

The Coronavirus Will Cause a Lasting Step Change in Grocery Ecommerce

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With the impact of the coronavirus pandemic still ricocheting throughout the US economy, it can be difficult to envision retail returning to normal one day. And yet somehow it will—and much of it will look virtually indistinguishable from the pre-crisis reality. But changes in consumer behavior will be lasting.

Aside from the many brick-and-mortar retailers watching foot traffic and sales drop to near zero, the most profound shift in consumer behavior is happening in grocery ecommerce—and this shift is likely to have one of the longest-lasting consequences.

According to our most recent ecommerce forecast (prior to COVID-19), we expected US food and beverage ecommerce sales to rise 23.4% to \$32.22 billion this year, with the segment accounting for just 3.2% of total retail sales. It is both the fastest-growing and least penetrated ecommerce category—and expect that these figures will be revised upward in the coming months.

Retail Ecommerce Sales Share, by Product Category

US, 2020, % of total retail sales

Apparel & accessories

28.9%

Auto & parts

3.9%

Books, music & video

54.9%

Computer & consumer electronics

42.7%

Food & beverage

3.2%

Furniture & home furnishings

25.5%

Health, personal care & beauty

11.1%

Office equipment & supplies

26.6%

Toys & hobby

36.8%

Other categories

24.0%

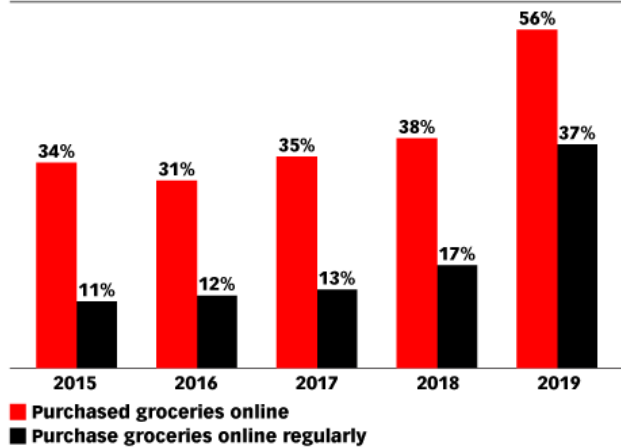
Source: eMarketer, February 2020

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Grocery ecommerce has had huge momentum behind it—even prior to much of the US population social distancing and staying home—with last year representing an obvious inflection point. According to [TABS Analytics](#), 2019 was a year of hockey-stick growth for both initial trials and increasing frequency of online grocery ordering. Overall penetration among US internet users jumped from 38% in 2018 to 56% in 2019, while the percentage of those who regularly ordered groceries online spiked from 17% to 37%.

US Internet Users' Online Grocery Shopping Behaviors, 2015-2019

% of respondents



Note: ages 18+

Source: TABS Analytics, "7th Annual Consumer Value Study: Food & Beverages (Consumables)" conducted by Caravan Engine, Sep 11, 2019

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Online logistics are also continuing to improve. Amazon's investment in warehouse and last-mile logistics for next-day and same-day Prime (not to mention removing its \$14.99 monthly fee for Amazon Fresh) eliminated barriers to online grocery delivery. The buildouts of click-and-collect operations by Walmart and various national grocery chains helped propel that behavior forward.

The flame was already lit, but the coronavirus crisis has clearly poured gas on the fire. According to [Rakuten Intelligence](#), order volume for online grocery retailers surged 210% from March 12 to 15, compared with the same period in 2019. Showing similar trends, [NetElixir](#) reported that online food sales surged 183% between March 1 and 25, vs. the same period last year.

In a [CivicScience](#) poll of US adults and their digital grocery shopping habits, the percentage of those who said they increased their online grocery shopping jumped from 11% to 37% from March 1 to 22.

Change in US Adults' Digital Grocery Shopping Activity due to the Coronavirus, March 2020

% of respondents



Source: CivicScience, March 31, 2020

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And it's very likely that these behaviors will continue, even when the coronavirus pandemic eventually subsides. Why? Because ecommerce habits tend to form during periods of intense activity, and when those habits already have momentum, they become even stickier.

For years, ecommerce has exhibited a clear step function coming out of the holiday season. Spending was broadly consistent in the first three quarters of the year, then saw a predictable surge in Q4. But coming out of Q4, ecommerce spending patterns never fell back to where they were before. Instead, they locked in most of the Q4 gains and set a new, higher baseline for the following year.

The reason for this was that with each new cycle, consumers were adapting and growing more sophisticated in their online buying patterns amid the holiday crunch. What started as simply making a purchase eventually progressed to buying in new categories, purchasing high-ticket items, and shopping and buying via mobile. Every time these behaviors crystallized for a new set of consumers, it permanently shifted their online buying habits.

Grocery ecommerce is now having a similar moment. Millions of first-time online grocery buyers are materializing, and millions of infrequent buyers are now doing so on a weekly basis, vs. over multiple weeks or months.

Of course, these shoppers will eventually return to stores. But if households that had previously used ecommerce for just one out of every 10 grocery trips were to permanently shift to one out of every five, the long-term impact would be profound.

When looking at total US retail sales, food and beverage is a \$1 trillion category. If the ecommerce category penetration went from 3.2% to 5.2% over the next couple of years, that's about \$20 billion moving online. And if those dollars flow away from national and regional grocery chains and into Amazon's coffers, it will be a massive top-line haircut on a notoriously thin-margin business.

Despite grocery retailers being the most immunized retail sector from the coronavirus in the short term, their own crisis is inching closer each day. Will they act before it's too late?