

Online Grocery: Moving from Enough Capacity to the Right Capacity

After rapidly expanding their fulfillment infrastructure, many grocers now need to adapt it to evolving consumer preferences

New habit, new opportunity

With online grocery shopping becoming routine, incumbents have a great chance to replicate their brick-and-mortar strength in e-commerce

2-5+ years

acceleration in online grocery adoption internationally during the Covid-19 pandemic

40-80%

of online grocery shoppers in key global markets say it has become a regular habit



80-90%

of the surge in online grocery penetration during the pandemic is likely to remain in most markets



50-70%

of online grocery shoppers say they buy from the same brand they use for in-store groceries



But the incumbent advantage isn't set in stone

30-75% of regular online grocery shoppers use more than one online grocery site



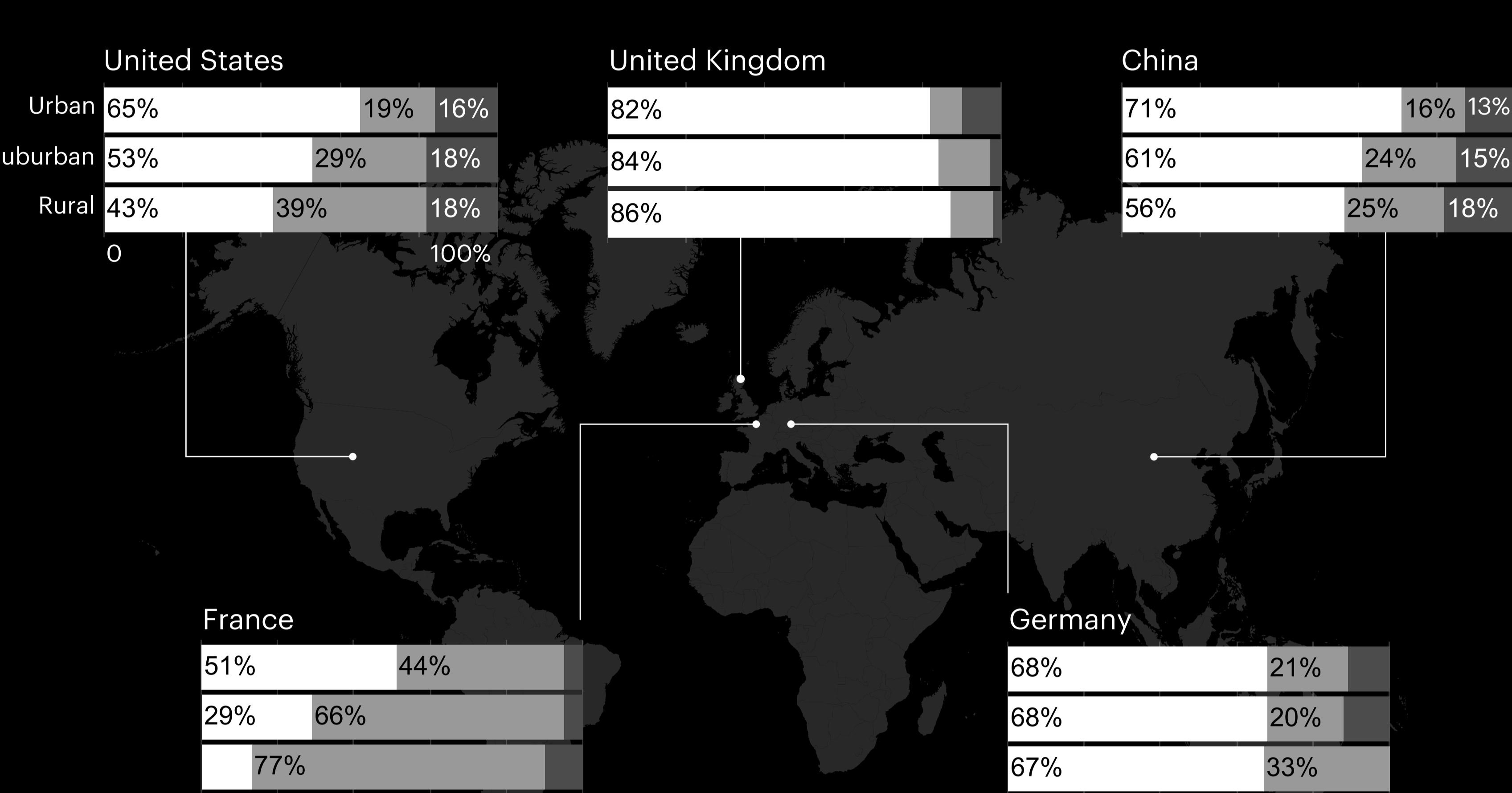
Note: Regular online grocery shoppers defined as those who grocery shop online two or more times per month

Retooling to meet shopper preferences

After adding fulfillment capacity amid Covid-19, grocers will need to adapt their infrastructure to shopper preferences in different markets

Preferred online grocery fulfillment method, by location of shoppers surveyed

■ Home delivery ■ Curbside ■ In-store pickup



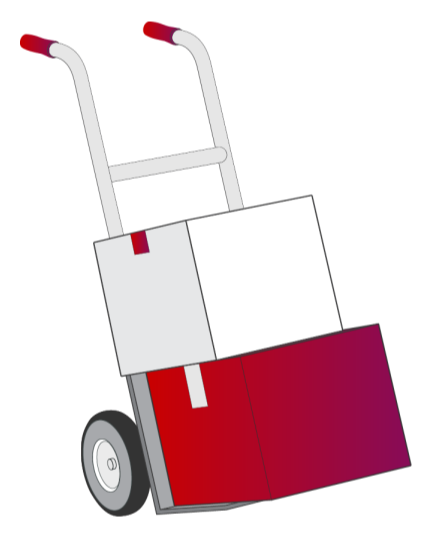
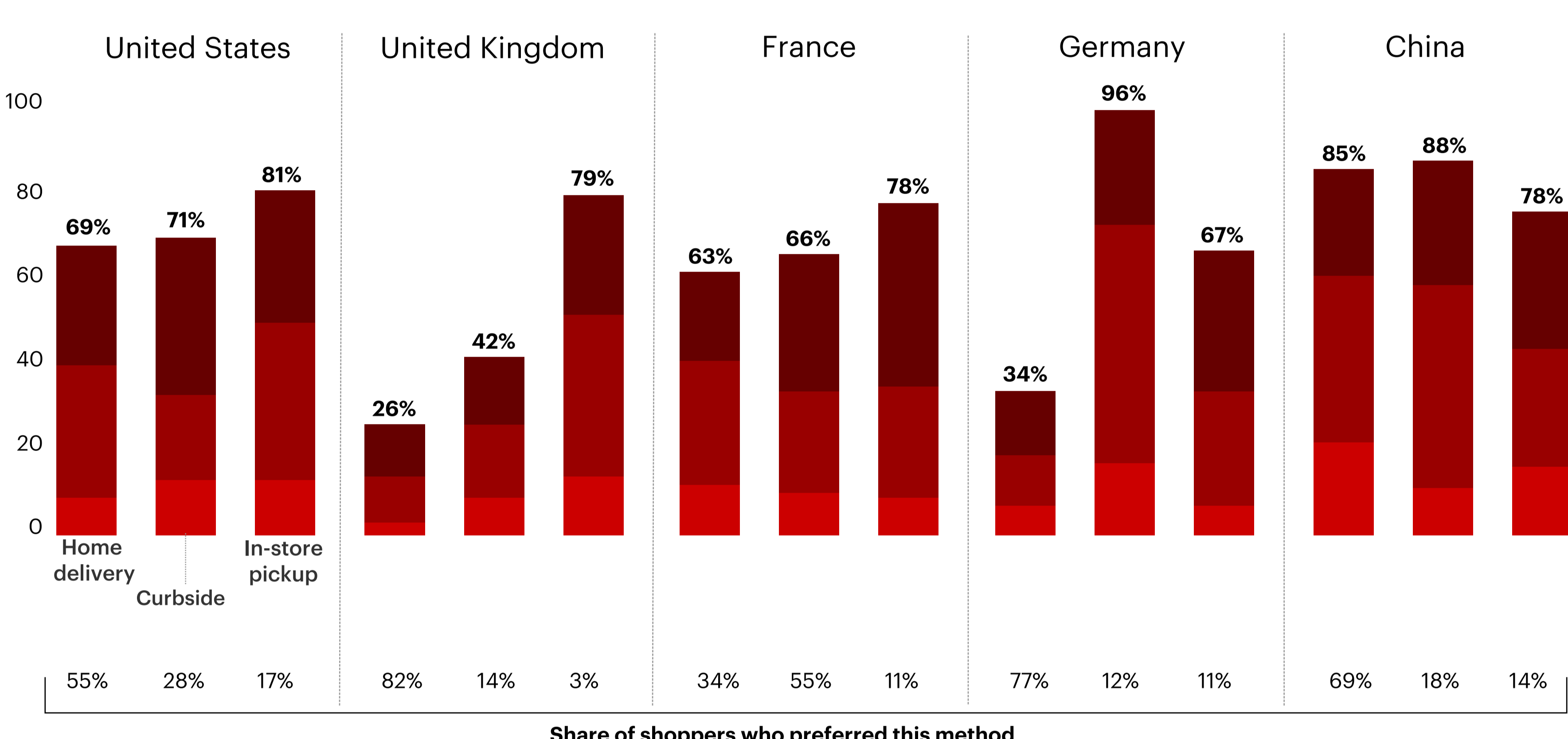
Notes: Curbside refers to groceries delivered to the shopper's car; segments may not total 100% due to rounding

The need for greater speed

Grocers will need to adapt fulfillment networks to satisfy the growing expectations of faster delivery

Percentage of online grocery shoppers surveyed who prefer fast fulfillment methods

■ <30 minutes ■ <2 hours ■ Same day



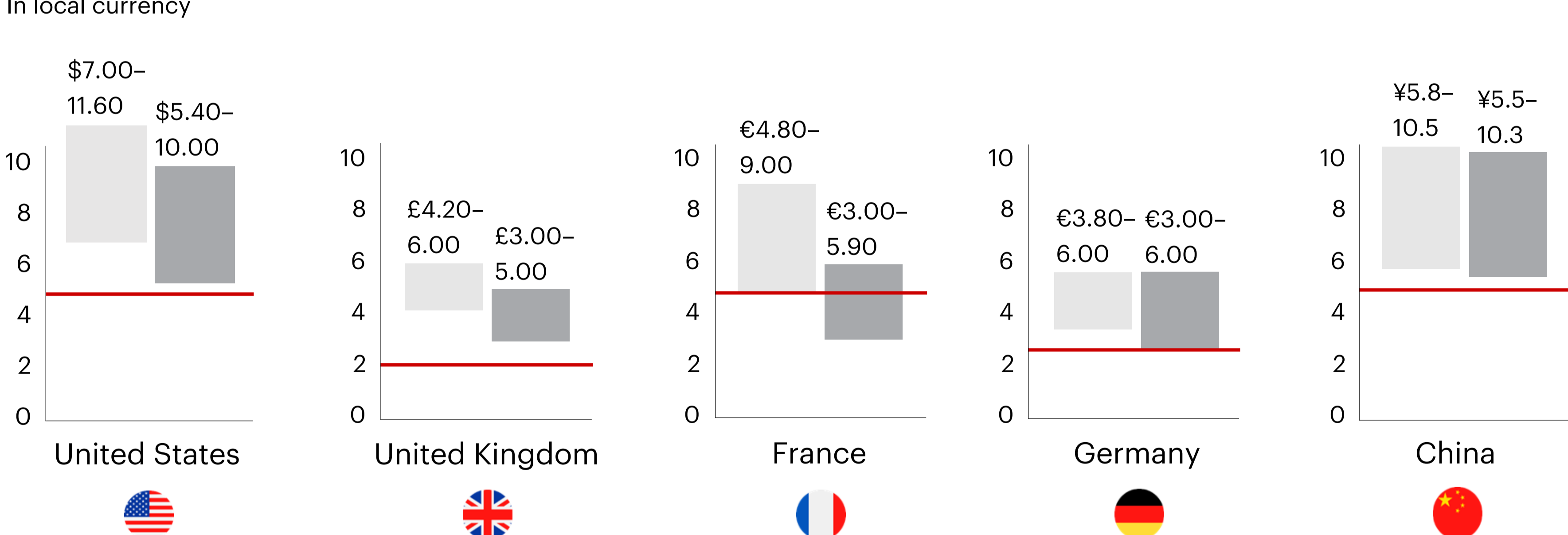
Higher fees can ease the transition

Shoppers are willing to pay more to get groceries to their doorstep quicker

What online grocery shoppers say is an acceptable fee for home delivery at their preferred speed

■ <2 hours ■ Same day — Current median fee paid for home delivery overall

In local currency



Six strategic moves to get an edge in online grocery

1

Enhance the online value proposition to win market share, meeting evolving customer needs and speeds



Deploy diversified fulfillment models to build a tailored, next-generation network, automating where possible and partnering as needed

2



3

Ruthlessly squeeze inefficiencies out of your current operations (picking, packing, and delivery)



Improve basket economics through assortment and pricing optimization (fewer SKUs, private brands)

4



5

Identify additional revenue streams to make the channel profitable, such as monetizing digital assets and recouping costs from consumers



Stay Agile by testing and learning across the offering

6

