TRENDS REPORT

US Online Grocery Snapshot: Q4 2023

Circana Data Shows Online Grocery Trends

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FORRESTER

Summary

Online grocery sales continue to grow, but that growth has slowed substantially since 2020, which was an outlier. This research assesses grocery in the context of the current economy amid rising prices and fluctuating consumer confidence. Forrester partnered with Circana for this research. This report highlights the growth of grocery subcategories, the distribution of online grocery delivery formats, and the competitive landscape for grocery retailers.

Online Grocery Is Still Growing, But Momentum Continues To Ebb

Online grocery sales in the US continue to grow. However, none of the eight subcategories (excluding alcohol/liquor) that Circana tracks are growing more slowly in 2023 than they did in 2021 (see Figure 1). It's important to note that this year-over-year growth is affected by rising prices and the fact that consumers buy most groceries in-store.

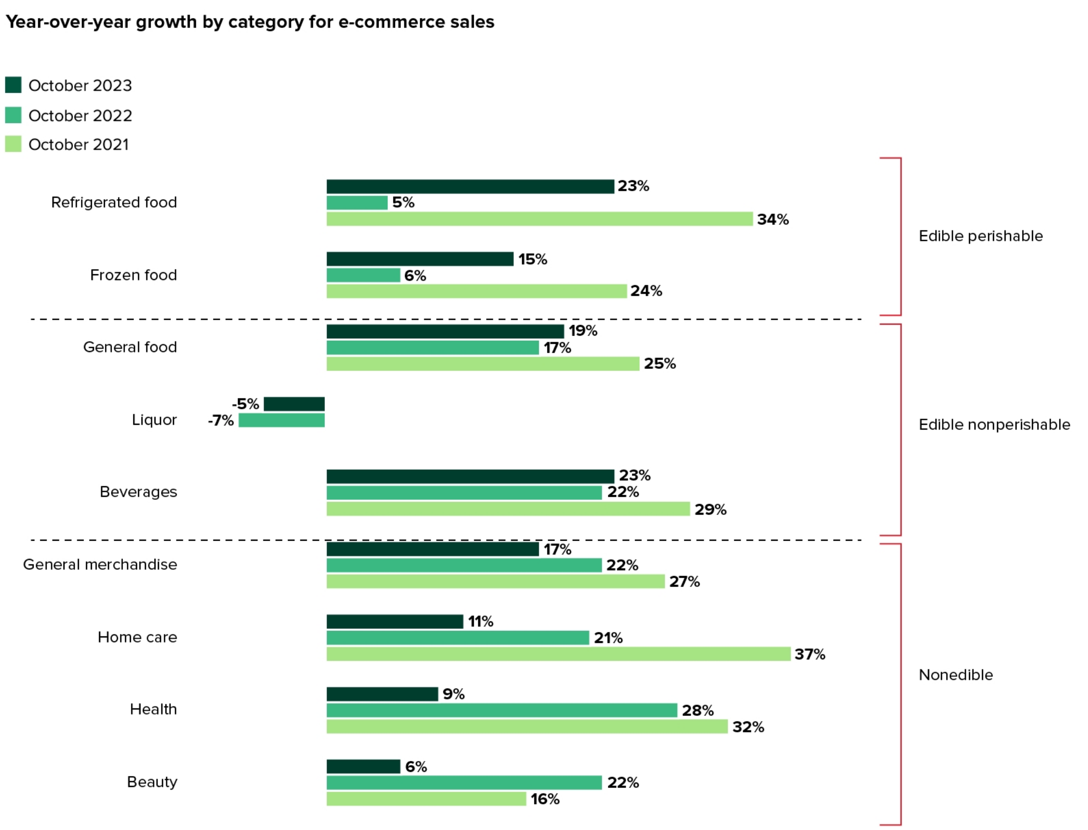
Since early 2020, conventional wisdom has been that online grocery gained years of growth in a few months and would forever transform grocery e-commerce. The truth is that in most categories, the vast majority of grocery sales still occur offline (i.e., primarily in stores) and online penetration has stabilized. Forrester estimates that 93% of food and drink sales will occur offline in 2023. That said, we predict that online food and drink sales in the US will grow to $86 billion in 2023, a 25% increase compared with 2021. In the current state of grocery:

- **Growth of edible perishable groceries has increased.** Forrester and Circana divide online grocery into nine subcategories: general merchandise, home care, health, beauty, refrigerated items, frozen items, general food, and beverages (including liquor products). From October 2021 to October 2022, growth fell substantially in all categories except beauty. While growth in nonedible categories continued to slow in 2023, edible nonperishable (e.g., beverages) stayed constant and edible perishable (i.e., refrigerated or frozen foods) experienced notable boosts. Specifically, the year-over-year growth rate of refrigerated food sales was 18 percentage points higher in 2023 than in 2022.
- **Food retained its share of grocery e-commerce.** Before the pandemic, food items (edible nonperishable and edible perishable) made up 26% of online grocery, increasing to 37% in October 2021 — where Circana's October 2023 data shows that it has plateaued (see Figure 2). The lion's share of e-commerce sales remains in nonfood, shelf-stable products.
- **Amazon and Walmart dominate.** Circana data shows that Amazon accounts for nearly two-thirds of nonfood grocery sales online (see Figure 3). The vast majority (94%) of these purchases tend to be fulfilled by delivery services to homes. In contrast, Walmart's online grocery shoppers tend to buy food items: Nearly half (49%) of total US edible perishable online sales were purchased on Walmart.com. Shoppers are also much more likely to pick up their online food purchases in-store via some form of click-and-collect than their nonfood purchases.

- **Consumers still buy most categories offline.** Forrester's 2023 data shows that 85% of US online adults typically buy groceries in a physical store. Edible food categories (perishable and nonperishable) have the lowest online penetration, which hasn't significantly changed since 2021 (see Figure 4). In-store shopping still has its conveniences: 47% of US online adults shop for groceries in-store to see and touch the products; 28% say they only shop in-store because they're unwilling to pay fees for online shopping and delivery.

Figure 1

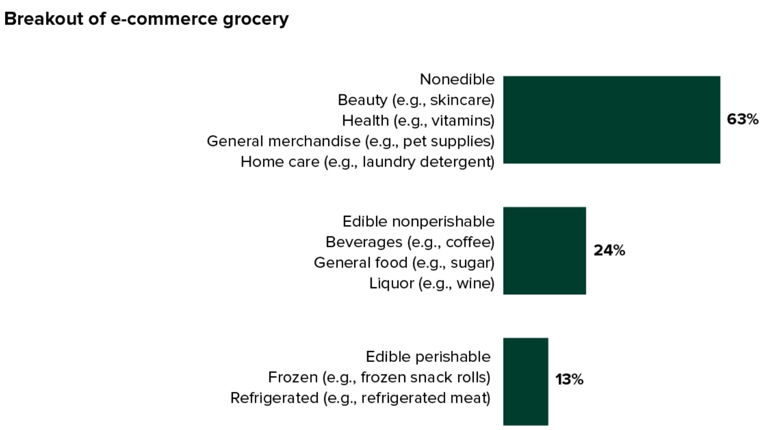
Nonedible Grocery Categories Decelerated, While Edible Perishable Growth Increased



Source: "Circana OmniMarket™ E-Commerce, 52 wks ending 09-10-23, From 200+ Tracked Categories, B&M = MULO - Pickup, Del Ship & Pickup Numbers from eMI," Circana, October 2023

Figure 2

Edible Grocery Comprises 37% Of Online Grocery Sales



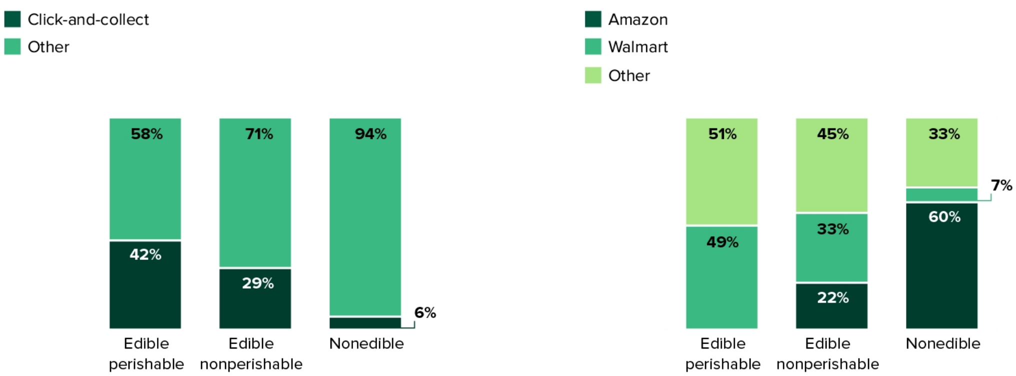
Source: “Circana OmniMarket™ E-Commerce, 52 wks ending 09-10-23, From 200+ Tracked Categories, B&M = MULO - Pickup, Del Ship & Pickup Numbers from eMI,” Circana, October 2023

Figure 3

Click-And-Collect Is Higher For Edible Perishable Than For Other Grocery Categories

3-1 Click-and-collect versus other (e.g., home delivery/ship)

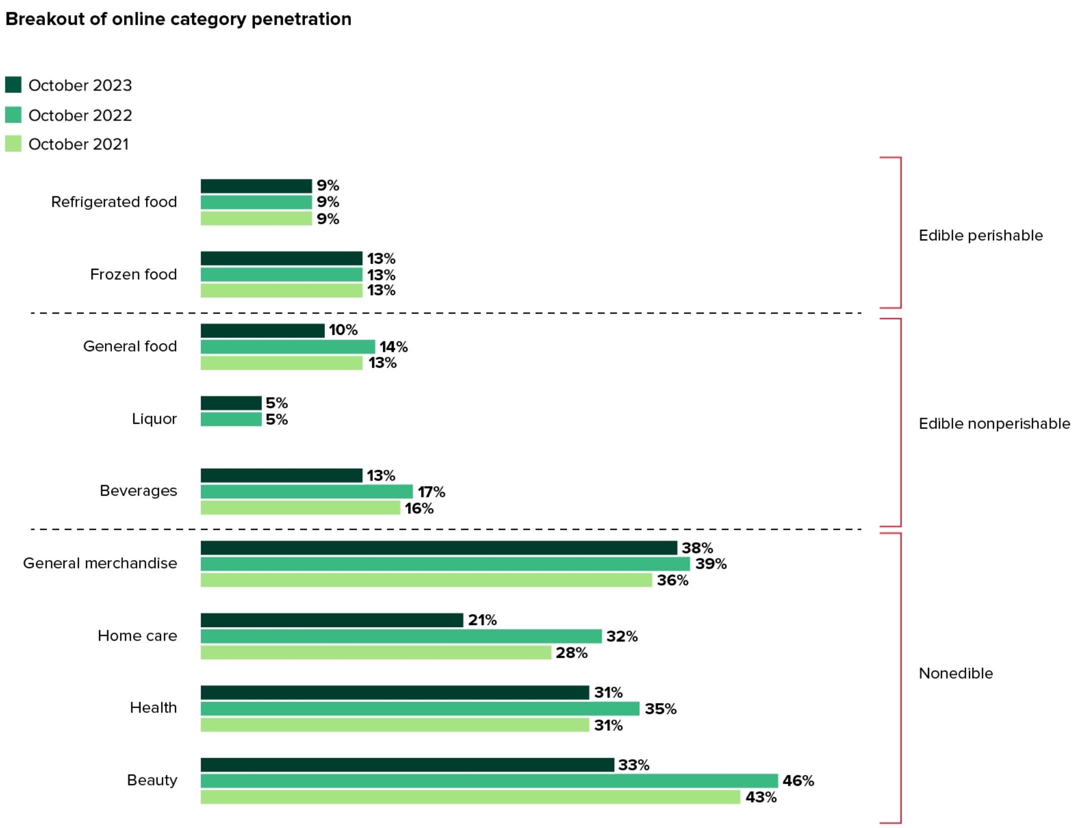
3-2 Share of e-commerce sales: Amazon versus Walmart versus all others



Source: "Circana OmniMarket™ E-Commerce, 52 wks ending 09-10-23, From 200+ Tracked Categories, B&M = MULO - Pickup, Del Ship & Pickup Numbers from eMI," Circana, October 2023

Figure 4

Edible Perishable Is Growing But Remains A Small Percentage Of Total Online Grocery



Source: "Circana OmniMarket™ E-Commerce, 52 wks ending 09-10-23, From 200+ Tracked Categories, B&M = MULO - Pickup, Del Ship & Pickup Numbers from eMI," Circana, October 2023

Inflation And Competition Will Crunch Online Grocery Further

So where does the current state of US online grocery leave us? Several factors have contributed to taming the e-commerce boom that the grocery industry experienced in 2020 — albeit to a still healthy forecasted growth of 28% between 2022 and 2024. In the year ahead, online grocery will see:

- **Shoppers reducing some consumption.** In 2023, 85% of US online adults have changed their household spending due to the higher prices of goods and services, according to Forrester's September 2023 Consumer Pulse Survey. In October 2022, food prices were up 12.4% over a year prior; as of October 2023, they had only risen by a further 3.3% — a marked deceleration. Forrester's September 2023 data indicates that 86% of US online adults have recently noticed higher grocery prices. At the same time, grocery store sales only increased by 2.1% from September 2022 to September 2023, suggesting that consumers are buying less overall.

- **Private-label growth cutting into the sales of big name brands.** Inflation and food prices remain a concern for shoppers. In a Circana survey in summer 2023, 94% of respondents said they were concerned about higher food costs. Nearly one-third (31%) of shoppers explicitly said that they are switching to lower-cost brands. Private-label brands (also known as store brands) are often what cost-conscious shoppers switch to: A recent Forrester survey found that 45% of US online adults agree that private-label products offer better value than name-brand products.

Supplemental Material

Research Methodology

Circana uses best available data assets, including robust in-store and online retailer point-of-sale data and best-in-class data science and projection methodologies, to deliver an unparalleled view of the total omnichannel universe for clients.

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