



Trendspotting

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Trendspotting: Mass retailers eating into online supermarket sales

By

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The April online grocery market grew 4.4 percent versus last year, increasing to \$8.5 billion, according to the most recent Brick Meets Click/Mercatus Grocery Shopper Survey. The ship-to-home segment generated most of the gains, while overall penetration held steady and order frequency slipped compared to a year ago.

Pickup sales grew 2.1 percent versus last year. Higher spending levels accounted for the gains as the average order value (AOV) climbed while order volume dropped due to a combination of fewer monthly active users (MAU) for the service, mostly from the over-60 age group, plus lower order frequency compared to a year ago.

Delivery sales climbed 4.3 percent as sales were aided by the expansion of its MAU base as penetration increased across all age groups. The growth in the user base helped drive up order volume versus April 2023 while AOV remained essentially unchanged. Delivery also benefited from increased focus by mass retailers, most notably Walmart, on growing their first-party delivery services, assisted by each retailer's respective membership or subscription program.

Ship-to-home sales posted a 10.2 percent gain compared to last year. The growth was primarily due to a substantial year-over-year increase in AOV, after rebounding from a dramatic drop in AOV in 2023 versus 2022. Ship-to-Home sales were also aided by moderate expansion of its MAU base; however, order frequency fell among Ship-to-Home MAUs, leading to a decline in order volume.

“Delivery sales in eGrocery continue to benefit from significant interest and investment from third-party providers and Walmart,” said David Bishop, partner at Brick Meets Click. “One question related to this growth remains whether many of the newer customers who are attracted by the trial offers will behave like streaming subscription service users who choose to use one service at a time until the ‘free’ period expires, and then jump to the next special offer.”

The size of the overall eGrocery MAU base held steady for April 2024 versus 2023. The share of MAUs that rely on just one method during the month remained above 70 percent, while the share that

used both a delivery and pickup service represented only approximately 15 percent of MAUs after contracting again.

Consumers' search for value continues as more are buying from mass, membership or subscription programs. For April, mass retailers supplied orders to 51 percent of the overall eGrocery MAU base, up versus last year. In contrast, supermarket retailers engaged only 30 percent of the MAU base for April, down from a year ago.

“Given the recent shifts in consumer purchasing patterns, especially the increased flight-to-value and rise in cross-shopping between supermarkets and mass retailers, grocery executives need to lean on their technology partners to offer solutions that enhance the shopping experience, whether that’s online or in-store,” said Mark Fairhurst, chief growth officer at Mercatus. “Mass retailers, like Walmart and Target, have already invested heavily in their mobile apps, and are now tapping into emerging technologies like machine learning and AI to better predict and adapt to customer behavior in real-time.”

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About Craig Levitt |

When his dreams of becoming a professional hockey player came crashing down due to lack of talent, Craig Levitt turned to journalism. He graduated from Hofstra University in 1992 and has covered various areas of the retail food trade since 1996. Craig joined The Produce News in 2017 and is now managing editor. In his spare time, Craig still plays men's league hockey (poorly) and enjoys walking the aisles of his favorite supermarket with his wife and two daughters.

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