Internet Shopping - The UK Supermarket Model and Customer Perceptions

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Agenda

- Introduction to UK Supermarkets
- Supermarket model of grocery shopping
- Understanding consumer behaviour - Grocery shopping offline and online
- Methodology
- Results - Internet grocery shopping perceptions
- Conclusion
Introduction to UK Supermarket
Introduction to UK Supermarket

Market share of total grocers

<table>
<thead>
<tr>
<th>Grocers</th>
<th>Tesco</th>
<th>Sainsbury's</th>
<th>Asda</th>
<th>Morrisons</th>
<th>Aldi</th>
<th>The Cooperative</th>
<th>Lidl</th>
<th>Iceland</th>
<th>Other multiples</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 weeks to 19 August 2012</td>
<td>30.9%</td>
<td>16.4%</td>
<td>17.5%</td>
<td>11.5%</td>
<td>3%</td>
<td>8.8%</td>
<td>3%</td>
<td>4.6%</td>
<td>21.9%</td>
</tr>
<tr>
<td>12 weeks to 17 August 2013</td>
<td>30.2%</td>
<td>16.5%</td>
<td>17.1%</td>
<td>11.3%</td>
<td>3.7%</td>
<td>6.6%</td>
<td>3.1%</td>
<td>4.8%</td>
<td>21.9%</td>
</tr>
<tr>
<td>12 weeks to 18 August 2014</td>
<td>28.8%</td>
<td>16.4%</td>
<td>17.2%</td>
<td>11%</td>
<td>4.8%</td>
<td>6.4%</td>
<td>3.6%</td>
<td>4.9%</td>
<td>22.1%</td>
</tr>
<tr>
<td>12 weeks to 16 August 2015</td>
<td>28.3%</td>
<td>16.3%</td>
<td>18.8%</td>
<td>10.8%</td>
<td>5.6%</td>
<td>6.4%</td>
<td>4.1%</td>
<td>5.1%</td>
<td>22.8%</td>
</tr>
<tr>
<td>12 weeks to 14 August 2016</td>
<td>28.1%</td>
<td>16.1%</td>
<td>15.7%</td>
<td>10.6%</td>
<td>8.2%</td>
<td>8.6%</td>
<td>4.5%</td>
<td>5.1%</td>
<td>23.1%</td>
</tr>
<tr>
<td>12 weeks to 13 August 2017</td>
<td>27.8%</td>
<td>15.8%</td>
<td>15.3%</td>
<td>10.4%</td>
<td>7%</td>
<td>6.3%</td>
<td>5.2%</td>
<td>5.1%</td>
<td>23.1%</td>
</tr>
</tbody>
</table>

Source: Office for National Statistics (UK)
Introduction to UK Supermarket

Source: Office for National Statistics (UK)
Introduction to UK Supermarket

Pure Online Grocer – Ocado.com

- The only online grocery shopping supermarket in the UK
- Plc through IPO in 07/2010
- Market share £1.34b (2017)
Supermarket Models of Internet Shopping

- **Distribution Centre (DC)**
  - Ocado, Sainsbury
- **Store Pick-up**
  - Tesco.com
- **Intercept model**
  - Attended delivery
- **Cluster model**
  - Unattended delivery

A Pick Up Framework (Morganti, et al. 2014)
Supermarket Models of Internet Shopping

J Sainsbury
5 Distribution Centres

- North London M25
- Hartfordshire
- Swindon
- Coventry/Warwick
- Northampton

Online shopping

Customer

Supermarket Internet Storefront

Distribution Centre

Home Delivery

Sainsbury’s DC Model
Supermarket Models of Internet Shopping

Ocado’s DC map
Supermarket Models of Internet Shopping

**Grocery shopping**

1. Customer
2. Supermarket Internet Storefront
3. Supermarket Local Store
4. Home Delivery

**TIS – HK**

Tesco International Sourcing

**Tesco Direct – non food products** DC

1. Supplier
2. Dot.com only store DC model – South London
3. Home Delivery
4. Customer

**Tesco.com Pick-Up Model**
Supermarket Models of Internet Shopping

**Online shopping**

- Customer
- **Supermarket Internet Storefront**
- **Picking Up Centre**
- **Collect**
- **Delivery**
- **Pickup Points**

**UPS Delivery Intercept**

Customer Request:

- Return to Sender
- Deliver to Another Address
- Reschedule Delivery: Hold the package for delivery on a future date
- Will Call: Hold the package for pickup by the consignee

**Intercept Model**

International Life Sciences Institute (ILSI) Europe
Supermarket Models of Internet Shopping

Customer

Supermarket Internet Storefront

Picking Up Centre

Collect

Delivery

Reception Box / Clusters Near home / work / specific locations

Online shopping

Amazon Locker, Doodle, Collection+

Cluster Model
Internet Grocery Shopping Behaviour

Trends in purchasing food or groceries online in Great Britain

- 2011: 21%
- 2012: 17%
- 2013: 21%
- 2014: 23%
- 2015: 23%
- 2016: 26%
- 2017: 26%

Source: Office for National Statistics (UK)
Internet Grocery Shopping Behaviour

Individuals who purchased food or groceries online, by age and gender - 2017

Source: Office for National Statistics (UK)
Internet Grocery Shopping Behaviour

Frequency of purchasing groceries online

- At least weekly: 22%
- Once/twice a month: 39%
- Less often: 36%
- Don't know/can't recall: 3%

Source: Office for National Statistics (UK)
Internet Grocery Shopping Behaviour

Perception of choice of higher quality products by category - 2015

Source: Office for National Statistics (UK)
Internet Grocery Shopping Behaviour

What information consumers consider when shopping for groceries online

Benn, Y. et al 2015
Internet Grocery Shopping Behaviour

What information consumers consider when shopping for groceries offline

- Nutrition labels - low usage - 12% of consumers were observed looking at the back or side of the product packaging before selecting a product (Grunert, et al. 2010)
- Similar findings were reported in five other European countries: Sweden, France, Germany, Poland, and Hungary.
- Consumers look at the front of a package most frequently when selecting a product.
- About a third of the participants (35%) never looked at information such as lists of ingredients or nutritional information
- Consumers’ goals have also been shown to influence the amount of attention that they pay to different types of information about food products. (Van Herpen and Trijp, 2011)
# Internet Grocery Shopping Behaviour

What information consumers consider when shopping for groceries online

<table>
<thead>
<tr>
<th>Type of Information</th>
<th>Navigation pages (N = 74,034)</th>
<th>Extra information pages (N = 7801)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Picture of product</td>
<td>19.07% (8.90%)</td>
<td>13.83% (8.92%)</td>
</tr>
<tr>
<td>Title of product</td>
<td>18.96% (6.88%)</td>
<td>4.41% (4.89%)</td>
</tr>
<tr>
<td>Price of product</td>
<td>3.07% (2.23%)</td>
<td>1.16% (1.81%)</td>
</tr>
<tr>
<td>Deals and offers</td>
<td>4.10% (3.28%)</td>
<td>2.58% (2.59%)</td>
</tr>
<tr>
<td>Products in basket</td>
<td>4.06% (4.60%)</td>
<td>12.77% (17.17)% ^a</td>
</tr>
<tr>
<td>Total price of basket</td>
<td>0.58% (1.17%)</td>
<td>2.48% (3.33%)</td>
</tr>
<tr>
<td>Nutrition</td>
<td></td>
<td>4.17% (4.78%)</td>
</tr>
<tr>
<td>Ingredients</td>
<td></td>
<td>3.30% (5.81%)</td>
</tr>
<tr>
<td>Allergy information</td>
<td></td>
<td>2.97% (6.75%)</td>
</tr>
<tr>
<td>Traffic light information</td>
<td></td>
<td>1.90% (2.15%)</td>
</tr>
<tr>
<td>Vegetarian/vegan logo</td>
<td></td>
<td>0.56% (0.87%)</td>
</tr>
<tr>
<td>Recycling information</td>
<td></td>
<td>0.09% (0.42%)</td>
</tr>
</tbody>
</table>

N – Number of fixations, captured by eye tracker, analysed by Tobii Studio version 3.1 software

*Benn, Y. et al 2015*
Internet Grocery Shopping Behaviour

- 95% of participants navigated through the ‘virtual departments’, 80% used the ‘search’ facility, and 68% browsed the special offer pages, similar like offline shopping.

- Look at product pictures, more than detailed product information.

- Further information about the product, such as its ingredients or allergy information, is often available on a separate page.

- Much of this information is part of compulsory labelling systems that promote public health as well as awareness of environmental and social issues (e.g., animal welfare, fairtrade, country of origin)

- Product familiarity is likely to influence the likelihood that consumers read labels (Grunert, 2010)
Internet Grocery Shopping Behaviour

What factors affect choice of groceries

Key Determinants

**Socio-demographic** variables (gender, age, education and income),

**Psychosocial variables** (social and personal norms, ability, subjective knowledge and food involvement)

**Food choice motives**

Sustainable Consumption Behaviour

Price is an important factor in the purchase of sustainable food products

Methodology

• Research question: What are the perceptions of Internet Grocery shopping

• Use questionnaire to collect data from 210 UK consumers in south England, with 160 valid returns.

• Sampling of consumers
  • Not random, but purposive sampling
  • Criteria: Access to Internet

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Frequency</th>
<th>%</th>
<th>Male</th>
<th>Female</th>
<th>Average weekly spending in grocery shopping (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>83</td>
<td>51</td>
<td>58</td>
<td>25</td>
<td>23.19</td>
</tr>
<tr>
<td>26-35</td>
<td>48</td>
<td>30</td>
<td>29</td>
<td>19</td>
<td>39.47</td>
</tr>
<tr>
<td>36-45</td>
<td>14</td>
<td>9</td>
<td>11</td>
<td>3</td>
<td>63.92</td>
</tr>
<tr>
<td>46-55</td>
<td>9</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>63.33</td>
</tr>
<tr>
<td>Over 56</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>41.66</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>100</td>
<td>107</td>
<td>53</td>
<td></td>
</tr>
</tbody>
</table>
Results

Factors drive conventional supermarket shopping

<table>
<thead>
<tr>
<th>Factors</th>
<th>Responses</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices</td>
<td>135</td>
<td>84</td>
</tr>
<tr>
<td>Quality</td>
<td>95</td>
<td>59</td>
</tr>
<tr>
<td>Convenience</td>
<td>80</td>
<td>50</td>
</tr>
<tr>
<td>Accessibility</td>
<td>38</td>
<td>24</td>
</tr>
<tr>
<td>Service Provided</td>
<td>25</td>
<td>16</td>
</tr>
<tr>
<td>Choice &amp; Range of Products</td>
<td>20</td>
<td>13</td>
</tr>
</tbody>
</table>

One third (33.1%) of the responses are in favour of conventional shopping.

10 percent because of socialisation in supermarkets
Results

Reasons dislike supermarket shopping

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Responses</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Consuming</td>
<td>42</td>
<td>26.3</td>
</tr>
<tr>
<td>Tiring</td>
<td>33</td>
<td>20.6</td>
</tr>
<tr>
<td>Necessity</td>
<td>20</td>
<td>12.5</td>
</tr>
<tr>
<td>Too Many People</td>
<td>8</td>
<td>5.0</td>
</tr>
<tr>
<td>Shopping Alone</td>
<td>4</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>66.9</td>
</tr>
</tbody>
</table>

Two thirds (66.9%) of the responses are dislike conventional shopping.
Results

Reasons against Internet shopping

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Responses</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security concern</td>
<td>84</td>
<td>52.5</td>
</tr>
<tr>
<td>Cannot Judge Quality</td>
<td>28</td>
<td>17.5</td>
</tr>
<tr>
<td>Delivery Charges</td>
<td>25</td>
<td>15.6</td>
</tr>
<tr>
<td>Lack of Social Contact</td>
<td>23</td>
<td>14.4</td>
</tr>
<tr>
<td>Better Prices On Stores</td>
<td>14</td>
<td>8.8</td>
</tr>
<tr>
<td>No Interest</td>
<td>6</td>
<td>3.8</td>
</tr>
<tr>
<td>Lack of Knowledge</td>
<td>4</td>
<td>2.5</td>
</tr>
<tr>
<td>Internet Charges</td>
<td>3</td>
<td>1.9</td>
</tr>
</tbody>
</table>

N = 160
## Results

### Reasons for Internet shopping

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Responses</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience</td>
<td>34</td>
<td>21.3</td>
</tr>
<tr>
<td>Time Saving</td>
<td>21</td>
<td>13.1</td>
</tr>
<tr>
<td>Better Prices</td>
<td>15</td>
<td>9.4</td>
</tr>
<tr>
<td>More Variety</td>
<td>6</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>76</strong></td>
<td><strong>47.5</strong></td>
</tr>
</tbody>
</table>

*N = 160*
Conclusion

- UK consumers are slowly changing towards online grocery shopping, dominant by younger age groups/families.
- Online grocery shoppers do not proactively look at additional product information, on familiar product name and brands.
- The main driving force of shopping grocery online is convenience and time saving.
- Consumers are sensitive on product price, special offers, and delivery charges/channels.

- Caveats: only 7.5% of respondents actually made purchases from the supermarkets at the time of survey.