

**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

May 2015

INSIDE:

Key questions
answered +
table of contents

10s OF COMPANIES PROFILED



- Aarstiderne
- Ahold
- Alcampo
- All you need
- Alma
- Alnatura
- Amazon
- Asda
- Auchan
- Bringmeister
- Carrefour
- Casino
- CBA
- Cdiscount
- Chronodrive
- Cnova
- Colruyt
- Condis
- Coop
- Cora
- Cortilia
- Delhaize
- DHL
- Dia
- Dm
- E.Leclerc
- El Corte Ingles
- eMAG.ro
- Eroski

- Esselunga
- frisco.pl
- G'Roby
- Gastrohaus
- HiperDirect
- Hok Elanto
- Jumbo
- Kesko
- Konzum
- Larepera.net
- Leaderprice
- Leshop
- Lidl
- Linas Matkase
- Louis Delhaize
- Mercadona
- Mytime
- Nemlig
- Ocado
- Ooshop
- Real
- Rewe
- Rohlik
- Supermercado 24
- Tesco
- Tudespena.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

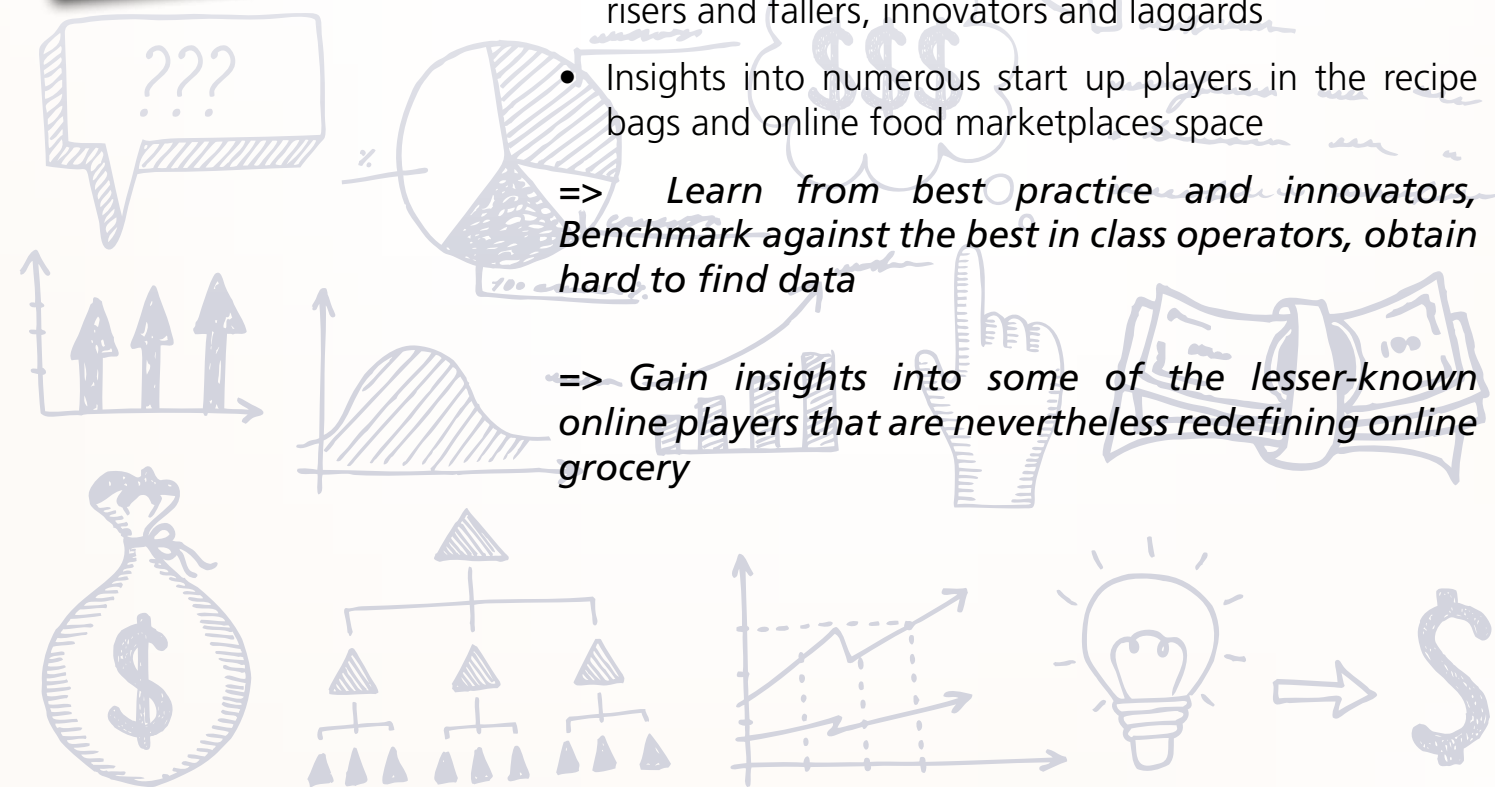


2) Business model analysis - Company profiles of the major standout players and their latest developments and data

- 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



FEATURES & BENEFITS

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*

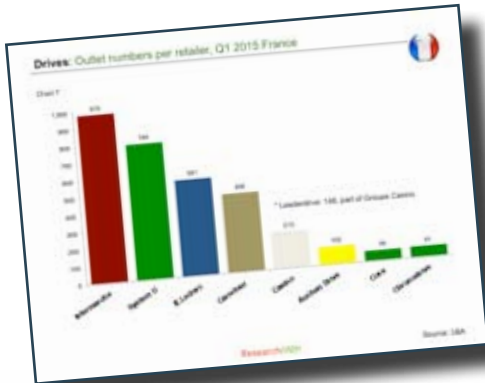


Table Of Contents (1/6)

Executive summary	p16
The context: EU Grocery Retailing in 2014	p17
Grocery sizes: EU 27, 2009-2014 in '000 €bn, e	p24
Grocery sizes: shoppers cut back, shop around and go to hard discounters	p25
Grocery sizes: EU 27, 2008-2014 growth in %	p26
Grocery sizes: EU 27 2008-13 growth in %, rankings & analysis	p27
Grocery per capita sizes: EU 27 in 2013 in €, from Finland to Bulgaria	p28
EU Grocery Retailing in 2015 – Online sizes	p29
Online grocery sizes: EU 27, 2009-2014 in €m e	p30
Online grocery sizes: the transformation of the sector, analysis	p31
Online % share of total grocery 2011-14: EU 27, UK, France, Benelux	p32
Online grocery sizes: Scandinavia a hotbed of development, tough German market	p33
Online grocery sizes: CEE the opportunity, driven by Auchan, Tesco et al	p34
Online grocery sizes: Top 3 account for more than 4 in every €5 spent	p35
Forecast for EU online grocery	p36
Online grocery sizes: EU Growth rates and forecast to 2017, when will AMZN Fresh arrive?	p37
Forecast 2009-2019: data, EU Online grocery in €m, exponential growth	p38
Benelux – Netherlands	p39
Albert Heijn: the online grocery opportunity, from BOL.com to PUPs	p40
Albert Heijn: cannibalisation versus loyalty, real incremental investment in BOL	p41
Ahold: the BOL acquisition and the transformation to a 3P marketplace platform	p42
Ahold: 3P marketplace accounting for 16% of GMV, the AH overlap	p43
Offering an integrated solution, Ahold & BOL	p44
Recent key developments: BOL's 3Ps hit €100m in sales	p45
Ahold: Online grocery stats at Ahold, no impairment charges on store estate	p46
Netherlands: Jumbo's c&c providing some much needed competitive pressure	p47
Benelux – Belgium	p48
Belgium: Delhaize Group – under pressure from the discounters	p49
Belgium: Delhaize offering home deliveries and click & collect	p50
Belgium: Louis Delhaize launches wink, a standalone drive model	p51
Colruyt: Collect & GO, Collishop and Collivery, 5k new customers per collection point	p52
Colruyt: Collect & GO, second DC to serve pick up demand, 650,000 orders p.a.	p53
Colruyt: Collect & GO drive opened, a model for Aldi and Lidl?	p54
Colruyt: Collishop workshops and Collivery targeting the B2B opportunity	p55
Belgium: Carrefour's connected kitchen, a great step forward in food retailing?	p56

Table Of Contents (2/6)

France: the invention and innovation of le drive, the golden age is over	p57
France: the home of the drives, 603 new openings in 2014	p58
Drives: Outlet numbers per retailer, Q1 2015 France	p59
France: the difference between pure drives and pick up points, Nielsen figures	p60
France: 2014 drive sales per retailer, Auchan Aubagne with €19.4m in sales	p61
France: the drive phenomenon is running out of steam, a new era	p62
France: 3 point growth difference between a drive and no drive at supermarkets	p63
France: investments in stand alone drives are down	p64
Company profiles – France's leading players	p65
E.Leclerc: drive market leader, €1.9bn in sales in 2014, rapid growth	p66
E.Leclerc: innovation from a rather conservative player	p67
E.Leclerc: testing new models, central commissioning, non food, drive hybrids	p68
E.Leclerc: the pizza and sushi drives, updating and combining the offer, highways	p69
E.Leclerc: slowdown and closures ahead, a drive for downtown	p70
Carrefour: still playing catch up in online grocery	p71
Carrefour: Ooshop and electric cars trials in the old town of Lyon	p72
Ooshop: drawing daisies petal loops around de-central and local depots	p73
Carrefour: using the Seine for online grocery deliveries, sharing loads in Paris	p74
Dia: the first discounter to launch a click & collect service	p75
Dia: cheaper than in store, faster than drives and €30 average baskets	p76
Dia: catering to pedestrians, trial widened out, France only for now – now closed	p77
Casino: Casino, Cdiscount and drives, the best French omnichannel player	p78
Cdiscount/Cnova: Cdiscount going 3P, GMV growth, internationalising, the IPO	p79
Cdiscount/Cnova: 6th largest international listed player, 22 sites in 11 countries	p80
Groupe Casino: the French online grocery offer, home delivery, drives, click & collect	p81
Offering an integrated solution Casino & Cdiscount	p82
Casino/Cdiscount: FBA equivalent, logistics in house, C le Marché runaway success	p83
C le Marché: local commerce, stats	p84
Cdiscount: going offline, launching a tablet, building an ecosystem, DIY	p85
Cdiscount: leveraging its marketplace model and 3P sellers in food too?	p86

Table Of Contents (3/6)

Leaderdrive: the first discounter with a drive, operational in just 3 days	p87
Auchan: the innovator, the e-commerce structure, Auchandirect, Auchan.fr, Grossbill	p88
Auchan: €1,154m in 2014 for Auchan.fr, Auchandirect, GrosBill, 1 hour slots	p89
Auchan Direct: "drives" for pedestrians in Paris, trolley hire	p90
Auchan: figures, hyper vs. Chronodrive 2014, average sales and growth	p91
Auchan: figures, hyper vs. Chronodrive 2014, average sales and growth, analysis	p92
The Chronodrive model: the innovator	p93
Chronodrive: arterial roads, pure solution versus add on, cost management	p94
Chronodrive: As no trading permits were needed, a boom in the format followed	p95
Chronodrive: recent developments, Chronovillage, Mag&Drive	p96
Chronodrive: the first mover dilemma, all the stats	p97
Chronodrive: losses leading to closures, pure model at a disadvantage?	p98
Chronodrive: launching the Izy scanner, building an ecosystem	p99
Chronodrive: target of 20,000 customers for its version of the dash	p100
The outlook for drives in France	p101
France: combining the opportunities of the drive with the store, innovation	p102
France: the Loi Duflot and Tascom curtailing the boom	p103
France: shift from expansion driven growth to lfl, pureplays benefit	p104
Germany: all eyes on AmazonFresh's arrival	p105
Germany: Online grocery going head to head with Lidl and Aldi, Amazon.de	p106
AmazonFresh: Fresh rolled out to Germany first? Rewe say so...	p107
Company profiles – Germany's leading players	p108
Amazon: Germany has become Amazon's most important foreign market	p109
Amazon: Amazon 1P and 3P delivery issues	p110
Amazon: expansion of grocery ranges, will \$299 prime fresh fee work in Germany?	p111
Amazon: stats and the crucial importance of the 3P sellers on the marketplace	p112
Amazon: Amazon PL grocery product in Germany, first market launch	p113
mytime: Buening pioneering national online grocery coverage	p114
mytime: focus on the B2B opportunity, target of 50%, efficiency and utilisation	p115
mytime: going into niches, cooperating with both DHL and DPD	p116
Lidl: online operations, huge branded non food presence online, international	p117
Lidl: tackling the non food issue, easier at Lidl than at Kaufland	p118
Lidl: online relaunch in Germany, coffee world, wine, pet foods, nappies etc	p119
Lidl: online turnover figures in Germany	p120
Lidl: online health & beauty launch, private label and FMCG A brands, multichannel	p121

Table Of Contents (4/6)

Lidl: the future potential, h&b online	p122
Real: Real's online grocery sales – strong growth from a tiny, tiny base	p123
Real: drive only as an experiment, while Globus has closed one down already	p124
Rewe: Online grocery sales have quadrupled since 2011, investment and incubator	p125
Rewe: the drive options, internal expectations and forecasts have not been met yet	p126
Rewe: transparency drive, website relaunch and big data application	p127
Rewe: cancelling price parity and heavy couponing, Tengelmann's Bringmeister	p128
DHL: German post invest big into working underutilised capacity harder	p129
DHL: DHL trials parcel boxes and rolls them out nationwide	p130
Allyouneed: DHL backed start up, a partner to the FMCG industry	p131
DHL: second DC in the Czech Republic, opening the CEE markets too	p132
DHL: the synergy effects, reach of 30m German shoppers, the multi box	p133
dm: launching its transactional site in 2015, click & collect opportunity	p134
Alnatura: after the dm fallout the Gourmondo tie up, going online	p135
Italy: catch up potential	p136
Italy: online grocery opportunity is only addressed in the North	p137
Italy: sector in lift off mode, French multichannel specialists and start ups	p138
Cortilia: Vegetable box scheme connecting local farmers and shoppers	p139
Cortilia: the subscription offer	p140
Supermercato24: Italy's Instacart copy, charging a premium	p141
Supermercato24: Minimum delivery time is an hour, cash on delivery	p142
Supermercato24: plans to serve all Italy and expanding into Britain and France	p143
Esselunga: market leader, delivery charges waived for old age pensioners, turnover	p144
Esselunga: second DC launched, service widened out, better OSA	p145
Coop: online grocery Roma only, push into non food in 2013, tiny in online grocery	p146
Spain: tailwinds and start ups	p147
Spain: macroeconomic lift off to change the dynamics of online grocery	p148
Spain: dedicated pureplayers and start ups	p149
Spain: online grocery price deflation spells good news	p150
Company profiles – Spain's multichannel retailers	p151
Mercadona: market leader, discounter offering home delivery	p152
Mercadona: click & collect opportunity, website relaunch required	p153
El Corte Ingles: Hipercor and Supercor, multichannel opportunity	p154
El Corte Ingles: drive potential higher due to shopper profile, targeting tourists	p155

Table Of Contents (5/6)

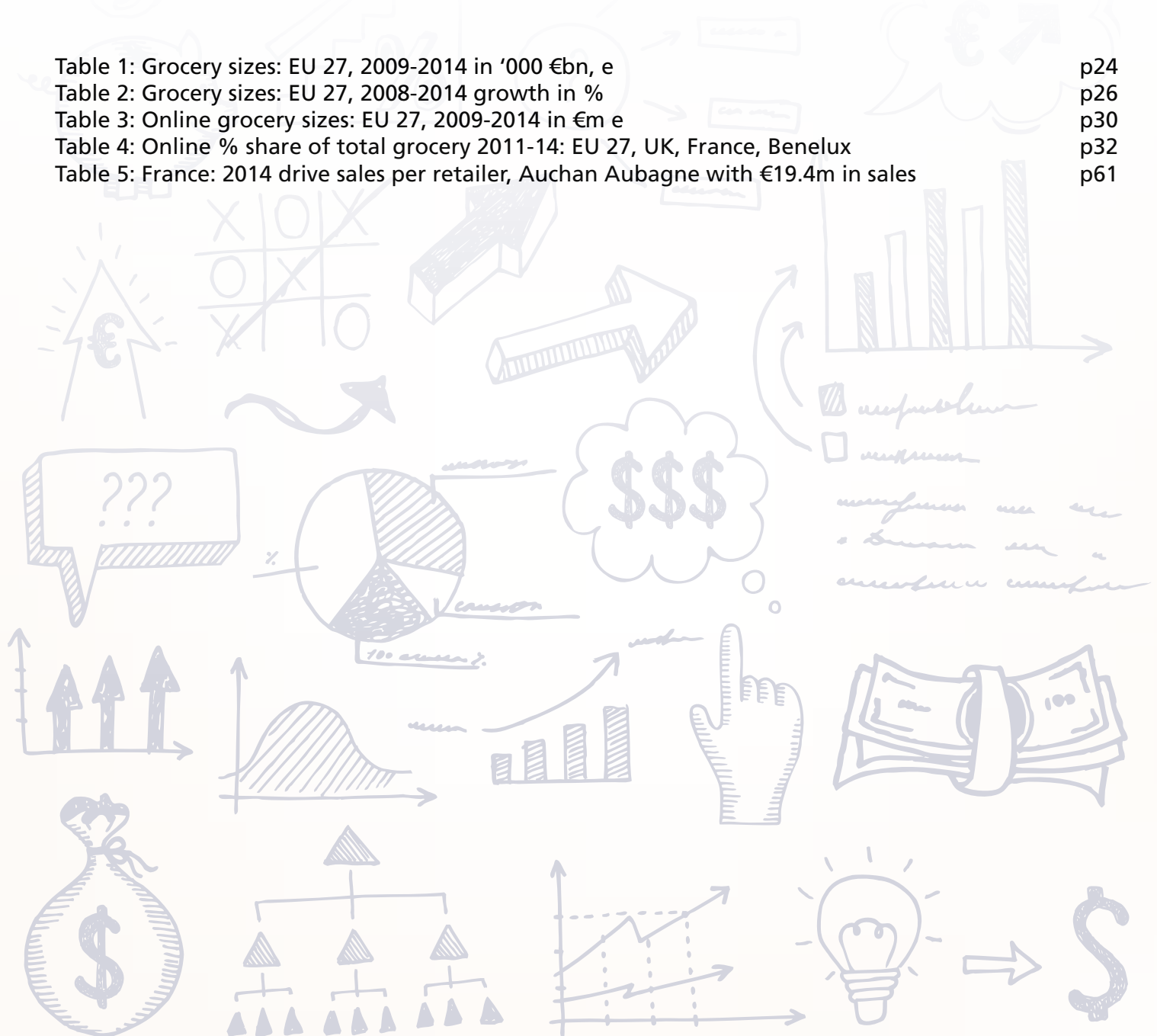
Carrefour: more about non food online	p156
Carrefour: VAT discount, new apps, multichannel opportunity	p157
Eroski: online grocery as only bright spot, launching drives and c&c	p158
Alcampo: Auchan struggling with click & collect and drives in Spain	p159
Dia: discounter online in Madrid only for now	p160
Condis: regional player lowering online grocery prices	p161
December 2014: Lidl launches Deluxe online in Spain	p162
Niche players: Online pure-plays	p163
Larepera.net: multichannel vegetable box scheme	p164
Tudespensa.com: the pantry with price comparison	p165
Ulabox: Unilever's attempts at online grocery, FMCG muscling into the space	p166
HiperDirect: start up with a focus on fresh produce	p167
HiperDirect: trying to get a grip on logistics and costs	p168
The Nordics: a hotbed of development	p169
Nemlig.com: from pure play start up to market leader, 150% growth in 2014	p170
Nemlig.com: backing of Denmark's richest man, Dagrofa cooperation	p171
Nemlig.com: marketplace pioneer and the click & collect opportunity	p172
Aarstiderne: organic box scheme, second biggest player	p173
Aarstiderne: vertical integration, 45 different kinds of boxes	p174
Finland: HOK Elanto opens the first Finish dark store, drive and airport pick up	p175
Finland: Kesko expands its online grocery service, pureplays entering the market	p176
Linus Matkasse and the copycats – recipe bag providers tackling delivery costs differently – the subscription solution and unique product	p177
Linus Matkasse: Swedish innovation, the recipe bag provider	p178
Linus Matkasse: curated shopping in online grocery, skills enhancer	p179
Linus Matkasse: innovative loyalty generation, the data	p180
Linus Matkasse: foreign expansion, cooperation with an omnichannel grocer?	p181
Linus Matkasse: latest developments, stretching the offer	p182
Linus Matkasse: selling out, as the Samwers start pushing hello fresh	p183
Switzerland: the pioneer	p184
LeShop: CHF165m in 2014, return to growth, partnering with Swiss Post	p185
LeShop: a model for other markets?	p186
LeShop: link up with Swiss Post, home deliveries only pm or evenings, now all day for the first time	p187
LeShop: Average spend at CHF248 (€236) in 2013, leading the EU players	p188
LeShop: the data, 55k regular annual customers, average basket > 2x as big as EU sector	p189
LeShop: M-commerce and the Migros advantage, loyalty and cumulus points	p190
LeShop: second drive opened in January 2015, strong start	p191
LeShop: LeShop CHF1.9m in drive sales in 6 months, C&C at Swiss Rail	p192

Table Of Contents (6/6)

Central Eastern Europe	p193
Poland: A promising market led by Tesco	p194
Poland: frisco.pl, Alma, AuchanDirect.pl	p195
Romania: eMAG.ro and Cora, Delhaize and Louis Delhaize	p196
Romania: Carrefour, home delivery, drive opportunity?	p197
Czech Republic: Leaders Tesco to have some company	p198
Czech Republic: Rohlik, delivery in 90 min seven days a week	p199
Slovakia: Tesco dominant online player, Carrefour closing its drive	p200
Slovakia: Tesco experimenting with delivery fees, Gastrohaus	p201
Hungary: Tesco, Orban administration's impact on retail, G'Roby	p202
Hungary: G'Roby, CBA	p203
Croatia: Konzum building out its leadership position	p204
Strategies section - The hard discounters' online push	p205
Discounters: online as a major threat and a key opportunity for others...	p206
Discounters: ... things are changing fast, Netto, Dia, Leaderprice, Colruyt and...	p207
Discounters: ... Mercadona, while Lidl and Aldi approach online slowly and carefully	p208
Connected kitchen devices – the internet of things	p209
Amazon Dash: scan and button, all invite only and prime for now	p210
Others: Chronodrive partnership with Hiku, Waitrose, Carrefour Belgium	p211
Carrefour: connected kitchen in Belgium, a great step forward in food retailing?	p212
Connected kitchen devices: 5 common characteristics and benefits	p213
Connected kitchen devices: pointing towards the internet of things	p214
Connected kitchen devices: moving to the Apple watch?	p215
Connected kitchen devices: Ocado launches grocery app for Apple Watch	p216
The multichannel opportunity – marketplaces and non food	p217
Multichannel: implications and keys to success, learnings from Ahold and Casino	p218
Non-food marketplaces: Grocers transforming into true multichannel players	p219
3P model in online grocery: what is in it for the grocer? 14 reasons to get involved (1 - 8)	p220
3P model in online grocery: what is in it for the grocer? 14 reasons to get involved (9 - 14)	p221
Outlook	p222
Outlook: online as share builder, click & collect, discounters to enter	p223
Outlook: Online grocery as strategic weapon, marketplaces	p224
Outlook: this is only the beginning	p225
Sources	p226

Charts and Tables

Chart 1 & 2: Grocery sizes: EU 27 2008-13 growth in %, rankings & analysis	p27
Charts 3 & 4: Grocery per capita sizes: EU 27 in 2013 in €, from Finland to Bulgaria	p28
Chart 5: Online grocery sizes: Top 3 account for more than 4 in every €5 spent	p35
Chart 6: Forecast 2009-2019: data EU Online grocery in €m, exponential growth	p38
Chart 7: Drives: Outlet numbers per retailer, Q1 2015 France	p59
Chart 8: Auchan: figures, hyper vs. Chronodrive 2014, average sales and growth	p91
Chart 9: LeShop: the data, 55k regular annual customers, average basket > 2x as big as EU sector	p189
<hr/>	
Table 1: Grocery sizes: EU 27, 2009-2014 in '000 €bn, e	p24
Table 2: Grocery sizes: EU 27, 2008-2014 growth in %	p26
Table 3: Online grocery sizes: EU 27, 2009-2014 in €m e	p30
Table 4: Online % share of total grocery 2011-14: EU 27, UK, France, Benelux	p32
Table 5: France: 2014 drive sales per retailer, Auchan Aubagne with €19.4m in sales	p61



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' 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 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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40

Chronodrive: launching the Izy scanner, building an ecosystem



- 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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99

Lidl: online relaunch in Germany, coffee world, wine, pet foods, nappies etc



• In May 2014 Lidl relaunched its online offer, including increasingly more food ranges in the so far strictly non food operation. Apart from the range update the website has been made more user friendly also.

• Lidl has offered a coffee themed world online, featuring several coffee products, a lot more than would be available in store. Coffee is seen as complementing the new wine ranges in the more premium segment, wine of course has been one of Lidl's online categories for quite a while longer.

• Another category that has seen a range overhaul online is pet foods. Lidl's private label pet food brands feature prominently online and the retailer tries to encourage cross category shopping into other non food categories. The pricing structure

is similar to in store. There is a delivery charge of €4.95 per order though.

• Pet foods, non food, coffee and wine are of course a lot easier to make work online than fresh produce, as the logistics challenges are a lot easier to navigate. Lidl's private label nappies (Toujours) are also being advertised and offered online as are household cleaning products (Formil and W5). Themed worlds and categories are continuously being tested by Lidl for their online potential. The online range has been steadily extended since the start in 2008, especially in non food and in wine.

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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 on-line 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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