

The 2018 Grocery eCommerce Forecast



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ShopperKit

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Introduction

2017 was a year of incredible disruption in the grocery industry. More shoppers purchased groceries online than ever before. As grocers figured out ways to adapt to changing consumer habits, Amazon and Walmart continued to speed up their transformation of the industry, kicking off one of the most competitive times for grocery retail.

In November 2017, we surveyed 1,000 consumers across the U.S. to better understand the 2018 online grocery landscape. Our third annual Grocery eCommerce Forecast explores the following four areas:

1. The Opportunity: 2018 Grocery eCommerce Adoption



2. The Competitive Advantage: What The 2018 Shopper Wants



3. The Amazon Threat: How Real Is It?



4. The Operational Challenge: Making Fulfillment Count In 2018

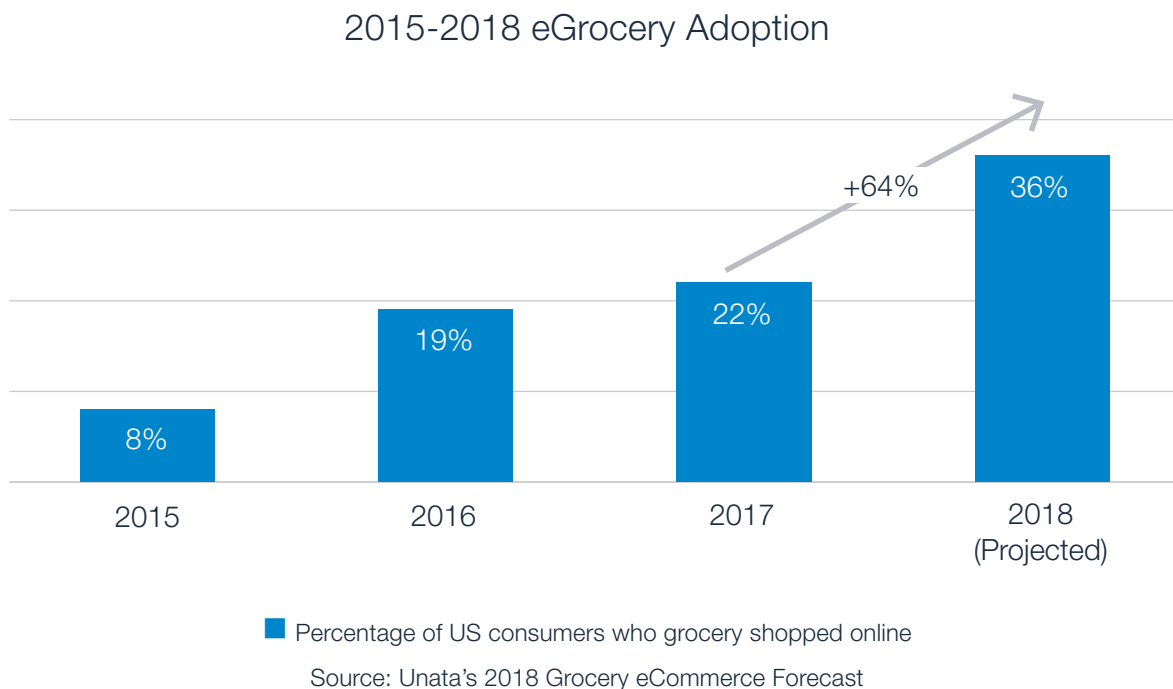


Moving into 2018, more consumers want to shop online for groceries and aren't afraid to leave their local grocer to do so. For retailers with a digital offering, the opportunity to steal both online and offline spend is bigger than ever before. For retailers without one, the risk of losing that spend (and valuable customers!) is even greater.

The Opportunity: 2018 Grocery eCommerce Adoption

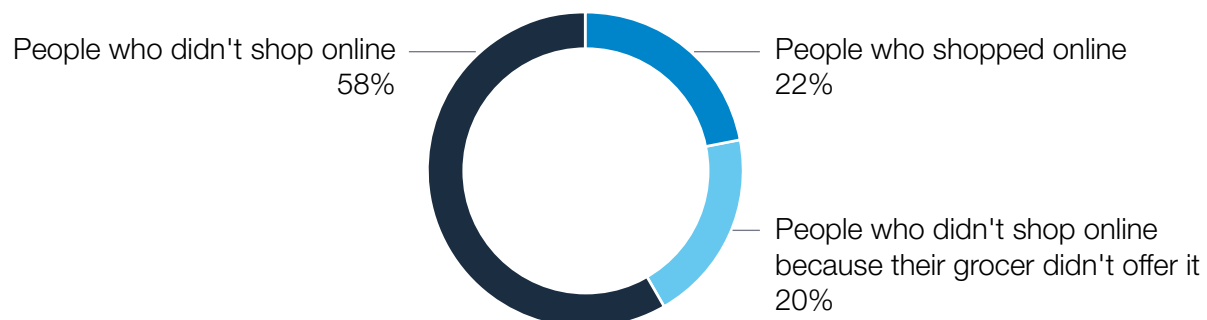
36% PLAN TO ORDER GROCERIES ONLINE IN 2018

That's up from 22% who grocery shopped online in 2017, a growth rate of 64%.



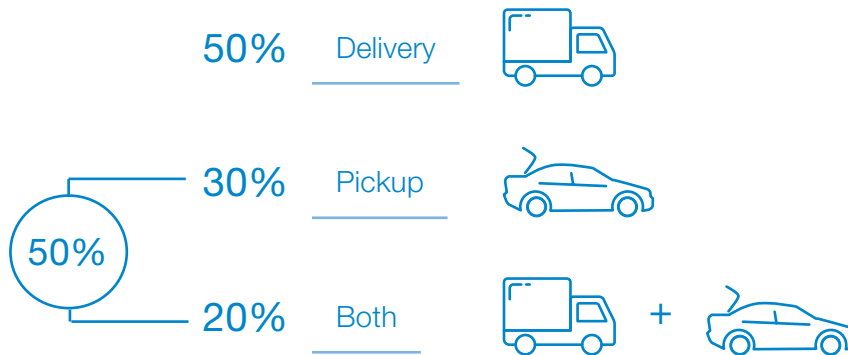
THERE WAS UNTAPPED DEMAND IN 2017

In 2017, **1 out of 5** U.S. consumers didn't shop for groceries online because their local grocer didn't offer it.



SHOPPERS WANT CHOICE

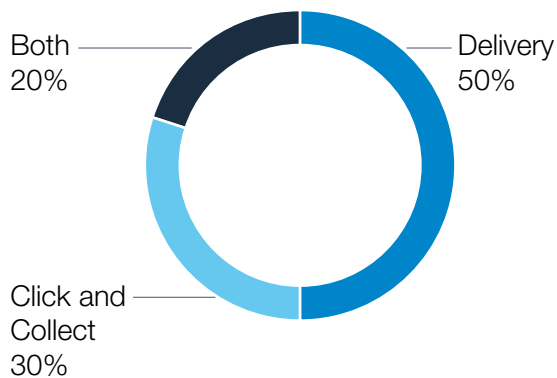
In 2017, a combined 50% of online shoppers shopped for pickup, showcasing that delivery is not the only preferred shopping method among consumers.



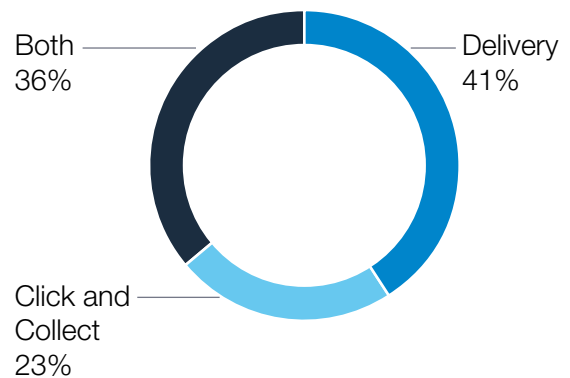
THE DEMAND FOR FLEXIBILITY IS RISING

The desire to shop for both curbside/in-store pickup and delivery (rather than one or the other) is forecasted to rise from 20% to 36% in 2018.

2017 Shopper Preference



2018 Shopper Preference



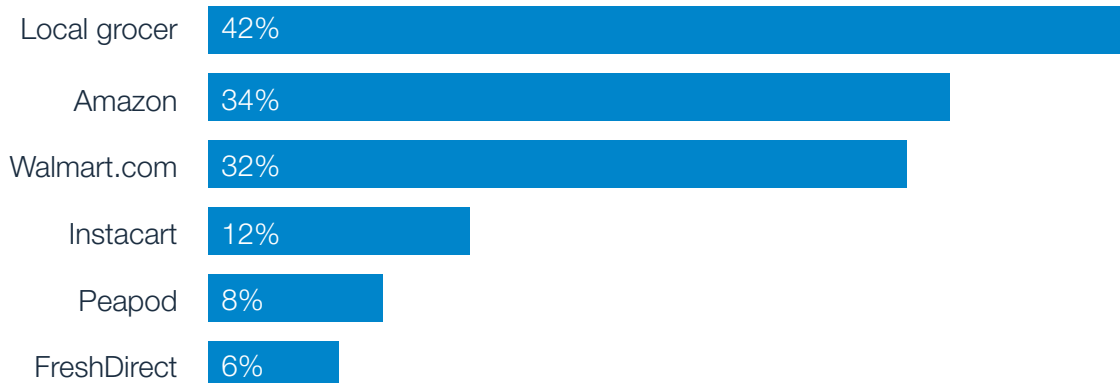
Shoppers like to have the option to switch shopping methods based on what is most convenient for them at any given point in time, showcasing the value of providing both delivery and pickup as we head into 2018.

IF GROCERS DON'T OFFER ECOMMERCE, SHOPPERS GO ELSEWHERE

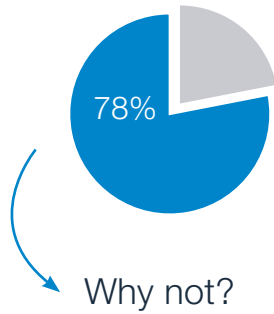


This is a missed opportunity. The demand for online grocery shopping is growing, and fast. Just because grocers are not online doesn't mean their shoppers aren't, and by not offering eCommerce, those shoppers turn to the competition.

Where are they shopping?



UNDERSTANDING 2017 BARRIERS



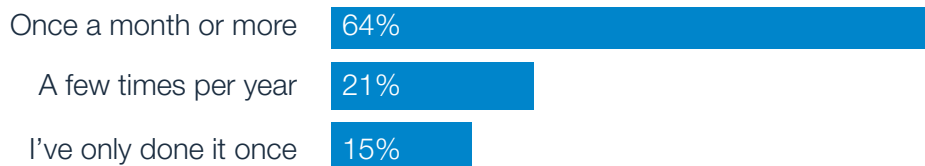
In 2017, 78% of U.S. consumers did not shop for groceries online for the following reasons:



ONE SHOP IS ALL IT TAKES

In 2017, 85% of those who shopped online for groceries did so more than once, showcasing a high probability for a second shop. Not only was retention high, but so was frequency, with 64% shopping once a month or more.

How often did you order groceries online?



These numbers speak for themselves: one shop is all it takes to realize the convenience that online grocery shopping offers. With an intuitive user interface, a convenient and personalized experience, and a strong and clear marketing plan that addresses these barriers head on, grocers can get their shoppers past that first shop and turn them into repeat shoppers.

The Competitive Advantage: What The Online Shopper Wants

1) THE MODERN SHOPPER VALUES A GREAT ONLINE EXPERIENCE

Shopper expectations for a great digital experience are increasing, and so is the importance of having a digital offering that can meet those expectations.

76%

of online shoppers said they would switch grocers to one that offers a better digital shopping experience



In addition to a better online shopping experience, here are the five other reasons online shoppers would switch grocers :

65% More coupons and deals



58% Lower cost for delivery



40% Faster delivery time



36% Personalized Offers



35% A digital weekly ad that I can shop/make my list from



Online grocery shopping is meant to be a fast, easy and personalized alternative. If the experience is anything but, shoppers will go elsewhere.

2) THE MODERN SHOPPER IS OMNICHANNEL

Today's shopper wants an omnichannel experience that allows them to shop however and whenever they want.

Online or In-store? Both!

In 2017, 96% of online grocery shoppers still visited their local grocery store once a month or more, and 62% visited it once a week or more.



3) THE MODERN SHOPPER IS EMBRACING NEW TECHNOLOGIES

As consumers are becoming increasingly interested in shopping online, it's important to be aware of what channels they are using beyond just desktop or mobile. One new medium that is making waves in both retail and grocery is The Smart Speaker, such as Amazon Alexa or Google Home.



1 out of 5

respondents said they own a smart speaker, with that number projected to grow to 27% in 2018



of smart speaker owners used it to build their grocery list in 2017

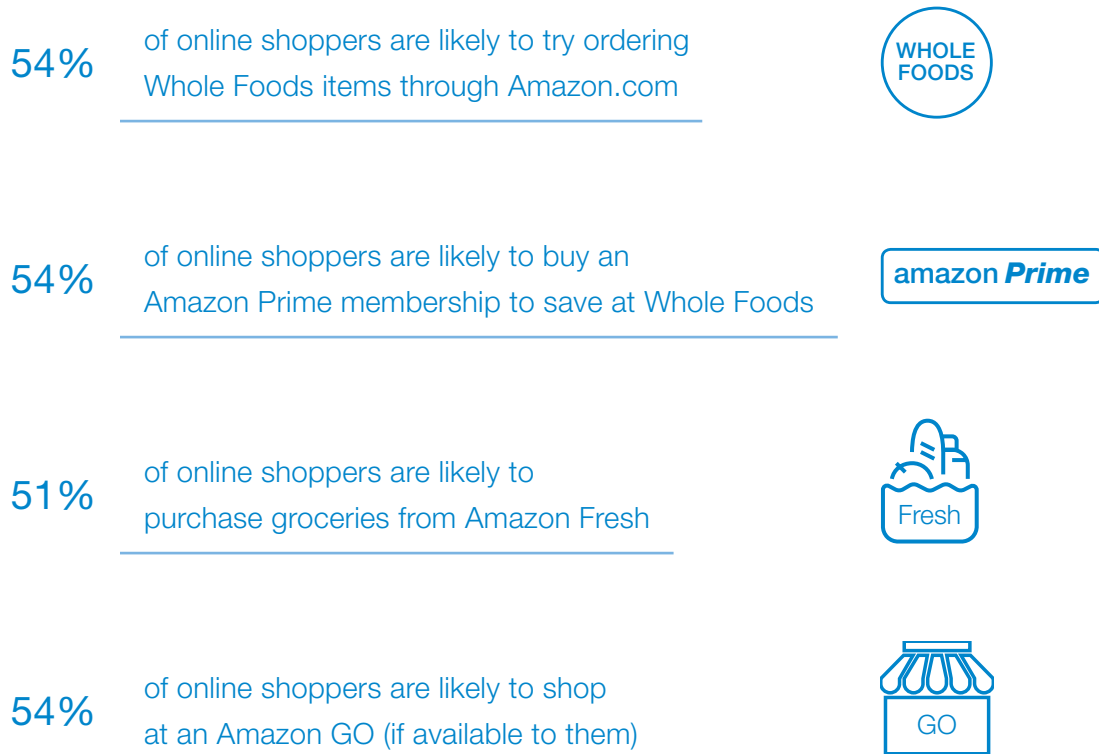


The desire to order groceries using smart speakers already exists, with 8% of owners indicating they would like to do so in 2018. In order to stay ahead of shifting consumer behaviours, grocers should look for ways to incorporate voice ordering into their future digital offering.

The Amazon Threat: How Real Is It?

2017 was a disruptive year for grocery. Amazon made its mission clear to invade the grocery industry and enhance their capabilities both in-store and online. As we move into 2018, it's important to understand just how big the Amazon threat really is.

Here's a look at how interested online grocery shoppers are in Amazon's offerings for 2018:



In 2018, more than half of online grocery shoppers are likely to try shopping for groceries with Amazon in some capacity. Investing in a strong digital experience is necessary in safeguarding against Amazon and other industry giants.

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The Operational Challenge: Making Fulfillment Count in 2018

Grocery retailers have stepped up their efforts in delivery and pickup, and 2018 will be no different. In order to make a fulfillment offering successful, here is what the 2018 shopper values most when ordering for pickup and delivery:

SHOPPERS VALUE COMMUNICATION WITH THEIR PICKERS

34%

of online shoppers said they would switch grocers for the ability to communicate with their picker while they're doing their shop



51%

of online shoppers said it's important to them to be able to communicate with their picker in real time



One the biggest barriers in online grocery shopping is the idea of someone else picking your food, with 33% stating it as a reason they didn't grocery shop online last year. Communication with pickers is key to eliminating that barrier and ensuring the shopper is satisfied with the experience.

SHOPPERS WANT A PERSONAL TOUCH FROM THEIR PICKER

56%

said they would like their picker to suggest a substitution if an item is out of stock



52%

said they would like their picker to suggest items based on coupons and offers



32%

said they would like their picker to suggest products that might be missing or forgotten



A personal touch from the picker is important in getting the shopper past their first shop. By offering real-time substitution options and product suggestions, you can narrow the margin of error and guarantee a happy shopper.

MEET THE EXPECTATIONS FOR THE PICKUP EXPERIENCE

55%

said they want real-time communication when their order is ready and **70%** said they want to be able to send an "I'm on my way" text to ensure their order is ready once they arrive



63%

want a designated and visible in store/curbside pickup spot



52%

want the ability to review their order during pickup



The pickup is the last point of contact with the shopper, so it is important for it to be a positive and straightforward experience. Save shoppers' time any way you can with "order ready" communication, clear signage and quick order reviews.



Conclusion

2018 will be a critical year for grocery retailers. Demand for online shopping is growing, with **36% of shoppers planning to shop online for groceries in 2018**, and so are the digital capabilities of other industry players, from Amazon and Walmart to Kroger and regional competitors.

It's no longer about offering an online grocery experience, but about offering one that is innovative, easy and fast; one that is truly omnichannel and provides shoppers with *choice and convenience*. If a grocer's digital experience can't rise to the occasion, **76% of shoppers will go elsewhere**.

To succeed in this new grocery era, retailers need to understand the expectations of their shopper, invest in a digital experience that meets those expectations, and relentlessly innovate so that the experience evolves with the shopper.

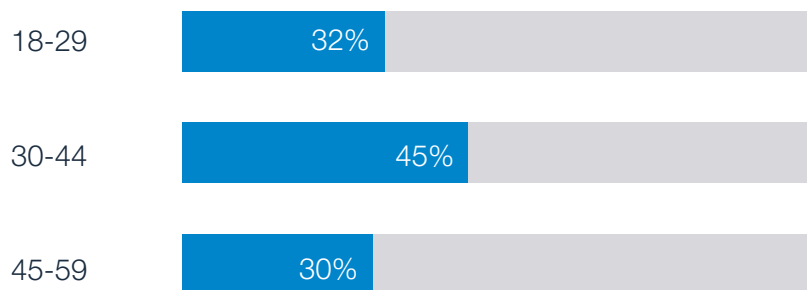
Appendix

WHO IS THE 2018 ONLINE SHOPPER?

As grocers prepare for 2018, it's important to understand who their shopper is so that they can serve them better. Below is a snapshot of the 2018 online grocery shopper by age, income and gender:

AGE

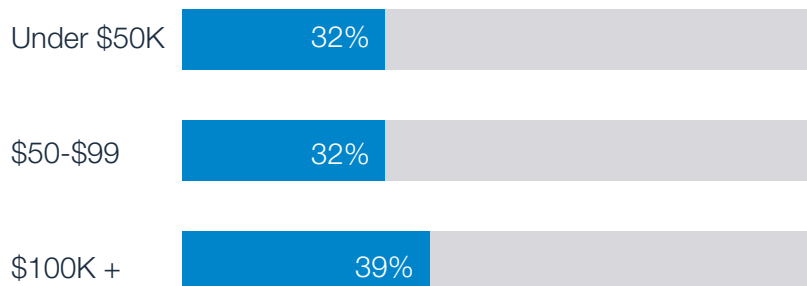
Likely to shop online in 2018



Shoppers aged 30-44 shop online for groceries more than any other age bracket.

INCOME

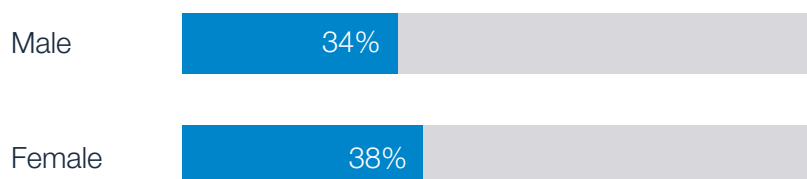
Likely to shop online in 2018



Shoppers who make over \$100K intend to shop online for groceries more than any other income bracket in 2018.

GENDER

Likely to shop online in 2018







Contrary to more traditional perceptions, the gender gap in online grocery shopping is fairly even.

WHERE A SHOPPER LIVES IMPACTS HOW THEY SHOP

Where a grocery retailer is located matters in understanding what the shopper wants. Here's a look at how shoppers prefer to order groceries online based on where they live.



2018	City	Suburb	Rural
 % will order for delivery	45%	42%	32%
 % will order for pickup	19%	24%	39%
 +  % both	36%	34%	39%



Pickup will become the preferred method for rural dwellers, with 39% of rural dwellers saying they plan to order for pickup only.



Delivery will remain the preferred fulfillment method for city and suburb dwellers, with more than twice as many planning to order for delivery than pickup.



Unata powers industry-leading digital experiences for North America's most well-respected grocers, with the mission to innovate the future of the grocery shopping experience. Unata enables 1-to-1 eCommerce, eCircular and eLoyalty experiences, powering the entire digital grocery experience through a single platform. Unata's award-winning work is featured by retailers including Lowes Foods, Raley's, SpartanNash and more.



ShopperKit

ShopperKit is an in-store order fulfillment platform designed specifically for Click&Collect in the grocery industry. As eCommerce continues its rapid growth, grocers are seeing their physical stores, located close to customers, act as natural distribution centers. ShopperKit's in-store fulfillment platform enables existing brick & mortar stores to receive, prioritize, and process orders from their online counterparts allowing grocers to offer in-store pickup or delivery services to their online customers.

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