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Innovations in e-grocery and logistics solutions for cities

Seidel Saskia[a], Nora Mareï[b]*, Corinne Blanquart[b]

[a]*Deutsches Zentrum für Luft- und Raumfahrt e.V., Institute of Transport Research, Berlin, Germany*

[b]*IFSTTAR-SPLOTT, Villeneuve d'Ascq, France*

Abstract

Offering products via the internet is affecting the traditional "bricks and mortar" retail structure. But, as selling online products is not successful for all types of articles, not all retail branches are affected similarly by internet sales. Groceries are still a niche in online trading but are expected to grow fast. In this article, we want to compare France and Germany, where the rise of e-grocery has arrived almost at the same time although with considerable differences. We focus on innovative concepts in e-grocery as well as their consequences on transport and logistics.

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1. Introduction

Today we have widespread internet access in most countries, 76% in Europe (ITU 2014), which makes it possible to get in contact with each other easily. That also applies for communication between companies and people. The accessibility of reaching people via the internet is further advantaged with growing smartphone penetration. The internet offers the possibility for retailers to get in closer contact with consumers. Furthermore, it offers not only the opportunity of sharing information, but also of adding another distribution channel. Many retailers make use of it and, by adding another distribution channel, become cross-channel† retailers. But also other filière-players use the internet

* Corresponding author. *E-mail address:* marei.nora@gmail.com
† also known as multichannel (sales channels are independent) or omnichannel retail (all sales channels are integrated)

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to sell their products. Consequently, these days there is almost nothing which cannot be ordered online. Even groceries are making their debut and can be ordered online.

Besides the United Kingdom (UK), France and Germany are the largest European distance selling markets, worth respectively €63.4 billion and €51.1 billion, of which about 54% refer to goods and 46% to services (Ecommerce Europe, 2014). These countries are also the three biggest European food markets with €183bn for France (2013), €175bn for Germany (2013) and £175.5bn for the UK (IGD, 2014). Food online sales compared to total sales are relatively small but are expected to double by 2016 (cf. table 1). While in 2011 only 4.5 million people in Europe stated that they have ordered food online at least once, about 15 million stated that in 2014.

Table 1. Current turnover and forecast in online food retailing for selected countries. Source: IGD, 2013.

Country	2012 (€ bn)	2016 (€ bn)
UK	7.1	13.7
France	5.0	10.6
Germany	1.1	2.5
Netherlands	0.6	1.6
Switzerland	0.7	1.1

A short look at e-grocery development

The sustainable online grocery development in France and Germany started later than in the UK, where an offer of e-grocery by “traditional supermarkets” started at the beginning of the year 2000 (Linder and Rennhak, 2012). At this time Ocado and Tesco introduced e-groceries in the UK, and all major UK grocers followed around 2006 (O'Farrel, 2014). Therefore the UK can be seen as the European pioneer in e-grocery. At the beginning of the year 2000 online shopping for food was also marketed heavily in other European countries. But companies had more start up difficulties there. Many companies were quite optimistic and invested in e-groceries, e.g. Otto in Germany or Telemarket in France. But after only a short time, most e-groceries stores closed down (including Telemarket and Otto). As it turned out, these companies were ahead of their times. Besides slow internet connections which probably made the internet ordering/shopping inconvenient and time-consuming, also the high logistics costs were likely another reason for the lack of success. As reasons for their failure, failed companies claimed their problems were mainly high storage costs, picking and logistics costs, and the complex delivery requirements for fresh food, especially for the last mile segment. Another reason for the developmental disruptions could be that internet access was not as dense as today and people only began little by little to shop online. Then, only a few years later, when the internet found its way into everyday life, some companies restarted their efforts.

As the different size of turnover shows (cf. table 1), e-grocery plays out in every country differently. We also find different e-grocery concepts favoured in different countries. Accordingly, there is no one-size-fits-all approach for online food retailing. “Click and collect” (CC) and “home deliveries” (HD) are the two main possibilities which can be distinguished. But within these two possibilities, retailers try to find more innovative solutions to differentiate themselves from other e-retailers.

Aim of the present paper

In this article, we want to compare France and Germany, where e-grocery was introduced almost at the same time but varies in its form and speed of development. The two neighbouring countries have different commercial and sales structures for food. Looking at grocery shops, differences in size of stores, in selling concepts, and in offered assortment (e.g. frozen food stores, popular in France and scarce in Germany) are to be found (Seidel et al. 2014). Furthermore, the types of retail formats are dissimilar: discounters dominate the German food market in the number of points of sale (POS). With a total turnover of €62.1bn, which represents 44% of the grocery market share, discounters have also the highest turnover of all formats (USDA Foreign Agriculture Service, 2012). In contrast, discounters in France hold a market share of only around 10% (Bosshammer, 2011) and the highest share of food