NEW REPORT

ONLINE GROCERY

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Retail Analysts

ONLINE GROCERY REPORT 2015 - EUROPE

Here come the discounters – will they take over from the multi channel grocers?

Multichannel online grocery and creating marketplace platforms

INSIDE:
Key questions answered + table of contents

May 2015

10s OF COMPANIES PROFILED

- Aarstiderne
- Ahold
- Alcampo
- All you need
- Alma
- Alnatura
- Amazon
- Asda
- Auchan
- Bringmeister
- Carrefour
- Casino
- CBA
- Cdiscount
- Chronodrive
- Cnova
- Colruyt
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- Cora
- Cortilia
- Delhaize
- DHL
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- E.Leclerc
- El Corte Ingles
- eMAG.ro
- Eroski
- Esselunga
- frisco.pl
- G'Roby
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- HiperDirect
- Hok Elanto
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- Konzum
- Larepera.net
- Leaderprice
- Leshop
- Lidl
- Linas Matkasse
- Louis Delhaize
- Mercadona
- Mytime
- Nemlig
- Ocado
- Ooshop
- Real
- Rewe
- Rohlik
- Supermercado 24
- Tesco
- Tudespensa.com
- Ulabox
- Unilever

14 reasons for multichannel grocers to team up with new online food startups and organic farmers markets

5 key benefits of connected kitchen devices

7 number of discounters going into online grocery

€30-€247 average basket sizes of the various online grocery retailers

KEY QUESTIONS ANSWERED

Discounters:

- Which discounters already offer a home delivery service for a total grocery shop – not just wine, non food and shelf stable products?
- Which discounters are furthest in their development of click & collect options?
- Which discounters are furthest in their development of drives?
- Which discounter provides a model for Aldi and Lidl?

Multichannel transformation:

- Which multichannel retailers are furthest in their transformation towards omnichannel?
- Why is the next step for online grocery tackling the non food issue?
- Why is operating a 3P marketplace such a winning proposition?
- Why are online marketplaces so successful? Which small players are rivalling the multinationals by leveraging local? Why are marketplaces so important for the FMCG industry?
- What is the true potential in subscriptions services? Which retailers are the ones to watch in this space?
- What are the latest developments in terms of the drive concept? How successful will parcel boxes be?

Countries:

- Which countries lead the way in European online grocery? Where are the fastest growing markets?
- Why is Spain the perfect market to test online grocery start up business models? What are the two distinctive features characterising Spanish online grocery?
- When will AmazonFresh arrive in Germany? Will a $299 prime fresh fee work in Germany?
- What is the biggest threat to online grocery in Germany? How is Amazon.de combating the threat? Who are the main domestic players in the German market?
- What are the most interesting models in CEE?
- What does Swedish company Linas Matkasse bring to the online grocery table? How has it become influential? What is happening elsewhere in the Nordic region?
- What is the future of the drive concept in France? Who is the best omnichannel player in France and why?
- Who are the major domestic and foreign players in the CEE countries of Poland, Romania, Czech Republic, Slovakia, Hungary and Croatia?

Retailers:

- What is the significance of Dutch retailer Ahold's acquisition of non-food online marketplace BOL.com in terms of shaping online grocery?
- How is Colruyt disrupting online grocery in Belgium?
- In what ways is E.Leclerc an innovator in French online grocery? Which global player is trying to catch up?
- How has Leshop managed to grow its basket size to more than the average of EU online grocery?
- What is so interesting about Carrefour's ooshop trials in Lyon?
- What is the role of postal services providers such as DHL or Swiss Post?
- How successful will Unilever be with Ulabox?

Connected kitchen devices:

- What are Amazon Dash, Izy and Connected Kitchen? What trend do they represent and are they a glimpse into the future of online grocery?
- What are the major 5 benefits of connected kitchen devices?
- Will they move on to wearables?

Unlike in the US, where new start ups such as meal solution providers, takeaway delivery services and online farmers markets such as Plated, Grub Hub and Good Eggs or the delivery start ups Instacart and Postmates are challenging the status quo, in the EU, where online grocery is much more developed, the multichannel retailers have another thing to fear altogether: the discounter surge.

And unlike in the past, the discounters have started to offer a full grocery shop, including chilled and frozen products, not just the wine or non food options of yesterday – but a proper basket at discounter prices no less.

From the likes of Colruyt, Mercadona to Leaderprice and Dia to Lidl and even Aldi now considering entering the space, the discounters' entry into the sector will change the economics of online grocery beyond all recognition once again – through brutal price deflation for a start.

The multichannel retailers have to react and already there is a model – and like the drives innovation it comes once again from France. The standout operators of this business model are Casino and another online grocery pioneer, Ahold in the Netherlands.

Both have started to follow customer expectations by offering food and non food online in a much more combined way (a reality also reflected in the UK, where the players are finally merging their various standalone sites) exploiting cross-sell opportunities.

Casino's Cdiscount is clearly the outstanding player, with its highly successful C le Marche operation, its harnessing of cross sell opportunities and driving cross promotions in Casino's hypermarkets, (such as online prices in offline environments, one off long tail promotions etc), and of course the click & collect execution.

However the real crucial element in the strategy is opening up to 3P players, so in effect operating a marketplace model not too dissimilar to Amazon. For both Casino and Ahold the GMV from 3P players is growing rapidly and much faster than the 1P business.

INTRODUCTION

Another growth opportunity for online grocery is much deeper embedding into consumers' lives through connected kitchen devices such as Amazon dash, Chronodrive's Izy, Waitrose's Hiku or Carrefour's device launched into the Belgian market.

These devices are a supreme loyalty and ecosystem tie in tool and disable much price comparison. In future we expect the software to move onto the Apple smart watch and other wearable devices. However for now they will necessarily remain rather niche.

Other opportunities for future growth across the EU include the B2B opportunity, with canteens, kindergardens, factories identified as new clients – especially as food service in general has seen such a transformation towards food trucks, premiumisation and fragmentation.

Now that online grocers' B2C operations have been set up, the investment and logistics footprint and assets can be made to work harder by competing with the traditional wholesale trade as well as with food service providers.

This report serves two purposes. On the one hand, it is a discussion of the various key markets and players operating in the EU space and on the other, it gets readers to consider the direction in which online grocery is heading: Will the discounters succeed at e-commerce? Are the connected kitchen devices a serious glimpse into the future or just a gimmick? Could grocery retailers be tempted to adopt an Amazon-style 1P and 3P business model?

Looking ahead, the intersection between online and food will create new business models that are set to disrupt the multichannel grocers and their sometimes still fledgling offerings. There is undoubtedly much more to come going forward.

FEATURES & BENEFITS

1) Country profiles - Sizes and forecast of online grocery in the EU, analysis of the core markets and the opportunity in Central Eastern Europe

- Detailed statistics on the online grocery sector in the EU and forecast to 2019 by market

=> Understand the dynamics of the sector, growth opportunities, white spaces and size of the price

2) Business model analysis - Company profiles of the major standout players and their latest developments and data

- Thorough, deep dive business model analysis of the major players in the EU context
- Data on the various drive and click & collect solutions per retailer, customer numbers, orders, average basket size, sales per drive etc
- A complete overview of the EU online grocery market, risers and fallers, innovators and laggards
- Insights into numerous start up players in the recipe bags and online food marketplaces space

=> Learn from best practice and innovators, Benchmark against the best in class operators, obtain hard to find data

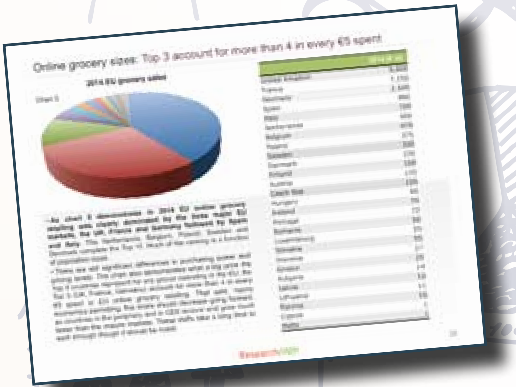
=> Gain insights into some of the lesser-known online players that are nevertheless redefining online grocery

3) Analysis of the strategic issues facing the sector going forward

- Omnichannel strategy – implications and key to success
- Calculate the risks and obstacles that need to be circumvented and gain a glimpse into what the future online grocery business model will look like

=> *Learn how to become a true multichannel retailer and what is required for the transformation – from comprehensive food and non food synergies to 3P platforms*

=> *Get a glimpse into the future and key recommendations of what to tackle next*



4) Strategic recommendations - how to deal with the discounters, connected kitchen devices and online farmers markets

- The state of play in fulfillment: home delivery, click and collect and drives... and where to invest money next – taking into account what the discounters will do next
- Future proof your business by finding new strategic innovations for home delivery, connected kitchen devices, platform and marketplace operations in the online grocery space

=> *Learn why combining a professional online grocery offer with artisanal 3P sellers is so promising*

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Charts and Tables

Sample pages

Albert Heijn: the online grocery opportunity, from BOL.com to PUPs

• **One of the retailers that has done most in terms of online in European grocery in the last years is without a doubt Holland's Ahold.** Apart from being the Netherlands's leading player, the retailer is also the owner of US pureplayer Peapod and so has unique insights into a strong, profitable player in the Chicago area and on the metropolises of the Eastern seaboard.

• **Moreover through the acquisition of BOL.com, the leading online non food pureplayer in the NL, Ahold has complemented its offering and given itself a strong platform from which to build a true multichannel business,** as Albert Heijn was never strong in non food, neither in stores nor in online. With one fell swoop Ahold has bought in capacity, experience and a functioning online business model.

• Ahold's FY14 net sales hit €32.7bn growing by 0.5%. Ahold's online grocery activities are split into two: Peapod in the USA (purchased in 2000) and Albert/Albert Heijn/BOL in the Netherlands. **Ahold's online businesses saw double-digit sales growth (just under 20%) in 2014 to reach €1.4bn.** ah.nl now covers more than 85% of Dutch households and the company will continue with its rollout of pick-up points and the further expanding the online range. Ahold has online growth ambition of growing by 20-25% CAGR over the next 5 years.

• **The retailer has placed omnichannel at the heart of its strategy.** For this reason Ahold will continue to invest in Bol.com and further develop it as a 3P marketplace with web store improvements, new categories, the roll out of marketing and media services and expansion into Belgium.

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Chronodrive: launching the Izy scanner, building an eco...

• **In March 2014 Chronodrive launched the Izy scanner.** With its Izy service the retailer intends to simplify the way customers shop and hopes to sell around 20,000 devices in 2015. Primarily conceptualised as a loyalty tool the device also allows shoppers to bypass their computers or smartphones.

• The Izy is an iteration of the Hiku including both a bar code reader and smart dictaphone, developed in Silicon Valley in 2013. A scan or a chat to the device and the Sku gets loaded into the shopping cart, awaiting validation. Where a regular customer of Chronodrive will spend 16 minutes on average to validate purchases, using Izy this falls to 5 minutes.

• In 70% of cases, Hiku is spoken to, with shoppers dictating product names to the device. This requires extremely high-precision voice recognition capabilities.

• Most shoppers buy after the generic term such as butter instead of a brand such as President. Hiku reacts to this by suggesting butter brands from purchasing history and priority is given to the usual brand.

• The remaining 30% of shoppers are instead using the scanning system and potentially encounter other problems: those related to bar codes specific to a brand and that the Chronodrive application will by definition be unable to read.

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Sample pages

Testimonials - Our Clients Say It Best

«Research Farm publishes great reports every year, and each report brings a unique perspective compared to any other information available elsewhere: the analyses go deep, they are supported with data, but what I most value is that each report is built around a 'clear story', contains proprietary insights and even sometimes innovative projections into the future which help us to think out of the box.»
Global Channel Category sales
Nestle waters

«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

«The discounters reports were and still are very helpful as we got lots of detailed information and figures we haven't found anywhere else. This has helped us to progress with our plans of expansion in the US and convince people internally of the market potential.»
Marketing Manager - Bonifaz-Kohler

«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

+ press quotes

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- **ALDI 2015: Radically transforming Anglo Saxon grocery markets** (reg. price GBP1,990)
- **7 Strategies: How to combat the discounters** (reg. price GBP999)

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