The State Of The US Online Grocery Shopper

TREND REPORT

Summary

Grocery store executives need to understand how their US customers' expectations for and behaviors around online grocery shopping have changed in the short term and how they will evolve in the long term. US grocery consumers have new expectations for digital engagement, mobile usage in stores, cross-brand shopping, convenience, and last-mile choices. This research explores the state of online grocery in the US with a focus on consumers' experience and expectations.

US Online Grocery Consumers Are Hungry For Full-Funnel Convenience

US online food and drink sales grew 75% from 2019 to 2020, a shift that has had a lasting effect on the consumer. From 2019 to 2024, research forecasts that online food and drink sales will grow by 29.6% each year — more than double the projected total e- commerce compound annual growth rate (CAGR) of 14.1% — and 10% of US food and drink sales will be online by 2024. As a result, grocery shoppers in the US have adopted new behaviours spanning multiple channels of engagement and multiple stages of buying, from discovering and researching products to actually buying them online.

Grocery Shoppers In The US Find New Products With Digital Help

Two-thirds of US online adult recent grocery buyers like to stick with the brands they like, and only 39% say they enjoy trying new brands or products. When 49% say price is more important than brand names, how will grocers expose their assortment to drive higher lifetime value? Grocers should note that US grocery consumers:

- **Shop primarily in stores but with the help of digital information tools.** In-person shopping is still US grocery consumers' primary method for buying groceries, but they use new digital tools for product comparison and convenience shopping. When digital is involved, US online adults split discovering and researching products between computers (23%) and smartphones (21%); tablet usage lags far behind, with just 5% of US online adults researching their recent grocery purchase on a tablet.

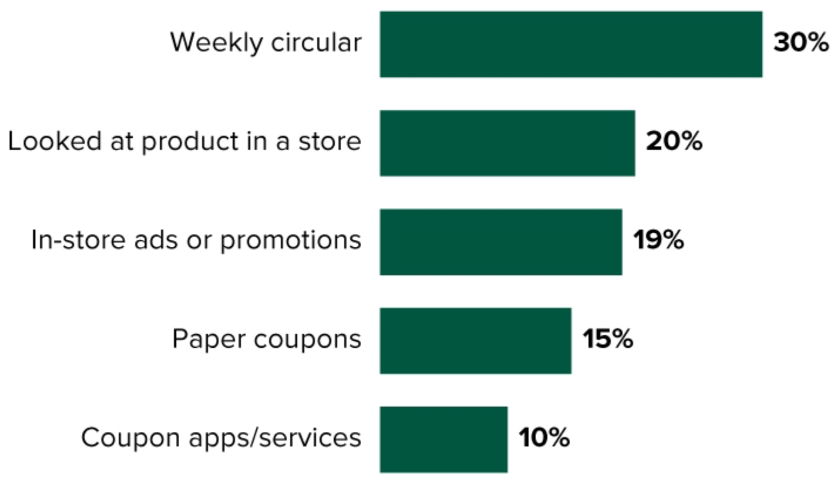
- **Use grocer apps slightly more than mobile web experiences.** Some 58% of US online adult mobile grocery researchers use mobile apps. Common features in grocery mobile apps include faceted search, easy reorders, shopping list collaboration, coupon clipping, and loyalty management. Grocers should ensure their mobile app experience is a unique offering of their services and assortment, designed to capture valuable first-party data and feedback from their shoppers — not a "reskin" of their third-party delivery partner's experience.

- **Engage through traditional, nondigital marketing activities.** Long-trained to look for bargains, 30% of US online adult grocery consumers use the printed weekly circular, 19% look for in-store ads or promotions, and 10% use coupon apps or services to research their grocery purchases (see Figure 1). Only 8% use a shopping app, and just 6% engage with email from a brand or retailer. As traditional media is still so important to US grocery shoppers, grocers serving their digital customers must measure digital's influence on store sales as well as stores' influence on digital sales.

Figure 1

US Consumers Use Multiple Sources To Research Grocery Purchases

"Which of the following resources, if any, did you use when researching the items for your recent grocery purchase?"



Base: 835 US online adults who purchased groceries in the past month

US Grocery Shoppers Use Digital For Product And Services Research

US online adult grocery consumers experience friction most commonly with findability, price, and availability. Our 2021 data shows that only 34% of US online adults say they will stick with the grocer they've been using specifically because the experience has been good (including up-to-date stock status, predictable delivery, and a good product selection). This ambivalence indicates that there is room for improvement because grocery customers:

- **Are price conscious and set in their ways.** Seventy-two percent of US online adult grocery shoppers say price is important, relative to other factors, when they choose which grocer they will shop with; 51% spend time looking for good deals when they grocery shop. Only 7% of US online adults have shopped with a new grocer as a result of the pandemic. Furthermore, only 5% say they would switch to a different grocer to get better delivery options, and just 4% would exclusively shop with grocers that offer click-and-collect services. Grocers must continue to leverage their store locations and continuously refine their digital interactions to retain their customers for the long term.

- **Expect grocers to adapt to fluid (and rising) consumer expectations.** Grocery customers span every demographic and expect a lot — including price, quality, and convenience — from the grocers they shop with (see Figure 2). Interestingly, widespread consumer expectations for same-day delivery have dropped significantly from 43% in May 2019 to only 8% in June 2020, indicating that delivery speed may not be the ultimate driver of online grocery orders and that predictability could play a major factor. Consumers are worried by supply shortages and need a guarantee they will get their goods at all. They will pay for high-speed and same-day delivery to secure their product but prefer to wait for free delivery if retailers assure them that the product will arrive. US grocery consumers are more interested in product characteristics and availability than fulfillment options like speed.

- **Need convenient and efficient digital interactions.** Convenience use cases top the list of digital experience priorities for grocers. Because the average number of items per order is larger in grocery than in other verticals, findability and the add-to-cart mechanism are crucial. Seventy percent of US online adult grocery shoppers prepared a list before their last grocery order. Furthermore, those ordering online also want to be able to reorder easily (22%), get help with meal planning (16%), and efficiently clip digital coupons (14%).

- **See lifestyle and nutritional information as highly important.** After price, information about product quality and availability are important to grocery shoppers. We can see "quality" as supporting consumers' lifestyle/nutritional needs with products that, for example, are organic, free of artificial ingredients and/or gluten, or locally sourced: 60% of US online adults say they make a conscious effort to eat healthy foods. As a result, grocers must empower consumers with rich product information so that they can make intelligent choices for themselves, rather than simply presenting branded content or crowdsourced ratings and reviews.

Figure 2

US Consumers Have High Expectations When Shopping For Groceries

“What do you expect when shopping for groceries?”

Base: 4,767 US online adults

US Online Grocery Shoppers Pursue Low Prices And Convenience

The pandemic-fueled surge in online food and drink orders was a large adjustment for US grocers in 2020; overall, online food and drink spend grew 74.9% compared with 2019. This surge was more than double the digital growth of 31.9% that US grocers saw in 2019. Not surprisingly, some new buying patterns have emerged. US shoppers have used digital engagement to help them locate and buy essential items throughout the pandemic. Grocers serving these customers should understand that:

- **Price persuades more consumers to order groceries online.** Through spring 2021, the two most prominent factors that US online grocery holdouts said would persuade them to order groceries online were 1) perceived “good” prices and 2) avoiding delivery fees. Product quality, delivery speed, and ease of shopping follow in near-equal measure. Interestingly, among consumers who already order groceries online, the common reasons for doing so are convenience (47%), safety during a pandemic (34%), and an enjoyable experience (29%) (see Figure 3). Grocery retention strategies should focus on price and convenience with a healthy mix of online and offline shopping.

- **US consumers shop among a small set of grocers.** Walmart, Amazon, and Target have been the digital grocery winners since the start of COVID-19: For example, Target has doubled its share of online grocery shoppers since May 2019 (see Figure 4). As a result, regional grocers believe they are locked in a battle for market share while US consumers shop between their primary local grocer offline and a small set of online options. To illustrate: 47% of US online grocery shoppers usually shop with only one grocer online; 25% shop with two grocers online; only 15% order online across three grocers; and just 13% do so across four or more grocers. US consumers aren't adding new grocers to their mix but rather shopping in different ways among their current, small set of grocers.

- **Items in online orders are different than in-store purchases.** According to IRI data in Q2 2021, US online grocery consumers most often ordered nonedible products, such as beauty, health, and homecare items (65%), followed by edible non-perishables like beverages and packaged goods (25%) and edible perishable items like frozen/refrigerated goods (10%). Thirty-five percent of online grocery sales are now food purchases. The largest growth category is refrigerated foods, which saw a 70% increase in May 2021 over the prior year; however, it represents just 8% of overall online grocery sales.

Figure 3

US Consumers Cite Convenience, Safety, And Experience As Reasons To Buy Online

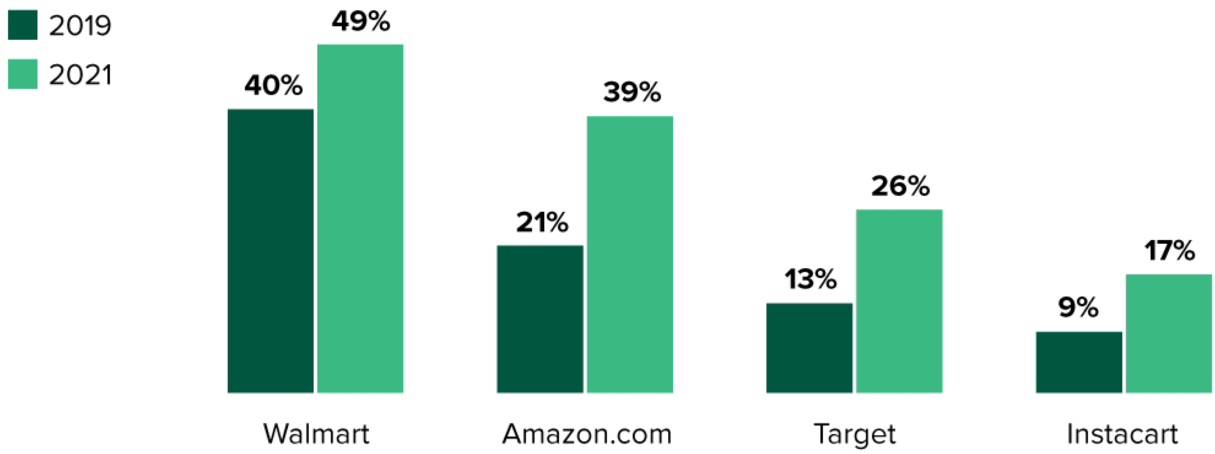
“For which of the following reasons do you order groceries online?”

Base: 1,335 US online adults who ordered groceries online

Figure 4

US Consumers Shop Across A Set Of Grocers, But There Are Clear Digital Winners

"From which of the following do you usually order groceries online?"



Base: 340 to 1,335 US online adults who ordered groceries online (sample size differs by year)

Supplemental Material

Companies We Interviewed For This Report

We would like to thank the individuals from the following companies who generously gave their time during the research for this report.

Algolia

Bloomreach

Emporix

Inmar Intelligence

Mercatus

Mirakl

Myplanet

NielsenIQ

Scandit