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A Fresh Perspective on U.S. Online Grocery Shopping in 2022 and Beyond

Insights for practitioners based on a U.S. representative study about customer buying behavior, brand perception, and the role of technology
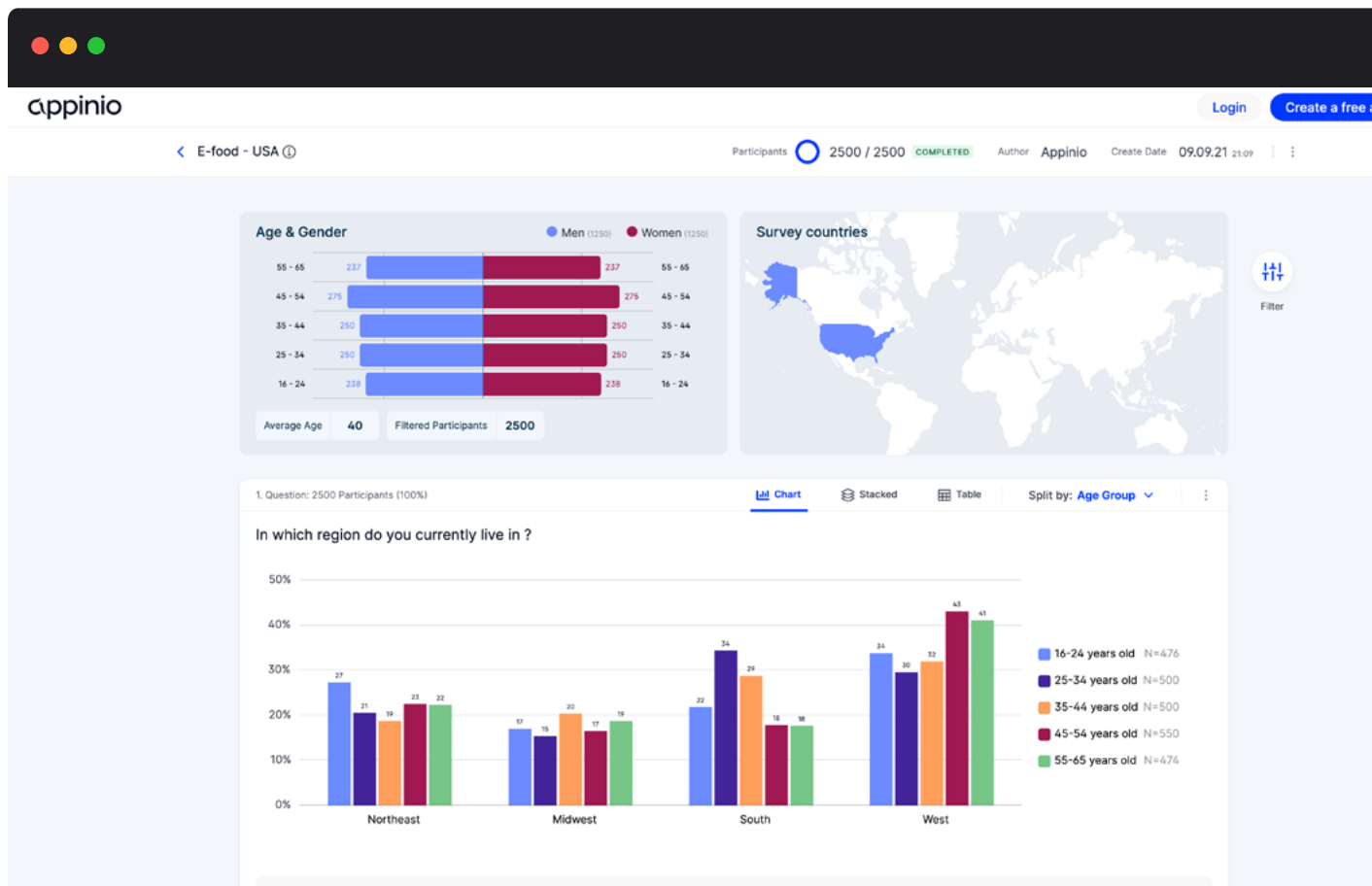
Content

Intro

About the study

The U.S. Online Grocery Report 2021 is based on a study run by real-time market research provider Appinio and digital commerce platform provider Spryker. It contains the most current data set on the use, brand perception and potential of online grocery shopping in the US. In a nationwide representative survey, Appinio asked 2,500 participants about their experiences and opinions of grocery shopping, online delivery, and ready-made-food options. The respondents ranged between 16 and 65 years old and lived in the U.S. at the time of the survey. Geographically, 21% of respondents reported that they lived in urban cores, 35% in large suburban regions, 17% from smaller metropolitan areas, and 27% across rural regions. The survey was conducted in September 2021.

If you want to deep dive into the data, you can access Appinio's interactive dashboard containing the entire data set. Simply click the link below and set your own filters, change display options and create your own analyses.

Open dashboard with entire data set

Relevance of online groceries and current events

Pandemic, digital transformation and heated competition are shaking up the U.S. food and grocery industry. This report offers a fresh and data-driven perspective on current challenges and opportunities within the online grocery industry. In a representative study, we surveyed U.S. consumers and asked about their online grocery shopping behavior and perceptions. We analyzed the results to bring value for suppliers, manufacturers, and retailers with insights and practical implications for future online growth.

When large markets experience small changes, it can make a big difference. The U.S. food and grocery industry is not big. It's huge! Combined grocery sales through all channels hit $1.40 trillion in 2020, which is an increase of more than 12% from $1.24 trillion in 2019. With that, the changes moving the market are massive.

Digital transformation has reached one of the last retail segments where consumers shopped more offline than online. Shifts toward omnichannel strategies have led to U.S. online grocery sales hitting $110.72 billion in 2020. That's a 108.2% increase from $53.19 billion in 2019. An additional 50 million people in the U.S. purchased groceries using an e-commerce solution during the pandemic, compared to 2019.

The pandemic gave online grocery an unforeseen boost. But how will the lockdown-induced shift to online offerings fare in the long term? And what can we assess as a 'new normal' in grocery shopping?

In a way, grocery retailers are in a unique situation. They can reasonably expect to have customers so long as people need food. However, evolving customer expectations have already uprooted where and how consumers shop for food. To better understand this situation and help grocers, retailers, and suppliers make the right business decisions, we asked 2,500 U.S. consumers about their online grocery shopping habits and attitudes towards purchasing online in the future. A deep dive into the data revealed some interesting key takeaways.

Offline vs. online: e-grocery use cases, target groups, and trends

There's no doubt customers' expectations surrounding online purchases have drastically changed. Some argue that customers now expect omnichannel experiences, and options like curbside pickup or BOPIS (buy online pickup in store) are a must-have. Others observe that even with the availability of online options, many consumers still clearly prefer offline. We take a closer look at the data to help answer these questions: What are some real-world use cases for e-grocery offerings? How are they used, and by which target groups? How will this change in the coming years?

Competition: brand perception, customer retention, and platform preferences

Amazon bought Whole Foods, Walmart acquired Jet.com, and recently Uber announced its intention to become the leader in grocery delivery with the launch of Uber One, a new perk-filled membership program. Grocery has always been a competitive market, but with the entry of more e-grocery providers, competition is certainly heating up. We wanted to find out how many providers do consumers actually need? How do they perceive and use the brands within the ecosystem? And how do they rate online shopping options from big box retailers, discounter grocers, third-party platforms, and others?

Customer experience: technology, features, ordering and delivery models

In a short period of time, an enormous number of consumers have moved beyond the normal once-a-week in-store grocery shop. Customer expectations continue to evolve, and grocery retailers will need to figure out how to meet these new demands with seamless digital customer experiences. But what makes an outstanding online grocery experience? How does consumer behavior differ in online channels? And which features and services are particularly important to online users?

Status Quo Food Retail & Online Grocery

Americans' baseline for grocery shopping

Grocery shopping is not fun

The first thing we wanted to find out from our study participants was what grocery shopping means to them (question 5). Do Americans like doing groceries? Almost half (45%) responded that grocery shopping is a „chore that must be done". This is high compared with similar responses in other countries. For instance, posing the same question to a representative sample in Germany revealed that only 35% of Germans dislike grocery shopping.

The most positive sentiments towards grocery shopping came from the oldest (55-65) age demographic. But even among them, 42% find going to a grocery store an unpleasant experience.

Distance is another factor. Our data shows that for consumers, the farther the grocery store, the more they tend to view the shopping experience as unpleasant. Those who live more than five miles away from the nearest grocery store dislike shopping 50% of the time. For those living in rural areas, this figure is as high as 53%.

These numbers indicate a fundamentally great potential for alternative offers, services and business models that can help make grocery shopping less of a chore for consumers.

For me, food / grocery shopping is...

...a pleasant experience - 55%

... a chore that must be done - 45%

Oversupply, not only in urban cores

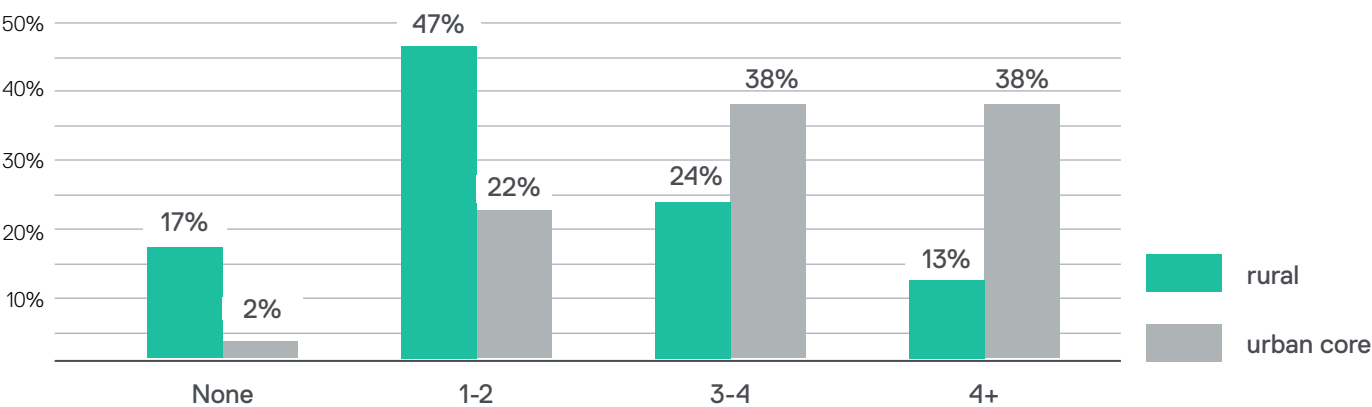Another fundamental question is that of market coverage of offline offerings. Are consumers satisfied with the selection and availability of grocery stores? Or is a lack of accessibility driving the online trend?

We asked participants how many grocery stores they have within a five mile radius of their home, and how far is the nearest store (questions 6 and 7). **Almost two thirds of respondents (62%) live near three or more grocery retailers, and nearly three in ten (29%) people have a choice of four or more grocery stores nearby**. Not surprisingly, nearly half (45%) of respondents live within a mile of a nearby store. In cities with more than 500,000 inhabitants, this number is as high as 62%.

So, it can be concluded that accessibility is not an obstacle in offline groceries, as the stores are sufficiently available and easy to reach. The only exception is rural areas, where the number of consumers without a store within five miles is three times higher than the average (17% vs. 6%). But then again, even there, 36% of people have three or more stores within a five-mile radius. In these areas, even without online offerings, the grocery market is competitive and saturated with an oversupply rather than a shortage of options. With easily accessible brick-and-mortar options, we wanted to understand what's motivating consumers to purchase online.

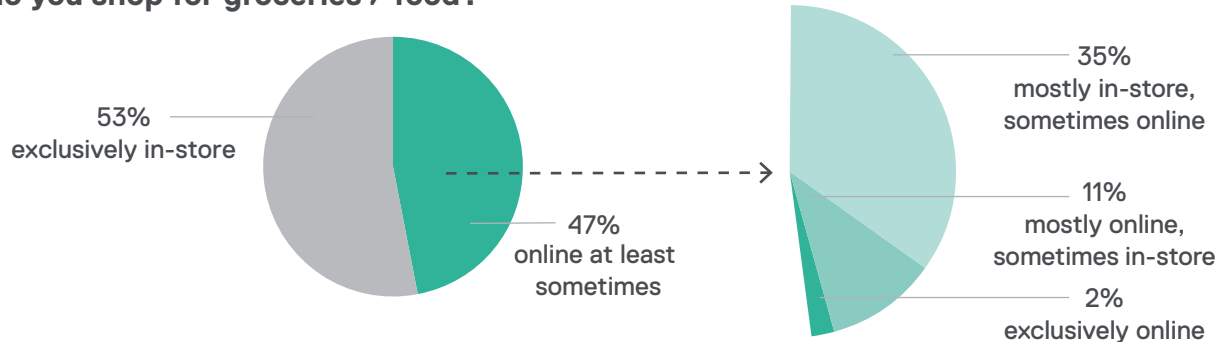**How many grocery stores are within a 5-mile radius of your home?**

Offline vs. online grocery shopping

One in two already uses online grocery options

We asked the participants how they currently buy their groceries (question 8). The striking result: **Almost one in two Americans (47%) already buys groceries online at least occasionally, i.e. from grocery retailers or other delivery services. Of those, 13% shop mostly (11%) or exclusively (2%) online.**

Interestingly, this figure does not significantly depend on the size of the city or the density of the population in the participants' geographic location. While the country's northeast and rural areas are outliers with only 40% online grocery use, all other regions are quite consistently at about 50% online grocery adoption rate. In other countries like Germany, for example, this gap between urban and rural areas is significantly larger, with an overall adoption rate of online services that is about 10% lower.

How do you shop for groceries / food?

53% exclusively in-store

47% online at least sometimes

35% mostly in-store, sometimes online

11% mostly online, sometimes in-store

2% exclusively online

The data illustrates that the market for online groceries in the U.S. is already huge, and the rate of adoption is well ahead of the international curve. Only in Asia, digitization is even more advanced: Forecasts predict that online channels will account for almost 7% of total grocery retail sales by 2022, and e-grocery penetration rates reach as high as 73% in Singapore.

For the U.S., however, a look at the details also shows: 55-65 year-olds are 7% more likely to say they buy exclusively in stores, while this figure is 10% below average for the 25-34 age group. If older generations stick to brick-and-mortar store shopping and younger generations remain open to purchasing more and more online, the share of online grocery shopping will likely continue to grow.

Implications for practitioners

If every second person already uses online offers for grocery purchases, grocery retailers need to find a way to serve this target group. Limited online initiatives will have to give way to a more customer-oriented strategy. For retailers this means exploring a multichannel or omnichannel approach to deliver a range of customer experiences to a broad customer base.

Despite the already high adoption rate, only 2% of U.S. consumers currently shop exclusively online. This leaves plenty of space for grocery retailers and brands to meet their customers where they are -- using both offline and online shopping options.

Bargain hunters are at odds

Price is always a significant deciding factor, especially in B2C and food retail, where customers are very money-conscious about their spending. If any channel, online or offline, is perceived as significantly more expensive than the other, it would be a huge disadvantage. We asked participants whether they feel like they would usually pay more when shopping online or offline (question 24).

While 20% of respondents say it would usually be more expensive for them to buy groceries online, 37% say they actually spend less online. Another 37% think the way they purchase groceries doesn't influence their spending at all, and the remaining 7% are unsure. So, the picture is very mixed, and the majority are undecided or do not see strong price differences between the channels.

Important to note is whether people are doing their groceries mainly online or offline, the frequency of online shopping does not significantly influence this perception. When it comes to gender, men are more likely to respond that they spend more money online (23% vs. 17% women). Women meanwhile see shopping offline at brick-and-mortar stores as more expensive (41% vs. 33% men). Overall, there is no clear and commonly shared opinion that either online or offline grocery shopping would be more expensive than the other.
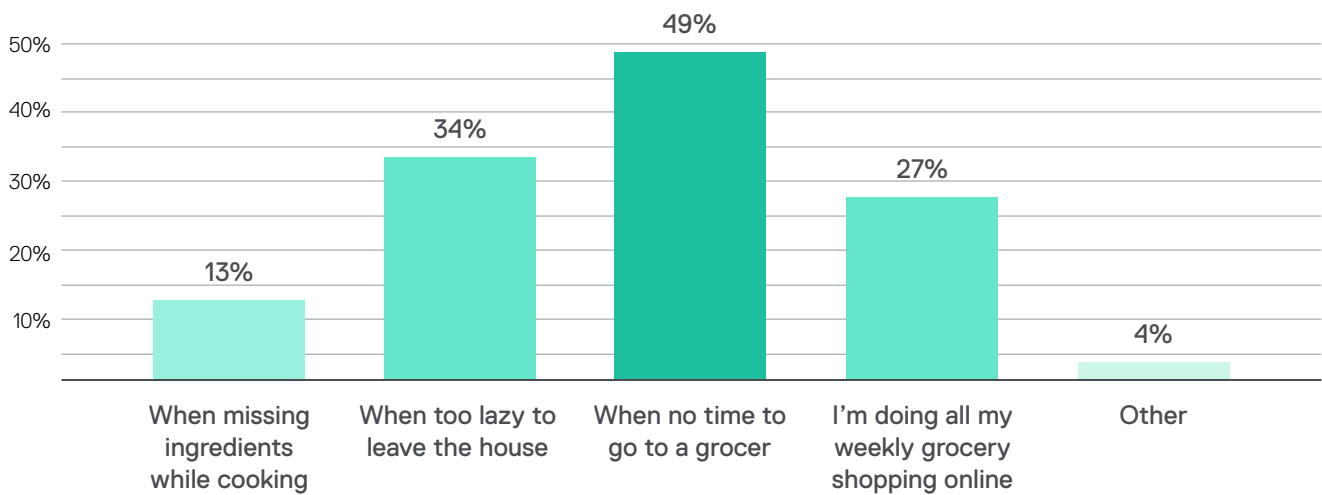
Use cases of online grocery offerings

Convenience and time-saved are convincing factors

What drives online grocery shopping? We asked participants about the reasons motivating their choices to shop for groceries online, to find out the most relevant use cases (question 17). It became very clear that the number one reason is convenience. According to our survey, the **most frequently stated reasons for ordering online are lack of time to go to a grocery store (50%), and laziness to leave one's house (34%)**. Interestingly, 56% of 45-54 year olds mention lack of time, while 38% of 16-34 year olds attribute it to laziness. What is notable is that 45-54 year-olds mention time savings particularly often, at 56%, whereas laziness is mentioned primarily by 16-34 year-olds, at 38%. But both of these top two responses clearly fall into the convenience category that offline offerings cannot provide. A seamless customer experience is therefore an important USP for any online grocery offerings.

When do you order groceries online?

13%	34%	49%	27%	4%
When missing ingredients while cooking	When too lazy to leave the house	When no time to go to a grocer	I'm doing all my weekly grocery shopping online	Other

For the food industry, online means a shift in sales channels and a deeper understanding of the changing customer buying behavior. We will take a closer look at how this can best be handled technically in the chapter "Technical user needs and expectations for online grocery solutions" on page 21.

Personal safety still a major concern

For a significant portion of respondents, personal safety is a close second when it comes to factors affecting online grocery buying decisions. We asked consumers about the main reasons they shop for groceries online (question 18), 35% cited personal safety as a main reason. Nearly two years after the start of the pandemic, more than a third of people are concerned enough about safety to choose online options. Retailers must question to what extent customers who've been accustomed to the online channel for two years will return to old patterns after the end of the pandemic. From this perspective, COVID-19 has certainly given the online grocery industry a kick-start.
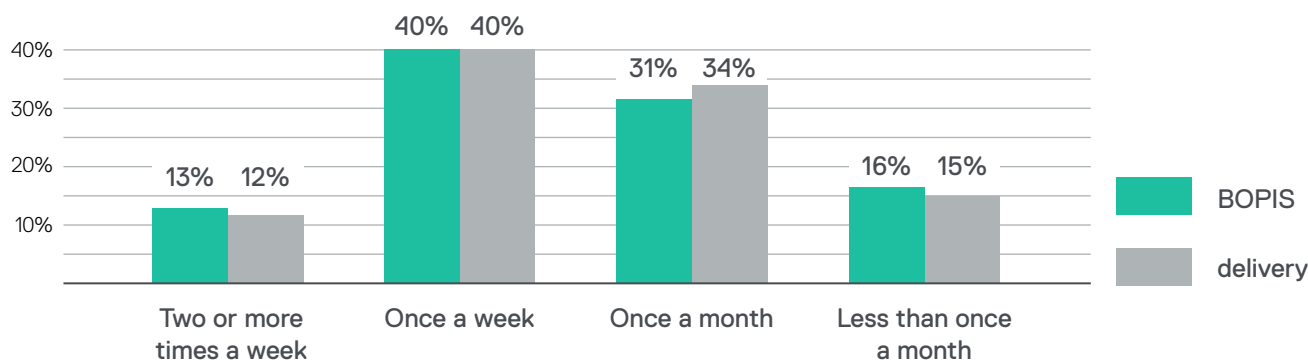
A weekly habit

We wanted to understand how frequently consumers shopped for groceries online via different channels. Are people exploring online options due to lockdowns, or are they curious about the process? Are consumers shopping online regularly, or on an ad-hoc basis, or when no other options are available? And, to what extent has online grocery shopping become a part of consumers' everyday lives?

Our data shows that **more than one in four U.S. online consumers (27%) order all of their weekly grocery shopping online**. Only 13% of consumers use online shopping spontaneously, for example when missing an ingredient while cooking.

Regardless of whether customers prefer delivery or BOPIS, more than half use their favorite online channel at least once a week. In other words, for a majority of respondents online grocery shopping is a weekly habit.

Among respondents, 12% (delivery) and 13% (BOPIS) even use their preferred online option more than twice a week (questions 22 and 23). By contrast, those who use online less frequently than once a month total 16%. The number of regular to heavy users thus significantly exceeds that of casual online shoppers, making it clear that regular weekly grocery shopping is already a legitimate use case for many online buyers.

Online grocery shoppers' frequency of use of BOPIS (buy online, pick up in store) and delivery options

	Two or more times a week	Once a week	Once a month	Less than once a month
BOPIS	13%	40%	31%	16%
delivery	12%	40%	34%	15%

Brand perception of U.S. online grocery providers

A triumvirate leading in a scattered market

In order to learn more about brand awareness of providers within the American e-grocery landscape, respondents were asked prompted and unprompted questions about brands. First, participants were asked to list all the brands they could think of without being given any answer options (question 10). Walmart, Instacart, and Amazon were the brands most frequently mentioned. However, this is at a very low level. The three leading brands were all mentioned by only 17-21% of respondents. Major grocery brands and retailers like Kroger, Target, and Safeway hover at around 2%, and together make up less than 10% of brands that come to mind when thinking of grocery delivery services. These are low figures even for unaided surveys and, in combination with the fact that no provider stands out, indicate that the brand landscape is very scattered for consumers. This is a strong indication that the race for providers to become the market leader is ongoing.

E-grocery brands that are top of mind of U.S. online consumers

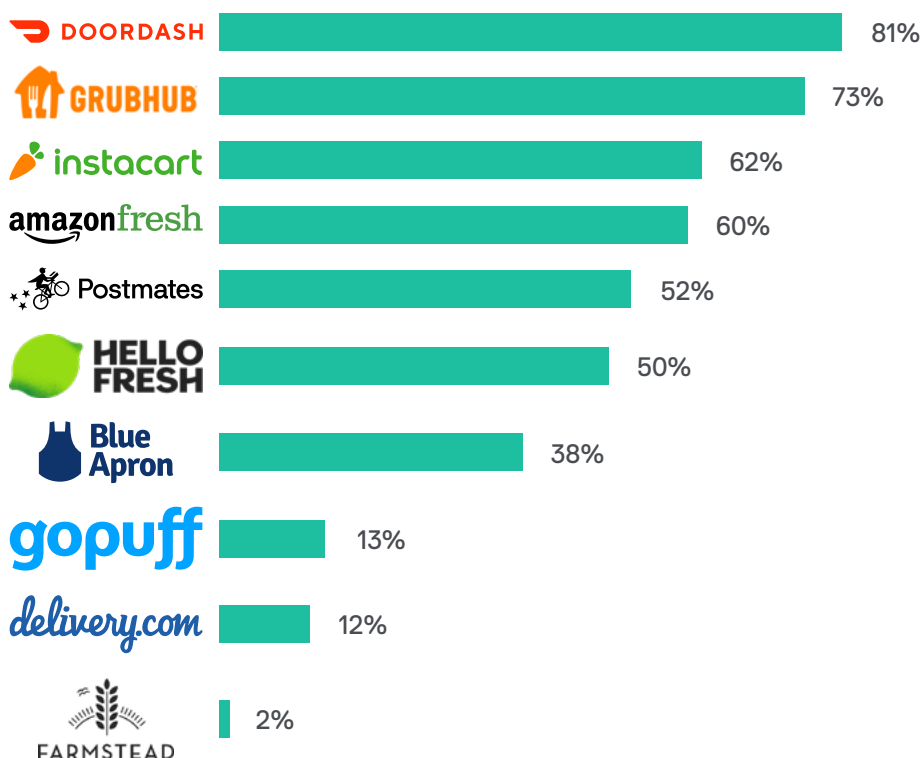## DoorDash, Grubhub, and the recognition paradox

Statistically more meaningful is the question about aided awareness. For example, whether consumers recognize brands that they are shown (question 11). According to our data, there is no one provider that clearly stands out. It's equally striking that some brands have very high brand recognition values, but were hardly mentioned in the unprompted query.

DoorDash for example, is the most recognized brand among U.S. consumers (81%) even though it does not seem to be top of mind, as only 13% mentioned the brand without an answer option being provided. The same paradox applies to Grubhub (73% recognition), Postmates (52% recognition), and more. Local presence might partly explain this scattered distribution, but it also becomes clear that no one supplier dominates the market. Interestingly, it also gives cause to wonder why no brand has successfully figured out how to differentiate itself in consumers' minds for the long term.

Overview of brand awareness in online food & grocery industry

Brand	
DOORDASH	81%
GRUBHUB	73%
instacart	62%
amazonfresh	60%
Postmates	52%
HELLO FRESH	50%
Blue Apron	38%
gopuff	13%
delivery.com	12%
FARMSTEAD	2%

Age and regional differences

Looking at different subgroups and cohorts within the sample, some differences in terms of brand awareness are notable. 16-24 year olds for instance are 9% more likely than the average to know Postmates, and the age group 25-34 is 7% more likely to recognize Gopuff. In contrast, the oldest participants aged 55-65 have recognized Grubhub at 7% above average.

Even if the effect is not strong, brand awareness is influenced by age. This influence is even more subtle by region. Postmates has the greatest variation, ranging from 45% awareness in the northeast to 59% in the west. Overall, however, the brand awareness scores are very stable and not significantly influenced by the frequency with which respondents order groceries online.
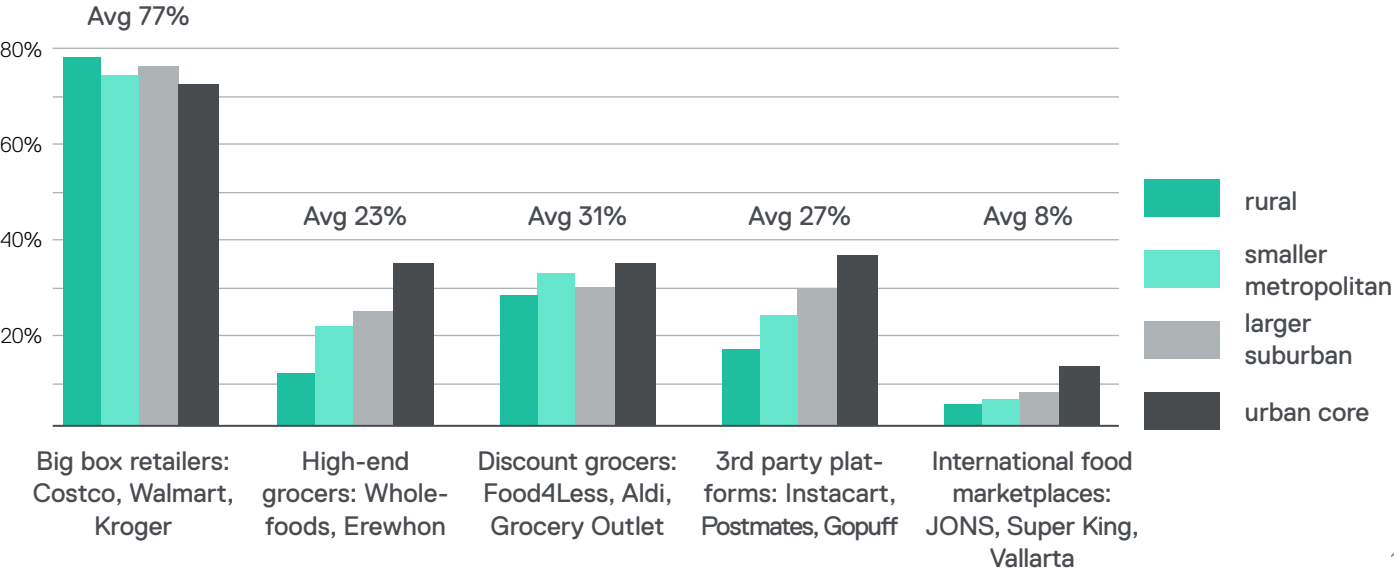
Where Americans buy groceries online

Big box retailers way ahead of discounters and 3rd party platforms

To understand the buying behavior of American online shoppers, we not only looked at specific brands, but also the popularity of different types of suppliers (question 12). The result: When ordering groceries online, more than three out of four people (77%) generally buy at big box retailers like Costco, Walmart, or Kroger. Retailers dominating the offline grocery market are therefore also major players when it comes to online food and grocery shopping. A distant second and third place in use rates are discount grocers (like Food4Less, Aldi, or Grocery Outlet) at 31%, and 3rd party platforms (e.g., Instacart, Postmates, Gopuff) at 27%.

At least for some players, however, this is subject to influence by the region of residence. Especially for third-party platforms, the use rate increases proportionally with the population density. While only 18% of people in rural areas shop online on third-party platforms, twice as many (36%) do so in urban cores. This effect is also visible in the case of high-end grocery stores, where usage ranges from 11% in rural regions to 35% in urban cores (average 23%). It's possible that lower availability in rural areas is one of the reasons why usage there is below average. However, this does not necessarily mean that consumers are not interested in the respective players. Above-average usage with better availability is an indication that the more rural regions offer great potential for growth, provided that the offerings can be implemented profitably even in sparsely populated areas.

When purchasing food/groceries online from which of the following players do you buy from?

15

Diverse offerings are valued

In the next question, we wanted to know from the participants which platform types or offering models they prefer (question 13). Instead of the specific player categories, the focus here was on different e-grocery variations. It is immediately apparent that, although pickup or delivery from traditional retailers leads the field at 50%, this figure is significantly lower than the percentage of consumers who shop at these same retailers (77%) that we saw in the previous question. Despite the continued dominance of traditional retailers, many consumers seem to prefer other platforms and e-grocery models when considering online grocery shopping.

Third-party platform offers on the other hand get relatively high approval of 32% here, and Amazon Fresh also lands at 31%. In addition, there is a whole range of niche offerings, all of which are not used extensively but have a notable number of supporters. Meal kit delivery leads this pack with 14% usage, and local farm deliveries are also used by 12% of American online shoppers. So-called ugly produce deliveries still come in at 7%.

Implications for practitioners

It is difficult to draw clear conclusions from the picture of broad distribution across many service models. However, in combination with the declining popularity of traditional retailers and their pickup and delivery services, it seems advisable to look beyond one's own business model.

For example, a marketplace could be an innovative way for grocers to maintain their market share by partnering with more niche types of retailers as merchants on a larger marketplace platform. The big players offer reach and customer access, while the different merchants expand the range of products and the target group, so that ultimately both sides benefit.
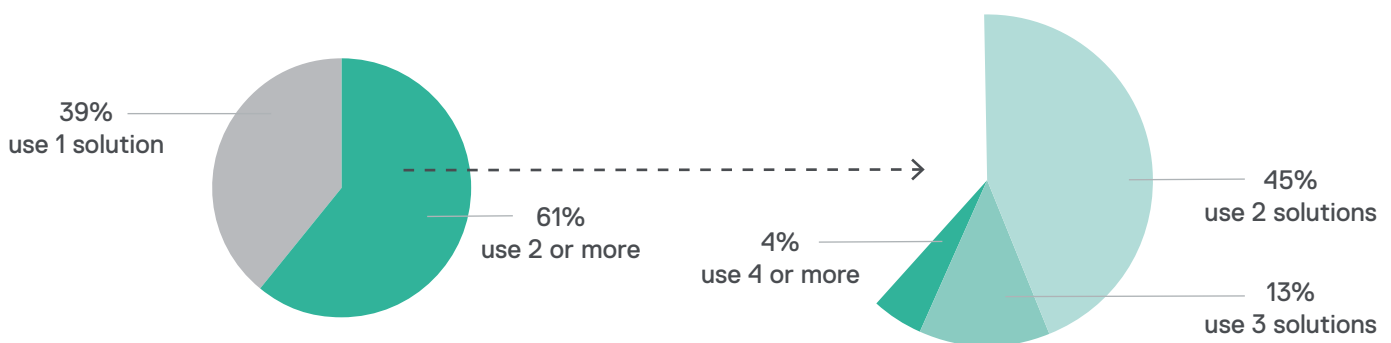
A marketplace is only one of many possible ideas. But given the broad spectrum of customer preferences today already, it will become increasingly difficult, especially for traditional grocers, to achieve customer centricity as the online grocery market continues to diversify.

The vast majority switch between providers

As a final question on the topic of where American online shoppers buy, we wanted to know how many providers and services consumers use on average (question 15). Four in ten Americans have only one favored service that they use exclusively. Conversely, this means that six in ten are not tied to one offering, and are customers at several providers. This can be taken as a sign of market volatility or willingness to try other services, and is reflective of how people buy groceries offline as well.

On the extreme, a good fifth (18%) of people ordering groceries online are currently juggling three or more apps at the same time. For people living in urban cores, this figure is as high as 27%. Whether one buys mainly online or offline does not impact that figure significantly, though. It remains unclear whether online shoppers want the variety of options or feel compelled to use multiple services, as no single solution offers the full range of desired options. The very competitive offer landscape likely plays a role, too, as many providers use promotions or special deals to attract new customers, while existing users might install several apps and use whichever one has the best offer at the time.

How many platforms/services do you usually use to order food/groceries online?

39% use 1 solution

61% use 2 or more

4% use 4 or more

45% use 2 solutions

13% use 3 solutions
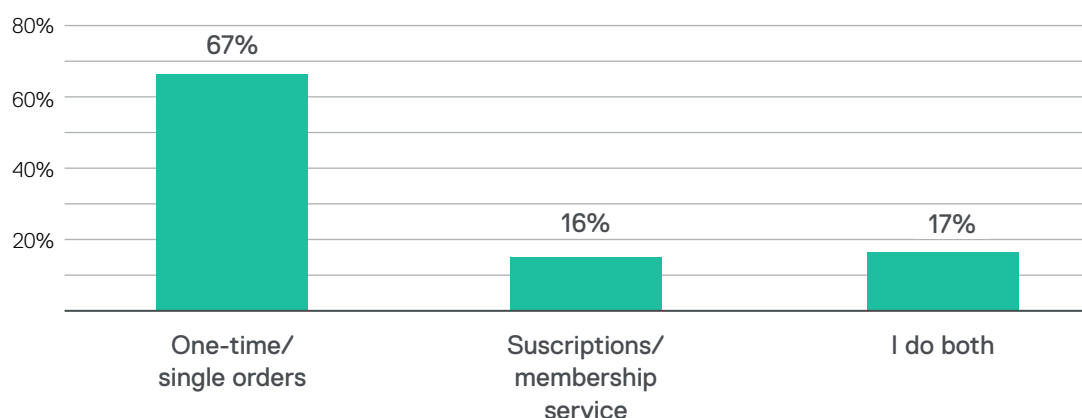
How Americans buy groceries online

Single orders dominate, but subscriptions on the rise

In addition to the question of where users mostly do their online grocery shopping, it's also interesting to know how they make their purchases in this channel. In that regard, one online-specific point that also has to do with brand loyalty is the decision between individual orders or a subscription model. We asked the study participants whether they prefer one of the two or use a combination of both (question 16).

The results show that single orders are used by two-thirds (67%) of respondents, making them the most widespread ordering option. The remaining third, on the other hand, uses subscriptions. 16% of respondents obtain all their online groceries from subscriptions and memberships, and 17% use both subscriptions and individual orders. Among people who buy all their groceries online, the share of subscription customers is as high as 48% (21% subscription-only), which shows that subscriptions are especially attractive for heavy users. In the 55 to 65 age group, on the other hand, the proportion of individual orders is even more pronounced at 73%.

Online grocery shoppers' preferences for ordering models

Implications for practitioners

Ultimately, the question is: Is one-third coverage for subscriptions, or 17% for subscription-only use, a big or small market share? Due to the predictability of cash flows and longer customer retention, subscriptions are a very attractive business model - one that has not yet played a significant role in offline grocery retailing. If users of online grocery offers are open to this model, this is therefore strategically extremely valuable for the providers, even when it is only a minority of consumers using them so far. After all, this could still change if the market continues to consolidate or the corresponding options are advertised even more actively; it does not seem far-fetched, for example, that the proportion of heavy users and, with it, the proportion of subscription supporters will continue to rise. Subscriptions have great potential in online offerings and are therefore a strong business argument for e-grocery models.
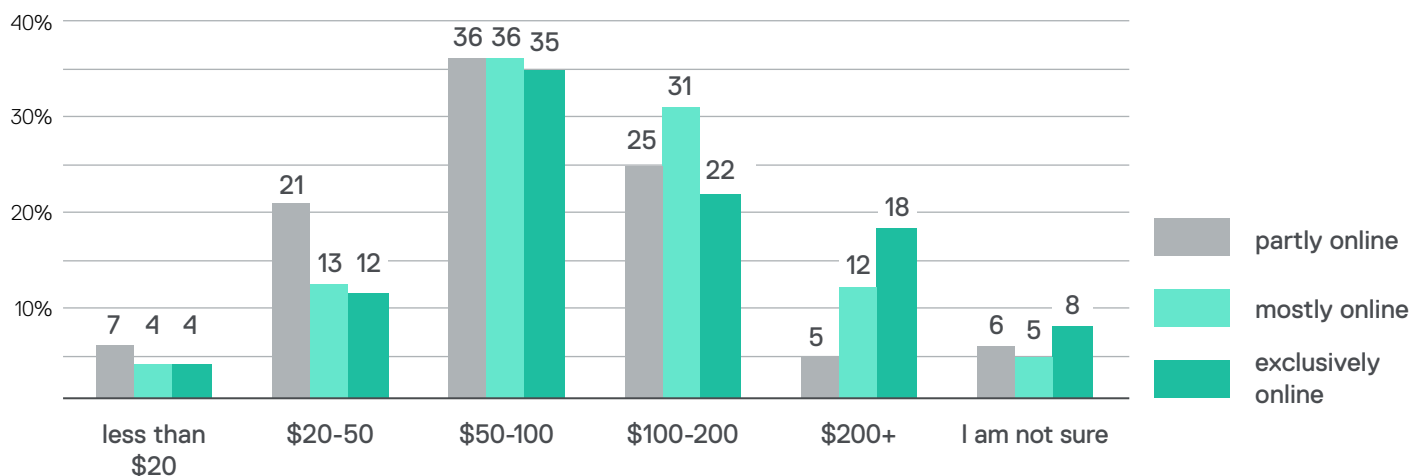
Small bills the exception rather than the norm

In the chapter on use cases, we already dispelled the myth that online grocery shopping is mainly used for impulse purchases or missing single items. However, for online business to work, consumers in these channels need to spend enough money to cover the last mile and picking costs. We therefore asked online consumers how much they typically spend when buying groceries online (question 25).

Remarkably, only 6% of online shoppers spend small amounts (under $20) in an average week. The most frequently cited response, at 36%, is a $50-100 weekly spend on online groceries. **More than every third American online shopper even says they spend more than $100 per week. 27%**

find themselves in the range of $100-200 weekly, and 7% are at the top polled edge with weekly e-grocery spending over $200. It is particularly noteworthy that this distribution can only be explained to a limited extent by consumers' preference for online or offline channels.

Yes, the proportion of $200+ shoppers among online-only advocates is logically particularly high (18%). But even among those who say they primarily shop in-store, 30% spend more than $100 and 5% spend more than $200 per week on online groceries. This proves how huge the market is already. This clearly illustrates that people don't just use online channels to "fill the gaps" or order something they forgot to buy in store.

On average, how much do you typically spend on online groceries per week?

Legend:
- partly online (gray)
- mostly online (light green)
- exclusively online (dark green)

	less than $20	$20-50	$50-100	$100-200	$200+	I am not sure
partly online	7	21	36	25	5	6
mostly online	4	13	36	31	12	5
exclusively online	4	12	35	22	18	8

Delivery over BOPIS,
speed over scheduling

We also asked study participants if they prefer to pick up their ordered groceries themselves (BOPIS), or would rather have them delivered (question 21). Overall, almost four out of ten (39%) online shoppers prefer to pick up their groceries themselves. In rural areas, this figure is even at 47%, which might correlate with fewer delivery options being available. Out of the 61% that prefer delivery, 19% like to schedule the delivery dates, while the largest group of 42% online buyers wants their groceries delivered as fast as possible. Quick delivery being the preferred option by the majority of online grocery shoppers shows once again that fast availability and convenience are key for users.

These preferences have an influence on the choice of provider. Those who prefer immediate delivery are 42% likely to order from 3rd party platforms, which is 9% above average. However, the choice of the last mile option has no influence at all on the frequency of orders. As already mentioned previously, proponents of both options order groceries almost exactly the same number of times. 52% (delivery) and 53% (BOPIS) order at least once a week, 12% and 13% respectively order two or more times per week.

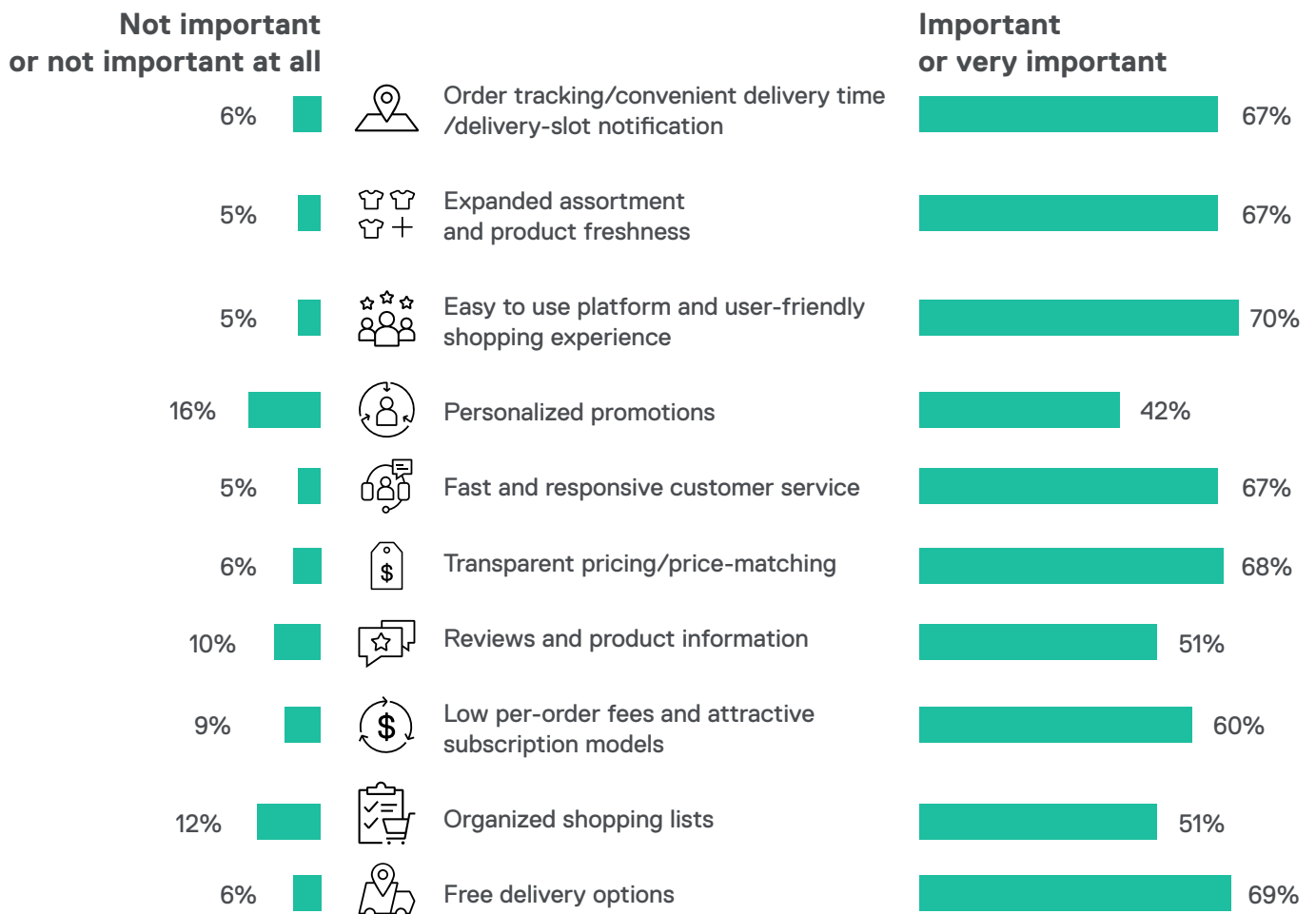# Technical user needs and expectations for online grocery solutions

Hygiene factor outstanding UX

Now that the basic issues surrounding online grocery have been clarified, we wanted to understand in more detail what makes a good online solution for users, or what technological details and features are considered particularly important (question 19). If we look at the characteristics that are important or very important to users, we see a whole series of criteria that get over 60% agreement. Users are therefore demanding and have many expectations of online services.

At the top of the list of qualities demanded by users is an easy-to-use platform and user-friendly shopping experience, at 70%. UX thus leads the

pack and is also partly reflected, for example, in good and transparent order processing (order tracking/convenient delivery time/delivery-slot notification), which 67% find important or very important; and 86% of people who shop exclusively only. Interestingly, the youngest study participants (age 16-24), are below average for all criteria, except for reviews and product information (52% agreement). Ease of use has 59% agreement in this age group, making UX overall the leading requirement for them as well, but at a more restrained level. Young users therefore seem to be less demanding.

When ordering groceries/food online, how important is it that the online providers/their platforms offer you the following?

Not important or not important at all		Important or very important
6%	Order tracking/convenient delivery time /delivery-slot notification	67%
5%	Expanded assortment and product freshness	67%
5%	Easy to use platform and user-friendly shopping experience	70%
16%	Personalized promotions	42%
5%	Fast and responsive customer service	67%
6%	Transparent pricing/price-matching	68%
10%	Reviews and product information	51%
9%	Low per-order fees and attractive subscription models	60%
12%	Organized shopping lists	51%
6%	Free delivery options	69%

The second category, which is reflected in several top responses, is price. Free delivery options and transparent pricing are considered important or very important by 69% and 68% respectively. In addition, fast and responsive customer service is also demanded by 67%. The fact that price and service play an indispensable role is hardly surprising i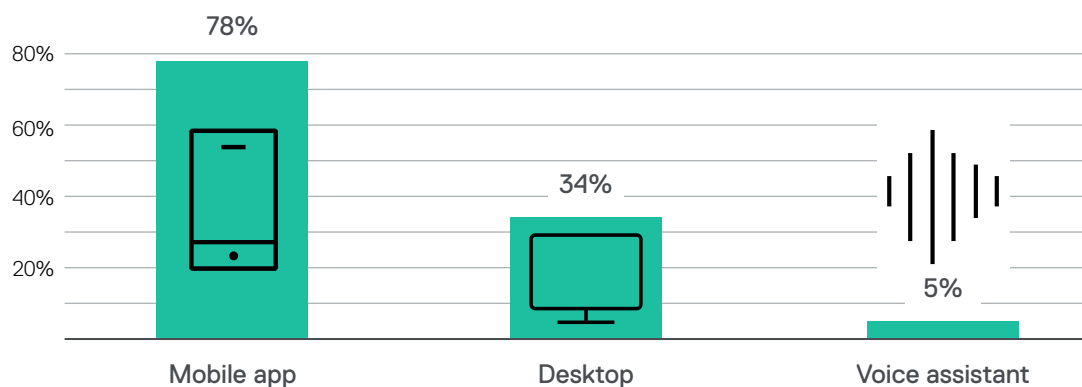n a retail study. However, this does not make it any less critical for suppliers to be aware of these expectations. But the main takeaway for online providers must be: Create a great digital experience. Consumers expect more than run-of-the-mill platforms and clunky apps, and how you sell is at least as influential as what you sell in this channel.

Desktop for Boomers, mobile for everyone else

An evergreen of online channel analysis is the device that is primarily used. The question of which device the participants use for their online purchases (question 26) could therefore not be missing in our study. It is obvious at first glance that mobile is the dominating way for users to order groceries online. Almost eight in ten (78%) online grocery buyers opt for their mobile devices. However, as the choice of devices is not mutually exclusive, desktop also gets a decent use rate of 34%. Especially among Baby Boomers (age group 55-65), the use of desktop for online grocery shopping is as high as 42%. In contrast, voice assistants such as Siri, Alexa and the like form a clear niche. On average, they are used by only 5% of respondents. The outlier here is the youngest respondents, aged 16-24, with a use rate of 8%.

Which of the following devices are you using to buy groceries online?

Mobile app	Desktop	Voice assistant
78%	34%	5%

Implications for practitioners

Mobile is dominating most B2C e-commerce already, so it is hardly surprising that for online groceries, too, there is no way around a mobile-optimized user journey. However, it must also be noted that desktop is far from dead, and voice cannot be underestimated. Different target groups have varying preferences, and even if the age distribution suggests that mobile and even more innovative channels like voice will gain in importance in the future, no channel should be neglected. A sophisticated multichannel or omnichannel approach is the ideal strategy to strive for.
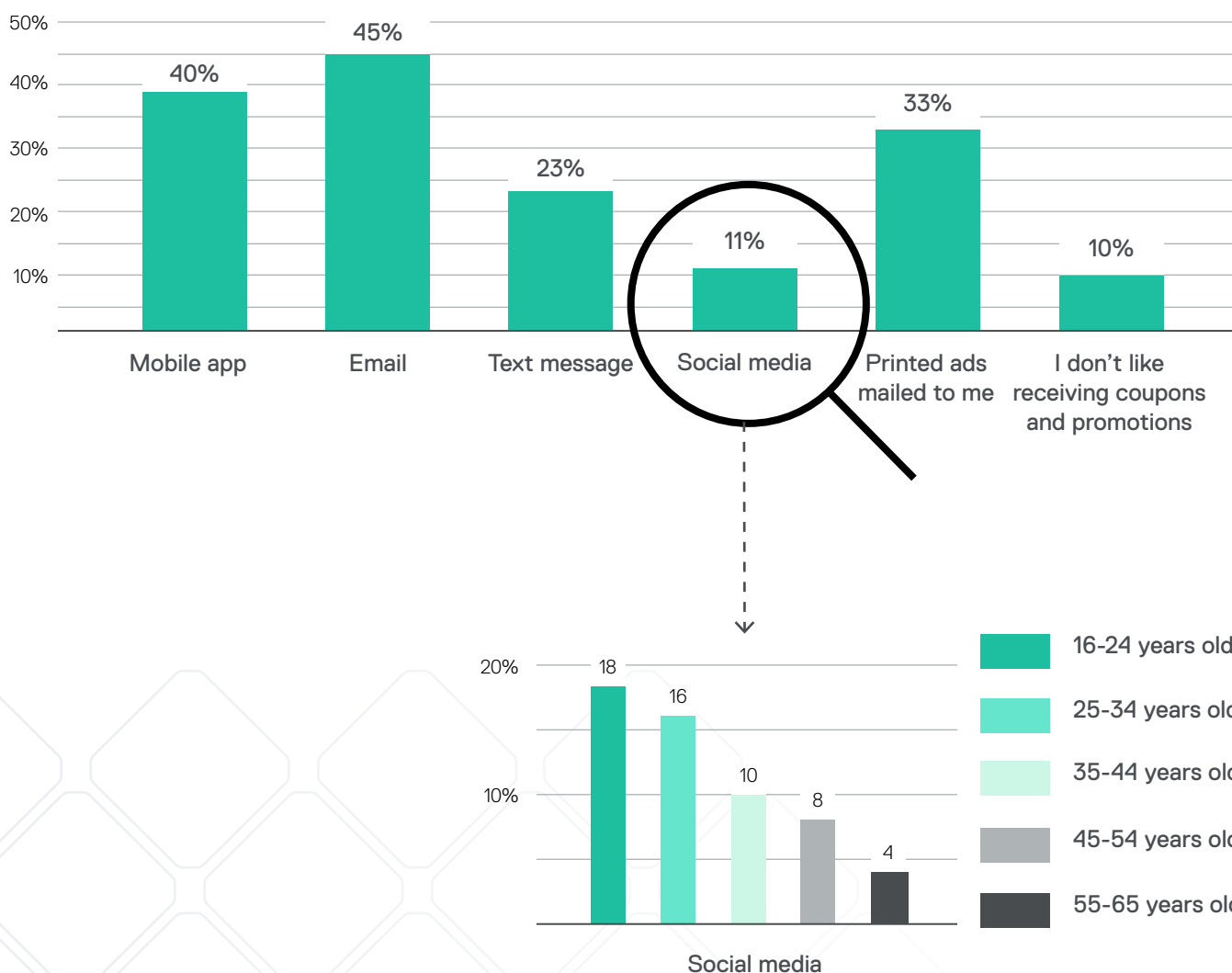
Yes to coupons, but not on social media

Coupons and promotions have increasingly migrated to online transmission, even for offline retail, in recent years. We wanted to know if this is an advantage or disadvantage for online groceries, and asked users which way they would like to receive coupons and promotions for food and groceries (question 27). And the winner is: email. Almost half of the respondents (45%) like to receive coupons in the digital classic, their email inbox.

Two out of three respondents prefer digital coupons to printed ones. Mobile apps are also a popular channel in this category, with 40% approval.

The only outlier in the digital reception options is social media. Only 11% of participants like to receive coupons and promotions there. However, a look at the details shows that this is clearly influenced by age. The younger the respondents, the more popular coupons are via social media, up to 18% among 16-24 year-olds. The most striking finding is that **Americans really value coupons and promotions, with a full 90% stating that they enjoy receiving these money-saving deals. And when it comes to how, digital channels dominate, led by the flagship email.**

How do you like to receive coupons and promotions for food and groceries?

Legend:
- 16-24 years old
- 25-34 years old
- 35-44 years old
- 45-54 years old
- 55-65 years old

Opportunities in ready-made food for online grocers

Grocers on par with restaurants

Following on from online food as a whole, let's now zoom in on a category that is gaining in importance, with little existing market research data: ready-made food.

To get a first impression of the current relevance of ready-made food from grocers, we asked study participants to rank which categories of food they spend the most money on (question 29). While groceries take the largest share of average weekly food spending for a vast majority of all participants, ready-made food from grocers is almost on par with dine-in restaurants and take-out or delivery from restaurants. About half of all participants ranked these options as one of their three biggest cost items for food. This shows how popular ready-made food is already, and that people are willing to pay for it.

Definition of ready-made food

Ready-made food means complete meals in one package, already cooked, and displayed in chilled cabinets, such as lasagnas, deli meats, salads, or sandwiches. They are different from convenience food like canned food, which are not necessarily already cooked but can be prepared quickly. Takeaway meals on the other hand are bought hot, perhaps delivered to the door, and consumed immediately. And fast food is bought on the premises of the vendor, and usually consumed there. So, ready-made food serves the niche between the convenience of a restaurant, not having to cook, and the prices and predictability of grocery shopping. Convenience is the keyword, and this category seems to be tailor-made for e-grocery.
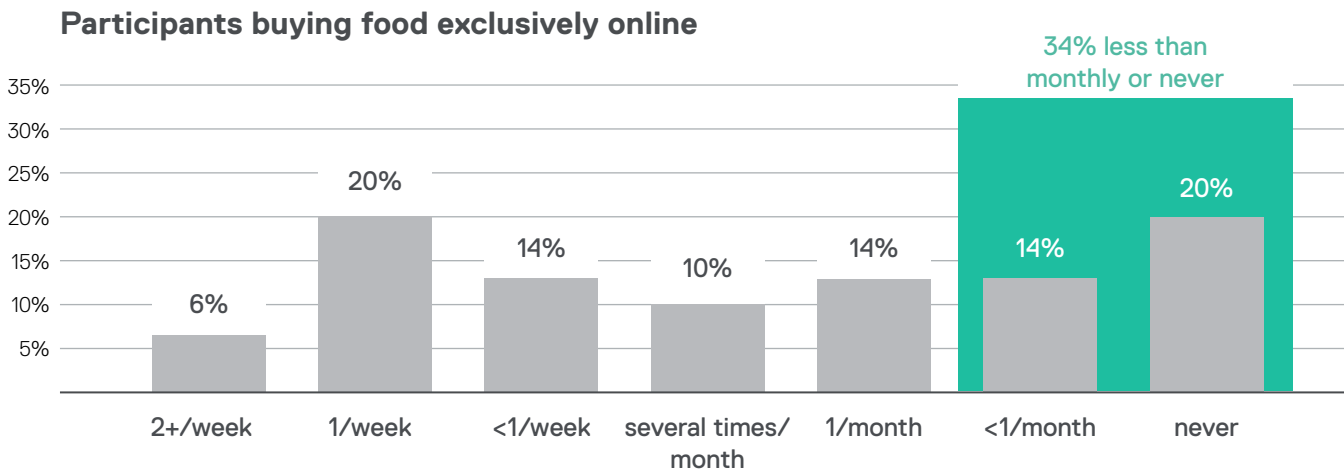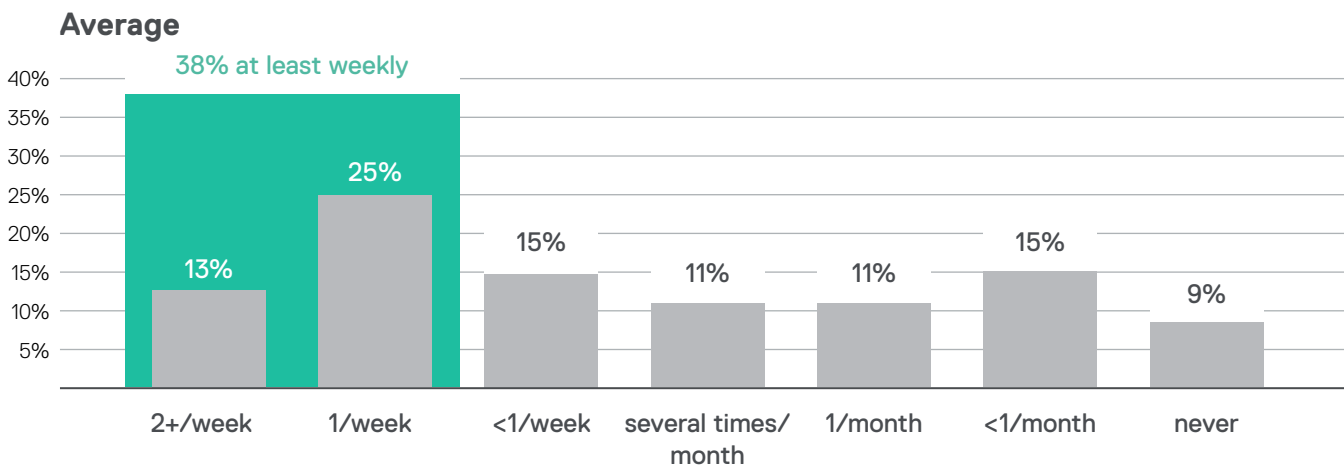
Implications for practitioners

These results are particularly interesting for grocery retailers and brands for two reasons. First, ready-made food offers higher margins than most traditional items in a grocery store. And second, ready-made food can add additional revenue by capturing what may have been previously spent in restaurants. In combination with the increasing convenience of online grocery shopping, ready-made food is a very promising vertical for grocers.

Broad distribution and heavy users

The second question on ready-made food revolved around frequency of use. Regardless of the decision whether it was for pick-up or delivery, we asked how frequently consumers purchase ready-made food from a grocery store (question 30). This revealed a very broad and fairly balanced distribution for each option. All opinions are represented, from very heavy users with two or more orders per week (13%) to never (9%). Overall, nearly four out of ten Americans (39%) order ready-made food from a grocery store at least once per week. This is compared to 33% who order take-out or delivery at restaurants in the same time span.

This figure is particularly high for men (43%), 25-34 year olds (45%), and those who value online groceries primarily for prizes and promotions (56%). Of those consumers who purchase their food exclusively online, on the other hand, just 26% include ready-made food as part of their weekly purchases, and 34% of them buy less frequently than once a month or never. Although ready-made food from grocery stores already has a high market penetration and seems to serve a similar target group as e-groceries, it has so far primarily played a role in offline sales.

How frequently do you purchase ready-made food from a grocery store?

Average

38% at least weekly

- 2+/week: 13%
- 1/week: 25%
- <1/week: 15%
- several times/month: 11%
- 1/month: 11%
- <1/month: 15%
- never: 9%

Participants buying food exclusively online

34% less than monthly or never

- 2+/week: 6%
- 1/week: 20%
- <1/week: 14%
- several times/month: 10%
- 1/month: 14%
- <1/month: 14%
- never: 20%

Convenience, price, and specialities

We also asked participants about their reasons for buying ready-made food from a grocery store (question 31). And, how likely are they to prefer purchasing ready-made food compared to meal delivery or take-out from a restaurant (question 32). More than half, 56% of shoppers cite convenience and saving time as the leading reasons for buying ready-made food. While 17% do it to save money.

More than half of the respondents prefer ready-made food to a restaurant (54%). These numbers clearly demonstrate the potential of ready-made food as a lucrative segment for grocers. Another 16% of survey participants report buying ready-made food from grocery stores primarily because they like their specialties. This could be a further opportunity for grocery retailers to diversify or increase ready-made offerings to attract even more buyers. The greatest potential, however, seems to lie in the integration of ready-made food into the grocers' online segment. This has a large overlap in target group and use cases and seems to have been leveraged comparatively little so far.

Part 2:

The future of online grocery in the US

Grocery shopping in two years
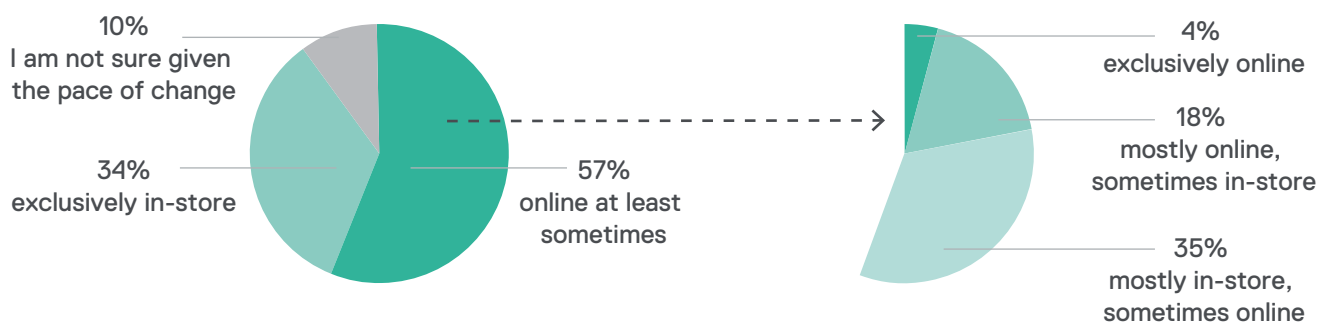
E-grocery growth continues

In order to be able to make a forecast for the future, we asked all participants how they imagined their grocery shopping in two years time (question 34). Here's what the answers revealed. The growth of e-grocery is far from over. Nearly six in ten Americans (57%) expect to order at least some of their groceries online in two years, while 22% plan to purchase most or all of their groceries through online channels. An expected 21% increase within two years, compared to the status quo (question 8). An additional 10% of Americans will likely start using online grocery offerings.

Younger age groups, such as 25-34 year-olds, report even higher values. Of them, 66% expect to buy groceries online at least occasionally and 25% even mostly or exclusively. Only the oldest respondents (55-65 year olds) still stand out in the future forecast with an above-average share of offline buyers, at 43%. Otherwise, online is growing in all areas and cohorts. And the exact numbers could be even higher, as a full 10% of respondents did not provide an estimate, not being sure how to make a prediction given the rapid pace of change in the industry.

How do you envision your food shopping in the next 2 years?

10%
I am not sure given the pace of change

34%
exclusively in-store

57%
online at least sometimes

4%
exclusively online

18%
mostly online, sometimes in-store

35%
mostly in-store, sometimes online

Implications for practitioners

Like all other e-commerce models, online grocery has benefited from the COVID-19 pandemic as a catalyst for digitization. However, this has always been accompanied by whether sales would migrate back to the brick-and-mortar store, at least in part. These results now show that this is by no means to be assumed. Rather, COVID's influence lies in the fact that online grocery providers found it particularly easy to get started. Customer acquisition costs for online grocers were extremely low, and demand was skyrocketing. Even if the strong demand slows down somewhat after the pandemic, providers could ramp up their online marketing again to counteract; especially since everyone now knows about the existence of these offers.

Overall, the timing for market entry and rapid scaling remains optimistic. The density of supply is still relatively low, not only in rural areas, and there are many indications that once customers have been acquired, they will continue to use online channels.
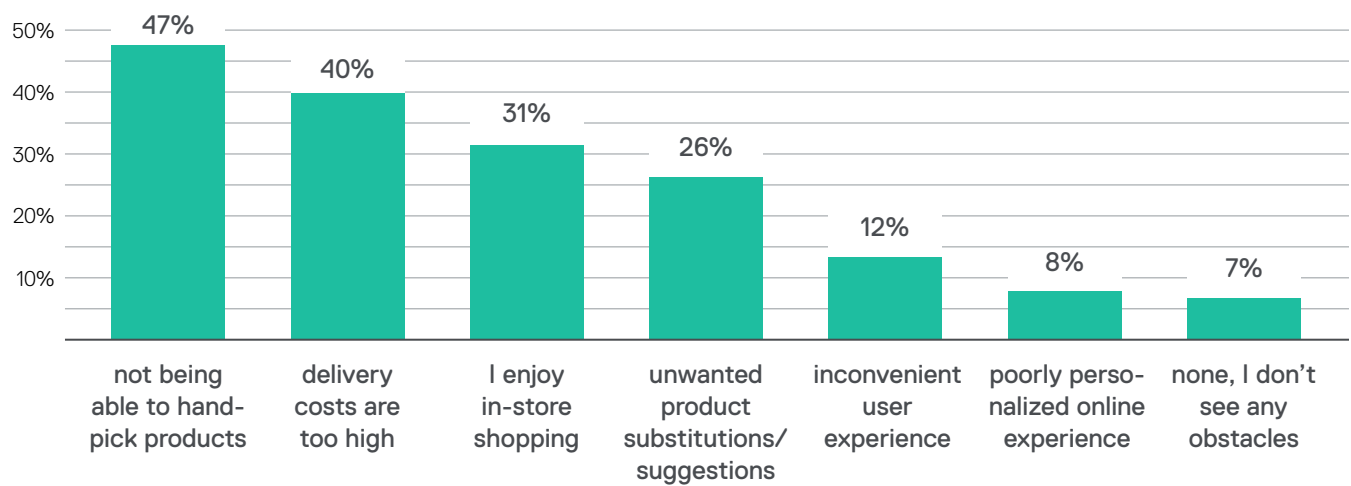
Motivators and blockers

No digital equivalent to seeing and feeling products

In addition to the general intention to use more or less e-grocery offers in the future, the participants were asked about obstacles they see to ordering food online (question 20). There is no clear consensus, and **no single obstacle is rated as relevant by more than half of the respondents. The most frequently cited answer is that they cannot see and touch items before purchasing them (47%).** This uncomfortable feeling is universal, even people who exclusively order food online still have it. E-grocery operators will need to come up with solutions to establish trust in freshness and quality, otherwise this will remain a clear advantage of offline stores.

What do you see as the biggest obstacles to shopping for groceries online?

Obstacle	Percentage
not being able to hand-pick products	47%
delivery costs are too high	40%
I enjoy in-store shopping	31%
unwanted product substitutions/ suggestions	26%
inconvenient user experience	12%
poorly personalized online experience	8%
none, I don't see any obstacles	7%

The second most frequently cited answer, delivery charges that are too high, is the most common answer among those under 40, at 41%. This shows two other possible blockers: extra costs and age. It was already revealed in many questions that young target groups are especially open-minded towards online groceries and price concerns are not widespread overall (see chapter "Bargain hunters are at odds", question 24), but do occur in all age groups. A third main obstacle, unwanted products, is primarily criticized by those that order online a lot (8% above average). They also complain about poor personalization above average (13% vs. 8% average). So this last obstacle can be summarized as high expectations towards a seamless digital user experience and execution, which becomes especially important as usage increases.

Convenience and a sense of control

Convenience is by far the biggest motivator for online grocery shopping. When asked directly about the main reasons behind shopping for groceries online (question 18), 59% cited convenience, while 35% of respondents were still concerned with personal safety.

Other frequently stated reasons for online groceries include the avoidance of impulse purchases (29%) and the possibility to compare prices and products more easily (27%). The more comprehensive product information and reviews also appeal to 22% of online shoppers. All of these arguments have in common the sense of control consumers feel when shopping online. Online is a more controlled environment than the brick-and-mortar store, making shopping less stressful. Consumers like being able to choose exactly the products they really want and need with less pressure and in familiar surroundings.
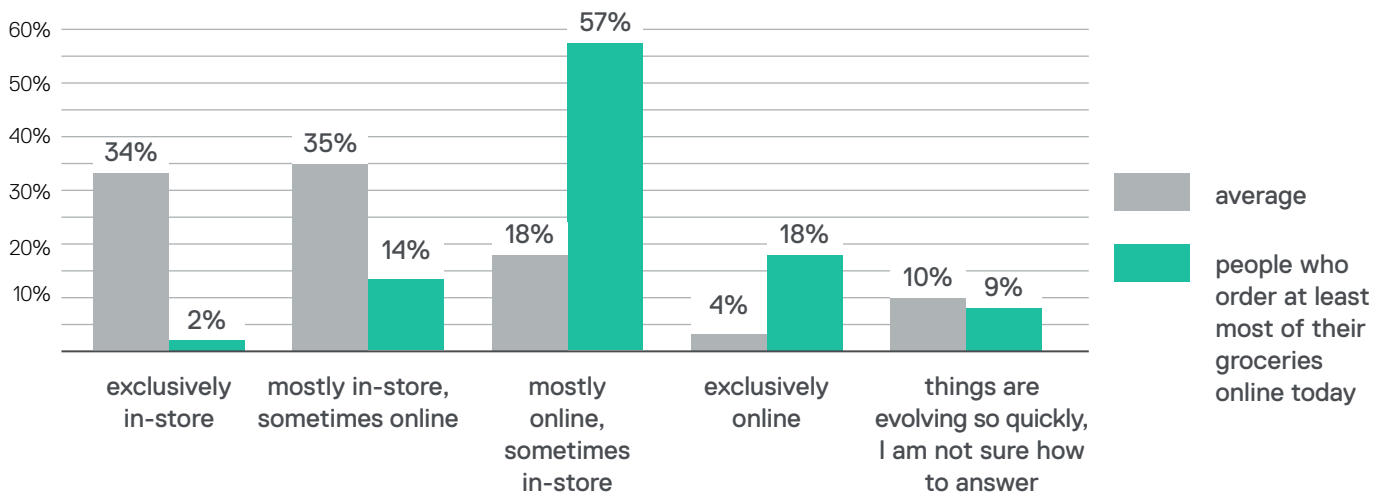
Fans and opponents

Users become fans

If you're looking for consumers who are particularly positive about online grocery shopping, the first group that can be found is: those who try it. Of those who already order at least most of their groceries online today, only 2% believe they will stop doing so in the next two years. And while few online-consumers have the intention to reduce their online shopping, the proportion of those who plan to switch completely to online is as high as 18%, four and a half times higher than the average (4%). Online offers therefore seem to convince many consumers and lead to increased customer retention over time.

Expected use of grocery shopping channels in 2 years by current shopping preferences

Legend:
- average (gray)
- people who order at least most of their groceries online today (teal)

Category	average	people who order online today
exclusively in-store	34%	2%
mostly in-store, sometimes online	35%	14%
mostly online, sometimes in-store	18%	57%
exclusively online	4%	18%
things are evolving so quickly, I am not sure how to answer	10%	9%

Ideal customer profile:
tech-savvy women from the south

One factor that rarely reaches statistical significance but shows up as a trend in many questions is gender. Overall, women seem to be more open to online food than men. The percentage of men who shop exclusively offline is 2% higher (54% vs. 52%), while the percentage of heavy online users (buying mostly or exclusively online) is 3% higher for women (14% vs. 11%). Similarly, in the future forecast, the use rate is slightly higher for women, and they are almost twice as likely to not see a single reason not to shop online for groceries (8% vs. 5%).

An additional observation is that most online grocery fans in the U.S. come from the south. The south has the lowest percentage of offline advocates at 48% and the highest percentage of heavy online users at 15%. Also, compared to all other regions, by far the largest share of people do all of their weekly shopping online in southern states (32% vs. 26% average). Moreover, southerners on average spend the most money online, with 37% spending more than $100 weekly (vs. 34% average).
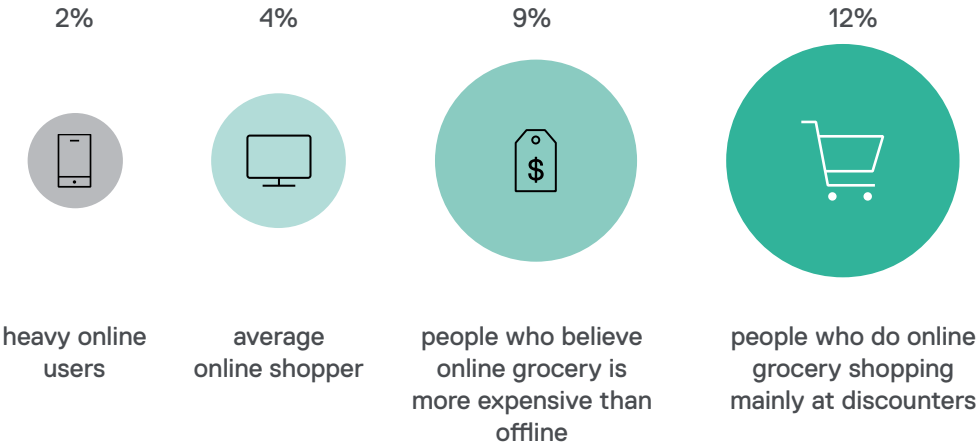
Furthermore, technology affinity plays a reinforcing role for online adaptation. For example, only 32% of those who prefer to receive coupons digitally rather than printed make their grocery purchases exclusively offline, which is almost half the population average (52%). So those who like to use modern technology also like to use e-grocery options. And the particularly good news for e-grocery providers is that it appears that these tech-savvy customers also order in large quantities. For example, 15% of those who use voice or other innovative technologies for ordering spend more than $200 a week on online groceries, which is twice as high as the average (7%).

Price sensitivity and offline advocates

Higher age and residence in rural regions are factors whose inhibiting influence on online adaptation has already been demonstrated. In addition, we tried to find groups that reject online after they have tried it. The strongest influencing factor in this respect appears to be price sensitivity. Those who say they generally pay more online than offline are 9% more likely to return to in-store shopping altogether in two years time. This is more than double the average figure for all online shoppers (4%). Among those who currently shop online mainly at discounters, this figure is as high as 12%, three times the average. The perception that online is more expensive is not shared by a majority, but those who hold this opinion are significantly more likely to be opponents of e-grocery.

Then there is another group that is very obvious but particularly difficult to convert: people who enjoy in-store shopping. They already order online less often (70% exclusively online, vs. 53% average), and when they do, they pay less (30% under $50 per week, vs. 25% average), and nearly half of them still plan to buy exclusively online in two years (47%, vs. 34% average). So it remains to be said that online grocery shopping is not for everyone. However, there are few who don't try it, and it is hard to find any reliable trends of groups that have a conspicuously negative attitude towards online offerings.

Proportion of online shoppers who plan to switch completely to offline purchases in two years' time

2%	4%	9%	12%
heavy online users	average online shopper	people who believe online grocery is more expensive than offline	people who do online grocery shopping mainly at discounters

Conclusion

It is very clear that the study results show a complex market with multifaceted customer requirements that is undergoing change. In the following, we have summarized the most striking findings and takeaways for business practitioners based on the questions we raised in the introduction.

Offline vs. online: e-grocery use cases, target groups, and trends

Nearly half (47%) of Americans already purchase groceries online at least sometimes, while 15% shop mostly or exclusively online. And yet, the growth potential of e-grocery is still huge, with an expected 21% increase within two years. Online grocery is here to stay as a significant part of the new normal in the U.S. food and grocery retail industry.

Online offers are valued above all for their convenience and reduced health risk. So the impact of COVID-19 is still ongoing, but there are no signs that there will be a jump back to the consumer behavior of 2019 even after the end of the pandemic. More than one in four (27%) online shoppers purchase all their weekly groceries online, and one in three (34%) spend more than $100 per week on online grocery shopping. Online grocery shopping has long since become part of consumers' everyday lives.

E-grocery providers are currently making gains, especially among younger and tech-savvy audiences, women more than men, and in southern states. Apart from true offline fans, however, almost no one is unwilling to try it out, and for large proportions of users, ordering frequency increases over time. Stationary providers without digital solutions should act quickly to avoid missing out on more than just the phase of lowest customer acquisition cost. No offering today means no prospects for tomorrow due to missing learning curves and a growing need to catch up with the competition.

Competition: brand perception, customer retention, and platform preferences

With the pandemic as a catalyst, there has been a strong influx of new players, retail models and financing in online grocery in recent years. For consumers, this seems to have left a very cluttered market. No brand stands out in terms of recognition, and average awareness levels are so low that the race for market leadership does not yet seem to have been decided.

So far, there are enough users for a variety of offerings, especially since nearly two-thirds (61%) of customers use two or more services in parallel. But the market is still likely to consolidate. A growing number of users are committing to one provider with subscription models (33%), and many new companies are paying for their customer acquisition with frequent and heavy discounts. Not all providers can win this battle, especially since online customers are price-sensitive and demand price transparency (68%), or criticize delivery costs (40%).

But competition is not just between online providers. For every $1 billion in growth in 2022, around $3 million, or the sales of a mid-sized grocer, will shift to online retail every day. This shift will not work without cannibalization effects and is likely to affect stationary grocery retail in urban areas in particular, where online offerings are in particularly high demand and can be implemented efficiently.

Customer experience: technology, features, ordering and delivery models

It is not what is sold, but how it is sold that matters, and that is why technological solutions play a crucial role in this market. 78% of users purchase online groceries on mobile devices, while 8% of those under 25 use voice assistants. 67% expect order tracking as well as fast and responsive customer service. Customer expectations are high and diverse, and grocers need to be able to meet them with excellent solutions, regardless of how consumers are shopping.

Offering a seamless experience beyond the brick and mortar stores is the key for grocery retailers to win the hearts of those who view grocery shopping as a chore (45% of respondents). "Shopping experience" and "ease of use" are the decisive factors for seven out of ten U.S. consumers when choosing an online grocery provider, underlining the importance of an intuitive UX.

Grocery retailers who choose to invest in technology can get ahead of the curve in customer retention and satisfaction. A sophisticated multichannel or omnichannel approach is the ideal strategy to strive for to optimize the customer journey. This requires modern, agile e-commerce technologies to find exactly the customer-centric solutions that consumers are currently demanding and to adapt flexibly once the market changes.

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