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What is the role of information technology in instacart’s business model

The online grocery store Webvan was perhaps the most well-known flop of the dot-com boom. Its 2001 failure led many pundits and investors to concluded that the online grocery business model was untenable. However, Webvan’s downfall was due mainly to pursuing a first-mover advantage strategy. It paid more than \$1 billion to build huge distribution warehouses, bought fleets of delivery trucks, and invested heavily in marketing. Then it offered free deliveries on any size order, at virtually any hour, at prices that trumped its brick-and-mortar competitors. This was not a formula for generating profits. In recent years other companies are testing the waters again for online grocery sales. FreshDirect in New York City has succeeded by combining fresh local produce, organic and kosher items, and customprepared meals with standard grocery store fare. Established brick-and-mortar firms including Albert-son’s, Safeway and Peapod.com (the online entity for both Stop & Shop and Giant) took over as pure play online firms perished. The newest entrant, Instacart bypasses the expenses of warehousing and transportation altogether by using a legion of independent contractors and local food retailers. These personal shoppers receive orders via the Instacart smartphone app, fill them from grocery store aisles, and use their own vehicles to deliver them to customers’ doors. Like fellow “sharing economy” firm Uber, Instacart minimizes labor costs by requiring its personal shoppers to pay for their own auto and health insurance and Social Security contributions. Purportedly paid between \$15 and \$20 an hour, depending on how quickly they can fill and deliver an order, most Instacart shoppers work part-time on flexible schedules. Instacart co-founder and CEO Apoorva Mehta believes Instacart’s competitive advantage is two-fold. First, customers are not limited to a single vendor and can combine items from multiple stores on one order, so product selection is truly customized. (Instacart uses special software that can track inventory across multiple supermarkets.) And since personal shoppers are on call around the clock, customers have to neither order many hours in advance of delivery nor wait for a delivery window. In fact, customers can have their grocery list filled and delivered in less than an hour! Instacart’s app provides a detailed map of each local establishment including store aisle contents. The customer’s grocery list, compiled using extensive drop-down menus either on the website or in the app, is organized by merchant and aisle to provide maximum order fulfillment efficiency. Inventory is tracked for all of Instacart-affiliated merchants. As a personal shopper skims an aisle, bedecked in a bright green T-shirt flaunting the Insta-cart logo, items can be selected for different orders placed at different times. The software can also plan delivery routes and predict future customer orders. iPhone users can connect to the Instacart app from Yummly, the largest recipe search engine in the world, and have the ingredients delivered in time for dinner. Visitors to Food Network websites, with more than half a million recipes, can browse recipes online and then click a button to add ingredients they need to their Instacart shopping cart. The Instacart app is integrated with Google Now cards so that Android users can place orders for either delivery or pickup using a token generated within the app. Instacart’s core competencies thus dictate its target market: the price-insensitive, convenience shopper. At first, item prices were marked up (20 percent in one sampling) and a \$3.99 delivery fee charged. An Amazon Prime-like service called Instacart Express requires a certain volume of business and a \$99 yearly fee in exchange for free delivery. One of Webvan’s big mistakes was pursuing a mass-market strategy. It was never going to be able to turn a profit by providing quality and selection at rock-bottom prices—with free delivery to boot. Instacart is instead catering to shoppers who are willing to pay a premium to have both quality and selection. By mid-2015 Instacart had 200 employees and 4,000 personal shoppers in New York, Los Angeles, San Francisco, San Jose, Washington, DC, Chicago, Boston, Austin, Seattle, Philadelphia, Atlanta, Boulder, Denver, Houston, and Portland, Oregon. It continues to grow. Grocery purveyors, from large chains such as Costco, BJ’s Wholesale Club, Safeway, Kroger, Super Fresh, Trader Joe’s, and Whole Foods to local specialty shops such as Erewhon Organic Grocer & Café in LA, Marczyk Fine Foods in Denver, and Green Zebra in Portland are now welcoming Insta-cart as a way to expand their customer bases ahead of the full national rollout of Amazon subsidiary Amazon Fresh.While many analysts predict that matching the bargain basement prices of Amazon and Walmart is unavoidable, Instacart is instead modifying its business model. Partnerships with Petco and Tomlinson’s Pet Supplies in Austin, Texas, hint of additional product areas on the horizon, while Mehta speculates that expansion into general logistics is conceivable. Many of Instacart’s grocery store partners now set their own prices, paying Instacart a cut of each order. This has freed Instacart of the burden of mark-ups, protected it from the vagaries of variable food prices, and provided a more stable profit structure. Retailers have been willing to pay Instacart in the hope of gaining more business because Instacart enables a single store to serve people across a larger geographic area. Affiliated retailers are reporting gains, although the numbers are small. Nilam Ganenthiran, head of Business Development and Strategy, maintains that different types of agreements have been reached, declining to specify whether partners are outsourcing their ecommerce to Instacart for a monthly fee or are charged per item purchased, per order placed, or per customer serviced. With national chains achieving just 1 to 2 percent margins on grocery delivery, the Instacart model of layering labor on top of the existing grocery infra-structure is still unproven. According to a Wall Street Journal analysis, an order of 15 common items such as frozen peas, milk, cereal, and fresh fruit costing about \$68 from a San Francisco Safeway store would produce a profit of only \$1.50 for Instacart. If the order were smaller by one 28- ounce jar of peanut butter, Instacart would break even, and a smaller order could push it into the red. Without price concessions from participating merchants, can Insta-cart attract enough customers? And maintain a pay scale that ensures the top-notch customer service demanded by its target market? And still make a profit? And can retailers’ sales gains from Instacart be sustained? Instacart may be a great idea, but it’s a very big bet.CASE STUDY TASKS: 1. Give a brief introduction about the company Instacart.2. Analyze Instacart using the value chain and competitive forces models. What competitive forces does the company have to deal with? What is its value proposition?3. Explain how Instacart’s business model works. How does the company generate revenue?4. What is the role of information technology in Instacart’s business model?5. Is Instacart’s model for selling online groceries viable? Why or why not? Nowadays, technology is well developed and people are blindly depending on technology. Modern technology is helping people to think smartly and also it can reduce and save time for them. Today, everyone prefers to go shopping online which can carry a lot of benefits for the users. Instacart is one of the famous and popular grocery delivery services that can hold countless benefits for the customer. The Instacart was founded in the year of 2012 and founder of the Instacart is Apoorva Mehta and Max Mullen. Instacart not only helps to provide online grocery delivery but also creates budding entrepreneurs to earn money. These grocery platforms help people to get delivery within an hour and they can receive it at their doorstep. How does Instacart work? Instacart is one of the on-demand grocery platforms which can help people to get their grocery items on time. Instacart will offer a same-day delivery service that can bring your grocery items to your doorstep. The first thing you need to place the order for Instacart, once your order is received then your order can go to a personal shopper then the delivery person will visit the store to collect your items. After collecting the item then the delivery person will come to your address and deliver your items to your doorstep. Instacart is available in the majority of areas and it has been contacted with many stores and it also has a collection of 300,000 items from several stores such as foods, safety. It can enable customers to place an order from their favorite stores or they can place an order from different stores. Instacart is one of the economy-based business models which can offer hyperlocal grocery delivery by connecting with the customer. It does not own any grocery stores but it is the platform to deliver grocery items. Instacart can allow the customer to choose the items from their favorite grocery stores with the help of the mobile app to browse the grocery products. The customer can also add the quantity to confirm the order after the order is placed then the delivery man will come and deliver your items to your doorstep. Value Proposition Usually, Instacart will tie-ups with the existing supermarkets which can allow the customer to choose the favorite store based upon their preference. Instacart service will have part-time workers so, they will do this work for a certain time Once the order is placed, the Instacart service will not allow the customer to wait for a longer time to receive their items. You can expect fast delivery from Instacart. There is no warehouse in Instacart and they are not owned by any stores. The entire business concept of Instacart has the three contributors Users Personal shoppers Stores Without the help of the ecosystem, Instacart will not be able to run successfully. The main advantages of Instacart are not owned by any stores and also it will not have permanent employ shoppers. Users The users will get the service from an app where they can choose a variety of stores and they can also use this app from a laptop or desktop. The customer can also pay the amount by online payment methods which is one of the major benefits of using this Instacart. In the app, you are able to see a lot of availability of shops in your surrounding area based upon their preference the customer can choose the store. This Instacart can also allow the customer to place the combined items from several shops. Personal Shopper - Instacart First, the personal shopper can receive the order on their smartphones. Mostly the personal shopper can stand near the stores to save time After the confirmation of the order, they will pick the order and they will pick the order and deliver the items to the customer. If the personal shopper will deliver in a good manner or deliver the order at the exact time then the customer will give the tip for them. Stores Usually, Instacart will tip-ups with a majority of supermarkets in various cities, with help of the Instacart most of the supermarket’s can able to increase their revenue. How Does Instacart Work – A Step By Step Process 1. In the first step, the customer will place the order groceries and pay the amount online to Instacart. 2. In the second step, the personal shopper will receive the order and start collecting those mentioned items. 3. Then the shopper will pay the bill with the help of the Instacart prepaid debit card that is accepted at the store. 4. In the fourth step, the shopper will deliver those grocery items to the customer’s address which can be mentioned in the order. If the customer will like the fast delivery then the customer will give the tip at the time of delivery time. The tip has to be collected in his Instacart account and the amount will be paid at the end of the week along with the salary. Instacart Revenue Model- How Instacart Makes Money? Delivery Fees The Instacart will follow the free delivery option for a certain specific amount when you order more from the specific amount then you can get delivery for free. Instacart will follow a certain standard delivery fee for the customer. It can also come with some time benefits. You can also get the order within 1 hour and 2 hours with the delivery charge. But the delivery charge may be different for every order. Membership Fee Instacart will offer the annual membership card by the name of Instacart express with the price. When the user will use the membership card they can get the free grocery to deliver for a year with certain terms and conditions. Markup Prices Few stores will sell their items on the Instacart offers so you can get the product at the lowest price. Instacart will find the customer with the help of the following techniques. With the help of advertising Internet marketing Free fast delivery Providing various offers The Main Process of Recruiting Shoppers It is one of the best jobs to earn money in their free time. First, the application can be invited by the individual. Then the recruitment team members will conduct the face-to-face interview for them after the interview process is completed then they will attend the proper training to make them ready for delivering the groceries to the customer. This kind of job can be very helpful for a person to earn the money in their free time. For that reason, most people will prefer to do this to earn more money. Major Problems and Solutions While Develop apps Like Instacart Shopper Retention Most of the shoppers will prefer to choose part-time work so it is difficult to retain them for the long period. To improve the earning of the shopper, Instacart adds the tip option for them. Reduce Delivery Time Delivering the groceries within 2 hours can be very challenging for Instacart. For reducing the delivery time the Instacart will place some shoppers outside the shops which can help to save time for the shoppers. Shopper Shortage Instacart will work with the help of freelancers with flexible schedules. But sometimes it is difficult to manage the instant or immediate tasks for them. It is very difficult to handle these kinds of problems. In this case, Instacart will introduce a busy pricing policy. It can add a few dollars to the customer to deliver the bill. So some of the shoppers will come and utilize this offer and they make them get ready for the delivery. Wrong Delivery Sometimes the customer faces the wrong delivery order during the festival time. In that case, the customer will initiate these issues to Instacart. Then the Instacart will take the steps to refund their delivery. FAQ’s of How Does Instacart Works and Develop Who develops apps like Instacart? At Echo innovate IT, you will get the best services. We hold 12+ years of experience in developing applications. We have completed 600+ projects so far. We offer app development like Instacart as per your requirements. We have a highly-skilled app developer team. How much time will it take to build an app for Grocery Business? It can take anywhere between 3 to 9 months to build an app for the grocery business, it may vary depending on the complexity and structure of your project. Contact us now to know the exact time required for building an application for the Grocery business. The Bottom Line To conclude, now we know how does Instacart works. With the help, modern technology the people will quickly lead their life. The Instacart is one of the on-demand grocery delivery platforms which can help the customer to get their items on time. Today, the online platform is one of the best service providers. With the help of Instacart, you can also earn money in your free time.

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