



The future of EU Online Grocery 2021: ultra fast deliveries, Aldi/Lidl going online, D2C

April 2021: After (?) the pandemic - the boom sector



Executive Summary

The future of EU Online Grocery 2021

- **We expect online grocery to split into various sub channels. Akin to the situation in physical offline grocery, where several channels co-exist, such as hypermarkets, supermarkets, discounters, convenience stores, organic specialists, this will probably be mirrored by online grocery concepts.** And maybe even price segmentation will set in between them.
- **While in the more mature markets the weekly shop is on the whole served well in the online channel through the big multichannel retailers with next day (or later) deliveries, the more immediate shopper missions had not been on the agenda prior to Covid. This has changed,** the Instacart clones (basically a third party pick and delivery service) had an outstanding 2020 (the grocery divisions of deliveroo, Uber Eats, everli and glovo). But these players are now being

disrupted by a new breed of online grocery players which are all about speed and convenience, the rapid convenience store delivery apps such as Getir, Dija, Weezy, Gorillas, Jiffy and Zapp.

- The ultra rapid players have their own mini dark stores/depots in urban catchments and cut out the retailers for sourcing products. The hyperlocal nature of their business model enables them to pick for and reach customers' households within 10-15 minutes, in many cases being quicker than the shopper going to the store themselves. In the right circumstances such as a distressed shop late at night for OTC products, essential ingredients or the like this can be a very attractive offer.
- Following the model of US start up goPuff these players are trying to become global champions. Most of the other players are to various degrees copying the goPuff business model, even though US player was not the first to come up with local hubs.

And currently this is where all the hot investment and start up money is flowing. The promise to capital markets/PE/investor community is to build a truly global grocery business (where all the traditional players have failed), because the model is easily replicable any and everywhere and so it becomes a flag planting exercise and race for market share (just like the meal delivery apps). To guarantee the ultra rapid delivery times the business model needs to be necessarily urban though.

- **While there are many unanswered questions, mainly around profitability, for many shopping missions especially in the bigger cities this is probably the future of delivery, after all, no one wants slower deliveries and once the infrastructure is in place on the front and back end (the logistics set up and the riders) a lot of other services can ride on this too.** Other big unanswered questions apart from

costs/profitability are whether there are scale benefits, as 10 minutes implies that this is a point to point play in logistics. One simply cannot group trips into the catchment, if the rider has to be on the individual shopper's front door with a 10 minute window.

- In certain aspects the rise of these new app players is a big threat to click and collect - but definitely for the convenience store sector, which so far had been shielded from online grocery channel shift. We'd advise convenience store operators to have a long hard look at this and perhaps to launch their own service or partner up with an external service provider - but this would have to happen on a hyper local level and is very cost prohibitive.

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- A clear advantage the ultra rapid players have is that the ranges are often very tight (around 2,000 SKUs) and not very deep, so storage space is minimised, which also means shorter picking distances. Moreover, the lower average basket value (though a clear drawback) also means more deliveries per hour are potentially possible. We still can't see more than 3 deliveries per hour achieved though, if driving times to and from depot have to be calculated in, as well as the picking times. Most players are calculating an average basket size of between €20-30. The convenience of the delivery is great for conversion though and will probably generate more repeat buys than standard online grocery deliveries too.
- There are two other benefits to the model, especially if bicycles are used, the service is actually quite sustainable and environmentally friendly, as many shoppers would have used their cars for this kind of

shopping trip and hence a Gorillas rider will reduce the CO2 emissions of the specific shopping mission. Secondly, the general trend to local, as more people work from home, which is good for actually getting and receiving deliveries, could also mean that shoppers will have more time to shop around locally, as they don't have to commute to their offices. This trend towards buying locally could also play into the hands of the super fast delivery players, who all act hyper locally by definition.

- Retailers now need to really look at what their core shoppers want and how their behaviour will likely evolve in future. If a retailer finds that their urban clientele hugely value speed and convenience, then they should go with or super fast set up, a goPuff style operation. If the retailer's most loyal shopper wants the big weekly shop, then maybe the retailer is best advised to take a look at the more efficient and hopefully profitable approach akin to an Ocado style

solution. And lastly, if the core shopper wants value and low price, then maybe the discounters will be the future option. But all scenarios above have one thing in common, which goes without saying, grocers need to have an online offer now.

- In future could also hold a turn to depression economics, when state expenditure gets reined in, various timely and safety net effects expire and many businesses will go bankrupt. Online retailers then need to assess whether they can serve a trend to smaller basket sizes online in a profitable and sustainable manner. An alternative view concerning the macro-economic forecast sees a huge future boom in the US, due to the Biden stimulus with perhaps some spillover effects into Europe.
- In any case, what will help online grocery in future is this new infrastructure being built by the likes of Amazon, Deliveroo, Uber, Instacart, Glovo, Gopuff and so -

even if various players exit the market again, the logistics will have been put in place so the winners can offer other services on them, not just grocery.

- **Looking ahead, for most online grocers there is trouble on the horizon as Aldi and Lidl are getting ready to finally enter the channel, simply because they have to due to pandemic pressures. This means the competitive pressure will become much more intense, even if a given retailer has a very low overlap with Aldi's shopper profiles. The reason being is price transparency online. And if the macro economic outlook darkens, both retailers will attract substantial customer numbers from the competition.**

Key questions answered

The future of EU Online Grocery 2021

- **Which online grocery model benefitted from the lockdowns the most? Pureplay? MFC? Pick in store? Big Box Robot warehouse?**
- Relative laggards (Aldi and Lidl) are investing heavily into online. What model will they launch? Do the third party providers have a long term future in partnership with the discounters?
- **Click & collect has come from nowhere in online grocery, how big is it now, as the cheapest and most contactless option?**
- How did hard hit Italian and Spanish retailers react in lockdown? Has the online grocery proposition broken generational habits?
- **How well did the French drives perform? What is the future of the model?**
- Is the Picnic model prioritising efficiency over speed, while offering free deliveries the better option? Or will this only work in the Netherlands and Germany?
- **Ultra fast/rapid/convenience online grocery, born in the crisis, do they have a long term future?**
- So how do these operators achieve such speed?
- **Just how much demand is there for ultra-rapid delivery?**
- And even if the demand exists, can such a tight turnaround ever prove profitable?
- **Is D2C a threat to established online grocers? What if FMCG companies teamed up to launch a marketplace operation?**
- Who are the leading EU online grocers? How fast are they growing right now? What country leads the ratings in sales, penetration?
- **What is Amazon up to in the EU? Why has AmazonFresh failed in France?**
- How much of a threat will Aldi and Lidl turn out to be in online grocery?
- **Where will online grocery go in future? How fast will growth be?**

Features

- Online grocery data for the big 4 (France, Germany, Italy, Spain), market sizes for online grocery, average basket sizes
- **Market shares and profile of the leading players and their latest initiatives**
- Analysis of start ups in the 10 minute delivery space from goPuff to Gorillas, Gettir, etc
- **Deep dive into the business models and path to profitability**
- Outlook on FMCG D2C space, winners and losers
- **Strategic recommendations**
- Aldi/Lidl online grocery initiatives

Benefits

- Understand how to choose the right online grocery proposition and tech back end for your business, catchment and customers
- **Grasp how much to invest in delivery and logistics capabilities (depending on your specific sector circumstances)**
- Follow the strategies of stand out performers and incorporate learnings into your own proposition
- **Each section features real life, practical case studies, sharing key learnings and pointing out pitfalls to avoid.**
- Learn from best practice examples
- **Understand whether to take goPuff/Gorillas seriously and assess the competitive pressure from new entrants**

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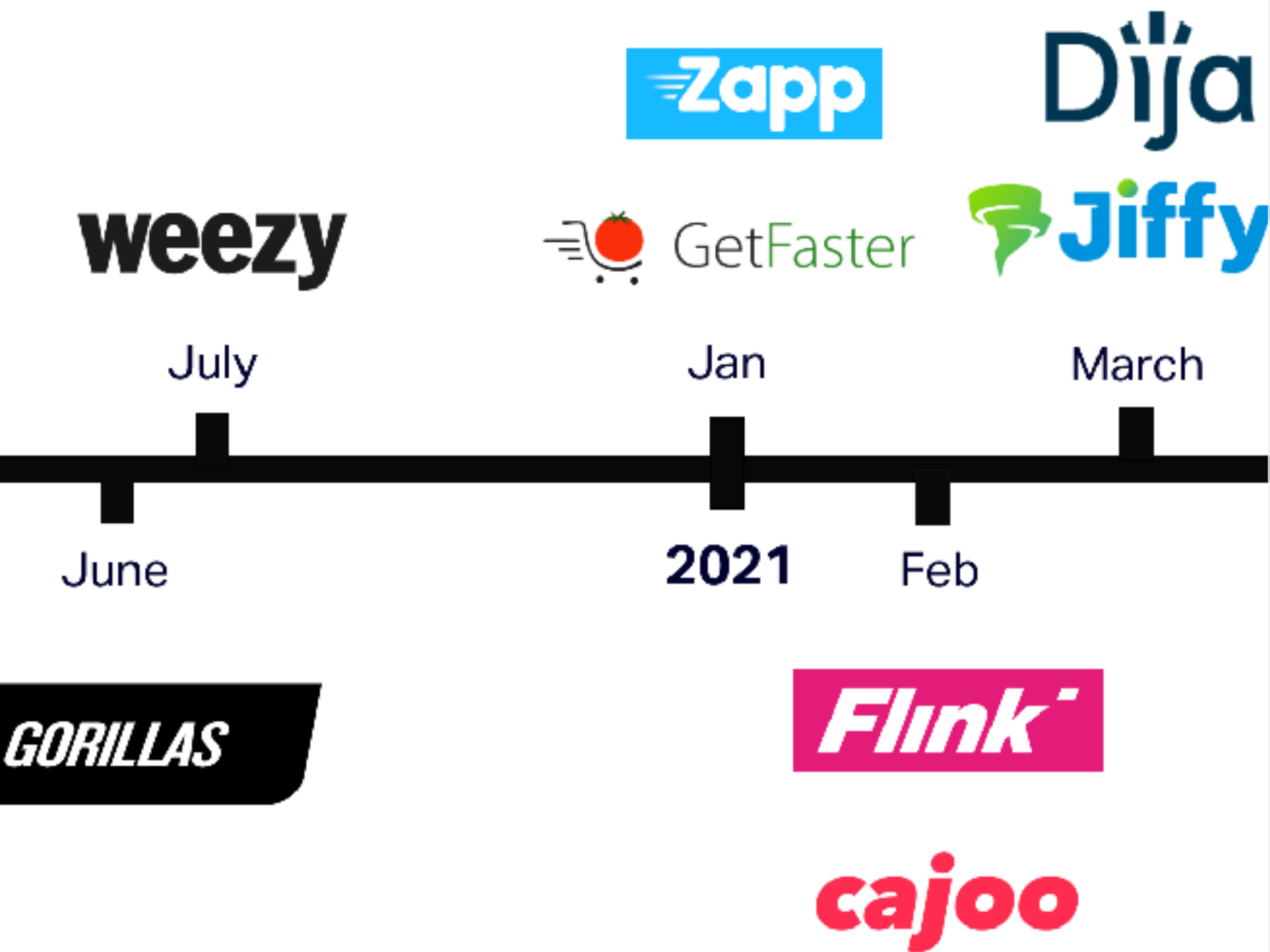
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