

FOCUS: UK, US central to online grocery sales growth

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UK will remain Europe's largest online grocery market The US market expected to reach a value of US\$13.55bn by 2014 Anticipated growth driven by changes in technology

Online could account for 12% of UK retail sales by 2014 view image The UK and US are forecast to remain at the centre of the growing global market for online grocery retailing, new research has shown, as new technology continues to change the way consumers shop.

A report published this week by just-food.com shows the UK will remain Europe's largest market by some distance. By 2014, market value is forecast to reach GBP20.1bn (US\$30.9bn), having more than tripled on the levels seen in 2009.

During this time, the online sector's share of the retail food and drinks market is expected to increase to 4% in 2010, reaching 9.5% by 2013 and then exceeding 12% by 2014.

The US market, by comparison, is expected to reach a value of US\$13.55bn, which represents an increase of almost 75% compared with levels in 2009, the report said.

Although the market is forecast to continue to experience double-digit growth rates in the region of 11-12% per year, its share of the US retail grocery market is unlikely to rise above 2% during this time, the report claimed.

Much of the projected growth within the US market is expected to come from the anticipated spread of broadband access across the country. The online market may also benefit from the increasing tendency of shoppers to research products prior to purchase.

One industry source told just-food: "The appreciation of the internet as a research tool for in-store purchases will magnify."

Although the US and UK will remain the largest markets for online grocery sales, the report points out that in Europe, the market is expected to develop across many parts of the region.

"Large countries such as France and Germany are forecast to increase in size over the next few years, with the French market in particular expected to benefit from the heightened activity by Carrefour within the online grocery market," Jonathan Thomas, the report's author, said.

"Smaller European countries such as Ireland and the Benelux and Scandinavian nations are also forecast to grow, with sales expected to develop within the more easterly nations towards the end of the next decade. Across most of Europe, online sales of food and groceries are projected to trail non-food items such as electrical accessories and home appliances for some time to come."

Elsewhere in the world, markets such as Canada, Australia and New Zealand are forecast to continue growing in size, while some of the more dynamic economies in the Asia-Pacific region (e.g. China, South Korea and Thailand) may well be worth watching as the decade progresses, the report points out.

"In China, for example, the existence of a large, relatively affluent urban and increasingly sophisticated consumer base would appear to be the ideal target market for online grocery operators," Thomas said.

Advancements in technology are expected to drive much of the growth, as products such as smart phones grow in popularity.

One industry source told just-food that further expansion of the UK market was likely as a result of "the rise of the smart phone and its implications for web browsing and ordering capabilities, together with a wider range of payment options".

Thomas added: "A major trend driving the global online grocery retailing market is the emergence of more technological innovations. As well as improving the online shopping experience in general, these are also assisting retailers to communicate with their consumers more effectively."