The Rise of On-Demand Grocery Delivery after the Pandemic

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BY VARUN

Before the pandemic, the grocery industry was set around brick-and-mortar stores, and there was a slow movement towards on-demand grocery. Online grocery delivery was still considered a peripheral channel. However, grocery shoppers started turning to on-demand platforms since the onset of COVID-19. According to **Acosta's report**, since the pandemic, 45% of customers prefer online grocery shopping over physical stores.

COVID-19 drastically accelerated the online grocery delivery trend, increasing 10% and 15% of total grocery sales during the peak COVID-19 time. In the U.S., online grocery shopping reached nearly **$9**0 billion in sales in 2020, increasing by more than $30 billion.

In this article, you'll learn about the early pioneers of online grocery delivery in the U.S., the modern players, and the impact of COVID-19 on grocery trends.

Early pioneers of online grocery delivery

Peepod, 1989. Still around
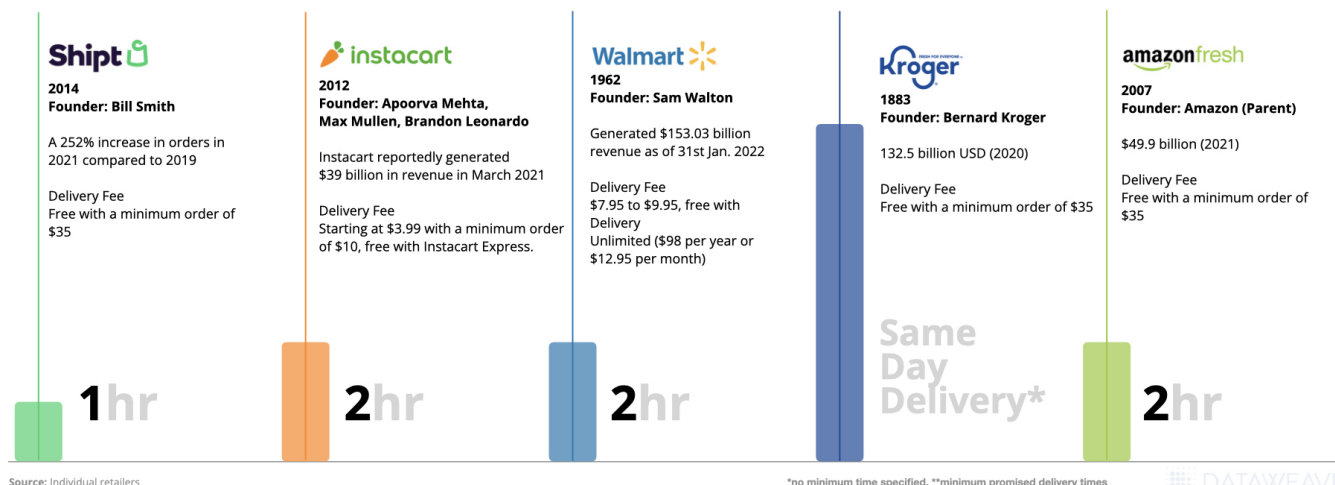

Webvan, 1996 - 2001

HomeGrocer, 1997 - 2000

Early pioneers of online grocery delivery

In the late 1990s, consumers had just started ordering products online. Online grocery shopping was an early area of focus. It offered lucrative rewards to high-spending consumers, increased convenience, and saved them time. **Peapod**, founded in 1989 by brothers Andrew and Thomas Parkinson, was the first online grocery delivery service. Back when they started, users had to install software from CD-ROMs and then place orders. Though it took years to become a well-known name in the industry, Peapod is still in business.

Webvan and **HomeGrocer.com** were two other early pioneers of online grocery delivery that started in 1996 in California and 1997 in Washington respectively. Webvan had a successful launch in California, and they had aggressive expansion plans to operate in 26 major cities around the United States. However, the company filed for bankruptcy less than two years later. HomeGrocer.com quickly created the infrastructure needed to support the business, including a fleet of vans and a huge warehouse. They had impressive early growth, and sales reached over $1 million a day by mid-2000. They expanded into other markets, including California, Georgia, Oregon, Texas, and Illinois.

Modern players of the on-demand grocery delivery

Shipt
2014
Founder: Bill Smith

A 252% increase in orders in
2021 compared to 2019

Delivery Fee
Free with a minimum order of
$35

instacart
2012
Founder: Apoorva Mehta,
Max Mullen, Brandon Leonardo

Instacart reportedly generated
$39 billion in revenue in March 2021

Delivery Fee
Starting at $3.99 with a minimum order
of $10, free with Instacart Express.

Walmart
1962
Founder: Sam Walton

Generated $153.03 billion
revenue as of 31st Jan. 2022

Delivery Fee
$7.95 to $9.95, free with
Delivery
Unlimited ($98 per year or
$12.95 per month)

Kroger
1883
Founder: Bernard Kroger

132.5 billion USD (2020)

Delivery Fee
Free with a minimum order of $35

amazonfresh
2007
Founder: Amazon (Parent)

$49.9 billion (2021)

Delivery Fee
Free with a minimum order of
$35

1hr   2hr   2hr   Same Day Delivery*   2hr

Source: Individual retailers

*no minimum time specified, **minimum promised delivery times

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Modern players of the on-demand grocery delivery

Online Grocery Trends Post-Pandemic

When COVID-19 first began to engulf the world, supermarkets and grocery
delivery platforms like Amazon Fresh and Instamart became overwhelmed
with huge demands. To handle the surge of online orders, stores had to make
drastic changes to accommodate the switch to on-demand delivery requests.
Popular grocery delivery brands had to introduce waitlists and online queues
for new customers. According to a **poll**, 53% of shoppers would continue
online grocery shopping because they had a good experience, indicating that
the on-demand grocery trend will continue post-pandemic.

As shoppers prefer more digital channels in their path to purchase, the on-
demand grocery trend is becoming much more significant for both
consumers and brands. According to a **McKinsey and company survey**, frozen
fruits, health care items, fresh fruits and vegetables, packaged foods,
household care items, beverages, and deli meats categories are likely to
remain popular among U.S. consumers post-pandemic. Meanwhile, **CoreSight
Research** found that fresh fruits and vegetables were the biggest bestsellers
from 2020-to 2021 followed by fresh dairy, meat, eggs, frozen food, and
bread and baked goods.

Why Grocery Shoppers are going digital

Online ordering offers a more personalized experience to shoppers as they
get recommendations for products that are often bought together. When
paired with data analysis and AI-powered algorithms, grocery stores could
work on targeted marketing and offer quick delivery services.
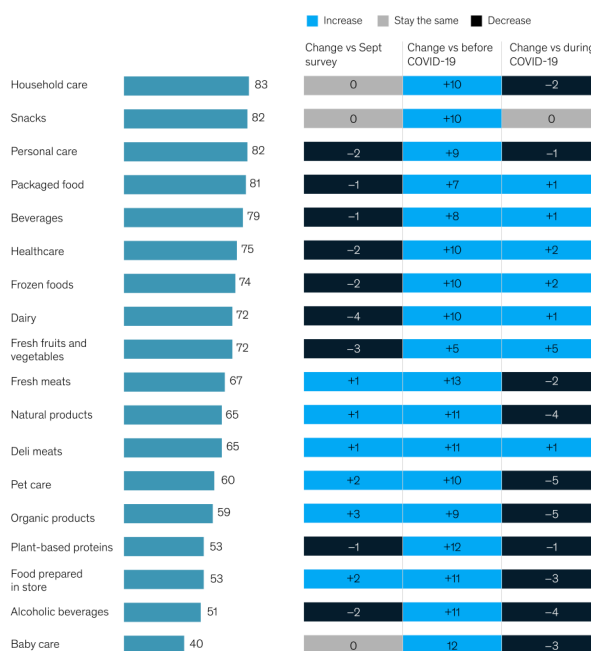
1. Flexibility

On-demand grocery shopping offers customers a wide range of delivery options, including subscription services, buy online pick up in-store, click and collect, option-based pricing, and much more. This offers choice and accessibility to modern customers looking for speed and convenience.

2. Convenience

With the increasing focus on social distancing and safety, shoppers started to rely on delivery services rather than waiting in long queues and risking exposure. The focus and priority of grocery shoppers shifted from discounts and pricing to convenience, speed, and safety. Online grocery shopping order methods also differ by generation. **40%** of millennials prefer to shop groceries on mobile, and 52% prefer computers. Similarly, 66% of Gen X prefer to shop on computers, and only 27% prefer to shop on smartphones.

Consumers prefer using e-commerce for every grocery category overall, but their preference for e-commerce has decreased for most categories since the height of the pandemic.

Consumers' intent to use e-commerce by category in the next 6 months,[1] %

■ Increase   ■ Stay the same   ■ Decrease

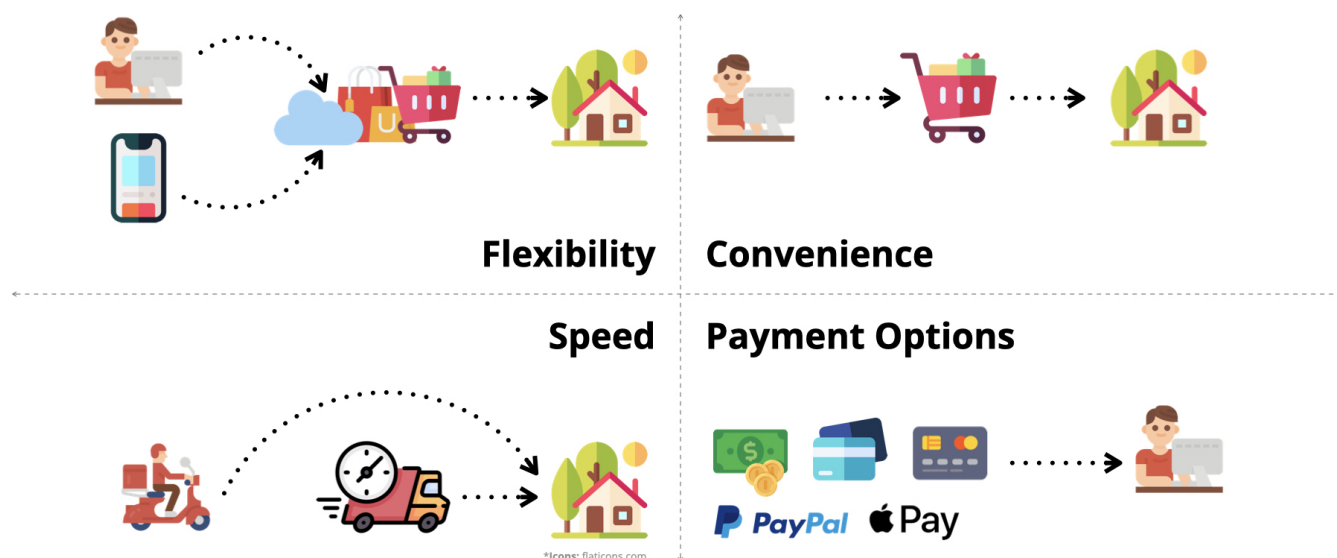| Category	Intent	Change vs Sept survey	Change vs before COVID-19	Change vs during COVID-19
Household care	83	0	+10	−2
Snacks	82	0	+10	0
Personal care	82	−2	+9	−1
Packaged food	81	−1	+7	+1
Beverages	79	−1	+8	+1
Healthcare	75	−2	+10	+2
Frozen foods	74	−2	+10	+2
Dairy	72	−4	+10	+1
Fresh fruits and vegetables	72	−3	+5	+5
Fresh meats	67	+1	+13	−2
Natural products	65	+1	+11	−4
Deli meats	65	+1	+11	+1
Pet care	60	+2	+10	−5
Organic products	59	+3	+9	−5
Plant-based proteins	53	−1	+12	−1
Food prepared in store	53	+2	+11	−3
Alcoholic beverages	51	−2	+11	−4
Baby care	40	0	12	−3

[1]Q: Please select your preference to use e-commerce to purchase the following categories BEFORE/DURING the coronavirus outbreak and in the next 6 months.
Source: McKinsey & Company COVID-19: US Online Grocery Consumer Survey 12/10–12/17, n = 2,007; 9/18–9/23, n = 1,014

McKinsey & Company

Mckinsey Grocery Report

Flexibility | **Convenience**

Speed | **Payment Options**

Icons: flaticons.com

Grocery Shoppers are going digital

3. Speed

The fierce competition in the on-demand grocery delivery space has led to small delivery times. Startups like **GoPuff** (30 minutes), and **Jiffy** (15 minutes) are competing with the big boys like Walmart and Amazon Fresh to deliver groceries in under an hour. Quick delivery options like two-hour delivery and same-day delivery have made it easier for customers to shop for fresh produce. Customers can quickly order a few items for a specific recipe and **get it delivered within a few hours**.

4. Multiple payment methods

At store checkouts, cash and card are the only two acceptable options. Customers prefer to have more options in today's modern world. Online grocery shopping makes buying easier by offering multiple payment options like PayPal, credit/debit cards, and monthly payment plans that negate the delivery fees for each delivery.

How to successfully run a Grocery Delivery Business?

The increasing demand for speed and convenience puts pressure on the grocery industry that **faces inventory issues like fresh produce and product availability**. However, the benefit of online grocery delivery services is that it provides insight into the end-to-end view of the customer journey. Grocery delivery brands can use the data to design services and models that meet customer demand and minimize costs across the supply and distribution chain.

If you're a Grocery Delivery company and want to track your delivery time, or product catalogue so you can boost sales with an **in-demand product assortment**, or you want to **drive more revenue & margin by making sure your products are priced right** v/s your competition, reach out to us at DataWeave! **Sign up for a demo** with our team to know how we can help you optimize your online sales.

- *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 Apr, *2022*

DELIVERY INTERMEDIARIES   E COMMERCE   GLOBAL   GROCERY DELIVERY

GROCERY SHOPPERS   ON-DEMAND GROCERY DELIVERY   ONLINE GROCERY

ONLINE SALES   US