

Online grocer Relay Foods launches service in Baltimore

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Online grocer Relay Foods of Charlottesville, Va., is rolling out service Tuesday in Baltimore, Washington and Philadelphia and plans to offer groceries from local suppliers and farms through home delivery and, eventually, at pick-up sites.

Relay, which until now has operated only in the Charlottesville and Richmond markets, sees untapped demand in Baltimore, Zach Buckner, Relay's CEO, said Monday.

The company is expanding thanks to its June acquisition of Washington-based Arganica Farm Club, an online farmers' market now serving Baltimore, Washington and Philadelphia. Relay officials did not disclose the acquisition price.

Company officials say they have learned from the experiences of online grocers that failed over the last decade and have improved the business model.

Buckner said he started Relay in 2009 with the idea of investing heavily in technology and operations and offering a mix of grocery staples and unique, artisanal foods.

Today, local vendors, including farms and small manufacturers, supply groceries that Relay delivers to businesses, schools and apartment complexes. The company offers home delivery as well.

Relay has grown to include about 100 food suppliers in each of its two Virginia markets, including the Whole Foods supermarket chain, and hopes to work out similar arrangements in Baltimore.

"Our customers are saying they like the access to the broader product selection," Buckner said. "You've got food from your entire city at your fingertips."

Customer orders average \$100, he said.

Peapod, the online grocery delivery service run by Giant Food owner Royal Ahold, poses the biggest competition in the Baltimore market, Buckner said.

"There may be other, much smaller, delivery options, but none that are on our radar," he said.

Peapod, which entered the Washington market in 2000, is the nation's biggest online grocer, with a presence in 24 markets across the United States, said Elana Margolis, a Peapod spokeswoman. She said Peapod, which delivers to about 375,000 customers each year, has begun designating some of Ahold's supermarkets as pick-up sites.

Relay customers can place orders online until midnight for a next-day pickup. A fulfillment center sorts products and prepares orders for delivery. In Virginia, pick-up sites — there are 60 — include the University of Virginia, hospitals and gyms.

In Baltimore, Relay will sell merchandise previously sold by Arganica, including items from vendors such as Blue Crab Bay Co., Moorenko Ice Cream, Cava Mezze, Cherry Glen Goat Cheese, Beltway BBQ Sauce, Honest Teas and Vann's Spices. To start, Buckner said, 15,000 items will be available in the Baltimore area. He added that the company hopes to finalize plans to offer groceries from Whole Foods in the three new markets.

Relay's home delivery will be available in Baltimore City and in Baltimore, Howard, Anne Arundel and Carroll counties. The company plans to launch three to six pick-up sites within the next few months, and 30 to 40 over the next year and a half. Relay is accepting location suggestions on its website.

"The hosts realize this is a great marketing channel," Buckner said. "If you're a gym or a residential community, it's a great perk for membership, and for the larger employers [a grocery pick-up site] can be offered as a benefit."

Caesar Layton, the former president of Arganica who will serve as Relay's senior vice president, said Arganica approached Relay about merging, citing a "nice synergy" between the companies.

Layton said Relay's selection in the Baltimore area will include local offerings and artisanal foods. The company plans to open a fulfillment center, possibly in the Jessup area.

"There isn't a lot of competition" online for groceries, Layton said. "The market is so nascent in Baltimore, so there is such room to grow."

Though only a small percentage of consumers buy groceries over the Internet, Layton said that's likely to change as they do more shopping and perform other tasks online.

Said Layton: "It is considered a growth market."

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