


Reimagining Retail: US and UK grocery habits, which grocers are doing digital well, and which are taking an alternate approach

Audio



On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss the differences between how US and UK consumers shop for groceries. Then, for "Pop-Up Rankings," we rank two grocery stores doing digital well, two taking an alternate approach, and why both can work. Join our analyst Sara Lebow as she hosts analysts Blake Droesch and Carina Perkins.

Subscribe to the "Behind the Numbers: Reimagining Retail" podcast on [Apple Podcasts](#), [Spotify](#), [Pandora](#), [Stitcher](#), Podbean, or wherever you listen to podcasts. [Follow us on Instagram](#).



Episode Transcript:

Sara Lebow:

Customer behaviors are changing. You need to stay ahead of trends in order to capture their attention. E-Marketer's Retail Daily Newsletter delivers a daily dose of data, news and insights

on the rapid transformation of retail and e-commerce. Join the thousands of subscribers from companies like Walmart, Hermes, Alibaba, Nike, Coca-Cola, Amazon, and more benefiting from our daily insights. Visit insiderintelligence.com/retail-daily and sign up today. Hello listeners. Today is Wednesday, November 15th. Welcome to Behind the Numbers: Re-imagining Retail and eMarketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is US and UK Grocery Trends. Let's meet today's guests. Joining me for today's episode, we have representing the UK, senior analyst Carina Perkins. Hey, Carina.

Carina Perkins:

Hi Sara, good to be back.

Sara Lebow:

Good to have you. And in our US corner is senior analyst Blake Droesch. Hey, Blake.

Blake Droesch:

Hey, Sara. Good to be here.

Sara Lebow:

Good to have you. Okay, let's get started with free sample. Our Did You Know segment where I share a fun fact, tidbit or question. This one's more of an activity. All of the following words refer to what I, an American from New England, call a shopping cart. I'm going to say a word and you have to tell me where they use that term. Does that make sense? We got it?

Blake Droesch:

In the US or could this be international?

Sara Lebow:

International.

Blake Droesch:

Okay.

Sara Lebow:

Okay. Let's start with trolley. Where do they use trolley?

Blake Droesch:

UK.

Carina Perkins:

UK.

Sara Lebow:

Shopping trolley. Yeah, UK, Australia, New Zealand, also. Grocery Cart.

Carina Perkins:

US?

Sara Lebow:

Yeah, US. Buggy.

Carina Perkins:

Australia.

Blake Droesch:

Ireland.

Sara Lebow:

Buggy is Canada and Southern US. We'll have to ask Susie if they use buggy in Canada, but Southern US I've heard that before. Okay, this next one I'm not sure about. Carriage.

Blake Droesch:

Norway.

Sara Lebow:

The internet said that they use carriage in New England. I lived in New England for 18 years and have never used that term, so I'm not positive about that one. Let's do our last one. This is one that I'd never heard before. Trundler. Think English speaking, think small.

Carina Perkins:

New Zealand.

Sara Lebow:

Yeah. Trundler is New Zealand. If listeners are listening and use any of those terms or say we're wrong about those terms, let us know because I'm not sure. That gets us into our international retail grocery mindset. Now it's time for our next segment, Retell Me This, Retail Me That, where we discuss an interesting retail topic. Today's topic is US and UK Grocery Trends. So to set the scene, according to our forecast in the US, grocery sales will total about \$1.6 trillion this year, 12% of which will come from e-Commerce and e-commerce share is increasing. In the UK, grocery sales will total about \$300 billion this year. And once again, about 12% of that will come from e-commerce, but share is declining. So starting off, why is grocery e-commerce share dropping in the UK? Carina?

Blake Droesch:

So in the UK there was a huge growth in the amount of digital grocery buyers we saw during the pandemic, and a lot of that did also come from older generations who were too afraid to go out during the pandemic or they were trying to stay safe at home, and so they switched to online grocery shopping. So we saw in 2022 a drop, and that was a bit of a rebalancing of the market in the wake of that extraordinary growth. But what we've seen since then is a cost of living crisis in the UK. So we've had very high prices for food, fuel, household energy, interest rates have gone up and that means that people are really having to prioritize cost over convenience, and that's had a few different effects on people's shopping habits.

So people have returned to stores instead of paying for delivery costs. For example, if they live close to grocery stores, they don't want to pay the extra for delivery, so they're just going to the store themselves. People think that it's easier to find bargains when they're in person in the store. They can also compare brands and see for themselves the difference between a branded product and an own label product. And people have also switched to the discounter supermarkets such as Aldi and Lidl, which are primarily brick and mortar. So Aldi does a little bit of click and collect, but they're both primarily brick and mortar, so people are shopping in store when they're shopping there.

Sara Lebow:

So those are all trends that are pretty pronounced in the UK. We don't have the same cost of living crisis in the US that is going on in the UK, but we definitely do have persistent inflation. So why aren't these trends away from e-commerce the same in the US?

Blake Droesch:

Yeah. Well there has been a little bit of a pullback, particularly around grocery delivery over the last couple of months, and I do think that that is a result of persistent inflation, particularly for the price of groceries online. The rate of inflation has been more stubborn compared to the overall consumer price index for the cost of food at home. But the narrative that Carina laid out in the UK is very similar to what happened in the US. We had a real explosion of new digital grocery buyers during the pandemic, followed by a slight course correction. But what we've seen resume is really the long-term uptick in current digital grocery buyers continuing to spend more of their overall grocery budgets online. And that's really what is fueling the long-term growth.

And there has been a little bit of a slowdown, but click and collect, in particular, is continuing to contribute to the overall growth as well. So it's interesting that the narratives are very similar and it does seem like the real X factor here is the cost of living crisis, which has really forced people to change their behaviors in the UK that we just haven't seen to such an extreme degree in the US.

Sara Lebow:

It's interesting that you bring up click and collect because that's another area where trends are different in the US and the UK. In the UK, according to our forecast, click and collect penetration is at about 16% of retail e-commerce sales. In the US, click and collect makes up about 9% of retail e-commerce sales. We don't have that broken out by grocery, but why is click and collect bigger in the UK and is this going to lead to more grocery e-commerce penetration?

Carina Perkins:

I think click and collect has been a trend in the UK for quite a long time now. We had a couple of retailers like Argos who were click and collect from the beginning. That was their whole business model. But also, I think geographically the UK is much smaller. The likelihood of people being closer to a store in order to go and collect it themselves instead of having it delivered is much higher than perhaps some areas of the United States where people might

live further away from their grocery store. So I think there's a few things coming into play there. Click and collect is very popular here, but it's still not been quite enough to drive an increase in grocery e-commerce share at the moment.

Blake Droesch:

Yeah, well in the US, the share of click and collect sales specifically in grocery is much higher compared to the overall rate in e-commerce, but I think geography definitely has a lot to do with it. As Carina mentioned, in the US, people in certain instances, certain regions may live further away from a grocery store, so the option of having your groceries delivered is more enticing. And it also has a lot to do with really Walmart as the main player in the US digital grocery market overall, which has invested a lot of money over the last 10 years in building out their own delivery infrastructure. So as you see people who are Walmart customers at the grocery store move online, they're probably more inclined to take advantage of the delivery offerings that Walmart has rather than place the orders online and then go back to the store to pick them up.

Sara Lebow:

It's interesting that you bring up Walmart because that leads me to a chicken or the egg question. A lot of the US trends in e-commerce and grocery are a result of Walmart's investments, Walmart's incentives. Are differing e-commerce grocery trends in the US and the UK a result of differing retailer investments and incentives, or is the consumer behavior and preference what leads to those differences? In other words, are the retailers in the US and the UK different or are the consumers in the US and the UK different?

Carina Perkins:

I think there are differences between the retailers in the US and the UK, but I think a lot of the tactics that they're taking are very similar. So we've seen the UK's biggest grocers also invest very heavily in their delivery infrastructure and their digital offer. We've seen them invest in click and collect, but as I said, I think some of it comes down to that consumer behavior, and I really think that's driving a lot of the differences at the moment.

Blake Droesch:

Yeah, I think, at the end of the day, consumers in the US enjoy the conveniences of delivery, but they're not necessarily willing to pay an exorbitant fee in order to have their groceries

delivered and the availability on behalf of the retailers of free for free grocery delivery, whether it's through Walmart, Amazon had very competitive rates and pair that with high Prime membership, it was also conducive to incentivizing people to get their groceries delivered. Then you have, of course, the explosion of Instacart during the pandemic, which doesn't offer click and collect and is delivery exclusive. When there was a high percentage of people who primarily only did in-store grocery shopping, perhaps from a local or a mid-size grocery retailer, when they changed their habits during the pandemic, they, in many instances, became customers of Instacart because Instacart was the primary facilitator of bringing those small and mid-size grocers online. And as Instacart wins grocery customers, that inherently goes to the benefit of the delivery sales and not click and collect.

Carina Perkins:

Yeah. Interestingly, we've also had here a lot of the grocers have put up their delivery costs or if they had a minimum basket to qualify for a cheaper delivery cost or even free delivery that's been expanded, that's now higher because fuel costs have been so high here that they've had to make those changes in order to make it profitable.

Sara Lebow:

So putting you both on the spot here, where do you think this trend is headed? Are we headed toward US high grocery e-commerce penetration, UK low?

Blake Droesch:

I don't know. Carina, did you feel confident to make a strong enough prediction on both markets? Because I definitely don't feel confident to make a prediction on the UK, so I can give you my take in the US.

Carina Perkins:

No, you go with the US.

Blake Droesch:

And then I'll take your word for it across the pond. But we're expecting digital grocery sales to make up nearly 20% of all grocery sales by 2027. And like I said, I think this temporary pullback in delivery is going to be short-term. Once people feel a little bit more confident about the price of groceries, that allure of the convenience of delivery is going to come back

and people are going to continue to use that option. And right now, I think click and collect, that convenience, which is very much widely available, whether it's from Walmart or Kroger or many of the other large players, is also helping move that number forward during this time where delivery is maybe a little bit less enticing. So I think long-term, I'm definitely still very bullish about the rise in e-commerce penetration in the grocery business.

Sara Lebow:

And in the UK?

Carina Perkins:

So my view's a little bit more conservative for the UK. We don't see share growing through 2027. It's going to sit at around 10%. I think it will eventually return to growth. I think that when the economy improves, we are going to see a few more people shifting back to shopping online. But I think some of it is down to people just prefer shopping in stores in this country, and I don't think that's going to drastically change anytime soon, but it will start ticking up again in the future.

Sara Lebow:

Okay. And last question in this first half, we're a research company, I'm going to do some research here. Considering both of you a representative sample size, do our behaviors follow the trend? Carina and Blake, are you guys grocery e-commerce shoppers?

Carina Perkins:

My behavior follows a trend pretty much exactly. So prior to the pandemic, I did not shop online at all for groceries. During the pandemic, I shopped online for groceries. Now I shop at Aldi.

Blake Droesch:

I've shop online more now than I have previously, but I think as a sample of one, my perspective is pretty tainted by the work that I do. So I feel like ordering online, it's an incentive for me to enjoy the conveniences of delivery, but also do a little first person research.

Sara Lebow:

So as a sample size, you both do follow the trend we're seeing?

Carina Perkins:

Yeah.

Sara Lebow:

Great. This is the high quality research that we do here. Let's keep moving. Now it's time for Pop-up Rankings, where we take a look at specific examples and we rank them. Today, we'll rank two grocery stores that are doing digital well and two taking an alternative approach and talk about how both of these strategies can work. Let's start by talking about two grocers that are doing digital well. Carina, what's your first example?

Carina Perkins:

So I'm going to start with Tesco. It's the UK's biggest retailer, biggest grocery retailer. It's the third-biggest e-commerce retailer. So that's behind Amazon and Sainsbury's, which is another grocer, but Sainsbury's owns Argos, so that's why Sainsbury's has a bigger e-commerce share overall. But Tesco's online sales have actually remained relatively strong in this wider dip in online sales, and it's reported a really strong start to this financial year, Q1 online sales growth of 8.2% year-on-year. And that's boosted its online market share 37.5% in grocery. So one of Tesco's biggest assets is its club card loyalty scheme, and it's really leveraged that and it's built out a really powerful digital platform that's giving consumers a really good experience and really good prices. It's got an Aldi price match scheme. It's expanded its whoosh delivery service, which is a rapid delivery service.

It also has a delivery saver pass, so people can buy a 12-month pass and get free or reduced delivery. And it's invested, as I said previously, a lot in click and collect. And it also has a click and collect pass, so that makes it cheaper for people to go and click and collect in store.

Sara Lebow:

So huge incentives for getting people to buy online.

Carina Perkins:

Yeah.

Sara Lebow:

Blake, have you ever been to a Tesco?

Blake Droesch:

I have been to a Tesco.

Sara Lebow:

I have never been to a Tesco.

Blake Droesch:

I'm very fond of the UK. In the UK, you could walk into a Tesco or a Marks & Spencer's and get a pretty decent sandwich or salad. What's the deal where it's like for five pounds you get-

Sara Lebow:

The meal deal.

Blake Droesch:

The meal deal. And in the US you would never, maybe some people would, I would never walk into a 7-11 and get a fresh made sandwich there because it's not going to be fresh made. So that is one convenient aspect of UK shopping that I wish we had here.

Carina Perkins:

People are also very loyal to their supermarket in this country. Tesco is the biggest one, and the loyalty is quite strong and that meal deal, interesting you should mention it because that is quite a big driver of loyalty as well.

Sara Lebow:

What's the New Jersey convenience store? Oh, Wawa. Be careful of saying you wouldn't go into a convenience store and get a sandwich because you're going to have Victoria representing New Jersey saying that she would do that at a Wawa.

Blake Droesch:

Notice how I explicitly use-

Speaker 4:

My knuckles are white right now.

Blake Droesch:

I explicitly use 7-11 as an example and not Wawa.

Speaker 4:

I caught that. I appreciate it.

Sara Lebow:

Blake, what is a US grocery store that's doing digital well?

Blake Droesch:

Yeah, I think this might be surprising considering that they are losing share of the overall market, but I still am very excited to see what Kroger is going to do over the next couple of years. Obviously there's a lot up in the air right now with the merger with Albertsons, and regardless of if that ends up going through, they will be able to expand their footprint and facilitate more click and collect, which is always a sure bet if you're a grocery retailer that's already operating with a wide brick and mortar footprint, it gives you a big advantage. But they're also the one other retailer in the US that I could see eventually making a clean break from delivery partnerships. They are partners with Instacart. I'm not sure about the other delivery service providers, but they'll have this partnership with Ocado and they've opened up delivery services in places like Florida where they don't have a brick and mortar footprint.

So it seems like they've been very strategic about making sure that grocery delivery is available through delivery intermediaries basically to any customers who are used to shopping in stores at Kroger. But they've also on the back burner been building out their own delivery infrastructure and if they are able to do more of their fulfillment on their own, they might not necessarily become a major player up there with Walmart, but they're going to become a much more profitable digital grocery business, which I think is really part of their long game.

Sara Lebow:

Yeah, I'm excited to see what happens with the Albertsons Kroger merger as well and how that changes things or does not. Carina, have you ever been to a Kroger?

Carina Perkins:

No.

Sara Lebow:

Blake, have you? You're a northeasterner.

Blake Droesch:

No, but I went to college in California, so I would shop at Ralphs, which is a Kroger brand. So I don't know if that counts. But in Southern California, people are loyal to their Ralphs.

Sara Lebow:

I went to college in Michigan, so I would shop at Kroger.

Blake Droesch:

Okay, that's Kroger's tried and true territory.

Sara Lebow:

I spent some time in a Kroger. Carina, can you give us an example of a grocery store taking an alternative approach to digital and why it works?

Carina Perkins:

Sure. So my choice for this is Aldi, and it's interesting because its approach to digital is really not doing very much of it. So it only offers click and collect, and that is in select stores. And it did hint late 2022 that it was going to expand that service, but it's actually since removed it from some of its supermarkets hinting at a lack of uptake from shoppers. So that might seem a bit crazy as someone that's doing digital really well, but fulfilling grocery orders online is really complex and costly, and if your customers aren't asking for it, then it makes sense not to do it because that's part of how they managed to keep their prices really low. So Aldi's USP is low prices and they're really hitting that. And if people are happy to travel to the store, then why not make the most of that?

Sara Lebow:

Yeah, that makes sense. Shopping at an Aldi, terrifying. The first time I went there, I did not know you needed a quarter to shop there to get your shopping cart and do your whole little

process. But it does seem like the people-

Carina Perkins:

Oh, you need that everywhere here. Is that not a thing?

Sara Lebow:

You need a quarter everywhere in the UK?

Carina Perkins:

You need a pound, yeah.

Sara Lebow:

To get a shopping cart?

Carina Perkins:

Yeah.

Sara Lebow:

You just take your shopping cart out of the little thing here and then you've got your shopping cart.

Blake Droesch:

Honestly, you could just take it if you want to. If you need a shopping cart.

Sara Lebow:

No, some of them have the automatic locking wheels.

Blake Droesch:

That's true, some of them do. But in most instances, if you really needed a shopping cart, you just take the shopping cart.

Carina Perkins:

Well, that's why they introduced the pound, because people used to just take them or not bother putting them back, right?

Sara Lebow:

Yeah. That's so fascinating. So you get your pound back when you put your shopping cart back?

Carina Perkins:

When you put the shopping cart back. If you really wanted a shopping cart, I guess you would just forfeit the pound.

Sara Lebow:

A pound is not that expensive for a shopping cart if I were in the business of a shopping cart.

Carina Perkins:

Yeah, I think it's probably not designed to stop people stealing them that are really intent on stealing a shopping cart because you just steal it anyway, wouldn't you? But it's probably to get people to put them back rather than leaving them lying all over the car park.

Sara Lebow:

The biggest thing I learned on this episode is that when you go grocery shopping in the UK, you need a pound. Do you need a physical pound?

Carina Perkins:

Yeah, and it's not all grocers. I think some of them, they do have ones that you can get without paying, but a lot of them don't.

Sara Lebow:

This is my nightmare because I never have cash on me.

Carina Perkins:

Yeah, it's a nightmare. I keep one in the car now just for Aldi.

Sara Lebow:

All right, Blake, what is an example of a grocery store taking an alternative approach to digital in the US and why is it working?

Blake Droesch:

Yeah. When I think about this question, it always comes back to Costco for me because they basically took a look at what other grocery retailers were doing in terms of expanding into digital, realize that this is the very antithesis of how they operate as a business, and they decided that basically they're not going to deal with any of that. Now, you can order Costco via Instacart if you so choose to do, so they have that option. And they did experiment a little bit with click and collect.

I think curbside pickup rolled out at a couple locations during the pandemic, but they very quickly axed that offering as well because Costco, usually bulk items, big order, not conducive to delivery, probably be very expensive for Costco to fulfill those order sizes and click and collect, curbside pickup more specifically, doesn't get people in the store. It doesn't get people buying the hot dogs. It doesn't get people trying the free samples. It really takes the entire customer experience that Costco has really built their brand around and it removes a lot of the key ways in which they drive incremental sales, and then also the key ways in which they get people into the store and basically doing their own barebone shopping that keeps the overall prices down at Costco, which is really their key value proposition.

So I definitely commend Costco for not taking the bait and buying into the hype because even though digital sales are growing and they're largely going to miss out on a lot of that, I think they weighed the pros and cons and they realized that they'll keep competing for the sales dollars that are happening offline, and that's going to continue to be the majority.

Sara Lebow:

This is where I'll do a shameless plug for the Costco episode that we did a few weeks ago with Susie and Zach where we talked more about Costco and more about their hot dogs. Yeah, really interesting takeaways here though that digital is definitely important for a lot of retailers, but with the advent of especially Instacart, it also works to not have a digital first strategy for certain retailers, especially if you have the brand loyalty that an Aldi or a Costco have. Okay, that is all we have time for today. So thank you Carina for being here.

Carina Perkins:

Thanks for having me back.

Sara Lebow:

And thank you, Blake.

Blake Droesch:

Always great to be here.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram @insiderintelligence. Thank you to our listeners and to Victoria who edits the podcast usually while eating a Wawa sandwich. We'll be back next Wednesday with another episode of Re-Imagining Retail and e-Marketer podcast. And tomorrow, join Marcus for another episode of the Behind the Numbers Daily.