

Masters of Scale: Rapid Response Transcript – Apoorva Mehta

“A crucible moment for Instacart,’ with founder & CEO Apoorva Mehta”

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The only thing that's going to matter for us is how we respond to this crisis. We had a choice to make.

BOB SAFIAN: That's Apoorva Mehta, founder and CEO of Instacart. He saw a future of tech-enabled supermarkets years ahead of others, and with Covid-19 lockdowns, Instacart became an essential service, as online grocery and delivery demand boomed.

I'm Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Apoorva because, a year after an extraordinary and stressful period of adjustment and growth, Instacart faces yet another crucible moment.

With vaccinations proliferating in the U.S., many are hopeful that in-store buying will revive.

Apoorva's bet is that the advantages of digital access to groceries will retain and extend their appeal, well beyond the pandemic.

For his own model to shine in a post-lockdown world, he'll also have to outpace a slew of competitors, including behemoth Amazon.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Apoorva Mehta, CEO of Instacart. Apoorva's joining us from his home in California as I ask my questions from my home in New York. Apoorva thanks for joining us.

MEHTA: Thank you for having me, Bob.

SAFIAN: So last year at this time, you were in the midst of a frenzy, you were remaking Instacart on the fly as COVID demand was surging, added 300,000 shoppers, five years of growth in five weeks. It's a year later, how are things now? Is it calmer?

MEHTA: It's been an exciting year for us. The company experienced exponential growth in such a short amount of time that everyone in the company had to respond to that in a way that we had never done before. And so what we are seeing now is that the company has a new resting heart rate. Everyone is more focused, everyone's more cohesive. And so we are seeing that the company is performing at a much better pace than we've ever seen before.

SAFIAN: So a different kind of metabolism sort of set in?

MEHTA: I think that this was sort of an insurmountable challenge that we faced when we were entering a COVID. We saw that the demand for our service was first growing at 10% week over week, which was at our scale was very significant. And very quickly we realized that it wasn't just that, it was growing at 10% day over day. And I remember, our CTO calling me and saying, "Look, if this continues, we won't be able to sustain ourselves. Our website won't be up and running in a matter of days."

And so, the way the team had to respond to a challenge like that, really brought everyone much more closer together. It sort of gave us the confidence that we can take on bigger challenges.

SAFIAN: Yeah. I mean, it was a moment of extreme need on the parts of customers. It was also a moment of extreme opportunity for you at the same time. If you grow too fast, that can create its own problems. Are there lessons when you look back about managing that balance, that trade-off?

MEHTA: The way we thought about this, Bob, was that we had a choice to make, which was to continue down sort of the exciting roadmap or to completely sidetrack that and say, "The only thing that's going to matter for us is how we respond to this crisis." And having that maniacal focus on this one singular thing was critical for us, so that we were able to navigate the ups and downs of the pandemic.

And so the key lesson to me was, at what point do you declare that with the whole company, so that there's a lot of clarity that emerges in the teams, and they're able to do a much better job at coming together much faster? And so we recognized that at the beginning of February, but I don't think we recognized how significant of a change this was going to be.

SAFIAN: We've had guests on the show from airlines and hotels and movie theaters that saw their businesses drop by 80 or 90%. And now their struggle is figuring out how to ramp back up,

right? And others have had booming pandemic demand, and are now trying to calibrate whether to ease back on the throttle as things reopen, or maybe habits are going to shift again. How do you think about this for Instacart, for your business now?

MEHTA: If you step back, there's about a trillion dollars worth of groceries that are bought every single year. People eat 21 meals a week, most of those meals come from grocery stores. And despite the fact that it's such a large industry, it's very deeply under-penetrated from an online perspective, most people still buy their groceries offline. Over the last few years, what we have seen is that online adoption of grocery shopping is growing. And what we saw over the last year is this massive acceleration of this adoption.

And what we're seeing now is that this has been sort of a permanent change in the way they are shopping for their daily needs. And increasingly, we're seeing that people are not just shopping for their groceries, but they're also shopping for their pet food and cosmetics online. Customers who are primarily young professionals were using Instacart before. But now, we're seeing people who would be less of early adopters of services like this.

Over the last few months at Instacart, we have onboarded 300,000 senior citizens on the Instacart platform. They're now able to use Instacart because it is much more accessible, and we've built products specifically that help them place orders on Instacart. And so we're seeing there's been a sort of a sea change in the adoption of online grocery shopping.

SAFIAN: So I want to unpack all those things that you just touched on. So you're a grocery business, but you're broader than a grocery business. And I guess the other part that I was listening there is, a lot of consumers think of you as a delivery business, like about the people. And it sounds like your business is as much about the software that's happening on the backend as about the people that might be showing up with the delivery. Am I understanding that right?

MEHTA: That's correct. The reality is Instacart, it's sort of a four-sided marketplace, right? Most people think of us as a customer app. And of course we are a consumer product. Millions of customers rely on us for their daily needs, whether their groceries or whether they're shopping from retailers like Sephora, Best Buy, Staples, and many, many others. But that's just the one side of the marketplace. Behind the scenes, we have shoppers. These are the people who pick and deliver the groceries. We have hundreds of thousands of people across North America who are able to earn an income on a flexible basis through the Instacart platform. We have also retailers, folks like Costco, Wegmans, Publix, Albertsons, and many, many others who use the Instacart platform to come online and to bring their local brick and mortar stores online, and deliver to their customers.

And they do that via the Instacart app, the Instacart Marketplace, but they are also able to do that through their own websites. Today, Instacart powers hundreds of retailers' websites and apps. And then the fourth side of the marketplace is our ads business. Folks like Coca-Cola, P&G, Unilever, and hundreds of other brands use Instacart to reach customers and engage with them on the Instacart platform as well. And so when we talk about Instacart, we're talking about all of those things. And even though from a customer standpoint, of course, they think about the Instacart app on its own.

SAFIAN: And so if I go to Costco's website, Instacart is behind that website, as opposed to Costco being behind it. And if there is a promotion that I'm seeing for products at Costco, that may be being delivered through Instacart as well?

MEHTA: That's right. And so if you go to the Costco Same-Day website, that is powered by Instacart and many other retailers out there are using the Instacart technologies to power not only the delivery side of their business, not only their pickup side of the business, but also their front-end as well. So if you go to a retailer like wegmans.com, you'll find recipes and deals, and you'll find their stories about their brand. In addition to, of course, being able to shop and get those items delivered. All of that is enabled by Instacart. And this is a core part of our business is to lift up the retailers in the markets that we serve and enable them to compete with the Amazons and the other tech players in the world.

SAFIAN: It's not necessarily that the Instacart brand has to be the central marketplace for where this happens the way Amazon sets itself up as being the central marketplace.

MEHTA: We believe that the way we win is by providing customers the largest selection and by ensuring that retailers are able to thrive online, as well as offline. I'll give you an example. A retailer like Bi-Rite in San Francisco is a cult favorite retailer. And I know Sam, who's a founder of that retailer, personally. And I love that store and the products that they have. Now, as a result of Instacart, they are able to reach customers online and build their brand online. And especially over the last a year or so, they've been able to navigate the pandemic in a much better way as a result of the support that our teams have been able to provide them.

SAFIAN: And so the trends, the possibilities that you saw before 2020, which is that more people are going to engage in commerce this way and more businesses are going to want to have this capability that that goes from whatever, I don't know, 3% of the business to 10% or 12% or whatever, it doubles or quadruples over the course of the year. Now, you're at a place, like how far along are you, I guess, on this transition? How much further can it go?

MEHTA: That's a great question. The way we think about this is that over the next 10, 20 years, people are going to want things to be more convenient. People are going to want more selection. People are going to want better prices. At Instacart what we want to do is become sort of the essential infrastructure that enables that to happen. And we're in

that journey to make that happen. And of course, Covid-19 was obviously a big accelerant in that.

In many ways, the way I think about this is what SARS did for Alibaba and how that was such a catalyst for online adoption for e-commerce in China, we witnessed that happening in the United States as well.

SAFIAN: You got this boom in demand last spring, you got to race to make sure that the site doesn't go down, and all the core functionality works. At the same time, there're probably new parts of the product or new products that you wanted to roll out that maybe were on the roadmap that maybe got shifted. How over the course of the last year did you decide which products should be rolled out?

MEHTA: Well, at Instacart we believe in extreme focus.

During the pandemic, there are certain features that we thought were going to be absolutely critical for us to be a safe and reliable service. And so we launched features such as making sure that our shoppers were getting safety checks every single day. For our customers, we launched features that allowed them to get deliveries in during a time when the demand outpaced the amount of supply that we had by like five to one. And so we launched delivery options that allowed for us to batch orders much more efficiently.

We launched features like the senior support line because we knew that many seniors were having difficulty with accessibility on our product. And so we wanted to make sure that if in the event that they needed any support, they could call us, and we were going to be there for them. This was all under the umbrella of being a safe and reliable service during the pandemic. And so that clarity of focus was absolutely required for us to prioritize features like that over others that may have been considered.

SAFIAN: So you didn't have the same kind of support line, say, for seniors, you weren't necessarily manning phone lines to get questions beforehand, but now you're like, oh, that's something we need to meet this demand or this need right now?

MEHTA: Bob, what we saw was that we were getting emails from customers saying that the only reason they'd been able to make sure that their parents' pantries and fridges are stocked is because of Instacart. And so it became very clear to us that this was something that was such an important need. And as a result of the pandemic, there was this big unlock in like this demographic of the customer base that we needed to create products specifically for seniors. And of course, we have now continued to learn from that.

We've increased accessibility on our product. We have also learned that a large population in the United States shop for groceries using food stamps. And so we've launched a EBT SNAP, which is a food stamp program. And so it's sort of like when you

grow so fast, of course, there's a lot that you learn in terms of scaling, but you also learn more about your customers. What are the problems that they're running into? How can you solve them? And being available and accessible for seniors, being available and accessible for people on food stamps are few of the learnings that we were able to get.

SAFIAN: You mentioned your shoppers. I know you provided PPE. There's a vaccine stipend for them getting vaccinated. Meanwhile, the environment for contract workers overall has kind of been in flux. Uber, most prominently, trying to adjust to an employee benefits relationship. How much is the Instacart platform about people and its growth is about increasing the volume of people, of shoppers versus software?

MEHTA: We have millions of customers and hundreds of thousands of shoppers. And anytime when you have such large numbers of people, the only way you're able to scale and solve problems for so many people, it inevitably becomes a software problem. At the same time, we have to recognize that these are individuals for whom Instacart is a source of their income. In many cases, they are able to pay rent as a result of Instacart. And so there's a huge responsibility that Instacart has to those people. And so we think, of course, it's a software problem, of course, it's a data problem, but we have to be very principled about this, and be very compassionate about this because these are individuals who rely on Instacart.

Our overall platform is growing so incredibly fast, even post the pandemic, that we think there's going to be so many more opportunities for people over the next few years, whether it's picking from retailer stores, picking from dark stores, picking from automated warehouses, and of course the overall delivery business.

We think that we're going to create many more opportunities.

SAFIAN: You added a bunch of executive talent in recent months: scaling up the corporate team, from Airbnb and Google and Facebook and Amazon and so on. Why was that a priority?

MEHTA: The reality is that the team that you build is the company that you build. I personally focus a lot of my time and energy on recruiting and developing talent from within. I just think that that's probably the most important thing that a leader can do. That allows you to scale.

And so we've brought in some wonderful talent recently. The reality is that our ambitions continue to grow. And in order to be able to have a shot at achieving those ambitions, we are going to want to build a better and better team.

SAFIAN: Your business kind of straddles both consumer and enterprise areas. What's similar and what's different about serving consumer business versus an enterprise business?

MEHTA: We find that the timescales are very different. For customers, for example, we're building new features and shipping them on a daily basis. For enterprise customers, the roadmaps are very long. There's a one year, two year planning process. What we try to do is get the best of both worlds and try to make sure that our customers are able to get the benefit of all the learnings that our retailers have from the decades of their experience. And our retailers are also able to benefit from the fact that our teams learn on a daily basis based on how customers are behaving. And we can bring that to our enterprise side of the business as well.

SAFIAN: I have to ask you about Amazon. How do you win against Amazon? Are you trying to compete with them? Are they trying to compete with you?

MEHTA: Bob, I believe that in the long term, the companies that create the most value for the customers win. And you can see that with, of course, the work that Amazon has done. Of course, the work that companies like Costco and Walmart and many others have done. They have created such enduring brands because of the value that they've created for the customers. And for us, in our industry, that comes from three main sources. It comes from customers having access to the best selection. It means the customers have the best prices. And it means that customers have the best convenience. And we believe these are areas that are going to be enduring truths.

And so, when we think about competition, when we think about what we want to do on our own, we think about the world in those three dimensions. And we believe that we have very strong advantages compared to other companies. We can have an incredible offering for customers because of the enormous selection that retailers like Costco, like Wegmans, like Publix, like Kroger, and many, many others provide to the customers. And we believe that is a better way to create value for customers than to own this in a vertically integrated way, in the way that perhaps other companies such as Amazon might be pursuing this.

We believe that gives customers a better selection. We believe that it allows for retailers to have an even playing field, and we believe that there are more convenience and price advantages that we have as a result of that as well.

SAFIAN: And it doesn't necessarily have to be a zero sum game. As long as you're providing value to your customers, other people can provide value in other ways, and that's not necessarily an impediment?

MEHTA: Of course. And so, look, I started this company because I believe that the smartphone could be the supermarket of the future. I believe that this could create an incredible experience for customers. When I was starting the company, nothing like that existed. And I'm so excited that there is this whole economy that has started, there's this whole ecosystem of companies that has now emerged to help customers with this. And I'm so happy that Instacart is playing a part in that, but we've seen companies emerge

everywhere in the world that are trying to pursue the same vision that we have. I think this is going to be really exciting for the customers, and over the next 20, 30 years, we're going to see so much innovation in this, and I'm thrilled by that.

SAFIAN: Listening to your enthusiasm and excitement, I'm just curious, the past year, has it been a stressful year? Has it been a euphoric year? How do you look back and describe what you and the company have gone through over the last 12 months?

MEHTA: I thought that the last year was a crucible moment for Instacart, where I think 20 years from now when we look back at this time, we're going to think about pre-COVID Instacart and post-COVID Instacart. These are two very different companies, two very different trajectories, two very different teams, and I think that, of course, it was incredibly stressful. How could it not be? But at the same time, it was incredibly meaningful. We would get pictures from customers sent to us over emails where they would have on the front entrance of their door, it would say, "Thank you, Instacart, for keeping us safe." That galvanized the team. That motivated the team. That gave us a sense of purpose that kept us moving forward even through some of the most stressful times that I can think of in my entire life. So it was absolutely stressful, but at the same time, it was incredibly meaningful, and I'm incredibly proud of the way that the team stepped up during this time.

SAFIAN: How different will Instacart look a year from now from the way it looks today? I mean, it looks very different today than it did a year ago.

MEHTA: One of the things that I've noticed about Instacart is that it is a different company every six months. And at the same time, there's things that are going to stay the same. There were a few values that we deeply care about that we want to make sure that are consistent among our teams, but also consistent over time.

The value that I personally think about a lot is solving for the customer. I believe that the most enduring companies win because they are solving for the customer, and it is very easy to get sidetracked from that. And that is going to be something that we will try to keep constant, even despite all the change that we're going to be witnessing.

SAFIAN: Great. Well, thank you so much again for doing this, Apoorva. I really appreciate it.

MEHTA: Thank you, Bob.