

AUSTRALIA ONLINE GROCERY
REPORT 2022

Essential Insights into Australian Online Food Retailing: 2022 and Beyond

A representative study
on customer buying behavior,
brand perception, and the role
of technology



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◆ Key takeaways

- **Half of Australian consumers are already doing some food shopping online**, and almost 10% have switched to ordering most or all of their groceries on the internet.
- **Almost a quarter (23%) of Australian households' food budgets** is now spent ordering online; in the 25-34 age bracket, this share is already more than one-third.
- Households in Australia that shop for food online are already **spending as much in this channel as at their local stores**.
- In just two years' time, **one in five Australians see themselves already buying most or all of their groceries online**. Only one in three does not expect to be doing any food shopping over the internet (and only one in four under-44s).
- In high-cost, low-competition Australia, **over 80% of consumers would do more food shopping online if prices were lower** – a clear invitation for ALDI to go online (and 58% of respondents want to see the discounter offer online ordering).
- Australian online food shoppers' **biggest bugbear was item substitution**; also, delivery charges were frequently cited as an issue.
- **Growth is primarily being driven by users in the 25-44 age bracket**, who are more likely to order online and spend more of their grocery budget there than other age groups. Yet when older groups do go online, they match younger groups in terms of spending.
- Marked by Covid, Australian consumers who shop online do so primarily **to avoid infection** (42% gave this as a reason), often ordering their weekly shop. Australian shoppers have become fond of contactless click-and-collect options (e.g. curbside pick-up).
- **Online grocery shoppers switch between devices**, using mobile devices and desktop for different ordering situations.





Introduction

Outside of Australia, images of the country are often linked with food. Inaccurate stereotypes such as “Slip another shrimp on the barbie...”, a line from a TV advert to promote tourism back in the 1980s, has become a catchphrase in other English-speaking countries, and Australian bars offering light beers have become beloved watering-holes around the world.

Meanwhile, in recent years, various somewhat healthier and far more authentic food trends from Down Under have gone on to enjoy global success – none more so than the cappuccino-like ‘flat white’ coffee, perhaps accompanied by smashed avocado toast as part of a relaxed Sunday brunch.

Inside Australia, however, food – especially grocery retail – has become something of a political hot potato: many shoppers, most producers, and all market observers are in agreement that Australia’s A\$125bn grocery sector is run by an oligopoly, duopoly even, and is therefore less competitive than in other countries.

A 2020 report by the Commission for the Human Future titled *The need for strategic food policy in Australia* pointed out that the two incumbent supermarkets, Coles and Woolworths, command 60% of fresh food and grocery sales between them, and argued that this leads to low prices for producers and processors on the one hand and high prices for consumers on the other.

Interestingly, though, this report comes after two decades in which the market entry of German discounter ALDI has actually, for the first time, given Coles and ‘Woolies’ cause to keep an eye on their competitiveness; Costco, too, has put pressure on the two incumbents by responding to Australians’ desire to buy in bulk and at lower prices. In the 2010s, this led to decreasing profitability at Coles and especially Woolworths, which responded to the discount competitors by themselves lowering prices somewhat and introducing low-margin private-label products.

This, in turn, left Coles and Woolworths with little inclination to invest heavily in expanding online services – and under no pressure to do so, either, given ALDI’s aversion to e-commerce and Costco’s focus on cash-and-carry-style operations. As such, in 2019, grocery e-commerce sales in Australia were running at 4%, a figure similar to that of other mainly brick-and-mortar markets such as Germany and far behind those of more digital economies such as the UK, the Nordics, or East Asia.



Then, Covid happened, sending grocery demand soaring as restaurants closed their doors while Australians' supermarket shopping options were radically curtailed. Americans and Europeans trade war stories of queues outside food stores in the early days of the pandemic, but this was a passing phenomenon and most lockdowns exempted grocery retail from all but the most basic requirements (e.g. mask-wearing).

In Australia, however, supermarket opening hours and maximum capacity, as well as shoppers' freedom of movement, were severely limited for periods up to nine months. This left both grocery retailers and their customers with little option but to turn to online shopping and stick at it.

Now, in 2022, the Australian online grocery market finds itself having, in just over two years, caught up on the growth of a decade or more. Many households now order their weekly shop online, picking it up curbside or having it delivered home, and are not intending to return to their previous in-store habits.

Yet, in some other respects, Australia remains behind the curve in online groceries: the profusion of new providers which characterizes US and European markets is still far off Down Under, where Coles and Woolworths dominate online just as they do offline. What is more, ALDI has yet to introduce online ordering, and even in major cities, ultra-fast delivery concepts are few and far between.

In this report, we look at the status quo of the Australian online grocery market following its steroidal growth in recent years, examine its near future, and offer recommendations for market participants looking to capitalize on the opportunities it represents.

About the research

In a representative nationwide survey, Appinio asked 2,500 respondents a range of detailed questions about their experiences of online grocery shopping to date and their opinions regarding it. The result is the largest and most detailed set of data currently available about online food shopping habits in Australia. This dataset was collated by Appinio in cooperation with Spryker.

Survey participants were between 16 and 65 years of age (average age: 39.7) and lived in Australia at the time at which they took part; 21.6% lived in towns or areas with fewer than 50,000 inhabitants, while 25.7% were in towns with a population of up to 250,000. 13.5% of respondents resided in smaller cities (250,000 to 750,000), with 39.2% in the country's five largest conurbations Sydney, Melbourne, Perth, Brisbane, and Adelaide. Respondents answered in mid-2022.



If you want to deep dive into the data you can access Appinio's **interactive dashboard** containing the entire **dataset**.



Australia compared to the USA, the UK, and Germany

To date, Appinio and Spryker have conducted comparable market research in the USA (2021), Germany (2021, 2022), and the UK (2022) allowing us to draw comparisons between these three markets on the basis of an extensive data-set. Here is a brief overview of the most striking insights from this four-way comparison.

Market size

- Britain is the leading market for grocery e-commerce. Almost two-thirds (61%) of British consumers buy at least some food online. Australia is comparable to the US, where half of shoppers buy any of their groceries over the internet, and some way ahead of Germany, where only a third of consumers buy food online.

Supermarket love

- Despite concerns about their market heft, Australia's major chain stores bask in sky-high popularity: 87% of shoppers enjoy a trip to the supermarket. This is far higher than in Germany (71.2%) and even higher than in the US, where only 55.3% see shopping as a pleasant experience. It even beats the UK, where 83% of consumers state that they enjoy supermarket shopping.

Future habits

- In Australia, the number of consumers who can envision doing most or all of their grocery shopping online within the next two years is, at around one in five, comparable to Germany and the US. In the UK, this figure is markedly higher: one in three.

Anywhere, AUS

- Although the Australian market shows some differences between urban and rural areas, there were far fewer clear disparities than in the US or German markets. This is in all probability a function of the fact that Australia is, while huge and sparsely populated, one of the world's most urbanized countries (89%+). Here, it mirrors the UK (80%+), which also shows no pronounced urban/rural divide in online shopping habits.

Dual dominance

- Whereas online groceries in Germany have been spearheaded mainly by new players and the US food retail giants have been sluggish, in Australia, Coles and Woolworths have, like Britain's Big Four supermarket chains, established themselves as the best-known online food delivery services.

The price lever

- In high-cost, low-competition Australia, over 80% of consumers would do more food shopping online if prices were lower. This is notably higher than in other countries, where lower prices were just one of a series of factors cited by respondents.

To deliver or not to...

- A full third of Australian respondents like to shop online and pick up in-store, something that only 11% of Germans and 14% of Brits see as desirable. Here, Australian online shoppers are similar to their American counterparts. Yet, true to their laid-back image, Aussies are far less bothered about fast delivery: where 42% of Americans buying food online want delivery ASAP and only 19% want delivery arranged for a later date, these figures are 38% and 26% respectively Down Under.

Pandemic preferences

- Marked by Covid, avoiding infection is the primary reason Australians give for buying groceries online: 42% cite this – more than any other reason. In all other markets, saving time is a considerably more frequent response than steering clear of Covid.



Consumer preferences and behaviour

As the old adage goes, “Don’t listen to what people say: watch what they do”. If – as we have – you ask Australian consumers whether supermarkets are conveniently located and whether they enjoy going to them, Australians will tell you that their nearest store is within easy reach and they like visiting it.

So on the surface of things, Coles and Woolworths, ALDI and Costco have absolutely no reason to worry about the future of their brick-and-mortar operations.

Looking at how Australians actually shop, however, reveals that many of them clearly find ordering groceries online even more convenient and even more enjoyable than driving down to their local store: over half of them are already ordering at least some food online, and as our analysis of spending habits shows, a not insignificant proportion has already switched to doing a full weekly shop online.

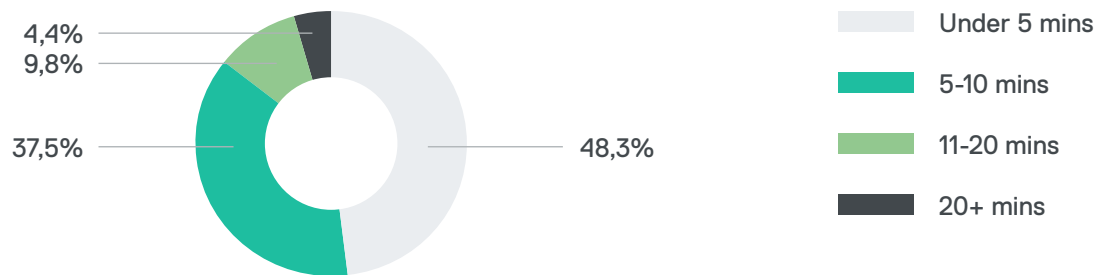
At present, this has yet to have a visible effect on supermarket infrastructure: the big two are still ubiquitous and challengers ALDI and Costco continue to expand their store network. In the medium-to-longer term, however, spending transferred from in-store shopping to online delivery will potentially necessitate new concepts to keep some more cost-intensive locations viable (turning store space into order picking-and-packing space for growing numbers of internet shoppers, for instance).

As this shift gathers pace, Australian consumers may well find that the supermarkets they profess to love are changing – that some, even, are closing – and that they have all the more reason to buy online.

The satisfaction and coverage paradoxes

Given its expansive size and low population density, Australia has excellent supermarket coverage: 48% of respondents live within five minutes of a store – astonishing given that in the densely-populated British Isles, for instance, this figure is only 30%. A further 38% of Australian respondents are within 10 minutes of a store, and 10% can get to one in under 20 minutes. Only 4% of respondents are further away from a store run by a major food retailer.

◆ How far away is the supermarket you shop at most often?



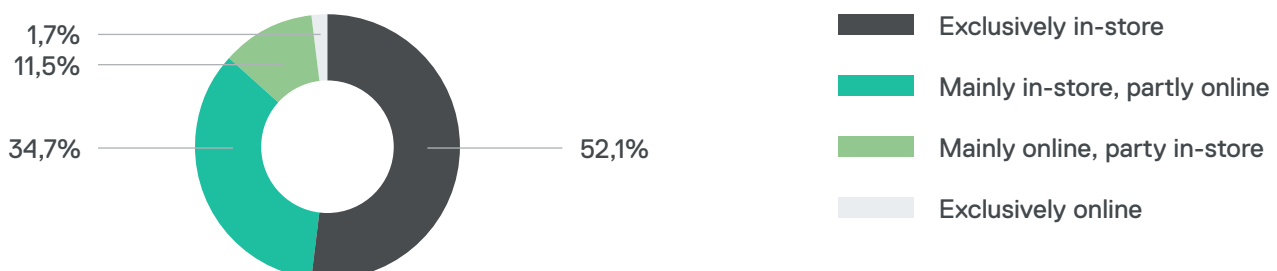
On the surface of things, this high level of convenience and the stores' offerings are enough to keep customers satisfied: **almost nine out of ten respondents rated shopping at supermarkets as a pleasant experience**. These are not exactly figures that, on paper, would seem to indicate a widespread change in shopping habits ahead.

◆ For me, grocery shopping at a supermarket is...



Yet as fond as the average Australian consumer is of the local supermarket, he or she has also become very keen to buy food online and avoid going to it. 48% of respondents reported doing at least some of their shopping online and a further 12% have already shifted to buying the bulk of their food shopping over the internet; 2% no longer buy any groceries in-store at all. The result is a paradox: **88% of respondents say they enjoy supermarket shopping, but 48% of them are already doing at least some food shopping online**.

◆ How do you currently buy your groceries?





Looking at the data in detail reveals another issue that should be of particular concern to Australian supermarket providers whose primary strategy is still rooted in square-footage expansion: proximity offers no protection for in-store retail concepts.

For decades now, Coles and Woolworths especially have invested vast sums of money in building up an impressive store network that covers even quite isolated Australian communities, with the result that people living in towns with populations below 50,000 are just as likely to be within five or ten minutes of a store as those residing in the five biggest cities.

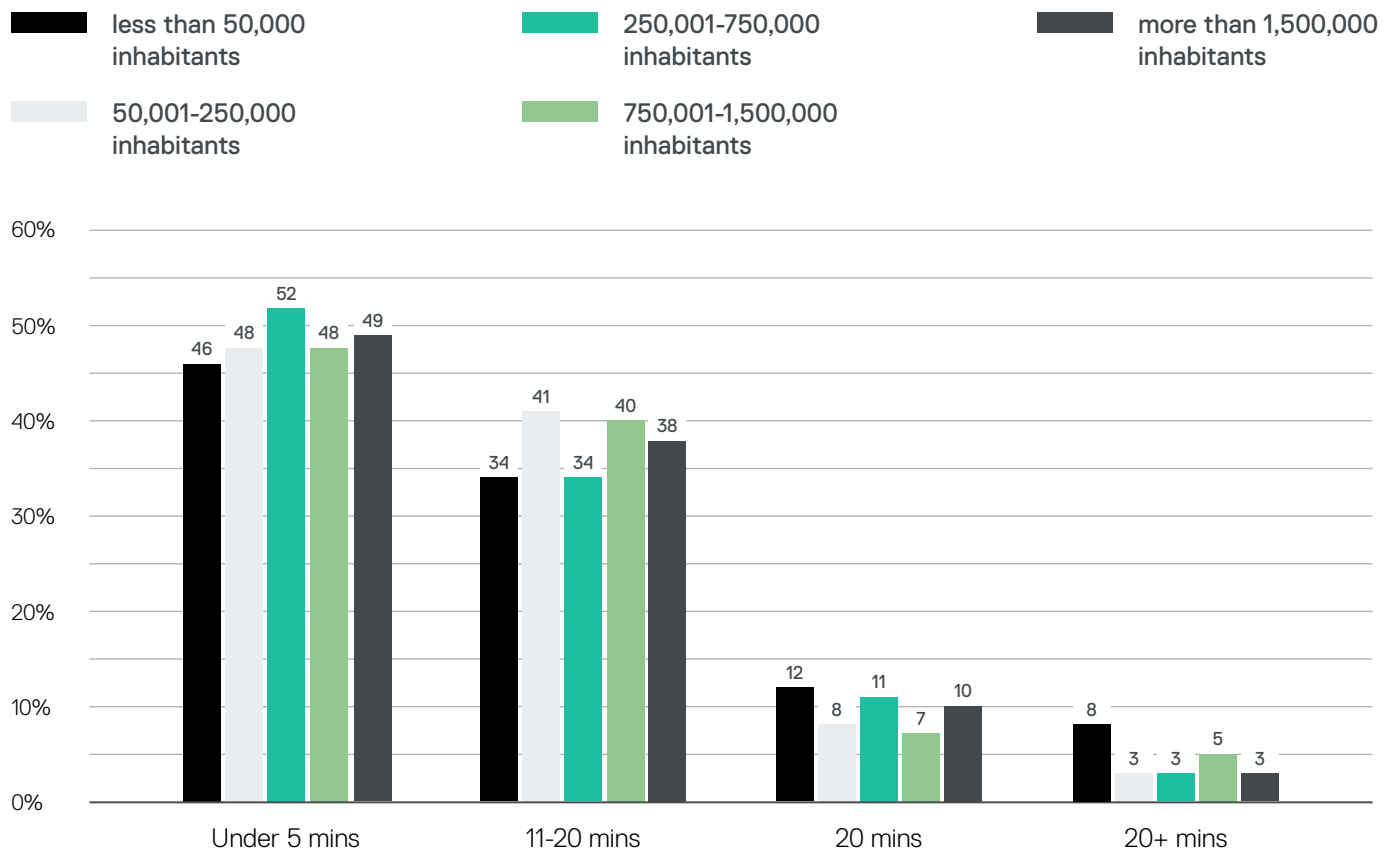
These people in smaller towns are, however, also just as likely to have transferred at least some, or even the bulk, of their shopping online: any differences are minor.

So while, at 58%, the number of people who shop exclusively in-store is indeed highest in small towns, this figure is also 54% in the metro areas; and in medium-sized, well-served towns and cities, it is actually lower (44% in the 250,000-750,000 bracket, for instance).

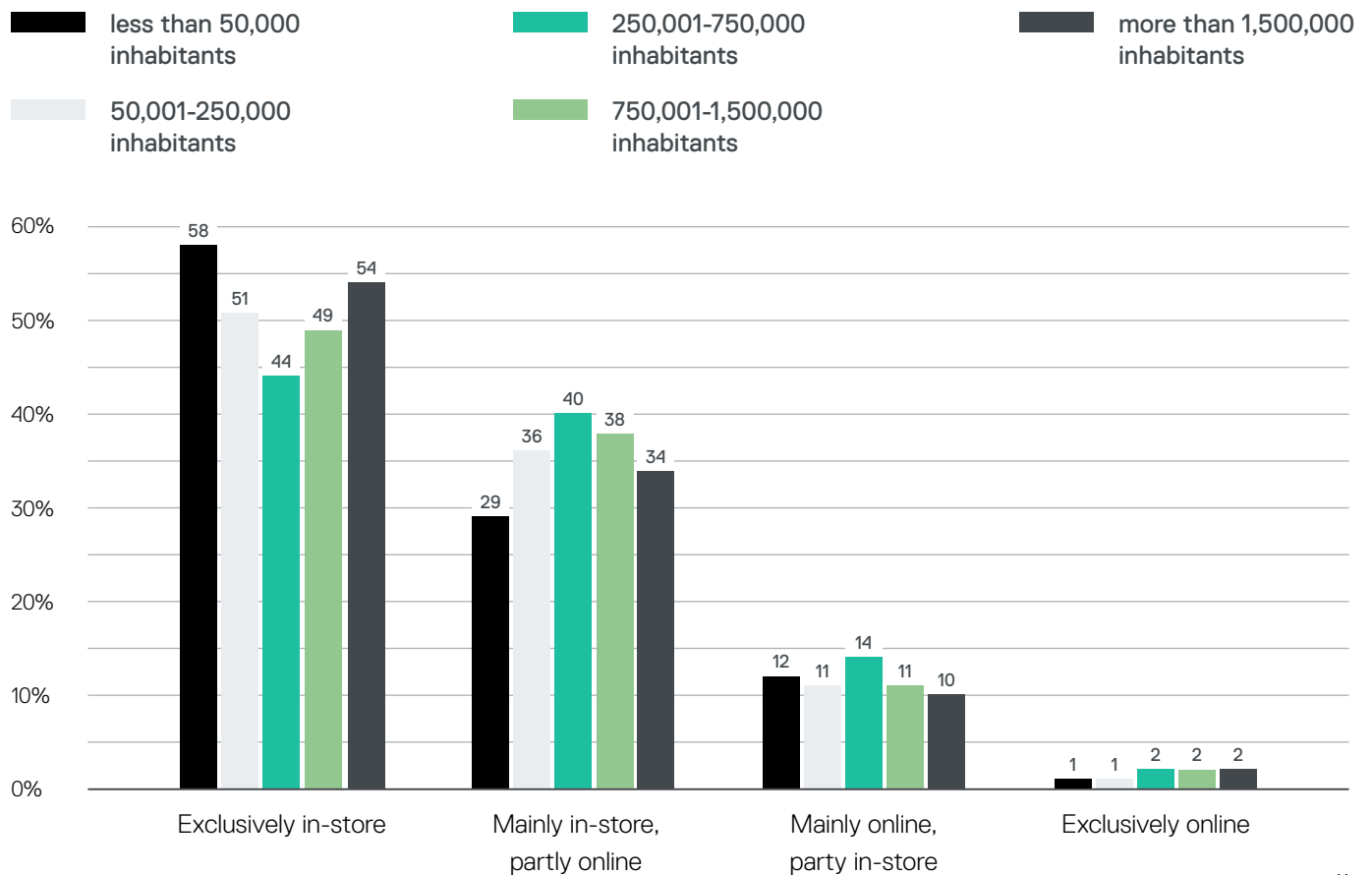
This is a striking find in that, in many other markets, there is a clear urban-rural divide in online shopping behavior, with consumers in rural areas tending to be older, less online savvy, and less able to access online groceries.

In Australia, the quick roll-out of curbside pick-up in the pandemic seems to have turned many local supermarkets into part-time mini-depots and changed consumer habits. The result is now that, even in small towns (where 55-65 year-olds are in the majority), two in five customers are doing at least some shopping online.

◆ How far away is the grocery store you shop at most often?



◆ How do you currently buy your groceries?



Further change ahead

In a worrying development for supermarkets' productivity per meter squared in-store, the younger the grocery shopper, the higher the percentage of their household budget spent ordering shopping online and less in store.

While 70% of 55-65-year-olds' food spending still happens in-store, this figure drops markedly in younger age groups: in the 25-34 age bracket, respondents who shop online were only spending 67% of their food budget in-store, the lowest out of all age groups.

These working-age households, often with young children, hard-pressed for time yet with good levels of disposable income, are a key demographic – and have discovered the convenience of having food shopping ready to pick up or delivered to their doors.

Indeed, 46% of respondents in this age bracket state a lack of time as their primary motivation for ordering online, a figure which drops to 32% for 55-65-year-olds.

Distribution of household's food spending in the last 6 months per channel and age group

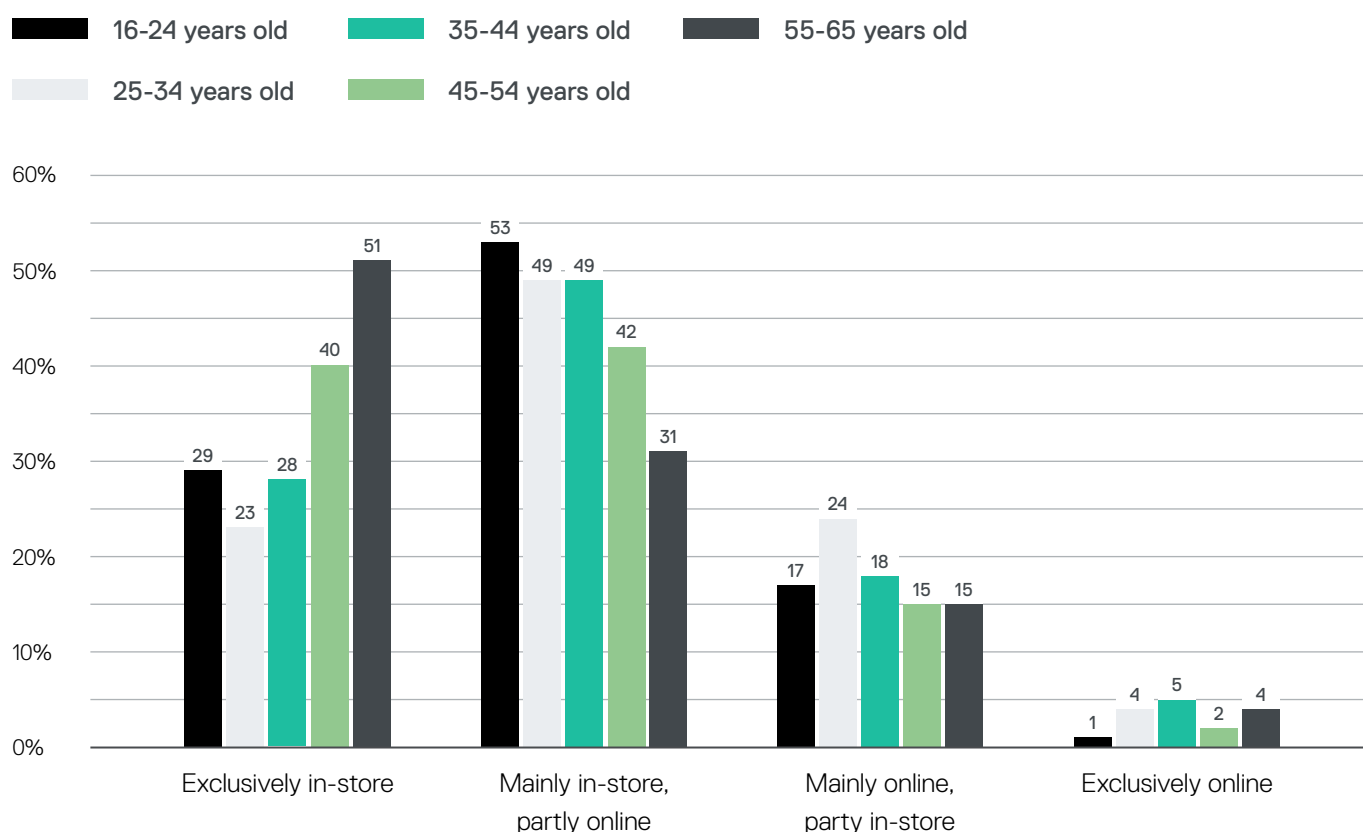
	All	16-24 years old	25-34 years old	35-44 years old	45-54 years old	55-65 years old
In-store	75.2%	77.6%	67.5%	70%	79.8%	83.5%
Online with delivery	13.8%	12.1%	17.2%	15.5%	12.2%	11.1%
Online with Click & Collect	8.58%	7.2%	12.3%	11.3%	6.7%	4.2%
Other Channels	2.42%	3.1%	3%	3.2%	1.5%	1.2%

The size of the generational shift ahead becomes clear when respondents were asked how they see their shopping habits in two years' time: the percentage of those who answered "mainly online, partly in-store" was, at over 24%, highest in the 25-34 bracket, a further 4% of whom are envisioning a shift to online only.

Close behind, 18% of the 35-44 bracket also see themselves shopping mainly online in two years' time, with 5% intending to shift wholly online. Meanwhile, the percentage of those intending to stay wholly in-store was lowest in these two brackets (23% and 28% respectively), rising with age to 51% of the 55-65s.



◆ How do you envision your grocery shopping in two years?



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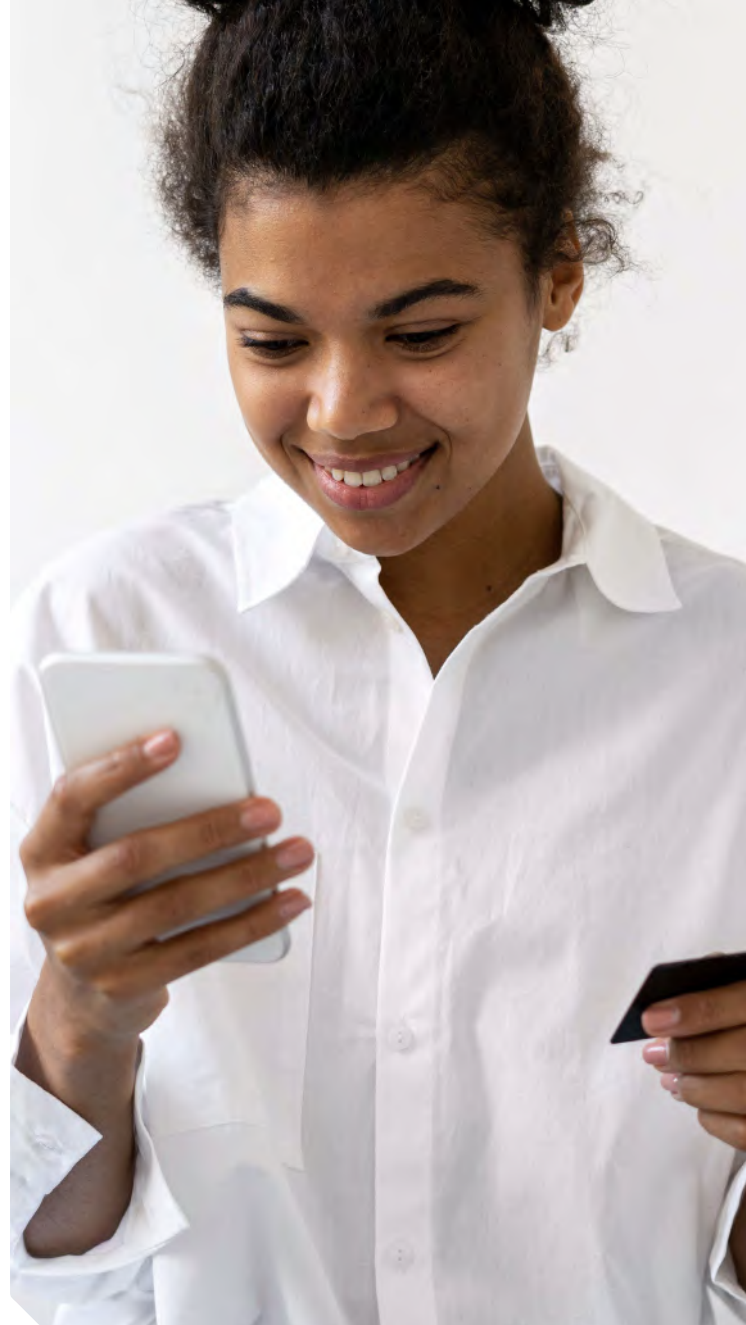
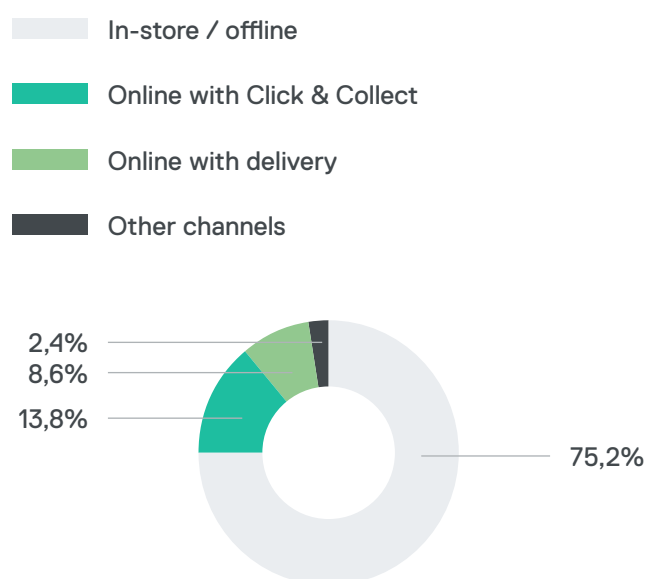
Close behind, 18% of the 35-44 bracket also see themselves shopping mainly online in two years' time, with 5% intending to shift wholly online. Meanwhile, the percentage of those intending to stay wholly in-store was lowest in these two brackets (23% and 28% respectively), rising with age to 51% of the 55-65s.

Yet even disregarding age and family set-up, the stark truth of the matter is that, **on average across all age brackets, only one in three consumers sees themselves still buying all their food offline in 2024, while one in five will be doing most or all of their grocery shopping online** by that date. As such, our data shows that Australian consumers have already changed their shopping behavior markedly in recent years and that, importantly, the shift is by no means complete: within the next 24 months, it is likely like a significant amount of spending still taking place in-store will move online.

Online spending now equal to offline

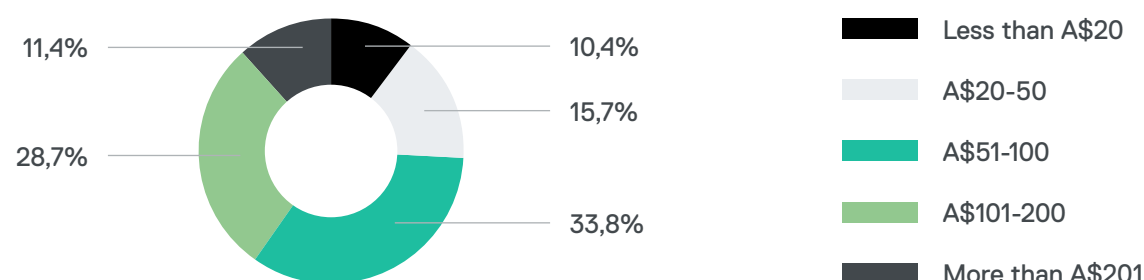
As ever more consumers shift their focus to online food shopping, it is revealing to examine what they are spending there and how. Already, 23% of household food budgets are being spent on the internet, with a preference for home delivery (14%) over in-store collection (9%).

How has your household's food spending been distributed among the following channels in the last 6 months?



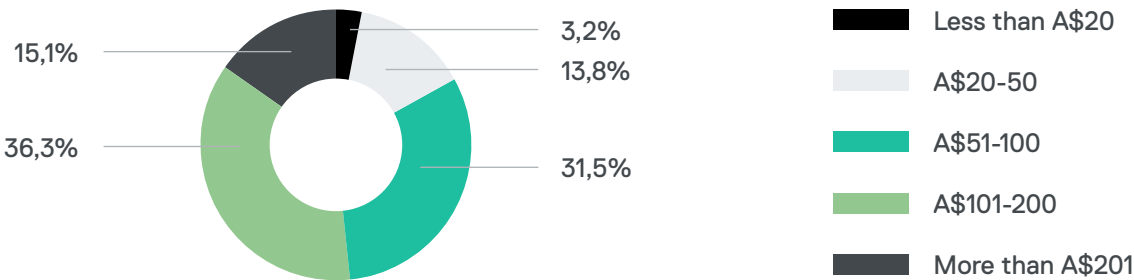
This online spending can be broken down by asking the 48% of survey participants who shop for food online what they spend in this channel. Here, it becomes clear that, once consumers have started, they have no qualms about doing a good part or even the bulk of their shopping over the internet: 90% of online users reported spending more than A\$20 weekly; **74% were spending more than A\$50 and 30% over A\$100**; 13% of users even reported buying more than A\$200 of food online. So overall, 63% of respondents were spending typical weekly-shop sums of between A\$50 and A\$200 online.

How much do you spend on average per week on groceries you order online?



What is clear from these responses is that online food shopping is more than just a matter of buying occasional extras or the odd expensive treat, but rather, for the vast majority of those who order online, part of the weekly shop. This fact becomes especially salient in comparison to responses from all survey participants regarding their offline shopping habits. Here, **68% of participants reported spending between A\$50 and A\$200 weekly in supermarkets**, at low-cost stores, or at farmers' markets and other offline outlets – i.e. only 5% more than reported similar spends online.

◆ How much do you spend on average per week on groceries you buy offline?



Put simply, there is no discernible difference in the spending distributions between offline and online shopping. This parity indicates that many of those who already shop online (and thus responded to both questions) are using internet ordering and stores in comparable, similar, perhaps interchangeable ways.

The early days of online food retail, when it was heavy on wine subscriptions, luxury hampers, and specialty goods, but light on staples and fresh products, are well and truly past.

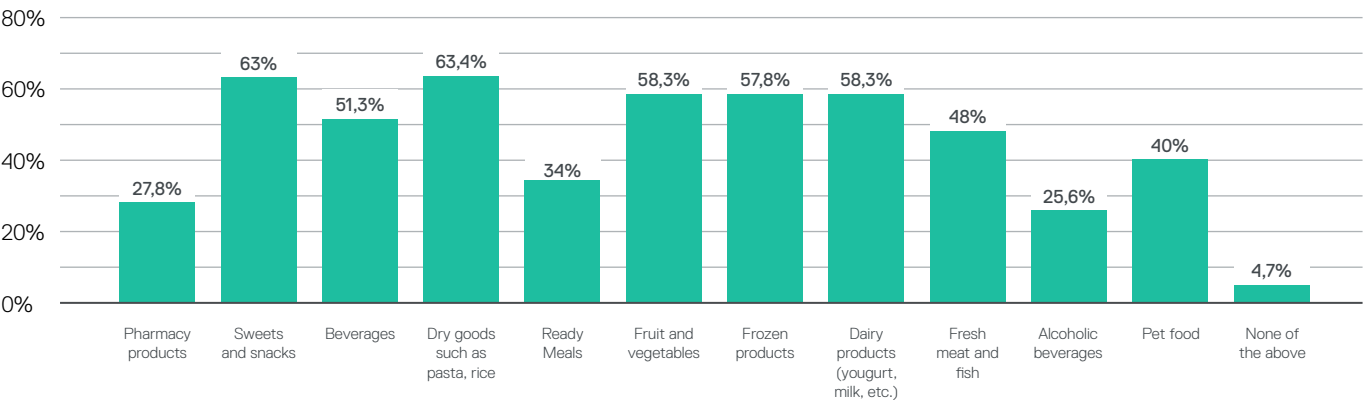
This is borne out in online shoppers' responses to questions about which foodstuffs they are buying. Whereas other, less developed online food retail markets such as Germany show consumer reticence vis-à-vis ordering fresh meat, vegetables, and dairy online and a strong preference for beverages and dried goods, like more mature markets such as the UK,

Australian online shoppers are buying a full range of standard supermarket items: in most categories, around 60% of respondents reported making online purchases; even in fresh meat and fish, the category which tends to provoke the most skepticism in online food retail, this figure was 48%.

Only three categories – pharmacy products, ready meals, and alcoholic beverages – posted take-up appreciably under 40%; and as the recent advances in drinks delivery concepts show, there is considerable potential in these categories, too, for providers with the right solution.

Low take-up is more likely to represent a lack of offer thus far rather than pronounced consumer hesitancy.

◆ Which of the following product categories do you buy online?





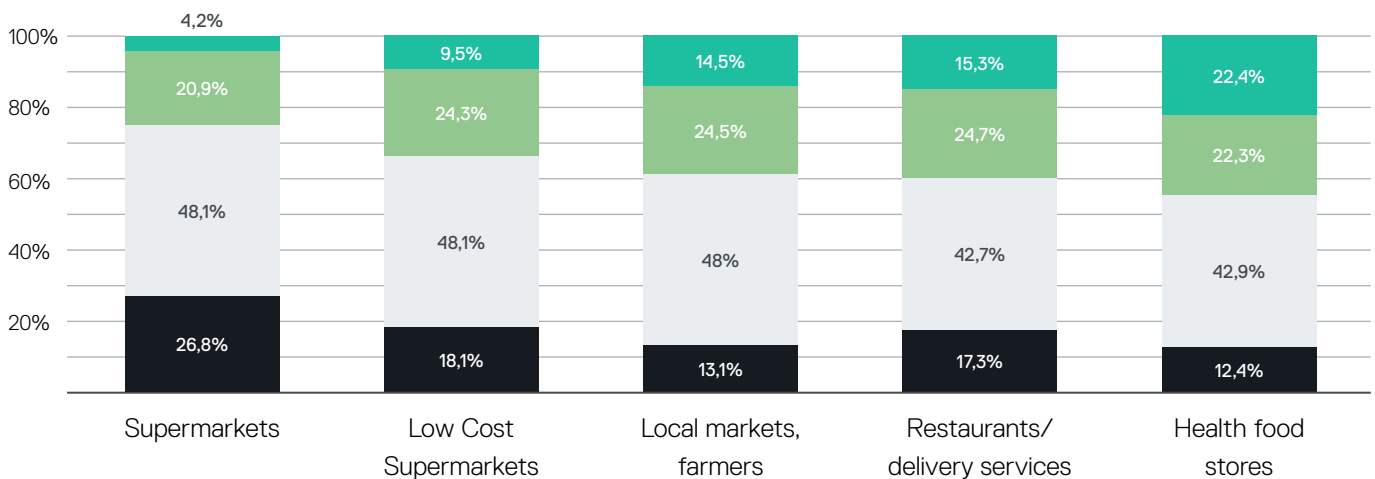
Unexpected effects offline

Taken together, these responses show online ordering behavior which is approaching offline shopping patterns. Approaching, but not yet wholly identical to. While, for some online shoppers, the weekly supermarket may already be a thing of the past, for others, online remains – at this point – secondary to offline shopping. This becomes clear in the fact that, somewhat counter-intuitively, **supermarkets actually suffer the least from consumers shifting their spending online.**

This is surprising given that, as we have just seen, 48% of Australian consumers are already doing at least some food shopping online and that, of this 48%, the majority are making comparable purchases and spending comparable sums to in-store.

◆ If you buy more groceries online than usual in a given month, how does that impact your purchases at other channels and providers?

■ I spend much less ■ I spend the same amount
■ I spend a little less ■ I spend more



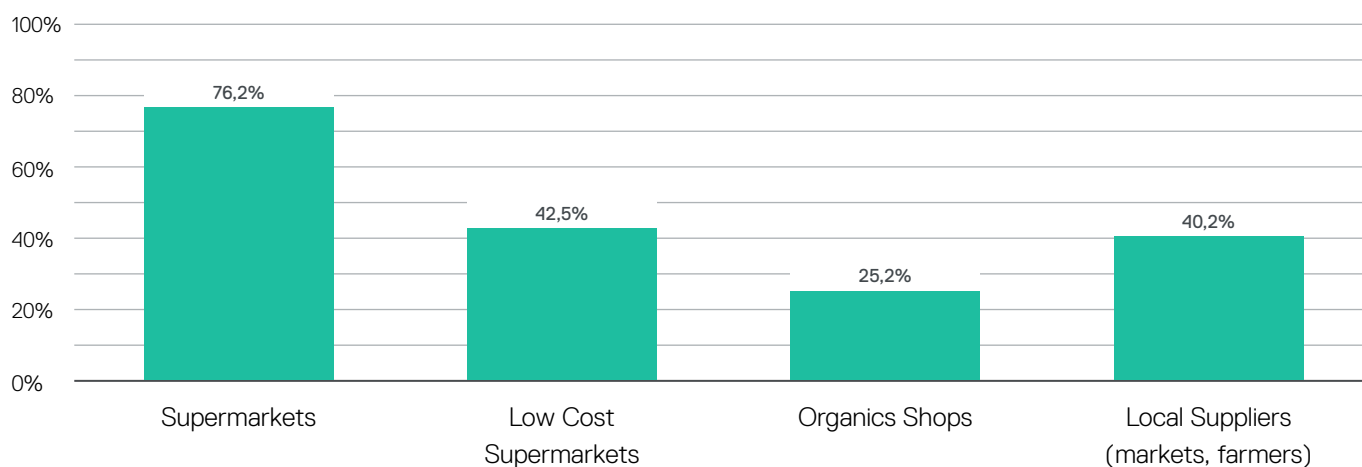
Yet when asked **which type of food retailer lost out** when they spent more than usual online, **22% of respondents reported heavy cuts to their spending in health food stores**, and **another 15% at their local farm shops and open-air markets**; **only 4% reported noticeably cutting their spending in supermarkets** and **only 10% bought markedly less at low-cost providers such as ALDI**. There are two plausible, linked explanations for what, at first sight, appears to be contradictory data.



Firstly, while 14% of respondents have already shifted to buying the bulk or all of their food shopping online, 35% of respondents reported doing at least some of their shopping in this channel, leaving the majority of their spend offline.

Secondly, there may be a reason for this: **consumers are particularly keen for their supermarkets and low-cost providers to be available online**, with **76% and 43% respectively stating that they want to see these vendors operate in this channel**.

◆ For which category of vendors do you think an online grocery ordering offer is a good idea?

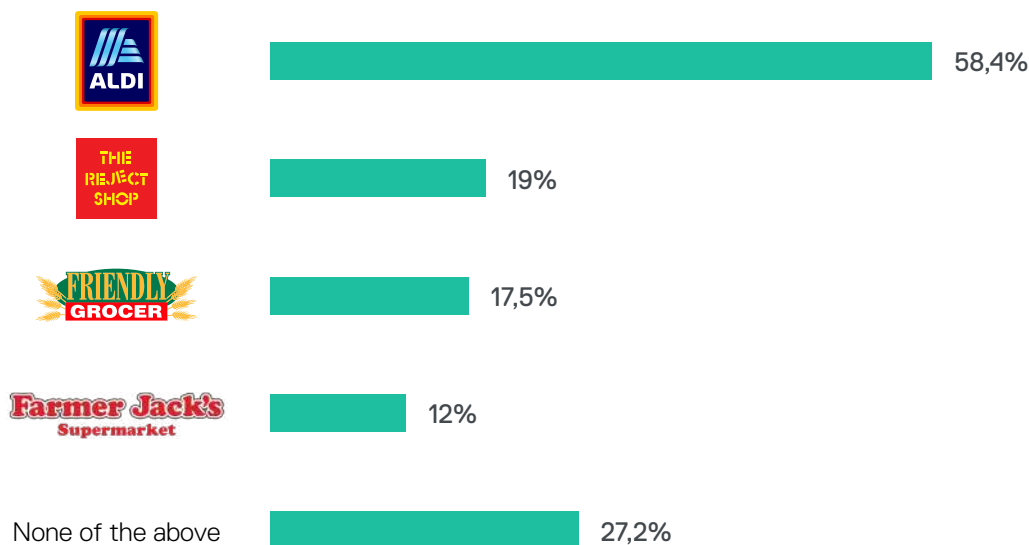


Low-cost providers like ALDI, however, do not yet offer online ordering or home delivery. These results thus indicate potential pent-up demand among the 35% of consumers who buy some food online. Presumably, many of them are still spending high sums offline because what they are looking for online is not yet there.

This holds true, albeit not to the same extent, for specialty retailers: **only 25% of respondents think that organic shops should be online.** Yet a great many consumers would like to see their local suppliers offering online options: **a full 40% want to order from local markets and farmers there.** And when asked which specific provider they would like to see online, a full 12% of respondents mentioned Perth-based Farmer Jack's, making this Western-Australia-based provider of regional, local, and organic food the fifth-most frequent answer given – a strong showing, and all the stronger given that only 11% of Australians live in the state.



◆ Which company would you like to see offer online food ordering?



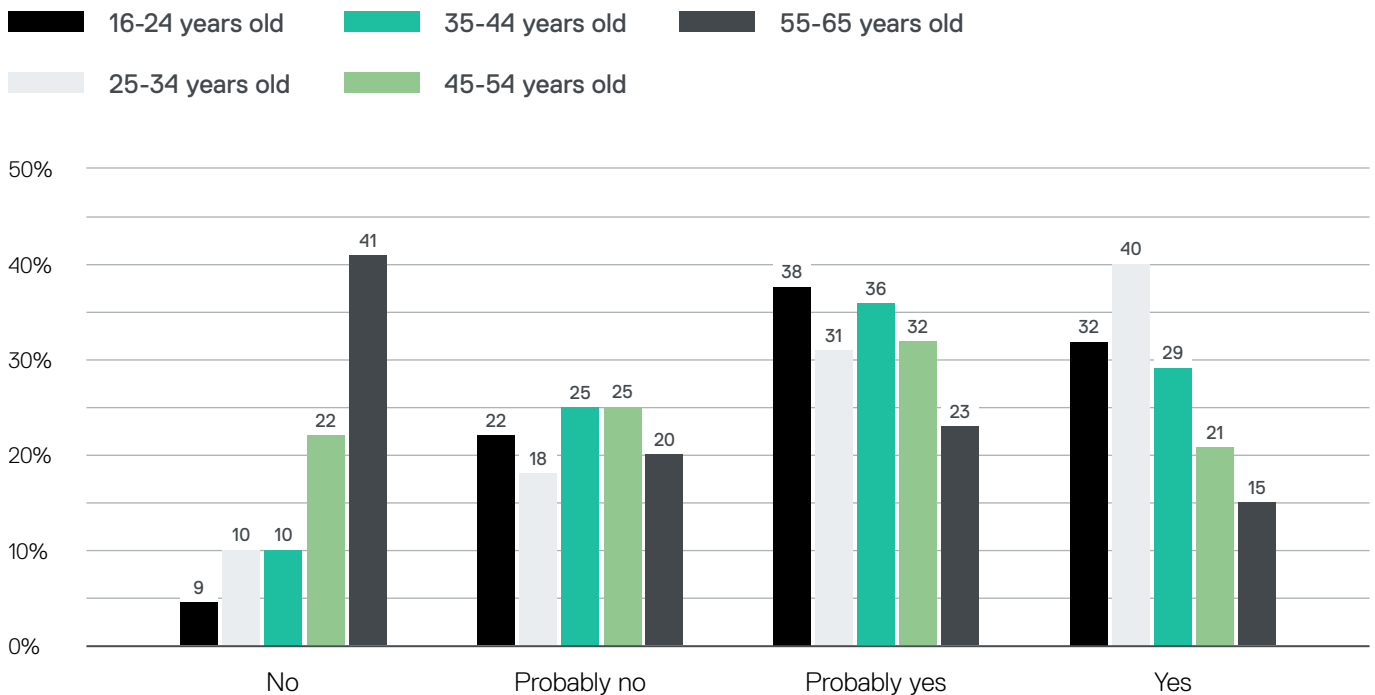
The fact that they can't find their cherished artisan produce or favorite market gardener online does not, however, mean that consumers are not already ordering organic and specialty produce over the internet: in fact, **it is local markets and health food stores which take the biggest spending hit when consumers buy online.**

This indicates that online healthy-diet specialists such as Lite N Easy (recognized by three in five participants) and Youfoodz (two in five) may be, among online consumers in this segment, edging out local providers. It is also worth noting that both incumbents Coles and Woolworths have organic, health, and specialty lines, and that the IGA network of local providers is now offering an online ordering option, too.

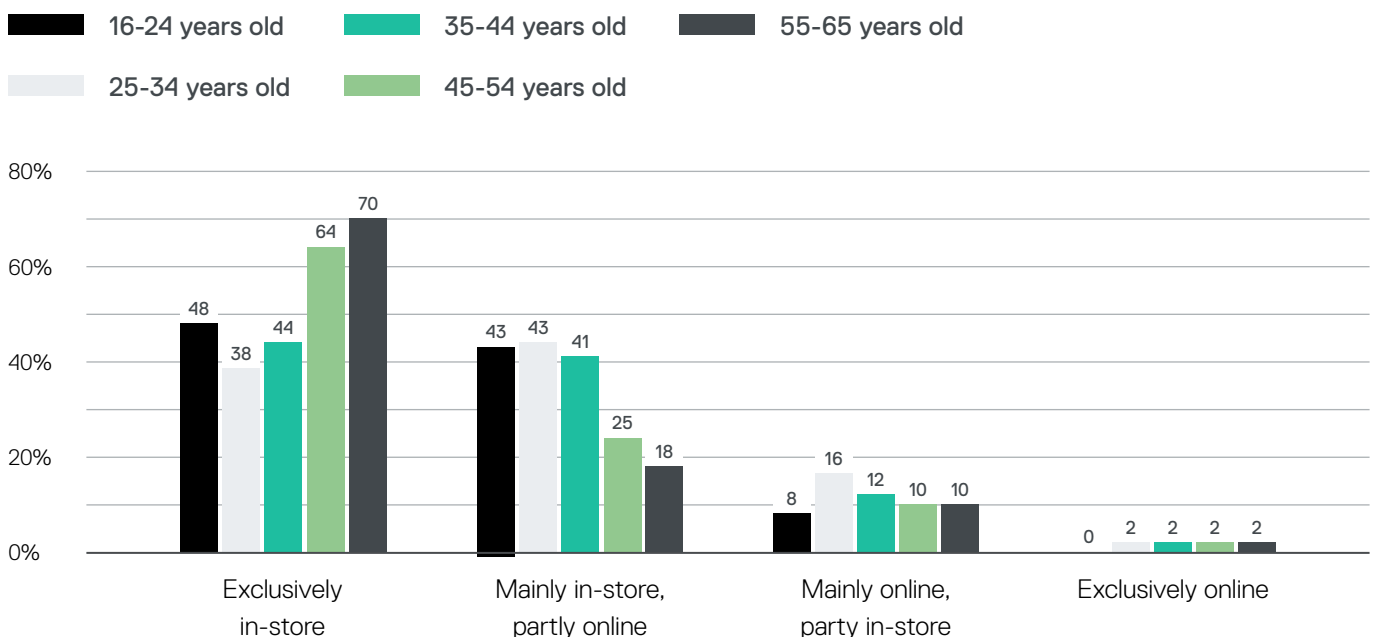
High-spending older consumers

Although they represent the smallest group of online shoppers at present (70% still buy wholly in store) and, in terms of their reported intent, are the least likely to start buying groceries online in the foreseeable future (41% rule it out entirely), it's worth taking a brief look at older consumers. After all, if 41% of 55-65-year-olds dismiss the prospect out of hand, that means that 59% don't – and **38% of older respondents who do not already report being in principle willing to buy groceries online.**

◆ Proportion of offline-only shoppers per age group considering online purchases in the future



◆ How do you currently buy your groceries?



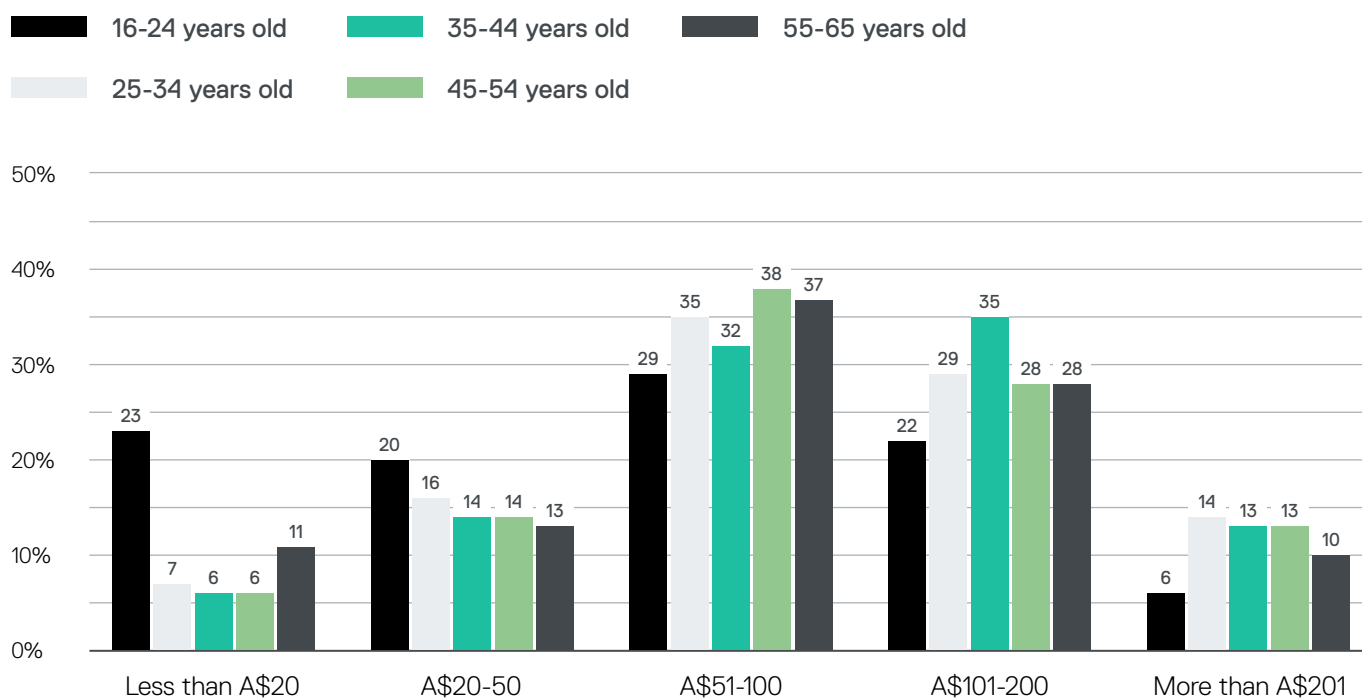
The caveat “who do not do so already” is important, because if two-thirds of older consumers are still buying everything offline, this of course means that the other third is already doing some, most, or even all of their food shopping online: 18% buy some and 10% order most of their groceries on the internet.

Moreover, at 2%, **55-65-year-old respondents were just as likely as other age groups to say that they had moved all of their shopping online.**

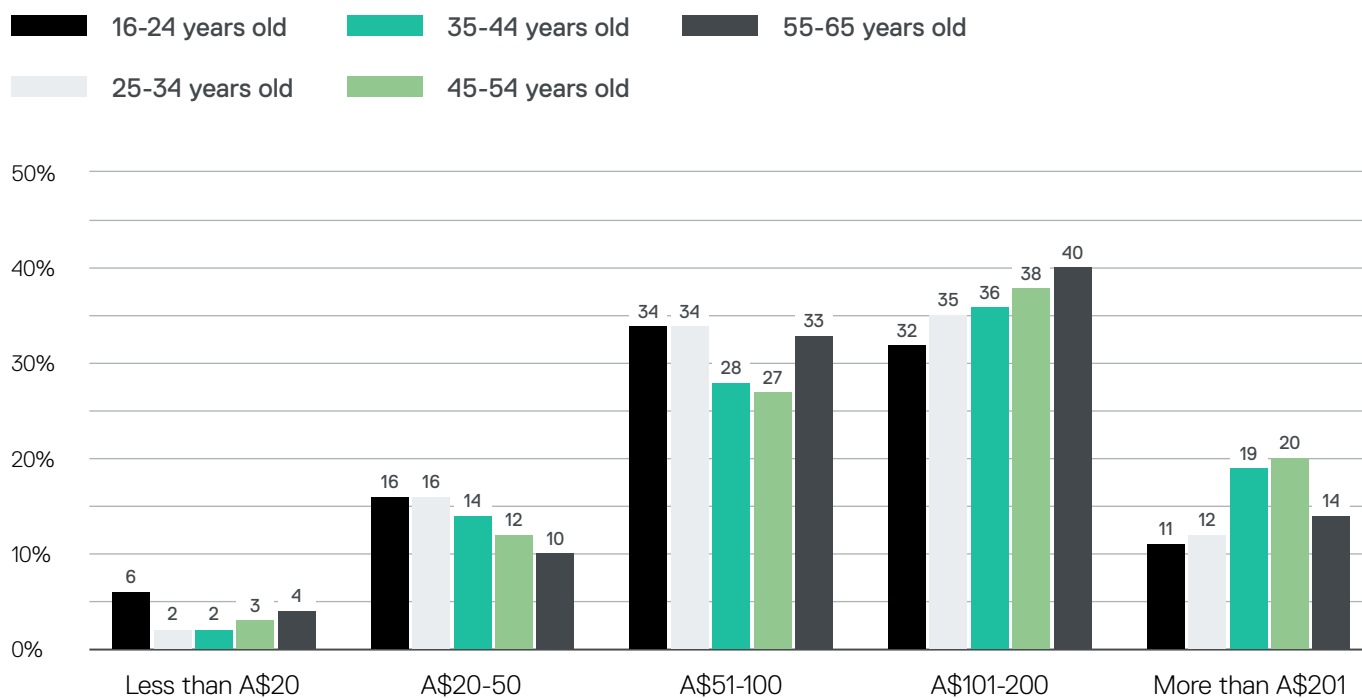
This tallies with insights from other questions: 55-65-year-olds who do shop online have almost identical spends to younger age groups: 78% of 25-34-year-olds spend over A\$50 a week, as do 80% of 35-44s, 79% of 45-54s, and 75% of 55-65s.



Average spending per week on groceries ordered online



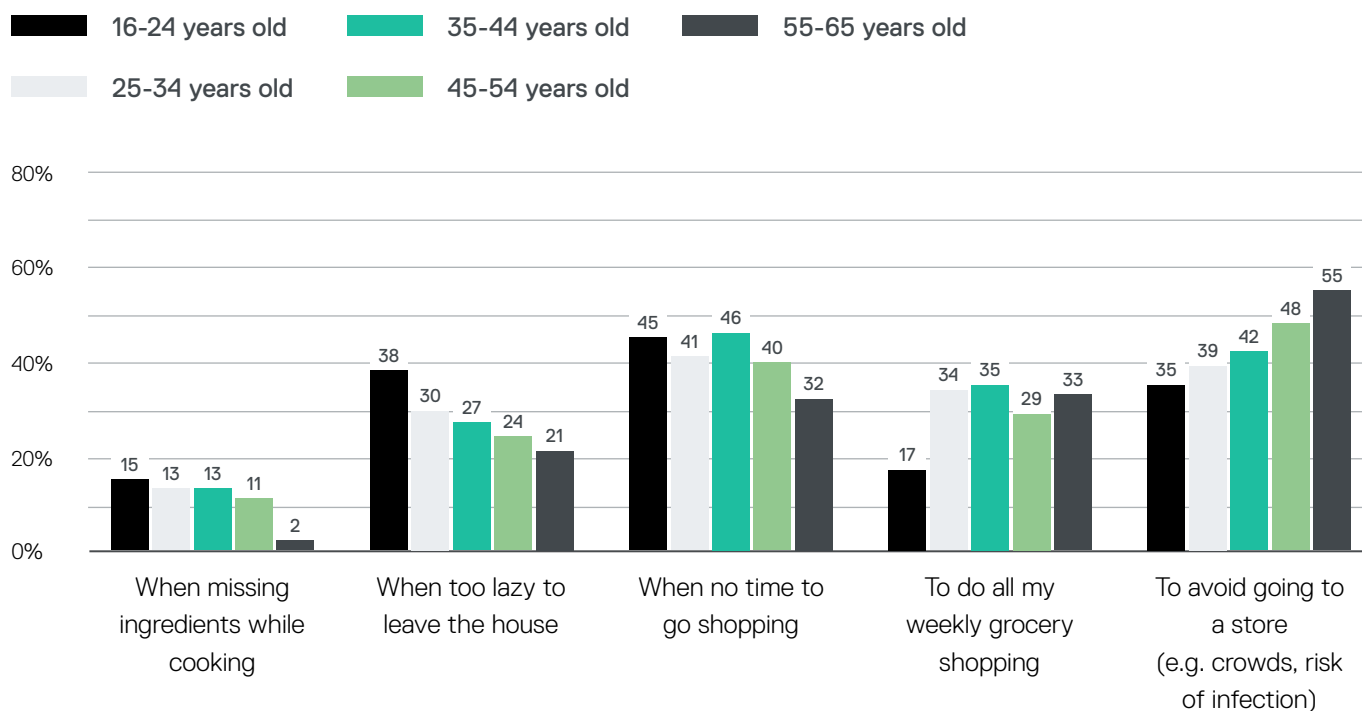
Average spending per week on groceries ordered offline





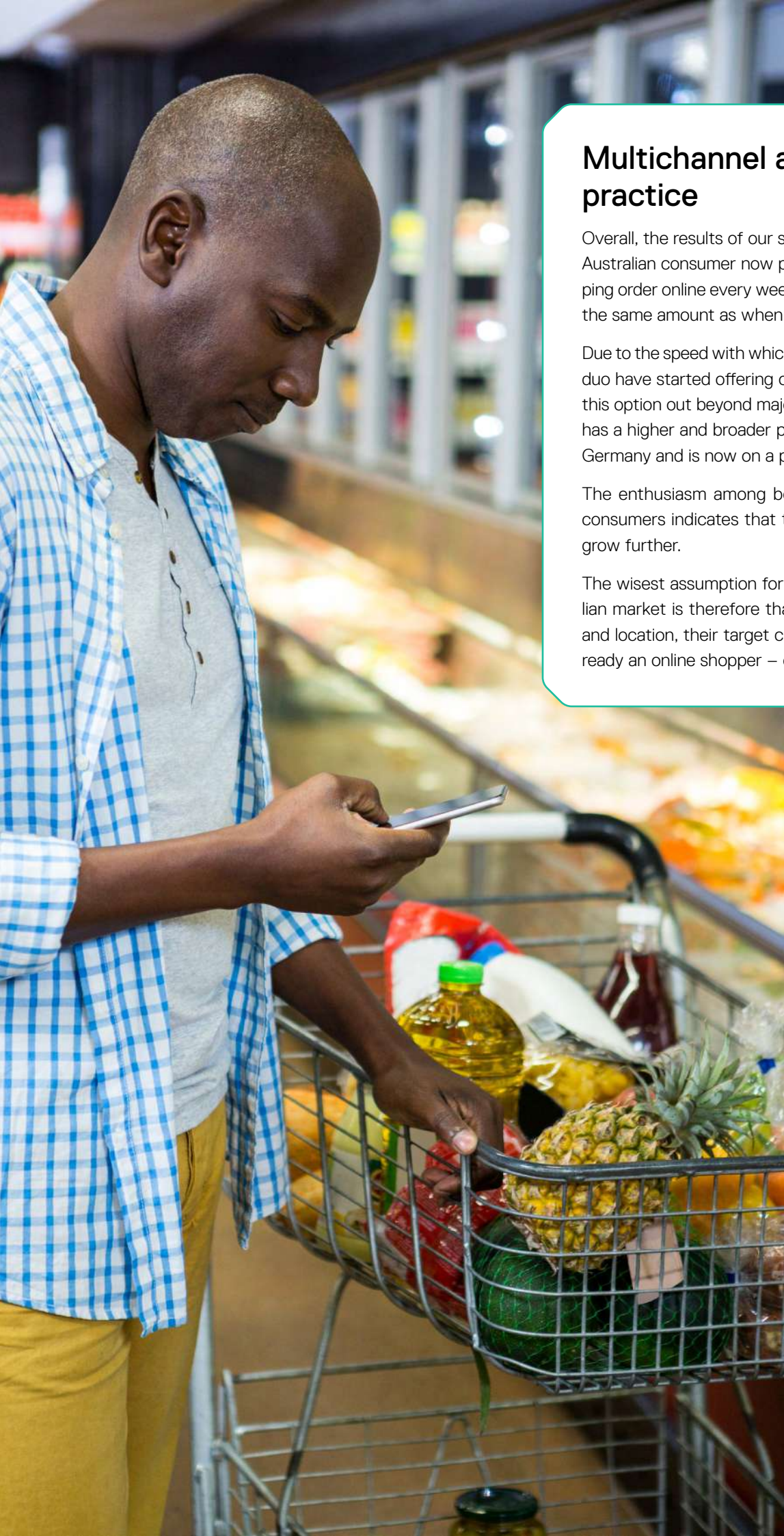
So when older consumers do start to buy online, the survey results indicate that their spending easily matches that of younger age cohorts: i.e. that they, too, can switch to doing a large part of their grocery shopping online. Tellingly, **respondents in the 55-65 age bracket were the most likely of all age groups to cite the desire to avoid crowded supermarkets and thus minimize the risk of contracting Coronavirus as a motivation for shopping online:** over one in two respondents over 55 gave this as a reason. Their second most commonly cited motivation was to do their full weekly shop.

◆ When do you order groceries online?



These answers indicate that, as part of a risk group in the pandemic, a non-negligible number of older customers have discovered no-contact shopping solutions and are now buying the bulk of their food on the internet.

While similar tendencies were visible in answers given by older consumers across all countries, **the perceived risk is much higher among all shoppers in Australia, and especially the older groups.** This is likely to keep them online and potentially further increase the share of shopping they buy in this channel.



Multichannel as standard practice

Overall, the results of our survey are clear: every second Australian consumer now places at least one food shopping order online every week and is likely to spend around the same amount as when they visit a supermarket.

Due to the speed with which the established supermarket duo have started offering online ordering and then rolled this option out beyond major cities, online food shopping has a higher and broader penetration in Australia than in Germany and is now on a par with the US market.

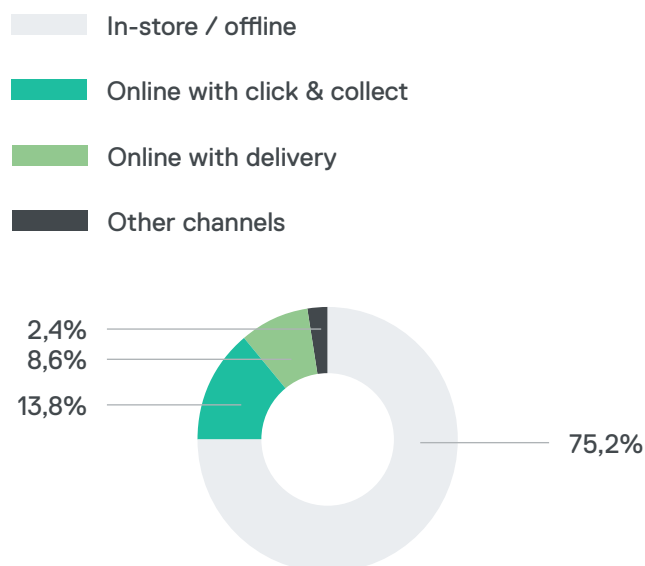
The enthusiasm among both young families and older consumers indicates that this penetration is only set to grow further.

The wisest assumption for all participants in the Australian market is therefore that, regardless of age, income, and location, their target customer is to some extent already an online shopper – or likely to become one soon.

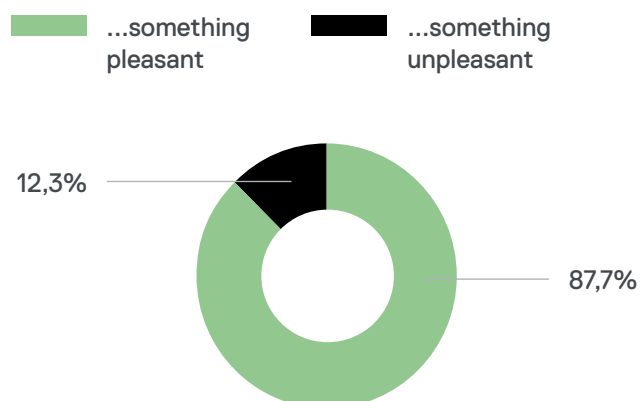
In-store supermarket shopping in Australia

Regardless of the strong shift towards online, it should be stressed that in-store supermarket shopping remains the most popular form of food retail in Australia in 2022: 52% of consumers still buy all of their food in offline channels, and 35% still shop primarily in-store. Moreover, when it comes to reported outgoings, 75% of respondents' grocery budgets are still being spent offline and levels of satisfaction with supermarket shopping are high: 88% see supermarket shopping as something pleasant.

How has your household's food spending been distributed among the following channels in the last 6 months?



For me, grocery shopping at a supermarket is...



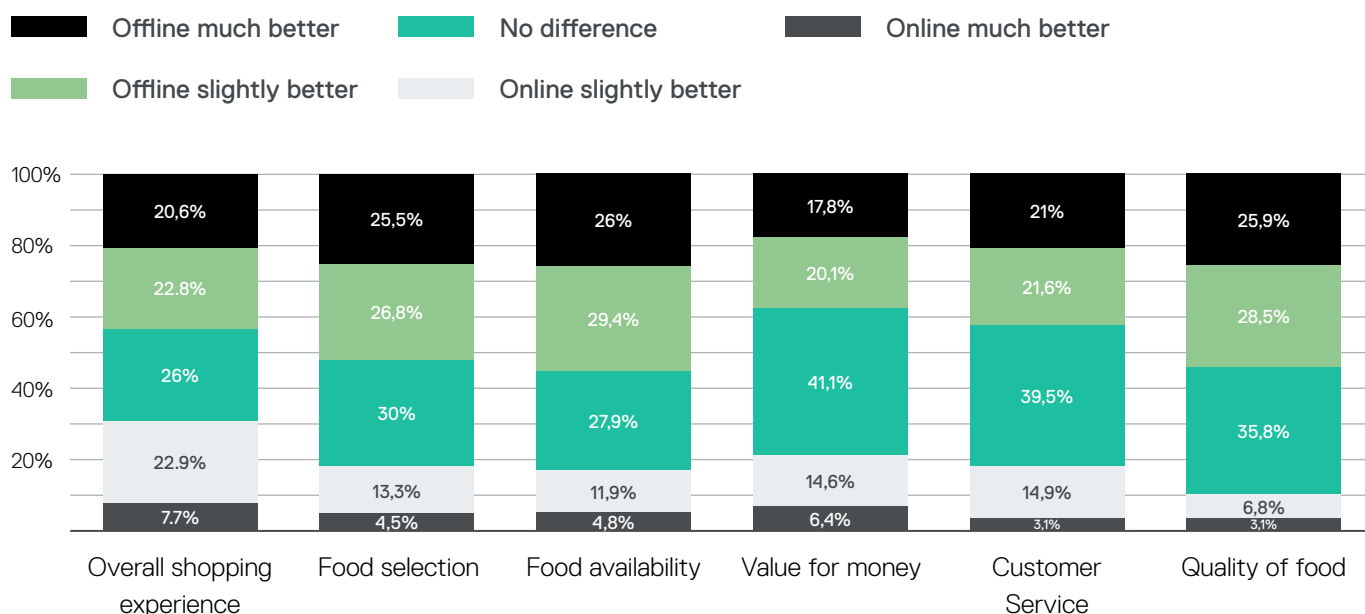
This is a truly astonishing level of customer satisfaction, especially when compared with the US, where only 55% of respondents thought shopping for groceries was a pleasant experience; in Germany, too, customer satisfaction was considerably lower (70%). So Australian supermarkets must be doing something right – or, at the very least, doing enough to keep a large proportion of the 57% of those who still shop wholly offline, but can imagine ordering at least some of their groceries on the internet in future, from switching.



Supermarkets are now trading on product, not price

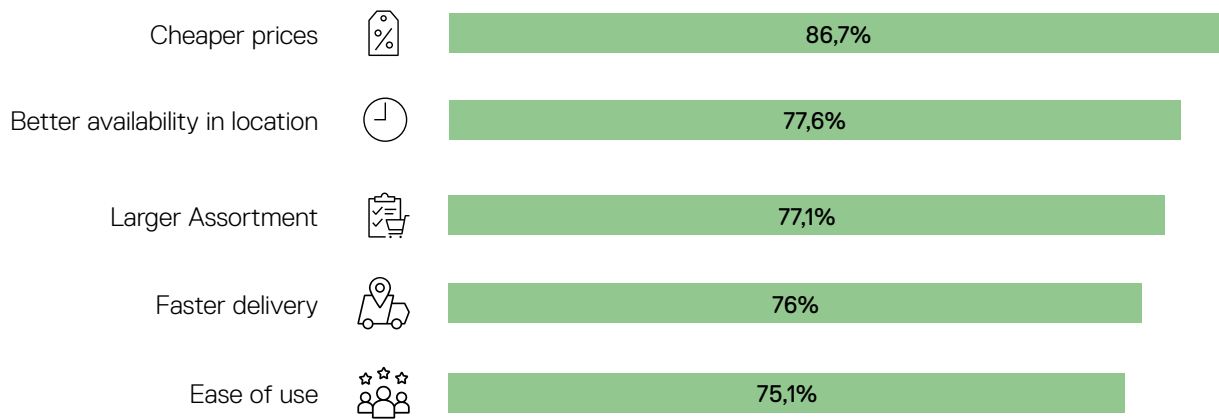
Our survey reveals that in-store supermarkets' key strengths are now product-based. **Over half of consumers rate food selection, food availability, and food quality as better offline**, with a quarter stating that in-store providers are “much better” in these three criteria. So for all the talk of “Down Down” at Coles and the success of discount operators ALDI and Costco, respondents were actually least likely to rate value for money as a strong suit for in-store food providers.

◆ When you compare online and offline grocery shopping, where do you think the following criteria are better solved overall?



What is more, at only 44% and 44% respectively, **respondents were far less likely to rate customer service** – ‘the human touch’ that so many supermarket operators try to cultivate – **and indeed the overall shopping experience as better in-store than online**. This all provides indications for where there is a chink in supermarkets’ armor despite sky-high overall levels of customer satisfaction – and tallies with participants’ responses when asked what would make them order more online.

◆ How likely are the following to motivate you to order groceries online (more often)?



Predictably in high-price Australia, lower prices would be the primary motivation to switch: **a full 87% of respondents would be more likely to order more online if prices were lower.**

While lower prices are a standard consumer wish in all markets, it is striking that, Down Under, almost nine in ten consumers cite prices as an issue: this is far higher than in Germany, for instance, and on a par with the UK – which, contrary to Australia, has seen a decade of stagnant growth and falling living standards.

Antipodean consumers' perceived need for lower prices online is also backed up by the fact that almost **60% specifically want to see ALDI selling online.**

Beyond price, consumers can potentially be lured away from supermarkets by wide range of service factors such as easier user interfaces (75% likely or very likely), larger product ranges (77%), better availability nearby (78%) and faster delivery (76%).

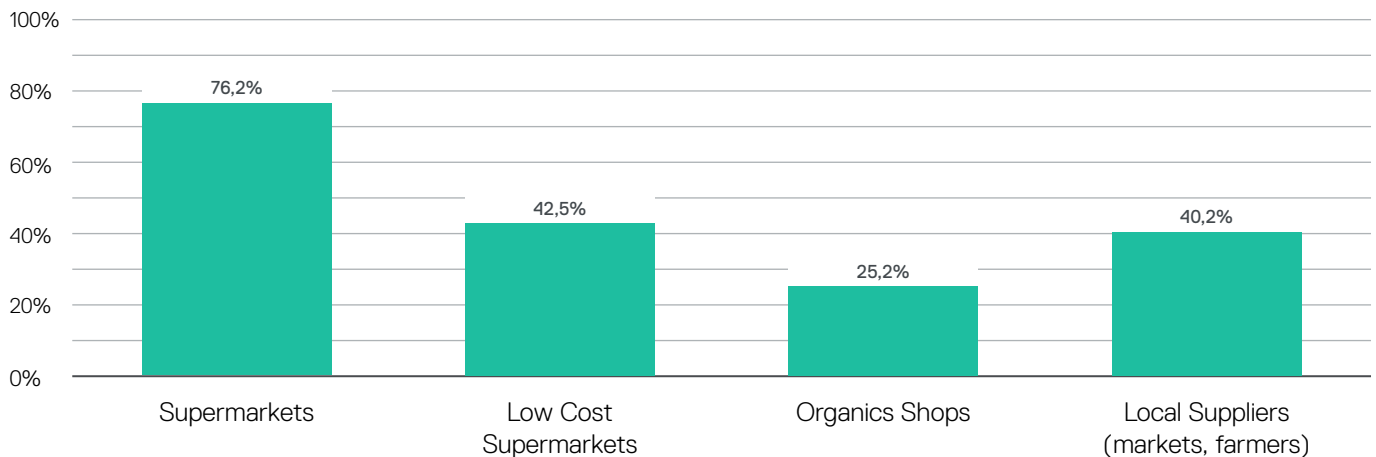
Conversely, this indicates that, to date, consumers see supermarket shopping as sufficiently easy, find a good product range there, and do not find it overly slow. Given Coles and Woolworths' good network and the widespread use of self-checkouts and card payments, it is not surprising that this is the case. In Germany or especially the US, for instance, shoppers often face uninspiring product ranges, long queues, and other complications (e.g. with electronic payments) in-store which Australian chains have eliminated.



Strong supermarket brands can, do, and must work online

It is probably due to Australian supermarkets' eventual willingness to adopt new technologies that many of them are already running online operations at scale. What is more, in something of an upward spiral for online food shopping, the more supermarkets offer internet ordering, **the more consumers expect it. 76% of respondents say that they want to see these vendors operate in this channel**, an expectation which has, of course, rubbed off on low-cost competitors, whom 43% of respondents want to offer online shopping.

◆ For which category of vendors do you think an online grocery ordering offer is a good idea?



Since the onset of the pandemic, Coles and Woolworths have prioritized the roll-out of online ordering, and have been rewarded with high rates of brand recognition. **When asked which online grocery delivery services they can name unprompted, three out of the ten most frequently named providers were Coles and Woolworths** (yes, three: while 55% named “Woolworths”, another 7% wrote “Woolies”). Coles tops the table with 60% unprompted brand recognition.

◆ Online delivery services that are top of mind of Australian consumers.

woolworths
amazon
uper
coles
eats
harris
menulog
collect
click
doorDash
iga

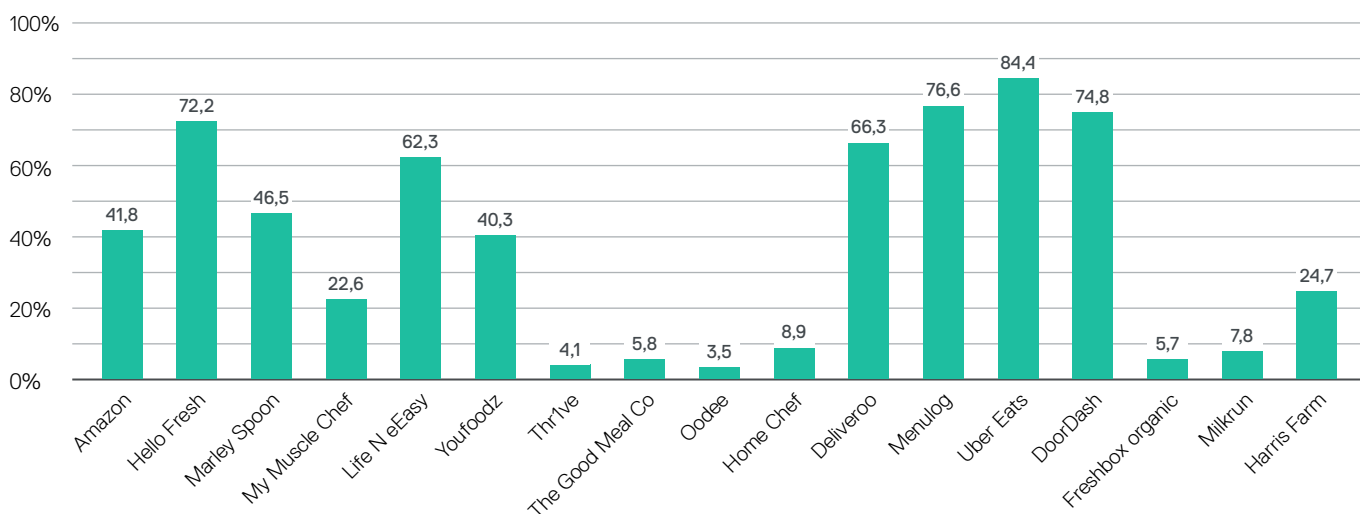


This is radically different to other markets where supermarkets have thus far taken a more cautious approach to online operations: in Germany, only two of the top ten best-known online food retailers are established bricks-and-mortar retailers (Rewe, Edeka), and in the US, only Walmart has similar cut-through.

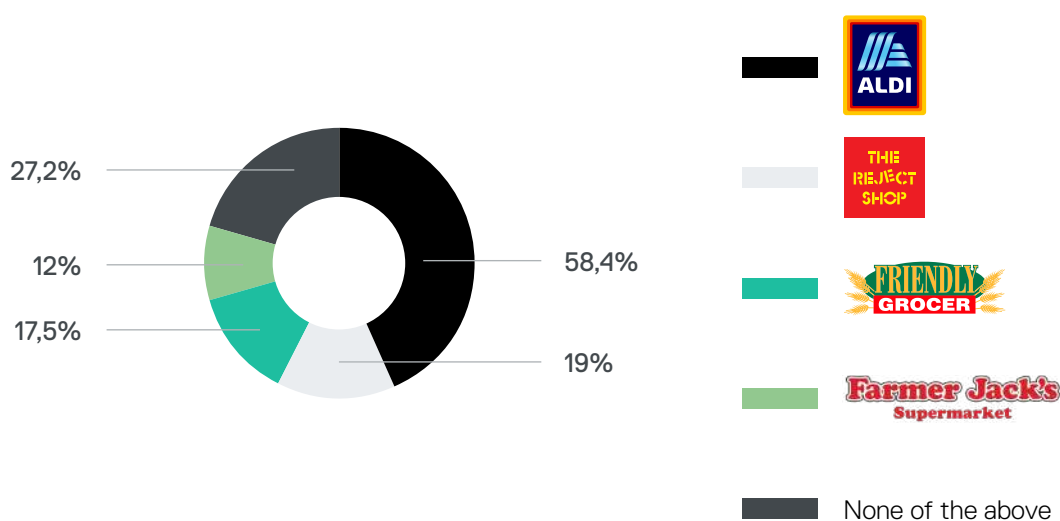
What this shows is that the two leading Australian supermarkets are reaping the benefits of their acceptance of consumers' desire to order online – and setting both their fellow in-store competitors and any online challengers a high bar.


Overall, our survey shows that established supermarket brands have thus far been insulated from the worst effects of increased online spending – either because they have, to put it bluntly, become their own competition and begun cannibalizing their own in-store sales (Coles, Woolworths); or because they, like low-cost operators (ALDI, Costco) and community stalwarts (Friendly Grocer, Farmer Jacks), have thus far been able to count on a selling proposition unique enough to keep drawing in a loyal customer base and thus keep their online operations limited.

Which of these online food delivery services do you know, even if only by name?



Which company would you like to see offer online food ordering?





This is the most credible explanation for why supermarkets and low-cost operators suffer the lowest reported drops in spending when customers buy online.

Simply put, customers are either transferring spending from Coles and Woolworths in-store to Coles and Woolworths online, or cannot yet find what their preferred providers offer elsewhere on the internet (ALDI, Farmer Jacks). In the latter case, food retailers in the Australian market who are not yet prioritizing online are taking a gamble that this remains so.



Online grocery concepts in Australia

In terms of home-grown pure-plays, the Australian online food retail market is somewhat underdeveloped.

While, over twenty years ago now, the US saw the spectacular rise (and equally spectacular fall) of groceries delivery service Webvan and, in the UK, a Dot-com era start-up, Ocado, went on to become a global category leader with both an extensive UK food retail arm and a worldwide technology licensing business, in otherwise tech-happy Australia, no first-mover emerged and gained sufficient traction.

What is more, for two decades, existing supermarkets failed to use their existing dominance to corner the e-commerce end of the market. This stands in marked contrast to the UK, where, from Day One in online food retail, the Big Four supermarkets took an active interest (and, in some cases, a share) in new concepts. And even in otherwise staid Germany, nationwide food retailer Rewe went in early, went in big, and is now the country's most recognized online grocer.

In Australia, Coles was actually very early to market with Coles Online (1999), and even bought internet grocery start-up competitor Shopfast to get traction in Sydney (2003). Woolworths was a little later to the party – but didn't miss much, as online food retail didn't really get off the ground, reaching 4% of sales in 2019 while, in that same year, the online ordering share in markets such as UK and France was already pushing 10%.

Despite their early forays, neither Coles nor Woolworths accorded online lasting strategic priority, and perhaps the sluggish development of online food shopping in Australia is a classic instance of a lack of competition stifling innovation: neither Coles nor Woolworths had much of an incentive to invest heavily in accelerating online growth which would have cannibalized their own profitable stores, and a strong start-up challenger in the mold of Ocado was lacking.

In the end, it would take a global pandemic and a heavy-handed government response to push this duopoly into prioritizing their online operations.

Yet when they did, the effect was explosive: in the 2020/21 financial year, Woolworth's recorded A\$3.5 billion and Coles A\$2 billion in online sales, representing turbo-charged year-on-year growth of 75% and 52% respectively and sending their e-commerce share soaring.

By late 2021, the two were engaged in an online price war, slashing delivery costs and racing to expand capacity while trialing new services like same-day delivery and super-fast click-and-collect. Allies were rapidly recruited from abroad: as Woolworths paired with Uber for its one-hour delivery in Sydney and Melbourne, Coles teamed up with Ocado to overhaul its fulfillment infrastructure. Customers responded by opening their online wallets and giving the retailers growth rates they could previously only have dreamed of.



This poses an important question: what space do the duopoly leave for online challengers in Australia?

It is telling that, while many European markets are seeing the rise of full-service online supermarket concepts such as Picnic and Rohlink, both the previous e-commerce torpor and now the sudden online strength of Coles and Woolies has made this segment somewhat unattractive for new entrants Down Under.

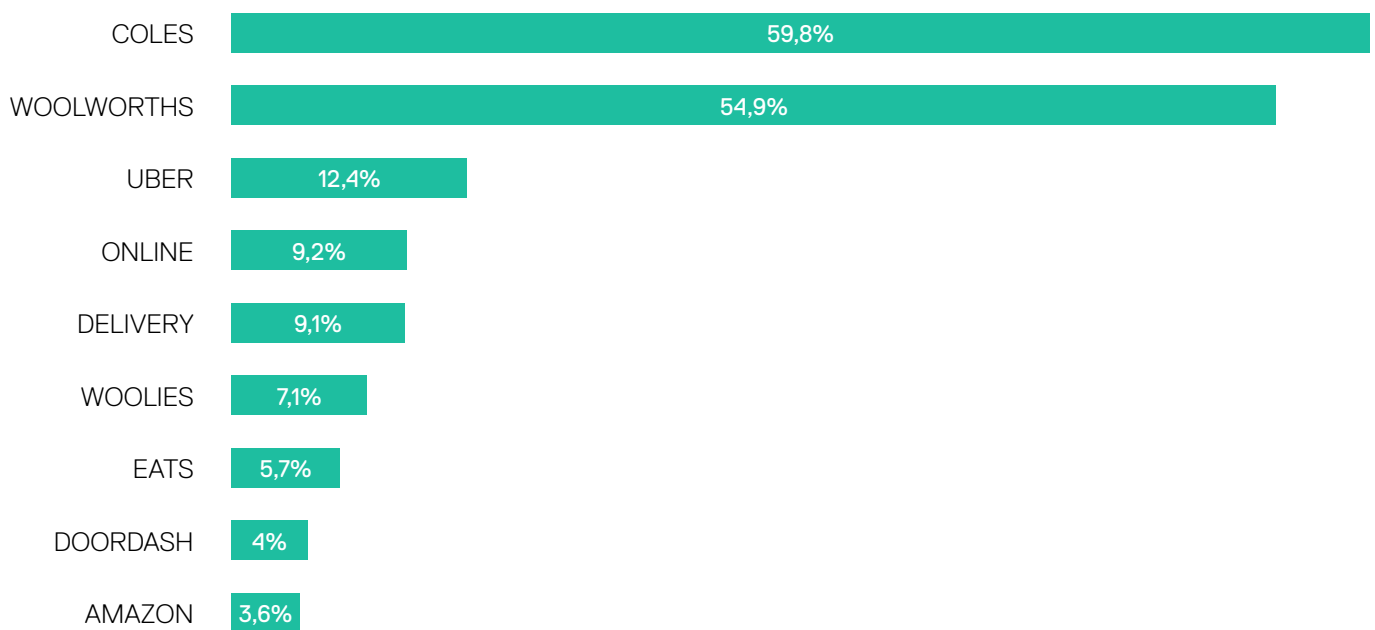
Yet although existing operators have certainly left fewer flanks unguarded than incumbents in other comparable markets, there is no shortage of opportunities for new grocery concepts. Rapid-delivery services such as Milkrun and Voly, for instance, are now providing Australian urbanites with the Gorillas/Getir-style service familiar to European and US consumers.

Restaurant food and rapid delivery

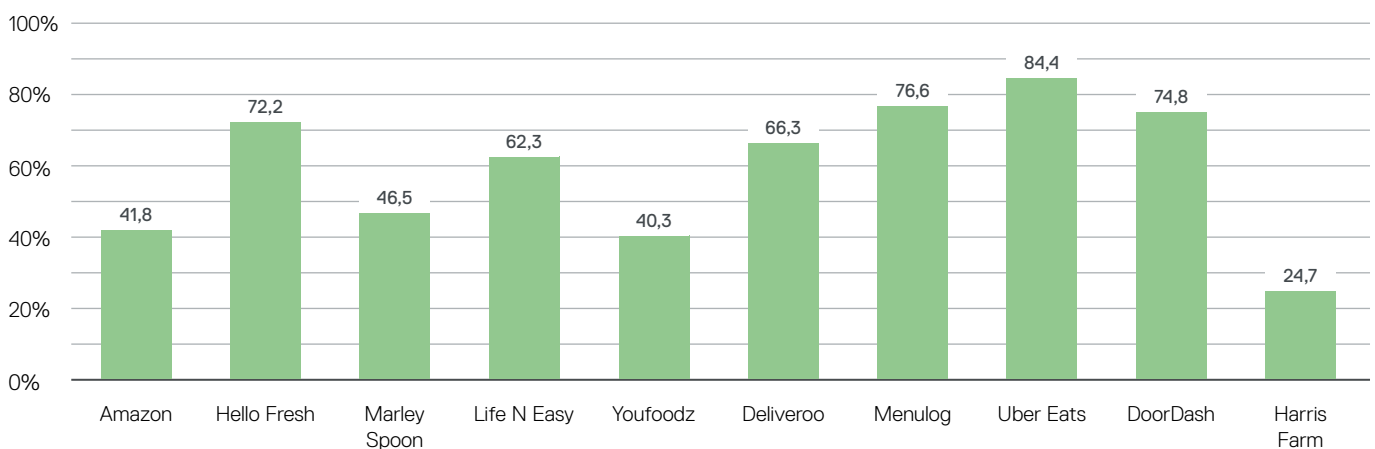
It is telling that, when asked to state which online grocery services they know, 12% of Australians reply “uber” and another 6% say “eats”. This puts the ride-hailing-app-cum-take-away-courier in both third and seventh place of the best known online groceries brands – despite the fact that Uber Eats is not primarily a purveyor of groceries. The fact that the familiar abbreviation “eats” has entered into usage shows, however, that when many consumers think of ordering food online, they think of Uber.

Indeed, **when given a list of operators in online food delivery, 84% of survey respondents recognized Uber Eats, followed by Menulog at 77%; Doordash followed in third place with 75% brand recognition, with Deliveroo at number 5 (66%)**. This puts all four services over twenty percentage points ahead of Amazon as an online grocery operator (42%), and shows that, for Australian consumers, they are almost synonymous with ordering food online.

What online grocery delivery services do you know?



Top 10 most recognized online food delivery services



Although this may seem like consumers (or indeed researchers) mistaking online take-away ordering for online food shopping, there is more than semantic slippage at play here.

While Deliveroo started life as a courier for the home delivery of restaurant meals, it has actually been offering grocery items for some time now – and is operating dark stores for its on-demand operation Deliveroo Hop.

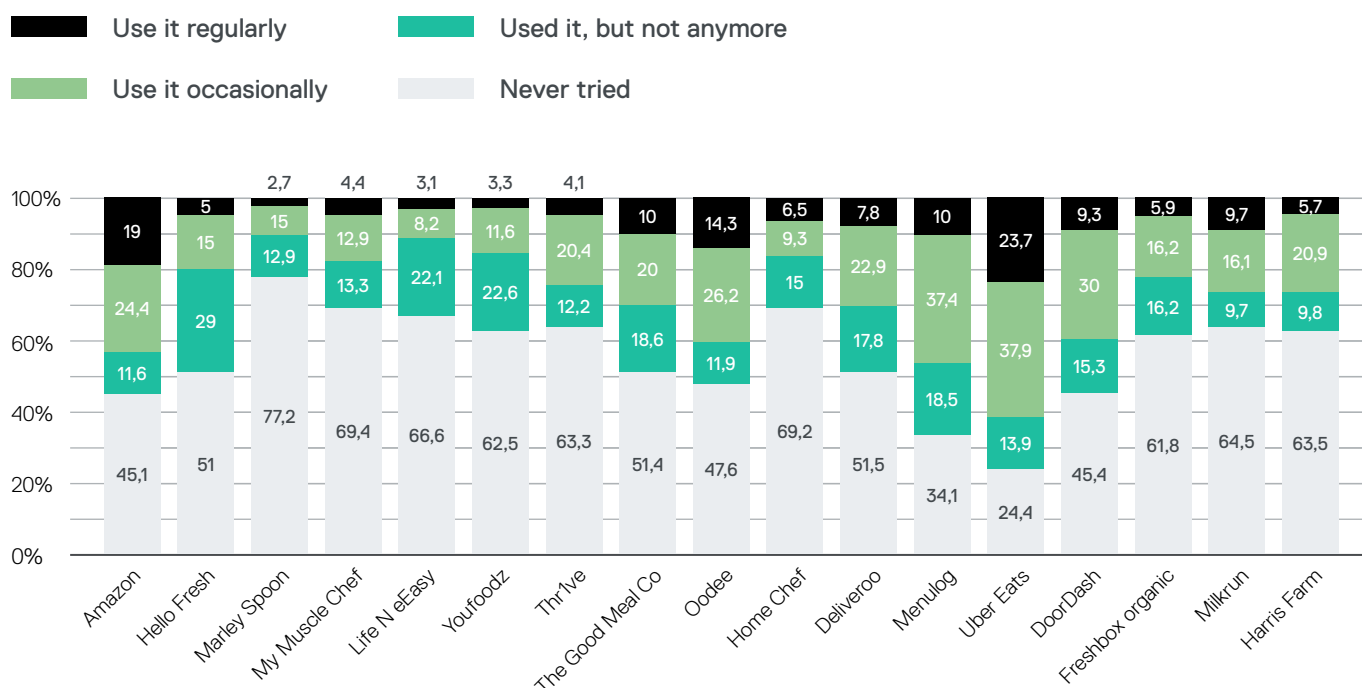
Uber Eats, too, although marketing itself primarily as a platform for restaurant meals, has been quietly expanding its food shopping options, too, with dedicated “Grocery” search options offering speedy deliveries from partners such as Woolworths’ MetroGo convenience stores and IGA Xpress.

Similarly to the UK, where Deliveroo and UberEats have teamed up with supermarket chains, the Australian cooperation goes some way to explaining why specialized rapid delivery companies are not proving quite as disruptive as in the US and especially Germany.

Here, Berlin-based start-up Gorillas made a big media splash with its rapid on-demand concept, racing from 3% brand recognition in summer 2021 to 13.3% just six months later and claiming third place in the brands consumers most often mentioned in connection with online food shopping.

Down Under, Milkrun is the only rapid-delivery operator to enjoy notable brand recognition, and is running at only 8% in mid-2022; other entrants in this young segment such as Voly, InstantGrocery, and SEND, simply don’t make the cut.

Please indicate what experience you have had with the following online grocery delivery services



Which is not to say they won’t in the near future. Yet the fact that **62% of respondents use Uber Eats (24% regularly) and 32% are Deliveroo customers (8% regular)** shows how well established they are in Australia – and, importantly, how quickly they have been able to roll out their operations across the country.

One key difference between these primarily restaurant-focused delivery services and dedicated on-demand grocery players is the logistics concept: while the food shopping options provided by Uber Eats and Deliveroo simply connect users with local stores, who then pick and pack the orders, new providers such as Milkrun use their own dark stores, streamlined to provide the super-fast service at the core of their proposition.

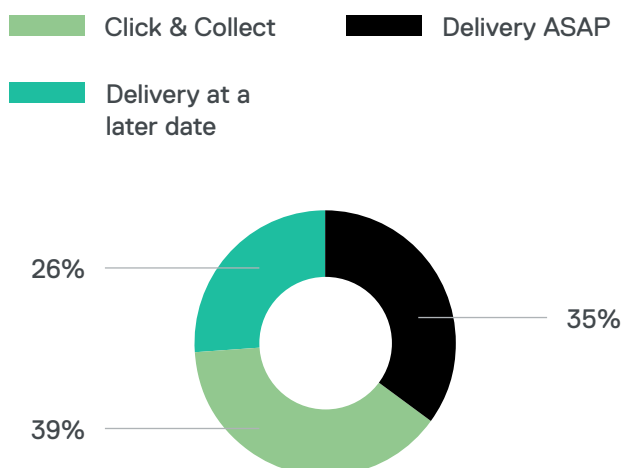
This doesn't make their expansion impossible, but does lengthen lead times to opening new stores and requires heavy capital investment early on.

The potential for accessing an Australian market that has discovered the convenience of online ordering is clear, however – as shown by the two major supermarket's decision to seek a proactive role in shaping the new ultra-fast segment. Going by the principle of "If you can't beat them, join them!", Woolworths is advertising a "full shop delivered in under two hours to your door for \$15", 8am to 8pm in most metropolitan areas.

Coles, which has a recent history of shrinking from going all-in online, is also now offering a rapid service – but only for click-&-collect customers, who can pick up their order 90 minutes after placing it (albeit with the option of a hot roast chicken included...).

Ordering patterns

Which option do you prefer for groceries purchased online?



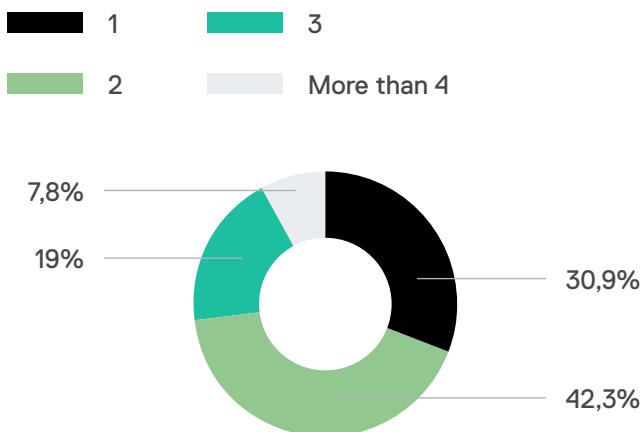
What may provoke derision in other online markets with a high preference for to-door-delivery such as the UK and Germany is, however, not necessarily completely out of sync with the Australian market, where 35% of online customers cite click & collect as their preferred option – figure which vies with the 39% who want delivery ASAP. Indeed, Australian consumers are split roughly into thirds, with another 26% preferring a pre-arranged delivery slot at a later date.



This could well be learned behavior from the worst phase of the pandemic, when Coles and Woolworth's online delivery options were overwhelmed and curbside pick-up represented a way of keeping store visits down. A vestige of Covid or a specific antipodean preference? Whatever the reason, the strength of other delivery and collection options vis-à-vis fast-est-possible delivery is currently characteristic of the Australian market.

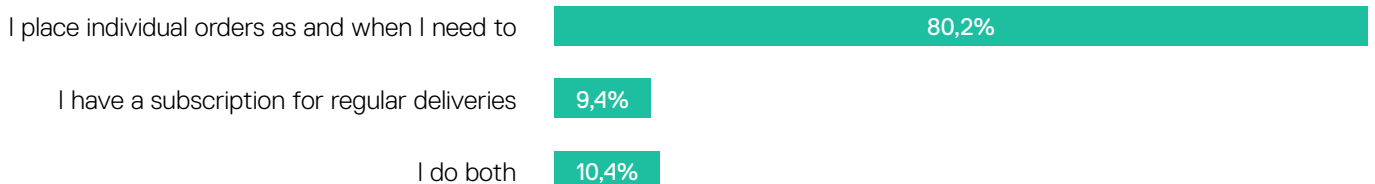
In another element of ordering patterns, Australian online shoppers are more similar to their counterparts elsewhere: most use more than one provider: **42% of respondents order with two platforms or services, with a further 19% using three.**

◆ Which option do you prefer for groceries purchased online?



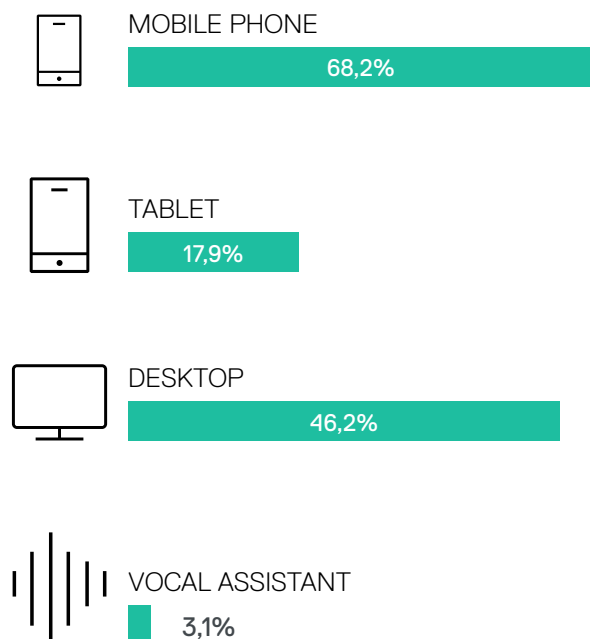
Yet there is another difference to markets such as the UK, USA, and Germany: although, here too, standard user behavior is to place an individual order each time, in Australia, subscription models are even less prevalent than elsewhere. While in the UK, for example, 18% of online food shoppers use a subscription and 12% use both a subscription and individual orders, only 9% and 10% of their antipodean counterparts respectively do likewise. This may correspond to the well-known contradiction vis-à-vis supermarket preferences and habits, where customers rate a broad selection of products as important only to buy almost exactly the same things week in, week out.

◆ Which of the following sentences is most true of you when you order your online groceries?



Nevertheless, subscription models are used by at least one in ten Australian consumers and so cannot be neglected; they may even, if other markets represent a direction of travel, become more important in the near future. In many cases, for instance, a subscription could represent a part of the weekly shop, but may also be specialty items (wine or mealbox subscription). As such, it is likely that, for the average consumer using two providers, one of these is a supermarket chain. The other is most probably a take-away delivery service such as Uber Eats or Deliveroo, but could also be a specialty provider – either of the healthier variety (Lite N Easy) or of a more Bacchanalian bent (Wine Direct)...

Which of the following are you using to buy groceries online?



Device usage

In terms of how customers are placing orders online, the situation is less clear-cut than the apparent dominance of mobile applications seems to suggest. While it is indeed the case that 68% of respondents use a mobile device to order groceries online, it is also true that 46% place orders on desktop computers and a further 18% use tablets.

Given that several responses were possible, many consumers are likely to switch between these options depending on context: users of ultra-fast delivery services like UberEats often prefer the immediacy and convenience of mobile-app-based ordering – or have no other option than to order on smartphones and tablets (Voly and Milkrun, for instance, are wholly app-based).

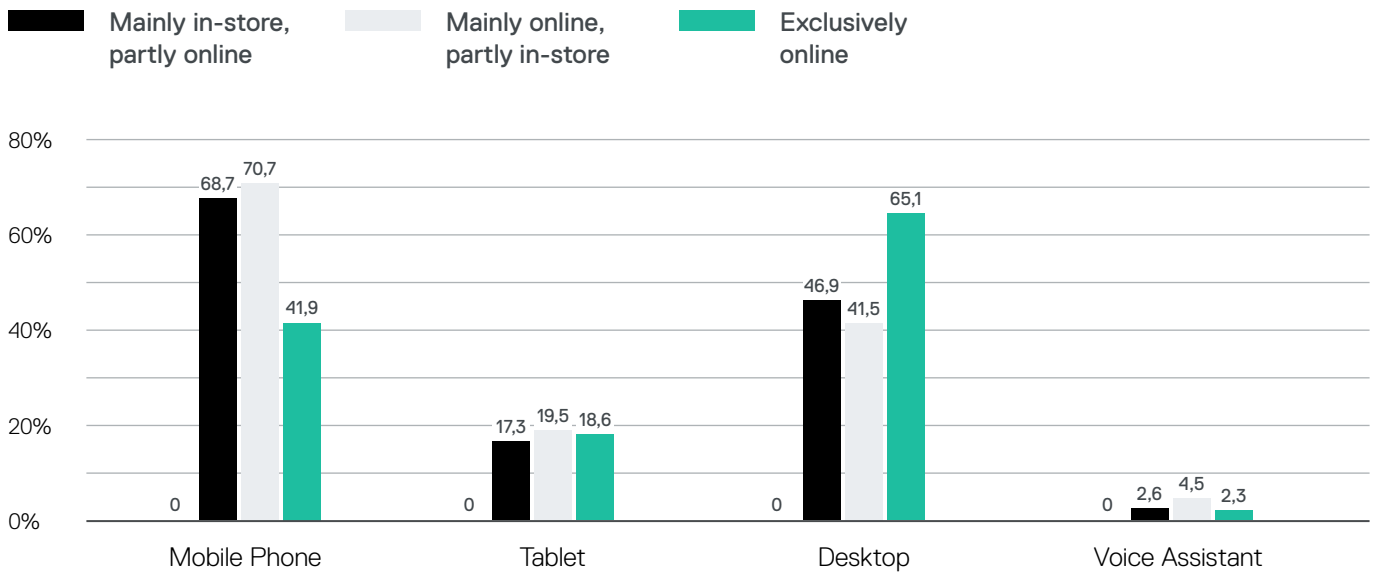
These same users may, however, prefer the more methodical nature of desktop ordering (and, not least, the larger display) when doing a more comprehensive shop at Woolies or Coles.

Support for this interpretation comes from segmenting device preferences by online/offline preferences. Counter-intuitively, **mobile usage is lowest among respondents who do all of their shopping online (42%), with desktop usage most widespread in this group (65%).**

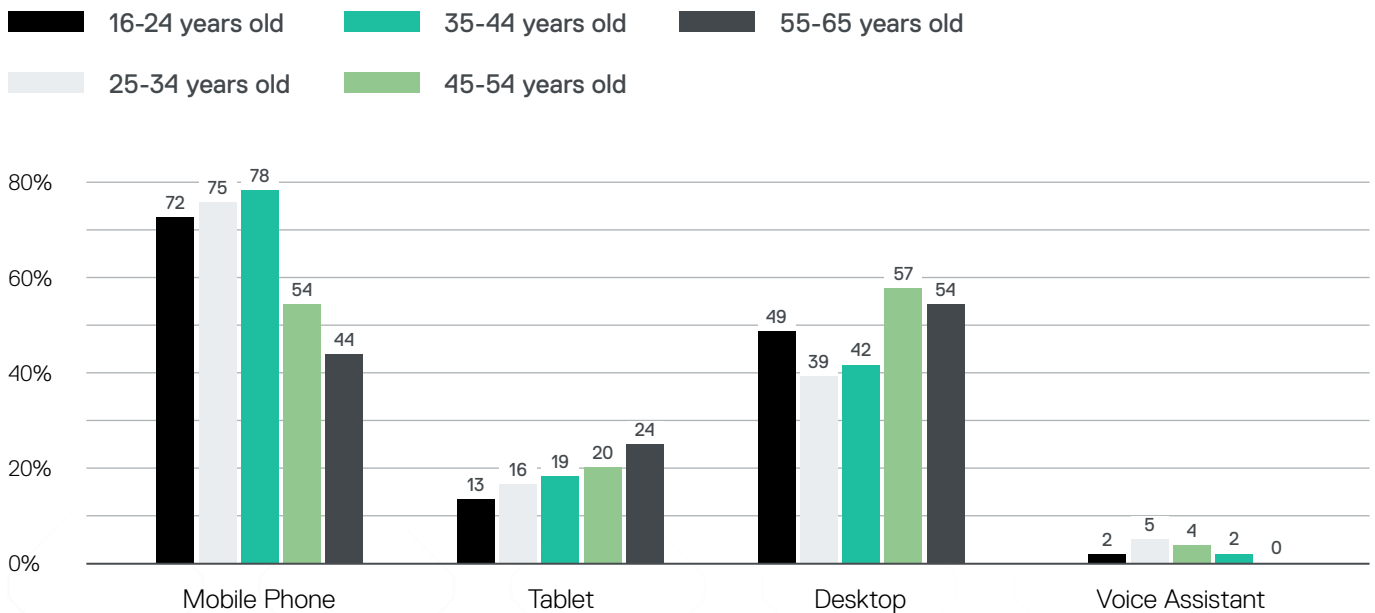
Additionally, there is little difference in mobile use between those who buy some (69%) and those who buy most (70%) of their shopping online, indicating that the stereotype of online food shoppers being smartphone-obsessed Millennials unwilling to leave the house has little basis in reality. Although slightly higher among older users (54% of 55-65s), desktop use is, in fact, not much less prevalent in the 16-24 bracket (49%). It is most likely that users of all ages simply switch between devices depending on the provider's availability, type of order they are placing, and the overall context of the order.

Which of the following are you using to buy groceries online?

By Channel



By Age Group



Another insight from the data is the comparatively weak position of voice assistants in Australia. While voice devices are used by only 5% of British respondents and 9% of German survey participants, in Australia, only 3% use Alexa, Google, or other voice channels. Whether this is a sign of the persistent accent and dialect issues known to still dog some voice software, or simply an issue of regional preference, will only become apparent in the fullness of time.

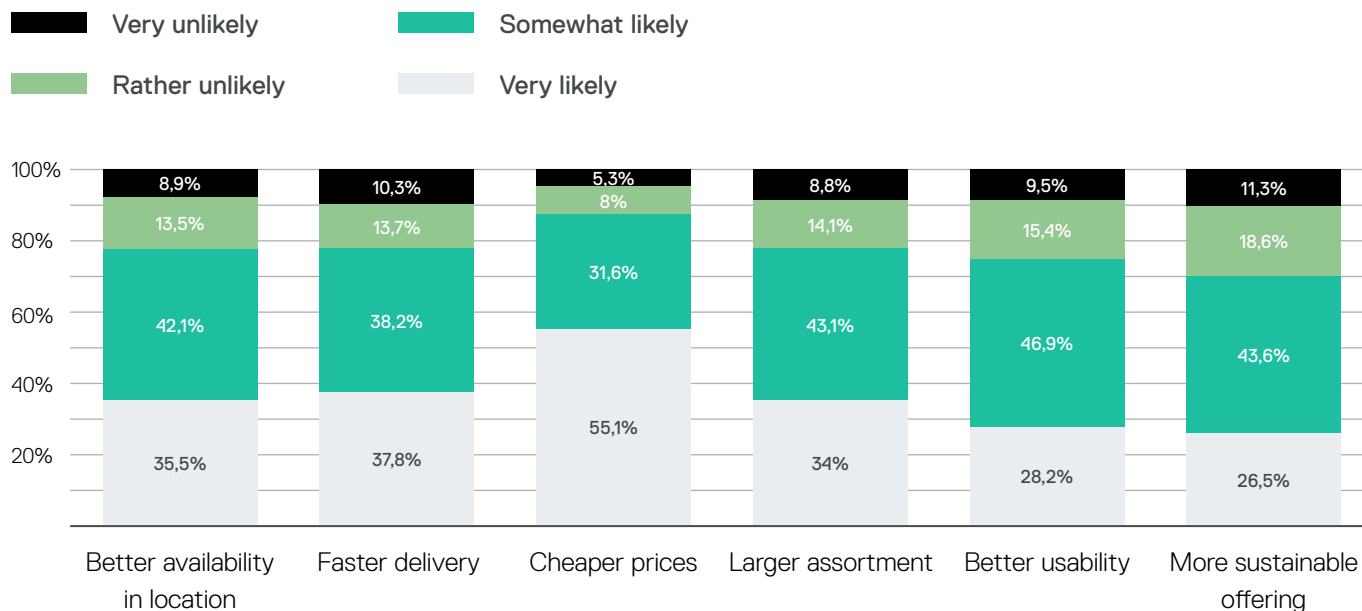


Areas for improvement

Although around one-third of Australian consumers has developed a strong preference for collection, another third prefers delivery ASAP – and delivery was one of several areas where our survey revealed room for online operators to improve. After lower prices (and who wouldn't want those?) and availability in location, it was cited by survey participants as one of the most likely factors to get them shopping online more often: **72% said faster delivery would be likely or very likely to increase the amount of food they buy online.**

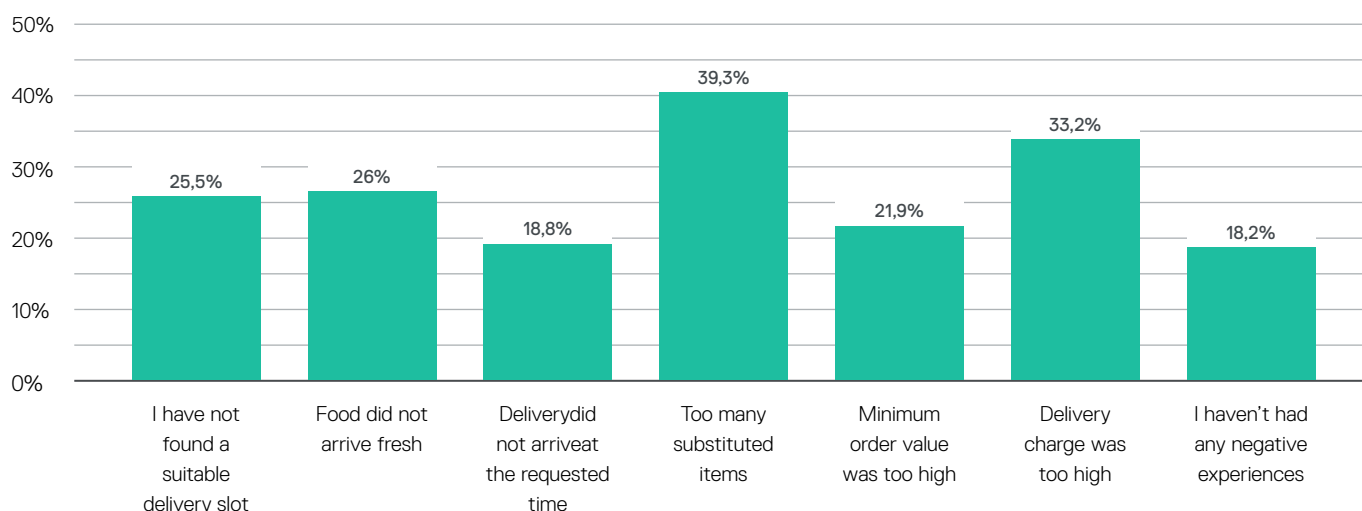
This was far higher than in markets such as Germany (28%) and makes it clear that one key priority for suppliers must be logistics expansion, both to increase overall coverage and to provide more home delivery. Despite the current strength of click-&-collect in the Australian market, it would be a very one-sided strategy indeed to neglect delivery, especially as it may become more popular as the market matures.

◆ How likely are the following to motivate you to order groceries online (more often)?



Besides this, Australian operators looking to encourage more online ordering should not neglect other factors. In addition to price, availability, or delivery, **both a larger product range and better software usability are also – at 77% and 75% - apt to get online customers ordering more.** Sustainability, too, is not unimportant to Australian consumers: 69% would be more likely to buy food online if this were improved – a finding which tallies with some of the specific operators respondents would like to see online (e.g. Farmer Jack's).

◆ Which of the following negative experiences have you had while grocery shopping online



Meanwhile, the overall need to focus on improving logistics in Australian food e-commerce becomes clear when looking at online shoppers' most frequent complaints. By far **the most commonly cited negative experience with online food shopping was that too many items in an order had been substituted.** 40% responded that they had had this happen, almost 10 percentage points more than any other issue except – and this is another problem in the logistics chain – **excessive delivery charges, cited by one in three respondents** (33%). The delivery problem is underlined by the third most common bugbear: the lack of a matching delivery slot, mentioned by one in four (26%).

Another issue experienced by one in four shoppers: a perceived lack of freshness. This is not an unimportant detail: when it comes to food, most consumers are unwilling to compromise. Food quality and reliable delivery capacity will be key levers for providers in order to retain customers online.



Conclusion

Our survey paints a portrait of an Australian market in the middle of rapid transformation. This is a transformation being driven by consumer demand – and one to which, in the wake of Covid, key market participants are now responding. Woolworths and Coles, the two major supermarket chains which had, until 2020, not prioritized e-commerce or home delivery, are providing online ordering and are now, if only through tie-ups with platforms like Uber Eats, becoming available to consumers at home.

◆ Established retailers are changing, but are they changing fast enough?

Looking forward, however, established food retailers with secondary, outsourced, or partnered online operations will face a moment of truth. Already, half of Australian consumers are shopping for food on the internet and half of those who do not can envisage doing so in the coming 24 months. Among those who already shop online, more spending is set to go into this channel – and it stands to reason that the advantage goes to providers who already have direct customer access here.

And as our survey shows, if the duopoly improve their offer (price, delivery) and user experience (both in terms of quality and fulfilment), they are likely to reap the rewards in terms of increased consumer spending. Their only (and non-negligible) issue will be working out how to maintain the viability of their in-store space as they transfer their own footfall into their webstores.

Moreover, with food pricey in Australia and high delivery costs seen as an issue, consumers will be looking for the best deal – and this means that food retailers relying on intermediaries looking to charge delivery fees per order may need direct home-delivery logistics structures soon if they are to remain attractive to consumers. It also opens up an opportunity for low-cost supermarkets – Costco, and most notably ALDI, whose customers are (in our survey) crying out for online service and who bring the necessary scale and experience in cost control to make a success of internet ordering and home delivery.

◆ Online grocers are doing a good job – and need to do an even better one

Yet, given Woolworths' and Coles' continued dominance and increasingly strong response to consumer demand on the internet, any new market entrants in online food retail in Australia have a hard climb ahead of them. Any new provider will have to offer better products (fresher food, more variety, higher availability) and make shopping even easier (faster and cheaper delivery) in order to win over increasingly online-savvy, yet still brand-loyal Australian customers.



About the authors

Daniella Mattiuzzo

E-Commerce Content Specialist

Mail: daniella.mattiuzzo@spryker.com

Mainga Hachibiti

Insights & Research Manager

Mail: mainga.hachibiti@appinio.com

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Spryker Systems GmbH

Heidestraße 9–10
10557 Berlin / Germany

T +49 / 30 / 208 49 83 50

M hello@spryker.com

W spryker.com



APPINIO GmbH

Große Theaterstraße 31
20354 Hamburg / Germany

T +49 / 40 / 413 49 710

M contact@appinio.com

W appinio.com

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