



# eGrocery's New Reality

The Pandemic's Lasting Impact on  
U.S. Grocery Shopper Behavior



IN COLLABORATION WITH



# Research Approach

This study investigates online grocery shopper behavior and changes in shopping preferences in 2020 and beyond, and provides recommendations for grocery retailers.



## Areas of Investigation

- Shopping online with grocery retail banners
  - Shopper behavior, satisfaction and expectations
- Changes in shopper preferences in 2020
  - Preferences in destination, fulfillment method and category nuances
- Insight into online grocery post-pandemic:
  - Projected growth of online shopping
  - How retailers can retain and grow market share

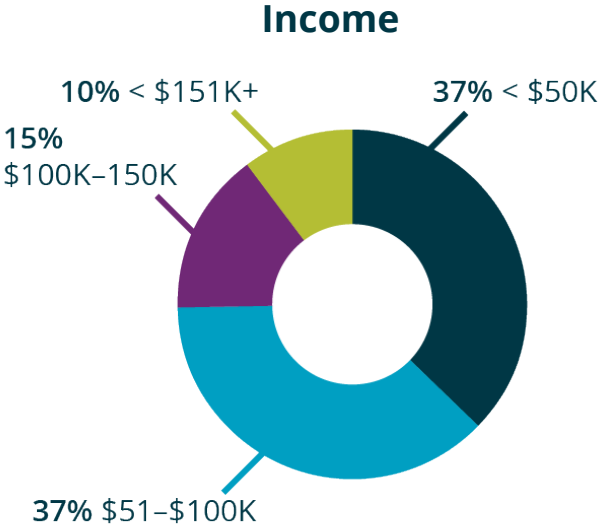
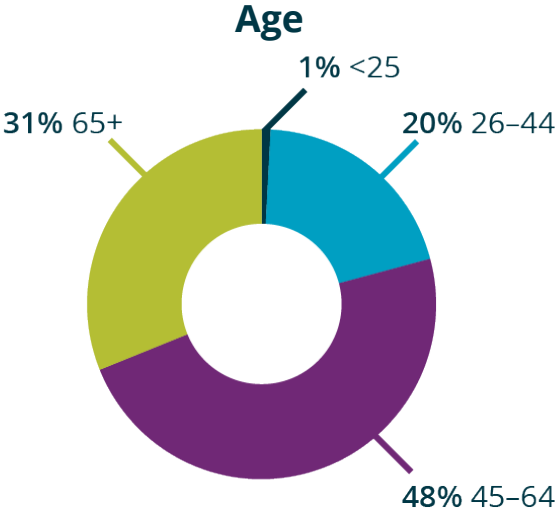
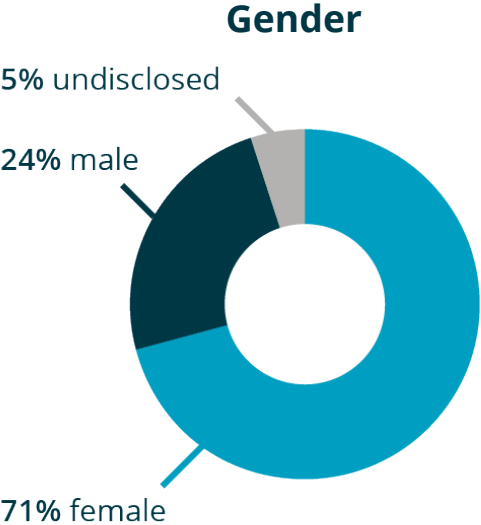
## Survey Coverage

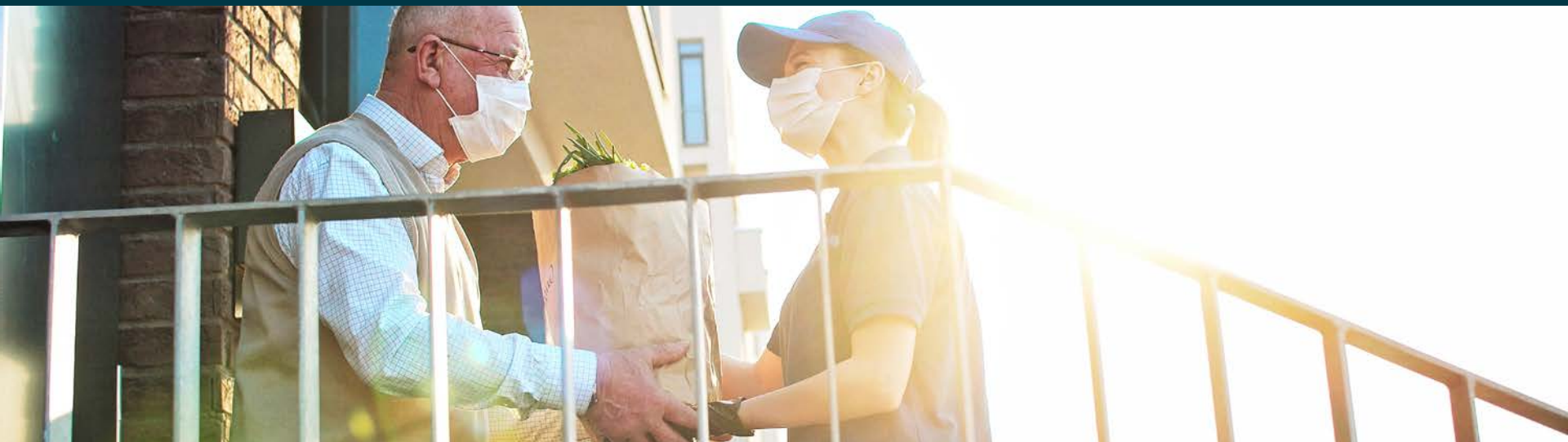
**~20** States Across the U.S.A.

**~60,000** Respondents

**48,000,000**  
Data Points Analyzed

# Demographics of Respondents





# Executive Summary



# 1

**Adoption of online grocery shopping has exploded, but shoppers have remained far more loyal to their brick & mortar grocers than to any online-only alternatives.**

- While 87% of shoppers are satisfied with their preferred brick-and-mortar retailer and intend to remain loyal, they experiment with different online retail options. While overall online grocery shopping adoption has grown to 43% in 2020 (vs. 24% in 2018), online shopping at a preferred retailer is constant at 26%.

# 2

**Shoppers are satisfied with online purchase options, but demand more customization and personalization.**

- Fifty-eight percent of shoppers are satisfied with the online shopping capabilities offered by their preferred brick-and-mortar retailer. They express high satisfaction with payment and fulfillment options, and would like more functionality added to online promotions and advanced product search.

# 3

## **COVID has not just increased adoption of online shopping, it has fundamentally changed how consumers shop.**

- With safety concerns being top of mind, slightly more than 50% of respondents have changed the way they shop. Thirty percent have opted for another shopping destination (mostly to other brick-and-mortar retailers), 40% have reduced their frequency and 46% have changed their preferred fulfillment method, with 52% of respondents preferring curbside pickup over delivery.

# 4

## **Post-pandemic, while the rate of online sales growth will stabilize, online adoption will continue to grow.**

- While approximately 60% of new online shoppers will revert to the familiarity of in-store shopping, lingering concerns over safety, combined with eGrocery's added convenience and new online features capabilities, mean online grocery will crest over ~21% of total grocery sales by 2025, or an estimated \$250 billion. This represents an 8% increase over pre-pandemic eCommerce estimates.



# 1 Shopper Loyalty & Expectations



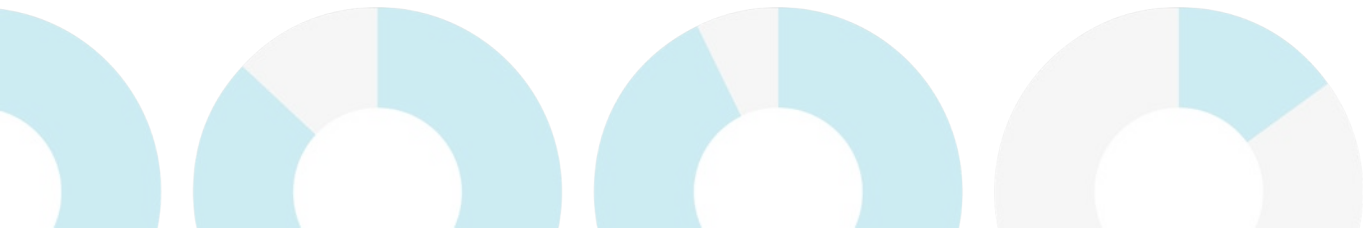
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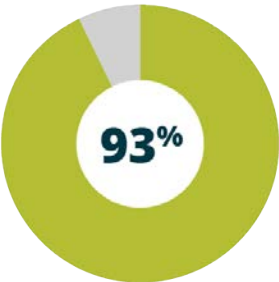
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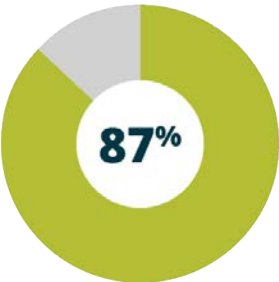
Shoppers are highly satisfied with the shopping experience offered by their preferred brick-and-mortar retail brand, driven mainly by proximity and perceived value.



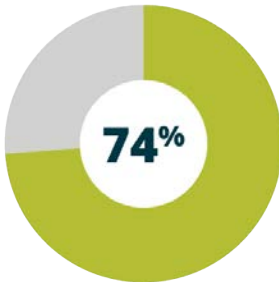
# How Satisfied are Customers with their Preferred Retailer?



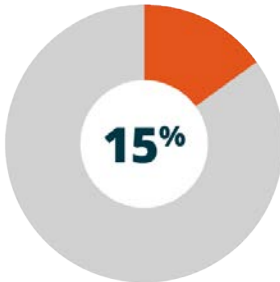
of respondents intend to continue shopping with their preferred retailer



of respondents are satisfied with the experience at their preferred retailer



of respondents shop with their preferred retailer at least once a week

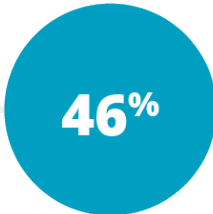


reduction in frequency of in-store shopping trips from 2018 (1.3 trips/week in 2020 vs. 1.6 in 2018)

## Top Three Reasons for Shopper Satisfaction



Proximity to Me



Value for Money



Quality of Products

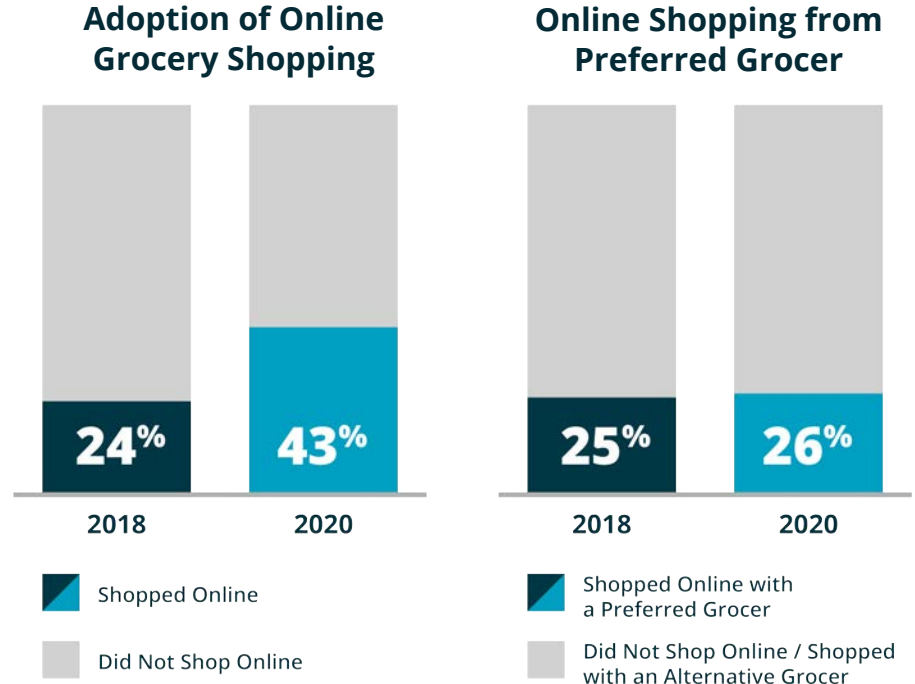
# Weak Online Loyalty to Preferred Brick-and-Mortar Retailer

While overall adoption of online has grown by close to 200%, the number of shoppers buying groceries online from their preferred brick-and-mortar retailer has not grown.

A total of 43% respondents have shopped online in the last 6 months, and 26% have shopped online at their preferred grocer.

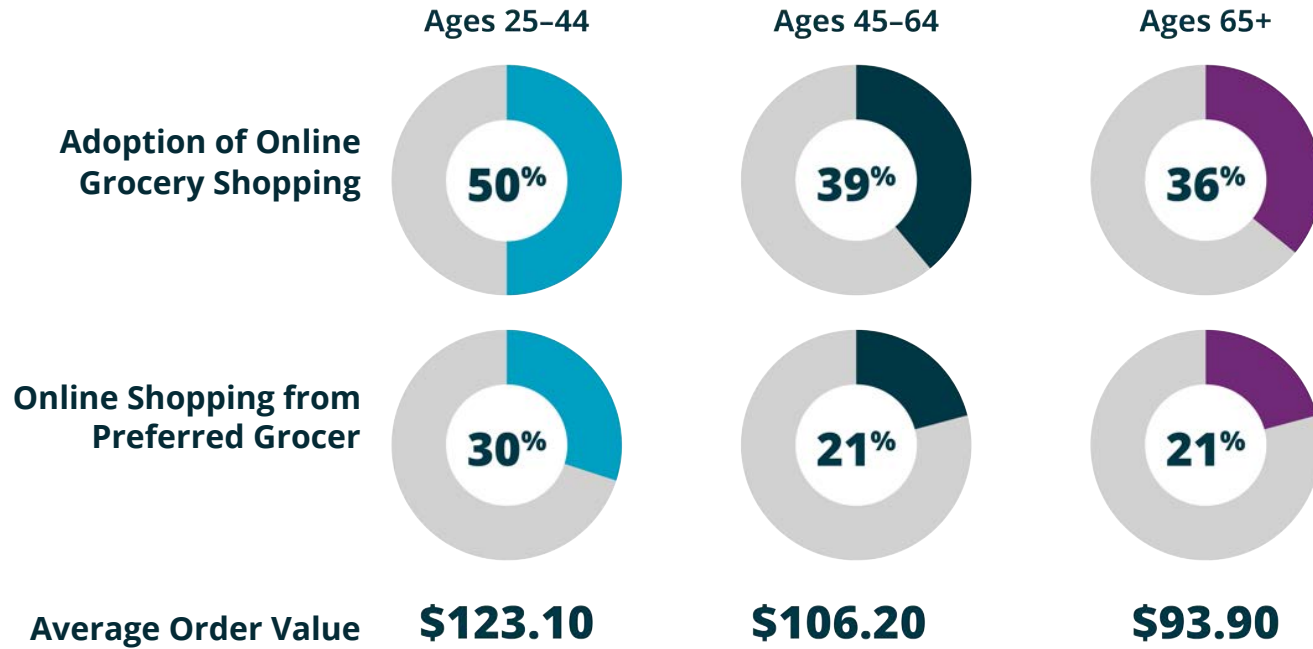
This is indicative of a highly competitive marketplace and experimentation by customers, driven by:

- Attractive discounts & promotions
- Stock availability
- Availability of fulfillment options (curbside, free home delivery by brand or partner)
- Other online order incentives



Online adoption, price sensitivity, and demand for enhanced digital features are highest for millennials.





Demand for promotions and  
expanding digital features

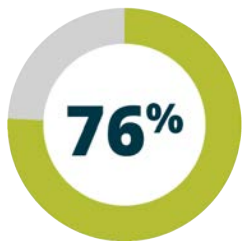


Demand for safety and  
customer service

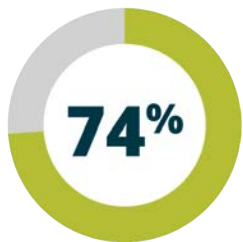
Customers have a high degree of satisfaction in the online buying journey.

However, expectations for a seamless online shopping experience will continue to rise and retailers must address them to ensure future growth and online shopper retention.

## Overall Satisfaction



of Respondents were Satisfied with the Purchase Process



of Respondents were Satisfied with Fulfillment



of Respondents were Satisfied with Digital Features

## Capabilities with Relatively High Satisfaction

Online payment methods  
Quick checkout

Availability of options  
e.g. pickup, delivery

Rebuilding a past order  
Ability to create lists

## Capabilities with Relatively Low Satisfaction

Customizations: product substitutions and cancellations

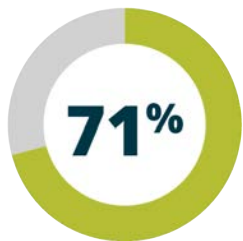
Availability of time slots, same/next-day delivery

Availability of 24/7 customer service  
Personalized product recommendations

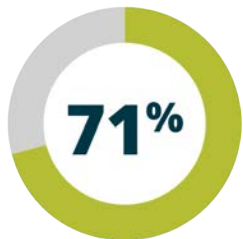
## Overall Satisfaction



of Respondents were Satisfied with Product Assortment



of Respondents were Satisfied with Search & Discovery



of Respondents were Satisfied with Pricing

## Capabilities with Relatively High Satisfaction

Quality of produce and meat

Availability of product information

Consistent in-store and online pricing  
Service and delivery fee

## Capabilities with Relatively Low Satisfaction

Availability and selection of products (weight, size, etc.)

Advanced search & filter options  
e.g. search/filter products with dietary restrictions such as gluten-free

Promotions and online coupons

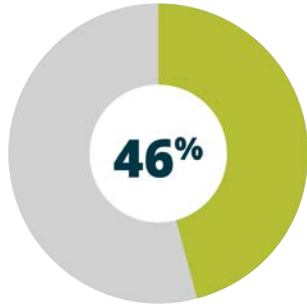




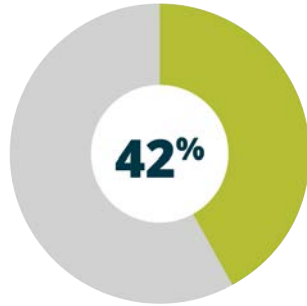
# 2 Changes in Shopper Preferences in 2020

COVID-19 is the primary driver for the significantly accelerated adoption of online shopping in grocery; it has also driven fundamental lasting changes in consumer behavior.

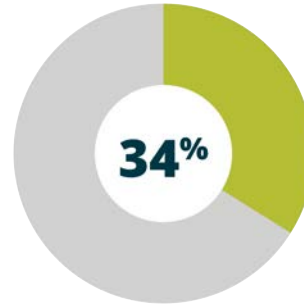
## Changes in Preferences while Shopping Online



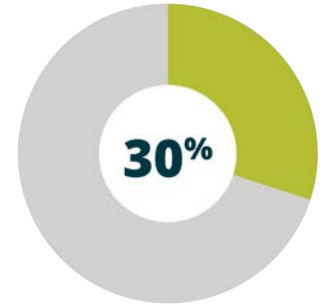
of respondents reported a change in shopping destination



of respondents reported a reduction in their frequency of shopping



of respondents have started buying new categories online

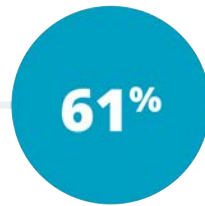


of respondents reported a change in preferred fulfillment method

## Top Three Reasons to Shop Online



COVID-19 Concerns



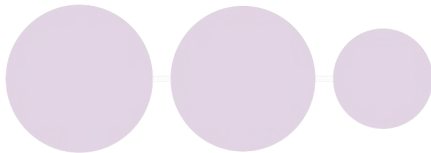
Convenience

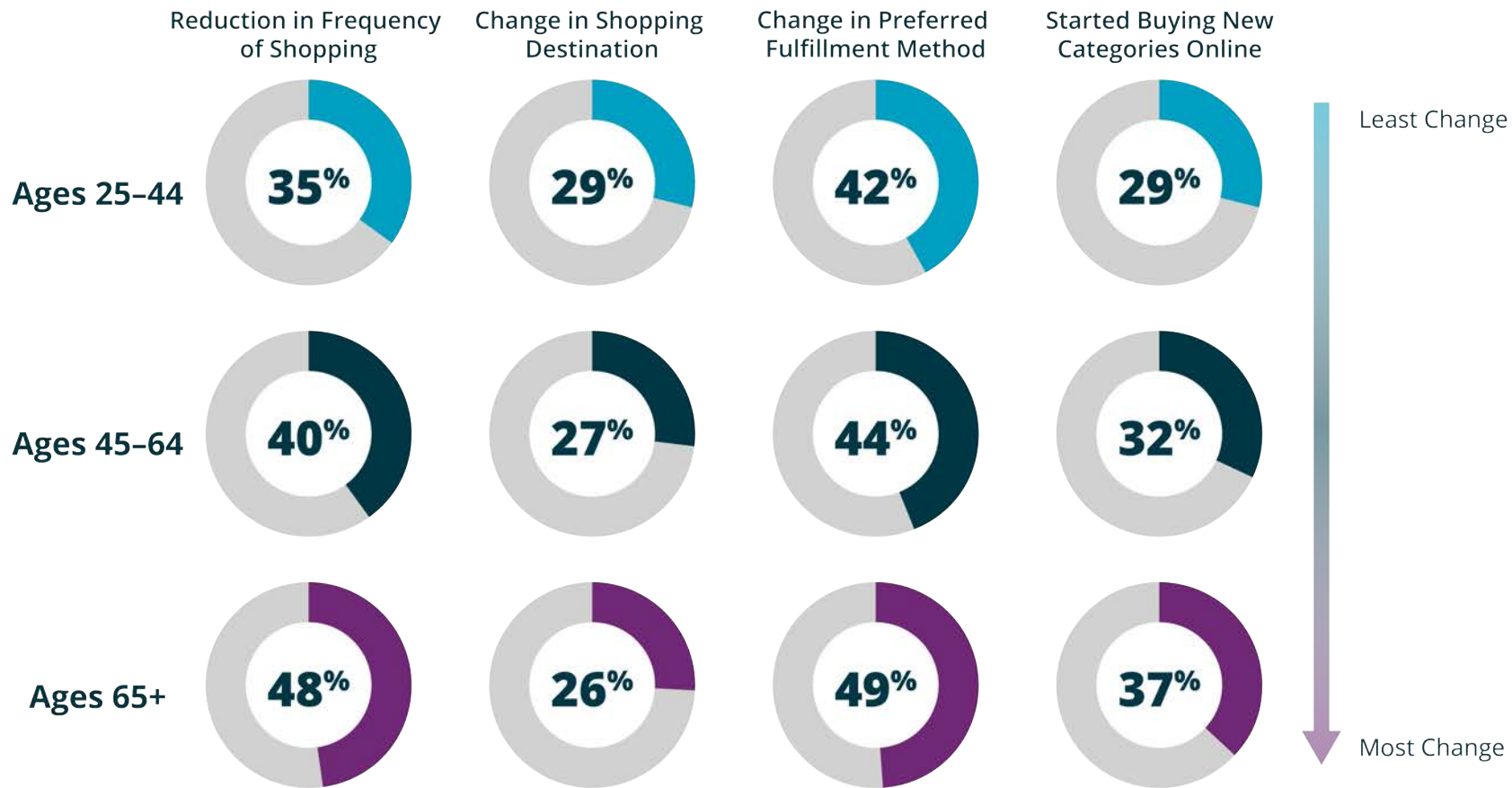


Time Savings

Consumer preferences have changed across the board.

Increased health & safety concerns have brought about the most changes in the 65+ age group.

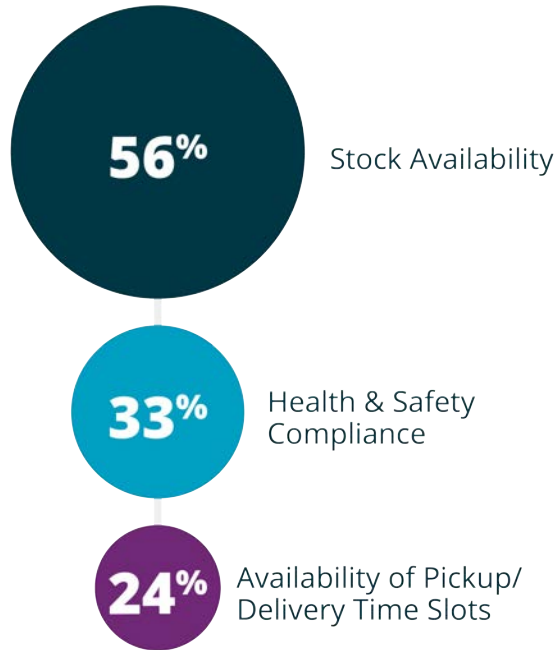




## Changes in Shopping Destination

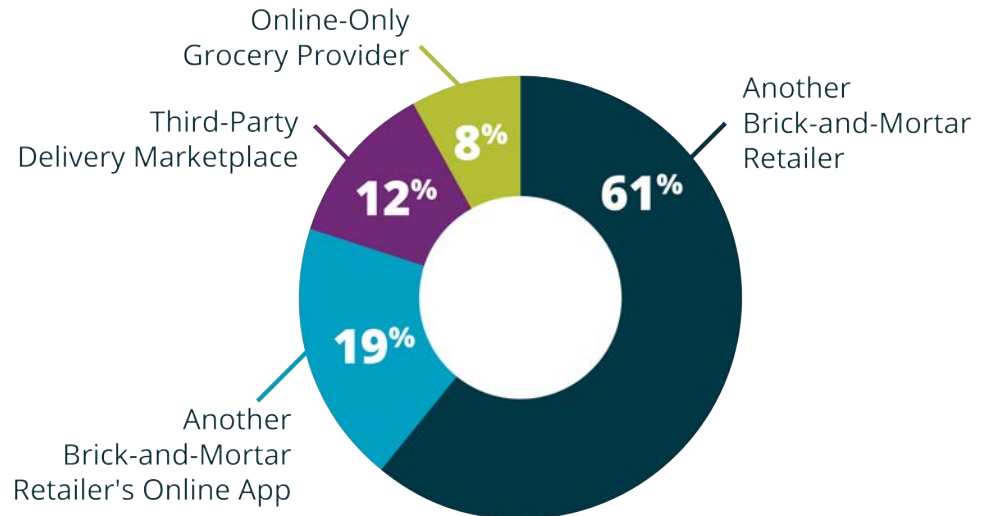
Eighty percent of shoppers who changed their primary grocer moved to another grocer with a physical presence, indicating a higher preference for in-store shopping over online-only grocery providers.

## Top Three Reasons for Change



## Change of Preferences while Shopping Online

Third-party marketplaces / delivery providers (e.g. Instacart , Shipt) are twice as likely to be preferred as online-only grocers (e.g. Amazon) due to increased availability of time slots, wider assortment of stock and easy same/next-day delivery options.

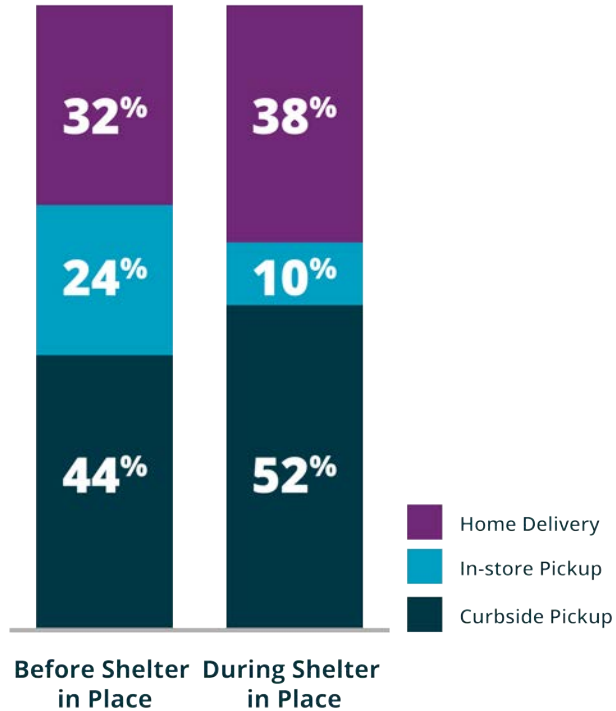


## Changes in Fulfillment Methods

Curbside and home delivery have replaced in-store pickup as preferred modes of fulfillment. However, execution challenges remain, and shoppers are quick to switch to another brick-and-mortar retailer.

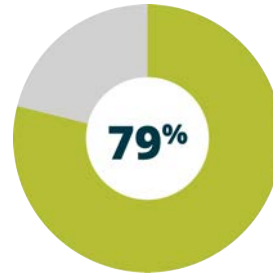


## Preferred Mode of Fulfillment

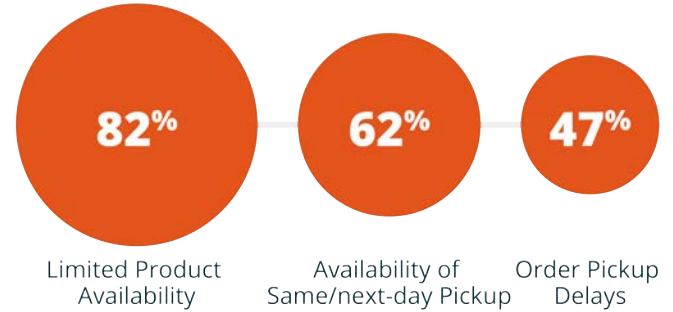


## Curbside Pickup

Customer Satisfaction

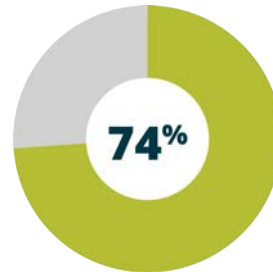


Friction Points



## Home Delivery

Customer Satisfaction

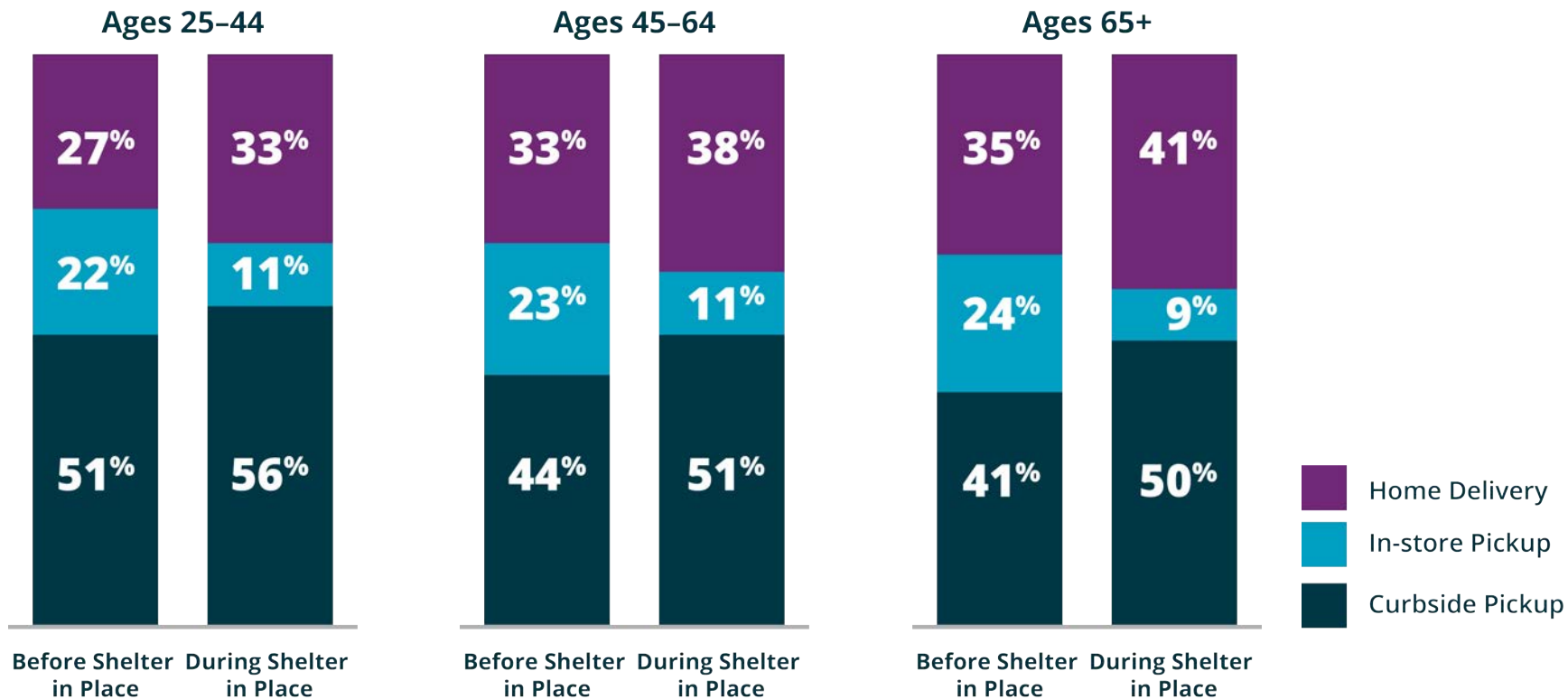


Friction Points



## Changes in Fulfillment Methods

Preference for pickup in-store has shrunk to low double digits, millennials prefer curbside pickup, while home delivery is the top choice for customers in the 65+ age band.



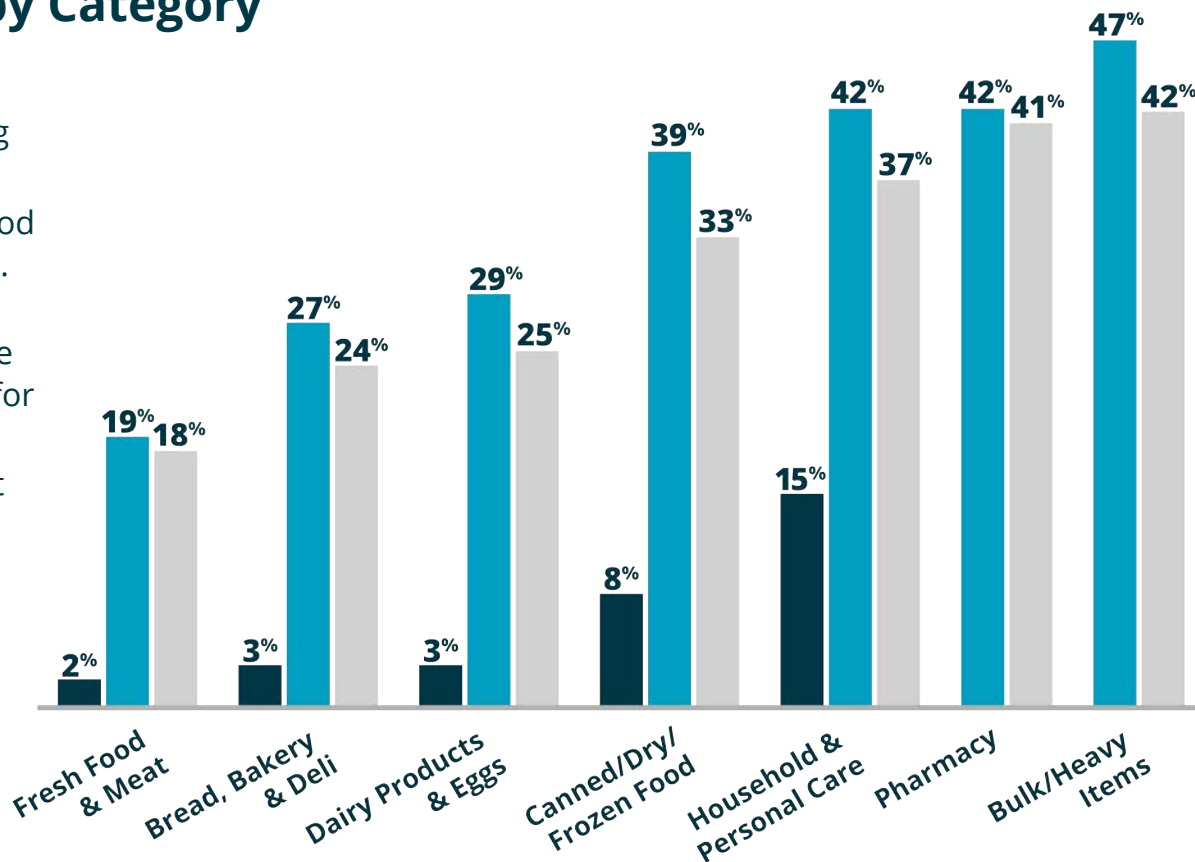
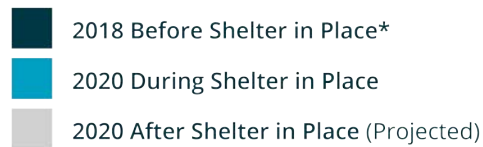
## Changes in Category Preferences

Adoption of online shopping during COVID has grown 10x in some categories, with customers increasingly purchasing packaged and non-perishable products online.

## Shopping Preference by Category

While confidence in online shopping has steadily grown over the years, shoppers still prefer to buy fresh food in-store and non-perishables online.

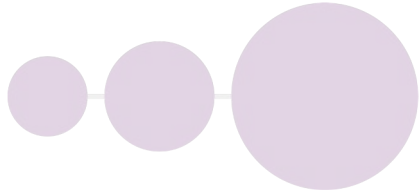
Due to the pandemic, customers are increasingly using online shopping for packaged and non-perishable products. Even fresh food and meat adoption has improved.



\*2018 data from Mercatus 2018 Survey. No data was collected on the Pharmacy and Bulk/Heavy categories.

# Post-pandemic, ~90% of online shoppers are expected to continue shopping online.

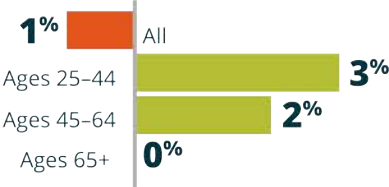
Customers in the 65+ age band are the most eager to return to old habits of shopping in-store across categories.



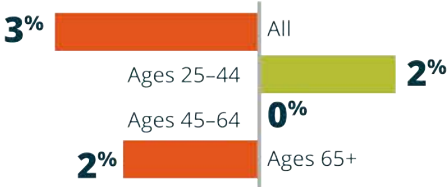
During the pandemic, categories like canned/frozen food and household care products saw the highest online adoption. Post-pandemic, these categories are expected to see the highest relative decline of ~6%, as customers intend to return to purchasing products from these categories in-store.

# Categories Shoppers Will Want to Buy In-store

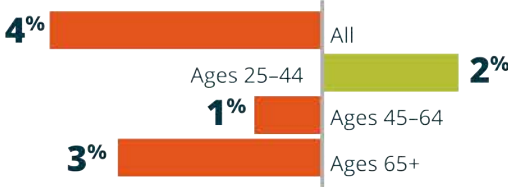
Fresh Food & Meat



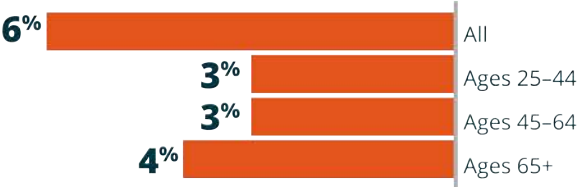
Bread, Bakery & Deli



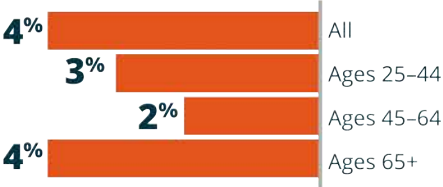
Dairy Products & Eggs



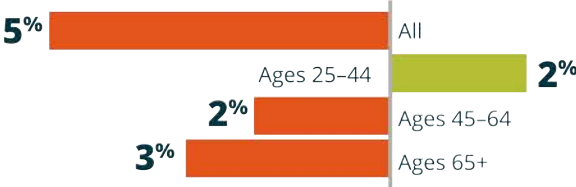
Canned/Dry/Frozen Food



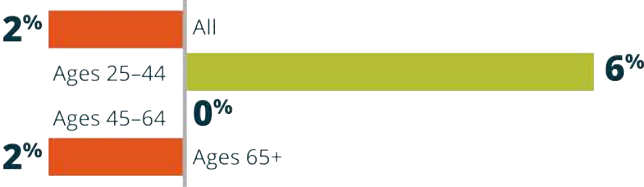
Bulk/Heavy Items



Household & Personal Care



Pharmacy



Customers Intending to Remain Online  
Customers Intending to Return to Stores

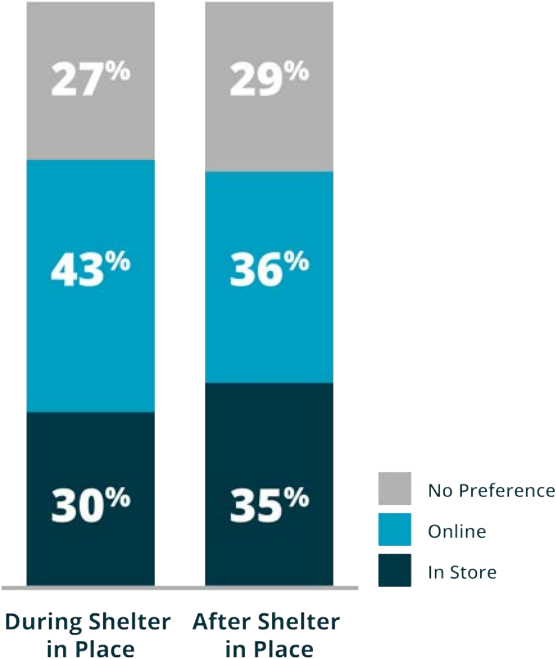
Once the shelter in place order has lifted, only 7% of online shoppers say they will return to brick-and-mortar stores. Results also show that online will continue to grow with customers going “mobile first”.





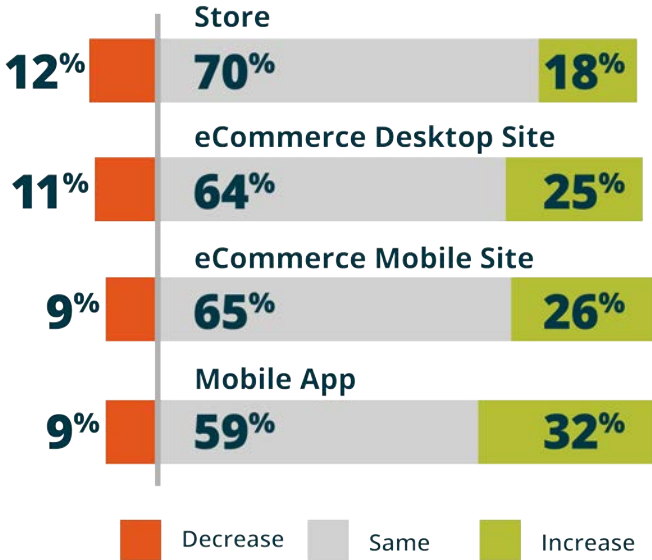
# Channel Adoption

After shelter in place, ~36% of online shoppers will continue to prefer shopping online.



# Shopping Channel

Digital shopping (app and site) are expected to see the highest growth in the coming year.





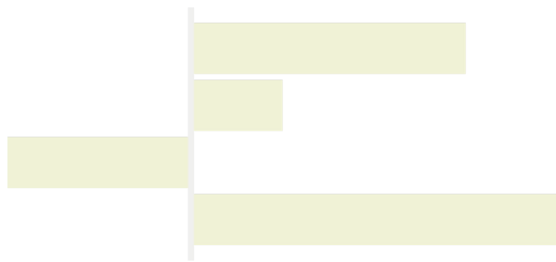
# 3 Online Grocery, 2020 & Beyond



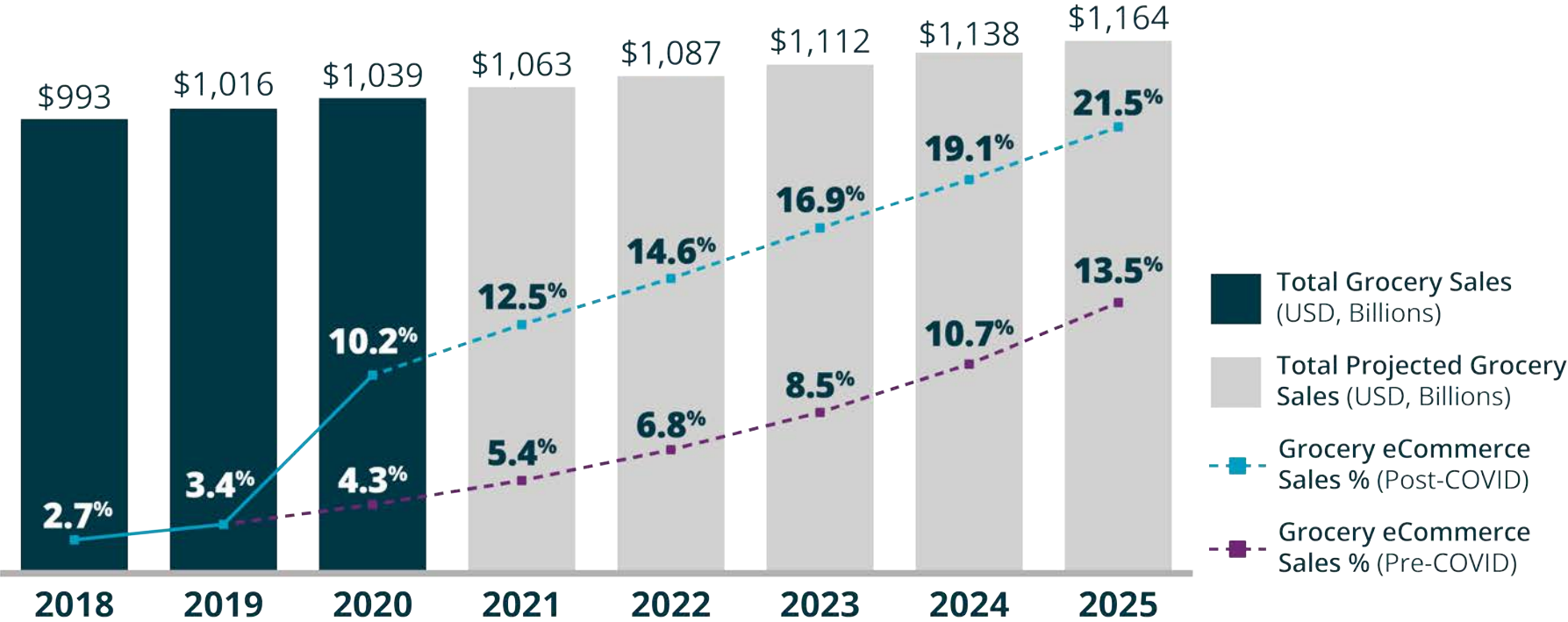
## 2020 is undoubtedly the pivotal year for accelerated adoption of online grocery because of the pandemic.

Post-pandemic, the growth rate of online grocery will stabilize, with some people reverting to their long-formed habit of in-store shopping.

However, with retailers increasing investments in their digital channels and making the online shopping journey smoother and more convenient, online grocery will continue to grow steadily to ~21.5% of industry sales by 2025, more than 60% higher than pre-COVID estimates.



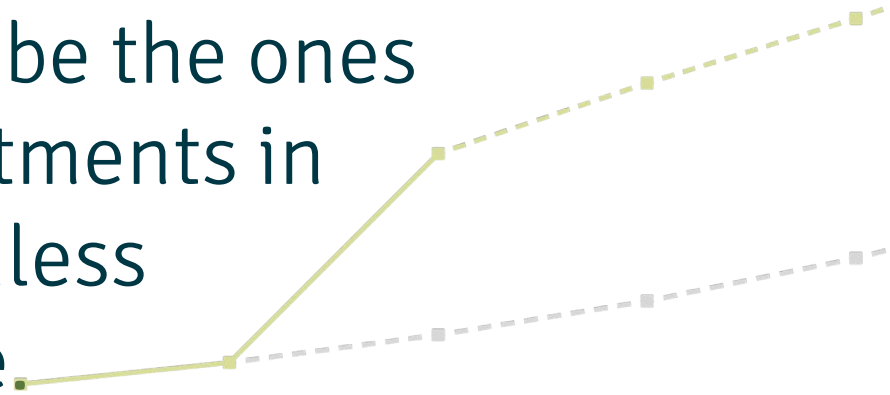
# CAGR for Online Grocery



Amidst the changing needs of customers and increased demand for eGrocery, retailers need to deploy digital functionalities to ensure online shopping is frictionless...



...long-term winners will be the ones who make the right investments in digital and deliver a seamless cross-channel experience.



## Best in Class: Fulfillment



Has started offering curbside pick-up for free since the pandemic (otherwise \$4.95). Other retail giants like Walmart & Target were already offering this service for free.



Has added FlyBuy pick-up curbside technology. FlyBuy uses GPS technology to alert a retailer when a customer is approaching to collect their online grocery order.

## Best in Class: Operations



Has dedicated the first 2 hours every day (7:00 am - 9:00 am) for seniors, at-risk and disabled shoppers who are not comfortable shopping in-store.



Has added fresh and frozen food categories to its pickup services catalog to meet increased customer demand.



## Best in Class: Personalization

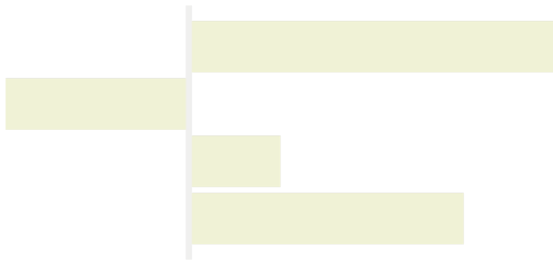


Uses intelligent personalization to generate relevant shopper promotions and product recommendations.



Integrated its website with Peapod's site to offer customers an integrated shopping experience with personalized shopping, rewards program benefits and weekly coupons.

The accelerated growth in shopper adoption of online grocery establishes some key imperatives for retailers, whose success will depend on their ability to address changes in shopper behavior and preferences.



#### SHOPPERS

### **It's not “digital first”.**

Despite the high growth in online adoption, the majority of shoppers still express higher loyalty to retailers, including online brands, that have a physical presence.



#### RETAILERS

### **Make stores your competitive advantage.**

With increased demand for curbside fulfillment and a preference to see-and-buy fresh produce, retailers must focus on creating a cohesive customer journey across all channels.

#### SHOPPERS

### **It's not about price.**

While millennials have showed some degree of price sensitivity, they have expressed a greater desire for the range of products available online and the added convenience of online shopping.



#### RETAILERS

### **Focus on your core: product choice and convenience.**

With product availability and inventory visibility being the biggest friction points for shoppers, retailers must focus on the shopping experience and the quality of service offered before discounts and promotions.

#### SHOPPERS

### **It is a very competitive market.**

The report finds ~90% of today's online shoppers intend to continue shopping online. Given the highly competitive nature of the market, retailers who offer a seamless online shopping experience will come out on top.



#### RETAILERS

### **Make the right omnichannel investments today.**

Shoppers have clearly expressed their needs: better inventory visibility, more convenient fulfillment options, more intelligent search options, along with safety and security.

Retailers who invest in these vital features and services for their shoppers today, will be rewarded with increased eCommerce adoption and online shopper loyalty tomorrow.



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Mercatus helps leading grocers get back in charge of their eCommerce experience, empowering them to create digital shopping experiences that drive engagement, grow revenue and increase profitability.

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