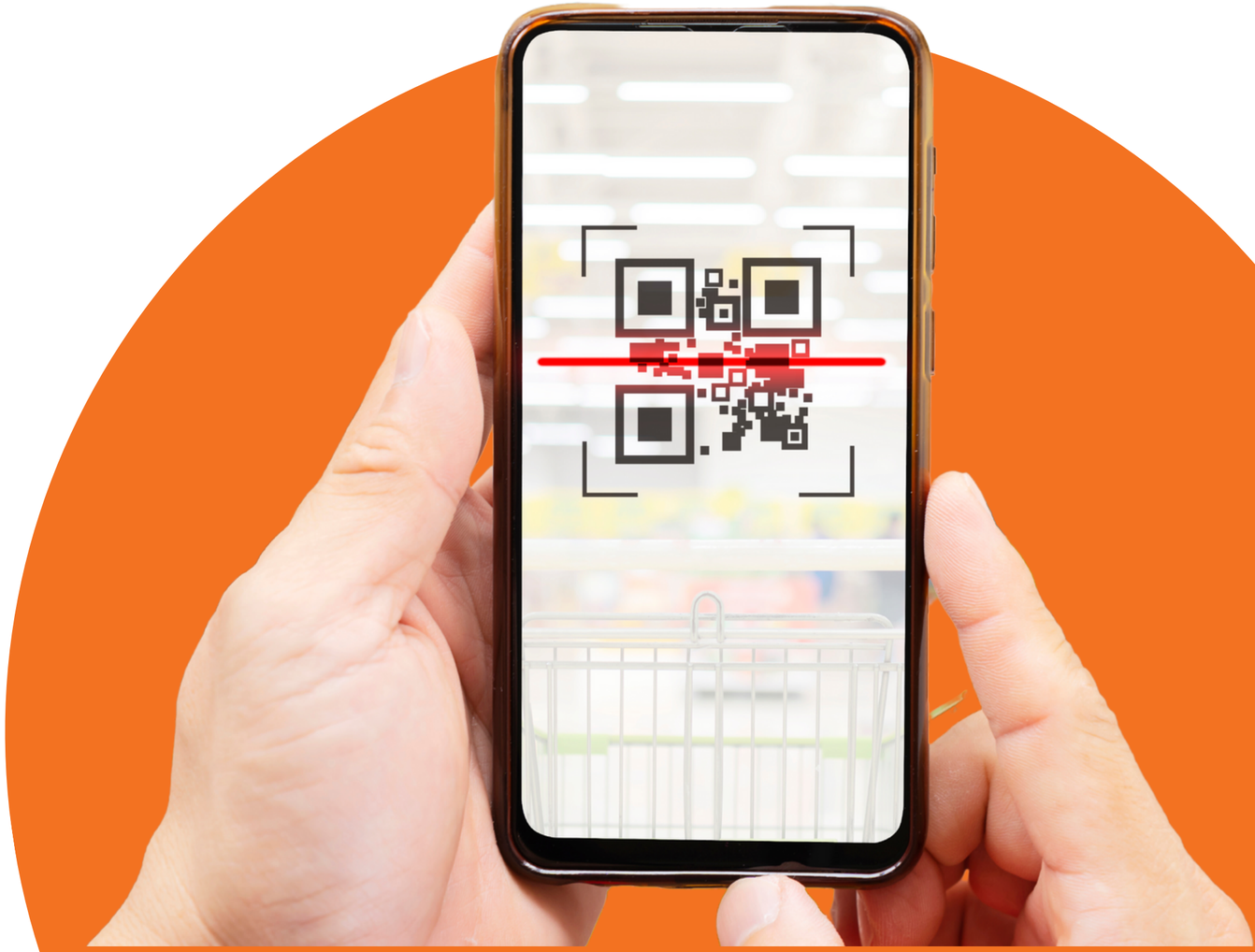
Track how Scan & Pay reduces queue lengths at traditional checkout counters.

Revenue Increase

Measure the incremental revenue generated through Scan & Pay, which includes increased sales, basket sizes, and repeat business

instacart

“Revolutionizing In-Store Shopping with Scan and Pay Solution”



Addressing the Low-Margin Issue



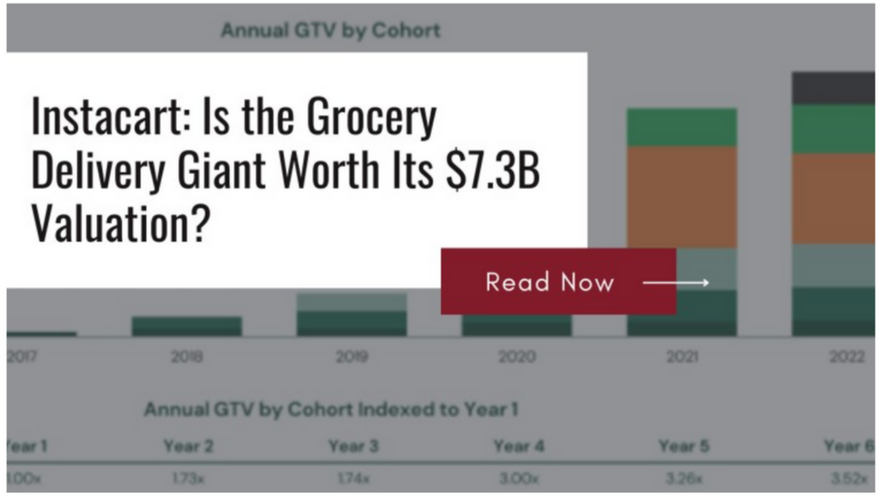
Low Margin Business Model

Why is the grocery delivery business is low-margin?

Narrow margins on groceries

High fulfillment costs

No pricing power



Instacart: Is the Grocery Delivery Giant Worth Its $7.3B Valuation?

5. GROCERY RETAIL MARKET AND ONLINE SHOPPING

The US grocery retail market is stable and is forecast to grow mostly in line with inflation, around 4% per year.

Grocery companies earn low operating margins in the single digits (around 5%). As a result, there is not much margin to share with delivery companies.

Online grocery shopping is expected to grow faster, at around 12% per year. As a

Instacart Private Labels

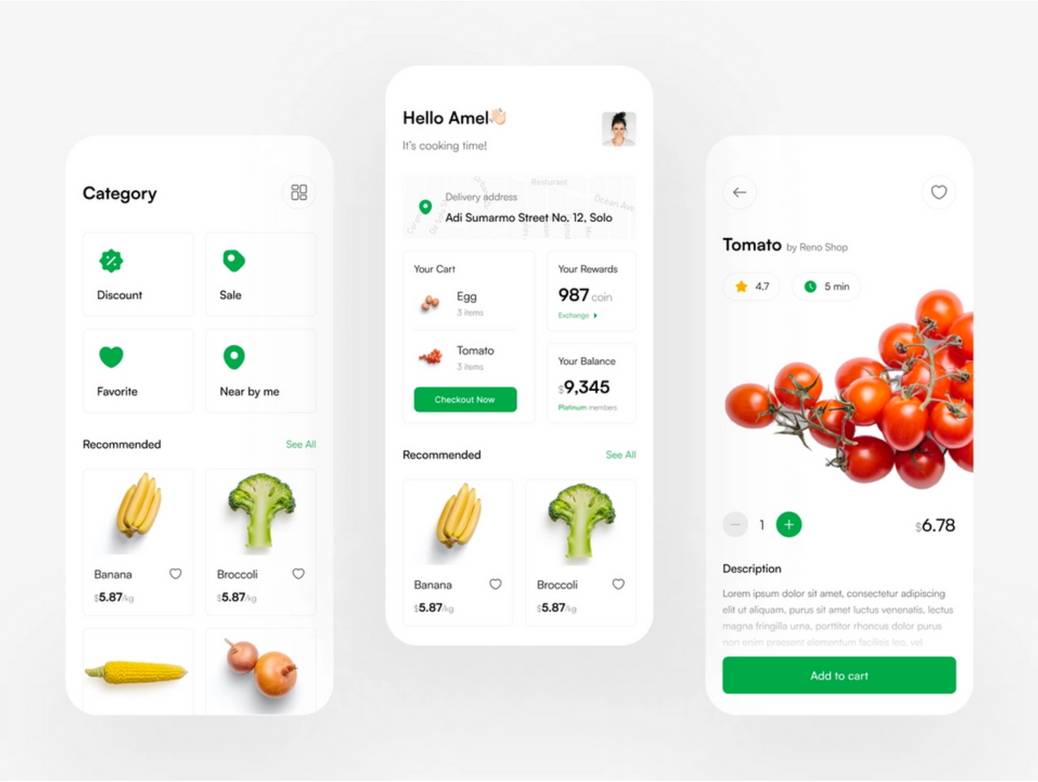
IC Fresh
By Instacart

Hypothesis

Development and promotion of a private label product line

Rationale and Supporting Data

- 38% of revenue from PL
- 25-30% higher margins



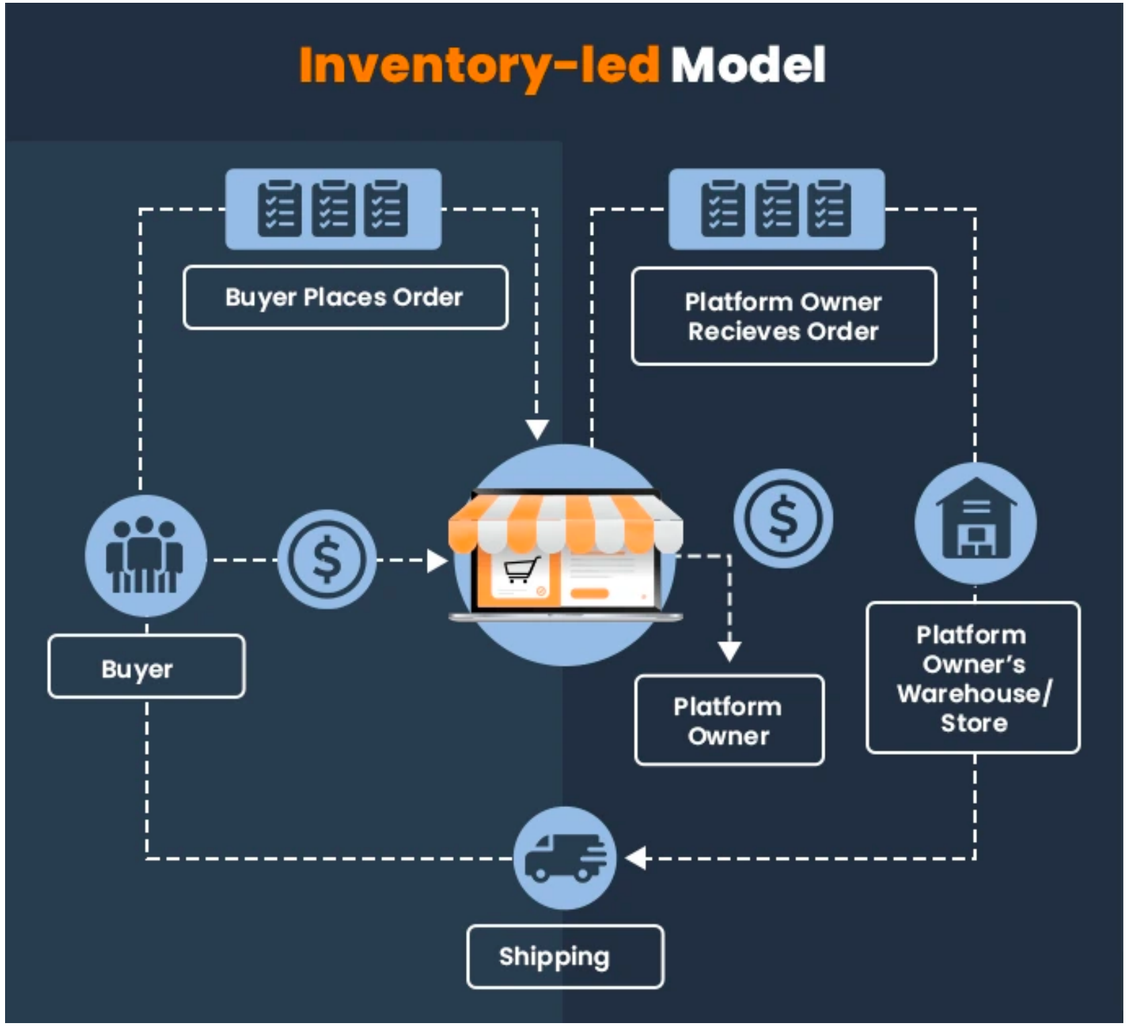
Inventory Led Business Model

Hypothesis

The inventory-led business model would be more profitable for Instacart than its existing marketplace model.

Rationale and Supporting Data

- Own inventory cuts BigBasket's perishable losses to 5%. - Inventory Model
- Economy of Scale reduces procurement costs via bulk buying at scale - Inventory Model



Implementation Roadmap

2024 Q1

Warehouse Build-Out

- Lease warehouse space
- Onboard new suppliers
- Develop/integrate inventory management software

2024 Q2

Inventory Stocking & System Integration

- Stock up on inventory based on demand
- Launch first private label products - snacks
- Soft launch to select customers and gather feedback

2024 Q3

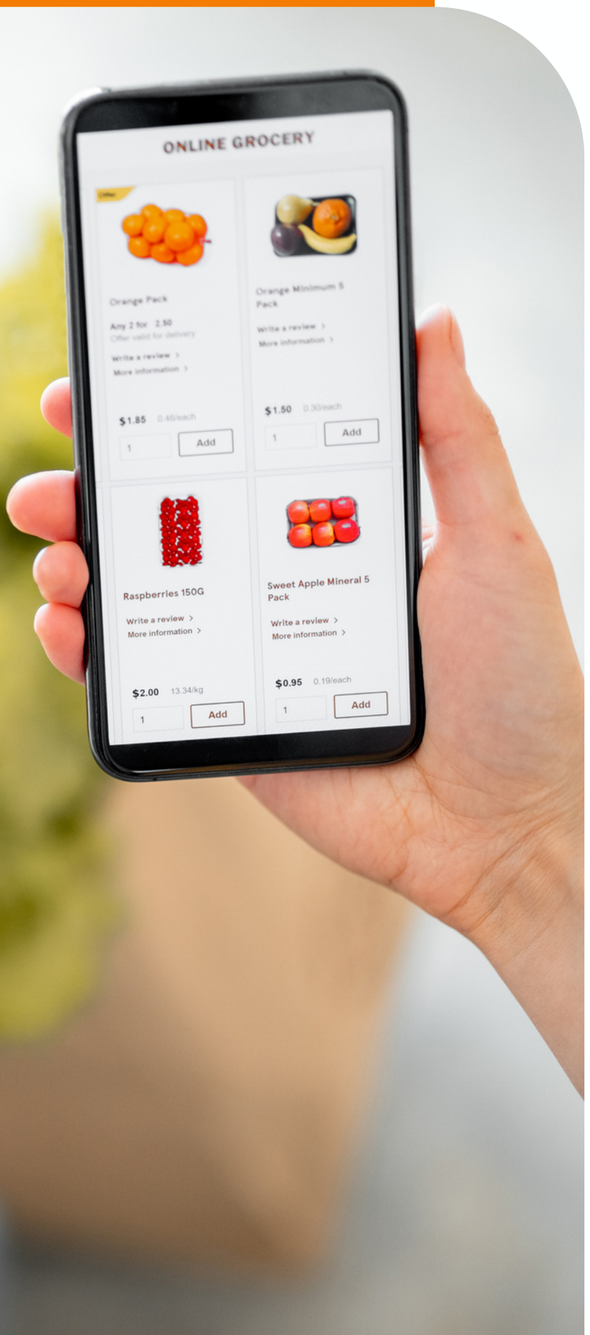
Launch & Optimization

- Expand inventory breadth and depth
- Streamline zone picking and delivery
- Hard launch inventory led model as primary fulfillment model
- Monitor KPIs - fulfillment, waste, retention

2024 Q4

Expansion Planning

- Expand private labels based on customer data
- Begin planning rollout to other cities



Metrics to Track

Private Label Success

- Private Label Sales Growth
- Private Label Customer Adoption
- Private Label Profit Margin
- Cost of Goods Sold (COGS)

Inventory Performance

- Days of Inventory on Hand (DIH)
- Product Demand Accuracy
- Inventory Holding Costs
- Procurement Cost Savings

instacart

Thank you.



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Appendix - Links Graveyard 🪦

Grocery is a low-margin business

https://www.linkedin.com/pulse/instacart-grocery-delivery-giant-worth-its-73b-valuation-brejla/

https://www.businessinsider.com/understanding-instacarts-ipo-flop-grocery-business-hard-2023-9

https://aswathdamodaran.blogspot.com/2023/09/putting-instacart-before-grocery-horse.html

Instacart losing market share

https://my.ibisworld.com/us/en/industry-specialized/od5085/companies

Partners becoming competitors

https://www.barrons.com/articles/doordash-grocery-partners-instacart-competition-fee8e87f

https://www.rsrresearch.com/research/instacart-when-do-partners-become-competitors

https://www.sfgate.com/shopping/article/instacart-vs-walmart-grocery-delivery-18301438.php

https://www.mercatus.com/blog/how-instacart-platform-is-doing-grocery-businesses-more-harm-than-good/

Inventory Model

https://oyelabs.com/bigbasket-business-model/

https://corporatefinanceinstitute.com/resources/economics/economies-of-scale/

https://www.businesstoday.in/bt-buzz/news/story/bt-buzz-how-amazon-bigbasket-grofers-are-pushing-private-labels-over-popular-brands-271444-2020-08-28

contd.

Appendix - Links Graveyard 🪦

Item Availability

- https://tech.instacart.com/how-instacart-modernized-the-prediction-of-real-time-availability-for-hundreds-of-millions-of-items-59b2a82c89fe
- https://doordash.engineering/2023/04/26/doordash-identifies-five-big-areas-for-using-generative-ai/#:~:text=In%20one%20application%2C%20Generative%20AI,enough%20stock%20to%20fulfill%20orders.
- https://tech.instacart.com/how-instacarts-item-availability-evolved-over-the-pandemic-5ce8e84468a0
- https://www.comparably.com/brands/instacart



S-1 Summary