

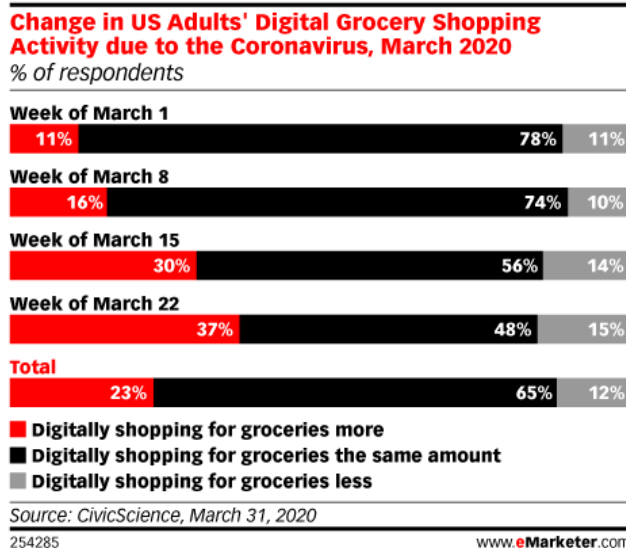
What Grocery Retailers Can Learn from the Past Weeks

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Rimma Kats

Grocery companies—and more specifically their systems and services—have really been put to the test amid the pandemic. Many grocers are having trouble keeping items on the shelves. And even the most prepared are encountering issues with supply chain logistics.

For one, many didn't anticipate such a demand for online groceries. During the first week of March, just 11% of US adults said they were digitally shopping for groceries more, according to data from [CivicScience](#). By the week of March 22, that figure jumped to 37%.



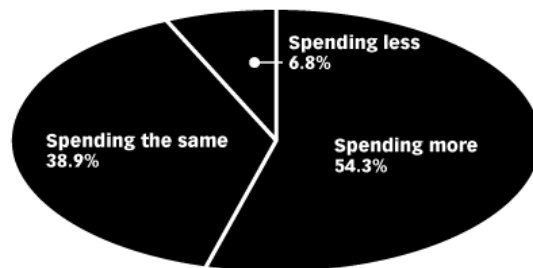
Separate data from [Rakuten Intelligence](#) found that order volume for online grocery retailers surged 210% from March 12 to 15, compared with the same period in 2019. [Similarly, online food sales surged 183%](#) between March 1 and 25 vs. the same period last year, per [NetElixir](#).

Late March data from [Business Insider Intelligence](#) revealed that more than half (54.3%) of US adults spent more on online grocery shopping while quarantined.

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Change in Spending on Online Grocery Shopping During the Coronavirus Pandemic Among US Adults, March 31, 2020

% of respondents



*Note: ages 18+
Source: Business Insider Intelligence, "Coronavirus Consumer Survey," April 6, 2020*

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Many grocers weren't prepared for the surge of orders they were getting from new and existing customers, but others have taken steps to set themselves up for success in the future. Figuring out which improvements to focus on, however, can be tricky.

"Retailers can manage inventory by placing purchase limits on high-demand products in-store and online, monitoring real-time inventory at the store level, and adjusting online inventory accordingly," said Sylvain Perrier, president and CEO of retail software company Mercatus.

"Additionally, they can communicate inventory and purchase limits

quickly and efficiently with third-party delivery partners or delivery-provider marketplaces. This will help reduce order issues related to inventory.

“If retailers are running into problems fulfilling orders or stocking shelves, they should also consider deploying nonessential head office employees to help support in-store staff. This will help reduce costs incurred when onboarding new employees or asking staff to work overtime.”

Grocers should use what they have learned from these uncertain times to strengthen their ecommerce and fulfillment offerings. Important investments to consider include curbside pickup, more contactless payment options and new ways to manage supply chain demand.

“In the future, similar to what grocers learned about bottled water supply and demand after hurricanes and floods, a certain set of core items may now be added to their disaster response programs,” said Joe Vernon, supply chain analytics practice leader at Capgemini, a digital transformation firm. “Online ordering and home delivery will only increase as people become more aware of the regularity of future virus outbreaks in a global economy. Those options will also be important for the younger generation when they start to have households, raise families and take care of elderly parents. The cost of delivery overall seems very reasonable, and that makes the convenience even more appealing.

“Grocers and delivery services are pushing hard to keep up with demand and construct a working model that can scale and be cost-effective. When this crisis does abate, it will be interesting to see what grocers report about profits with such a surge in home delivery. Like Uber, it may take some time for the new normal to be turned into a profitable business.”

By and large, ramping up ecommerce efforts will be key for nearly all grocery retailers. Amazon has been a top choice of consumers, particularly for its grocery services: AmazonFresh, Amazon Pantry and Amazon Prime Now, according to April 2020 data from [Bizrate Insights](#). A large share (62%) of US digital buyers said they bought food and

beverage products from the ecommerce giant over the past month. Younger consumers were slightly more likely to purchase there.

From Which Digital Channels Do US Digital Buyers Purchase Food or Beverage Products?
% of respondents, by demographic, April 2020

	Gender		Age			Total
	Female	Male	18-34	35-54	55+	
Amazon (including AmazonFresh, Amazon Pantry and Amazon Prime Now)	58%	68%	68%	64%	51%	62%
Walmart	39%	45%	36%	47%	39%	42%
Target	27%	23%	40%	25%	7%	25%
Grocery store's website (e.g., Kroger.com, Albertsons.com, Publix.com, HEB.com)	21%	28%	25%	25%	20%	24%
Digital grocery delivery company (e.g., Instacart, FreshDirect, Shipt)	20%	16%	27%	16%	11%	18%
Club store's website (e.g., Costco)	17%	18%	14%	18%	20%	17%
Meal kit company (e.g., HelloFresh, Blue Apron)	9%	3%	10%	7%	1%	6%
Other	11%	12%	7%	10%	18%	11%

Note: among those who bought food or beverage items digitally in the past month
Source: "The eMarketer Ecommerce Survey" conducted in April 2020 by Bizrate Insights, April 8, 2020

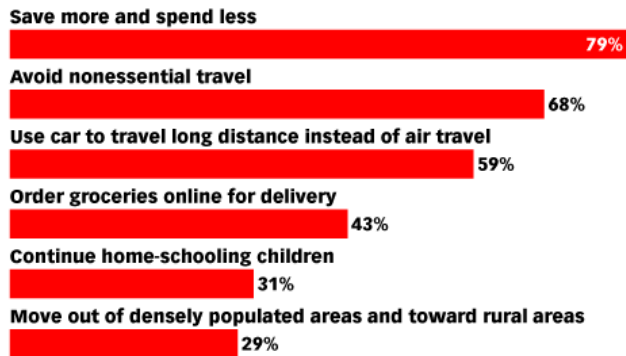
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Walmart and Target are also used by many US digital buyers—likely for their curbside pickup features, which gained popularity prior to the pandemic. Overall, consumers are turning to some iteration of online grocery to meet their needs, whether it’s through a company’s website or by subscribing to meal kits.

In an April 2020 survey by [The Harris Poll](#), 43% of US adults said they were somewhat or very likely to continue ordering groceries online once the pandemic ends—an indication that newer grocery shopping habits are going to continue on an upward trajectory.

Activities US Adults Are Likely to Do Once the Coronavirus Pandemic Ends, April 2020

% of respondents



Note: those who answered very or somewhat likely
Source: The Harris Poll, "COVID-19 Wave 8," April 20, 2020

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"While ecommerce has been a growing trend, the COVID-19 push to all things ecommerce has accelerated the adoption curve, bringing a step-change across all demographics," said Marcus Startzel, CEO of Whitebox, an ecommerce tech partner.

"We definitely see that consumers will move more and more online and will minimize their offline, in-store interactions," said Victor Rosenman, CEO of Feedvisor, an AI platform for Amazon sellers. "We believe this is going to be an ongoing, lasting shift in consumer behavior. It will benefit grocery stores that have robust ecommerce infrastructure and will make it more challenging for purely offline retailers."