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Door to Door Organics and Relay Foods Announce Merger

By Cat Zakrzewski

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Two online organic grocery stores announced on Tuesday they would join forces to compete with large retailers who are increasingly eyeing online food delivery.

Louisville, Colo.-based Door to Door Organics Inc. and Charlottesville, Va.-based Relay Foods have entered into a merger agreement to serve consumers across 18 states and Washington, D.C. The companies will also close an additional \$10 million in equity financing provided by Arlon Group and existing Relay stockholders that will fuel expansion into new markets.

Relay Foods has focused on customers in North Carolina, Virginia, Maryland and the District of Columbia. Door to Door, which opened in 1997, has a wider reach in the West, Midwest and East Coast. Door to Door Chief Executive Chad Arnold said the companies share a focus on secondary markets that have traditionally been underserved by organic-food providers.

Currently the companies operate in a combined total of 63 markets, and Mr. Arnold said they would be focusing on adding more.

“We don’t need to be in New York and Los Angeles,” Mr. Arnold said. “We’re quite successful in areas that don’t have that density.”

Mr. Arnold said he thinks the merger is consistent with broader consolidation that may be coming to internet food companies. Mr. Arnold said this consolidation is partially a

result of the overall slowdown in venture-capital funding. He said both companies have been very financially disciplined in their approach to the market.

The food delivery landscape is also rapidly changing as giants like Wal-Mart Stores Inc. and Amazon.com Inc. push into it. Amazon delivers groceries through its AmazonFresh service in certain markets, and Wal-Mart is testing delivery services with Uber Technologies Inc. and Lyft Inc.

“The large grocers are really behind the curve,” Mr. Arnold said. “The consumer is changing.”

Mr. Arnold said startups like Instacart Inc. and Blue Apron Inc. have changed the way people think about shopping for food. He said more health-conscious customers seeking convenience are turning to companies like his.

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