

Online Grocery Shopping Is Reaching a Tipping Point

Article

Even though food and beverage has traditionally been a product category with low digital penetration in the US—we peg the category's share at 2.8% of all retail ecommerce sales in 2018—online sales are steadily picking up steam.

It's not wholly clear if the growth is being driven by more consumers adopting digital buying overall to the benefit of online groceries, or if it's a result of heavy retailer investment and

providing more options for shoppers.

KPMG recently published a study showing that close to half (48%) of US grocery shoppers currently purchase at least some of their groceries online and 59% intend to in 2019. Those who plan to do 40% or more of their grocery shopping online make up the fastest-growing segment—from 17% in 2018 to 25% in 2019.

At the Groceryshop conference, **IGD** revealed new data on the 10 largest online grocery markets worldwide. By market size, the US came in at No. 3 with \$23.9 billion in 2018, behind China and Japan. That is set to increase at a compound annual growth rate of 20.0% to \$59.5 billion by 2023.

Digital Grocery Sales in Select Countries, 2018 & 2023

billions, % of total digital sales and CAGR

	2018		2023		CAGR
	Sales	% of digital sales	Sales	% of digital sales	
China	\$50.9	3.8%	\$196.3	11.2%	31.0%
US	\$23.9	1.6%	\$59.5	3.5%	20.0%
Japan	\$31.9	7.1%	\$46.5	9.9%	7.8%
UK	\$14.6	6.0%	\$22.1	7.9%	8.7%
South Korea	\$9.9	8.3%	\$21.3	14.2%	16.5%
France	\$11.6	4.5%	\$17.2	6.0%	8.2%
Australia	\$2.1	2.1%	\$4.2	3.7%	15.3%
Germany	\$1.3	0.5%	\$3.8	1.2%	23.2%
Canada	\$0.8	0.8%	\$2.1	1.8%	0.8%
Spain	\$0.9	0.7%	\$2.0	1.4%	0.7%
Total	\$147.9	-	\$374.9	-	20.4%

Source: IGD as cited in press release, Oct 29, 2018

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Channel share will double from 1.6% to 3.5% in that timeframe, which is still relatively low compared with markets in Asia. This growth is being driven by an increase in **grocery-related omnichannel offerings**, like **pickup points in-store, drive-thrus and kiosks**, plus the rise of meal kits and **third-party delivery services like Instacart and Shipt**.

By the end of 2018, 80% of the US population will have access to Instacart, according to CEO Apoorva Mehta. "There has been 135% year-over-year growth at Instacart. One in five families will shop for online groceries in the next five years. That's why we are at a tipping point for grocery," he said at Groceryshop.

Kroger has invested in all of the above. In June 2018, Kroger acquired meal kit company Home Chef. The supermarket has also piloted self-driving grocery delivery vehicles, offers **curbside pickup and delivery** to roughly 90% of its customers and plans to be at 100% next

year—a goal that will likely get a boost from its May partnership with Ocado. "Ocado is really an opportunity for us to accelerate and improve the quality of the customer experience when it comes to delivery," said Yael Cosset, chief digital officer of Kroger, in a keynote at Groceryshop.