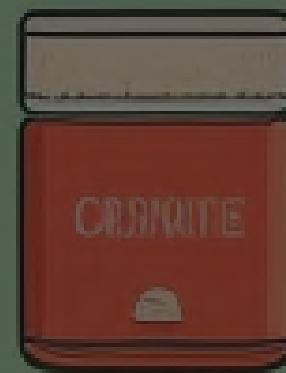
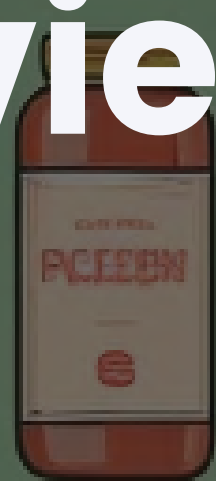


2023 Digital Grocery: Year in Review



In partnership with

wynshop





Doppio 5: Takeaways from 2023

1

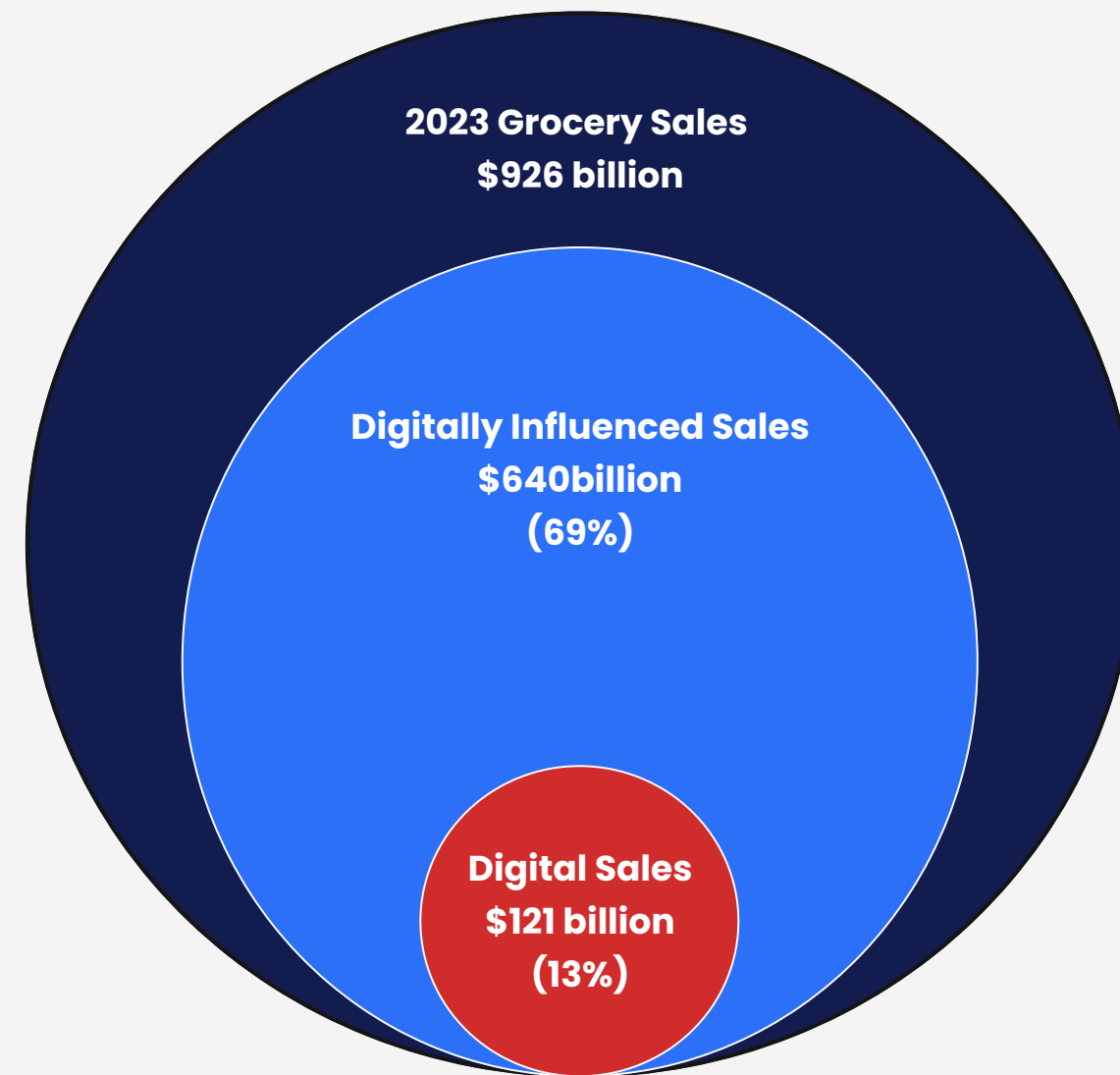
Grocery shopping is Omnichannel.

69% of all grocery sales in 2023 were digitally influenced.

The omnichannel shopper is more valuable.



FY 2023



VALUE MULTIPLIERS

- Shop across channels (in-store | pickup | delivery)
- 3+ monthly store visit
- 6+ monthly website visit
- 2+ home delivery orders / quarter
- 15% of the average basket has private brands
- Have downloaded the brand's mobile App
- Use loyalty card on mobile App
- Active member of loyalty program

Takeaway

- Grocers need to unify their digital (commerce and engagement) and physical channels.
- The ability to accurately measure shopper behavior and track impact of interventions is a necessity
- Putting shoppers on the 'path to profit' engagement path based on value multipliers will create 'Winners'

2

Inflation dented digital sales.

Basket sizes went up more than items per basket.

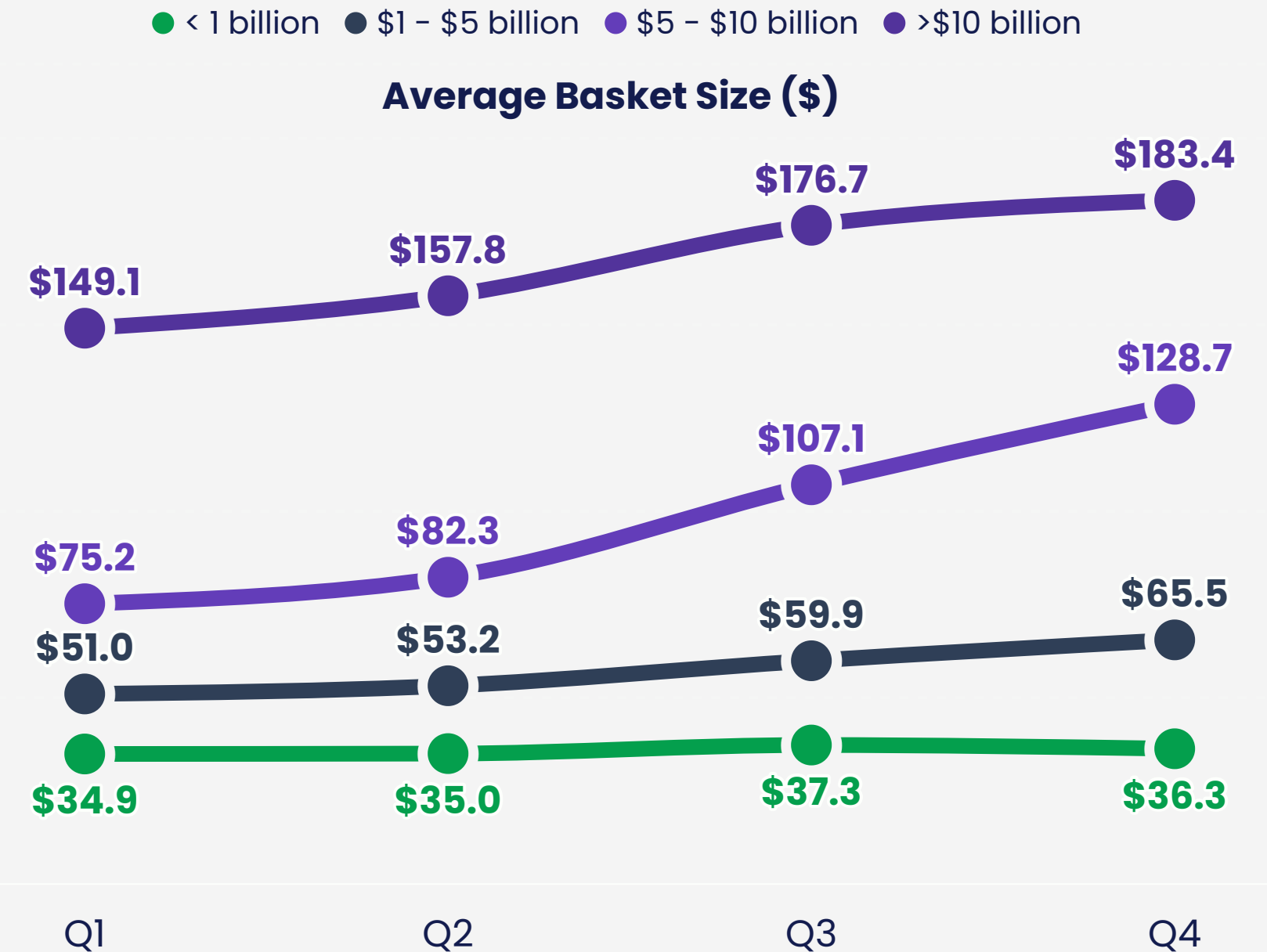
Shoppers consolidated spend with fewer grocers with fewer trips.

+12%

increase in what shoppers spent to maintain 'parity' in 2023

+23%

increase in basket size in Q4 '23 compared to Q1 '23



Takeaway

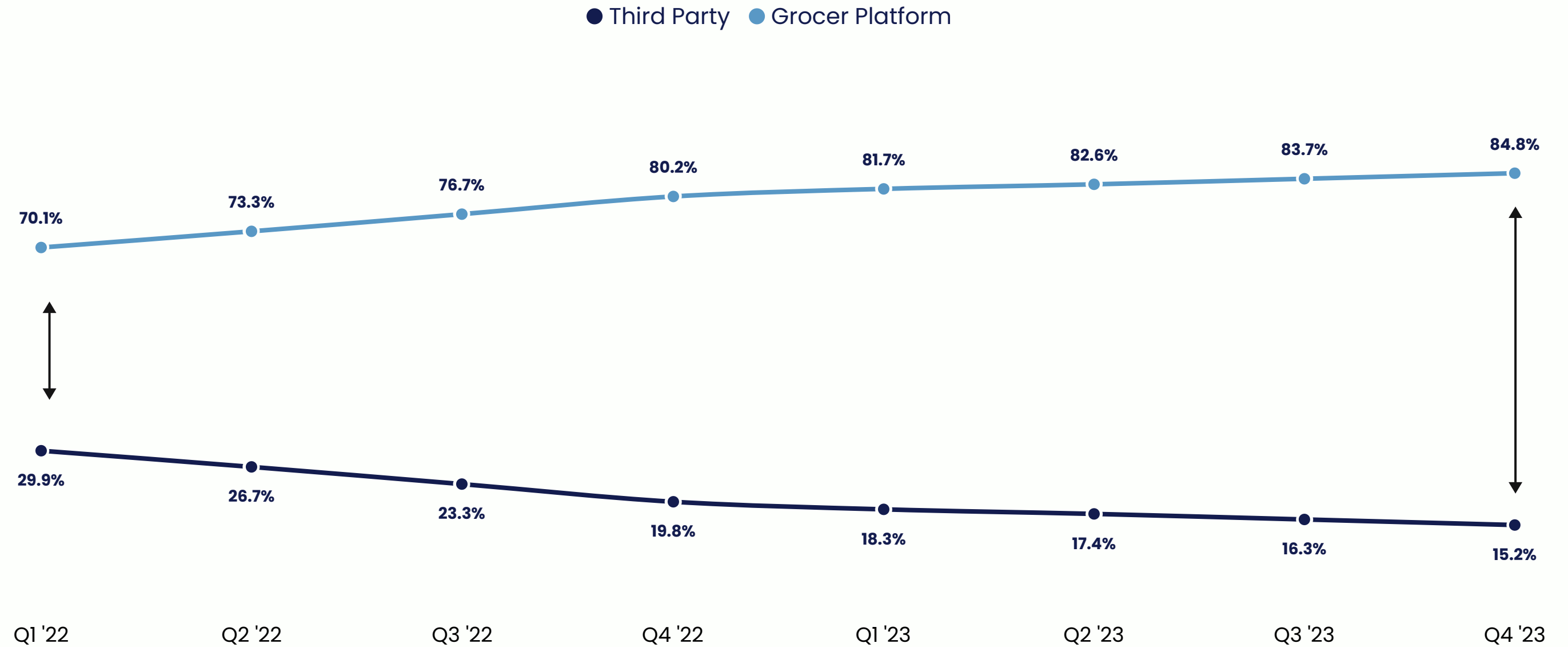
- The sticker shock of digital, led to a decrease in demand and lower items in the basket.
- Shoppers had to spend more to be at parity, and they traded quantity and brand to achieve that.
- The second half of the year was more positive, we saw a gradual increase in basket size. Large and medium grocers benefited the most.

3

Third party sales declined.

Third party platform sales heading below 15% in 2024.

Grocers want to own the shopper experience.



Takeaway

- Third party sales have almost halved since Q1 2022. We anticipate next year to be in the 13% - 15% range.
- Certain pockets of customer segments (1-2 person households, high density cities) show robust sales, but the overall business is down.
- Most grocers still view third party partnerships as strategic, but change in competitive dynamics and business models will impact partnerships.

4

Have you heard of this thing called AI?

AI was a C-Level discussion in 83% of grocers

Competitive lever for small and medium grocers.

4x

increase in spending on AI capabilities by 2025

73%

of grocery technology executives expect AI capabilities to be embedded in most or all of their technology software by 2025

Area	High Impact (% Grocers)	Value Unlock (\$ Billion)	Top Use Cases
Supply Chain	83%	\$58.41	<ul style="list-style-type: none">Inventory forecasting and optimizationWarehouse automation and roboticsLogistics optimization
Merchandising	81%	\$21.12	<ul style="list-style-type: none">Pricing and promotions optimizationAssortment optimizationPlanogram optimization
Marketing	72%	\$15.74	<ul style="list-style-type: none">Personalized offers/recommendationsCustomer churnContent supply chain
Store Operations	63%	\$13.85	<ul style="list-style-type: none">Associate management and schedulingLoss prevention and securityInventory and replenishment
Customer Service	56%	\$2.13	<ul style="list-style-type: none">Customer self-service (app and chat)Call center associate enablementStore associate enablement
IT/Technology	31%	\$1.87	<ul style="list-style-type: none">Co-pilot codingProcess AutomationSystem Optimization / Predictive Maintenance

Takeaway

- While grocers agree that AI will be transformative, most are not clear on what it is.
- Supply Chain and Merchandising will lead the charge, because they have relatively more mature toolsets.
- The evolution of AI to an agent based model will open up new avenues in customer experience while exposing back-end data issues.

5

New wave of consolidation.

Tougher market dynamics and departure of ZIRP is driving consolidation.

How do stores drive digital? What happens when 'quick' commerce becomes commerce



Takeaway

- We need to take a wider lens when viewing consolidation. It's consolidation of the share of stomach, and not just grocery
- Regional grocers will need to shore up presence and balance sheets to compete on-premise and online. Geographical catchment matters in digital.
- Most 'fast' or 'third party apps' are headed for an acquisition / merger.



Digital Performance Summary: 2023

State of Digital Grocery in 2023

Overall grocery sales increased in 2023.

\$926 billion

total grocery sales in 2023

+3.1%

increase in grocery sales in 2023 compared to 2022

Digital sales are back to their pre-COVID trend line.

\$121 billion

digital grocery sales in 2023

13.1%

of all grocery sales were digital

\$168

average digital basket size

Grocers improved inventory visibility, and experience.

\$19 billion

digital sales lost by grocers due to 'unavailable' or 'unsubstituted' items compared to \$23 billion in 2022. **(Better inventory controls)**

-13.3%

drop in share of third party apps in 2023 compared to 2022. **(Grocers owning the experience)**

51%

of all digital orders were pickup **(Pickup stayed steady)**

Digital is still losing margin, but Omnichannel offers a big opportunity.

\$281 million

margin loss by the industry on their digital grocery business compared to \$298 million in 2022

69%

of all grocery sales were digitally influenced.

Digital Performance Summary: FY 2023

\$ Billions	Grocery Sales	Digital Grocery Sales	Digital Grocery as % of Grocery Sales
Q1 2023	\$215.4	\$29.9	13.9%
Q2 2023	\$226.1	\$29.5	13.0%
Q3 2023	\$235.7	\$30.4	12.9%
Q4 2023	\$249.2	\$31.2	12.5%
FY 2023	\$926.4	\$121	13.1%

\$ Billions	Digital Grocery Sales	Delivery as % of Digital Sales	Pickup as % of Digital Sales
Q1 2023	\$29.9	45.8%	54.2%
Q2 2023	\$29.5	49.1%	50.9%
Q3 2023	\$30.4	49.8%	50.2%
Q4 2023	\$31.2	49.4%	50.6%
FY 2023	\$121	48.6%	51.4%



Key Performance Metrics: FY 2023

Grocer Size	Digital Grocery as % of Overall Sales	% Delivery Sales	% Pickup Sales	Average Basket Size
< 1 billion	0.5%	73.4%	26.6%	\$36.2
\$1 – \$5 billion	3.4%	60.2%	39.8%	\$59.5
\$5 – \$10 billion	8.7%	49.1%	50.7%	\$107.1
>\$10 billion	13.9%	48.4%	51.7%	\$173.3
Overall	13.1%	48.6%	51.4%	\$168.3



2024 Outlook

State of Digital Grocery: 2024 Digital Outlook

Grocers are cautiously optimistic, but uncertain of shopper demand.

59%

of grocers believe they will do better in 2024 than 2023

Digital sales will grow faster in 2024 as inflation stabilizes.

\$132 billion

in digital grocery sales in 2024 (projection)

Omnichannel execution will be at the forefront (Integrate Store + Digital)

83%

of grocers will focus on improving integration between their digital and store channels

	Top Digital Business Challenges (2023)	%
1	Growing topline / digital revenue	77%
2	Uncertainty of shopper behavior	71%
3	Improving digital profitability	67%

13.7%

of all 2024 grocery sales will be digital (projection)

+2.7%

increase in digital revenue due to media monetization

54%

of grocers will explore social media and third party relationships for product discovery and inspiration (recipes, ideas etc.)

+13%

increase in number of pickup orders in 2024 compared to 2023

State of Digital Grocery: 2024 Technology and AI Outlook

Technology budgets will increase over 2023.

+2.1%

increase in technology budget (Opex) in 2024, compared to 2023

+8% - 14%

increase in digital technology budgets in 2024 compared to 2023

Digital technology budgets will go towards the 'unsexy' stuff.

Top Investment Priorities in Digital (2024)	
1	Integration between store and digital systems
2	Upgrading digital / mobile commerce capabilities
3	Building a robust data platform

AI will get executive visibility and funding.

71%

of C-Level / SVP / EVP executives plan to track their AI progress closely

68%

of grocers will focus their AI investments on areas that drive efficiency or reduce cost.

+14% - 37%

increase in spending on AI technologies in 2024 compared to 2023

Methodology

2.2 million	US shopper orders analyzed from January 1, 2022 - November 30, 2023
40,133	US shoppers surveyed from January 1, 2022 - November 30, 2023 2022: 23,910 2023: 16,223
3,883	US grocery executives surveyed from January 1, 2022 - November 30, 2023 2022: 2390 2023: 1493
250+	attributes used for the forecast model
Monthly	review and calibration of the forecast model



grocery **doppio**

ABOUT GROCERY DOPPIO

Grocers have experienced a generational shift in eCommerce adoption within a condensed period of time, giving rise to both – new growth opportunities and unfamiliar threats.

Grocery Doppio is an independent source of insights and inspiration designed to help grocers jumpstart, accelerate and sustain growth in this dynamic new environment.

www.grocerydoppio.com

In partnership with

wynshop

ABOUT WYNSHOP

Wynshop is an ambitious team of digital innovators helping grocers and other local store-based retailers grow wildly successful online businesses. Wynshop's easy-to-use digital commerce platform enables efficient in-house picking, reduces fulfillment costs, and gives retailers control over every facet of the digital shopping experience.

www.wynshop.com.

State of Digital Grocery: 2024 Outlook

1	2023: Winners and Losers Shipt, Doordash, UberEats, Instacart
2	Instacart share price. Business model
3	Consolidation of the industry: Kroger + Albertsons, Southeastern to Aldi, Gettir + Hello Fresh. Survival. Go Puff , Brookshire+ Rouses Shoppers: More options, better prices, Operator: Integration of organizations and people, Accurate data - data lake, siloed data.
4	Unicorn → Zombies. Innovation. Pragmatic +
5	Intentionality. Most relevant.
	Online grocery business - demand generation, store. Albertsons + Kroger why is it needed. Density and drop density and market
	UK: Online Trader → Digital Merchandiser
	Omnishopper - experience + agents. Digital assistant + Experience. Online experiences. Agents and back end. Digital Twins
	Digital Twin
	→ Profitability