

Uber Goes Shopping: Cornershop Acquisition

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Uber [recently announced](#) its plan to acquire a majority stake in Cornershop, an on-demand grocery delivery company with a presence in Chile, Mexico, Peru, and Canada. Cornershop plans to continue operations under its current management but will report to a board where Uber has majority control. Absent any delays in regulatory approval, the parties expect to complete the transaction in early 2020.

The Cornershop acquisition reflects Uber's [ongoing strategy](#) to expand beyond its core ride service business. Uber CEO Dara Khosrowshahi highlighted that this transaction helps Uber achieve its goal of being “the operating system for your everyday life.” Uber's focus on diversifying its business comes after a turbulent ride since their IPO in May 2019. Uber believes that building ancillary services, such as grocery delivery, for its already captive audience of 100 million users will allow it to further monetize those users and make progress towards its goal of becoming profitable.

Cornershop is not Uber's first venture within food logistics. The company originally tested a variety of delivery services for goods and other items through its [Uber Everything initiative](#), which launched in 2016. Though Uber's ambitions were large, the company quickly realized that Uber Eats was the most promising line of business, and it is where the company has invested significant capital to date. Partnering with Cornershop will enable Uber to expand upon the logistics already in place from both companies and make quick headway into the grocery delivery space.

Though the food and grocery delivery markets present significant opportunities for growth, they are also highly competitive. Uber Eats already faces strong competition from vendors like GrubHub in the U.S. and Just Eat internationally. Uber can expect similarly formidable competition within the grocery delivery space from U.S. heavy hitters such as Instacart and AmazonFresh. Instacart alone has raised over \$1.9 billion and, unlike Uber, is dedicated solely to servicing this market. To what extent Uber will be able to replicate Cornershop's international success in the U.S. remains to be proven.

Uber has already begun celebrating the potential Cornershop can bring to the Uber platform. However, there are several regulatory approvals still pending – primarily since Cornershop operates in several international markets. In September 2018, Walmart announced it would purchase Cornershop [for \\$225 million](#), but the transaction was rejected just four months ago by Mexico's Federal Economic Competition Commission due to antitrust concerns. That said, Uber will likely not face the same level of regulatory scrutiny the Walmart-Cornershop partnership received since Uber is not a retailer and cannot similarly corner the market.



Competition and regulatory hurdles aside, the heightened pressure of being a publicly-traded company will likely force investors to pay close attention to Uber's strategy and narrative around the acquisition. Uber will need to continue educating its shareholders on the value Cornershop can bring to its platform and the potential it could mean for future growth and profitability.