

The Rise of Online Marketplaces (and Amazon) in Digital Grocery

While consumer demand for online options has been increasing, many grocers have struggled to implement basic eCommerce

Grocers are late to the digital game.

capabilities. With Meal Kit subscriptions on the rise, and increased competitive threat from Amazon, the time is now for Grocers to get serious about eCommerce. Three digital catalysts have forced grocers' hands

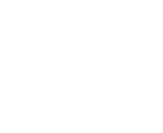
Buy-online-pickup-in-store (BOPIS) momentum Millennials driving demand for high convenience shopping

- 3. Amazon's acquisition of Whole Foods

Source: FORRESTER®

Before we tackle these topics, let's take a look at the digital grocery market.

How big is the digital grocery pie?



Global consumer grocery spend accounted for \$5.1 Trillion.

2017

"We expect the global online grocery market to double from \$150 Billion in 2017 to \$334 billion by 2022, powered by an increased



10%

Sports Nutrition

Fresh Coffee

Which countries are fastest to adopt digital grocery? Globally, only 2.9% of total grocery spend was spent online. Source: FORRESTER®

investment by retailers in the online channel."

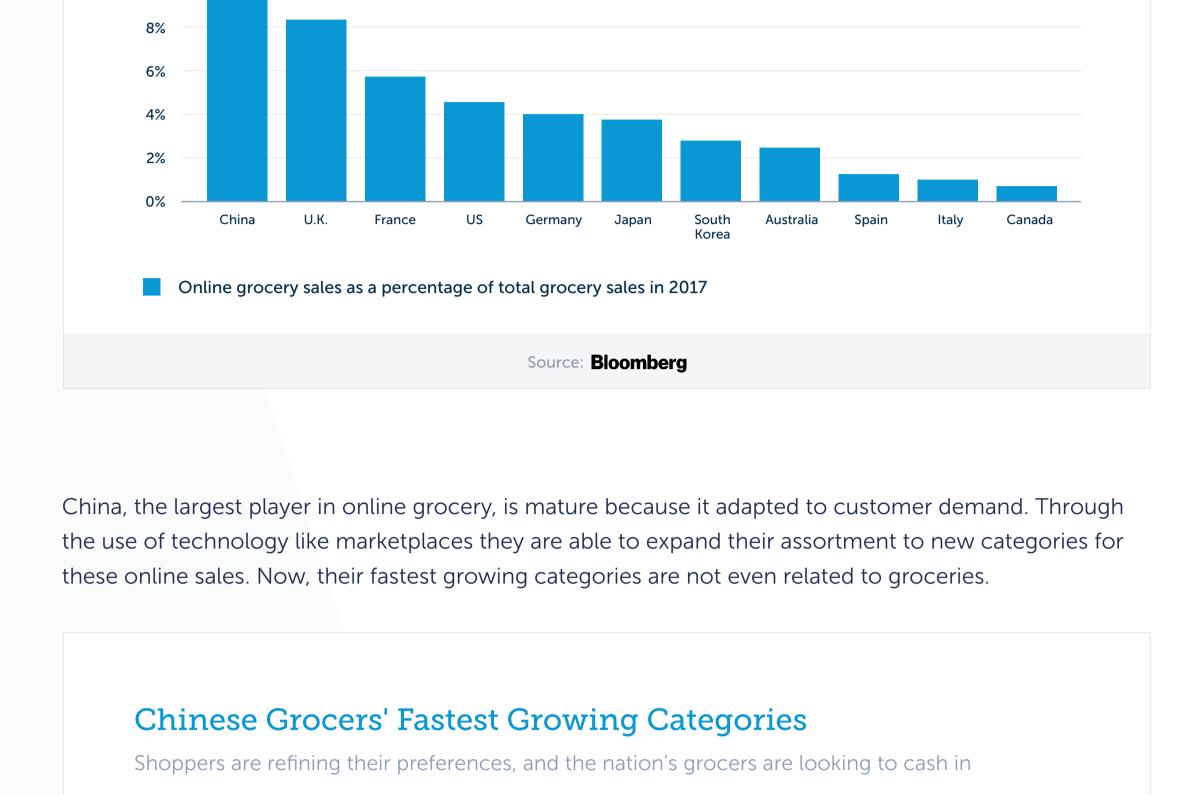
- Satish Meena, Forrester Research FORRESTER®

12%

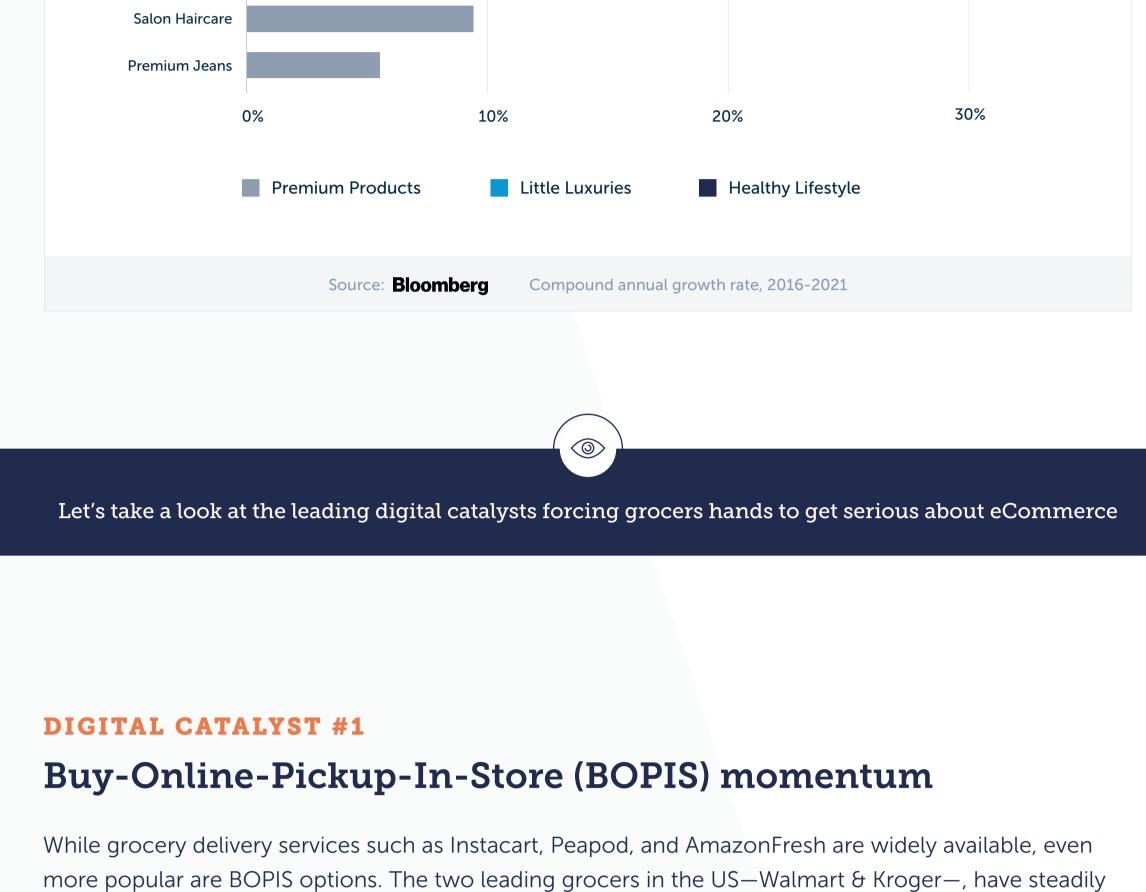
China leads in the development of grocery home shopping

Taking the Online Cake

But, some countries have a much higher online grocery spend:



Premium Beauty Eating Out Fresh Food



Walmart and Kroger: Number of Grocery Pickup Points 900

640

600

813

1H18

FY16

60%

40%

All Shoppers

Boomers (53-71)

150

200

1H17 **FY17** Walmart Kroger

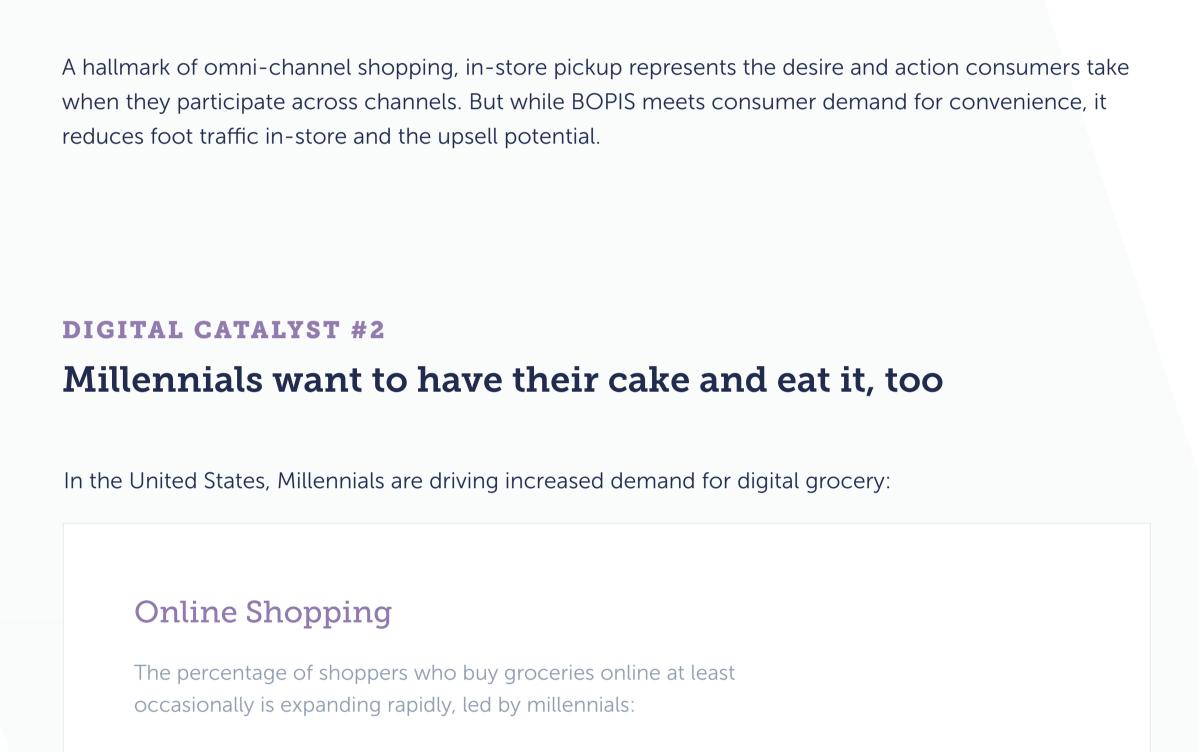
400

400

increased the amount of stores with grocery pickup points.

Fiscal years ended January, so FY17 was the year ended January 2017. Kroger includes Harris Teeter and Fred Meyer.

Source: Forbes



20% 0% 2015 2016 2017

Source: WSJ

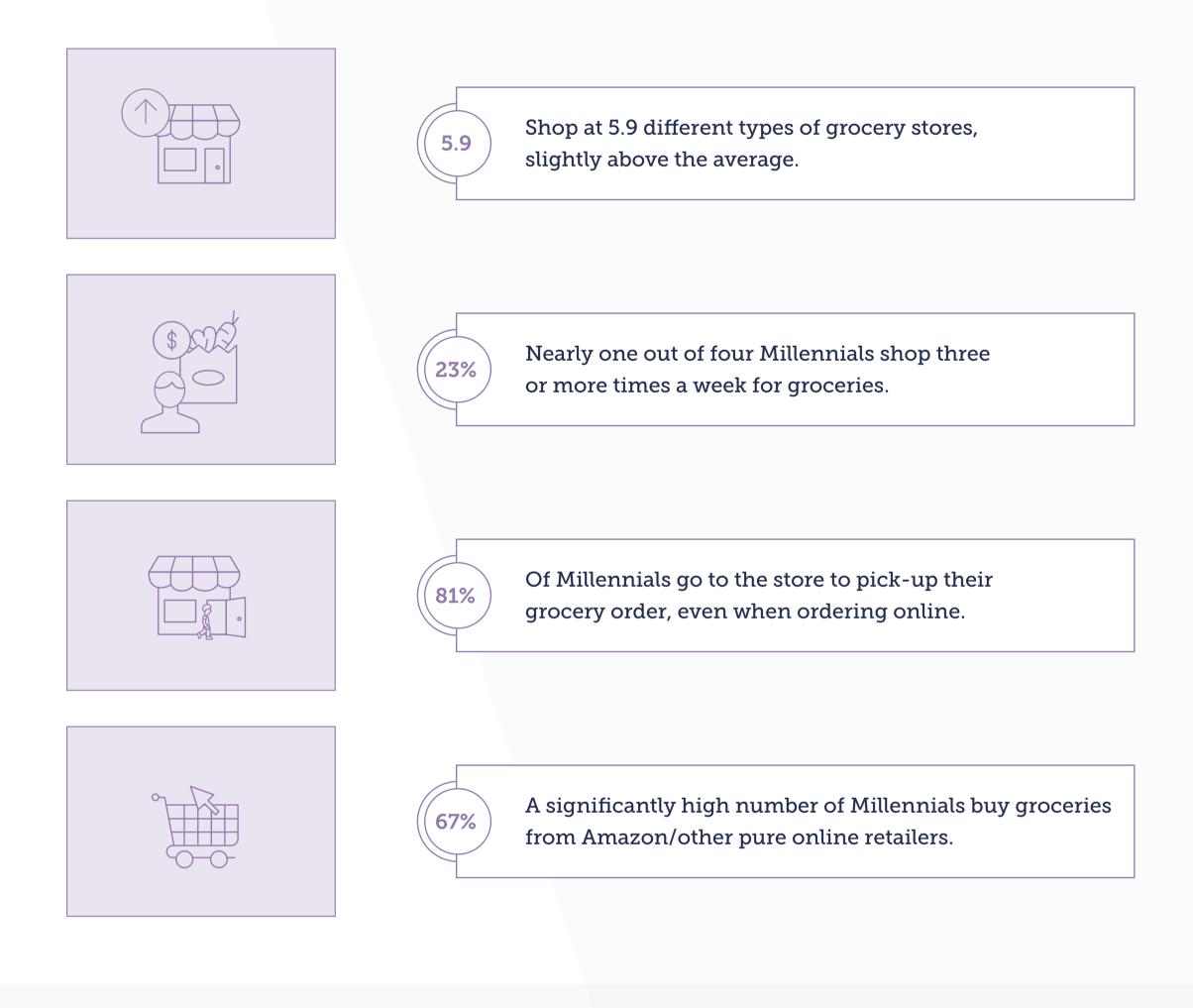
However, Millennials also shop in-store frequently. In 2017 the International Council of Shopping Centers

Gen X (39-52)

Millennials (age 18-38)

Mature (72-plus)

released "The State of Grocery Shopping" survey and concluded millennials:



"Millennials have been called the foodie generation and blend that

with their command of technology and we see some changes in

grocery purchasing behaviors, which will drive all grocery retailers

27.8%

-30%

to make appropriate modifications in their business model to

address the way they shop"

- Tom McGee, President and CEO of ICSC



Amazon YoY

Growth in grocery sales

(Amazon, Pantry, Fresh)

DIGITAL CATALYST #3

Whole Foods

Dollar General

Walmart

Costco

Target

Kroger

SuperValu

The Amazon Effect

Amazon has thrown down the gauntlet

Grocery Chain Share Price Changes on June 16th

Undoubtedly, Amazon's acquisition of Whole Foods shook the grocery market.

-1.95%

Source: **\rightarrow**toptal

Since then, Amazon has continued to invest and grow their offering. For example, Prime Now is

-5.9%

-6.64%

-11.93%

-12.5%

-15%



Grocers respond with a variety of strategies:

While some grocers have jumped into the Meal Kit market (Kroger acquired Home Chef and

Amazon Competitive Response:

Services Marketplace

Product Marketplace

Walmart Competitive Response:

Albertsons Competitive Response:

Online Marketplace

Delivery Options

Localized Offerings

Endless Aisle

Meal Kit

Online Marketplace

Delivery Options

Curbside Pickup

Endless Aisle

1 & 2 hour delivery (Amazon and Whole Foods products)

Meal Kit

Localized Offering

Curbside Pickup

ENTERMARCHÉ

Albertsons Companies acquired Plated), others have invested heavily in their delivery

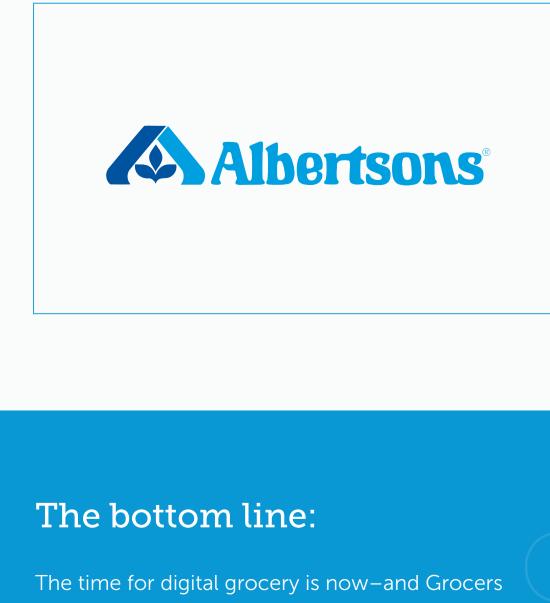
online selection of products. Here's a quick snapshot of the competitive responses.

amazon

infrastructure, whilst others have opened an online marketplace to rapidly increase their

Industry YoY Online YoY Growth in grocery sales Growth in grocery **IBIS**World Source: FUNG GLOBAL RETAIL & TECHNOLOGY

Kroger Competitive Response: Meal Kit **Delivery Options** Pickup



Walmart :

opportunity at hand.

Walmart >

Curbside Pickup We have seen our Grocery customer's marketplace GMV grow need to invest in their online and omni-channel 147% infrastructure to remain relevant. Mirakl has helped grocers like Albertsons and Giant Eagle with their online grocery strategy to take advantage of the Year-over-Year.

Some of our Grocery customers include: Carrefour (

To find out if an online marketplace can help accelerate your digital

grocery strategy, contact Mirakl at www.mirakl.com.

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