



Locked in with
LOCKEHOUSE

Newsletter Archives

Brown's Rants

Week Ending March 27th, 2022

Ukraine War Impacts Could Speed Eventual Consolidation of Delivery Services

First the good news. Yes, gas prices have stabilized over the past couple of weeks.

After the national average had hit \$4.33 per gallon on March 11th, they have since dipped back to \$4.24 per gallon. That's good news, though prices remain near historical highs. Meanwhile, as the analysts at AAA note, "[Gas Prices Have Stabilized, But For How Long?](#)" The price of a barrel of oil had peaked on March 8th at \$123.70 per barrel and then dropped as low as \$95.04 per barrel by March 16th. It since has climbed and dipped within that range a couple of times. As of this morning (Monday, March 28th), it stood at \$104.80 per barrel.

Most analysts see these dips as an outcome of China going into its most restrictive pandemic lockdowns in two years. Unfortunately, this may give some temporary relief at the pump, but it comes at the cost of even more supply chain disruption. With major Chinese ports operating at reduced capacity, backlogs and traffic jams at our ports are about to get worse again. While a new surge of Covid-19 could see some countries reimpose restrictions and lockdowns that would slow global demand, it is a near certainty that this will not happen in the United State. If anything, the pace of organizations bringing office workers back to the workplace has quickened. The summer driving months ahead are also likely to be major factors. While we will see fewer people going on long road trips and looking more towards regional destinations or staycations, the fact is that during the summer months the US switches to a more expensive blend of gasoline that is meant to fight smog and pollution. All of this means that prices will remain volatile and have a very high likelihood of climbing again.

You don't have to understand the butterfly effect (a small change in an interdependent system can have broad eventual implications elsewhere), to understand that there are going to be obvious impacts on the current geopolitical and economic situations. The most major could be the end of the global economy as we know it—check out the letter from BlackRock's chairman to shareholders in our top ten stories of the week. That alone has epic and immense potential consequences (with both risks and opportunities) across the board from the return to permanent higher inflation rates to the potential near- or on-shoring of jobs. All theoretical possibilities, but major ones.

But I am going to focus on something smaller that I think is going to play out. I think the Ukraine crisis is going to massively accelerate the consolidation of the delivery service industry, as well as force it to evolve.

By consolidation, I don't necessarily mean drive some players out of business—though we have seen this starting to happen—first in the ultrafast grocery segment of delivery. Buyk, which had Russian backing, is now in Chapter 11 due to the impact of sanctions on its core funding. Meanwhile, Fridge No More, a service that had launched in Boston and New York has shuttered due to “growing competition and other industry-related issues.” Consolidation is happening here first because so many of these services are recently launched startups and are far more fragile... but I see this as foretelling a wider trend throughout all the delivery ecosystems.

First, it doesn't take a rocket scientist to see that pressures are already mounting on these ecosystems. Last week, Instacart ([the dominant grocery delivery service with an estimated 63% market share](#)) slashed the valuation of its business from being worth \$39 billion to \$24 billion (nearly 40%). In doing so, it noted increasing levels of competition from companies like DoorDash—which has been rapidly accelerating its delivery options away from the restaurant space to include grocery, convenience stores, and more traditional retail offerings. Part of the challenge here is the post-pandemic return to normalcy—or, at least, the emergence of a new norm in which grocery delivery has a much bigger seat at the table but will retract from pandemic highs. That retraction could be sharper because of the impact of inflation on both food pricing (for their consumers) and fuel pricing (for their drivers).

Keep in mind that the model was initially built around pay-based convenience. It benefited from a pandemic-era need by consumers willing to pay extra for those conveniences. They will retain much of the market share gained, but not all. With pandemic concerns waning, consumer behavior is returning to past norms. This means that price will become a bigger factor. The announcement last week that Instacart will be adding a fuel surcharge to consumers (which they will pass on directly to their drivers) is bound to lose some consumers on the fringes, though the service must retain drivers.

But none of this gets to one of the core challenges of these models. According to [The Business of Apps](#), Instacart lost \$300 million in 2019 and didn't make its first profit until CoVid-19 lockdowns, with an estimated profit of \$50 million on \$1.5 billion in revenues in 2020 after business more than doubled.

DoorDash followed a similar trajectory. They have emerged as the market leader with an estimated 57% market share, with revenues skyrocketing in 2020, continuing to post extremely robust growth in 2021, and only a few quarters of profitability throughout their existence. Meanwhile, Uber has made more revenue from UberEats than its core ridesharing business throughout the pandemic and has struggled with similar issues.

This all leads to the extremely relevant question that has been looming out there for years, but was largely forgotten during the CoVid delivery surge; “[who \(if anyone\) makes money off of food delivery apps, like Uber Eats?](#)”

This is not to say that I don't believe a profitable model can be achieved, but for years the entire industry has been about massive amounts of venture capital propping it up, while the different services attempted to “**build the scale**” that would lead to profitability. The pandemic surge showed us that individual players could get over that hump, albeit inconsistently. Meanwhile, a number of those

privately held companies went public with IPOs over the last few years at a time in which Wall Street's appetite for tech-driven stocks increasingly led to unrealistic valuations that also propped up companies that struggled with actual profitability as they continued to build out scale. Those valuations are coming back to earth.

The pandemic showed us that delivery could be profitable for single players in a best-case scenario, but not consistently so for even the strongest players amidst strong competition in the marketplace.

Savvy players were already branching out to extend their scale (and the path to profitability) beyond their core businesses. Most of the major players are exploring expanding beyond their initial delivery focal points and I suspect this is one way that the business will consolidate further. Inevitably, I think you will see the rise of players that use the same core of drivers for ridesharing, grocery delivery, restaurant delivery and... increasingly, final mile retail delivery.

This won't just be driven by their own need to make scale profitable, but it will also be a result of a driver shortage that is going to worsen the longer fuel prices remain elevated and the longer that there is a general worker shortage. One telling tale is that this past week Uber cut a deal to bring New York Taxi drivers into their system—the very industry they so effectively disrupted for more than a decade.

[The services are all responding in different ways to attempt to mitigate driver pain](#); but the reality is that the driver shortage is going to get worse before it gets better. Estimates of average driver earnings vary—with most of the drivers I have talked to telling me it usually works out in the \$20 to \$30 range, but that is before drivers fill their tanks or pay for the cost of maintenance on their vehicles. Meanwhile, a tight labor market beckons for gig workers that might want a little more stability, even if they may be giving up the flexibility of working for the delivery app services.

Regardless, the labor issues are just going to be another pressure on delivery profitability. The other challenge is going to be economic.

With colder winds starting to blow through the economy and the odds of an eventual downturn in the next 18 months having ticked up, the likelihood is that venture capital funding is going to slow from recent record levels this year. Meanwhile, stock valuations are already entering correction mode. Those back-to-earth valuations make mergers and acquisitions a lot more possible and likely... and given the importance of scale for delivery ecosystems, a smart move.

My wild prediction of the day? Within 18 months, you will see delivery services consolidate with the new model increasingly focused on four complementary hubs: ridesharing, grocery delivery, restaurant delivery and final mile retail. And there will just be a couple of players left battling it out head-to-head, the rest having been gobbled up.

See you next week.

Garrick

Top 10

Stories of the Week

[Bed Bath & Beyond in Deal with Activist Investor](#)

Chain Store Age 3/25

[Instacart Slashes Valuation by 40%](#)

Retail Dive 3/25

[BlackRock Shareholder Letter Portends End of the Global Economy](#)

BlackRock 3/24

[Inflation Starting to Cut Into Retail Spending Both in-Store and Online](#)

Chain Store Age 3/24

[Asking Rents Go Up as Retail Vacancies Decline](#)

Globe Street 3/24

[Uber's Latest Move to Address a Driver Shortage](#)

New York Times 3/24

[Cities Lost Population in 2021—Slowest Year of Population Growth in US History](#)

New York Times 3/24

[HBC & Kohl's: Unwanted Suitor](#)

Robin Report 3/23

[Macy's Backstage to Open 37 Additional Store-Within-Store Locations This Year](#)

Business Wire 3/22

[Instacart Adds Fuel Surcharge as Gas Prices Skyrocket](#)

Grocery Dive 3/22

Economic Headlines

Stories of the Week

[Pending Home Sales Fall in February](#)

Real Economy Blog 3/25

[Houston Ranks Third for Population Growth in 2021](#)

Costar 3/25

[Consumer Survey Shows Brick and Mortar Comeback—with Safety in Mind](#)

Chain Store Age 3/25

[The Housing Market Will Survive Interest Rate Hike](#)

Real Economy Blog 3/24

[US Jobless Claims Fall to Lowest Levels Since 1969](#)

The Guardian 3/24

[NPR: Restaurant Traffic Rises Y-o-Y in February](#)

Chain Store Age 3/24

[First Quarter Growth Estimate Decreases](#)

Federal Reserve Bank of Atlanta 3/24

[How the Ukraine Conflict and Supply Chain Chaos Could Play Out in Food Prices](#)

Grocery Dive 3/22

[How the Ukraine War Will Likely Broaden the Gap Between Haves and Have-Nots](#)

Robin Report 3/21

Property Trends

Stories of the Week

[Living Above a Store Could Become Normal in Las Vegas](#)

Las Vegas Review-Journal 3/26

[We Are Transforming: To Fill Retail Vacancies Stamford Town Center Turns to Non-Retailers to Spark Revival](#)

CT Insider 3/26

[Hollywood & Highland Gets New Name \(Ovation Hollywood\) as Part of \\$100M Redevelopment](#)

Chain Store Age 3/26

[Cowboy Owner Jerry Jones Expanding His Prosper Mega Retail Center](#)

Dallas Morning News 3/25

[The Grove Has Always Been the Shopping Destination L.A. Deserves](#)

Town & Country 3/25

[Chicagoland's Edens Plaza Redevelopment to Include Wayfair Store](#)

Chicago Tribune 3/25

[Vacant Shopko Store in West Bend \(WI\) May Be Demised for Multiple Players as a Retail Strip](#)

Milwaukee Biz Times 3/25

[Shuttered Boulder CO Macy's to Become Office Space](#)

Costar 3/25

[The Rise is the Name of the New Cupertino Project Replacing Vallco Mall](#)

San Jose Mercury News 3/24

[Retailers Gain Confidence in Denver Market](#)

Costar 3/23

[Who Should Shoulder the Cost of Construction Delays](#)

Globe Street 3/23

[After 30 Years Mall of America is Still Ahead of its Time](#)

Adweek 3/22

[In-Person Shopping Keeps Charlotte Retail Market Steady](#)

Costar 3/22

[Staunton Mall \(VA\) Demolition Begins; Mixed-Use Redevelopment On the Way](#)

News Leader 3/21

Retail Headlines

Stories of the Week

[Glossier's First Store Opening of 2022 is in Miami](#)

Retail Dive 3/25

[Petco Launches Rural Concept and Other Retailer Updates](#)

ICSC 3/25

[Jackson MI Hobby Lobby to Open in May](#)

Mlive 3/25

[Foxtrot Opening Third Dallas Location This Summer](#)

Dallas Business Journal 3/25

[Floor & Décor Moves Forward With New Seminole County FL Store](#)

Orlando Business Journal 3/25

[Southglenn Center's \(Denver, CO Metro\) Macy's Waves Goodbye](#)

Denver Gazette 3/25

[West Elm is Coming to Dallas' Park Village](#)

Dallas Morning News 3/24

[Harbor Freight Opening New Garner NC Store](#)

News & Observer 3/24

[Fortunoff Backyard Takes Down Former Pier 1 Space in New Jersey](#)

Chain Store Age 3/24

[Warby Parker Makes a Spectacle With New Houston Store](#)

Houston Culture Map 3/24

[Nordstrom Opening Two New Rack Stores](#)

Chain Store Age 3/23

[Hobby Lobby Opening New Store in McAlester OK](#)

McAlester News 3/23

[2ND AND Charles Bookstore Coming to Virginia Beach](#)

WAVY 3/23

[Five Below Opening at Holyoke Mall \(MA\)](#)

Mass Live 3/23

[Petco Eyes Revenue Growth; New Rural Format](#)

Chain Store Age 3/23

[Allbirds Opens in NYC's Flatiron District](#)

Retail Dive 3/22

[It'Sugar Taking 20K SF Space in San Francisco's Union Square](#)

The Real Deal 3/22

[Walmart is Closing These Two Underperforming Stores Next Month](#)

Best Life Online 3/22

[Nike Plans Standalone Jordan Stores for 2023](#)

Retail Dive 3/22

[Home Depot Likely Heading to San Diego's Mission Valley](#)

San Diego Union Tribune 3/22

[Dick's to Open House of Sport in Minnesota](#)

REBusiness Online 3/21

[Floor & Décor Opens No. Virginia Design Studio](#)

Shopping Center Business 3/21

[Celebs Party at New San Francisco Restoration Hardware](#)

SF Gate 3/21

[Swarovski Opening Manhattan Fifth Avenue Flagship Store](#)

Globe Street 3/21

[Experiential Concept Lighthouse Immersive Signs 10-Year, 23K Deal in Miami's Lincoln Road Area](#)

Costar 3/21

Grocery Headlines

Stories of the Week

[Whole Foods Sherman Oaks Store is in a California State of Mind](#)

Supermarket News 3/25

[Whole Foods Joins Other Grocers With Plans for First Stores in North Dallas Suburb](#)

Costar 3/25

[Meijer Readies a Pair of Supercenter Openings in Ohio](#)

Supermarket News 3/25

[Whole Foods Adds Another Store to Its DFW Tally](#)

Dallas Culture Map 3/24

[Instacart Unveils Suite of Services for Grocers Including 15 Minute Delivery](#)

Grocery Dive 3/24

[Meijer Sets Dates for Canton and Brunswick OH Openings](#)

Crain's Cleveland Business 3/24

[Inside Bristol Farms First Newfound Market Location in Irvine, CA](#)

Grocery Dive 3/23

[HEB Planning New Store in Melissa TX](#)

Dallas Business Journal 3/21

Restaurant News

Stories of the Week

[Sbarro Shifting From Malls to Open Air](#)

ICSC 3/25

[Atomic Wings Sets Opening Date for First TX Location](#)

QSR Magazine 3/25

[Another Black Rock Coffee Planned for Meridian, ID](#)

Boise Dev 3/25

[Chattahoochee Complex The Works Gets Speakeasy and Cocktail Bar to Go Along With its Food Hall](#)

Eater Atlanta 3/25

[New Food Hall Planned in Old Town Lafayette CO](#)

Daily Camera 3/25

[San Francisco's La Cocina Hosts the First Women-Led Food Hall in the Country](#)

ABC 7 3/25

[Robo Burger, Robotic Burger Joint, Comes to Simon Mall in Jersey City](#)

Chain Store Age 3/25

[Sweetgreen to Open at Least 35 Locations, Pilot Drive-Thru, in 2022](#)

Chain Store Age 3/25

[Brooklyn Dumpling Shop Signs Deal for New Jersey Mall](#)

FastCasual.com 3/25

[Mountain Mike's Opens 250th Restaurant](#)

QSR Magazine 3/24

[Emeryville's Popular Public Market Food Hall Plots Post Pandemic Comeback](#)

San Francisco Chronicle 3/24

[Rise Southern Biscuits & Righteous Chicken Opens 17th Location \(in NC\)](#)

QSR Magazine 3/24

[Buddy's Pizza Continues to Expand Michigan Footprint](#)

Pizza Marketplace 3/24

[Eggs Up Grill Expanding to Memphis Market](#)

Memphis Business Journal 3/24

[Sbarro Planning 100+ New Restaurants in 2022](#)

Restaurant News 3/24

[Fazoli's Opens in Panama City FL](#)

QSR Magazine 3/24

[Mimosa House Opens in Gold River](#)

Sacramento Business Journal 3/24

[Detroit Wing Company Opens Commissary to Support Growth](#)

QSR Magazine 3/24

[Café Rio Mexican Grill Plans 15 New Locations](#)

QSR Magazine 3/24

[Taco John's Heading to Milwaukee; Two About to Open, More to Come](#)

Milwaukee BizTimes 3/23

[Bojangles Inks Deal to Grow in Southeast and Eastern TX](#)

QSR Magazine 3/23

[The Great Greek Opening in Jacksonville FL](#)

Restaurant News 3/23

[Del Taco Shares Secret to Continuous Franchise Growth](#)

QSR Magazine 3/23

[Bobby Flay Concept, Bobby's Burgers, Begins Franchising Push](#)

FastCasual.com 3/22

[Zaxby's Preps for Philadelphia Expansion](#)

Digital Journal 3/23

[Burger King's Parent Struggles to Shut Locations Operated by Russian Franchisee](#)

Costar 3/23

[Celeb Chef Gordon Ramsay Opening More Restaurants in Vegas, Atlantic City](#)

Costar 3/23

[Bad Ass Coffee Wants to Open 150 Units Over Next 3 Years](#)

QSR Magazine 3/23

[Raising Cane's Heading to Delaware](#)

Delaware Online 3/23

[Darden Takes on Rival Chain in Search for Restaurant Space Leftovers](#)

Costar 3/23

[Applebee's is Adding Drive Thru Windows](#)

Eater 3/22

[Pizza Factory Inks Oakland CA Deal](#)

Pizza Marketplace 3/22

[Rush Bowls Opening 12 Units in 2022](#)

FastCasual.com 3/22

[Indian Fast Casual Chain Rasa Expands in No. Virginia](#)

Bisnow 3/21

[Mister o1's Pizza Expands to Boca Raton FL](#)

Pizza Marketplace 3/21

[Wahlburgers Opens First New Mexico Unit in Casino](#)

FastCasual.com 3/21

[Uncle Sharkii Poke Bar Opens in Honolulu's International Market Place](#)

Restaurant News 3/21

REITs, Landlord & Development

Stories of the Week

[A Movie Theater Sells to a Church and Other Trades](#)

ICSC 3/25

[Spate of Suburban San Diego Shopping Center Deals Shows Power of Neighborhood Centers](#)

Costar 3/25

[Two Fresh Thyme Anchored Grocery Properties in Indianapolis Suburbs Sell for \\$18.7M](#)

Shopping Center Business 3/25

[Costco Anchored Center in Tempe AZ Sells for \\$27.8M](#)

REBusiness Online 3/25

[DJM, Fortress Get Pair of SoCal Shopping Centers In California Splurge](#)

The Real Deal 3/25

[Two Sacramento Deals Highlight Record Sales Volume in Q1](#)

Costar 3/25

[Turlock \(CA\) Town Center Sells for \\$37.4M](#)

Shopping Center Business 3/24

[California Firm Buys Richmond VA Publix Anchored Center for \\$24M](#)

Costar 3/24

[New York Investor Buys Fully Leased Charlotte NC Center Poplin Place for \\$34.5M](#)

Costar 3/24

[Sterling Organization Acquires Chicago Area Shopping Center for \\$18.2M](#)

Shopping Center Business 3/24

[Fortress Investment Group Seals \\$151M Deal for Package of CA Retail Centers](#)

Costar 3/23

[iStar Sells Net Lease Portfolio for \\$3.07B](#)

Globe Street 3/23

[ShopOne Forms \\$1B Joint Venture to Buy Grocery Anchored Shopping Centers](#)

Costar 3/23

[Springfield, VA's Backlick Center Sells for \\$25M](#)

Shopping Center Business 3/22

[Community Center in California's Inland Empire Sells for \\$71M](#)

Costar 3/22

eCommerce / Omnichannel / Retail Tech

Stories of the Week

[Last Week's Biggest Retail Technology Plays at a Glance](#)

Retail Technology Innovation Hub 3/27

[BurgerFi Piloting In Car Ordering Tech](#)

Fast Casual 3/24

[How Will Tech Help us Navigate the Next Pandemic?](#)

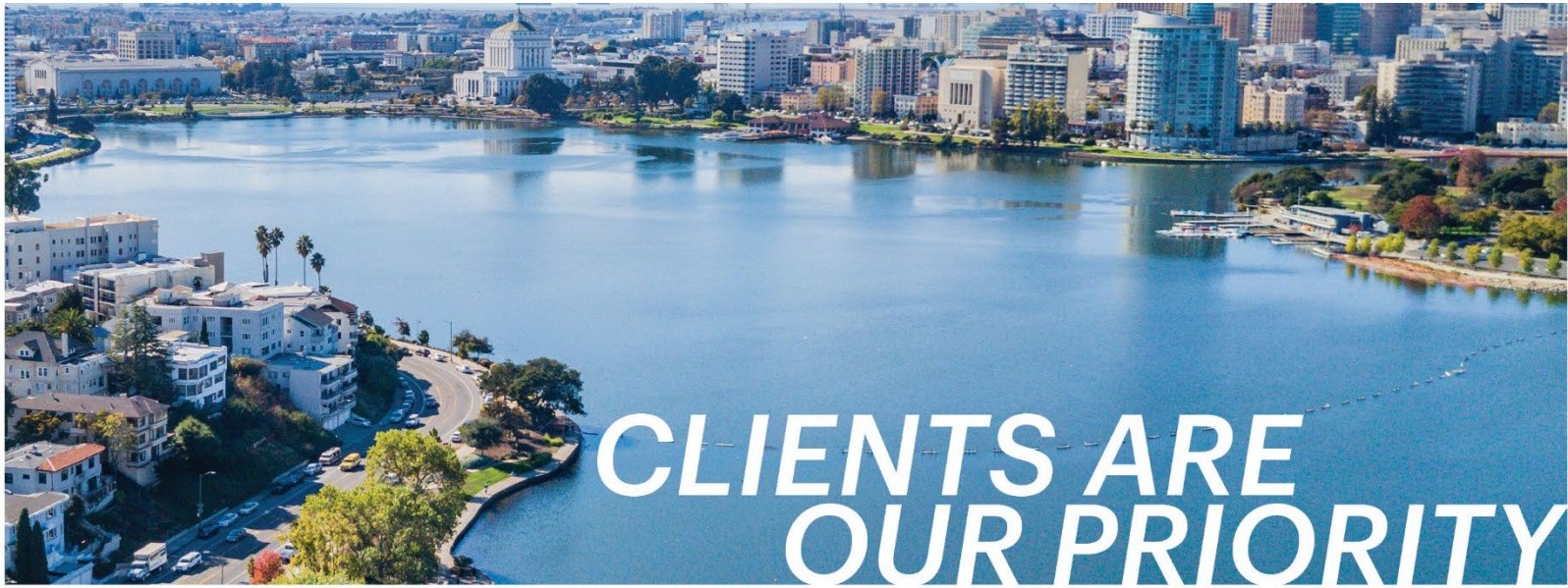
Retail Technology Innovation Hub 3/23

[There is No Global Shopping Mall](#)

New York Times 3/23

[The Metaverse and Commercial Real Estate](#)

Forbes 3/22



CLIENTS ARE OUR PRIORITY



WE ARE LOCKEHOUSE RETAIL GROUP. IT IS OUR MISSION TO DELIVER EXCEPTIONAL VALUE AND SERVICE TO OUR CLIENTS, INVESTORS AND COMMUNITY.



SERVICES

- ✓ Retail Leasing
- ✓ Mixed-Use Leasing
- ✓ Investment Sales
- ✓ Property Management
- ✓ Consulting
- ✓ Build Out Management
- ✓ Development Services

LOCKEHOUSE

Prepared by Garrick H. Brown
COO & Director of Advisory Services
925-627-7900
garrick@lockehouse.com

2099 Mt. Diablo Blvd., Suite 206,
Walnut Creek, CA 94596
License #01784084
www.LOCKEHOUSE.com