

Rapid Response Transcript – Fidji Simo

“Re-founding Instacart”

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FIDJI SIMO: I grew up in a family of fishermen. A French-Sicilian family, where food is at the center of everything we do. To me, that mission resonated deeply, and I saw a very big opportunity.

This is a \$1.4-trillion industry we're talking about. But this is also an industry that has been pretty late to moving online. I see Instacart as a core technology partner to all of our grocery retailers.

At Facebook, my team was maybe 6,000 people. And if you want to operate well with a team of 6,000 people, you need to inspire them. So storytelling and communication is important. The reason I love food is that it really touches the soul, and I think this company needs to have soul in order to feed the world.

BOB SAFIAN: That's Fidji Simo, CEO of Instacart and former head of the core Facebook app.

Fidji took over at Instacart this past summer, taking the reins from founder Apoorva Mehta, who appeared on this show last spring to talk about Instacart's incredible COVID-fueled growth.

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 Fidji because succeeding a founder is always fraught territory, particularly for a first-time CEO.

Fidji's approach has been to emphasize an evolved company mission – one that focuses on helping grocery retailers as a technology provider in their competition with Amazon.

She's also diversified Instacart's leadership ranks, adding more women executives, including to the board, to an extent that few tech businesses have.

As for her experience at Facebook, it's not something she's running away from, she explains. Instead it's something she's looking to draw lessons from.

Ultimately, she says, she's looking to build Instacart into a company that, as she puts it, touches the soul.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Fidji Simo, the CEO of Instacart. Fidji, thanks for joining us.

SIMO: Thank you for having me. I'm excited.

SAFIAN: So you are fairly new to the CEO post, new to Instacart. You took over just a few months ago, recruited by founder Apoorva Mehta away from Facebook where you oversaw the core Facebook app. What convinced you to make the shift over?

SIMO: Leaving Facebook after 10 years was a hard decision, as you can imagine. For many years I was passionate about Facebook's mission of connecting the world. But I joined the board of Instacart in January of this year and fell in love with the mission of the company, which is giving people access to food and more time to enjoy together.

I grew up in a family of fishermen, a French-Sicilian family, where food is at the center of everything we do. It's how we celebrate. It's how we share love. To me, that mission resonated deeply, and I saw a very big opportunity with the company to take it to the next level. That became very exciting, and convinced me to join.

SAFIAN: Facebook's been under some scrutiny these days. Was that something you saw coming?

SIMO: Facebook has always been under some scrutiny for the last couple years, so, no, didn't see this particular wave of scrutiny coming. But I think Facebook is always going to be a company that attracts a lot of scrutiny. I think it's a good thing, given the impacts that they have on the world.

SAFIAN: Maybe we'll talk about that a little more later, but I want to ask you a little more about Instacart. Instacart's been known as a consumer app, but there seems to be increasing emphasis as an enterprise business, as an operating system for the grocery industry. You now partner with more than 700 retailers, nearly 65,000 stores, from Aldi to Wegmans. Is your vision for Instacart different than Apoorva's? What's changed with you in charge now?

SIMO: Yeah. I think the big realization is that we are much more than just a consumer app. A lot of people know us, obviously, for the Instacart app, and that's going to continue to be a big part of the company, but we also power the e-commerce operation and the fulfillment of a lot of the largest retailers.

I think we want to continue deepening these relationships. This is a \$1.4-trillion industry we're talking about. Groceries, obviously, a very large portion of commerce. But this is also an industry that has been pretty late to moving online and to the digitization of commerce. So I see Instacart as a core technology partner to all of our grocery retailers in helping them move their business online.

The reason that's important is because there is a giant with Amazon entering the grocery space, which has very deep pockets, a lot of technological know-how. And grocery retailers need to compete with this giant by giving them the technologies to do so in a way that is just more manageable for the level of investment that they're able to make. We can help a lot of the incumbents that are beloved brands compete in this new world.

SAFIAN: They can't individually make the kind of investments that you can make across the full industry?

SIMO: Exactly. We've seen that over and over again with different services, whether it's building a very deep e-commerce platform, whether it's getting to a fulfillment cost to do online deliveries that is cheap enough to scale.

Very recently we acquired a company called Caper AI which does smart carts. That's a technology that Amazon spent hundreds of millions of dollars developing for themselves. That's a cost that's pretty prohibitive for any of our grocers to invest. But because we can offer that technology to all of our grocers, we are able to make that investment up front and hopefully take down the cost of these carts to a point where grocers will want to deploy them at scale in all of their stores.

SAFIAN: Grocery shopping has gone from 2% online to 10% online, which is enormous growth. You expect it to expand to 30% over the next decade, but that still leaves 70% of the shopping in store, right? It sounds like, in your alliance with these brick and mortar grocers, you're helping them not just with their online experience, but with that in-store experience too, trying to upgrade that?

SIMO: That's correct. That's because fundamentally we need to start with consumer needs. When you talk to consumers, they're not thinking about online and in-store as two completely different experiences. They're thinking about their relationship with Kroger's, their relationship with Publix, their favorite supermarkets. That relationship needs to seamlessly adapt to whatever the consumer wants, whether it's going and getting groceries in store, whether it's picking them up, whether it's getting them delivered.

We think that, in the future, the key thing that grocers need to develop is an understanding of who their consumers are and how to best serve them. As a result, if we can digitize a lot of their in-store operations, we are going to be able to help them provide that really personalized experience, not just online, but also in store.

With Caper, for example, it's not just a smart cart that allows you to bypass checkout, it's also a cart that has a screen, a digital screen, where you can offer a personalized experience. If you swipe your loyalty card, for example, and we know you're gluten free, on that screen we can suggest to you some new gluten-free cookies. We can show you where to find them in the store. We can suggest you new recipes. These highly engaging

experiences, deeply personalized, shouldn't be reserved for an online experience. It can also happen within the store.

SAFIAN: You also recently acquired an Australian company called FoodStorm, that's an ordering system. Is that also for the in-store experience, the bridging of the in-store and the out-store?

SIMO: It's about the bridging. What FoodStorm allows you to do is, as a consumer, place an order for meals from grocers. As a grocer, it allows you to receive this order and prepare the meal ahead of time so that the consumer can pick it up or get it delivered.

That's really important because prepared food is a higher profit margin for grocers. But, again, it's an experience that they didn't really know how to convert to an online experience. It was very manual. You usually had to go into the store and just wait in line for your food to be prepared. With this technology, we enabled them to have an online order system that works across our marketplace as well as their own and operated websites.

SAFIAN: That line between getting something delivered from my favorite restaurant and getting something delivered from my grocery is blurring in this future.

SIMO: It is. I think grocers have a really big advantage over restaurants. I think if you look at the prepared meals from grocers, they tend to be cheaper, usually, and they tend to be on the healthier side. This is something that we want to really partner with our grocers to help them develop.

SAFIAN: Working in these multi-sided marketplaces that you're in, they're really complicated. Is your primary allegiance to the consumers, or to these brick-and-mortar grocers? How do you think about that relationship and that priority?

SIMO: We are a four-sided marketplace. We have consumers, grocers, CPGs, which are advertising on the platform, and shoppers. It is a complex business. That was part of the appeal for me. I really do love complex marketplaces.

There is this question in complex marketplaces of, which way do you lean? I think it's a false dichotomy, because the reason our grocers rely on us is because we have an understanding of the consumers. If we lost track of the consumer side, we would be providing a worse service to our grocers.

Meanwhile, vice versa, if we don't sell our grocers well, we sell our consumers poorly. I really think that the magic of these businesses is to keep the marketplace in equilibrium by serving all the sides and making sure that all the sides reinforce each other.

SAFIAN: There's been an explosion lately of new entries in this ultra-fast delivery for groceries. It reminds me a little of the dot-com boom, where free, 10, 15-minute delivery outfits proliferated, and then all went bust? Is ultra fast like this sustainable, or is it a customer acquisition loss leader proposition?

SIMO: So, let me unpack your question a bit. I think there is a real consumer need for speed. And in the commerce market, betting against speed is always a bad idea. And so, if you've used some of these services, when you have an instantaneous need and you're really missing this one item to cook dinner, or if you're like me and it's 10:00 p.m. and you're really craving chocolate ice cream, there's really something magical about someone coming to your door in 15 minutes.

Now, how to serve it is a real question. And we are seeing, certainly, a ton of activity in the space, with a lot of startups entering the space. And this is a hard business. I mean, online grocery delivery in general is a hard business. And it takes a lot of scale to make the unit-economics work. And so, I do believe that a lot of startups are going to try and fail because they really are going to need to get to a certain scale for the model to work.

So, the way we are planning on addressing it is not by doing what these companies are doing, but instead by partnering with our retailers to offer these delivery in 30 to 15 minutes. We have already rolled out one of these partnerships with Kroger, with Kroger delivery now, and then with Publix, with Publix Quick Picks, which allows you to get a subset of the Kroger selection, the Publix selection in less than 30 minutes. And that's great because for a lot of people, they actually do want the selection. And a lot of these startups don't offer much selection.

I think, over time, to address 15 minutes, you need to get even closer to the consumer and beyond the network of stores that large retailers have. And so, that might mean developing nano-fulfillment centers, but we would only do it in partnership with our retailers, never by owning inventory ourselves because we fundamentally don't want to compete with our retailers. Instead, we want to give them the technologies and the fulfillment capabilities to compete with these startups that are really coming after a piece of their business.

SAFIAN: And I guess, as consumers, once we get used to speed, we just don't want to go back.

SIMO: A key point you are making is just where are the consumer expectations going to get set? And a lot of the discussions I'm having with our grocery partners are that a lot of these innovations are coming, whether it's smart carts coming from Amazon, whether it's 15 minute delivery coming from all of these startups. We want to be their partners to address all of these consumer trends in a way that works within their core business.

[AD BREAK]

SAFIAN: Before the break, we heard Instacart CEO Fidji Simo talk about how she's adjusting the company's mission, focusing on helping grocery retailers in their competition with Amazon.

Now Fidji talks about the lessons she's applying at Instacart from her days at Facebook where she oversaw 6,000 people.

She also talks about why it's been a priority for her to increase gender diversity at Instacart. Fidji emphasizes that she believes Instacart's brand and culture need to have a soul, and that for her personally, the primary goal is to generate impact she can be proud of.

You helped build Facebook into an enormous ad platform. Instacart has some advertising business on its platform, but part of the plan is to expand that as well, yes?

SIMO: Yes. So, a lot of what I like about the Instacart ad business is that it's very close to the point of sale. It's literally inside the cart, giving advertisers the ability to say, "Hey, you should consider this product and add it to your cart." And so, it's very, very measurable, much lower down the funnel than other platforms.

It's also a way to kind of benefit the whole ecosystem. And in the case of advertising, it helps us bring the cost of delivery down for consumers, and makes them exposed to deals that they wouldn't have otherwise been exposed to. And then similarly, with retailers, it actually helps us have larger basket sizes because people end up buying things they wouldn't have bought otherwise, and also reduce the cost of online delivery for retailers.

SAFIAN: I remember the early days at Facebook when ads were first put on, and it was like, well, this is a way to support a free service for people to use. That's what advertising does for Facebook. And it sounds like you're saying ads can sort of improve certain kinds of affordability? Although, I guess, at the same time, if my cart size is going up, I'm not really spending less money as a shopper.

SIMO: Well, I think you're spending less on the cost of delivery itself. I mean, when we look at our model, our financial model, we are going to be able to reinvest a lot more into the consumer experience and lower the actual delivery cost because we have an ad revenue stream.

For many years, online grocery delivery was seen very much as a luxury. And I think Covid changed that because it became a necessity. But we still need to drive the cost down. And so, this advertising revenue stream is going to help us do that.

We obviously have a lot more initiatives to drive costs down. We were one of the first online platforms to offer the ability for people to pay with EBT SNAP, which is a government program for low income families to get access to food.

We are adding a deals tab in our app where you can see all of the deals available, and we're also offering 5% cash back if you go pick up your order at a grocery store, and if you're an express member, so that you can save even more money.

And so through a variety of initiatives like that, we hope to make the service just much more affordable.

SAFIAN: When it comes to building an ad platform, are there lessons from what you experienced at Facebook that you can apply here?

SIMO: So, the platform's very different in that, again, it's very close to the point of sale. It's very focused on the CPG industries. But, of course, there are a lot of lessons that apply. I mean, the first one is obviously, I want to build this advertising platform with privacy at the center from the very beginning. And that's something that matters a lot to me.

The second thing is that we know, from our Facebook days, how much measurement matters and showing all of our advertisers that the ads were delivering results and were really driving sales. And so, we're investing a lot in building up a measurement roadmap.

SAFIAN: Do you have any regrets about your time at Facebook?

SIMO: Well, I think it's pretty clear that there are some things that we got wrong and that we didn't anticipate, and we should have anticipated them and been much more proactive about figuring out how the product could be abused. We thought about all of the great use cases of the product, all of the amazing things that could happen when you connect people. And we didn't think hard enough about all of the abuse that could come with it. And so, definitely, I do regret that.

However, I also think that the company corrected that very aggressively. When I look back at the last, I would say three to four years and the massive investment that they've made in security, safety, really understanding abuse, I do think it's a company that's taking that much more seriously.

SAFIAN: So, you've recently gathered some former colleagues from Facebook as part of your executive team, Carolyn Everson; your chief operating officer, Asha Sharma, who joined I guess a few months before you. Was that a concerted effort to bring the band together, so to speak? Or was that just a coincidence?

SIMO: No, it was pretty much, I mean, not entirely a coincidence, but I would say Asha joined Instacart at the same time as I joined the board. We obviously developed a strong relationship during that time. And then when I was making my decision to come on as a CEO, she was actually a very big reason for why I came.

And then bringing in Carolyn, she kind of left Facebook at the same time. So, it was very timely. And obviously, when she left Facebook, I was still in the process of making my decision for joining. And when we talked, we realized, okay, it would be a fun thing to go do this together.

SAFIAN: So, with you and these other additions to the executive team, Instacart now has a majority of women in the top roles at the company. And in mid-October, you added two new female leaders to the board of directors. Is that gender representation strategic? How much of a priority is it for you?

SIMO: So, it's obviously strategic because I think every company would benefit from having diversity. But even more importantly, in the case of Instacart, if you look at our customer base, 80% of our customers are women. If you look at our shoppers, the people who go pick the items in store and then deliver them to customers, 70% of them are women. So I deeply believe that the management team and the entire company all the way to the board need to represent the people that we do serve.

SAFIAN: This fall, separate from Instacart, as if you didn't have enough going on already, you helped launch a new foundation focused on women's health issues called Metrodora. Do I have that right, pronouncing that right? Now this grows out of your own experience with neuroimmune conditions?

SIMO: Yes. So two years ago I was diagnosed with a neuroimmune condition called POTS. Neuroimmune means that it's a condition that's at the intersection of the nervous system and the immune system. And the thing that's interesting about this condition is that they affect millions of people, we think tens of millions of people in the U.S., and about 80% of these patients are women. And when I started digging into this condition, I realized that first, the type of care that women receive for this condition is really subpar. Most of the time, this condition affects multiple body systems. But because medicine is so fragmented, a lot of patients just bounce around from specialist to specialist, without anyone really looking at them as a whole patient. And so that's one of the things that we're going to solve with the Metrodora Clinic, where we're going to bring together multiple specialties of medicine to treat the patient collaboratively and look at them as a whole patient.

It's going to be a 50,000 square foot facility in Salt Lake City. So we're very excited about opening up next year. And then when I looked at the research side, it was also really striking that there wasn't a lot of research going on in the space. There wasn't a patient database, there wasn't a biobank, there were really no collaborations between academia and the private sector. And so with the Institute we're really bringing together the best researchers with the best biotech companies to accelerate research, and hopefully get to cures much faster.

SAFIAN: Does it frustrate you? I guess it must have frustrated you when you were facing this treatment yourself, that these issues that impact women were not given the same priority?

SIMO: So it's incredibly frustrating, but I turn my frustration into action. And that's why I decided to create this foundation. I think these problems are imminently solvable if we just put together the right people around the table. And I was very fortunate to meet my co-founders Dr. Laura Pace and Dr. James Hemp.

SAFIAN: So, a bunch of businesses that became darlings when the pandemic hit, Zoom, Peloton, gaming companies and so on, they've seen some backlash as the lockdowns subside. How do you think about Instacart's business adjusting coming out of Covid?

SIMO: Yeah, so during 2020, we grew 4X in one year, which is crazy. I mean, it was five years of growth into one. And so when I joined the board in January of this year, I fully expected that this year was going to see a little bit of a decline. And in fact, we're going to end the year still growing double digits year over year. People have just discovered that groceries can now be delivered, and they don't want to go back. And so I expect that we're going to see a decade of growth and deepening of this online penetration.

SAFIAN: The company's indicated that an IPO's on its roadmap. You went through the private-to-public market transition at Facebook. How did that experience there impact your approach to an IPO at Instacart?

SIMO: Well, my Facebook experience was pretty funny. I was put in charge of the team that was supposed to crack monetizing mobile, right after the IPO when the stock was tanking. And I would turn on the TV every day, and CNBC would say that there was no way Facebook would ever monetize mobile. And I remember being pretty stressed out at the time, but we figured it out, and we built a big business out of it. I would say in terms of Instacart, of course we aspire to be a public company at some point. But for me, coming in as a new CEO and having this new vision and renewed ambition about being a retailer enablement platform, and really helping all of our retailers compete with Amazon, compete with all of the new startups that you talked about, I want to continue developing that vision. I want to continue rolling out new services that point to where we're going, before we decide to go public, but this is something that we'll get to at some point.

SAFIAN: You ran a very big business at Facebook. What's different about being the CEO compared to your previous job?

SIMO: It's a good question. I think my previous job, when I was leading the Facebook app for the last three years, prepared me very well for the fact that you have to think about multiple business lines. I mean, the Facebook app had 25 different businesses packed into one app. And so that taught me how to operate at this scale, how to understand complexity, how to make really important trade-offs at that scale. But

Facebook was not as much of a partnership company as Instacart is. And so, I would say the big change in coming to Instacart that's incredibly rewarding to me is spending a lot of time with our partners, spending time with retailers, spending time with our advertisers, spending time with our shoppers to understand what they need. I would say it's a much more externally facing role.

SAFIAN: So many folks who run big parts of businesses, but are not the CEOs, don't get the same attention, but maybe their role or their task isn't as much about the storytelling about what the business is as opposed to the operating of the business?

SIMO: I think I still at Facebook had to do a fair amount of storytelling, because my team was maybe 6,000 people by the time I left. And if you want to operate well with a team of 6,000 people, you need to inspire them, you need them to understand where you are going, you need them to understand priorities. So storytelling and communication is important in both of these roles. I think in a CEO seat it tends to be that you tell that story a little bit more to the outside world than to your own team. But I always knew that refining that story and being really crystal clear on where we're going is actually a big part of being a good operator.

SAFIAN: What's at stake for Instacart right now, and for you personally?

SIMO: I think what's at stake for Instacart is continuing to really deepen our relationship with retailers and prove to them that we can be their best ally to grow their business. And it's also transforming the consumer experience, because when you open Instacart right now, it's a very utilitarian app. I think there is a deeper relationship that Instacart can build with consumers, a more emotional relationship. Because fundamentally, a lot of our consumers are families and households that are just trying to get life done. And food is a big part of getting life done.

If we can help them with more than just grocery delivery, if we can help inspire them, if we can help them even longterm with their health, and how food can contribute to that. I think that can be a very inspiring part of the mission of the company.

You mentioned what's at stake for me. I really want to be proud of all of the things that we do here, and part of being proud of that, means helping other businesses grow, helping shoppers find earning opportunities that helps them with their life, and then helping our consumers with all the aspects that I just mentioned and over time potentially even improving their health, which would merge nicely with my other interests that we touched on.

SAFIAN: You are passionate about food.

SIMO: I am very passionate about food. I can talk about Nutella in very passionate terms.

SAFIAN: Are you a cook as well?

SIMO: No. My husband is great at baking, so I'm more of a food critic than I am a cook, but I'm happy to test anything.

SAFIAN: Well, this has been great. Are there any lessons we haven't touched on that you take away from your first 100 days so far that you're coming back to or looking forward to?

SIMO: I think one of the very important things that we haven't touched on is that you can only achieve a mission that's ambitious like that if you have employees that you can take care of in a very deep way, and so a lot of what I'm spending my time on as well is really understanding, what is the type of culture that we want to build inside the company, and so we're in the process of really rethinking our values, really rethinking how we are going to treat each other inside the company, and how we're going to show up to our partners.

The reason I love food is that it really touches the soul, and I think this company needs to have soul in order to feed the world, and I'm working a lot on that soul.

SAFIAN: Well, this has been great, Fidji. Thank you so much for taking the time and talking with us. I really appreciate it.

SIMO: Thank you so much. This was absolutely lovely.