

New wave of online delivery gains momentum

October 29 2014, by Rob Lever



Jack Plater-Zyberk, a freelance delivery driver for Postmates, prepares a parcel for delivery in Washington, DC, on October 27, 2014

App in hand, Jack Plater-Zyberk has delivered caviar, condoms, chicken nuggets, cases of beer and even a little black dress.

And he can get it to you within an hour.

Plater-Zyberk, who maneuvers his 1992 BMW through Washington streets, is one of an estimated 5,000 independent contractors in the US

for Postmates, an online service and smartphone app which delivers anything from lunchtime tacos to late-night diapers.

"For me, it's like being a superhero," said Plater-Zyberk, who uses Postmates to supplement his income as a fill-in attorney.

"When you get hot shawarma and pizza to people at 3:00 am, they're happy to see you."

With Postmates and other start-ups offering quick [delivery](#) of meals, groceries and other items, the online world is delivering again, more than a decade after the spectacular collapse of the major players in the space.

In the 2.0 version of online delivery, things are different. Most Americans have high-speed Internet at home, and smartphones as they move around.

The new startups are looking to avoid the mistakes of dot-com busts like Webvan and Kozmo, which invested heavily in warehouses and hired large numbers of staff before going bankrupt.

'City is our warehouse'

"The city is our warehouse," said Bastian Lehmann, co-founder of Postmates, which claims to have the largest US on-demand delivery fleet for groceries, meals and a range of other merchandise. All dropped off within 60 minutes.

Postmates, which has raised \$23 million, uses independent deliverers, known as "postmates," who like the flexibility of choosing their work shifts, Lehmann explained.

"We have a lot of students or people who have another part-time job.

We have artists, musicians," he said. "There are people who are looking for a job that gives them this flexibility."

Grocery delivery firm Instacart, which has raised \$55 million, expects revenue to grow tenfold this year, and is now in 15 cities with 1,000 "personal shoppers," who are also independent contractors.



Jack Plater-Zyberk, a freelance delivery driver for Postmates, responds to a customer request on his smartphone, in Washington, DC, on October 27, 2014

"We've had to invest very little in infrastructure outside our technology platform," said Instacart general manager Heather Wake.

Instacart has partnerships with big grocery chains like Whole Foods and

Costco and touts its large selection and personalized service.

"Our personal shoppers are trained in grocery selection," Wake said.

"We can respond to the customer, so if someone wants bananas that are a little bit brown we can accommodate that."

Companies in the food and grocery e-commerce and delivery industry raised nearly \$486 million in 109 deals globally in the 12 months ending in June, up 51 percent from a year earlier, according to the venture capital blog CB Insights.

In the US market, some \$545 million was pumped into the food delivery space in the 18 months to September, excluding restaurant delivery, according to Rosenheim Advisors, which tracks food tech startups. That includes the reported \$90 million acquisition of food delivery group Caviar by Square.

"People are a lot more comfortable ordering online than they were 10 or 15 years ago, and that is important for something as personal as food," said Brita Rosenheim, who leads Rosenheim Advisors.

"Across the board you're seeing growth in these categories—[grocery delivery](#), meal delivery, meal kits."

The research firm BI Intelligence estimates that same-day deliveries will generate \$100 million in 20 US cities this year, and that the market will grow to \$2 billion by 2016 and \$4 billion by 2018.

Hungry for takeout

The fast-growing segment of restaurant delivery services include startups like GrubHub, which raised \$200 million in a public stock offering, and Foodler.

"Americans spend about \$9 billion a year on takeout from independently owned restaurants, so this is a huge opportunity," Abby Hunt, a GrubHub spokeswoman, told AFP.



Stephan Grigioni (L), courier community manager, and Yohan Ferdinando, operations manager, work at the Postmates Washington, DC, office, on October 27, 2014

"And 90 percent of those orders are still placed with a phone and paper method, so it's very inefficient."

GrubHub is "the leading company in this space," according to Hunt, citing the company's links to 30,000 restaurants in the United States and in the British capital London.

Hunt says most deliveries are handled by restaurants themselves, and that GrubHub allows them to add sales with little extra cost.

Even as startups multiply, established firms are looking to get a piece of the action. The taxi app Uber has launched deliveries in some cities, either using cars or bike messengers, for meals and other items.

The biggest challenges may be coming from industry heavyweights Amazon and Google, both of which have begun offering same-day grocery delivery.



An Amazon Fresh truck arrives at a warehouse in Inglewood, California, on June 27, 2013

The "Amazon Fresh" service for groceries and local shops—currently in just a few West Coast locations and New York—is expected to expand

further.

Google Express in October added Boston, Chicago and Washington for same-day delivery service for groceries, books, sporting goods and other items in partnership with local retailers.

"Our idea was to make shopping your favorite local stores as easy and fast as shopping online," said Google's Brian Elliott.

But startups like Instacart and Postmates say they can be more nimble, offering more personal service and a wider selection of goods, including fresh foods.

Plater-Zyberk noted that when a customer wanted a "little black dress," he took pictures of three items and emailed them to the woman to allow her to choose.

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