NEW REPORT

Online Grocery Retailing in the EU 2014

Focus on drives, click & collect and innovative, collaborative delivery solutions - looking ahead to the next step in the evolution of the sector

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November 2013

If you studied a map chronicling the evolution of online grocery, you'd see the first fledgling beginnings of the sector with some pioneers on the frontier adopting a pick in store model with catchment areas around single stores in high density conurbations with strong purchasing power and high internet penetration.

Moving onward, slowly but steadily as the territory becomes more open, the business developments become more settled and the model evolves towards semi automated dark stores, dedicated to the sector and new logistics set ups, as explosive growth rates start to put too much strain on the humble structure put in place by the pioneer spirit. It's at this stage where the first and best players report profitability, as they reach scale effects that make their operations efficient - from picking to truck utilisation to route optimisation

As the broadband revolution gives way to the mobile internet, online grocery enters a third distinct stage in its evolution with the advancement of click & collect, drive solutions and lockers firstly offered by the multi channel players in an elegant way to make their store footprints and property assets count, then in high footfall locations, such as airports and train stations, before an outsider from the West arrives on the scene that transforms the sector yet again…

Going forward online grocery will ask for yet another different logistics set up and we have mapped 4 innovative and collaborative solutions for the sector for multichannel players and pure plays alike to explore.

The future of online grocery innovation

The drive is a specific French innovation to get around the onerous process of obtaining trading permits in the country. Obstacles in planning and zoning law have been a major reason behind the investment poured into “le drive”, as it is virtually impossible to open new hypermarkets in France (loi Raffarin) and various possible sites are not licensed for grocery trading.

Opening a warehouse in an industrial area, a dark store not classified as a food store and hence easy to register and getting trading permits for, and then to operate it as a click & collect grocery store is an enticing growth lever a retailer can pull in the market, where most other space based expansion is virtually impossible (c-stores and discount being an exception).

The best performing drive in southern France made sales of €44m in 2012, however in France, the birthplace of the concept, the party is now over, as the loi Duflot has put a real dampener on innovation that has spread like wildfire through the country.

Nevertheless Click & collect and stand alone drive stations are an extremely important topic in EU online grocery right now. Retailers innovate in this area, as offering a mix of delivery solutions such as click & collect and drives reduces significant costs of home delivery, raises the overall basket sizes (by up to 75% for Ahold for example), enhances loyalty of core shoppers and of course to gain shoppers from rival retailers that do not offer the service.

From a shopper perspective drives offer a clear convenience benefit of not having to wait at home for a delivery and a cost benefit, as pick up is often free or much cheaper than home delivery. The click & collect and drive stations remove a barrier to online grocery shopping and the pick up option frees up time otherwise spent in the store (in the EU typically around 1 hour for a family sized basket).

This time freed up through a drive or click & collect option suddenly offers new merchandising and marketing opportunities. Now the shopper, after having done the chores, will have enough time to take in many of the promotional materials and offers manufacturers will put into the stores to educate shoppers about the benefits of their products.

Across the EU, basket sizes at drives are much higher than in store, but lower than for home delivery and they are under-indexing on fresh produce (meat, dairy and fruit and veg), but the first retailers are already innovating around this and driving the fresh spend back up. Looking ahead, extrapolating from current rapid growth, the share drives and click & collect takes of the total online grocery spend could reach about 50% in the not too distant future, in France it is already above 80%.

The insights in our latest report are about understanding the opportunities for click & collect and drives and delves deep into questions around the different business models.

KEY QUESTIONS ANSWERED

- What are the models used by the cutting edge online grocers right now? What is international best practise?
- What are the profiles of online customers across the EU? How do these shoppers perceive fresh produce online and what happens to their baskets when they chose click & collect?
- Which online grocer has the best perception of fresh produce and why - how does this manifest itself in the drive baskets? Which EU retailer has managed to have the same share of fresh produce included in standard, in-store baskets as in drive baskets?
- Are there pressures on the basket sizes? How can retailers fix that? Do promotions work, are the latest drive store innovations of Auchan and E.Leclerc the right way forward?
- How will the Loi Duflot change the dynamics of drives in France?
- Will Ahold's drives propel the Dutch online grocery sector finally to the levels of Belgium's? Or will it go much further? How significant will the BOL integration turn out to be?
- Which player will revolutionise Germany's online grocery sector? Why is it all about DHL and Amazon? Why are Tengelmann and Rewe acting as start up incubators rather than investing into their models directly? Why isn't the drive option as developed as in France?

- Why is pureplay Leshop suddenly investing into physical drives and click & collect at rail stations? Is it working? Should Ocado do the same?

- What issues do Spanish and Italian online grocery players come up against? Why did Alice.es fail? What about click & collect and drives in these markets? Do they work in the recession plagued periphery?

- Will the UK online grocery market move from home delivery to click & collect?

- What is the future for same day delivery in online grocery? Will Instacart be a success? Or is it all about Amazon Fresh?

- What about collaborative delivery? Is this working and who is actually doing it? Does it need to be shopper and front end led or should it instead be retailer, 3PL and back end led?

- What innovative solutions are on the horizon? How can inefficient load factors be made more efficient? Is there crossover potential with other sectors (foodservice for example) and who should take up this opportunity?

- How can Scandinavian innovations around online curation revolutionise the sector? How big is the potential for the meal solution providers? Is vertical integration and unique product the only effective defence against Amazon - or Amazon Fresh when it finally arrives in the EU?

FEATURES

- detailed statistics on the online grocery sector in the EU and forecast to 2017 by market
- key insights on the leading players and a deep dive into the business models of the leading EU online grocery players
- data on the various drive and click & collect solutions per retailer, customer numbers, orders, average basket size, sales per drive etc
- analysis of the strategic issues facing the sector going forward
- a complete overview of the EU online grocery market, risers and fallers, innovators and laggards
- key recommendations of what to tackle next

BENEFITS

- benchmark against the best in class operators
- gain access to hard to find data, you cannot get anywhere else
- future proof your business by finding new strategic innovations for home delivery
- access a map on the evolution of the sector and find out now what is just around the corner
- find out which risks and obstacles need to be circumvented going forward

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Grocery sizes: EU 27, 2009-2013 growth in %, CAGR

Table 2

	2009-10	2010-11	2011-12	2012-13	CAGR 09-13
Austria					✓
Belgium					✓
Bulgaria					✓
Cyprus					✗
Czech Republic					✓
Denmark					✓
Estonia					✓
Finland					✓
France					✓
Germany					✓
Greece					✗
Hungary					✗
Ireland					✗
Italy					✗
Latvia					✓
Lithuania					✓
Luxembourg					✓
Malta					✓
Netherlands					✓
Poland					✓
Portugal					✗
Romania					✗
Slovakia					✓
Slovenia					✓

Recent key developments: car sharing, new formats, Simply Market drives, Arcimbo

In August 2013 Auchan introduced a car sharing service for its Drive in Nantes. Shoppers can link their orders to another customer's when ordering online and cut out unnecessary car trips. The driver is rewarded with a €3 voucher on the next order. Wal-Mart was pondering offering a similar service in the US in 2012 but dropped the idea because of legal issues, especially around missed deliveries and liability.

In April 2013 Auchan launched the Drive format for its Simply Market discount fascia at the stores in Noyelles les Vermelles and Meulan Tessancourt. Since 2009, Simply Market has operated a click & collect service in 37 stores in the Ile de France region, but not a dedicated drive option. The drives will be served through in store picking and the prices charged are the same as in the store. The product range includes over 9,000 items.

In March 2013 Auchan opened a hybrid drive trial store called Arcimbo in Paris. Close to a Drive branch on one of the city's motorways, the 1,330 sq m outlet focuses on fresh produce and frozen food. As fresh produce accounts for a low percentage of a typical drive customer's virtual cart, the retailer tries to capture this spend with the dedicated Arcimbo fascia, capitalising on the footfall generated by the online order. Auchan also tries to gain share from a nearby E.Leclerc by opening this outlet where it does not operate a full scale hypermarket.

TESTIMONIALS AND CLIENTS

«For us the ResearchFarm reports are so useful. The information provided give us the opportunity to increase our knowledge about the retail industry and its key trends.» Rafael Florez CEO GS1 Columbia

«I found it very insightful. [...] Impressed with the amount of information that has been covered by your report.» (Retail merchandising company)

«I found the document easy to read, well laid out and the content thought-provoking. It reminds me of the major considerations that affect our markets, and to address these key issues when approaching the global brands and retailers.» (Technology supplier)

«The content is very interesting to us, as we look after many of the largest shopping centres and we also represent many international retailers entering our market. There is plenty of food for thought.» (Property consultants)

«It was helpful. It helped me to persuade my boss to take on a project about e-commerce research. I was really surprised by the importance of legal issues. I never read that elsewhere before.» (Government)

«Thank you again for the study. These are very, very interesting, well explained (so, logical) predictions. Highly reliable and useful (I like the idea very much that loyalty schemes will move onto smartphones). It's quite impressive!» (Publishing group)

«On DLF's (Danish Association of Fast Moving Consumer Goods Manufacturers) New Years Conference we had the great pleasure to hear ResearchFarm speak about future trends in online grocery retailing. The feed back from the conference participants was very positive as they gave ResearchFarm's presentation the highest score of all speakers, finding the analysis about the key success factors of chosen EU and US online retailers both very interesting and inspiring. We can therefore give ResearchFarm our best recommendation.»
Dagligvareleverandørerne – Danish Association of Fast Moving Consumer Goods Manufacturers

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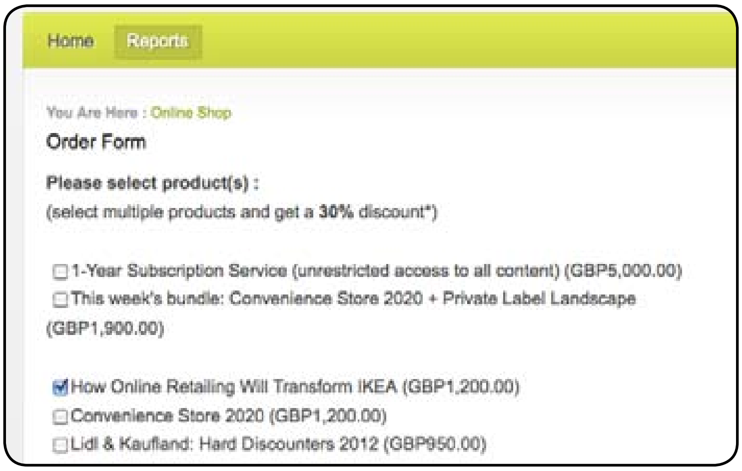
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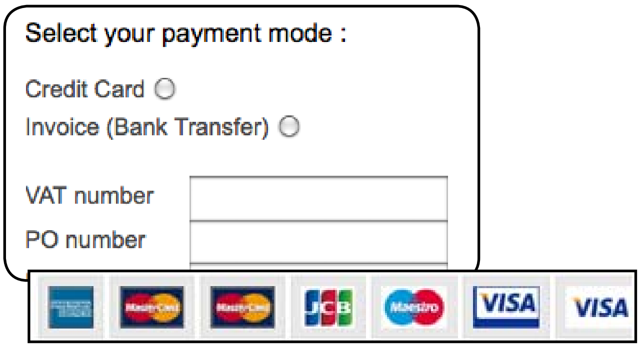
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