



# Deloitte's Omnichannel Competitive Landscape Services Grocery Study



# Introduction



Believe it or not, grocery delivery is over 100 years old and was actually the more common way for customers to shop in the early 20th Century<sup>1</sup>. Then most grocery shoppers transitioned to in person shopping with the inception of Supermarkets, Super Stores, and Hypermarkets... and then yet another industry disruption occurred with the Global Pandemic. Per the Food & Drug Administration, **online grocery sales increased by 55% in 2020<sup>2</sup>**.





Years after customers went online out of necessity from shopping restrictions, many have stayed online out of preference for the convenience ordering groceries online can provide.

But digitally native customers who anticipate online grocery shopping to be a similar experience to their other direct to consumer purchases are often surprised. ***The unique challenges of fulfilling and delivering groceries versus apparel or other consumer products can quickly become evident to shoppers.***

Throughout the year, Deloitte monitors the online pickup & delivery services offered by global grocery companies to establish year over year performance benchmarks and identify trends that are emerging across the industry to combat common challenges. We also test new grocery capabilities to understand how they work and perform.

Based on our review of the online services offered across the grocery industry at the start of the 2024 season, we've found **leading companies** are addressing common challenges by adding services that provide their online customers **more choice and control in their grocery shopping experience**.

## Deloitte's Grocery Competitive Landscape Study

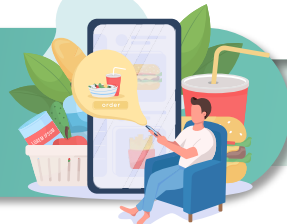
	 SUBSTITUTIONS	 DELIVERY TIMING	 ORDER VALUE	 FAVORITE ITEMS
LAGGING	Items Can't Be Substituted	Company Assigned Timeframe	No Order Value Threshold	Customers Must Reorder
BASIC	Company Associate Selects	Can Select a Delivery Window	Minimum Order Thresholds	Can Save to Shopping List
LEADING	Customer Selects from Virtual Inventory	Off-Peak & Economy Options	Flexible Order Threshold Options	Can Subscribe for Auto Delivery

*Services Offered by Global Grocery Companies Researched*



*Read On To Learn More About How These Leading Grocery Capabilities Work And The Potential Benefits For Both Your Company **AND** Your Customers*

# Customer Pre-Selected Substitutions



While store fulfillment is a supplemental channel for most omnichannel retailers, it is the primary channel for grocery companies. Over half of the companies we researched require customers to begin their shopping journey by selecting a store location to shop from. Not only does this limit product selection to what's available in a single store, but it also means online orders are being filled against a volatile inventory. **Every piece of online inventory in a store is competing with store take purchases and is exposed to handling or damage within the store.**

As a result, store filled online grocery orders have a much lower fill rate than orders that are filled from a controlled warehouse environment. Some grocery companies allow customers to indicate they will accept company selected substitutions when items ordered are no longer available. However, this can slow the order picking process and the customer may not be satisfied with an item selected for them.

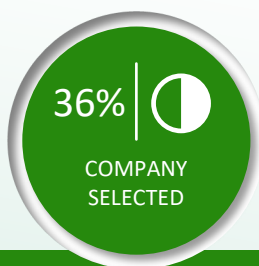
Leading companies have expanded their capabilities to alert customers when an item they ordered is low in stock and at risk of being unfillable based on actual virtual inventory levels. When this risk exists, customers **are given the option to select specific products that would be acceptable substitutions** during the checkout process.

## Substitution Services Offered by Global Grocery Companies



### LAGGING

Items that can't be located or filled are canceled



### BASIC

Substitution selected may not be acceptable to customer



### LEADING

Customers control what they will receive instead

## WHY COMPANIES LIKE PRE-SELECTED SUBSTITUTIONS



*Saves sales when original items can't be located or filled*



*Associates picking orders do not have to spend additional time selecting suitable substitutions*



*Reduces service contacts and potential refunds from customers with substitution concerns*

## WHY CUSTOMERS LIKE PRE-SELECTED SUBSTITUTIONS



*Customers receive all the items they need*



*Substitutions are controlled by individual preference*



*Reduces the risk of having to replace canceled or unacceptable items*

# Off Peak & Economy Delivery Options



Over the past few years, traditional omnichannel retailers have learned “the need for speed” doesn’t apply to every customer. There are customers who are willing to wait longer for delivery as well as customers who would prefer it. **Leading omnichannel companies are starting to leverage every one of these customers** and they are gaining delivery expense and performance improvement benefits as a result.

Leading grocery companies are also starting to take advantage of their flexible customers by offering lower fee delivery options **during times when there are less customers in their stores or through longer delivery windows than standard options.**

## Delivery Timing Options Offered by Global Grocery Companies

7%

Thank You  
for Your Order

**We'll let you know when  
it's out for delivery**

Est. Arrival: Within 5 Hours

LAGGING

Customer is told when the  
order will arrive once placed

72%

Select Your Delivery Time:

8 AM – 10AM	\$6.95
10 AM – 12 PM	\$6.95
12 PM – 2 PM	\$6.95
2 PM – 4 PM	\$6.95
4 PM – 6 PM	\$6.95
6 PM – 8 PM	\$6.95

BASIC

Customer can select a standard  
delivery window throughout the  
day for the same fee

21%

Select Your Delivery Time:

6 AM – 10AM (Economy)	\$3.95
10 AM – 12 PM	\$6.95
12 PM – 2 PM	\$6.95
2 PM – 4 PM	\$6.95
4 PM – 6 PM	\$6.95
6 PM – 10 PM (Economy)	\$3.95

LEADING

Customer can select off peak  
or longer delivery windows  
for a lower fee

## WHY COMPANIES LIKE ECONOMY DELIVERY OPTIONS



*Filling orders when fewer in store  
purchases are taking place reduces  
cancellations*



*Filling orders during off peak hours  
minimizes impact to store  
operations & in store customers*



*Longer windows increase driver  
delivery volume & improve on-time  
performance*

## WHY CUSTOMERS LIKE ECONOMY DELIVERY OPTIONS



*Delivery fee savings*



*Off peak & longer delivery options  
can align better with other work &  
life activities*



*Reduced risk of items being  
canceled or substituted when orders  
are filled*



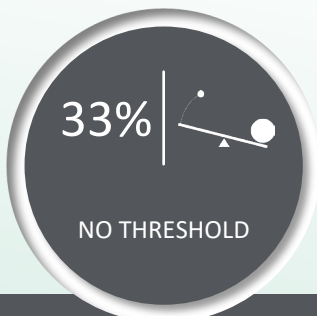
# Flexible Order Threshold Options



Allowing customers to place a very low value grocery order for delivery can result in unprofitable transactions for grocery companies. On the flip side, having a set order minimum threshold can result in customers abandoning their cart if they only need a few items.

A balance can be reached to address this challenge by providing customers an option to still chose delivery when they have an immediate grocery need for a minimal incremental fee. **Leading grocery companies are allowing their customers this flexible choice** for a median fee of \$3.95.

## Order Threshold Options Offered by Global Grocery Companies



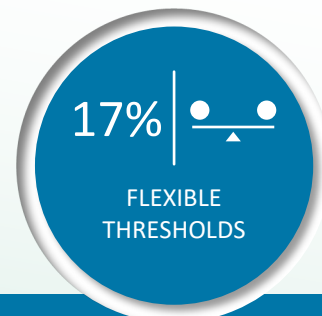
LAGGING

Customer can place an order for any value



BASIC

Orders not accepted unless they reach a minimum value



LEADING

Below threshold orders are accepted for a fee

## WHY COMPANIES LIKE FLEXIBLE THRESHOLDS



*Reduced cart abandonment when orders don't reach minimum threshold required*



*Grocery orders can retain profitability*

## WHY CUSTOMERS LIKE FLEXIBLE THRESHOLDS



*Home delivery is still available for immediate grocery needs*



*Order options are usually offered for a minimal fee*



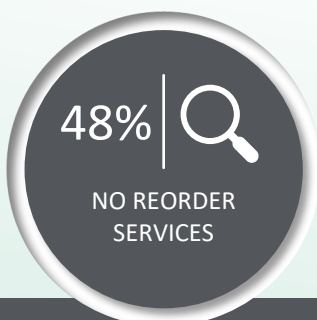
# Subscriptions for Auto Delivery



In the competitive grocery marketplace where customers can purchase the same exact item from multiple companies often at the same price, making it as easy as possible for a customer to repurchase their favorite items can greatly increase the chances of your company standing out in the market.

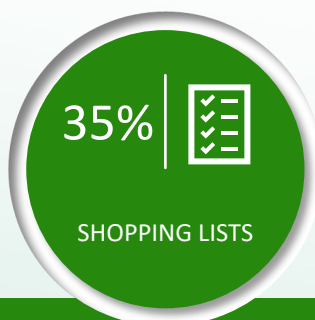
In addition to increased loyalty, leading grocery companies that offer subscription services with automatic order placement and delivery can **also gain the benefits of new customer retention, informed supply ordering and improved operations planning.**

## Repurchase Options Offered by Global Grocery Companies



LAGGING

Customers must reorder  
favorite items



BASIC

Favorite items can be  
reordered from a shopping list



LEADING

Favorite items are  
automatically reordered

## WHY COMPANIES LIKE AUTO SUBSCRIPTIONS



*Increased loyalty & repeat sales  
from existing and new customers*



*Continual demand facilitates supply  
ordering & fulfillment processing  
planning*

## WHY CUSTOMERS LIKE AUTO SUBSCRIPTIONS



*Eliminates the need to repeatedly  
place orders for the same items*



*Reduces the risk of running out of  
favorite grocery essentials*



# 28% of companies

*that provide auto subscription services also offer  
discounted prices on the products*



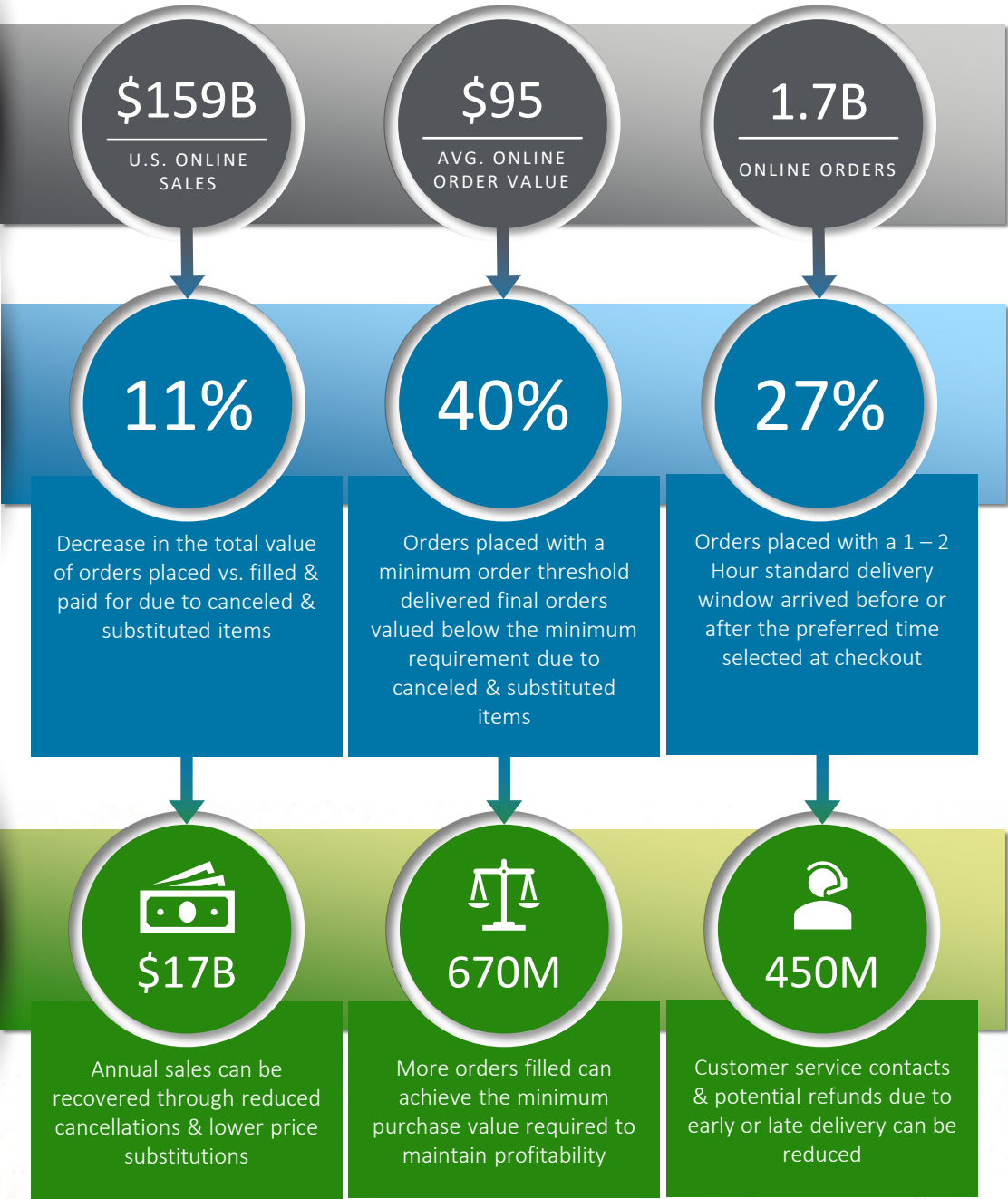
# How Advanced Online Grocery Capabilities Can Transform Sales & Profit Margin Opportunities



2023 ONLINE GROCERY STATISTICS<sup>3</sup>

DELOITTE'S PERFORMANCE TEST RESULTS

POTENTIAL VALUE OPPORTUNITY



# About Deloitte's Omnichannel Competitive Landscape Services



We research & test online services offered by **42 global grocery companies** collecting **over 70 data points** across the customer journey. We then apply intelligent analytics to our data to establish year over year performance indicators and identify new emerging trends

## Who is Included in Our Studies

42 global grocery companies



NATIONAL GROCERY COMPANIES	33%
REGIONAL GROCERY COMPANIES	31%
WORLDWIDE GROCERY COMPANIES	19%
GROCERY ADJACENT COMPANIES	17%

## HOW WE COLLECT OUR INFORMATION



Research company store policies & online service offerings



Conduct store shopping, online order & return performance tests



Advanced analytics to identify performance levels and capability trends

## Company Statistics

### Annual Revenue (Billions)

26%	31%	21%	12%	10%
Under \$10	\$10 - \$25	\$26 - \$50	\$51 - \$100	Over \$100

### Headquarters

36%	24%	19%	14%	5%	2%
Eastern US	Central US	Western US	Europe	Australia	Canada

### Brick & Mortar Stores

2%	5%	38%	19%	14%	5%	17%
None	Under 100	100 - 500	500 - 1K	1K - 5K	5K - 10K	Over 10K

### Years in Business

7%	19%	21%	21%	31%
Under 25	25 - 50	51 - 75	76 - 100	Over 100

## WHAT THIS ENABLES US TO SHARE



Key omnichannel performance benchmarks across the grocery industry



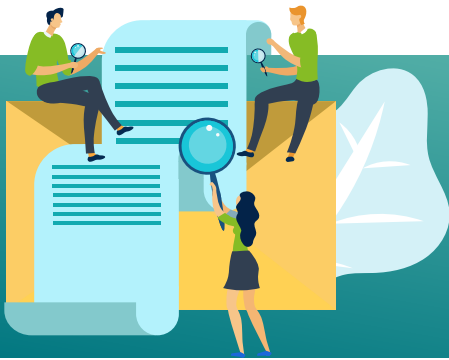
The end-to-end global competitive landscape



The optimal post purchase journeys for your customers







*Want To Learn More About Where Your Company Resides In The Omnichannel Competitive Landscape Spectrum And How Deloitte Can Help You Advance Your Online Grocery Capabilities?*

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**Endnotes:**

<sup>1</sup> <https://www.heraldnet.com/life/home-grocery-delivery-predates-online-shopping-by-decades/#:~:text=Home%20grocery%20delivery%20dates%20to,quite%20as%20drastic%20in%20Europe>

<sup>2</sup> <https://www.fda.gov/food/cfsan-constituent-updates/fda-issues-request-information-food-labeling-online-grocery-shopping>

<sup>3</sup> <https://capitaloneshopping.com/research/online-grocery-shopping-statistics/#:~:text=Nationwide%20online%20grocery%20sales%20totalled,their%202022%20grocery%20budgets%20online>



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