Successful Online Grocery Hinges on Logistics

Article

We estimate that US shoppers will spend $19.9 billion on food and beverage items via digital channels this year. That translates to double-digit growth—but grocery retailers have a lot of work to do to meet consumer expectations, as online food and beverage sales increase their tiny slice of the market.

US Food and Beverage Ecommerce Sales, 2019-2023
billions, % change and % of total food and beverage sales

	2019	2020	2021	2022	2023
Food and beverage ecommerce sales	$19.89	$23.65	$27.83	$32.63	$38.16
% change	18.2%	18.9%	17.7%	17.3%	17.0%
% of total food and beverage sales	2.0%	2.3%	2.7%	3.1%	3.5%

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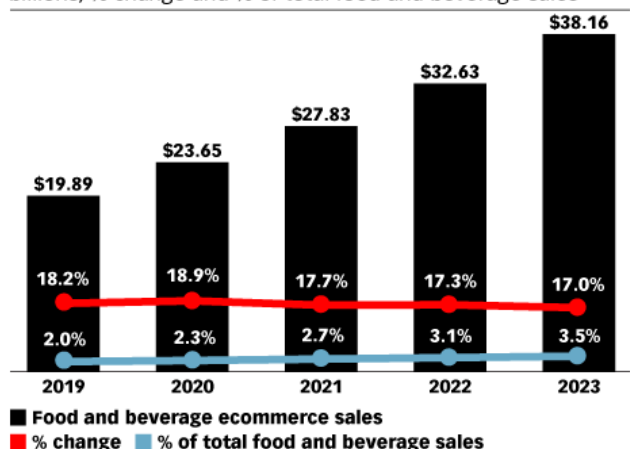
Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; includes packaged foods, fresh foods and beverages; eMarketer benchmarks its retail and retail ecommerce sales figures against US Department of Commerce data, for which the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

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"It's incredibly difficult to do all that seamlessly in an online order and get it delivered in the right place, at the right time and the right temperature," said Stephen Caine, partner at Bain & Company.

For Target, the first big hurdle was making its inventory discoverable and ensuring an in-store employee could grab an item for a customer in a timely fashion, according to a Target spokesperson. "It's a big orchestration between the technology and the people involved in the process."

To tackle the challenge, Instacart built out a data set and predictive technology to orchestrate the millions of shopping trips taking place across its 20,000 retail partner locations.

"It allows us to have a clear understanding of what's available in our stores, to figure out what kinds of replacements—if needed—are best for the customer and ensure accurate, on-time delivery," said Nilam Ganenthiran, chief business officer at Instacart.

The key for successful grocery retailers will be a seamless customer experience where fancy back-end logistics are invisible, because, according to Target's spokesperson and Ganenthiran, customers don't care how their groceries get to them.

As Ganenthiran put it, "They care about getting the correct baby formula, ripe bananas and the time back from not having to do their weekly grocery shopping."