

# How retailers like Walmart, Amazon, and Instacart can harness frequent shoppers to drive digital grocery growth

Article

Though growth is slowing, digital grocery will continue to fuel **overall ecommerce growth** in the US.

“Growth is no longer driven by new adopters, but heavy digital grocery users,” our analyst Blake Droesch said on a recent “**Reimagining Retail**” podcast episode. Here’s how retailers like Instacart, Amazon, and Walmart can capitalize on frequent buyers.

### **The growth opportunity:**

- Consumer adoption has slowed, but digital grocery sales continue to grow. Grocery retail ecommerce sales in the US will increase 18.7% YoY in 2023 to \$185.58 billion, but the number of US digital grocery buyers will only rise 2.0% to 146.4 million.
- “Frequent digital grocery buyers (those who purchase groceries online more than once per month) represent a growing percentage of US consumers. This cohort will drive the next phase of digital grocery sales growth and also affect in-store shopping trends,” per our Digital Grocery Buyers 2023 report.

### **The target shopper:**

- As the number of **frequent digital buyers** increase, perishable food items will be a significant driver of digital grocery sales growth, Droesch said.
- More than half of frequent digital grocery buyers have purchased perishable grocery items online, including meat or seafood (52.4%); fruits or vegetables (54.4%); and dairy, eggs, or cheese (62.1%), according to our forecast.

“If retailers and delivery services can convince shoppers to buy perishables, they are more likely to convert infrequent digital grocery buyers into heavy users. This would drive channel growth by increasing perishable sales, but [it would] also likely increase the purchase rate of already popular nonperishables like pantry items and snacks,” said Droesch.

### **The approach:**

- **Tap new communication and visibility tools:** “You have to take away the uncomfortability of not being able to see, touch, smell your produce—your fruits and vegetables,” our analyst Becky Schilling said. Retailers can offer photos for customers to choose their preferred level of ripeness, or customers can answer questions about ripeness or use-by dates so pickers have more insight to pick the right item.
- **Offer deeper discounts and promotions:** Lots of delivery users use third-party intermediaries like Uber Eats to go into stores and pick items. If you incentivize those same users to purchase fruits and vegetables via delivery, you could win over those holdouts, said Droesch.

### Who’s poised to grow in the digital grocery game:

- **Instacart:** Logistics is a major challenge of online grocery retailers, making it cost-prohibitive for some to add delivery. Instacart is set up to help grocers start these programs without the operational backend, something Schilling believes will help the company grow even more.
- **Amazon:** Amazon’s recent grocery changes could also help it grow digital grocery share, Schilling said, including allowing non-Prime members to purchase fresh grocery items; selling Whole Foods Market private labels on Amazon; and allowing customers to place items from Whole Foods, Amazon Fresh, and Amazon.com in the same cart.
- **Walmart:** Droesch believes Walmart has the most potential in the grocery ecommerce space. Walmart runs its click-and-collect program in-house, which brought in 38.6% of total click-and-collect sales in 2022. “When you look at what’s going to be driving digital grocery growth over the next couple of years, a lot of it is coming from sales growth and click and collect, not delivery. Walmart just very simply has the largest brick-and-mortar footprint.”

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