

Online Grocery's Hockey Stick Growth Led by Walmart and Amazon Surge

Article

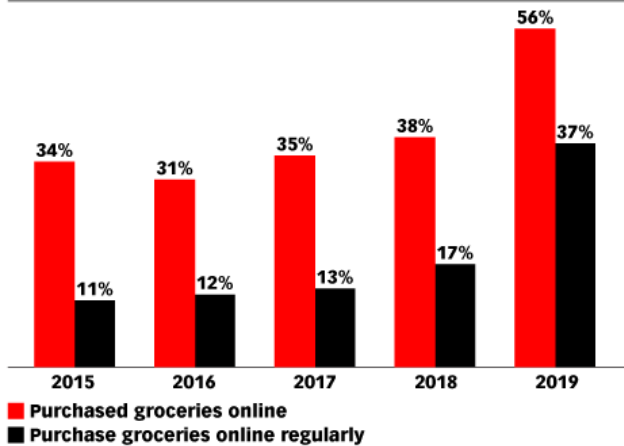
Consumers' desire for affordability and convenience has bolstered demand for online grocery. And as heavy hitters continue to roll out offerings—like Walmart's **buy online**

pick up in-store (BOPUS) and "InHome Delivery" options, as well as Amazon's "Key for Garage" and same-day shipping—their respective double-digit growth speaks for itself.

The number of US internet users who purchase groceries online has spiked from 38% to 56% year over year, according to an August 2019 survey from CPG analytics firm **TABS Analytics**, conducted by **Caravan Engine**. And consumers' proclivity for online grocery shopping has more than doubled in the last year, increasing from 17% to 37%.

US Internet Users' Online Grocery Shopping Behaviors, 2015-2019

% of respondents



Note: ages 18+

Source: TABS Analytics, "7th Annual Consumer Value Study: Food & Beverages (Consumables)" conducted by Caravan Engine, Sep 11, 2019

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Walmart and Amazon are making major headway in US grocery ecommerce penetration this year, growing 29% and 36%, respectively, per TABS Analytics.

Where Do US Internet Users Buy Groceries Online?

% of respondents, 2015-2019

	2015	2016	2017	2018	2019
Amazon	14%	16%	25%	24%	36%
Walmart	12%	12%	14%	15%	29%
Target	7%	5%	9%	9%	16%
Grocery banner	16%	11%	7%	9%	10%
Jet	-	1%	5%	2%	3%
Peapod	2%	1%	2%	2%	2%
Netgrocer	0%	0%	2%	1%	1%
FreshDirect	2%	2%	2%	1%	2%
Other	2%	0%	1%	2%	2%
None	66%	69%	65%	62%	44%

Note: ages 18+

Source: TABS Analytics, "7th Annual Consumer Value Study: Food & Beverages (Consumables)" conducted by Caravan Engine, Sep 11, 2019

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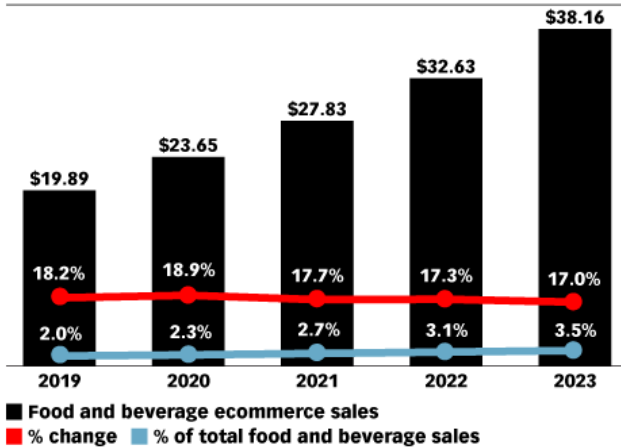
Historically, online grocery offerings have found success in densely populated, urban areas. But Walmart’s growth, in particular, can be attributed to its highly suburban brick-and-mortar footprint. Having long ago established a physical presence and loyal consumer base, Walmart is now focused on steering these customers online.

“Walmart’s aggressive rollout of click-and-collect capabilities over the past year is paying dividends as customers take advantage of the service,” said Andrew Lipsman, principal analyst at eMarketer. “Meanwhile, Amazon is clinging to its leadership position as it leans on its fast delivery capabilities, but will clearly be looking to build out more click-and-collect operations over the next couple years.”

We forecast that food and beverage ecommerce is expected to reach \$19.89 billion this year, representing just 3.3% of US ecommerce sales and 2.0% of total category spending. Food and beverage is the fastest-growing category (18.2%), despite being the least-penetrated retail ecommerce category. As US internet users acclimate to stocking their shelves this way, the market may be approaching a critical mass. We expect the category will continue to grow at above-average rates to reach \$38.16 billion by 2023.

US Food and Beverage Ecommerce Sales, 2019-2023

billions, % change and % of total food and beverage sales



Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; includes packaged foods, fresh foods and beverages; eMarketer benchmarks its retail and retail ecommerce sales figures against US Department of Commerce data, for which the last full year measured was 2017
Source: eMarketer, March 2019

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Retailers hoping to take a bite out of this burgeoning grocery market should prioritize their omnichannel experience and solidify consumer loyalty. Now is the time to keep that customer by educating them about online grocery ordering and encouraging them to give it a try. Even

if these transactions are less profitable today, the cost of losing that customer tomorrow could be higher.