ONLINE GROCERY SHOPPING IS EVOLVING

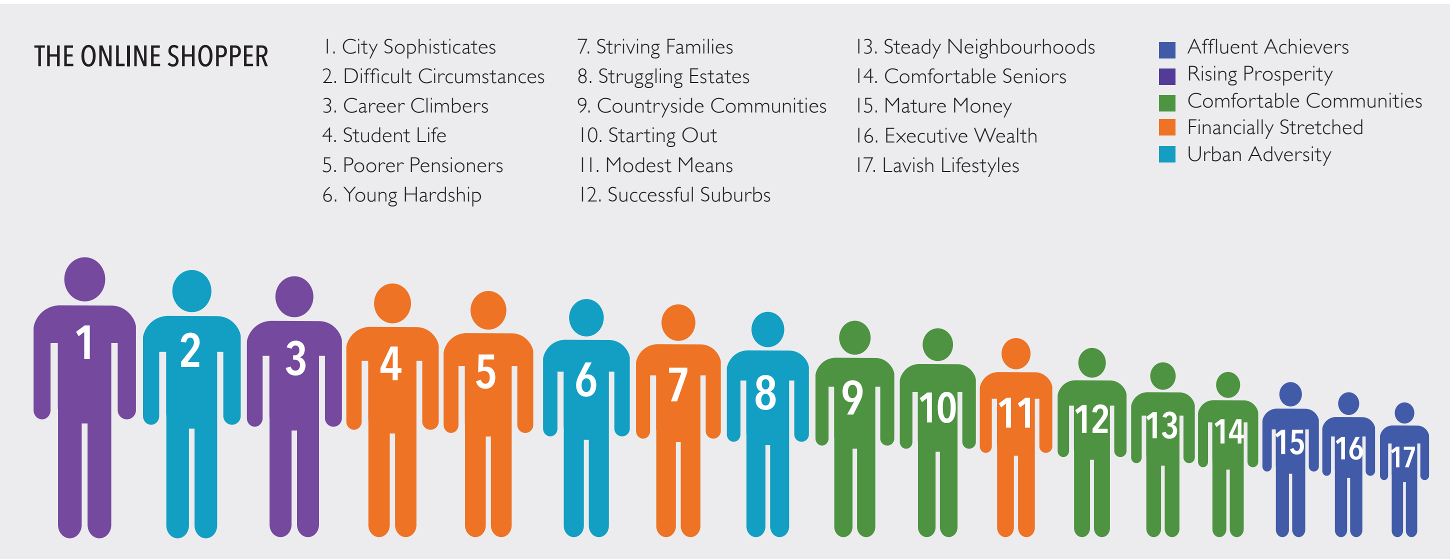
The grocery industry is currently undergoing one of its biggest structural changes in decades brought about by a combination of an increasingly competitive landscape and fundamental changes in the ways that customers shop.

Online grocery shopping is a big part of this shift. According to data from grocery experts, IGD, this online sector is expected to grow from approximately 5% of all grocery sales to nearly 9% in the next 5 years. Although it remains a relatively small proportion of sales, it presents a major challenge for retailers who need to find a way to make the operation more profitable whilst developing and improving the offer to remain competitive.

In order to do this, it is now more important than ever to understand customers at a deeper level by looking into what drives their behaviour. Using CACI's geo-demographic tool, Acorn, combined with TGI survey data we look to understand what the online shopper looks like and how their choice of online retailer may differ to their loyalties in-store.

THE ONLINE SHOPPER: THE YOUNG, THE OLD AND THE URBAN

It should come as no surprise that the most frequent online shoppers are the heavily London-centric City Sophisticates, with around 15% buying groceries online. With busy lifestyles and low car ownership, online shopping provides a convenient alternative to shopping in-store. Other young, urban and upwardly-mobile groups such as Career Climbers and Student Life are also well above average in the proportion shopping online.



CALL 020 7602 6000 EMAIL LETHERDEN@CACI.CO.UK WEB CACI.CO.UK TWITTER @CACI_LOCSTRAT

CACI

Maybe more surprisingly, at the other end of the spectrum, online shopping also offers the lowest affluence and more elderly groups a more convenient means of shopping. Difficult Circumstances (the least affluent Acorn group), typically young families and high unemployment, is the second most likely group to shop online, at just over 13%.

Poorer pensioners are the fifth most likely group to shop for groceries online and are more likely to shop regularly or not at all. Whether they shop themselves or with help from friends and relatives, these groups often have low car ownership and relatively low mobility, so delivery options can make life easier.

Although there is a clear link between car ownership and online shopping, convenience is important too, especially with the more affluent, urban groups. City Sophisticates, for example, are far more drawn by the online delivery service than other groups and are far more likely to agree with the statement "Shopping online makes my life easier".

High and mid-affluence family groups remain the core in-store shoppers and are the least likely to shop online. Accounting for large proportions of the population, Executive Wealth, Mature Money and Successful Suburbs have a well below average proportion buying groceries online. Most have access to a car making a trip to the supermarket easier. That said, many will do an occasional online shop, especially for bulkier household items. At the extreme, Lavish Lifestyles have by far the lowest proportion of online shoppers, but this small and extremely affluent group are likely to eat out more frequently and will tend to cook less at home.

HOW DOES CHOICE OF RETAILER CHANGE ONLINE?

With most online retailers willing to deliver to almost any location, shopping online allows customers to access retailers who don't have a presence in their local area.

Students make the clearest switch. When shopping in-store, they shop across all retailers but are far more likely to shop with Asda online; presumably drawn in by price promises and the wider range. They account for 4.4% of Asda online shoppers compared to 2.6% of Asda store shoppers.

For City Sophisticates, however, Sainsbury's is the preferred retailer. This group makes up 7% of their online customer base compared to just over 4% of store customers. Convenience is a major factor here; car ownership is low and they are less price-sensitive than many, so the ease of an online shop, hourly delivery slots and familiarity with the brand possibly encourages them to stay loyal to Sainsbury's online. This is less true, however, for the similar but lower affluence Career Climbers who use a far wider range of online retailers than when shopping in store.

Surprisingly, across the board, the least affluent groups - normally Asda's core shoppers - become more likely to shop at Tesco or even online newbie Morrisons when shopping online.

Countryside Communities demonstrate the impact on rural shopping habits with a relatively high proportion shopping online despite the typically high levels of car ownership. When this group are online there is a strong shift towards Tesco and Asda. They make up 8.6% of Tesco's online customer base compared to 7.5% of its in-store customers. There is an even greater jump at Asda with an online base of 6.4% compared to just 4.4% in-store. It would seem the convenience of not having to travel long distances to major supermarkets makes online shopping attractive for main weekly shops. However, this is often topped up locally in Co-ops and discounters alongside other mainstream supermarkets.

In this progressively complex grocery market, there is an ever increasing need for retailers to understand their consumers. Understanding which classifications are using online, and their drivers for doing so, is key to staying one step ahead and steering the development of their online proposition.

As niche retailers such as Hello Fresh and Gousto enter the market, Aldi expands its online offer, and Morrisons and Waitrose continue to grow and develop their online offer, it looks set to become an increasingly competitive part of the market.

LOUISE ETHERDEN
ASSOCIATE PARTNER – GROCERY & CONVENIENCE

EMAIL: LETHERDEN@CACI.CO.UK