TWC Trends Autumn Edition 2021

PART TWO: Online explosion

The digitalisation and delivery of food and drink and its impact on the convenience and foodservice sectors

December 2021

Welcome to TWC Trends Autumn Edition 2021

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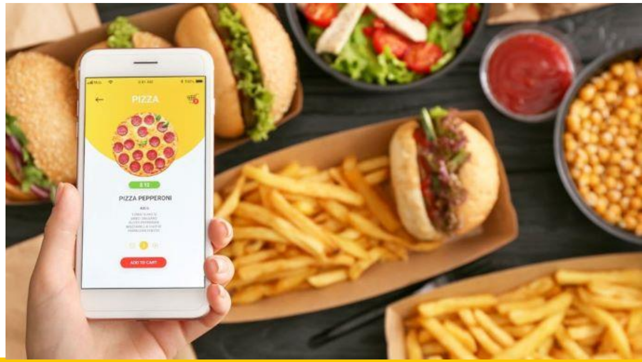
- This report is part of the TWC Trends/Autumn 2021 series, conducted by TWC – the data and insight experts for UK wholesale, convenience retail and hospitality.

- A nationally robust and representative sample of 1,000 UK consumers were interviewed online between 5^{th} and 8^{th} November 2021.

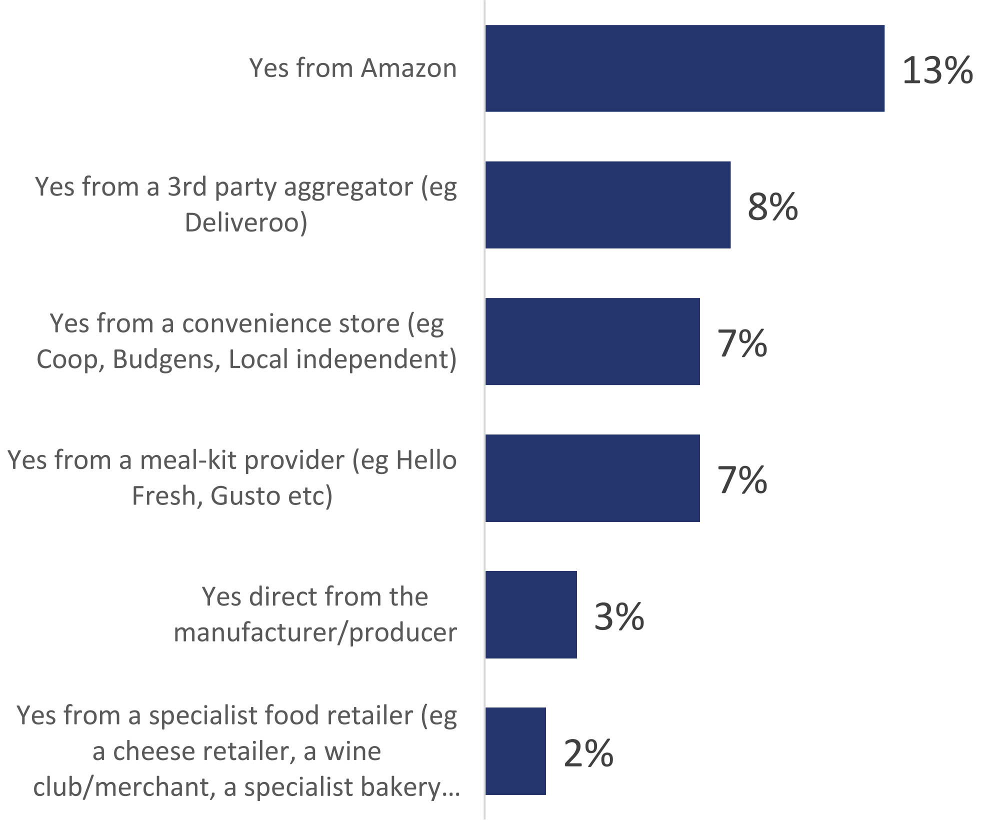
- This section of the study focuses on **‘Online explosion’**

- Should you wish to receive further (free) reports from the TWC Trends/Autumn 2021 series, please contact sandy@wsale.co.uk



30% of online grocery shoppers have shopped in a channel other than supermarkets for some of their online groceries

Have you ordered groceries online in the last 3 months?
If so please tell us where you ordered the groceries from (ie which website) Excluding Supermarkets

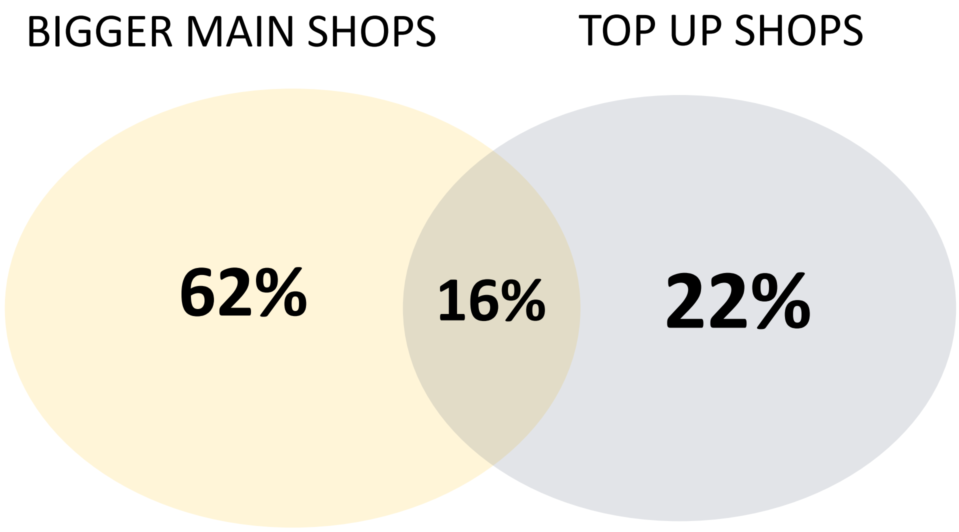


- **Of these, just under half (43%) had NOT purchased from a supermarket**
- **Over 60% more people have purchased groceries online via Amazon than from third party aggregators (such as Deliveroo)**

Key fact:
Whilst 35-54 is the key age demographic for online supermarket shopping, all other online channels over-index with 18-34 year olds.

Online grocery shopping is not just for the 'main shop' – it's used for top-up shopping too

When you shop for groceries online, are you typically doing bigger 'main shop' purchasing or smaller 'top up' purchasing, or both?



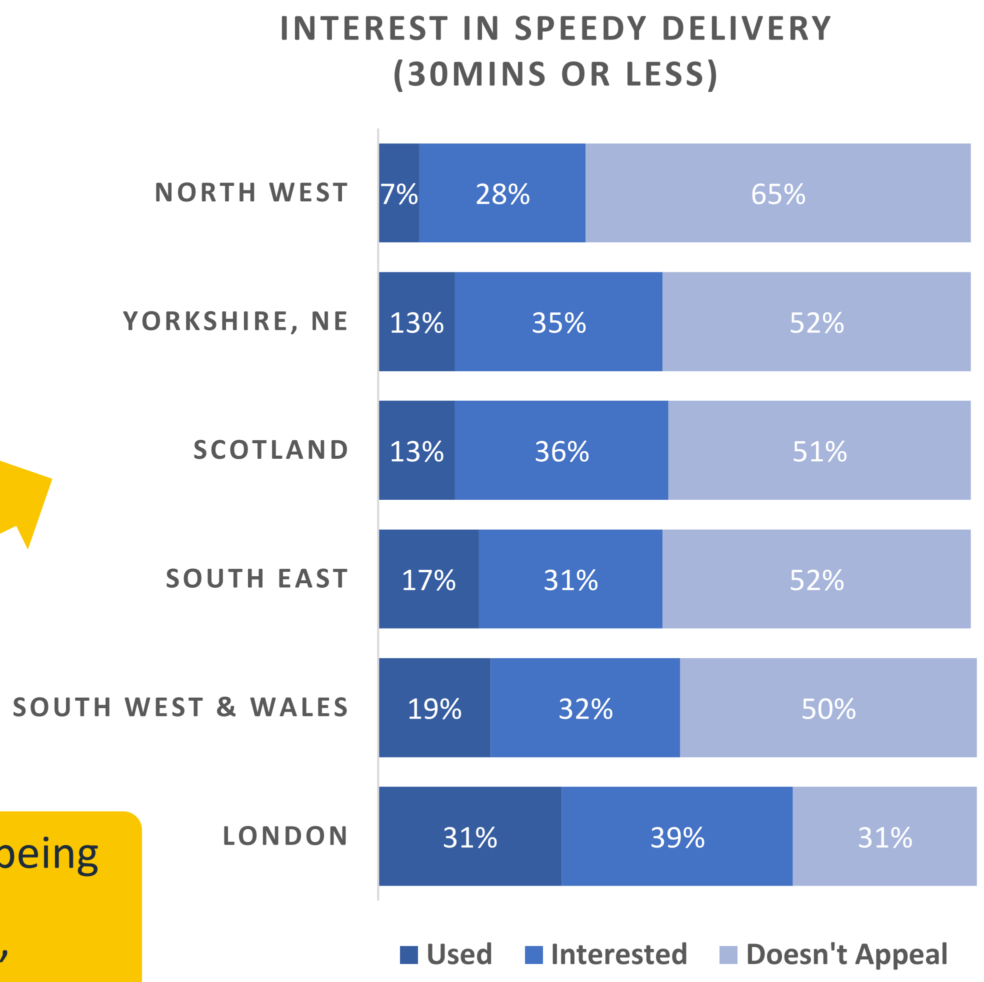
Important!
Online grocery shopping is not only about the big shop. Who can offer smaller baskets profitably? Can Amazon do this profitably (for their Prime customers?)

- **38%** of those buying groceries online say that they do 'top-up' grocery shopping missions online
- Younger age groups are more likely to be using online ordering for top up shopping: 18-34 = **42%** (vs 38%)
- **22%** say they are <u>only</u> doing 'top-up' shopping for groceries online. 18-34 = **28%**

Is there national appeal for quicker online deliveries?

Q. Some companies are now offering delivery of online ordered groceries in under half an hour or less. Does this appeal to you?

- **17%** said YES and have used quick deliveries (31% in London)
- **33%** said YES and they will in the future
- **50%** said it doesn't appeal
- There are significant variations by region and by age group
  - North West: 65% say it doesn't appeal
  - 18-34 age group: 76% have used OR plan to use
  - 55+: only 22% have used or plan to use



Regional bias exists due to the availability of such services currently being restricted to urban areas such as London and other big cities.
The question is, will the trend started in London as an 'early adopter' continue across the UK?

Will grocery online penetration plateau?

40% HAVE NOT Purchased Groceries online in the last 3 months

Do you think you will order Groceries online next year?	3% Definitely	18% Possibly	28% Probably not	40% No	11% Don't know

And **68%** of these are unlikely to next year

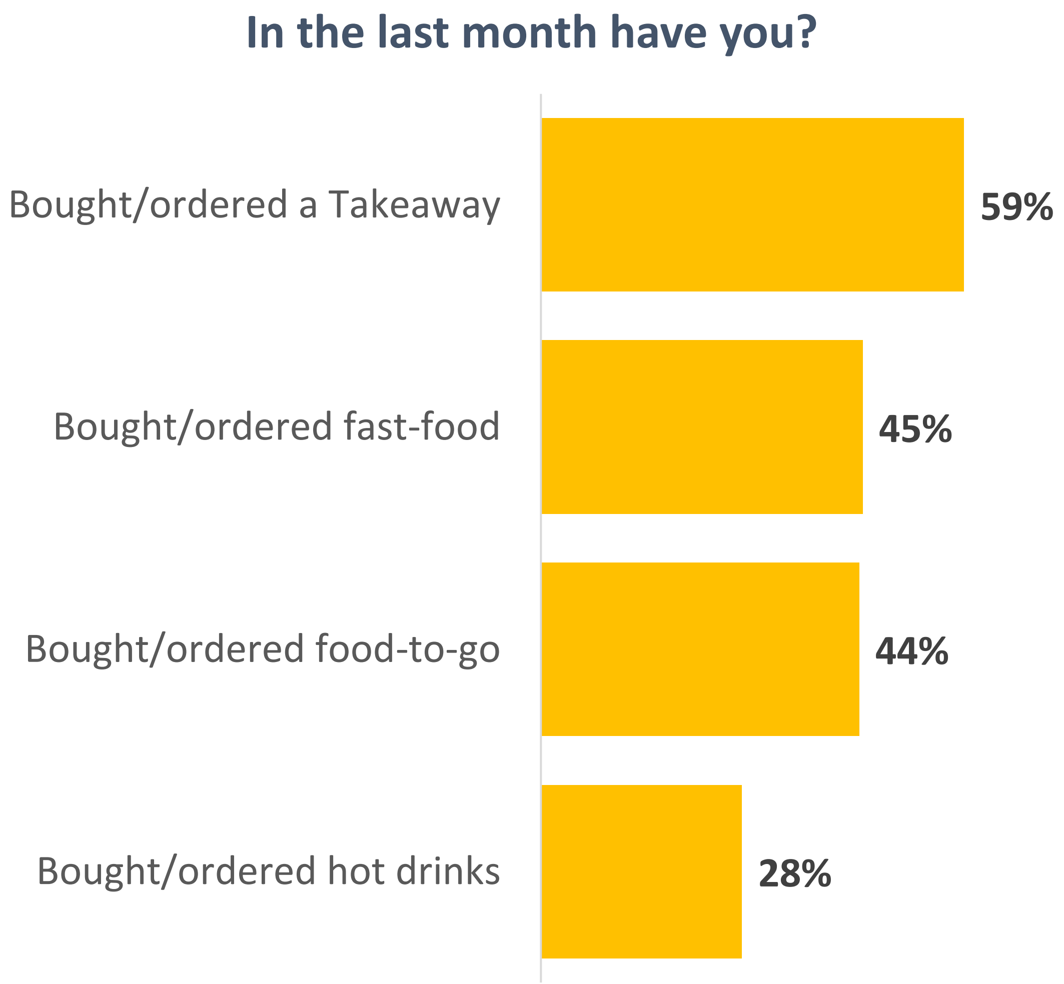
The biggest barriers to online purchasing are a preference for the in-store shopping experience: browsing and self-selecting goods

Why have you not purchased groceries Online?

Reasons for not purchasing groceries online can be grouped into:

- **PREFERENCE FOR INSTORE – 79%**
  - Prefer going in person – 50%
  - Want to browse – 46%
  - Like to see and touch – 38%
  - Self select to ensure quality – 45%
- **SPEND – 59%**
  - Don't like to pay a delivery charge – 35%
  - I can find better offers in person – 32%
  - I can manage my spend better if I shop in stores – 23%
- **RESTRICTIONS – 48%**
  - Don't like Minimum spend – 27%
  - Don't like Restricted delivery slots –27%
  - Don't like Product substitutions -32%

59% of the adult population, or around 33mn people, said they'd had a takeaway in the last month (between early October 2021 and early November 2021)



59% of the adult population = c 33 million people

Takeaways are most likely to be ordered online, but most fast food, food-to-go and hot drinks-to-go purchases are still done in person

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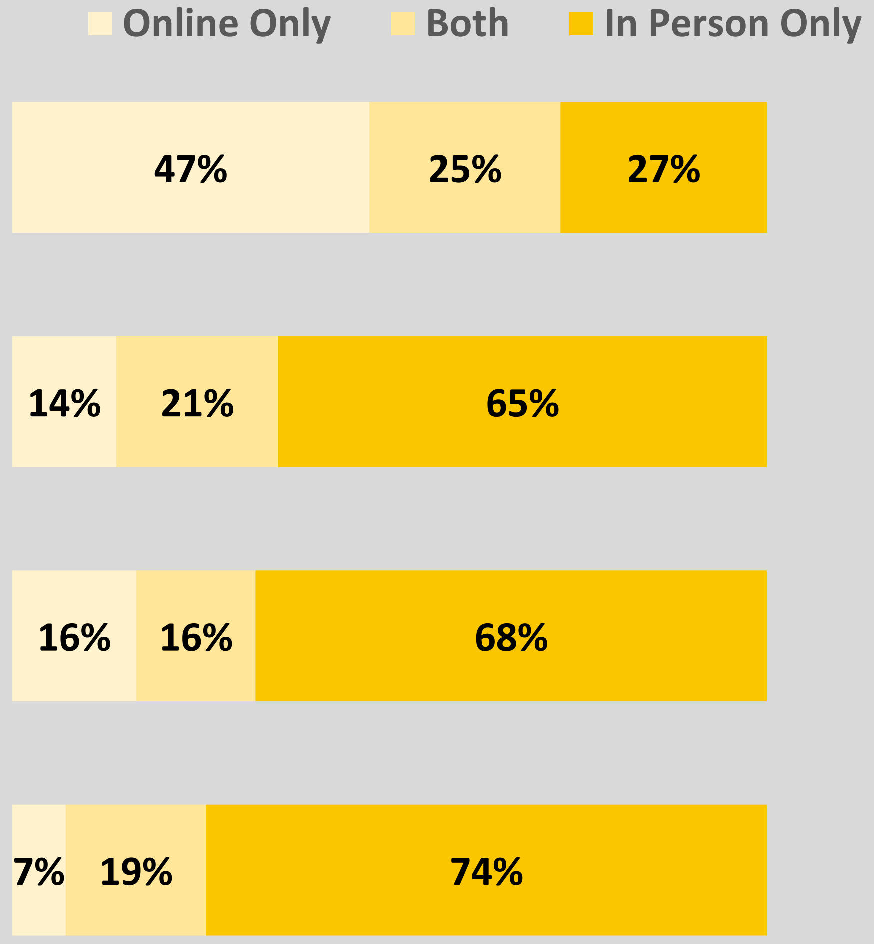
In the last month have you?

Ordering Method....



% of all consumers who bought each in the last month did so online.

43%

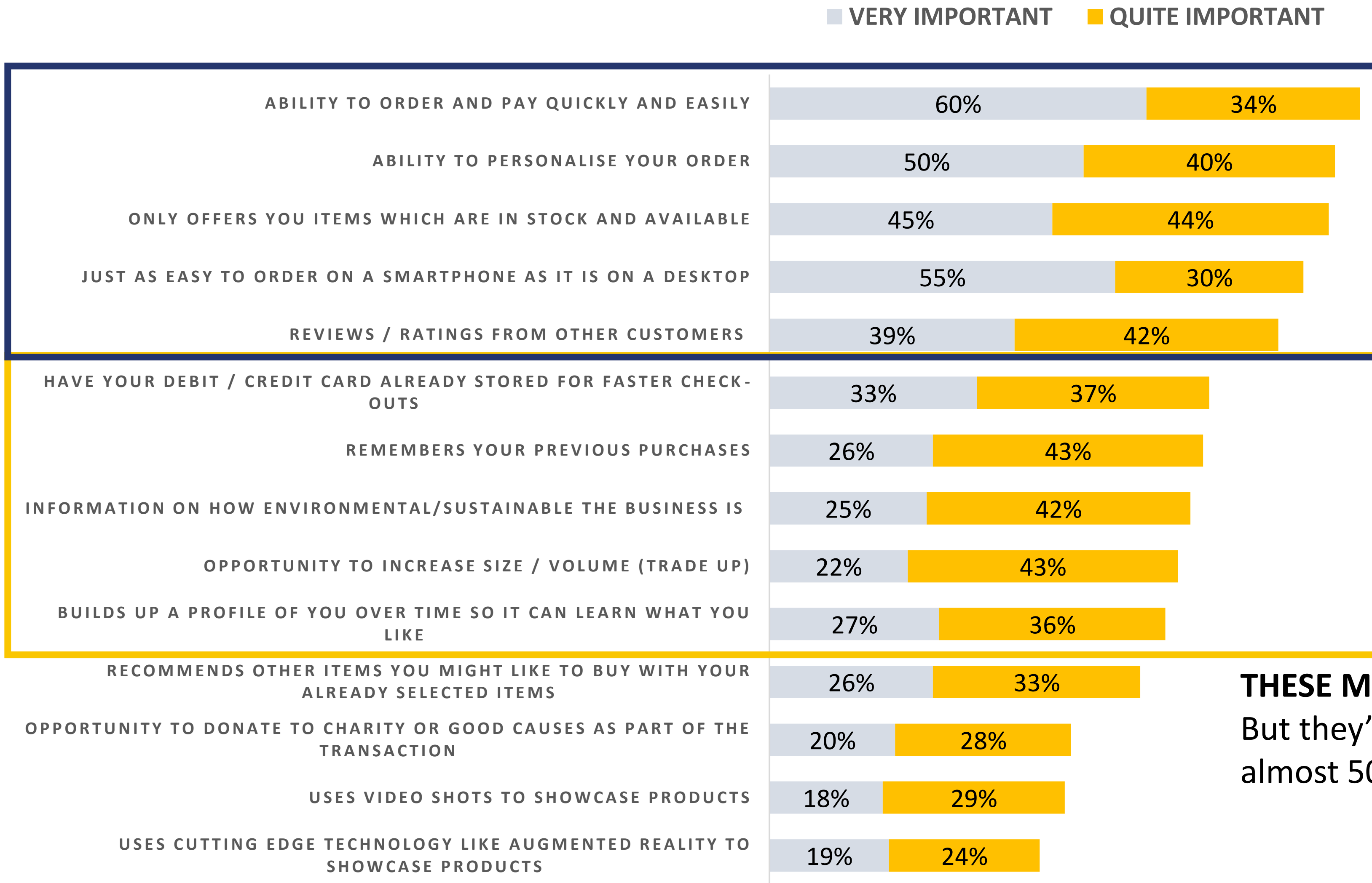
16%

14%

7%

‘Must Haves’ when it comes to online ordering include speed, personalisation, mobile optimisation and reviews/ratings. Only showing available items is also very important.

When ordering food Online, how important are the following…

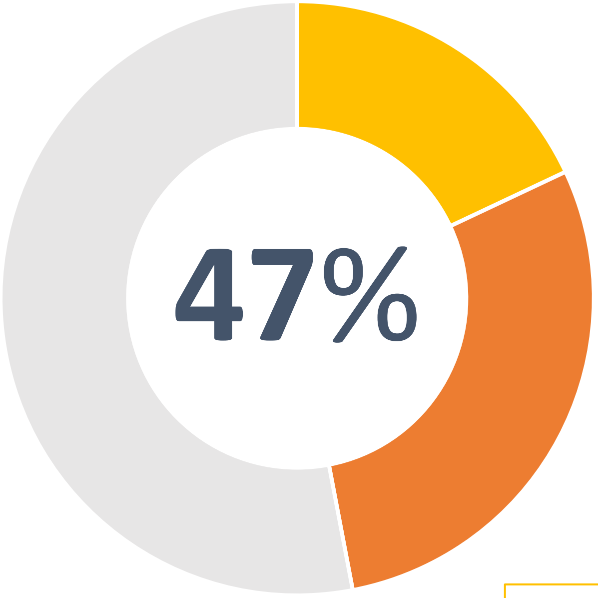


ONLINE ORDERING MUST HAVES
‘Very’ and ‘Quite Important’ for over 80% of online users

NICE TO HAVE
‘Very’ and ‘Quite Important’ for over 60% of online users

THESE MIGHT BE LOWER IN THE RANKING LIST
But they’re still ‘Very important’ or ‘quite important’ to almost 50% of online users (mainly younger)

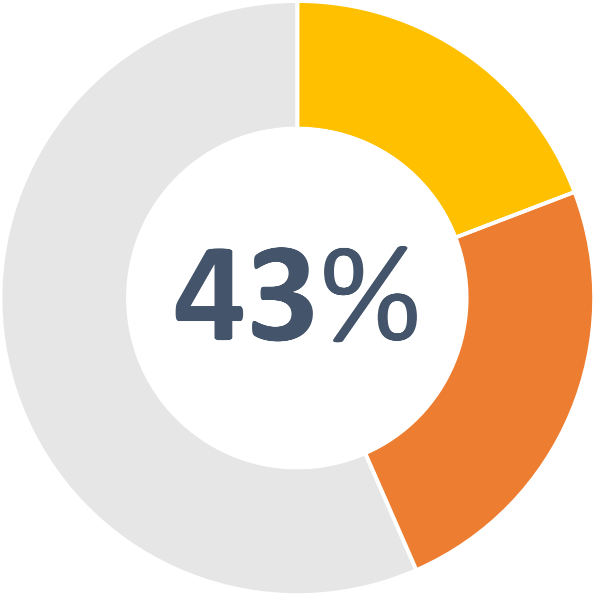
There is substantial interest for video content and Augmented Reality when ordering online - particularly amongst the younger audience. However, they are mostly yet to see it in practice.



Say the use of video to showcase products is ‘very’ or ‘quite important’ when ordering food/drinks online

- Very important
- Quite important
- Not important/don't know

Increases to **53%** of 18-34’s



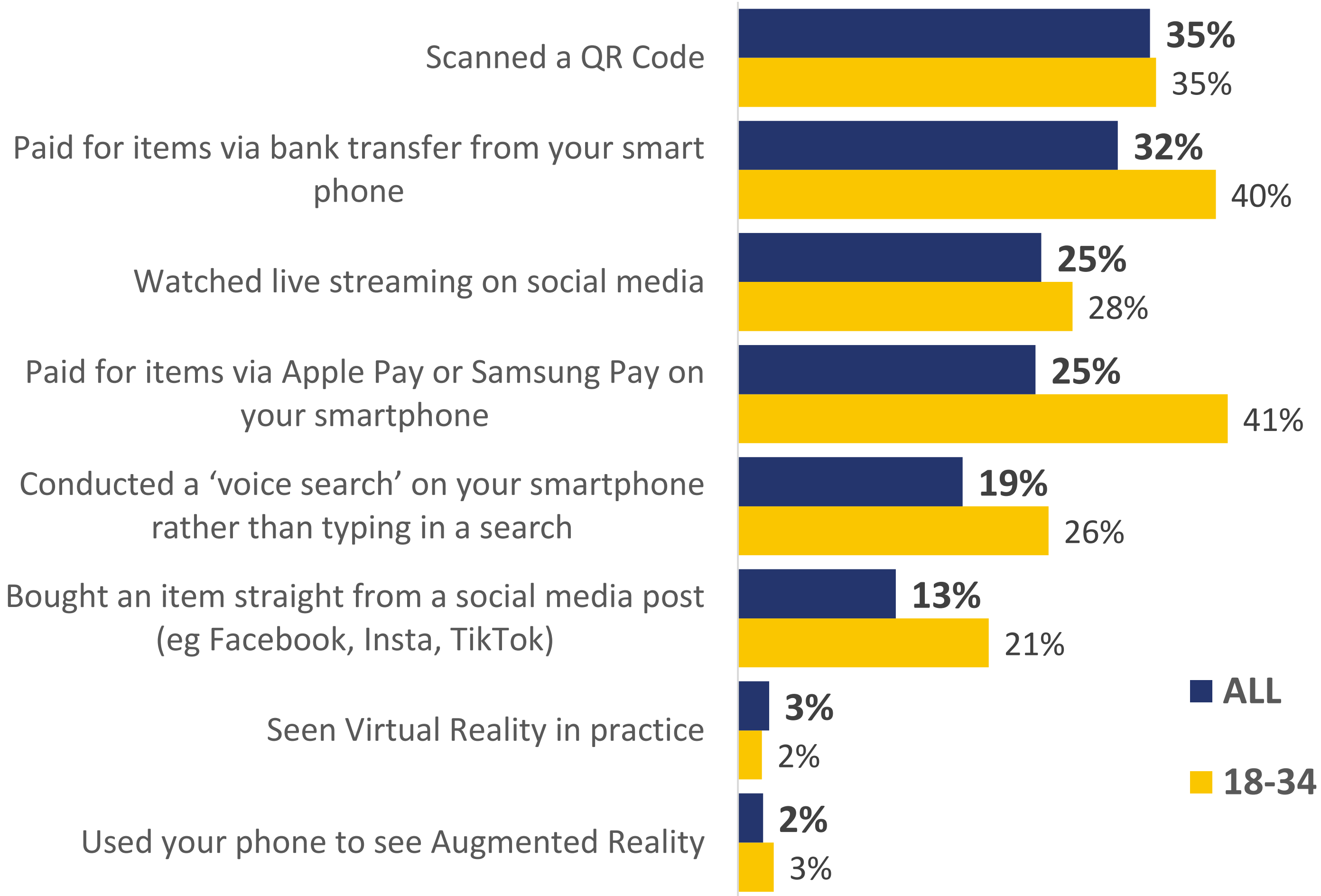
Say using cutting edge technology like Augmented Reality to showcase products is ‘very’ or ‘quite important’ when ordering food/drinks online

Increases to **51%** of 18-34’s

However only 2% have seen Augmented Reality in practice

Unsurprisingly, younger consumers are more likely to engage with 'tech', but QR codes and online bank transfers are both used by a third of all consumers

Have you used or done any of the following in the last month?



- Uptake of QR codes and live streaming is fairly consistent across age bands, whereas all other tech is biased towards the **younger shopper**
- **1 in 4** consumers have paid for items via Apple/Samsung pay, increasing to more than **4 in 10** amongst 18-34's
- **1 in 5** 18-34's have purchased an item from a social media post - this age group are **60% more likely** to do this than average

TWC Thoughts

- Will online grocery penetration plateau? Those who aren't already using it appear unlikely to change. The biggest barriers centre around a preference for the in-store experience.
- Driving more online top up shops will help to drive frequency, especially amongst the younger generation who are particularly engaged in this type of mission. But who can own this space? Can it be done profitably? Can it work outside of London and other big cities?
- The number of people who say they have purchased groceries online from Amazon is surprisingly high (13%), given their small market share.
  - Frequency and basket size will need to increase for Amazon to make significant headway in grocery
  - Appealing to the younger shopper will be key to winning the online grocery top up mission
- Unsurprisingly, younger shoppers are engaging most with cutting edge technology. Half say the use of augmented reality is important when online ordering, but few are seeing it in practice in food and drink
  - This could be an effective way of replicating the "in-store" experience (biggest barrier to online, as above)
  - How can foodservice and grocery lead these tech trends for grocery/food-to-go/fast food rather than follow the fashion players?

Coming soon.....

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