

Gorillas' \$1 billion raise underscores the market opportunity for last-mile and fast grocery services

Article

The news: Berlin-based grocery delivery company **Gorillas** has raised \$1 billion in new funding, \$235 million of which came from fellow German food delivery giant **Delivery Hero**.

How it works: Gorillas handles delivery via last-mile couriers who, unlike traditional gig workers, are on fixed-term contracts.

- The company ships groceries in as little as 10 minutes through a network of dark stores that delivers in over 50 cities, including London, Madrid, Paris, and New York.
- Gorillas attracted that \$1 billion investment despite being founded less than a year and a half ago, in May 2020. The company is now valued at \$3.1 billion post-cash.
- More than 4.5 million orders have been fulfilled by Gorillas couriers in just the past half year, the company announced in a press release on Tuesday.
- The company also reported it has a run rate of \$300 million and reached unicorn status this past March.

The European competition: A multitude of European startups are competing fiercely in this space, including Germany's **Flink**, Turkey's **Getir**, and London-based **Zapp**.

- Philadelphia-based **Gopuff** is also making a significant play for the European market, having acquired UK delivery services **Dija** and **Fancy** in just the past few months.

The US last-mile competition heats up as well: **Buyk**, **Fridge No More**, **Jokr**, and **1520** are all expanding rapidly in major US markets, putting pressure on traditional grocery chains to offer faster service.

- We recently reported on **The Kroger Co.'s plans** to launch an automated microfulfillment center containing 10,000 items available for delivery in as little as 30 minutes.
- DoorDash is also building its own dark stores in order to offer 30-minute delivery on a limited assortment of convenience SKUs.

Is the category sustainable? As impressive as Gorillas' \$3.1 billion valuation is, it is unclear how sustainable the fast delivery trend will be in the long term, post-pandemic.

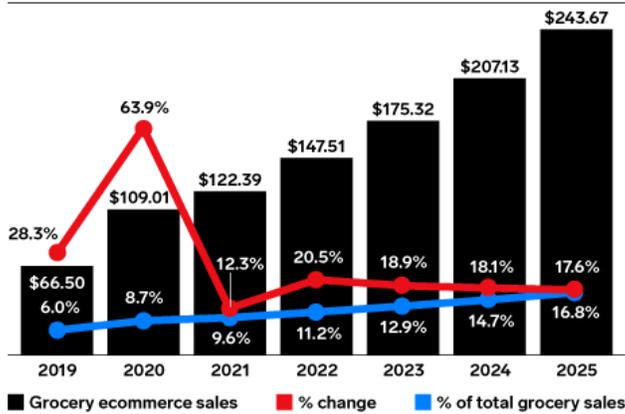
- After all, Gorillas had reportedly been looking for a \$6 billion valuation earlier in the year.
- Delivery workers have also protested Gorillas' allegedly unfair working conditions. Whether this could pose a long-term threat to the viability of the model is unknown, but unlikely.
- "There's a huge market opportunity if the fast delivery segment can quickly ramp adoption, but the unit economics are still tough. Not every startup that is getting major capital injections

right now will be viable for the long term,” said Andrew Lipsman, eMarketer principal analyst at Insider Intelligence.

What it means: As the dark store model gains traction and consumers grow accustomed to 15-minute delivery, it will raise the bar on delivery times for **Amazon** and **Instacart**.

- Every order is different, and this dark store model only works with limited (albeit high-demand) SKUs.
- It remains to be seen to what extent these convenience orders are incremental versus cannibalizing the need for a full online grocery order from an Instacart or Amazon. Watch this space for more as things unfold.

US Grocery Ecommerce Sales, 2019-2025
billions, % change, and % of total grocery sales



Note: includes food and nonfood grocery items ordered using the internet, regardless of method of payment or fulfillment; grocery items are products that people regularly buy from a grocery store, including food and beverages, pet food, household cleaning products, personal care products, and other household consumables; excludes restaurant sales
Source: eMarketer, Aug 2021

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