

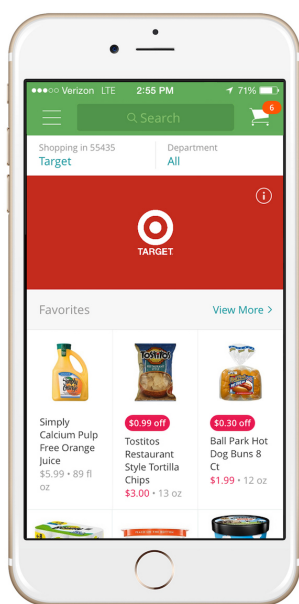
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TARGET TO PILOT TEST GROCERY DELIVERY WITH INSTACART

On September 15, Target announced a partnership with Instacart to offer delivery of groceries purchased online in as little as an hour within the Minneapolis metropolitan area. In addition to groceries, Target's customers will be able to purchase selected household, health and beauty, pet, and baby products via the Instacart mobile app or on Instacart.com.

The Twin Cities are the 18th metropolitan area that three-year-old Instacart has entered. The deal makes Target the second-largest partner of Instacart by revenue, after Costco. Other Instacart partners include Whole Foods and Petco.



According to IBISWorld, the online grocery industry is a \$10.9 billion market in the US, and is expected to grow at a 9.6% compound annual growth rate through 2019. An analyst from Piper Jaffray noted that some grocery stores receive as much as 1%–2% of their revenues through Instacart.

Customers in the Minneapolis area can enter their ZIP code on Instacart.com to determine if they live in a qualifying neighborhood or suburb. Delivery is free for the first order and each subsequent order is \$5.99 for delivery within an hour or \$3.99 for delivery within two hours (for orders over \$35). The minimum order value is \$10. Instacart makes deliveries from 9:00 a.m. to 10:00 p.m. daily and during Target's store hours on holidays.

This fee stands in contrast to that of AmazonFresh, which offers same-day delivery of groceries and other items (and includes Amazon Prime membership) for a \$299 annual fee (along with a \$50 minimum order requirement), following free 30-day trials in some markets. Target customers already receive free delivery within five days with a \$25 minimum order.

Target faces some competition, though: Bloomberg quoted an analyst at ITG Investment Research who pegged Amazon's share of online grocery orders in Seattle at 80% during the second quarter and FreshDirect's share in New York City at more than 80%. Activity in grocery and delivery is definitely heating up, as illustrated in the table below:

OVERVIEW OF ONLINE GROCERY/DELIVERY ACTIVITY

Company	Activity
Amazon	US services include AmazonFresh, Prime Now, Prime Pantry and Subscribe & Save Took out a lease on a former Tesco warehouse, which analysts speculate will be used to launch AmazonFresh in the UK
DrinkFly	Delivers liquor and alcohol
Drizly	Delivers beer, wine and liquor
FreshDirect	Online grocery shopping and delivery
Google	Google Express delivers merchandise, including dry foods (for Kohl's and Walgreens) Will start testing delivery of fresh food and groceries in San Francisco and one other US city later this year (analysts speculate that Google will partner with Whole Foods and Costco)
Kroger	Testing online ordering in one store
Peapod	Online grocery shopping and delivery
Postmates	Partnering with 7-Eleven in San Francisco area and most recently, with Walgreens
Safeway	Offers one-hour grocery delivery
Shipt	Delivering groceries for Publix in South Florida
Target	Pilot testing with Instacart
Uber	Ready to move into delivery with an unspecified partnership
Walmart	Testing grocery pickup in Northwest Arkansas

Sources: Bloomberg/Northwest Arkansas Democrat-Gazette/retailanalysis.igd.com/The Week



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