NEW REPORT

ONLINE GROCERY

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Retail Analysts

ONLINE GROCERY REPORT 2015 - USA

The rise of new online models, recipe bag providers, online farmers markets and new marketplaces – will they take over from the multi channel grocers and online grocery pureplays?

INSIDE:
Key questions answered + table of contents

April 2015

This in-depth study includes:

- Amazon tracker data and annual best sellers in the grocery and pantry category
- Analysis of Amazon's three grocery businesses: .com, Pantry and Fresh
- A recommendation section for FMCG players in light of AmazonFresh
- A recommendation section for 3P retailers and omnichannel players in light of AmazonFresh
- Thorough, deep dive business model analysis of other major players in the US context with the relevant data
- Insights into numerous start up players in the recipe bags, crowd sourced eating and online food marketplaces space
- Detailed statistics on the online grocery sector in the USA including our forecasts
- A complete overview of the US online grocery market, risers and fallers, innovators and laggards
- Strategic recommendations - how to deal with the sharing economy, crowd sourced deliveries and online farmers markets
- The state of play in fulfillment: home delivery, click and collect and drives…
- ...and the future of fulfillment: delivery through and to smartphones

Have you heard of all of these companies before?

Companies profiled:

- Amazon (1P and 3P)
- Pantry and Fresh
- Bonativo
- Blue Apron
- Chefday
- eatwith
- eBay Now
- Feastly
- FreshDirect
- Good Eggs
- Hello Fresh
- Instacart
- Kitchen Surfing
- Kitchit
- Kroger
- Munchery
- Peapod
- Plated
- Postmates
- Relay Foods
- Rocket Internet
- Target
- Uber
- Walmart

From the EU, but relevant for the US:

- Asda
- Dia
- DHL
- E.Leclerc
- Linas
- Matkasse
- Tesco
- TFL

In numbers:

14 reasons for multichannel grocers to team up with new online food start ups and organic farmers markets

9 drawbacks of vegetable box schemes and why they could be looking for a partner

4 drawbacks of crowd sourced delivery models and why Walmart is backing away

USA online grocery retailing 2015: key questions answered

1. Business model disruption

- How can Scandinavian innovations around online curation revolutionise the sector? How big is the potential for the meal solution providers? Is vertical integration and unique product the only effective defence against Amazon?
- What do Blue Apron, Plated and Chefday have in common with Linas Matkasse? What has Rocket Internet been up to in this space?
- How do the chef hire and crowd-sourced eating models work? Who are the main players?
- Are online farmers markets taking over from established pureplays and multichannel grocers? How much of a threat are they to Amazon? Who are the major players and what are their USPs? What are the drawbacks?
- Should multichannel players team up with an online farmers marketplace, a recipe bag provider or a crowd sourced eating start up?
- Are innovative start ups and crowd sourced models only a threat to established online grocers? Or should they be perceived as a massive opportunity in logistics, such as Instacart, Postmates and Uber?

2. The major players

- Why is the US (Amazon excluded) so far behind when it comes to online grocery? Why has Walmart completely missed the boat? What are the main differences to EU online grocery?
- Has Walmart's sluggish entry into online grocery effectively let Amazon take control over the sector?
- Will online grocery help Target rebuild its reputation and brand?
- How will FreshDirect and Peapod approach new threats and opportunities?

3. Amazon.com, Pantry & Fresh

- What are the profiles of online grocery customers in the USA? Which different shopper demographics are targeted by Amazon.com, Pantry and Fresh?
- What are the bestsellers in Amazon's Grocery and Pantry categories?
- What should FMCG and omnichannel players do to counteract AmazonFresh? What will the future for Amazon's grocery business look like?

4. New delivery models

- What are the models used by the cutting edge online grocers right now? What is international best practise? What innovations are going on in click and collect, especially in France? Are the latest drive store innovations of Auchan and E.Leclerc the right way forward?
- What is the future for same day delivery in online grocery? Will Instacart be a success? Or is it all about AmazonFresh? In what ways are Instacart and Postmates developing crowd-sourced delivery? Is the model viable for the long term?
- What about collaborative delivery? Is this working and who is actually doing it? Does it need to be shopper and front end led or should it instead be retailer, 3PL and back end led?
- What innovative solutions are on the horizon? How can inefficient load factors be made more efficient? Is there crossover potential with other sectors (foodservice for example) and who should take up this opportunity?
- How will smartphones influence the future of delivery? What roles do eBay and Uber play in this respect?

5. Heavy recommendation focus

- Recommendations: Does an online grocery marketplace need to team up with postal service providers?
- Recommendations: Does an online grocery marketplace need its own logistics/fulfillment capacity?
- Recommendations: Does an online grocery marketplace need to comprise retail and also a recipe bag solution?
- Recommendations: Are online grocery marketplaces glorified vegetable box schemes? Should they sell non food?
- Recommendations: What is the role of takeaway delivery marketplaces such as Grub Hub, Seamless and Delivery Hero?
- Recommendations: Can a grocer operate an online grocery marketplace option? Who is doing this right now?
- Recommendations: Should such a business drop ship or bundle orders from 3P at their DC? What are the implications?

Benefits

- Benchmark against the **best in class operators**, obtain hard to find data
- Access **Amazon insights and data**, not available elsewhere
- Gain insights into some of the **lesser-known online players** that are nevertheless redefining online grocery
- Master the drawbacks and opportunities with the **online farmers marketplace business model**
- Future proof your business by finding new strategic **innovations for home delivery**
- Learn how **crowd-sourced delivery** works … and where it falls down
- Understand what makes an online food marketplace successful and study the evolution of the sector to find out now **what is just around the corner**
- **Calculate the risks and obstacles** that need to be circumvented and gain a glimpse into what the future online grocery business model will look like

Zoom in to read

Sample pages

Linas Matkasse: Swedish innovation, the recipe bag provider

• Sweden's Linas Matkasse (literally translated as Linas lunchbox) is a truly innovative online grocery pioneer, integrating four key advantages the internet offers in its business model. The company's proposition has a strong convenience aspect, it exploits the curation trend, currently in vogue in online fashion, it surprises customers with a clear novelty factor and acts as a skills enhancer.

• Linas Matkasse offers a complete meal solution for stressed out parents. The company delivers a bag packed with all the ingredients and the recipes necessary to feed a family of 4/5 to the doorsteps of online shoppers. The bags contain meals for 4 days at a price of Swedish Krona 499, (roughly €50).

• The company was founded in 2007 by Lina Gebäck and Niklas Aronsson, and by autumn 2011, the bags were delivered to 132 of Sweden's 290 municipalities. From its start up phase, with sales of €100k in 2008, the company has reached sales of €31m in 2011 (2010: €17m) and kept its strong momentum throughout 2012. The online grocer is profitable according to its founders and is in its first stages of internationalising the business model.

• The Swedish pureplayer's proposition and its main selling point are undoubtedly convenience and time saving. Taking the hassle factor away, Linas Matkasse is helping busy parents by providing the ingredients, recipes and decisions in terms of what to cook for the family.

US Clones: Blue Apron, Plated, venture funding

Blue Apron

plated

• **There are a number of clones and copy cat companies who have muscled into the recipe bag sector, including companies like HelloFresh, Chefday, Plated and Blue Apron.**

• Launched in 2012, Blue Apron consisted of its three founders – Salzberg, Ilia Papas and Matthew Wadiak – packing ingredients and recipes into boxes to be sent to their consumers. Today, the New York-based company employs over 500 people and delivers more than 800,000 meals each month nationwide. For about $9.99 a meal per person, Blue Apron subscribers receive ingredients and the recipes for three meals each week.

• **Another food delivery start up, New York-based Plated has attracted venture funding in the last two years.** Plated, operated by DineInFresh Inc., raised $5 million in a Series A round of venture funding, led by ff Venture Capital. Plated users must purchase a membership and pay a per-plate fee. A single month long membership costs $10, while an annual membership costs $96 (or $8 per month). A "plate" (or ingredients to make a single serving of a meal) costs $12 each. So far, the company's users have mostly been dual-income families with no kids, or who recently had kids. In 2014, the company plans to roll out more features for families.

Zoom in to read

Sample pages

Rocket Internet: ROI targets, the success matrix

• Rocket is also different from most other e-commerce sites such as Amazon or Alibaba, as it is a portfolio of investments, it is perhaps to a degree comparable to Rakuten in the sense of operating many web based companies under the same umbrella. That said Rakuten is first and foremost a marketplace and it also integrates is businesses across platforms much better.

• The Samwer brothers plan for 80% of their start ups to generate a return for their investors and for those that survive to yield a 50 fold ROI (!!!). By 2015 they want to have founded 250 new businesses, with many targeting an exit on the stock exchange.

• While much of the modus operandi is high risk, once the Samwers decide on a strategic direction, they go in full steam. Where the company reduces risk exposure is by copying existing business models. The whole modus operandi is based on growth, once online retailing growth matures the company has a problem.

• The company operates a success matrix: along one axis all the successful business models are plotted, on another axis the most attractive target markets are plotted, if a market does not have a strong incumbent, the market becomes interesting for the Samwers. This also explains the heavy focus on emerging markets. The other most interesting criteria are population density, GDP and economic growth. By all accounts this is not a very sophisticated approach in our opinion.

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Click & collect: Volvo's digital car keys, DHL parce

• **Meanwhile in Germany DHL have widened out trials of parcelboxes**, consumers have to pay €99 to have one installed, and these boxes hold 78l of volume which is roughly equivalent to a crate of mineral water bottles. Iterations on the concept have made it a closed loop two way system, so customers can return unwanted parcels this way too.

• In the UK there are a number of interesting new developments, **Tesco, Waitrose and InPost have joined Asda in opening collection points at London Underground stations.** The supermarkets will install grocery click & collect facilities in up to six stations each, whilst Asda will expand on its current six. InPost meanwhile will install lockers in three locations. **The most interesting findings from this trial are that the targeted commuters are not using this service that much. The users are rather shoppers from the local community who may not have access to a full line hypermarket** and chose this option to get access to the full range at a better price point than in their local convenience stores. Perhaps it should be mentioned that the TFL trials are a logical conclusion to c&c stations appearing everywhere where people are, in universities, gas stations, etc.

• **Another interesting variation on the click & collect trend is Asda's recent tie up with dry cleaning specialist Timpson in some London stores, so shoppers can collect their shopping and dry cleaning at the same time.** Basically players are trying to milk the convenience and time saving angle in any conceivable way.

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«Research Farm publishes great reports every year, and each report brings a unique perspective compared to any other information available elsewhere: the analyses go deep, they are supported with data, but what I most value is that each report is built around a 'clear story', contains proprietary insights and even sometimes innovative projections into the future which help us to think out of the box.»
Global Channel Category sales
Nestle waters

«For us the ResearchFarm reports are so useful. The information provided give us the opportunity to increase our knowledge about the retail industry and its key trends.»
Rafael Florez - CEO GS1 Columbia

«The discounters reports were and still are very helpful as we got lots of detailed information and figures we haven't found anywhere else. This has helped us to progress with our plans of expansion in the US and convince people internally of the market potential.»
Marketing Manager - Bonifaz-Kohler

«On DLF's (Danish Association of Fast Moving Consumer Goods Manufacturers) New Years Conference we had the great pleasure to hear ResearchFarm speak about future trends in online grocery retailing. The feed back from the conference participants was very positive as they gave ResearchFarm's presentation the highest score of all speakers, finding the analysis about the key success factors of chosen EU and US online retailers both very interesting and inspiring. We can therefore give ResearchFarm our best recommendation.»
Dagligvareleverandørerne
Danish Association of Fast Moving Consumer Goods Manufacturers

+ press quotes

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