

UK Online Grocery Market Has a Lot of Learning to Do



AN INTERVIEW WITH:

Amanda Davie
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Amanda Davie is the founder and managing director of Reform, an independent digital business consultancy with offices in London and New York. Its experts work with a wide range of international clients, helping them to improve their digital skills and establish best practices in their organizations. Amanda Davie is also a seasoned online grocery shopper, buying primarily at Tesco.com. She spoke with Karin von Abrams about the state of UK grocery market online.

eMarketer: As head of a digital agency, and also a long-term online shopper, you're well placed to comment on the UK's online grocery market. What strikes you most about its current state of play?

Amanda Davie: Sophistication of bricks and mortar vs. online customer retention strategies. While grocery brands are the masters of CRM—largely due to their massive investment in customer research and loyalty schemes—they have struggled to translate these customer retention strategies to the online space.

For example, I have very little loyalty to Tesco the store. However, I have been using Tesco.com for home deliveries for over 10 years and consider it a fantastic service. That said, Tesco.com does very little to encourage me to increase my spend, to try new products and, ultimately, to be more valuable to them as a customer over my lifetime.

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Tesco's marketers are missing obvious tricks. They don't send me a regular email describing new products, and they never send me samples of new products. They don't use Amazon-style preference technology. ("Last time you bought Special K. Why not try new Special K with extra fruit?") And they send me paper vouchers in the mail! Being a digital native, I am very averse to receiving any kind of DM in the mail.

Just think of the wealth of data that Google gathers on me every day for various targeting and filtering purposes. Why doesn't Tesco.com track my behavior on their website, or analyze my purchase history and frequency? If Tesco invested a fraction of the money they spent on their in-store customer research and insight teams in online customer analytics, think how powerful this could be for the business.

So multichannel CRM isn't there yet. Tesco knows when people stop going in-store. We know this because a client of ours was contacted by Tesco when they noticed that he had stopped going in-store to do his regular Saturday morning shop. Did he go online? If so, how does Tesco use online targeting and retargeting to prevent losing customers, or to offer online as an alternative to in-store shopping?

My impression is that grocery brands are not yet very sophisticated at combining the power of multichannel marketing and multiple touchpoint targeting at different stages in the customer purchase journey—as someone moves, for example, from reading a recipe online or seeing it on TV to being influenced by an ad on Facebook, which prompts them a few days later to search on Google for stores where they can buy that product.

eMarketer: How is competition developing in the UK's online grocery sector?

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Davie: Competition for customer acquisition is already sophisticated. If you search on Google for "buy groceries online," the results show a very cluttered, competitive market. There are businesses and brands we've never heard of, as well as major players. You can tell that each advertiser is working hard—and bidding high—to gain market share, and you can also tell from the SEO tactics applied that it's very competitive in terms of natural search ranking.

Tesco invests very heavily in Facebook advertising, targeting foodies and grocery shoppers according to their profiles. This is clearly an effective customer acquisition tool for Tesco. Facebook is a great way to engage with a younger demographic new to mass/repeat grocery shopping, such as college students who have just left home.

Competition is heating up, too. New threats to the old guard include Amazon, entering the online grocery market with more of a Costco or online warehouse model. They have an advantage over the new online grocery brands—and arguably the old brands too—in their very extensive and well-oiled warehousing and delivery operation.

While their product range is currently limited—largely to things you can send by mail—they have an international advantage, and have done some very interesting partner distribution deals, including one with Starbucks for their instant coffee product range. Plus, the cross- and upsell opportunities for Amazon are extraordinary—for example, buy a book and get a box of chocolates to munch while reading.

eMarketer: Some suppliers of niche grocery products like meat and organic vegetables already sell directly to consumers, thanks to the internet. Do you think any major brands could learn from this approach?

Davie: Brands selling direct to customers are less reliant on distribution via supermarkets. As an example, fruit juice and smoothie maker [Innocent](#) recently contacted our company via email, offering us free samples of their new lunch pots—soups, risottos and so on.

These can be ordered online—which is perfect for repeat orders and corporate orders—and delivered to our door. This is very empowering, as it frees up precious lunchtimes when previously you would have to go to a local store or sandwich shop to buy your lunch. I look for more food and grocery brands to trial schemes like this.

eMarketer: What other areas of opportunity do you see for online grocers?

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Davie: Recipes can be a powerful driver for online grocery sales. The online recipe search market is massive! Ten million recipe searches are made every day on Google’s main search engine, and it is already looking to capitalize in terms of ad revenues. Look at the horizon planning represented by Google’s new “Recipe View,” launched in the US and Japan in February 2011, a search that lets home cooks hunt for recipes in new ways.

What supermarkets and grocery brands do to leverage this love of cookery and the insatiable quest for online recipe content will be interesting. Will they partner with sites such as [Food.com](#) or [Cooks.com](#)?

We already know the impact of the celebrity chef and TV cookery programs: within hours of the BBC’s “Saturday Kitchen” being broadcast, you can’t find ingredients promoted on the program because TV has driven footfall and sales in the supermarkets—and nothing is left on the shelves. Online is a great way to satisfy that demand and I imagine that real-time online sales of the ingredients are equally impressive.

