

# The Rapid Rise of Alcohol eCommerce in the UK

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BY VARUN

Alcohol eCommerce has been rapidly growing over the years, and like a lot of other industries, the pandemic accelerated its growth. Convenience, safety & home delivery became important criteria for customers in the post pandemic era and so the sale of alcohol via eCommerce went up. [Kantar](#) reported that UK booze sales were up £261m & online and convenience stores were the biggest winners. The latest [IWSR Drinks Market Analysis Report 2022](#) reported on another interesting trend – when ordering alcohol online, consumers prefer using websites v/s apps in most parts of the world except China and Brazil. In the UK the largest chunk of online alcohol purchases happens on a retailer website instead of an app.

To get a better understanding of this, we tracked 2 grocery retailers and 3 grocery Q-Commerce apps in the UK to get insights into Alcohol sales, pricing, trends & more!

## Methodology

- ➔ **Data Scrape time period:** Feb 2022 – June 2022
- ➔ **Grocery Retailers tracked:** [Tesco](#) & [Ocado](#)
- ➔ **Grocery Apps tracked:** [Gorillas](#), [Weezy](#) & [Getir](#)
- ➔ **Category tracked:** Alcohol

**Which retailer was the Price Leader in the alcohol category?**

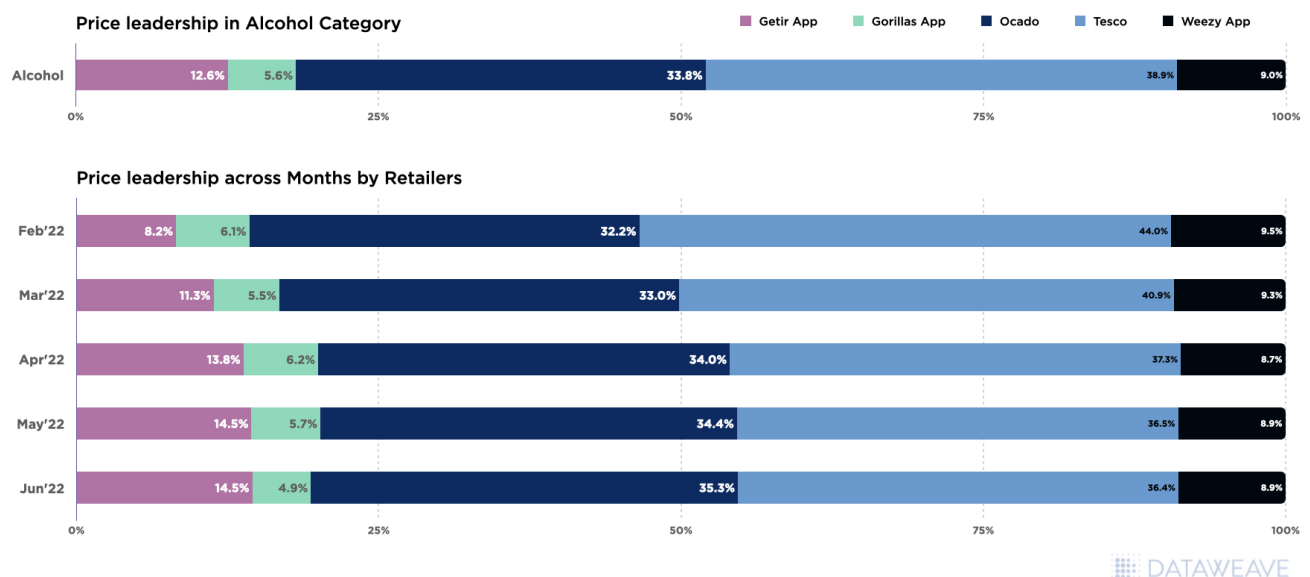
Before the pandemic **Tesco was the only Big 4 retailer to increase their alcohol market share** &

Waitrose was the biggest loser, with its share of booze sales falling from 5.4% to 4.7%. Maintaining Price Leadership is a critical element and plays a big role in increasing sales & market share because consumers will buy the most competitively priced product. We wanted to track and see which retailer was the Price Leader in the alcohol category – i.e., had the most number of lower-priced items in the alcohol category. We also wanted to see if & how Tesco's position had changed post pandemic.



Platform used for last online alcohol purchase. [Source](#)

## Price Leadership



Price Leadership

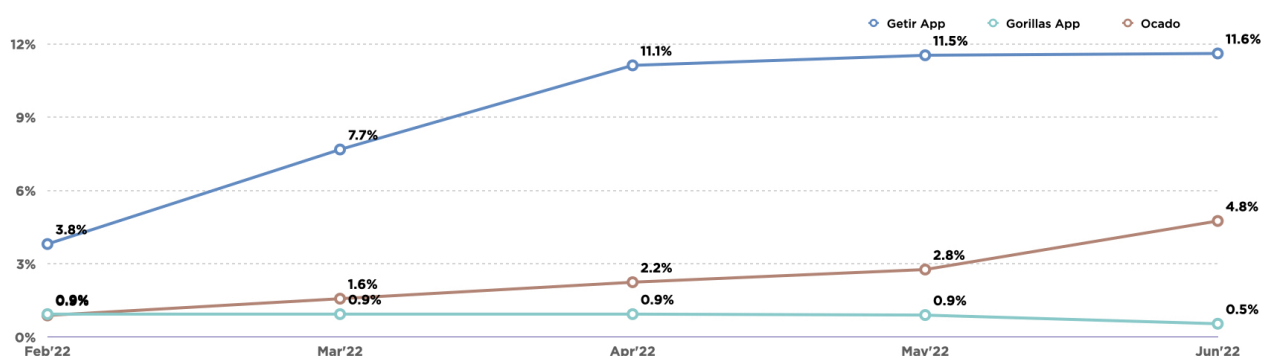
- Tesco enjoyed price leadership in the Alcohol category from Feb – June 2022 with 38.9% products priced the lowest. This, followed by Ocado at 33.8%. Gorillas had price leadership for the least amount of products in the alcohol category at 5.6%. Tesco was the clear winner!

- Tesco's Price Leadership kept declining through the months though – at the beginning of the year in Feb, Tesco had 44% products priced the lowest but by June, that number fell to a little over 36%. Ocado showed a reverse trend – in Feb they had price leadership on 32% items and by June that number rose to 35.3%.
- One player Tesco could've potentially lost price leadership to was Getir. In Feb, Getir had price leadership on only 8.2% products but that increased gradually over the months to land on 14.5% in June.

## Which retailers focused on Discounts to perk up alcohol sales?

Discounts are a great way to draw in inflation-hit shoppers. Loyalty card discounts, reward vouchers, and other promotional strategies retailers offer help make their products more competitive & attractive to customers. To stay competitive, retailers need to be aware of the **discounts their competition is offering**. They also need to understand the risk of deep discounting and the impact on margins. We wanted an insight into alcohol related discounts in the UK so we dug into our data. Here's what we saw.

### Average Discounts Across Months by Retailers



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*Average discounts across months by retailers*

- A host of European and UK based startups like Jiffy, Dija, Weezy, Zapp, Getir & Gorillas launched with the promise of delivering groceries the **fastest & cheapest**.
- Our data showed that Gorillas offered discounts in line with the competition, however, Getir likely went the deep discounting route.
- Getir offered the highest discounts across all months. And in the month of April they offered almost 9% more discount than Ocado – the retailer with the 2<sup>nd</sup> highest discounts.

Like we discussed above, Getir gained price Leadership from Feb to June. Deep discounting could have potentially played a role.

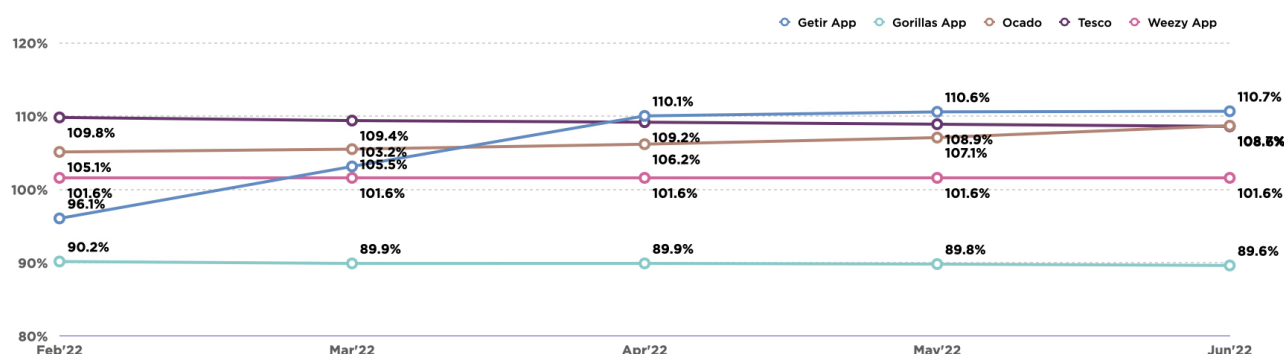
→ Gorillas on the other hand had the lowest, almost non-existent discounts.

## Let's look at Price Index trends across 5 months

We tracked the Price Index (PI) across these 5 retailers to measure how alcohol prices changed over a 5 month period from Feb – June 2022.

**Note:** Retailers selling at the 100% mark were selling at an optimal price & did not undercut the market. The pricing sweet spot is 95% – 105%. Anything lower would compromise margins, and higher would mean the retailer was not competitive.

### Price Index Across Months by Retailers



DATAWEAVE

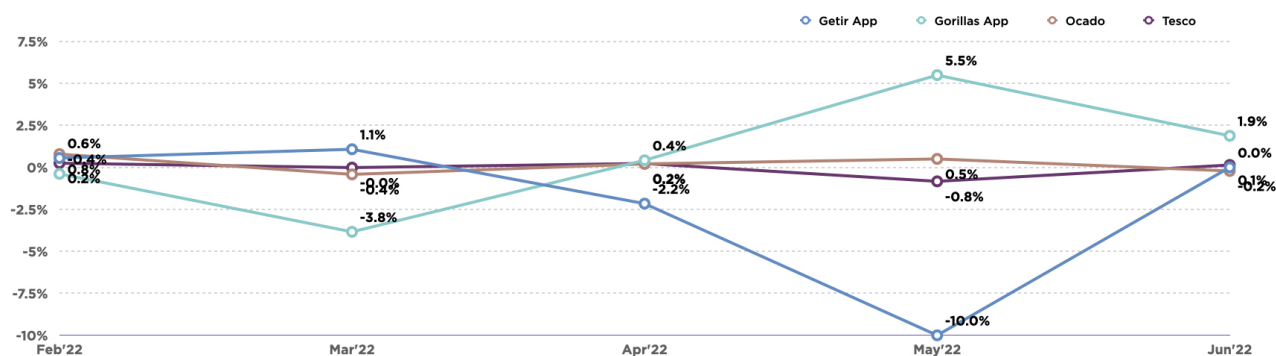
Price Index across months by retailers

- Weezy had a Price Index that was the most *optimal*, sitting in the 100% – 102% range.
- Gorillas had the *lowest* Price Index, between 89% – 91%.
- Getir had a low price index in Feb (96.1%) but slowly kept increasing to cross 110% in April, May & June.
- What was interesting to see was the competition between the 2 retail giants Ocado & Tesco. Ocado had a lower price index at the start of the year at 105.1%, while Tesco was at 109.8%. In the subsequent months, Ocado kept **increasing prices to be competitive with Tesco** and Tesco decreased prices to likely match Ocado's pricing. By June BOTH Tesco & Ocado had the exactly the same price index – 108.7%

## Which retailers were the quickest to make price changes?

**Competitive** pricing is critical to eCommerce success. Competitive pricing involves tracking your competitor's pricing & strategically tweaking your own prices without hurting margins. We tracked the month-wise average Price change from Feb – June across all 5 retailers to see which retailer was making price changes and at what frequency.

### Average Price Change Across Months by Retailers



Average price change across months by retailers

- ➔ Most retailers did not make massive price changes, they were ballpark competitive with each other from a pricing standpoint.
- ➔ However, Gorillas made significant changes in the month of March when they dropped prices by 3.8% and in May when they increased prices by 5.5%!
- ➔ In May, the same month Gorillas made a big price hike, Weezy dropped their prices significantly by 10% widening the gap between the 2 retailers.

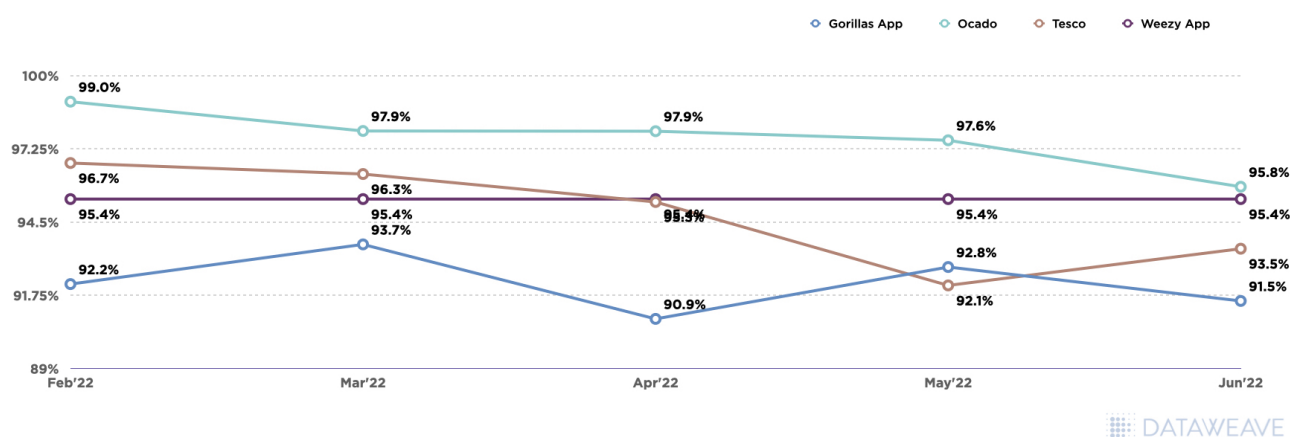
### Which retailers avoided lost sales by maintaining stock availability?

**Having a near real time view on stock availability is crucial to driving sales.**

Customers can buy products only when they're available! So, we went ahead, looked into our data to see how each of these retailers managed stock availability from Feb to June.



## Average Availability Across Months by Retailers



Average availability across months by retailers

- Our data showed varying availability levels across retailers with Ocado having the highest availability across all 5 months. They had a robust stock at the beginning of the year at 100% but kept dwindling through the months to land at 95.8% by June.
- Tesco had a sharp drop in availability in May & June – from 97% at the beginning of the year to the 92-93% range.
- Gorillas had the lowest availability across months between 90 & 94%.
- Weezy consistently maintained availability at 95% across all 5 months.

## Conclusion

For the most part, the UK market has a positive outlook towards buying alcohol online thanks to changes to shopper behavior arising from the pandemic. As per the [IWSR Drinks Market Analysis Report 2022](#) in website-led markets, such as the UK, **breadth of product range is important to customers** along with **price**. These 2 play a key factor in purchase decisions. By contrast, consumers in app-driven markets have different preferences. While price matters, it is less important than convenience and speed.

As an alcohol retailer, if you need help tracking your competitor prices, discounts and product assortment, [reach out to the team at DataWeave](#) to learn how we can help!

- **Varun Sharma**

*Varun leads Business Enablement at DataWeave. He works exclusively with Grocery Delivery & Food Delivery businesses across the globe to help them optimize their pricing & assortment strategies to drive more online revenue., 5th Sep, 2022*

