

UK ONLINE GROCERY REPORT 2022

The Complete Guide to **Online** **Food Retailing in** **the UK: 2022 and** **Beyond**

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

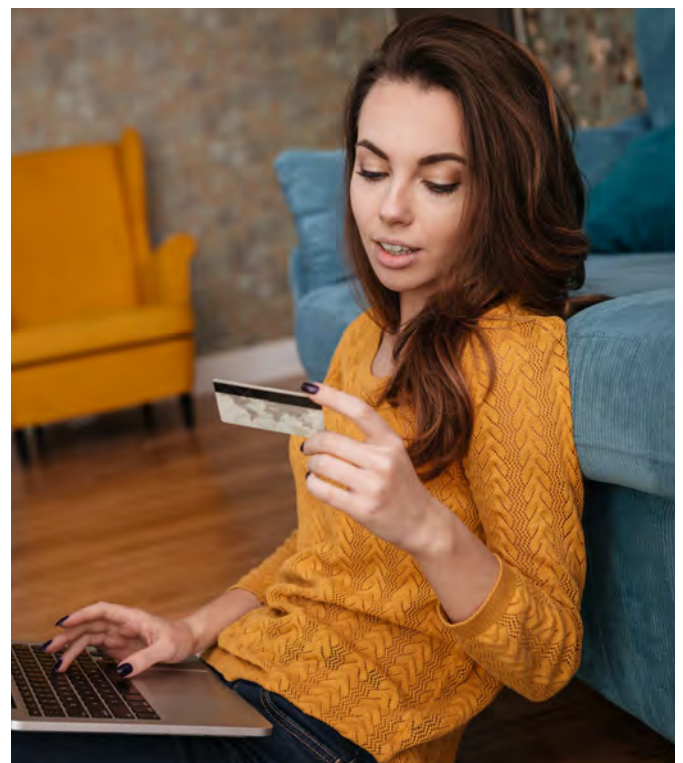


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KEY TAKE-AWAYS

- **60% of UK consumers are already doing some food shopping online.** Almost 20% have switched to ordering most or all of their groceries on the internet.
- A quarter of UK households' food budgets is now spent **ordering for home delivery online.** In the 35-44 age bracket, this share is already more than one-third.
- Households in the UK that shop for food online are already **spending as much there as at their local stores.**
- In two years' time, **one in four Brits** sees themselves buying most of their groceries online.
- Over 80% of UK consumers would do more food shopping online if the **user experience were improved.** In terms of food quality, their biggest bugbear was item substitution.
- **Growth is primarily being driven by users in the 35-44 age bracket,** who spend more of their grocery budget ordering online than other age groups. Yet, during the pandemic, many older consumers have become online converts and are actually more likely to be higher-spending, online-only customers.
- British consumers who shop online do so primarily to save time and to avoid the crowds, often ordering their whole weekly shop on the internet – with a **strong preference for home delivery over pick-up in-store.**
- Online grocery shoppers **switch between devices,** using mobile devices and desktop for different ordering situations.





Introduction

Valued at over £200 billion in 2022, the UK food and grocery sector is one of Europe's largest and by far its most innovative. In recent decades, both supermarkets and customers have proven willing to try out and adopt new concepts far earlier than in comparable economies such as France and Germany: loyalty card schemes, cashback at supermarket tills, and self-service check-outs all appeared in the UK first and remain more widespread here than in other markets. So it is no surprise that one of the most innovative online grocery providers worldwide, Ocado, was founded in Britain in 2000 – nor that, at the outset, it worked with an established supermarket chain, Waitrose. It's also no surprise that, twenty years on, this established chain is, like its competitors, now running its own online operations. Already, the distinction between online and offline providers is becoming blurred in the UK market. While proof of how open established British food retailers are to innovation, this also calls into question the long-term viability of their extensive in-store operations.

As this survey shows, UK consumers are leading the way when it comes to buying food online: almost two thirds of them are already doing some of their food shopping on the internet. Importantly, a not insignificant minority (16.9%) has already switched to doing the bulk of their shopping online – with many more who can envision doing so in the next two years. Given the sheer number of supermarket stores in the UK and the almost hallowed tradition of 'the weekly shop', these figures are striking enough on their own – and all the more so when compared to other countries. In Germany, for instance, only one third of consumers buy any food online at all, and even in the US – the land of Silicon Valley, Amazon, and an order-in mentality – only half get some of their groceries on the internet. According to NielsenIQ, online's overall share in UK food retail is now running at around 13%¹; in Germany, this figure is still closer to 3%.

¹ [Online's Share Of UK Grocery Sales Rises to 13.1%: NielsenIQ](#)

So the UK has relevance both on its own terms as Europe's third-largest economy and as something of a portal offering glimpses into the near future for other markets. Trends which are now becoming visible in Britain can give observant groceries players elsewhere an idea of what may soon be happening in their own markets, while the challenge for UK-based food retailers is to keep up with the exacting pace of change. Drawing both on our expertise in online groceries and the most comprehensive market research currently available in the UK, this report provides an overview of the 2022 status quo in online food retail in Britain, offers some recommendations for market participants, and makes essential reading for anyone trying to understand what is happening in this fast-moving sector.

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 the United Kingdom. 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 Britain at the time at which they took part. 39.1% lived in towns or areas with fewer than 50,000 inhabitants, while 8.8% were resident in London and a further 6.2% in the country's other large cities (population in excess of 750,000). 14.7% lived in smaller cities (250,000-750,000) and 31.2% in towns (50,000 to 250,000). Respondents answered in spring 2022.



[Open dashboard with entire data set](#)

The UK compared to the USA and Germany

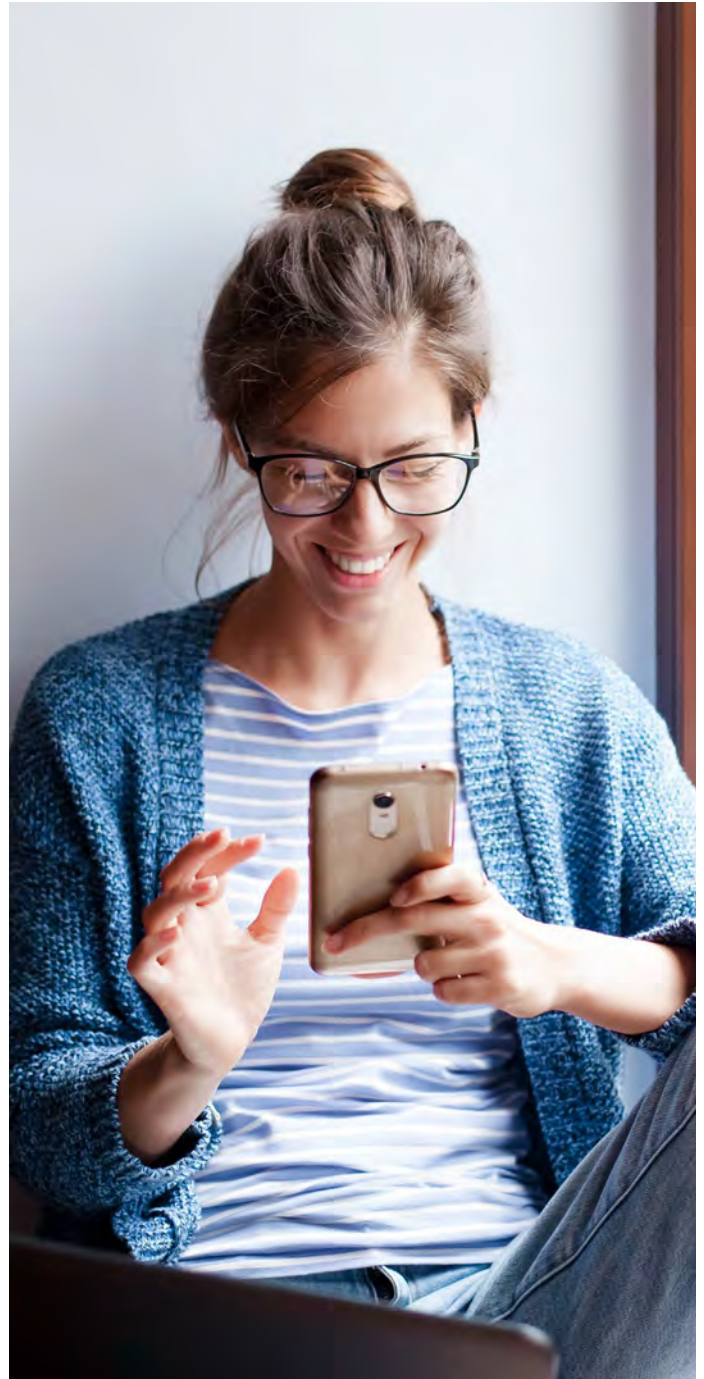
To date, Appinio and Spryker have conducted comparable market research in the USA (2021) and Germany (2021, 2022), allowing us to draw comparisons between these three markets on the basis of an extensive dataset. What becomes clear from looking at the datasets side-by-side is just how advanced the UK is as an online food shopping market. Here is a brief overview of the most striking insights from this three-way comparison.



- **Market size:** Britain is the leading market for grocery e-commerce. Almost two-thirds (61.1%) of British consumers buy at least some food online. In the US, only half of shoppers buy any of their groceries over the internet; in Germany, only a third.
- **Supermarket love:** Stores run by Britain's Big Four and other major chain stores enjoy sky-high popularity: 82.5% of UK shoppers enjoy a trip to the supermarket – ten percentage points more than in Germany (71.2%) and far north of US figures (55.3%).
- **Future habits:** In the UK, the number of consumers who can envision doing most or all of their grocery shopping online within the next two years is at 28.3% markedly higher than in Germany (18.4%) and the US (21.4%).
- **Anywhere, UK:** Although the UK 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 partly a function of the higher degree of urbanisation in Britain (80%+), but also of the swifter roll-out of online delivery, both by established supermarket chains and aggregator delivery apps such as Uber Eats, Just Eat, and Deliveroo.
- **Big-Four dominance:** Whereas online groceries in Germany have been spearheaded mainly by new players (of the established players, only Rewe has been proactive) and the US food retail giants have been sluggish, in Britain, supermarket chains have been quick to react and are the best-known online food delivery services in the UK.
- **The usability lever:** The average British consumer is already ordering food online. The single biggest improvement that would make this person order more is usability, which was cited by almost twice as many UK (82.7%) as German (43%) respondents.

Consumer preferences and behaviour

Appearances, as they say, can be deceptive. In any British high-street, at least one supermarket chain will be operating a convenience store. A few roads away or in the local precinct, a couple of larger food shops with dedicated parking await; and out of town, warehouse-sized superstores extend thousands of square feet. These are the fortresses and castles built in the 1990s and 2000s as the Big-Four battles raged between Tesco, Sainsbury's, ASDA, and Morrisons, and they have left Britain with a uniquely high density of chain stores – a density then driven even higher by the arrival of low-cost competitors from Germany around the Millennium. As the sixth and seventh biggest providers, Lidl and ALDI are now established in the UK grocery landscape, having both adapted to British shoppers' desires and, importantly, responded to their needs as middle incomes have been relentlessly squeezed since 2007². For the discerning high-income food shopper insulated from these developments, Waitrose and Marks & Spencer are always close at hand, the latter having also cornered a lucrative market in commuter convenience food-shopping at railway stations up and down the country. Meanwhile, especially in the few less attractive urban areas neglected by Big Four expansion, the Co-op valiantly fights on alongside frozen-foods specialist Iceland.

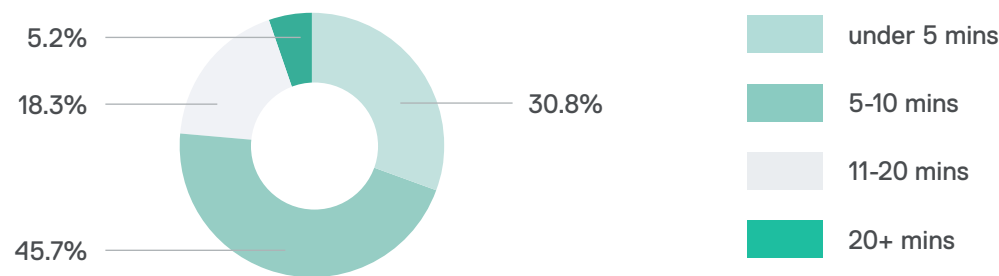


²[UK shoppers head to Aldi and Lidl amid cost of living squeeze](#)



The satisfaction and coverage paradoxes

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



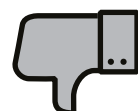
So whatever their budget, UK consumers are rarely far from a supermarket of some description: 30.8% live within five minutes of one; a further 45.7% is within 10 minutes, and 18.3% can get to one in under 20 minutes. Only 5.2% of respondents are further away from a store run by a major food retailer. On the surface of things, this high

level of convenience and the stores' offerings are enough to keep customers satisfied: **four in five 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...



...something pleasant - 82.5%

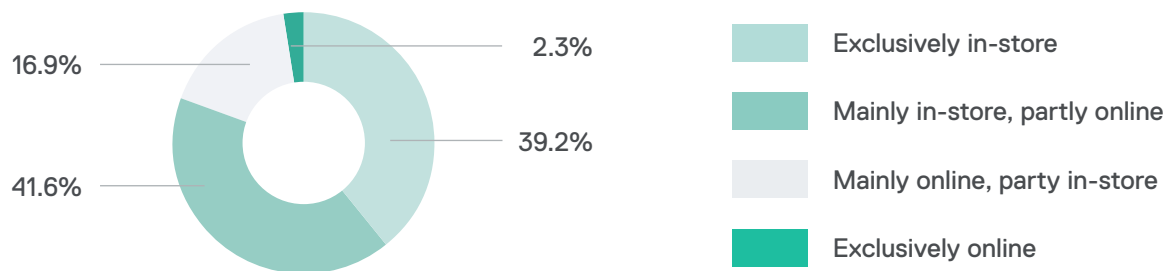


...something unpleasant - 17.5%

Yet as fond as the average British consumer is of the local supermarket, they are also very keen to buy food online and avoid going to it. 41.6% of respondents reported doing at least some of their shopping online and a further 16.9% have already shifted to buying the bulk of their food shopping

over the internet; 2.3% no longer buy any groceries in-store at all. The result is a paradox: **82.5% of respondents say they enjoy supermarket shopping, but 60.8% of them are already doing at least some food shopping online.**

How do you currently buy your groceries?



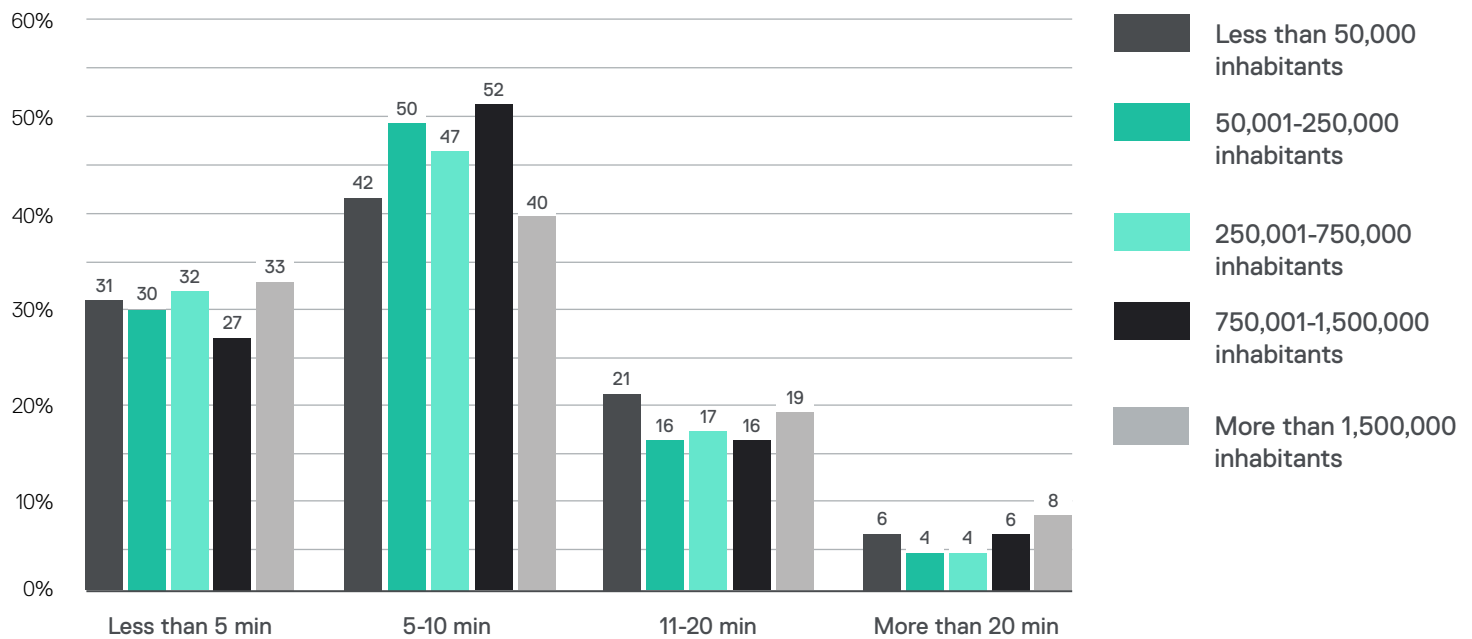
Looking at the data in detail reveals another seeming contradiction that should be of particular concern to any UK-based supermarket whose primary strategy is still rooted in square-footage expansion: **it is precisely in the urban areas full of apparently satisfied supermarket shoppers who are closest to stores that rates of online uptake are highest.**

In London, for instance, 33% of respondents live within five minutes of a supermarket and a further 40% are within ten minutes' reach, **yet 21% of respondents in the capital are already doing the bulk of their food shopping online.** In cities in the next bracket down such as Birmingham,

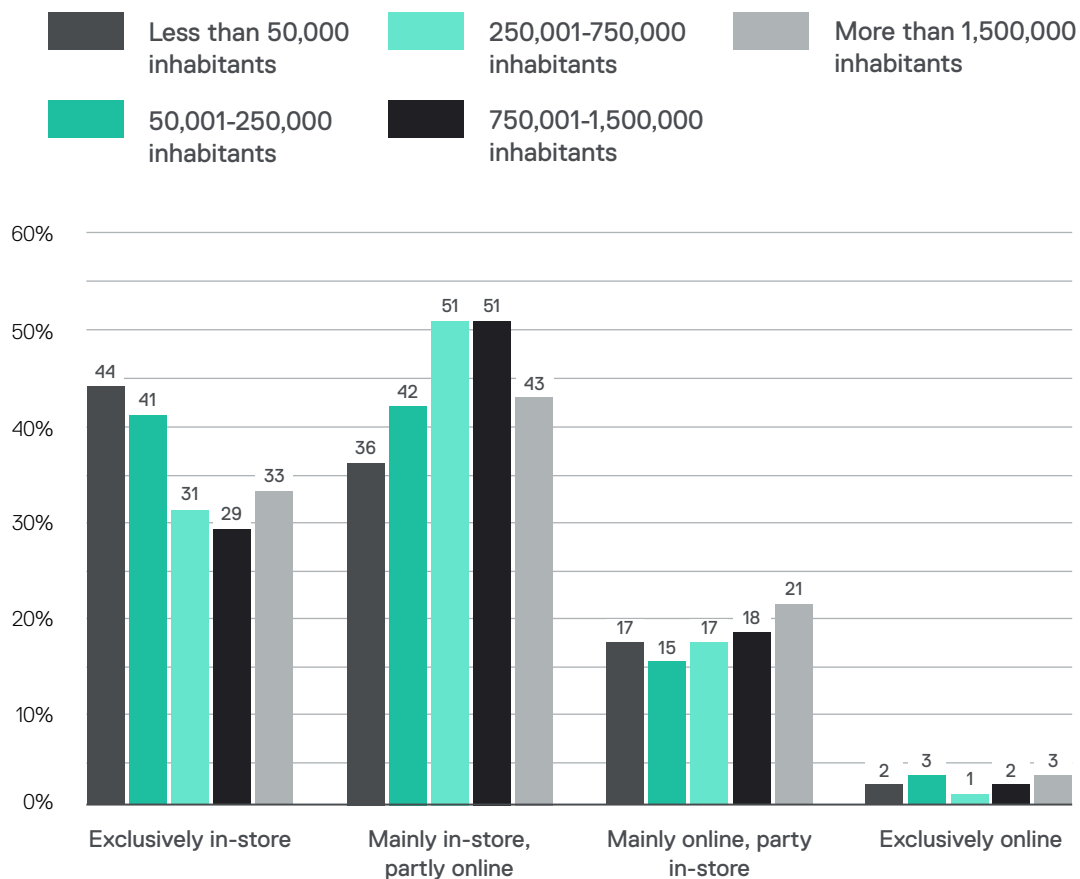
Manchester, and Glasgow, the figure is 18% – despite the fact that, here too, 27% are within five minutes and 52% within 10 minutes of a store. Meanwhile, 41% in the 50,000 to 250,000 bracket are still doing all of their shopping in-store. **In places with fewer than 50,000 inhabitants, 44% of respondents are still doing all of their food shopping in brick-and-mortar stores,** despite the fact that 27% of them live more than ten minutes away from a store. Yet **only one-third of Londoners are still shopping completely offline.** In other big cities, even fewer are still shopping wholly in-store (29% in the 1.5m to 750,000 bracket and 31% in 750,000 to 250,000).



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



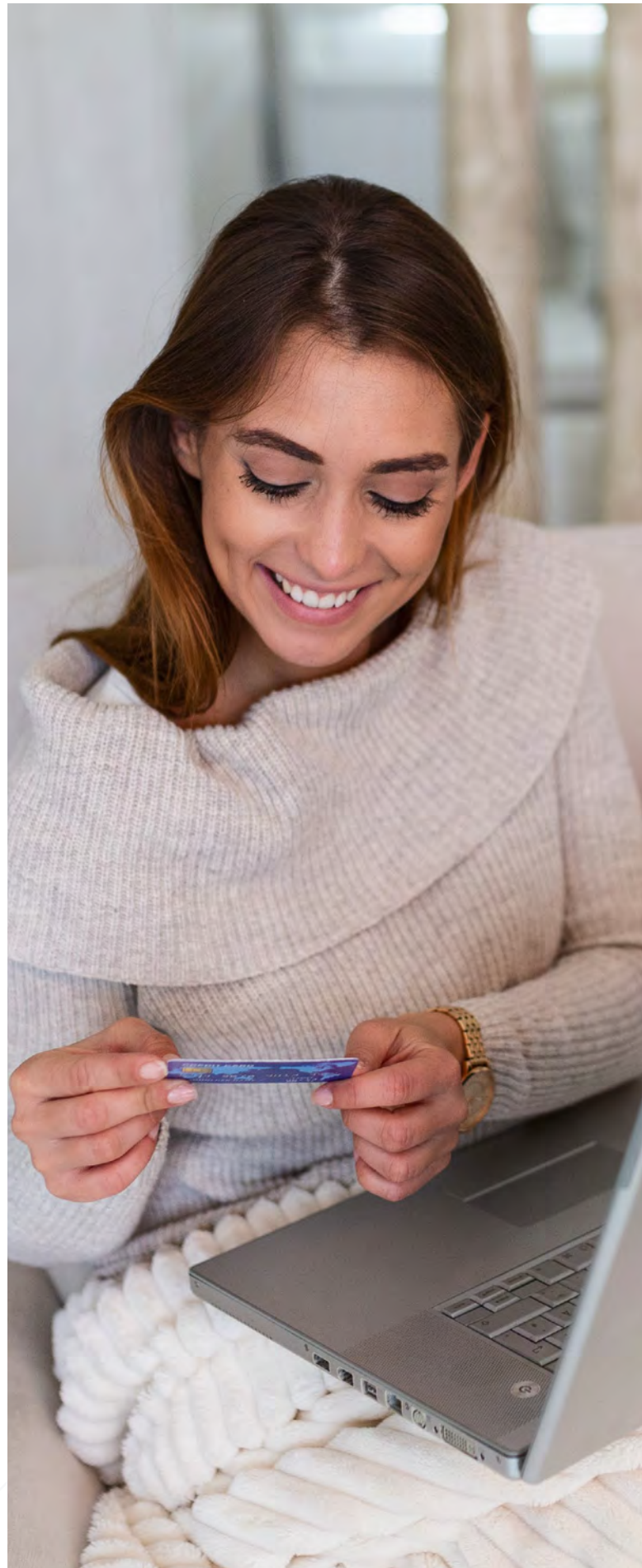
How do you currently buy your groceries? (by population size)



So the higher the density of supermarket stores, the higher the percentage of customers going online. There is a simple explanation for this apparent contradiction – there are still comparatively few online grocery services available in smaller towns and rural areas – and a conclusion to be drawn: if there were more options outside of urban areas, more shoppers in smaller towns would likely switch to them. This is borne out by an outlier in the data: **17% of respondents from rural areas are already doing most of their shopping online**, a figure in line with that from larger towns and cities. Once consumers outside of major cities do find a suitable online food retail option, it would seem that they make enthusiastic users. This is perhaps unsurprising: they have the longest drives to their nearest store and so save the most time and petrol by having food delivered.

Further change ahead

In another worrying development for supermarkets relying primarily on in-store custom, the younger the grocery shopper, the higher the percentage of their household budget spent ordering shopping online and the less they spend in-store. While 72.4% of 55-65-year-olds' food spending still happens in-store, this figure drops markedly in younger age groups: **in the 35-44 age bracket, respondents who shop online were only spending 61.6% 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 delivered to their doors. Indeed, 42% of respondents in this age bracket state a lack of time as their primary motivation for ordering online, a figure which drops to 33% for 55-65-year-olds.



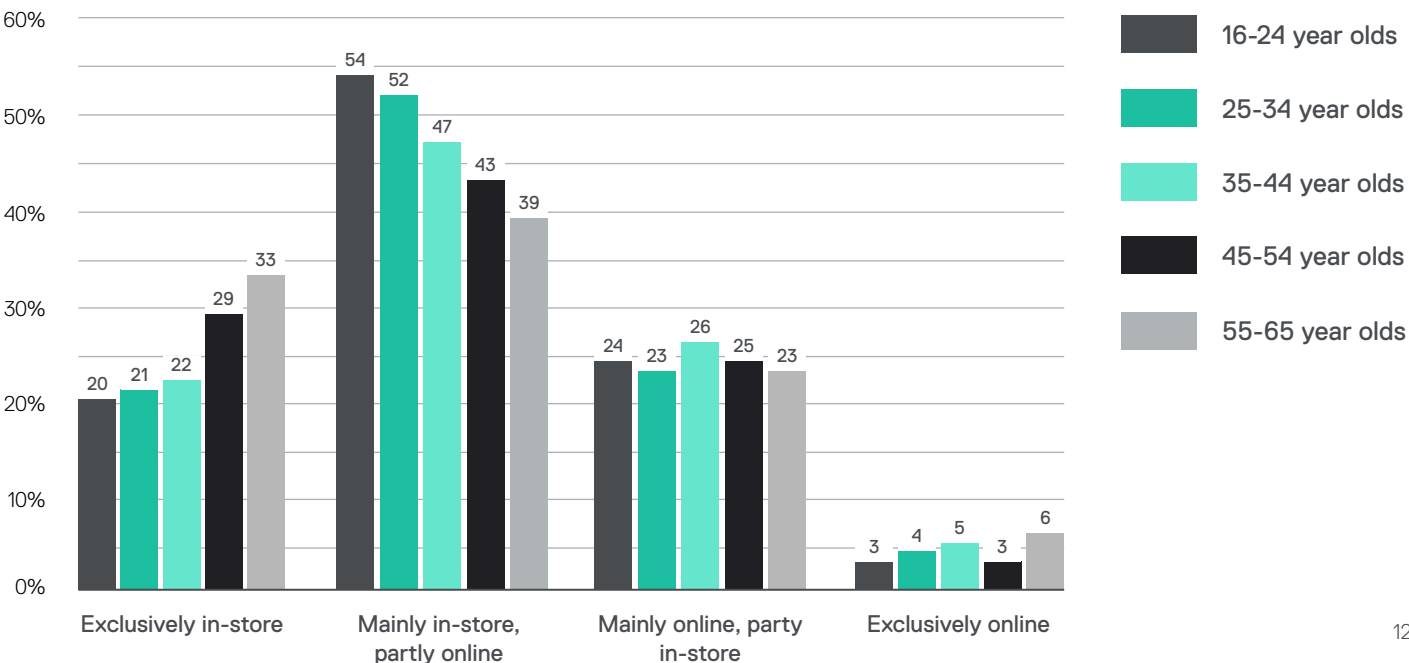
Distribution of household’s food spending in the last 6 months per channel and age group

	Total	16-24 year olds	25-34 year olds	35-44 year olds	45-54 year olds	55-65 year olds
In-store	66.6%	65.7%	65.1%	61.6%	68.6%	72.4%
Online with delivery	23.7%	21.4%	22.2%	26.1%	23.8%	24.6%
Online with click & collect	6.6%	8.2%	8.1%	8.2%	5.9%	2.4%
Other channels	3.3%	5%	4.7%	4.2%	1.9%	0.7%

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 on-line, partly in store**” was, at over 26%, highest in the 35-44 bracket, a further 5% of whom are envisioning a shift to online only. Meanwhile, the percentage of those intending to stay wholly in-store was lowest in the 16-24 bracket (20%) and rose with age to 33% 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 25% of consumers see themselves still buying all their food offline in 2024**, while 28.3% will be doing most or all of their grocery shopping online by that date. As such, our data shows that UK consumers have already changed their shopping behaviour markedly in recent years and that, importantly, the shift is by no means complete. Within the next 24 months, it is likely that a significant amount of spending still taking place in-store will move online.

How do you envision your grocery shopping in two years?



Online spending now equal to offline

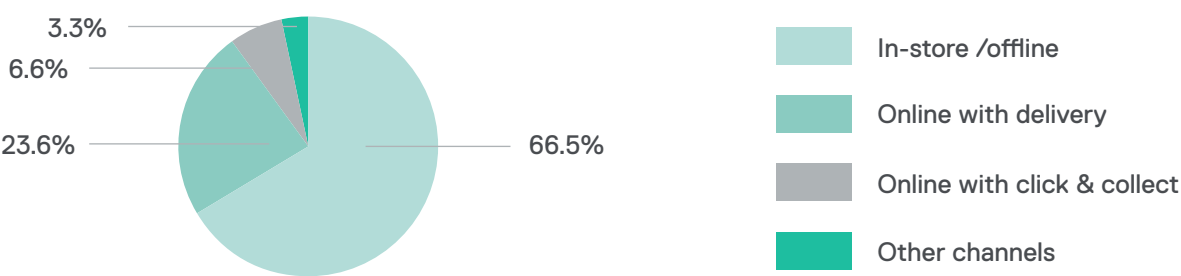
As ever more consumers shift their focus to online food shopping, it is revealing to examine what they are already spending there and how. Already, almost 30% of household food budgets are being spent on the internet, with a clear preference for home delivery (23.7%) over in-store collection (6.6%).

This online spending can be broken down by asking the 61% 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: only 14.3% of respondents who use online reported spending less than £20 weekly, while **33.7% were spending between £20 and £50** and a further **38.9% were spending between £51 and £100**. 13% of users were already

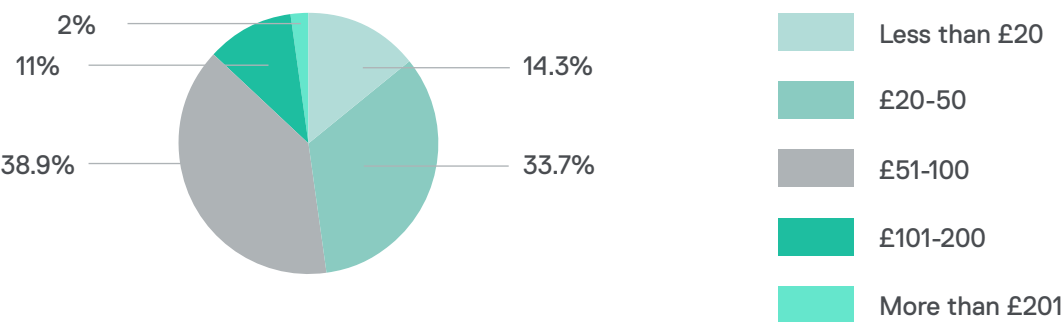


spending three-figure sums buying food online. So in total, **72% of respondents were spending typical supermarket shopping sums of between £20 and £100 a week online.**

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



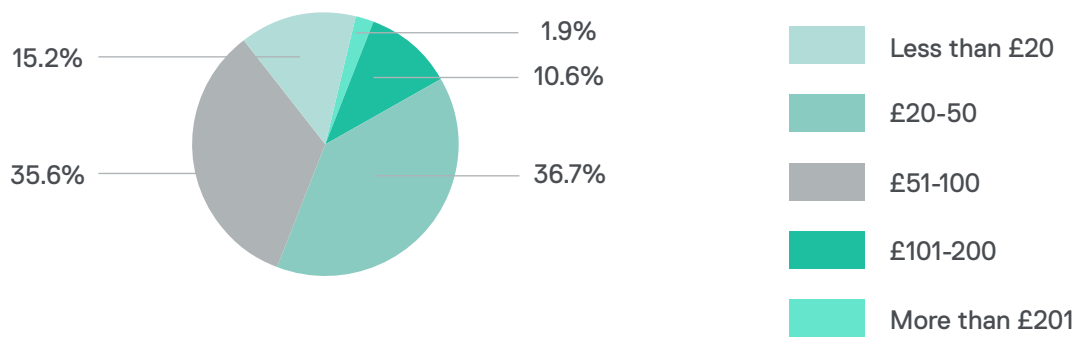
How much do you spend on average per week on groceries you order online?



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, too, **72% of participants reported spending between £20 and £100 weekly in supermarkets**, at low-cost stores, or at farmers' markets and other offline outlets.

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

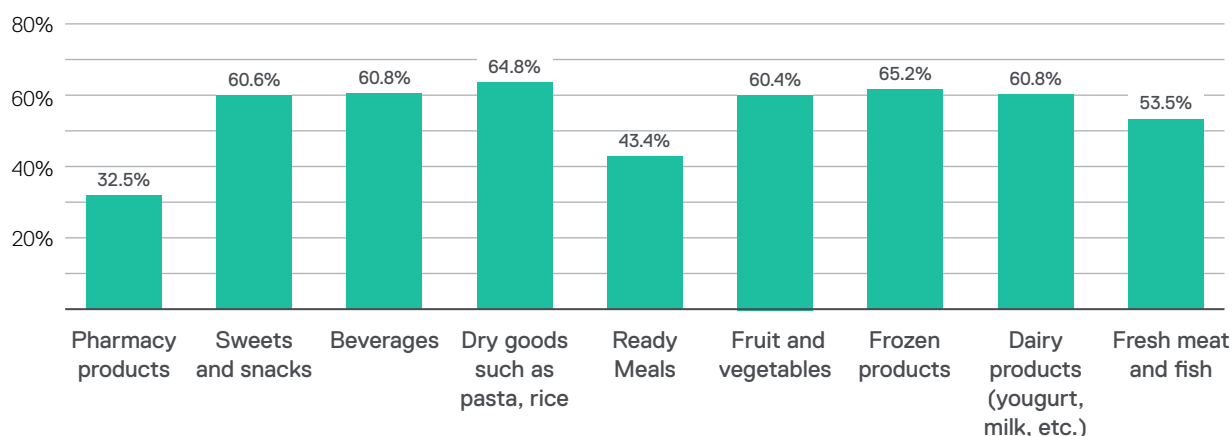


Put simply, there is no discernible difference in the spending distributions between offline and online shopping. This parity indicates that many of those who already shop online (and thus responded to both questions) are using internet ordering and stores in comparable, similar, perhaps interchangeable ways. The early days of online food retail, when it was heavy on wine subscriptions, luxury hampers, and speciality 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, **British online shoppers are buying a full range of standard supermarket items. In most categories, over 60% of respondents reported making online purchases.** Even in fresh meat and fish, the category which tends to provoke the most scepticism in online food retail, this figure was 53.5%. Indeed, only two categories – pharmacy products and ready meals – were not bought by at least 50% of those who shop online.

Which of the following product categories do you buy online?

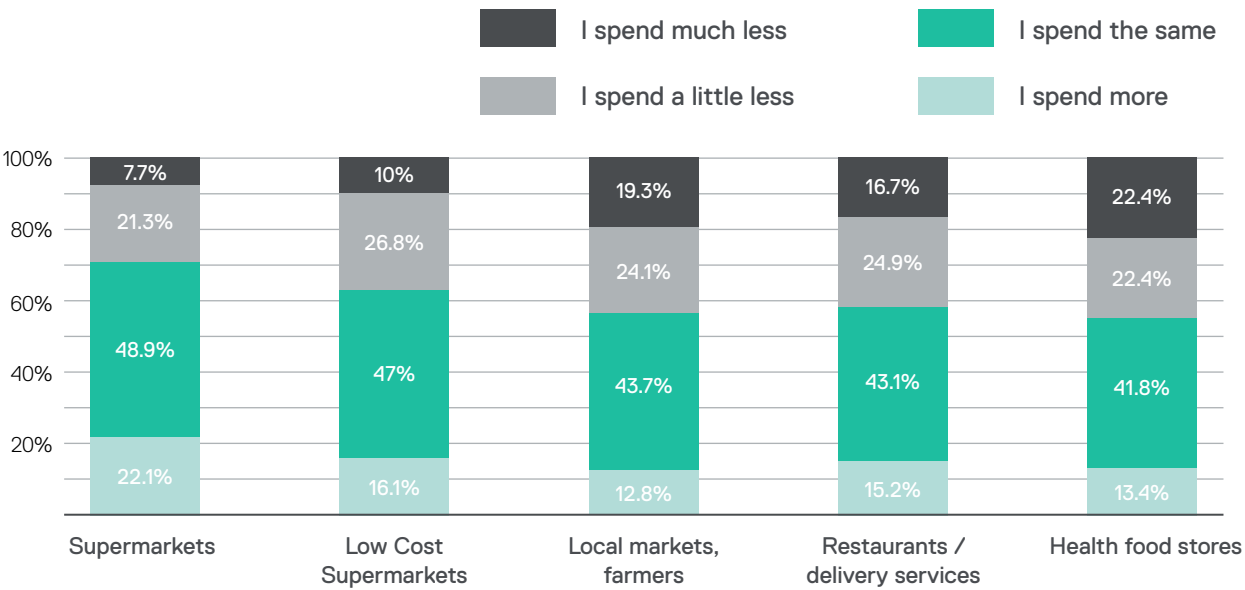


Unexpected effects offline

Taken together, these responses show online ordering behaviour 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, 60% of British consumers are already doing at least some food shopping online and that, of this 60%, the majority are making comparable purchases and spending comparable sums in-store.

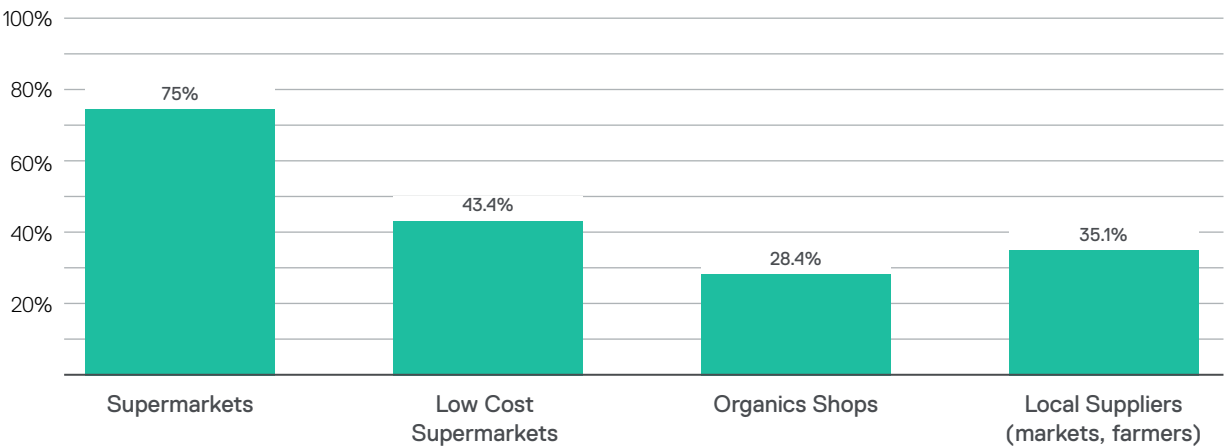
If you buy more groceries online than usual in a given month, how does that impact your purchases at other channels and providers?



Yet when asked **which type of food retailer lost out** when they spent more than usual online, **22.4% of respondents reported heavy cuts to their spending in health food stores and another 19.3% at their local farm shops and open-air markets.** Only 7.7% reported noticeably cutting their spending in supermarkets and only 10% bought markedly less at low-cost providers such as Lidl and ALDI. There are two plausible, linked explanations for what, at first sight, appears to be contradictory data.

Firstly, while 16.9% of respondents have already shifted to buying the bulk of their food shopping online, 41.6% 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 75% and 43.4% 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?



Some supermarkets and low-cost providers, however, do not yet offer online ordering or home delivery – or only in some areas of the country. These results thus indicate potential pent-up demand among the 41.6% 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.

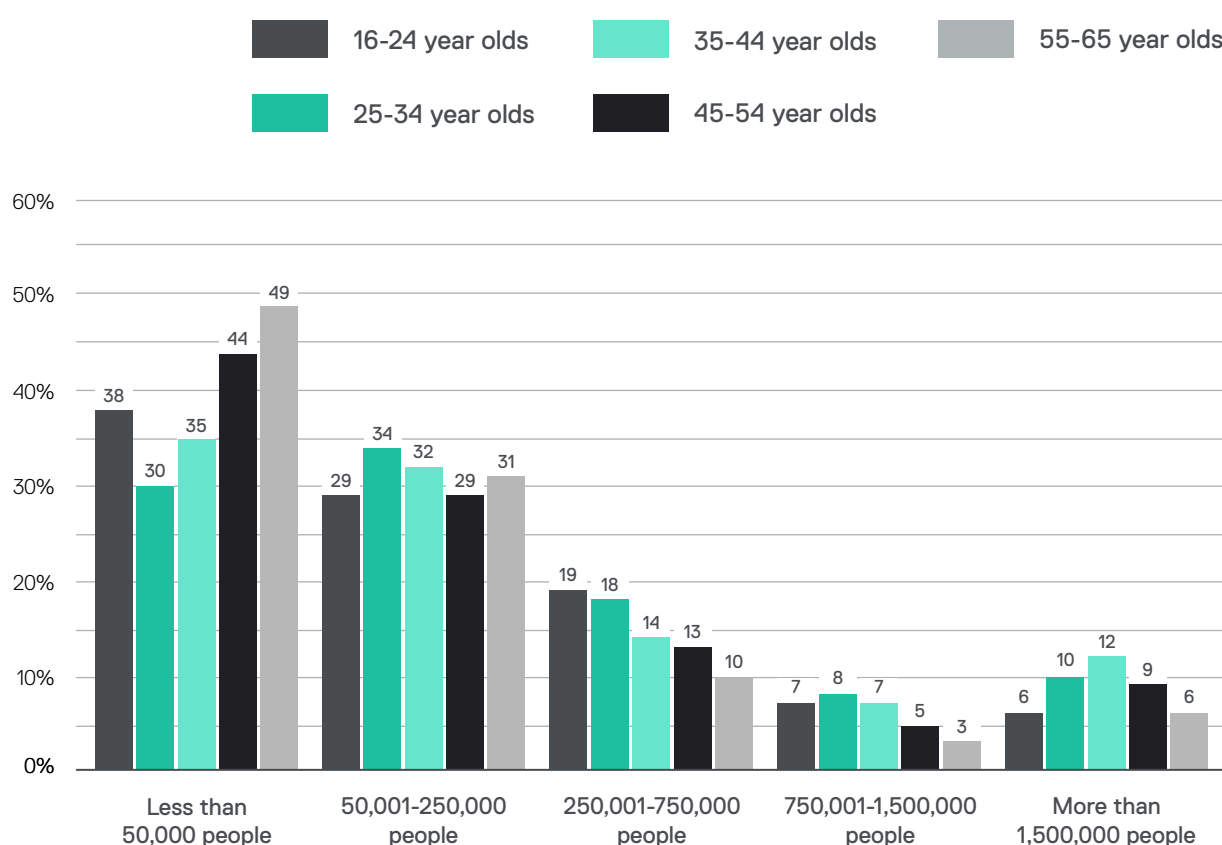
This does not hold true to the same extent for smaller local and speciality retailers: **only 28.4% of respondents think that organic shops should be online, and only 35.1% want to order from local markets and farmers there.** This does not, however, mean that consumers are not ordering organic and speciality 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 organic specialists such as Abel & Cole – recognised by almost one in five participants – are, among

online consumers in this segment, edging out local providers. It is also worth noting that both online pure-player Ocado and multichannel Waitrose have particularly strong organic lines.

High-spending older consumers

Although they represent the smallest group of online shoppers at present (51% 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 (26% rule it out entirely), it's worth taking a brief look at older consumers. For a start, **one clear reason why senior citizens are under-represented among online grocery shoppers is that they are the most likely to live in the smaller towns and rural areas not served by them:** 49% of 55-65-year-olds live in places with populations below 50,000, a figure which declines through the age brackets down to 30% in the 25-34 demographic.

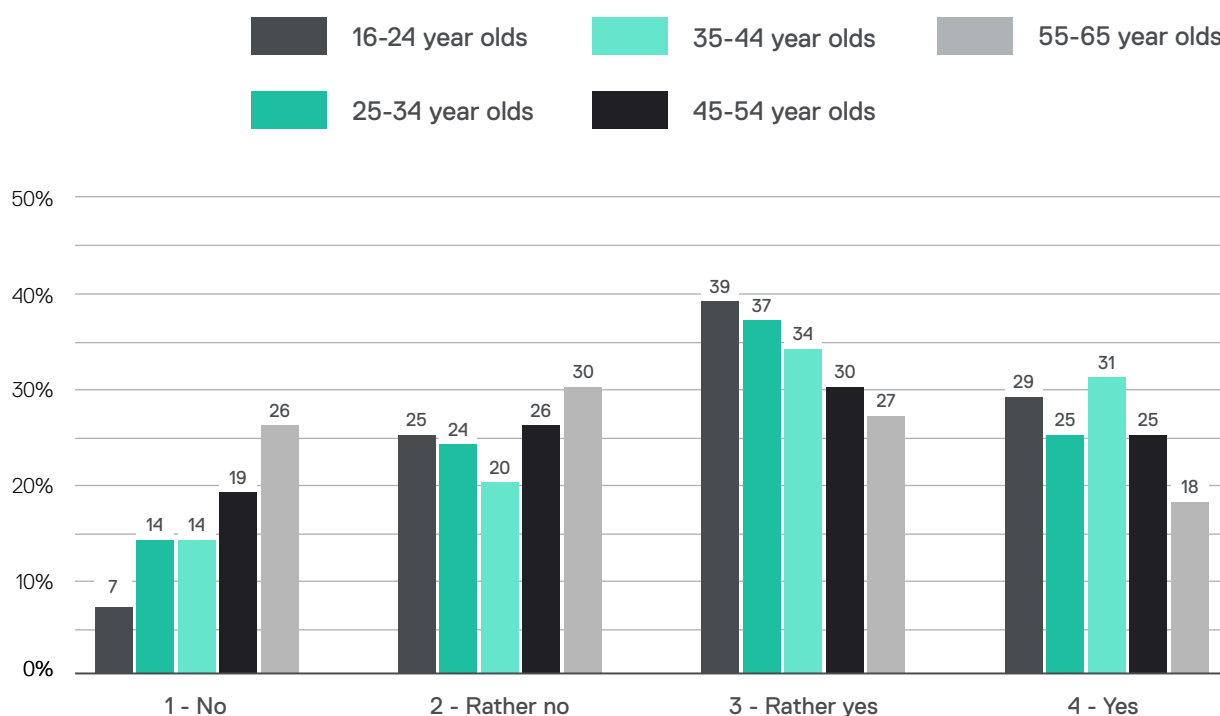
How many inhabitants live in your place of residence?



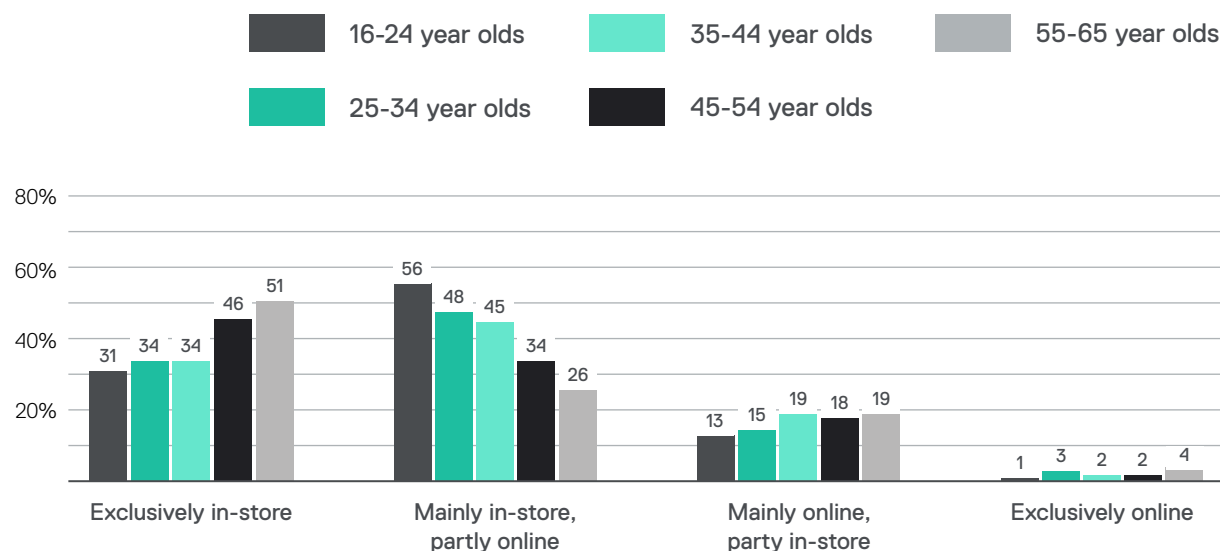
So while older consumers are naturally less predisposed to e-commerce than younger demographics, many of them may also simply be lacking a suitable proposition in the groceries segment. This theory is backed up by other interesting details in the data. When asked what would motivate them to order more online, 10% of 55-65s answered “Better availability in location” as against only 5%

of 22-34s. And among those who don't already shop for food online, for instance, 55-65-year-olds are indeed the most likely to rule out doing so (26%), but are by no means unlikely to try it out. **45% of older respondents who do not already do so report being in principle willing to buy groceries online.**

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



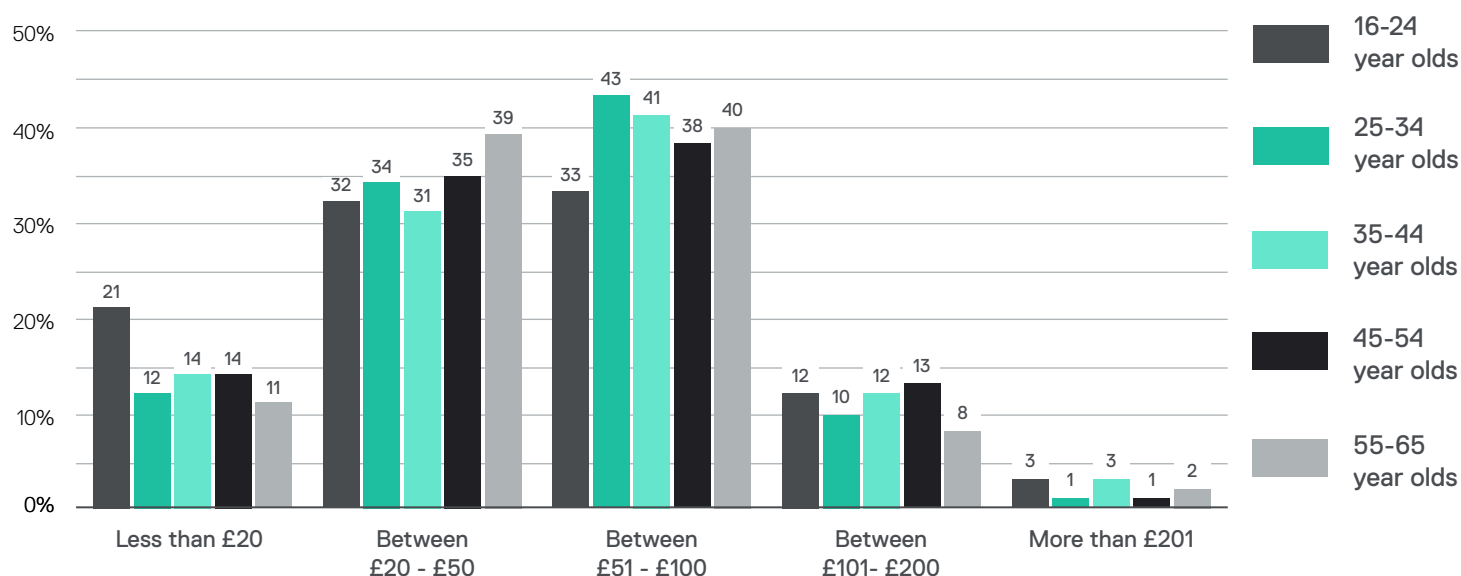
How do you currently buy your groceries?



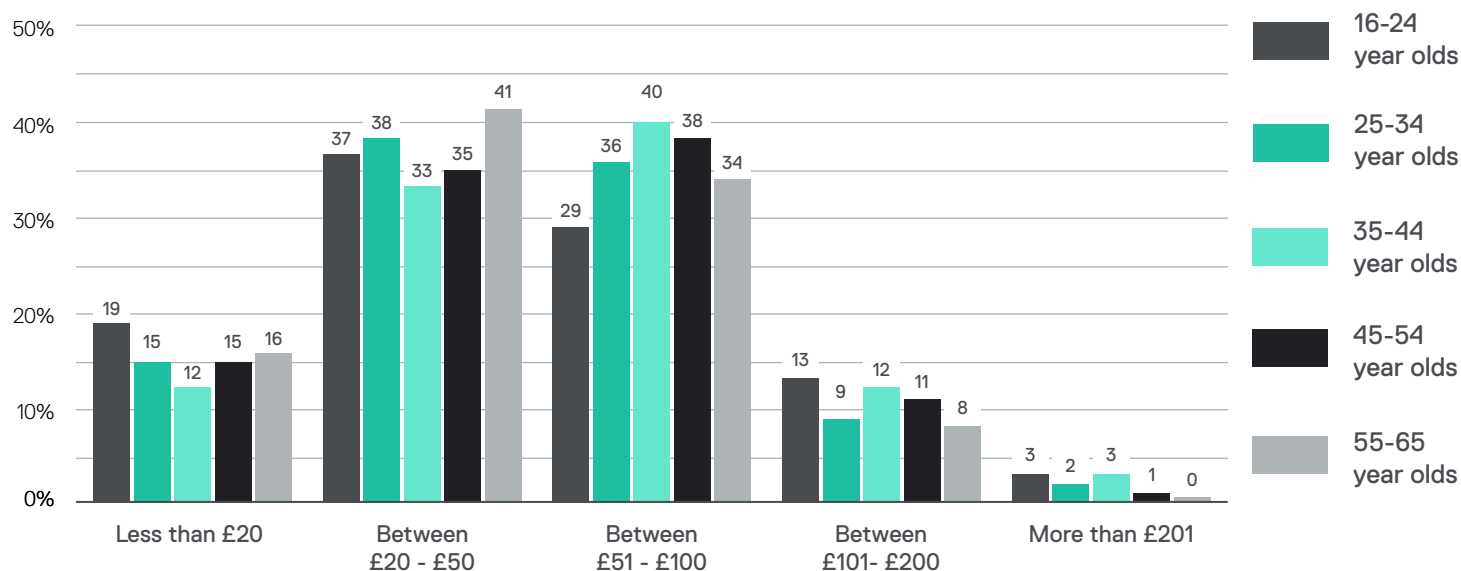
The caveat “who do not do so already” is important, because if half of older consumers are still buying everything offline, this of course means that the other half are already doing some, most, or even all of their food shopping online. 26% buy some and 19% order most of their groceries on the internet. Moreover, at 4%, **55-65-year-old respondents were actually the most likely 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 are the most likely of all age groups to report weekly spending between £20 and £100 (79%). This is actually higher than the 75% in the highest age group who report spends of between £20 and £100 per week in store.

Average spending per week on groceries ordered online



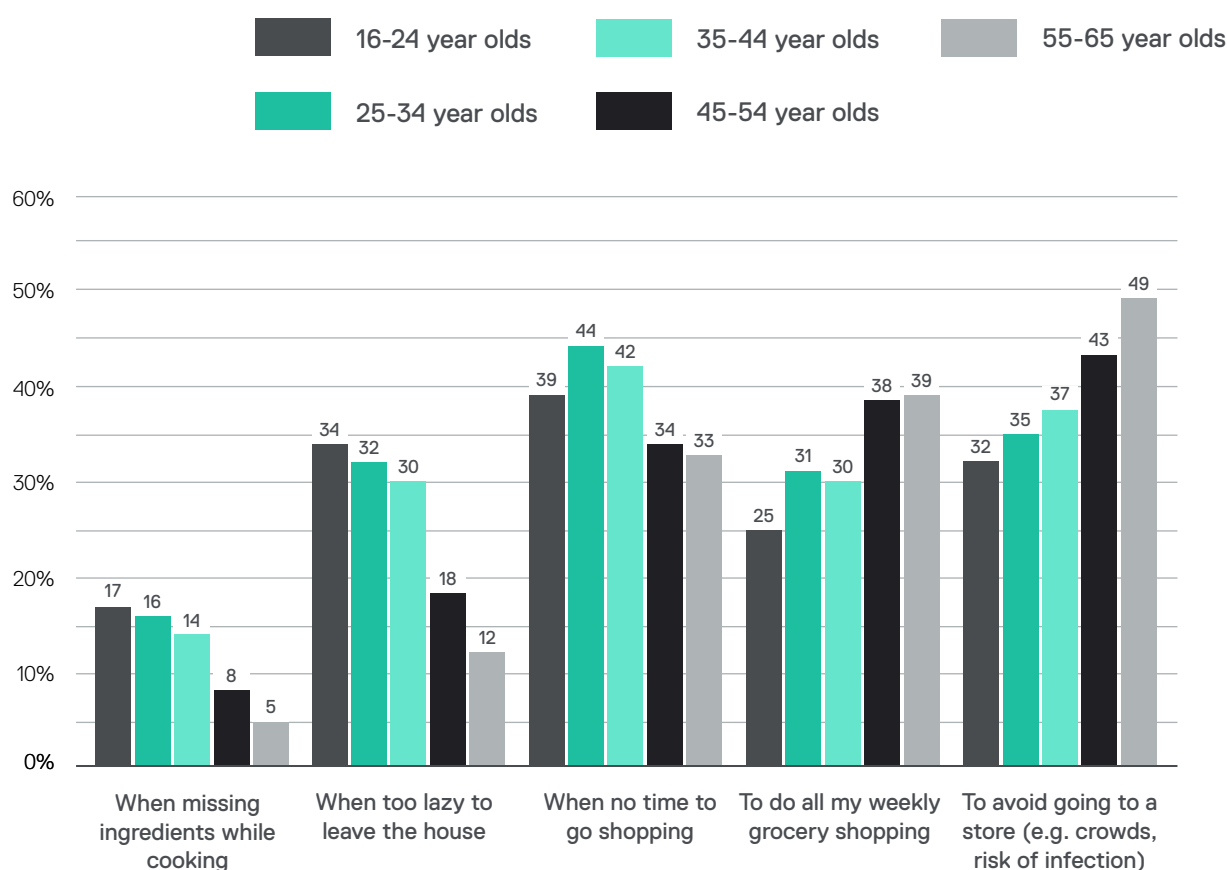
Average spending per week on groceries ordered offline



So when older consumers do start to buy online, the survey results indicate that their spending easily matches, if not exceeds that of younger age cohorts. Partly, this will be a function of Britain's notorious generational wealth disparity: since the late 1990s, those close to or above pensionable age in the UK have consistently enjoyed higher-than-average disposable income. Yet interestingly **the pri-**

mary motivation respondents in the 55-65 age bracket cited for ordering online was the desire to avoid crowded supermarkets and thus minimise the risk of contracting Coronavirus - almost 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?

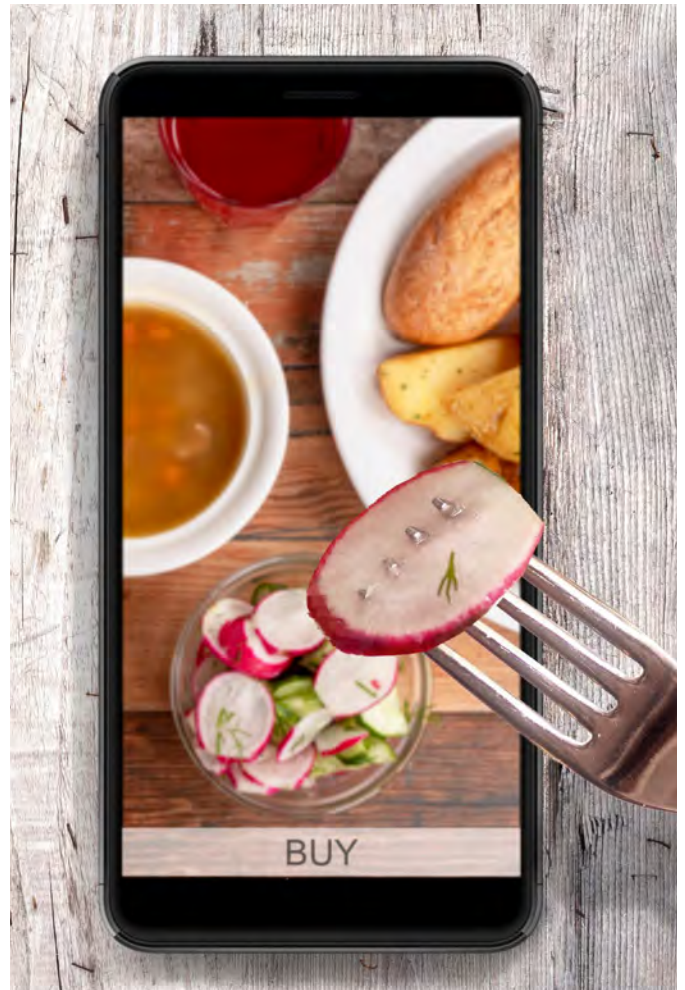


These answers indicate that, as part of a risk group in the pandemic, a non-negligible segment of older customers have discovered no-contact shopping solutions and are now buying the bulk of their food on the internet. While similar tendencies were visible in answers given by German consumers, the perceived risk is much higher among older shop-

pers in the UK – potentially due to a lighter-touch approach to public health measures taken in Britain since summer 2021. **With Covid likely to be seen by many older shoppers as a lasting threat, it is perhaps no surprise that they are also, at 6%, the most likely to want to switch all of their shopping online within the next two years.**

Multichannel as standard practice

Overall, the results of our survey are clear: **the average British 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.** And while factors such as age and location have a noticeable effect – the older and more rural the consumer, the less probable it is that they shop for food online – this is by no means as pronounced as in the US or Germany. Potentially due to the speed with which many established supermarkets have started offering online ordering and delivery and then rolled this option out beyond major cities, **online food shopping has a higher and broader penetration in the UK than elsewhere.** 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 UK market is therefore that, regardless of age, income, and location, their target customer is to some extent already an online shopper: **only two in five UK consumers still do all of their food shopping offline.**



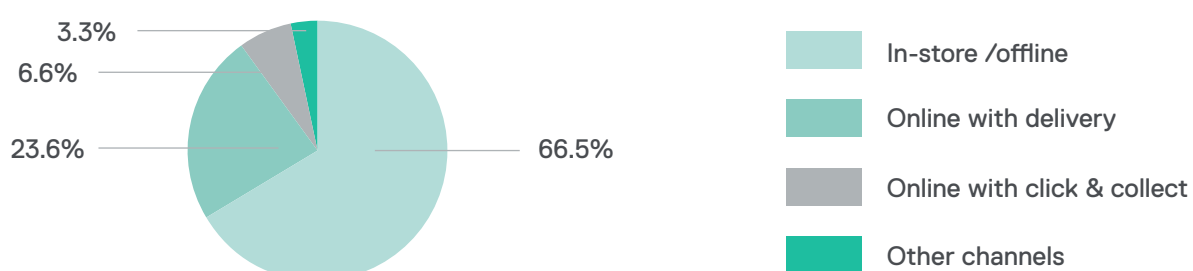


In-store supermarket shopping in the UK

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 the UK in 2022: 39.2% of consumers still

buy all of their food in offline channels, and 41.6% still shop primarily in-store. Moreover, when it comes to reported outgoings, **66.6% of respondents' grocery budgets are still being spent offline** and levels of satisfaction with supermarket shopping are high: **82.5% see supermarket shopping as something pleasant.**

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

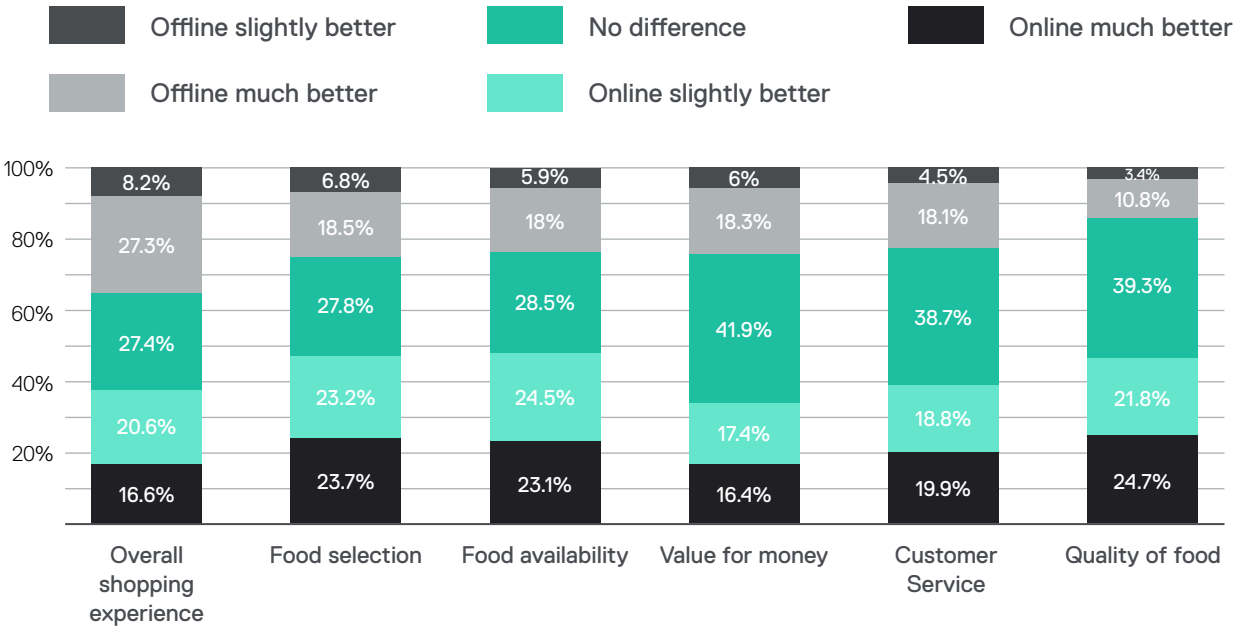


This is a truly astonishing level of customer satisfaction, especially when compared with the US, where only 55% of respondents thought shopping for groceries was a pleasant experience. In Germany, too, customer satisfaction was considerably lower (70%). So British supermarkets must be doing something right – or, at the very least, online challengers are still not getting some things right enough to lure away a larger proportion of the 57.4% of those who still shop wholly offline, but can imagine ordering at least some of their groceries on the internet in future.

Supermarkets are now trading on product, not price

Our survey reveals that in-store supermarkets’ key strengths are now product-based. **Almost half of consumers rate food selection, food availability, and food quality as better offline**, with almost half again stating that in-store providers are “much better” in these three criteria. For all the talk of “ASDA price” and the price-matching wars between Tesco, Sainsbury’s, and ALDI, respondents were actually least likely to rate value for money as a strong suit for in-store food providers.

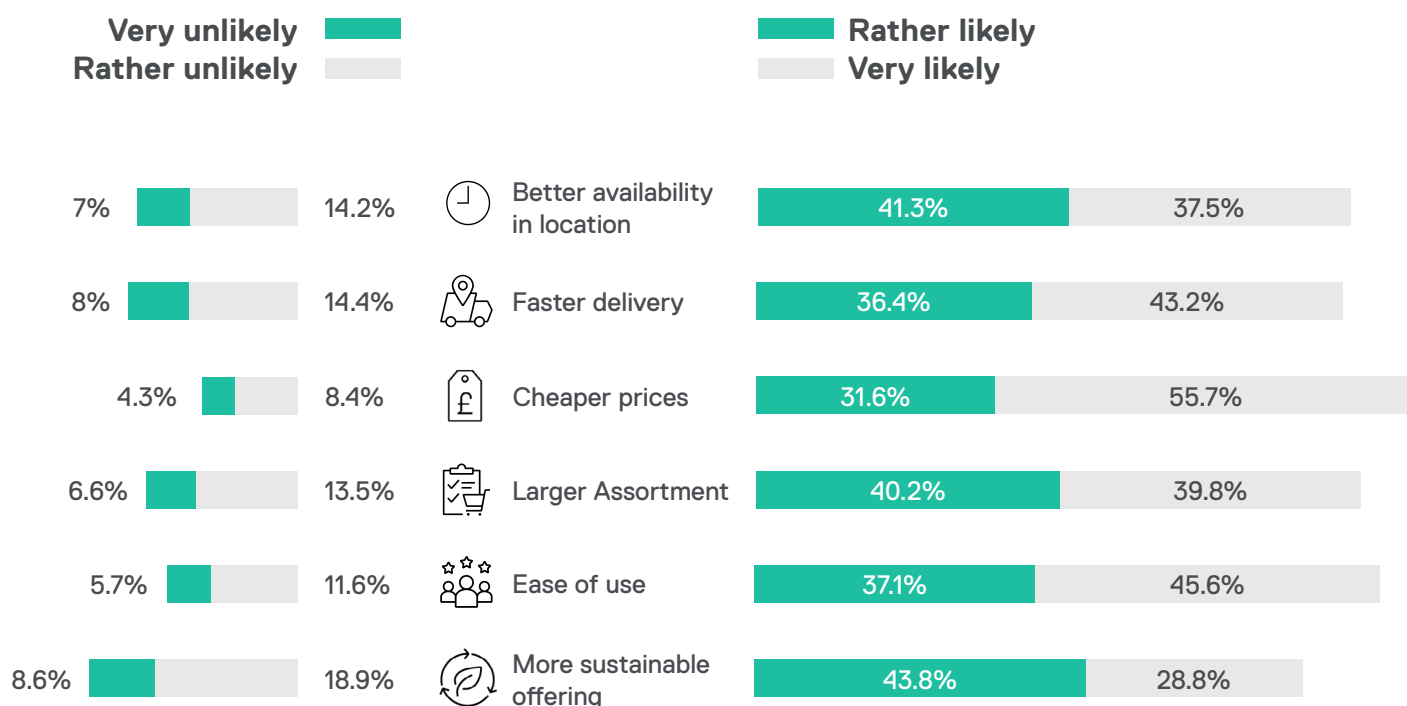
When you compare online and offline grocery shopping, where do you think the following criteria are better solved overall?



What is more, at only 38.7% and 37.2% 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 provides one indication

of where there is a chink in supermarkets’ armour 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)



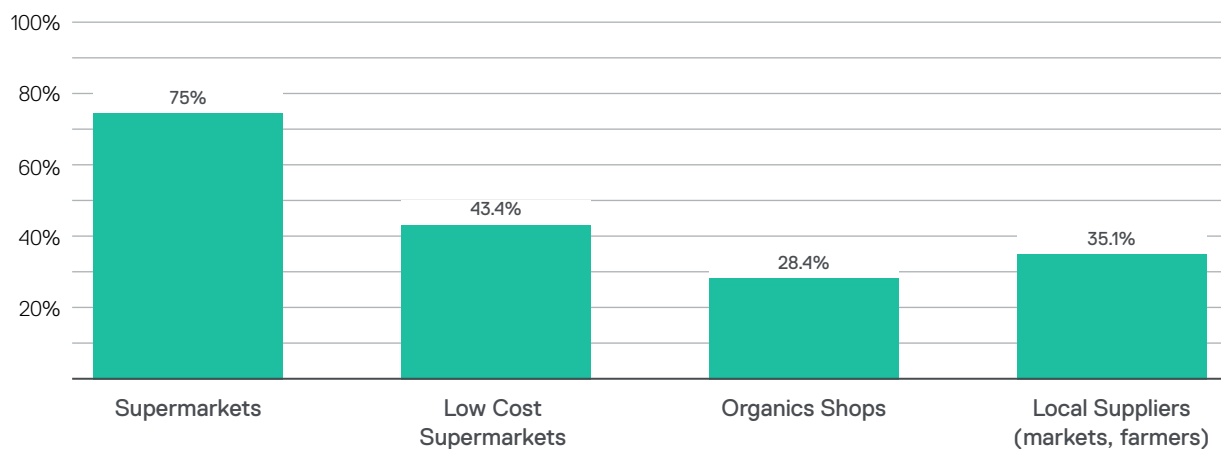
While, predictably during a cost-of-living crisis, lower prices would be the primary motivation (stress on “would”, as they are now unlikely to materialise), **consumers can be lured away from supermarkets by easier user interfaces (82.7% likely or very likely), larger product ranges (80%), and faster delivery (77.6%).** 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 the UK’s exceptional store density 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 UK supermarket providers have eliminated. This goes some way to explaining the discrepancy between the 45% of Americans who see groceries as an unwelcome chore or 30% of Germans who find supermar-

ket shopping unpleasant and the mere 17.5% of UK consumers who actively dislike supermarket shopping.

Strong supermarket brands can, do, and must work online

It is probably due precisely to British supermarkets’ forward-looking, customer-friendly adoption of 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 and home delivery, the more consumers expect it. 75% of respondents say that they want to see these vendors operate in this channel**, an expectation which has rubbed off on low-cost competitors such as ALDI and Lidl, whom 43.4% of respondents want to offer online shopping.

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



British supermarkets which have prioritised the roll-out of online ordering have been rewarded with high rates of brand recognition. **When asked which online grocery delivery services they can name unprompted, seven out of the ten most frequently named providers are established in-store retailers** such as the big four Tesco (first

place; 43.1% of respondents), Asda (second place; 34.5%), Sainsbury's (fourth; 24.2%) and Morrisons (fifth; 20.5%). Indeed, Ocado – the original online supermarket and a major operator at scale for over 20 years – is only in third place (25.6%), followed by Amazon in sixth place (15.2%).

Online delivery services that are top of mind of UK consumers

tesco	43,1% (655)
asda	34,5% (524)
ocado	25,6% (390)
sainsburys	24,2% (368)
morrisons	20,5% (312)
amazon	15,2% (231)
deliveroo	13,8% (210)
iceland	12,2% (186)
uber	9,1% (139)
waitrose	7,2% (110)
eats	6,1% (93)

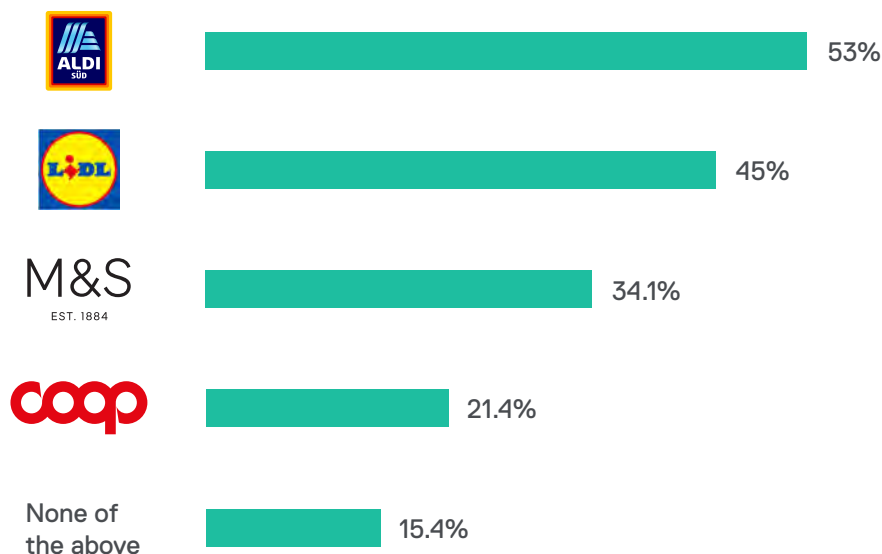


This is radically different from other markets where supermarkets have thus far taken a more cautious approach to online operations. In Germany, only two of the top ten best-known online food retailers are established brick-and-mortar retailers (Rewe, Edeka), and in the US, only Walmart has similar cut-through. What this shows is that the leading UK supermarkets are reaping the benefits of their progressive approach towards consumers' desire to order online – and setting both their fellow in-store competitors and online challengers a high bar.

Indeed, **when asked which providers they would like to see offer more online options, consum-**

ers most frequently answer ALDI (53%), Lidl (45%), M&S (34.1%), and the Co-op (21.4%). All of these are in-store retailers who, to varying degrees, see location as key. The discount-operators ALDI and Lidl pay close attention to socio-economic factors when rolling out their no-frills stores, as does Marks & Spencer (albeit at the other end of the scale). The Co-op, too, is known for its willingness to serve deprived areas avoided by Big Four supermarkets and trades to no small degree on its community credentials. Despite this, our survey indicates pent-up demand for their offer online.

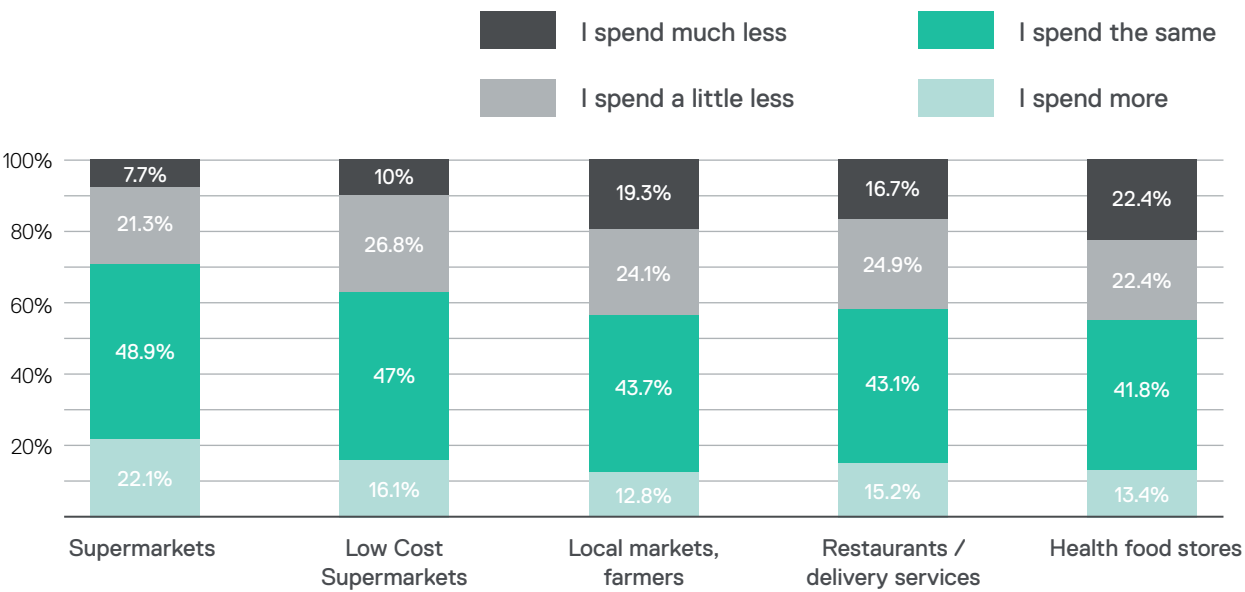
Which company would you like to see offer online food ordering?



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 cannibalising their own in-store sales (the Big Four); or

because they, like low-cost operators (ALDI, Lidl), community stalwarts (Co-op) or premium providers to the brand conscious (M&S), 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.

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



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 cannot yet find what these providers offer elsewhere online

– either in terms of low prices (ALDI, Lidl), local convenience (Co-op), or product range and quality (M&S). UK food retailers who are not yet prioritising online are taking a gamble that this remains the case.





Online grocery concepts in the UK

In terms of its structure, the UK online food retail market is in many ways quite different to its equivalent in other comparable economies. Unusually, an online supermarket set up in the first wave of Mil-

lennial web euphoria survived the Dot-com bubble and is now a giant in the industry, for instance. So while the US saw the spectacular rise and, in 2001, the equally spectacular fall of groceries delivery service Webvan (one of the biggest insolvencies ever), in the UK, Ocado has been expanding steadily since it was founded in 2000 and is now operating both an extensive UK food retail arm and a worldwide technology licensing business.

Originally working in partnership with Waitrose, Ocado later went wholly independent before selling a 50% share in its UK retail business to Marks & Spencer. The interest of established food retailers in its operations from day one stands testament to the forward-looking attitude taken by established British businesses vis-à-vis online operations – and explains why, as examined in the previous section, UK supermarkets have themselves been quicker off the mark in e-commerce than most comparable US and European retailers. Tesco, for instance, the country's biggest supermarket chain, is now making over a third of its £2.6 billion annual sales online³ (i.e. a figure slightly higher than the overall share for online in our survey), and it is a safe assumption that none of the other Big Four operators are now below a 20% e-commerce share.

All of which poses the question: what space does this leave for online challengers in the UK? It is telling that, while many European markets are seeing the rise of full-service online supermarket concepts such as Picnic and Rohlink, the strength of Ocado and the Big Four have made this segment somewhat unattractive for new entrants in the UK. Yet while existing operators have certainly left fewer flanks unguarded than incumbents in other comparable markets, there is no shortage of opportunities for new grocery concepts in Britain. As in the US and other European countries, rapid-delivery services are expanding rapidly, and UK consumers have also proven particularly receptive to meal boxes and restaurant food delivery options.

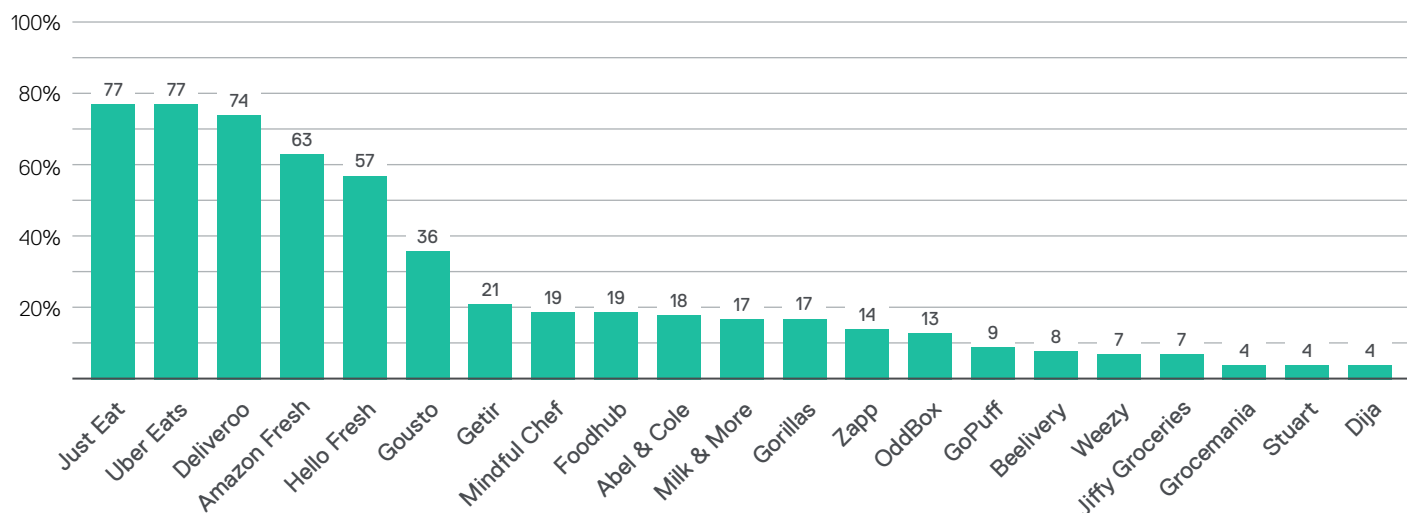
³[Tesco grows online share to 34% as it focusses on improving value](#)

Restaurant food and rapid delivery

It is telling that, when asked to state which online grocery services they know, 9.1% of UK consumers reply “uber” and another 6.1% say “eats”. This puts the ride-hailing-app-cum-take-away-courier in both ninth and eleventh place of the best known online groceries brands (snapped around Waitrose in tenth) – despite the reality that UberEats is not primarily a purveyor of groceries. The fact that the familiar abbreviation “eats” has entered into usage shows, however, that when many UK consumers think of ordering food online, they think of Uber. Indeed, **when given a list of operators in online food delivery, 77% of survey respondents recognised Uber Eats, putting it on an equal footing with Just Eat. Deliveroo followed in third place with 74% brand recognition.** This puts the three services over ten percentage points ahead of the next most recognised internet food delivery operator, Amazon (63%), and shows that, for UK consumers, they are almost synonymous with ordering food online.



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



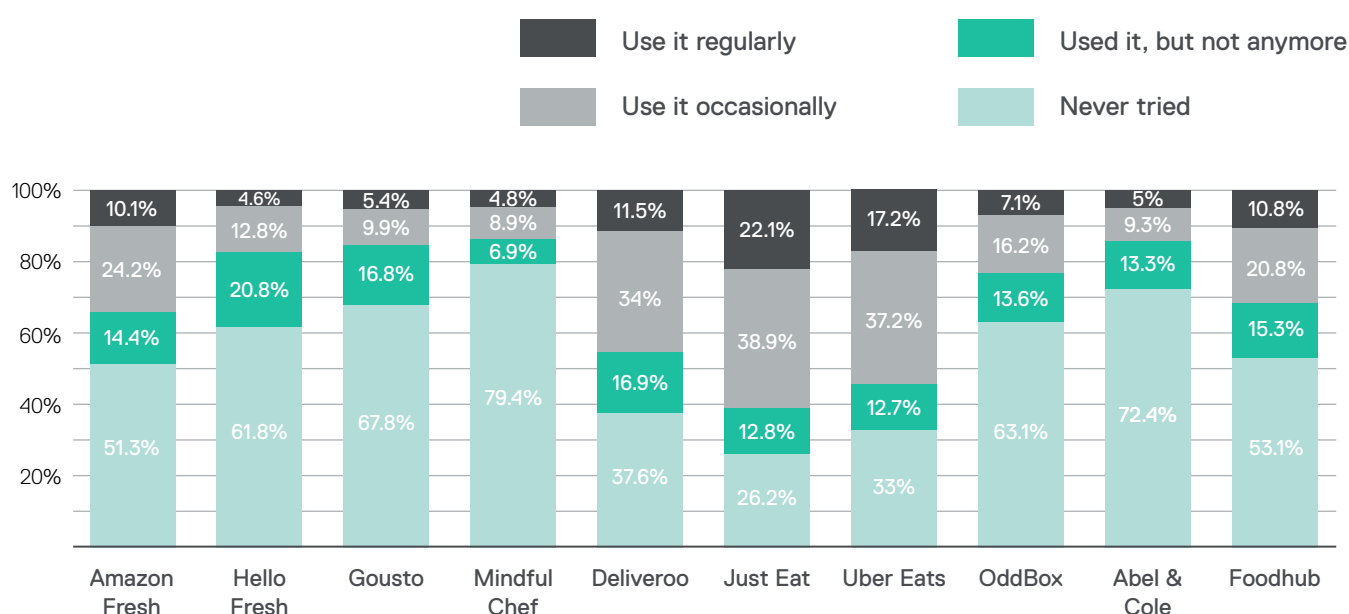
Although this may seem like consumers (or indeed researchers) mistaking online takeaway ordering for online food shopping, there is more than semantic slippage at play here. While Deliveroo started life as a courier for the home delivery of restaurant meals, it has actually been offering grocery items for several years now – and is operating dark stores for its on-demand operation, Deliveroo Hop. The same goes for UberEats who, although marketing itself primarily as a platform for restaurant meals, has been quietly expanding its food shopping options, with dedicated “Grocery” and “Convenience” search options offering speedy deliveries from partners such as ASDA and Londis.

This mix of retail forms is a hallmark of the UK market – and goes some way to explaining why, although they are expanding at a pace, specialised 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. In the German market, where Deliveroo ceased operations in 2019, leaving Lieferando unchallenged, Gorillas changed the game, becoming the first at-scale provider of rapid grocery deliveries.

In the UK, however, **Gorillas** has found a far more crowded market full of savvy consumers, meaning that its **strong brand recognition of 17%** is unexceptional. Direct competitor **Getir is running at 21% and a range of other on-demand providers (Zapp, GoPuff, Jiffy, Weezy) also enjoy recognition rates of between 5% and 15%.** And then, of course, there is the sky-high recognition for Deliveroo, Just Eat, and Uber Eats – which combines with equally strong use rates. These three are, by some margin, the online food services with the highest take-up among our survey respondents.

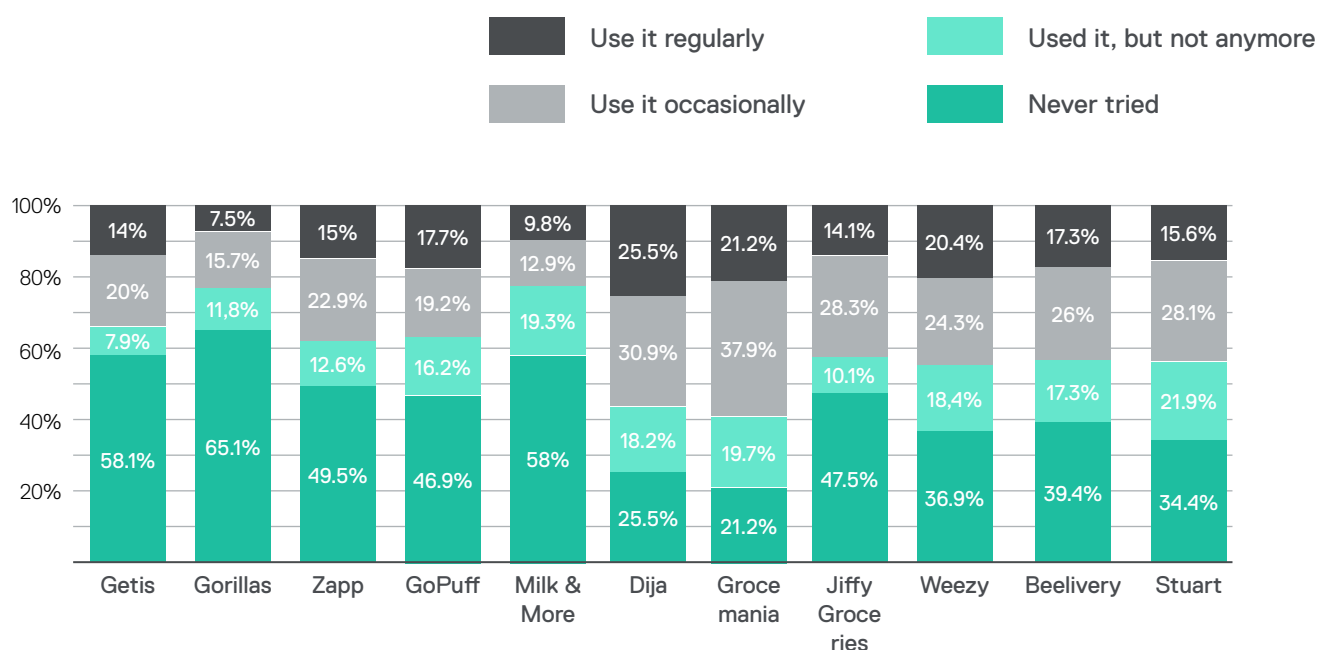
Please indicate what experience you have had with the following online grocery delivery services



The fact that **61% of respondents use Just East (22.1% regularly), 54.4% are Uber Eats customers (17.2% regular), and 35.5% order with Deliveroo (11.5% on a regular basis)** shows how well established they are in the UK – and, importantly, how quickly they have been able to roll out their operations across the country. One key difference between these three primarily restaurant-focussed delivery services and dedicated on-demand grocery players is the logistics concept. While the food shopping options provided by Uber Eats, Just Eat, and Deliveroo simply connect users with local stores, who then pick and pack the orders, providers such as Gorillas, Getir, and GoPuff run their own dark stores, streamlined to provide the super-fast service at the core of their proposition.

While their asset-light aggregation approach has allowed Uber, Just East, and Deliveroo to grow fast, the pace of expansion in the ultra-rapid services' logistics capacity is nonetheless prodigious. In early 2022, there were already 200 dark stores in the UK, with analysts predicting 1,500 by 2030⁴. Market leader Getir is running well over 100 locations, while GoPuff and Gorillas are both in the mid-30s. Then there is the plethora of smaller, often local operators, from Jiffy in London to Zoom! in the Welsh Marches. And so the race is on to provide consumers across the UK with at least a basic selection of grocery items in under an hour – and huge amounts of venture capital are pouring into the segment.

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



⁴Rapid grocery dark stores in UK set to number 1,500 by 2030

In this asset-heavy segment where expansion is costly, this capital is much needed. Fortunately for those providing it, our survey indicates that significant returns may await: **respondents who had heard of on-demand fast delivery services were likely to have become at least occasional and, in many cases, regular users.** Grocemia stands out with a conversion rate of 49.1%, meaning that one in two people who had heard of the brand were also using it. Dija, acquired by US market entrant GoPuff just eight months after it was founded in autumn 2020, also proved adept at turning brand awareness into custom, converting 46.4%. Other operators such as Jiffy, Weezy and Beelivery, were all at around 40% take-up, too. The fact that Getir, Gorillas, GoPuff, and Zapp have significantly lower rates of conversion is probably a function of their high levels of brand recognition overall as the biggest players in the segment rather than a failing on their part.

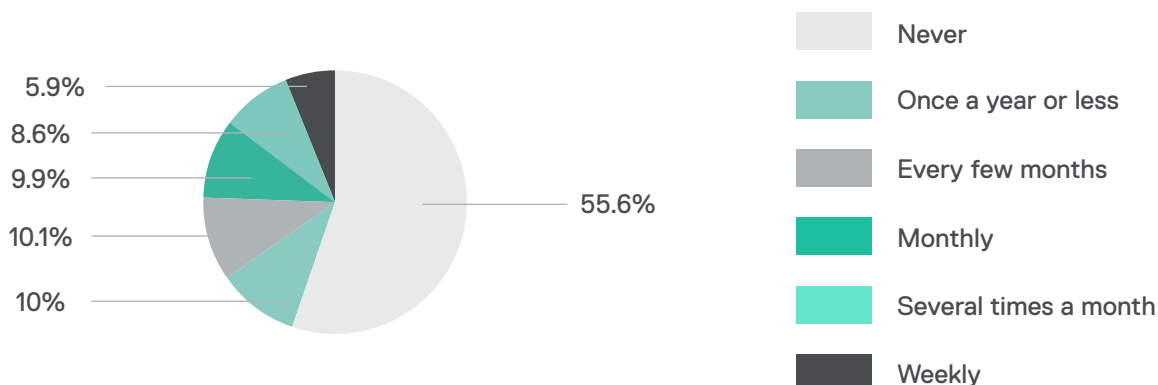
There is no greater proof of the potential in ultra-fast food shopping than the fact that UK supermarket chains are, true to form, taking a proactive role in shaping the new segment. Going by the principle of “If you can’t beat them, join them!”,

Tesco – which trialled its first one-hour service back in 2018 and is now returning to the fray with Tesco Whoosh – has admitted Gorillas to three of its superstores, while Waitrose has piloted dark store tie-ups with Deliveroo’s rapid-grocery service Hop. Sainsbury’s, too, is moving to roll out its own one-hour Chop Chop delivery service across over 20 UK cities and online incumbent Ocado is dipping its toe in the ultra-fast segment with its Zoom option. As in other segments, it would be foolish to underestimate the ability of the Big Four and the UK’s innovative food retail sector to adapt to changes in the market and use both build and buy strategies to maintain market share.

Food boxes and meal kits

Our survey also revealed the strength of a segment in the online food market that, while not strictly grocery shopping, is certainly competing for a share of what consumers spend ordering edibles to their doors: DIY meal boxes. It is striking that almost half of British households order at least one pre-prepared make-at-home kit a year, with a quarter ordering them once a month or more.

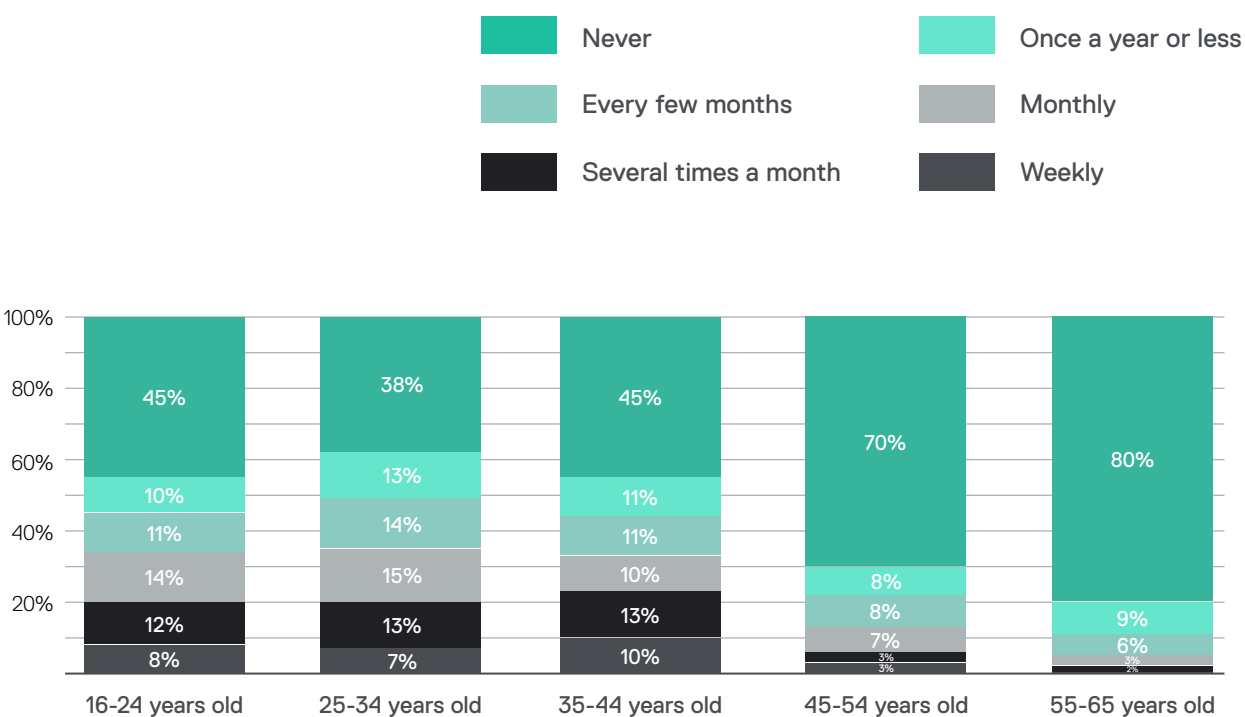
How often / do you ever order DIY meal boxes? (e.g. Hello Fresh / Gousto)



The popularity of DIY meal boxes is also borne out by **strong brand recognition for providers Hello Fresh (57%) and Gousto (36%)**. In contrast to other areas of online food shopping, there was a clear age dynamic at play, with only 20% of

55-65-year-olds having ever ordered a food kit at all while, in the 25-34 bracket, over 60% of respondents bought at least one a year – and 35% used them once a month or more.

How often / do you ever order DIY meal boxes? (e.g. Hello Fresh / Gousto)



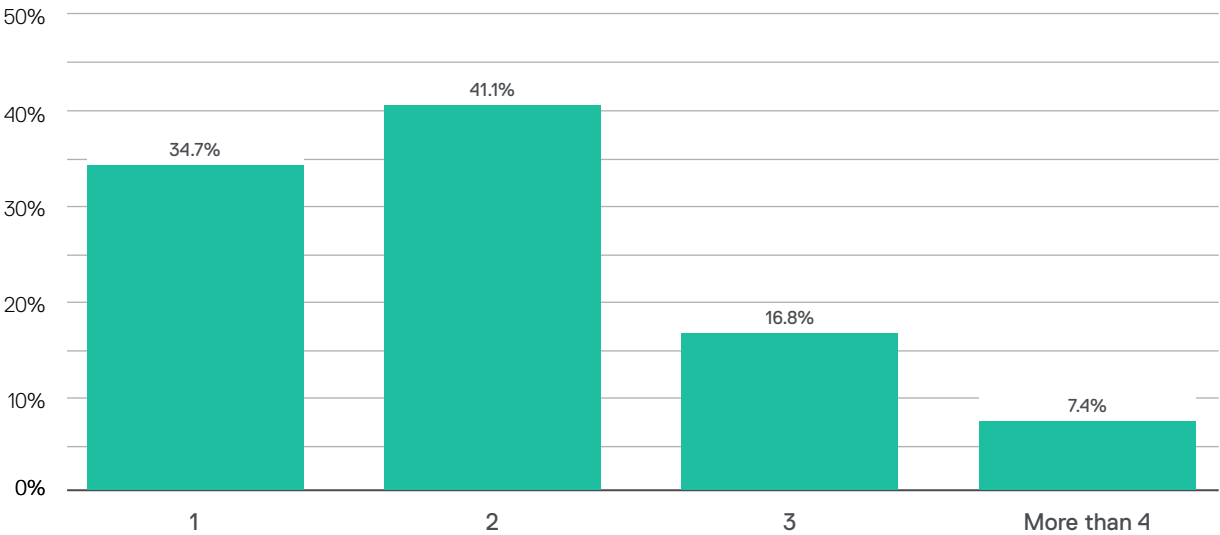
There are potentially several factors here. First and foremost, younger cohorts are more likely to be in full-time employment and so feel time pressure: **44% of 25-34-year-olds state a lack of time as a motivation for buying food online, but only 33% of 55-65-year-olds**. Also, younger consumers are more likely to live in rented accommodation

in urban centres, often with small or shared kitchens, where cooking a full meal from scratch can be challenging. And as basic kitchen skills decline, younger age groups require far more guidance in preparing meals than older consumers. Certainly, DIY meal boxes are a fixture of online food shopping in the UK and will remain so.



Ordering patterns

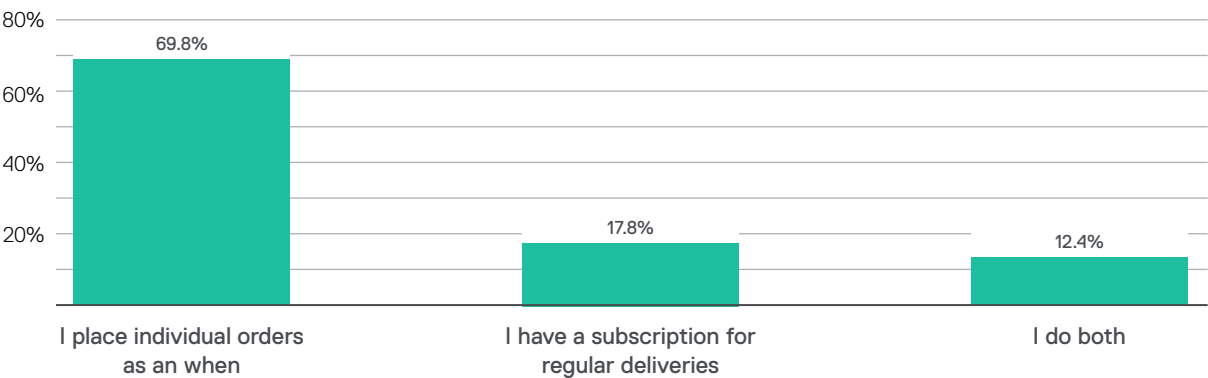
How many different platforms / services do you use to order groceries online?



Our survey shows that the average online food shopper in the UK uses more than one provider: **41.1% of respondents order with two platforms or services, with a further 16.8% using three.** (In larger cities, around 35% of respondents shop with three or more providers.) **Standard user behaviour is to place individual orders each time; subscription models are not the norm.** 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. For many consumers who fear losing control over what food they are delivered, a repeat order function may prove more attractive than a subscription offer. **Nevertheless, subscription models are an important part of online groceries, with a quarter of consumers 30.2% currently receiving regular deliveries.** In many cases, this subscription may represent a part of the weekly shop, but may also be speciality items (wine subscription or similar).

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

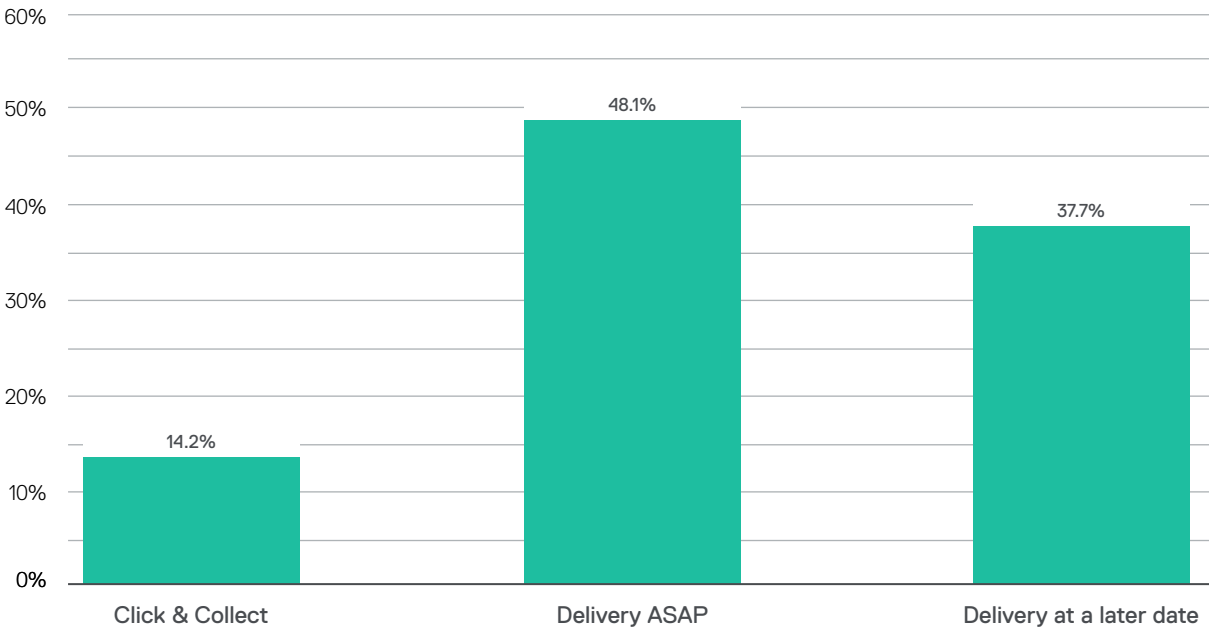




It is likely that for the average consumer using two providers, one of these is a supermarket chain. The other is most probably a takeaway delivery service such as Deliveroo, Just Eat, or Uber Eats, but there is an increasing likelihood that it could be an ultra-fast delivery app. Either way, **48.1% of UK consumers who buy food online want their orders delivered to their homes as quickly as possible. A further 37.7% are happy to wait a little longer, but also want their order to come to them.** This tallies with the most common motivations for buying food online: a lack of time

(38,9%) and the wish to avoid crowded supermarkets (38.6%). It also corresponds to a disarmingly honest answer given by 26.3% of respondents, who say they order online when they're "too lazy to leave the house". **This means that the pick-up in-store option is a niche taste: only 14.2% of online shoppers prefer this option.** Supermarket operators pushing click-&-collect models – often out of a wish to bring customers into stores and to avoid courier costs – should be aware that consumers do not share their preferences here.

Which option do you prefer for groceries purchased online?

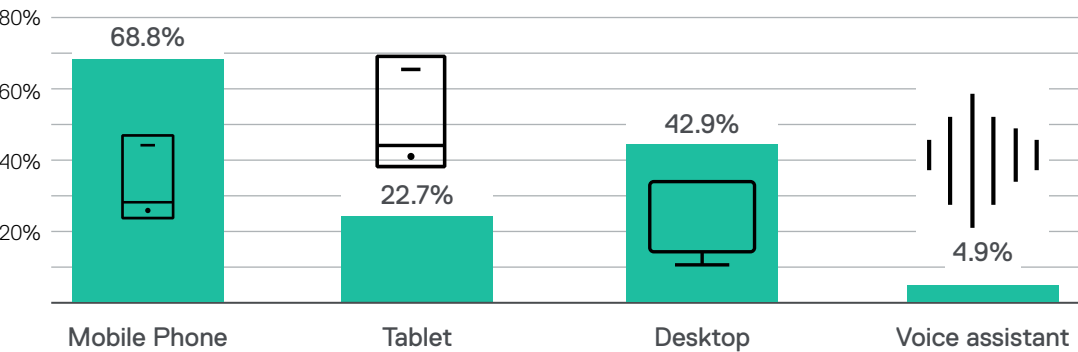


Device usage

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 **68.8% of respondents use a mobile device to order groceries online**, it is also true that **42.9% place orders on desktop computers and a further 22.7% 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 generally have no other option than to order on smartphones and tablets (Getir, Gorillas, and GoPuff are wholly app-based), but these same users may prefer the more methodical nature of desktop ordering – and, not least, the larger display – when doing a more comprehensive shop with a full-service online supermarket.

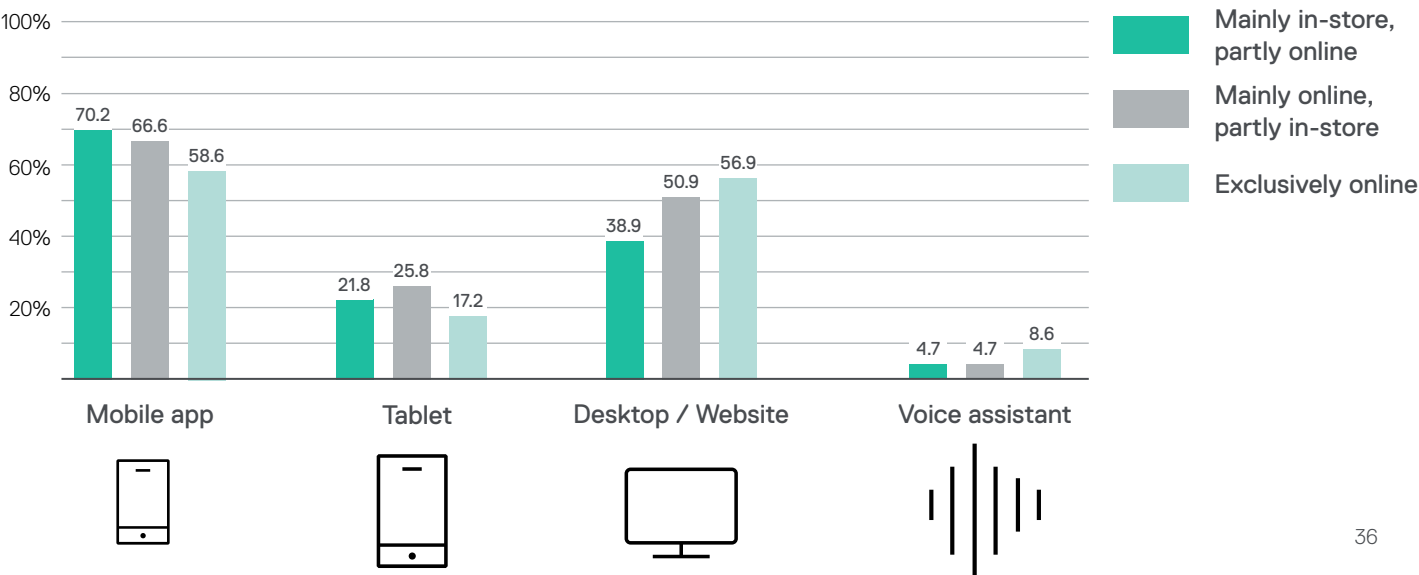
Which option do you prefer for groceries purchased online?



Support for this interpretation comes from segmenting device preferences by online/offline preferences. Counter-intuitively, **mobile usage is highest among respondents who still do the majority**

of their shopping in-store (75%), with desktop usage most widespread among those who do most of their shopping online (46%).

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

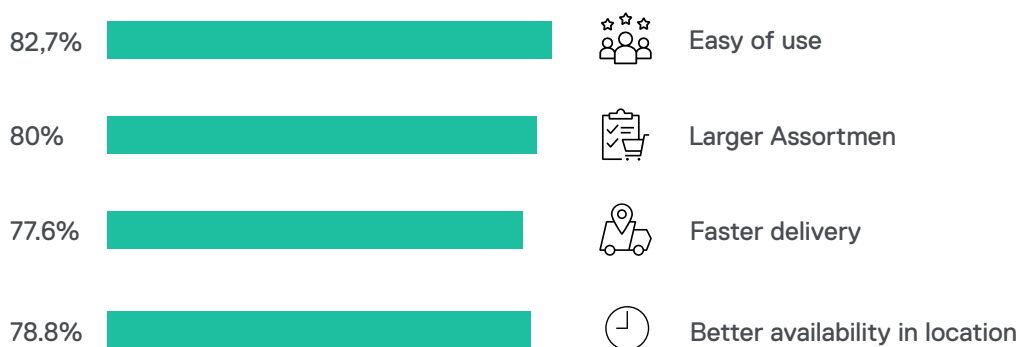


Another insight from segmenting the data this way is the **importance of voice ordering for regular and intensive users**. While voice devices are used by only 4.9% of all respondents overall, this figure rises to 8.6% among those who shop exclusively online. The overall takeaway is clear: with the exception of on-demand concepts offering ultra-fast convenience, online providers cannot afford to neglect any device groups. Especially merchants targeting customers for a full weekly shop need to be as accessible on Amazon's Alexa as they are on Microsoft's desktop browsers or in Android and Apple app stores.

Areas for improvement

Usability was one of several areas where our survey revealed room for online operators to improve. After lower prices (and who wouldn't want those?), ease of use was cited by survey participants as the most likely factor to get them shopping online more often: **82.7% said it would be likely or very likely to increase the amount of food they buy online**. Other factors cited were a larger product range (80%), faster delivery (77.6%) and better availability in the respondent's location (78.8%). These answers make it clear that the two key priorities for suppliers must be user experience and logistics expansion.

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

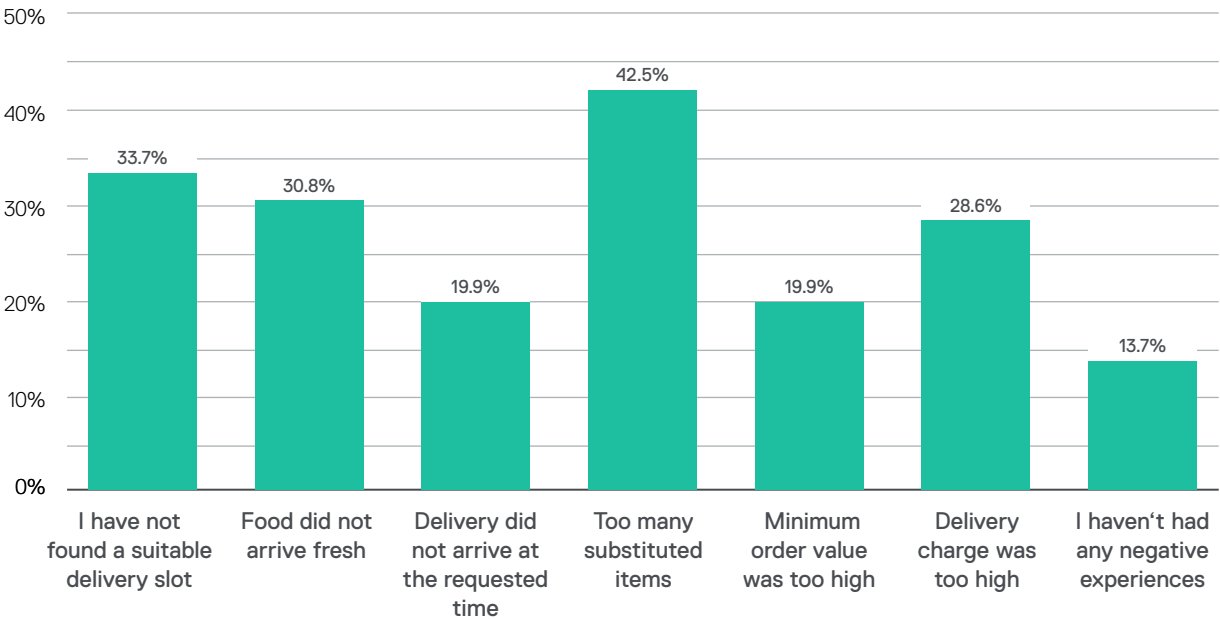


The importance of user experience stands out in UK data: only 43% of German consumers, for instance, cited ease of use as a key factor. Interestingly, however, this figure was higher among German consumers who had already started to shop for food online. The same is true in the UK: **among those who buy most of their food online, ease of use was given by 90% of respondents as a factor likely to encourage them to order more**. A plausible hypothesis is that, once consumers have started to shop for food online, usability naturally becomes more important to them. Given that the UK is a more mature online market, with 60% buying at least some food online (compared

to 30% in Germany), it now has a large number of discerning customers who have come to value smooth user interfaces.



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



When it comes to logistics, providers will need to focus not just on area coverage and speed of delivery, but on product availability. By far **the most commonly cited negative experience with online food shopping was that too many items in an order had been substituted**: 42.5% responded that they had had this happen, almost 10 percentage points more than any other issue. **Another common problem was a perceived lack of freshness** (30.8%), and these complaints match up to the overall perception among customers that in-store

supermarket shopping still offers better food selection, availability, and quality.

This is not an unimportant detail: when it comes to food, most consumers are unwilling to compromise, as outrage about empty shelves around the end of the Brexit transition period reveal. When it comes to retaining customers online, food quality and reliable order fulfilment will be key levers for providers – easily as important as delivery slot availability and speed.



Conclusion

Our survey paints a portrait of a UK market in the middle of rapid transformation. This is a transformation being driven by consumer demand – and one to which, thus far, most market participants are responding. Even supermarkets and other food retailers which have not yet focussed on online ordering are, even if only through tie-ups with platforms like Uber Eats, available to consumers at home. This fluidity between retail forms is a particularly visible characteristic when the UK is held up against other, more conservative markets.

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

In the not-so-long term, however, established food retailers with secondary, outsourced, or partnered online operations will face a moment of truth.

Already, two in three UK 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 the two-thirds 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 these providers improve their user experience (both in terms of technology 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.

As a cost-of-living crisis looms, consumers will be looking for the best deal – online as much as anywhere else. While this is unlikely to lead to all-out price wars (there is, in light of the current crises, simply no scope for them), it does mean



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, 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

Any new market entrants in any segment of online food retail in the UK have a hard climb ahead of them. Whether supermarket online operations, pure players such as Ocado, or on-demand app-based convenience stores, all are already supplying millions of customers with food to their homes. Compared to other markets, online take-up in the UK is high and the existing providers are strong.

Nevertheless, in-store retains greater allure than it otherwise might thanks to the range and quality of its products. Also, with high density and good design, supermarket shopping in the UK is quick and easy. Any provider who can offer better products (fresher food, more variety, higher availability) and make shopping even easier (improved interfaces) stands to do well in this mature market full of inquisitive online consumers.





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About Spryker

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