1010DATA

# State of GROCERY REPORT

March 2021

## HOW OMNICHANNEL BECAME A REALITY IN 2020

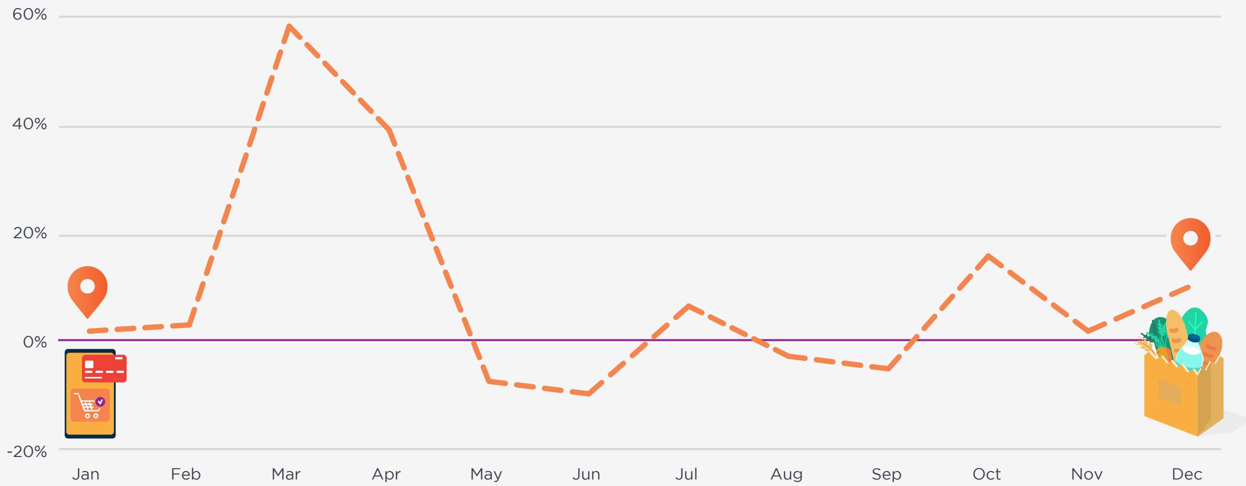
It took an unthinkable pandemic to drive revolutionary change to grocery. While total eCommerce spending grew 66% year-over year from 2019 to 2020, total online grocery spending increased 133%. For all the pain and grief the pandemic has caused, in the grocery industry, it brought together the physical and digital worlds for the first true omnichannel shopping experience.

# CURRENT STATE OF AFFAIRS

## Omnichannel is Realized

Today, mass delivery, buy online, pickup in-store (BOPIS) and curbside pickup sales are happening in previously unthinkable proportions. At 1010data, we believe many of the changes catalyzed by COVID-19, and the new behaviors manifested by consumers are here to stay. Through our data, we've seen that reliance on historical sales performance alone has been minimized. We continue to see a near real-time pulse on consumer buying behavior be a key strategic imperative as retailers simultaneously manage continued change at a local level due to vaccine rollouts, and future unanticipated spikes from pent-up demand. Without this timely insight, how can you keep pace with future outcomes?

Month-Over-Month Lift for Online Grocery Sales




Source: 1010data Market Intelligence: eCommerce Data, 2020

Within this report, we leverage insights derived from our consumer spending datasets that make the case for three significant actions retailers and brands should take to stay ahead of the curve in 2021 and beyond, based on measurable industry successes seen in 2020. We will cover how the COVID-19 pandemic has impacted and forever changed consumers' grocery shopping behaviors, what has driven these changes within the grocery industry, highlight what changes we expect to remain moving forward, and provide data that quantifies this once-in-a-lifetime shift, to help retailers envision how to keep innovating and prepare for what's next.



1010DATA

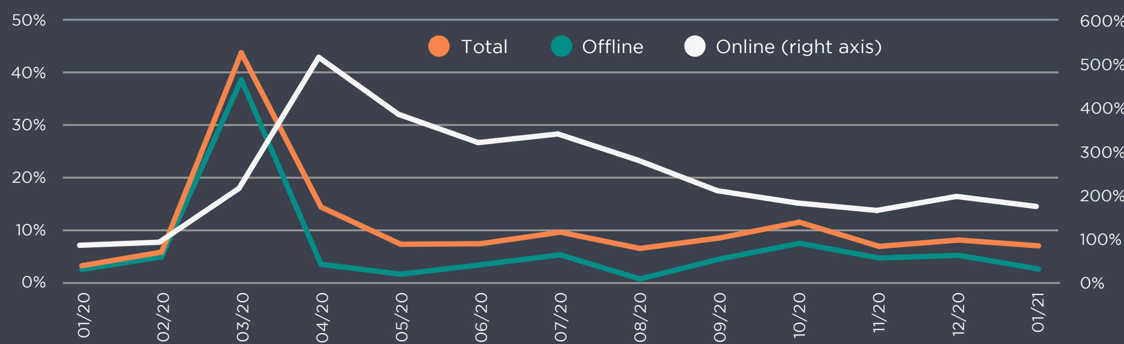
# PRE-PANDEMIC—
# WHERE DID WE BEGIN?

## The Evolution of Online Grocery Shopping

In 2006, Amazon began to sell groceries online for the first time. Twelve years later, Walmart expanded their grocery delivery service to cover 100 metropolitan areas and their BOPIS service to cover 69% of all U.S. households. That being said, by year-end 2019, online grocery and grocery delivery services only totaled a mere 8% of annual grocery spend, with Walmart claiming #1 market share for total online grocery delivery sales.

In March 2020, in the days that followed the public acknowledgement of COVID-19 as a pandemic, consumers flocked to grocery stores with stock-up intent, **sending year-over-year grocery sales up nearly 40%**. During that timeframe, wholesale club foot traffic, was up 30% year-over-year as consumers avoided online shopping in favor of "guaranteed" stock.

### 2020 vs. 2019 Year-Over-Year Grocery Sales Growth

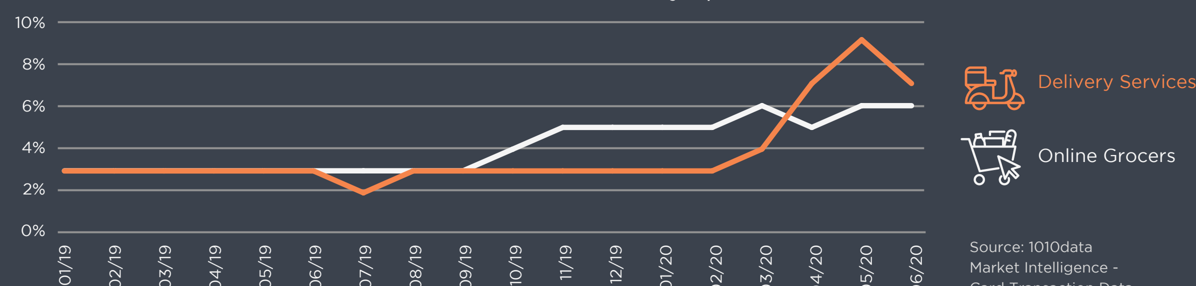



Source: 1010data Market Intelligence: Card Transaction Data

Safety, availability and convenience became key priorities and online grocery ordering hit an inflection point. By the end of April, accelerated customer adoption led **online grocery to capture 15% of total grocery sales**, a trend that continued through mid-June when state lockdowns temporarily lifted.

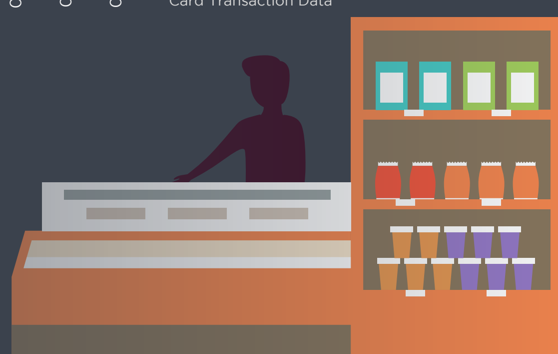
As seen within the below chart, in early 2019, "Online Grocers" and "Delivery Services" had similar shares of the total online grocery market, but as "Online Grocers" began to have difficulty fulfilling orders in April, more consumers began to try "Delivery Services" (like Instacart) for the first time.

### Total Share of Grocery Spend




Source: 1010data Market Intelligence - Card Transaction Data

For our categorization purposes, "Online Grocers" are defined as having an online store and using stores or warehouses to fill orders for either delivery or store pickup. "Delivery Services," in our definition, operate one of two ways: a company maintains stock and ships directly to customers without a physical store front; or the company hires "shoppers" to pick items in traditional grocery stores and deliver to customers.





1010DATA

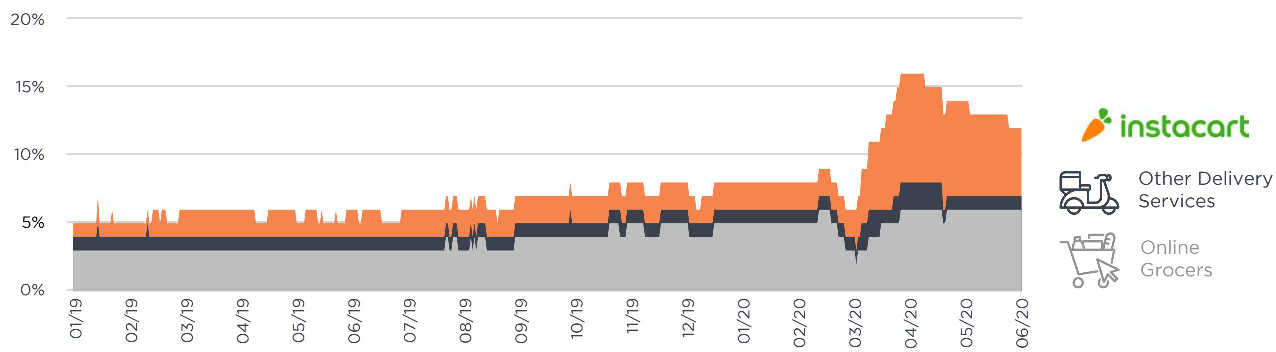
search: grocery delivery near me

# MONITORING CHANGING TRENDS

## Consumers Learned How to Shop for Groceries Online

More and more often, the best way to have early visibility into changes in consumers' behavior is to carefully monitor the early-warning indicators that only alternative data sources can provide. On April 20, 2020, our card panel data shows online grocery delivery spending reaching its peak in year-over-year growth at 527%—a mere three weeks after in-store spend grew 40% year-over-year. Online and delivery soon became commonplace, and Instacart drove significant adoption.

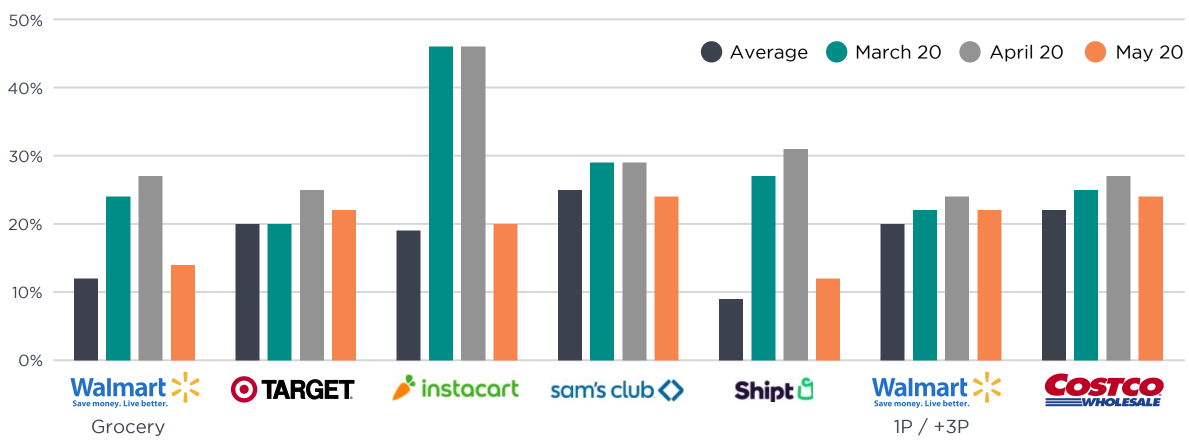
### Online Share of Grocery Spend




Source: 1010data Market Intelligence: Card Transaction Data

Delivery services' new customer tallies increased by 3.8 times in March and by 5.8 times in April. According to our data, in a "normal" (pre-pandemic), around 19% of Instacart's shoppers are new—meaning they didn't shop at Instacart in the prior year. During April 2020, however, 46% of Instacart customers were new, and no marketing effort could have brought in that level of customer acquisition. While levels returned to "normal" in May, many of those new customers continued to use the service.

### % of New Customers Acquired Online




Source: 1010data Market Intelligence: Card Transaction Data



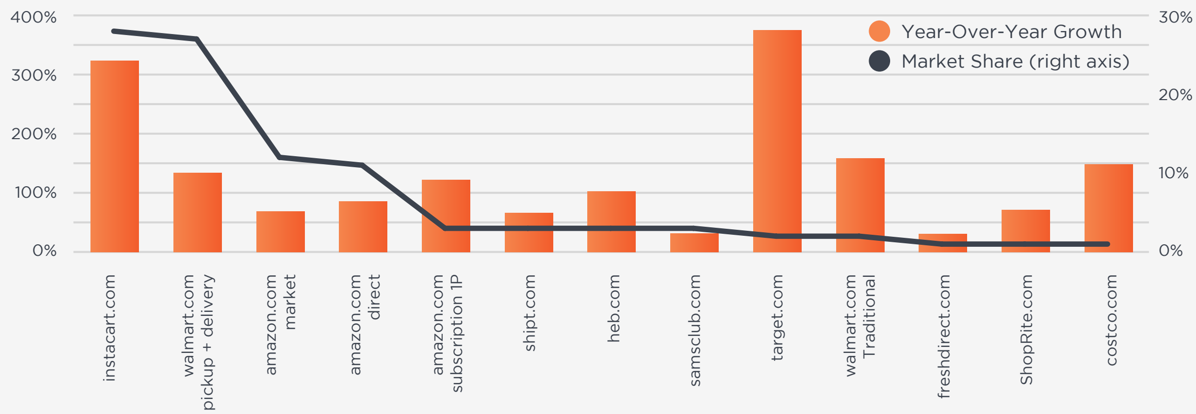
1010DATA

# THE WINNING COMBINATION

instacart & COSTCO WHOLESALE

In 2018, we predicted that Amazon wouldn't be people's first choice for online grocery shopping, but given the epic battle between Amazon and Walmart for #1 share, we didn't necessarily anticipate the winner to be Instacart. By the end of the first half of 2020, Instacart surpassed Walmart for the #1 spot in market share for total online grocery sales. While Target.com sales grew the most year-over-year within our panel, **Instacart gained 12 share points in 2020** and now holds the majority market share (28%) online, with total year-over-year growth of 323%.

2020 Year-Over-Year Merchant Growth and Market Share

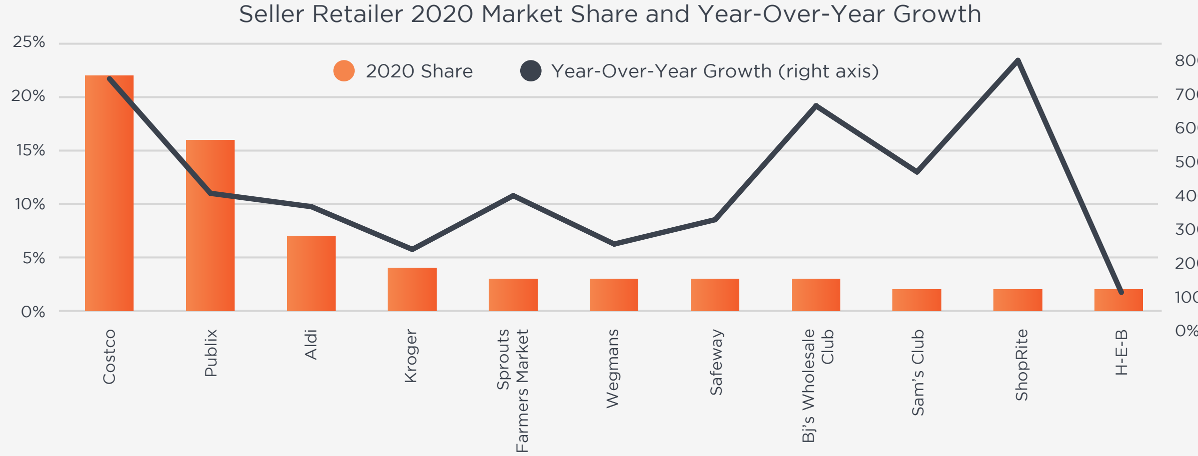



Source: 1010data Market Intelligence - eCommerce Panel Data, 2019 to 2020 total year growth

Costco's partnership with Instacart paid off in a big way in 2020. This alliance earned Costco the spot for top seller within our panel, which makes sense, given they posted their biggest year ever in sales and have yet to offer curbside pickup. March 12th was the peak day of sales for Costco in our card dataset going back all the way through 2010. The average Costco customer spent 20% more year-over-year in the first half of March and April, and Costco customers continued to spend more at the store all year. Instacart helped by allowing them to stay at home.

instacart

Seller Retailer 2020 Market Share and Year-Over-Year Growth




Source: 1010data Market Intelligence - eCommerce Panel Data, 2019 to 2020 total year growth



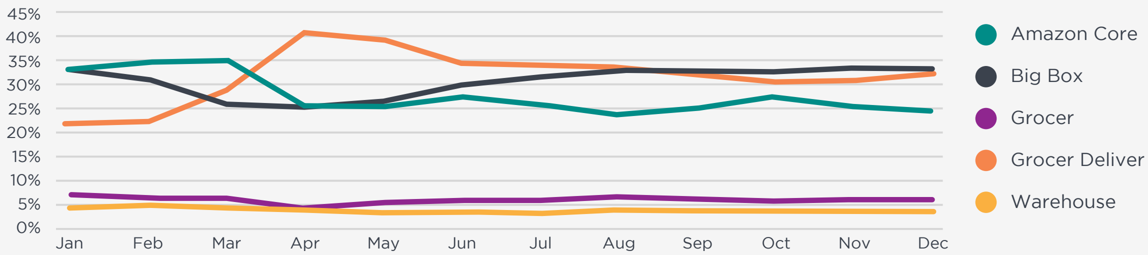
1010DATA

# DELIVERY SERVICES BECAME STANDARD

## Some States Open Up, But Grocery Delivery Growth Remains Strong

Taking a look at the bigger picture, you can see which type of retailers were negatively impacted by the spike in grocery delivery services in 2020. Our grocery delivery data looks at retailers such as Amazon Fresh, Instacart, FreshDirect, and others. The spike was largely driven by **Instacart, which gained 19 share points** from February through April, which mainly came at the expense of Walmart Pickup + Delivery and Amazon.

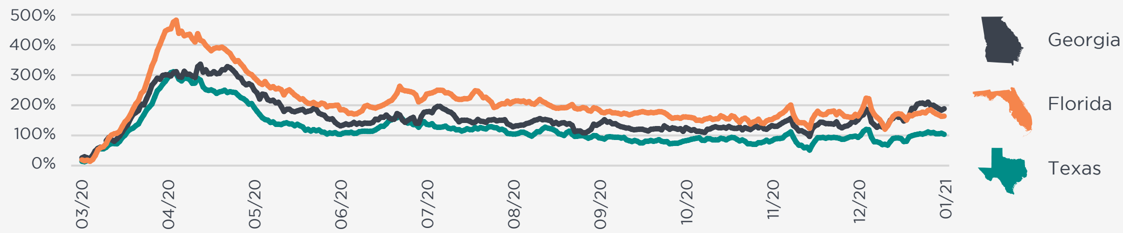
### 2020 Grocery Delivery Sales Share Over Time by Retailer Type




Source: 1010data Market Intelligence - eCommerce Panel Grocer Data

Even when stay-at-home orders ended in states like Georgia, Texas, and Florida, spending on grocery delivery there was running 100% or more above pre-COVID-19 levels. Furthermore, the level of growth remained high through the end of 2020, indicating grocery delivery services are here to stay, post-pandemic.

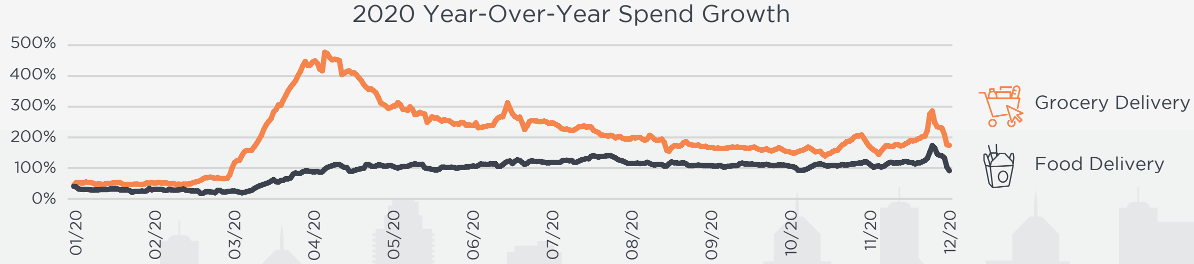
### Year-Over-Year Grocery Delivery Spend Growth Versus Pre-Pandemic Levels




Source: 1010data Market Intelligence - Card Transaction Data 2019 versus 2020

Consumers didn't limit their adoption of online delivery services to the grocery sector either. Even as on-premise restaurant spend was suffering, the business of delivering restaurant food was booming as well, with alcohol delivery platforms being one of the greatest benefactors of this changed consumer behavior.

### 2020 Year-Over-Year Spend Growth




Source: 1010data Market Intelligence - Card Transaction Data 2019 versus 2020

**Sales peaked around 1000% above the prior year sales in April, and they had sustained growth through the first week of June at 600% above prior year sales.**

Source: 1010data Market Intelligence - 2020 Card Transaction Data



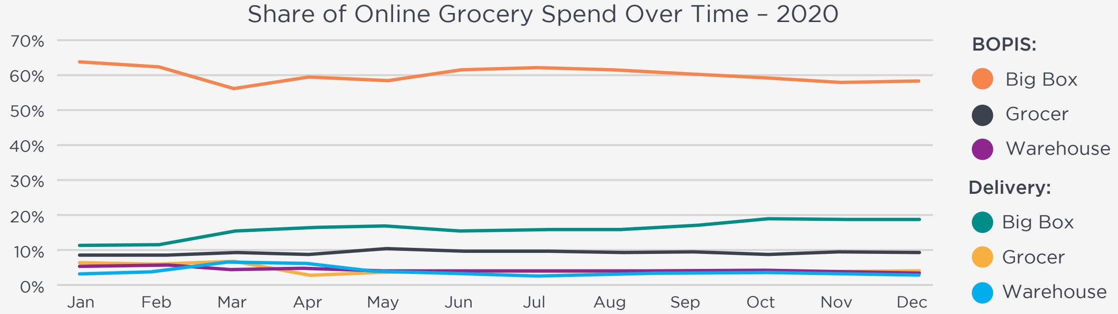
1010DATA

# PHYSICAL & DIGITAL SILOS ARE SHATTERED ... FINALLY

## Consumers Didn't Stop at Delivery Fulfillment Options

One of the most popular trends we've seen is customers' ready adoption of expanded fulfillment options. Big box buy online, pickup in-store (BOPIS), which has always owned the market in online grocery, experienced a momentary dip during the month of March—at the most serious point of lockdown—and resumed its share after safety measures were implemented. We also see a gradual increase in share for big box grocery delivery over the remainder of the year.

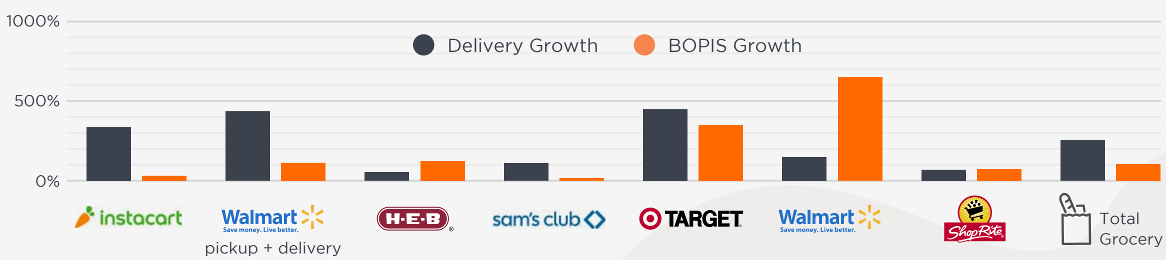
Share of Online Grocery Spend Over Time – 2020




Source: 1010data Market Intelligence - eCommerce Panel Data

Considering the ever-changing disruptions to the way consumers shopped for groceries in 2020—mask-wearing, reduced hours, limited inventory, social distancing, to name a few—top performing retailers found success by making the shopping experience as convenient as possible, with more options than ever before. Walmart's investments in stronger BOPIS technology prior to the start of the pandemic helped it grow its share of total grocery BOPIS sales to 10%, up from 3% in 2019. BOPIS on Walmart.com helped fuel Walmart.com's 158% increase in overall sales.

2020 Top Growth Accounts for Delivery and BOPIS Orders




Source: 1010data Market Intelligence - eCommerce Panel Data YoY Growth from 2019 to 2020


*Source: 1010data Market Intelligence - eCommerce Panel Data



1010DATA

# FAST FULFILLMENT IS DRIVING LOYALTY

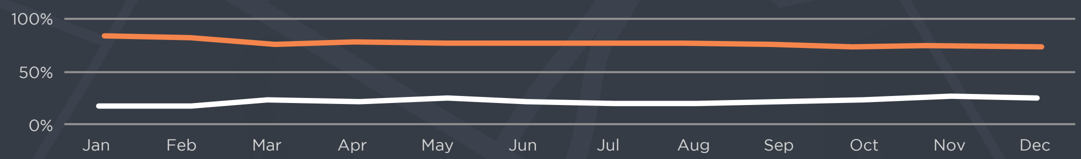
## Convenience and Safer Options Prevail

The below compares big box, grocers, and warehouse retailers with themselves to see how market share shifted within retailer type between online fulfillment options. Again, we see the share domination in BOPIS for big box retailers; however, grocery delivery options have become more popular and have gained some share as the year continued.

BOPIS Delivery

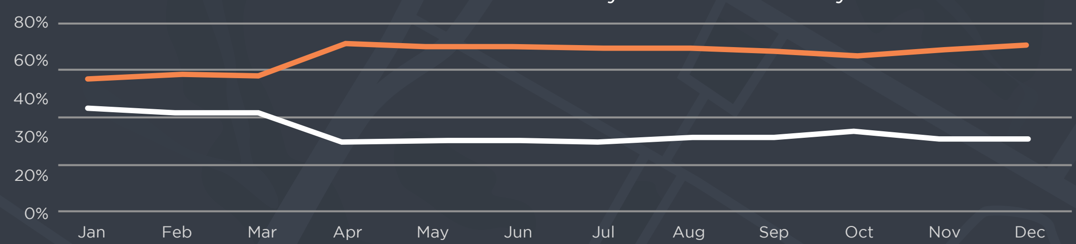
Source: 1010data Market Intelligence - eCommerce Panel Data

BIG BOX
2020 Share of BOPIS vs. Delivery for Online Grocery Sales



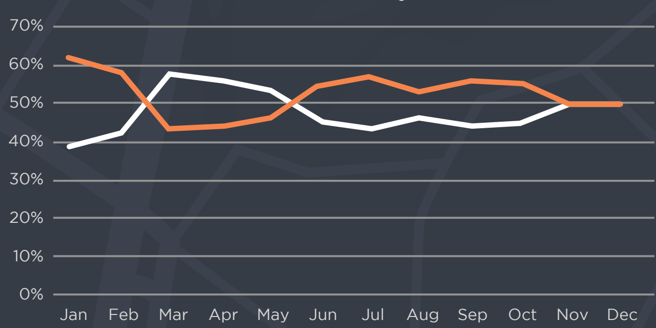

Grocers saw the highest spike in BOPIS during COVID-19.

GROCERS
2020 Share of BOPIS vs. Delivery for Online Grocery Sales




Warehouse retailers hover around 50%, actually seeing the opposite trend (delivery spiking). This makes sense given Instacart/warehouse partnerships, but we believe the BOPIS switch occurred in June, primarily due to Sam's Club launching a BOPIS fulfillment option.

WAREHOUSE
2020 Share of BOPIS vs. Delivery for Online Grocery Sales







1010DATA

# COOKING AT-HOME BECAME COMMONPLACE

## Whether Received Curbside or Delivery, It Was Mostly Back to the Basics

Opening a **dairy processing plant in 2018** paid off in spades for Walmart as consumers increased milk consumption during the pandemic. With households also baking to pass the time, it makes sense that milk, butter, and bananas (banana bread anyone?) would secure spots within our top twenty grocery items purchased (in sales $) online this year.

Following milk and water, Monster Energy was the 3rd most popular beverage purchased, surprisingly beating out any coffee brands. Nespresso seemed to be the coffee brand of choice, which explains why they announced a **production line expansion** last year.

2020 was also predicted to be a big year for red meat and poultry, but threatened "**meat shortages**" forced manufacturers to limit varieties produced, which can be attributed to the outstanding growth in chicken breast and ground beef sales.

### Top 20 Grocery Items Purchased Online in 2020 (Sales $)

1. Freshness Guaranteed Boneless Chicken Breasts Family Pack
2. Great Value 2% Reduced Fat Milk 1-Gallon
3. Great Value Purified Drinking Water Value Pack 40 Count
4. Great Value Whole Milk 1-Gallon
5. Monster Energy Zero Ultra Sugar Free
6. Single Bananas
7. Essentia Water Ionized Alkaline
8. Fresh Strawberries 1lb
9. Nespresso Capsules Vertuo Line Variety Pack Medium and Dark Roast Coffee 30 Count
10. All Natural Ground Beef Tray 80/20 2.25lb
11. Fresh Strawberries 2lb
12. Clementines 3lb Bag
13. Liquid I.V. Hydration Multiplier Electrolyte Supplement Drink Mix
14. All Natural Ground Beef Tray 93/7 1lb
15. Nespresso Capsules Original Line Variety Pack Medium & Dark Roast Espresso Coffee 50 Count
16. All Natural Ground Beef Tray 93/7 2.25lb
17. Great Value Sweet Cream Salted Butter Twin Pack
18. Nespresso Capsules Vertuo Line Medium Roast Coffee 30 Count
19. Great Value 1% Low Fat Milk 1-Gallon
20. Hass Avocado 1ct

Source: 1010data Market Intelligence - eCommerce Panel Data

# HEALTHY TRENDS ARE HERE TO STAY

## A Lifestyle Change

Our panel shows significant year-over-year growth in health-centric keywords from 2019 to 2020, even though what consumers search for and what they buy don't always align.

**163%** Organic

**148%** Plant-based

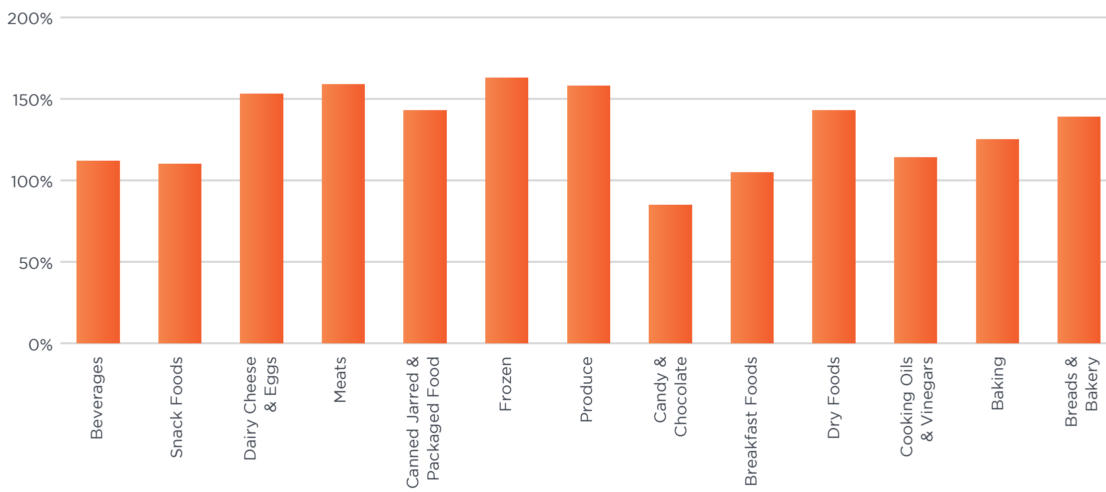
**99%** Gluten Free

**88%** Vegan

Source: 1010data Market Intelligence - eCommerce Panel Data

Because of the desire to be healthier, we anticipate online sales of fresh/perishable items to continue to grow as more consumers gravitate toward fresher at-home dining options. Walmart is currently testing refrigerated boxes that store grocery orders outside of customers' homes to preserve freshness. This increased demand is outlined below showing significant growth for categories like produce, meats, dairy/cheese & eggs.

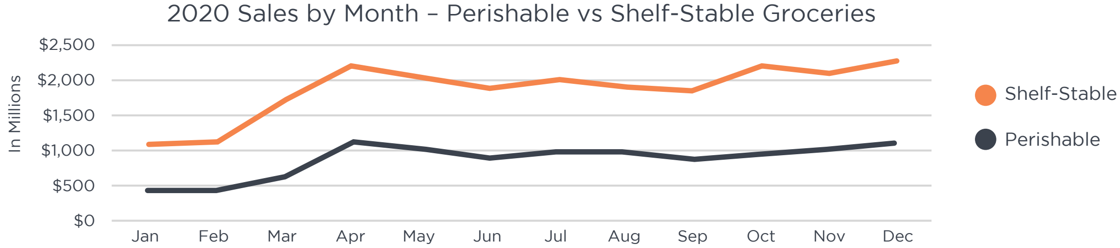
2020 Year-Over-Year Growth for Top Performing Online Grocery Categories




Source: 1010data Market Intelligence - eCommerce Panel Data full year from 2019 to 2020

Interestingly, but not shown above, the greatest growth category in 2020 was meat substitutes with 189% year-over-year growth. Additionally, both perishable and shelf-stable groceries saw significant online sales growth in 2020, growing 157% and 114%, respectively, remaining elevated at a new baseline level for the rest of the year.

2020 Sales by Month – Perishable vs Shelf-Stable Groceries




Source: 1010data Market Intelligence - eCommerce Panel Data



1010DATA


# 121%

Increase in sales for items containing the keywords 'meal kit' or 'snack kit' from 2019 to 2020

Source: 1010data Market Intelligence - eCommerce Panel Data

# CONVENIENCE BECOMES A TOP PURCHASE DRIVER

## Quick and Easy Meals

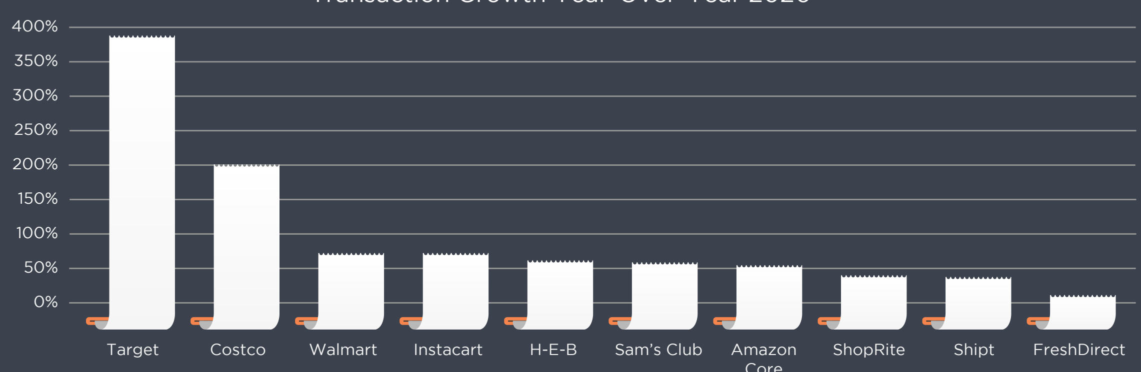
While many have thrived cooking elaborate meals at home, others have tried and either haven't found joy, don't have the time, or are used to dining out. For these consumers, we see demand increasing for simpler, quicker meal options at home. Brands like Armour LunchMakers (+273%), Banquet (+164%), and Rana (new to market) are owning this niche and seeing substantial growth.

Customers are turning to Walmart Pickup and Delivery most frequently to fulfill these items: the retailer now owns 70% share, eating up the 20% share that Peapod left up for grabs after shutting down just before the pandemic. It is interesting to note that, although Amazon Subscription makes up a small portion of this segment (2%), subscriptions for meal & snack kits on Amazon have grown 675% year-over-year.

## More Frequent Online Orders

Many consumers have opted into memberships given the savings offered on shipping costs and the convenience of ordering as needed. We believe part of the year-over-year transaction growth within our panel is attributed to gained members buying fresher foods more frequently and anticipate this trend will continue.

Transaction Growth Year-Over-Year 2020




Source: 1010data Market Intelligence - eCommerce Panel Data growth from 2019 to 2020

## Set It and Forget It

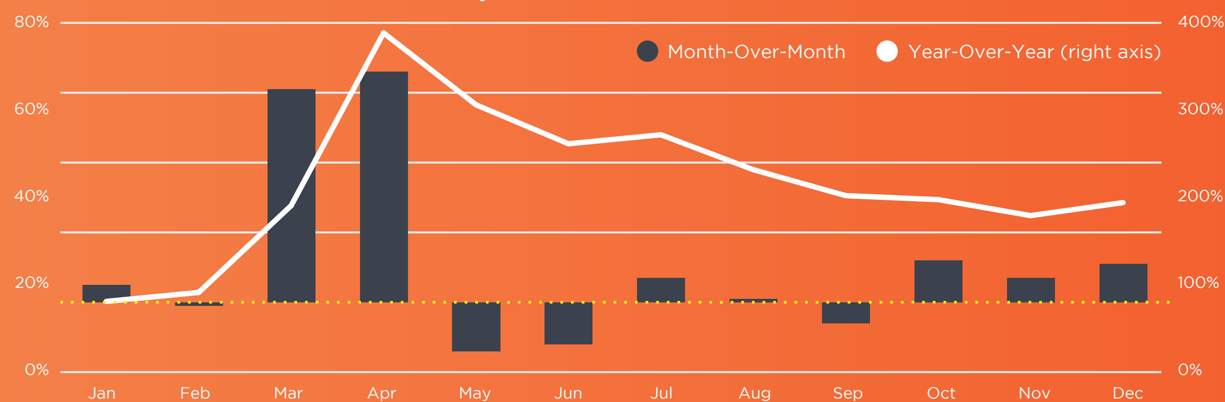
Our data suggests that Amazon's subscription sales have increased by 86% year-over-year, fueled by new adopters of subscription services and an increase in average basket value. Additionally, the time commitment of taking a trip to the store is eliminated, making it easy for customers to increase their order frequency as well as ordering via an on-demand basis.

# A GROWING PREFERENCE FOR PRIVATE LABEL BRANDS

## Trial & Repeat

Even before the pandemic, consumers were flocking to private label brands because they are more cost-effective and more readily available versus national brands with retailers delivering on the promise of quality, health-conscious products for less. Online sales for private label brands grew 203% year-over-year. The month-over-month lifts for private label brands were higher than total grocery month-over-month lifts at the start of COVID-19, indicating there was greater adoption of private label at the beginning of the pandemic. Some of the initial growth can be attributed to national brand supply chain issues and pricing factors, but the continued performance could be attributed to preference and accessibility, in addition to economic and employment headwinds combined with political uncertainty.

### 2020 Grocery Private Label Brand Sales Growth




Source: 1010data Market Intelligence - eCommerce Panel Data YoY Growth from 2019 to 2020

With Target.com sales growing the most in 2020, it was no surprise to see how well the newly launched Good & Gather performed with their promise of “A new way to eat well every day.”


Source: 1010data Market Intelligence - eCommerce Panel Data



1010DATA

# WHERE DO WE GO FROM HERE?

## Data Points to the Best Plan of Action

Brick-and-mortar is no longer the sole domain of the grocery landscape as the digital and physical worlds combine. Acknowledging the trends for convenience and product availability can help grocery retailers leverage data, technology and analytics to address the fast-changing consumer behavior. The following three success factors will help to keep up with the trends.

### EMBRACE NEW SHOPPING HABITS.

Consumers rapidly adopted digital commerce for safety and convenience, and retailers rose to meet these needs with increased assortment and flexible fulfilment. While market conditions continue to evolve, consumers have shown their new behaviors have become habits and represent their preferred way to interact with brands. Understanding new behaviors and engaging consumers through the right products, offers and channels is critical to winning hearts, minds and the next basket, in-store or online. Showcasing the wrong products online, when hand-selecting items is preferred, can be as detrimental as forcing a visit to find products preferred to buy online. Merchandising must be more dynamic and personalized as new habits are formed around diverse options available across the competitive omnichannel landscape.

### EXPAND FULFILLMENT OPTIONS AND STREAMLINE OPERATIONS.

BOPIS will thrive at stores where pickup and delivery is quick and easy. Post-pandemic, it won't be either in-store or delivery, it will be either/and, requiring a seamless integration to meet shopper preferences. Future hybrid shopping will combine no-touch online for restocks and usual items, and high-touch in-store for fresh, promoted and personal items. Saving time without sacrificing the ability to hand-pick items that matter most to consumers will be a differentiator. Winning both the "click" and the "pick" is critical with low minimum orders, enabling increased options without the time burden of in-store shopping. Pinpointing the most efficient SKUs in-store and online, and optimizing replenishment leveraging real-time inventory data and holistic demand forecasting allows you to avoid out-of-stocks, and when necessary, propose alternatives which meet and exceed customer expectations.

### SHARE INSIGHTS WITH YOUR TRADING COMMUNITY.

The ability to identify changes, new trends and key shifts in buying behavior has never been more critical. Having the data and analytics is a challenge requiring machine learning and AI to predict and recommend actions. Putting your plan in motion requires collaboration across the supply chain with internal and external partners to make changes a reality. Collaborating around data, solutions and mutually detected changes in the marketplace enables the development of better-informed joint strategies. Access to harmonized, granular data must be streamlined within a comprehensive analytical tool that is flexible, agile, able to identify changes in shopper and market dynamics, recognize demand shifts, and provide immediate insights for all users to rapidly decide to act on.

The consumer spending data tracked within this report has highlighted the importance alternative data sources serve as early-warning indicators to what is coming next for the grocery industry. The report only scratches the surface for resources 1010data provides to enable organizations to optimize today while planning for tomorrow's unknowns. At this critical time, retailers investing in their data infrastructure will have the information they need to adapt and respond to consumer demand faster than their competitors, and will capture customer loyalty in the long run. Let us be the partner that enables you for future success in today's demanding marketplace.

Follow 1010data social media:

1010DATA METHODOLOGY

For more details, contact: info@1010data.com

**CARD DATA**

This report was built using 1010data's panel of US consumer transactions that tracks the credit and debit card spending of 5 million US consumers. These findings are not adjusted for cash transactions or store credit spend. All findings presented in this report relate to this panel of consumers and is not an attempt to reflect the behavior of all US consumers.

**ECOMMERCE DATA**

Although 1010data utilizes multiple panels that track millions of panelists, 1010data is projecting up to the total U.S. population. Panel-based projections are not intended to perfectly correlate to actual sales on an absolute dollar sales basis. The strength of 1010data's ecommerce data lies in share performance and trends over time.

For more than 20 years, 1010data has helped financial, retail and consumer goods customers monitor shifts in consumer demand and market conditions and rapidly respond with highly targeted strategies. The 1010data Insights Platform combines market intelligence, data management, granular enterprise analytics, and collaboration capabilities to empower better business outcomes. More than 900 of the world's foremost companies partner with 1010data to power smarter decisions. To learn more, visit 1010data.com