



# Canada's (Post)-Pandemic E-Commerce Food Economy

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TUESDAY FEBRUARY 22, 2022

GLOBAL AFFAIRS CANADA

# 4 Sections of Presentation

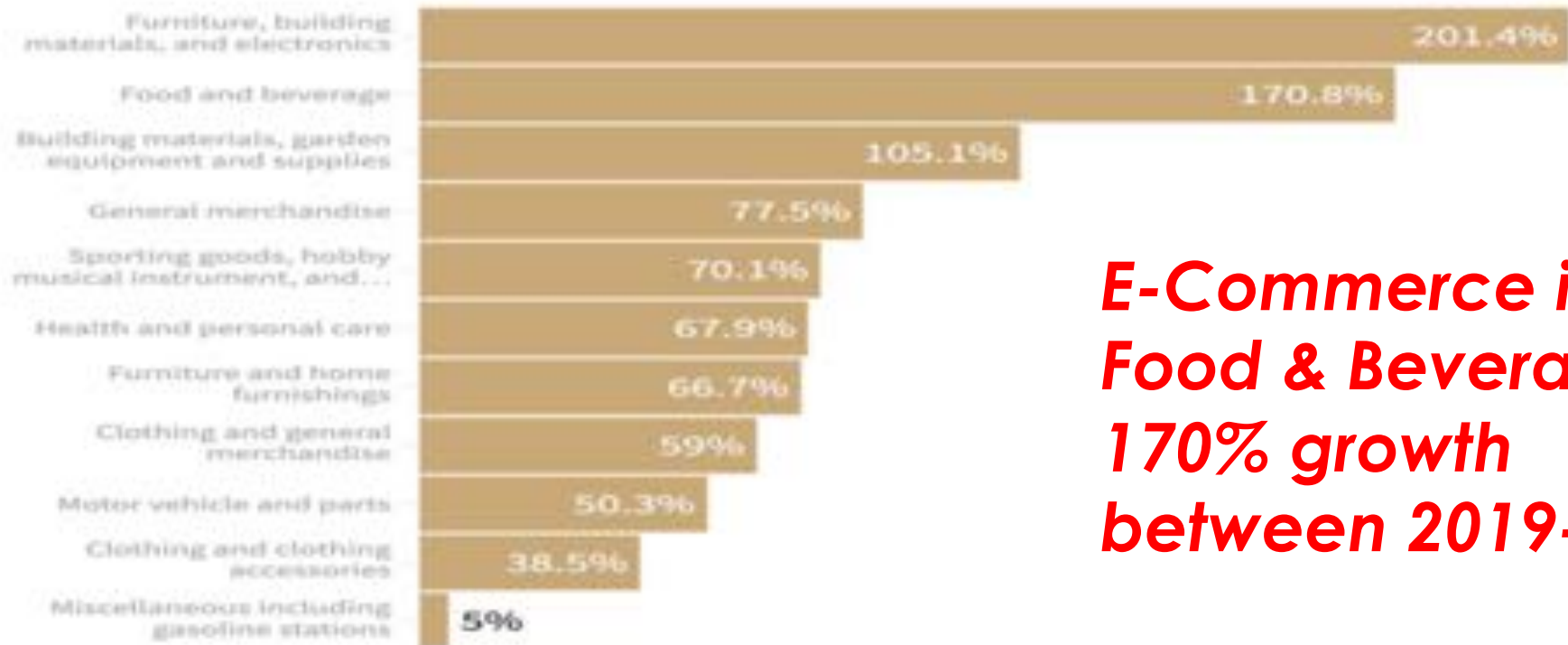
1. The current landscape (macro pressures, urban factors, time, convenience)
2. Consumers (at-large and survey specific)
3. (New) & (Emerging) E-commerce food business models
4. Canada and Global Trade for E-commerce food business

# The Current Landscape: *E-commerce in the Food Sector*

- ▶ Blurring lines in the online-offline omnichannel (foodservice, grocery, restaurant, convenience store)
- ▶ Sustainability - food waste - packaging waste
- ▶ Price sensitivity while supporting local economies and businesses
- ▶ Data as Service - Supply chain support
- ▶ Ghost Kitchens - Cloud-sourced Labour
- ▶ Drone Delivery - Delivery enhancement to in-home delivery

# The Current Landscape: *E-commerce in the Food Sector*

## E-Commerce Category Growth 2021 versus 2019



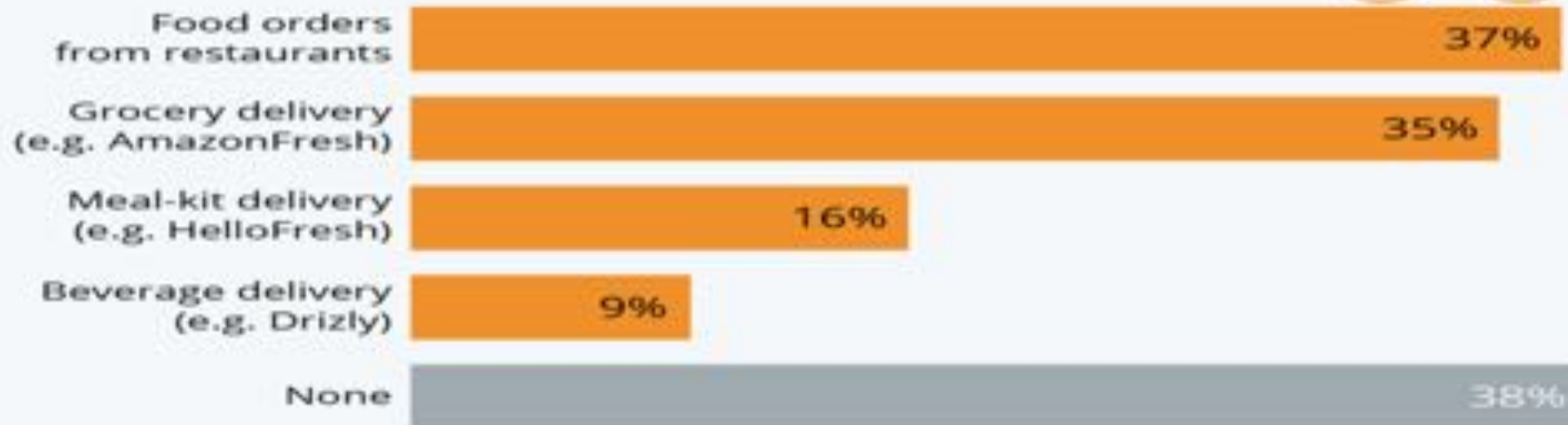
**E-Commerce in  
Food & Beverage  
170% growth  
between 2019-2021**

Source: US Dept of Commerce, Economic Indicators Division, Retail Indicator Branch  
Quarterly E-Commerce Sales Not Seasonally Adj

# The Current Landscape: *E-commerce in the Food Sector*

## Despite Covid: 38% Pass on Food Delivery

Share of U.S. respondents using the following delivery service types in the past 12 months



Based on a survey of 1,043 adults (aged 18-74) in the U.S.; Dec 2021  
Multiple answers possible  
Source: Statista Global Consumer Survey



# The Current Landscape: *E-commerce in the Food Sector*

## Food: The Final Frontier in E-Commerce

Share of e-commerce in consumer spending on food retail, by region\*



\* includes drink and tobacco products, adjusted for inflation

Source: Statista Consumer Market Outlook 2021

# The Current Landscape: *E-Commerce in the Food Sector*

- ▶ **Nielsen study:** In 2020, 30% of shoppers were new to e-commerce.
- ▶ **2020 McKinsey study:** Direct-to-consumer not for every food operator(?), esp. with limited resources, customer acquisition costs, logistics.
- ▶ **Forbes, in 2020:** 72% of consumers using mobile devices to shop in stores. Food CPGs can smooth path-to-purchase by knowing user preferences.
- ▶ **2020 PwC study:** Younger consumers have a greater tendency toward online food delivery apps and meal kit services, and expect faster delivery
- ▶ **NPD Group study:** CPGs need to (re)-imagine their customers e-commerce journey

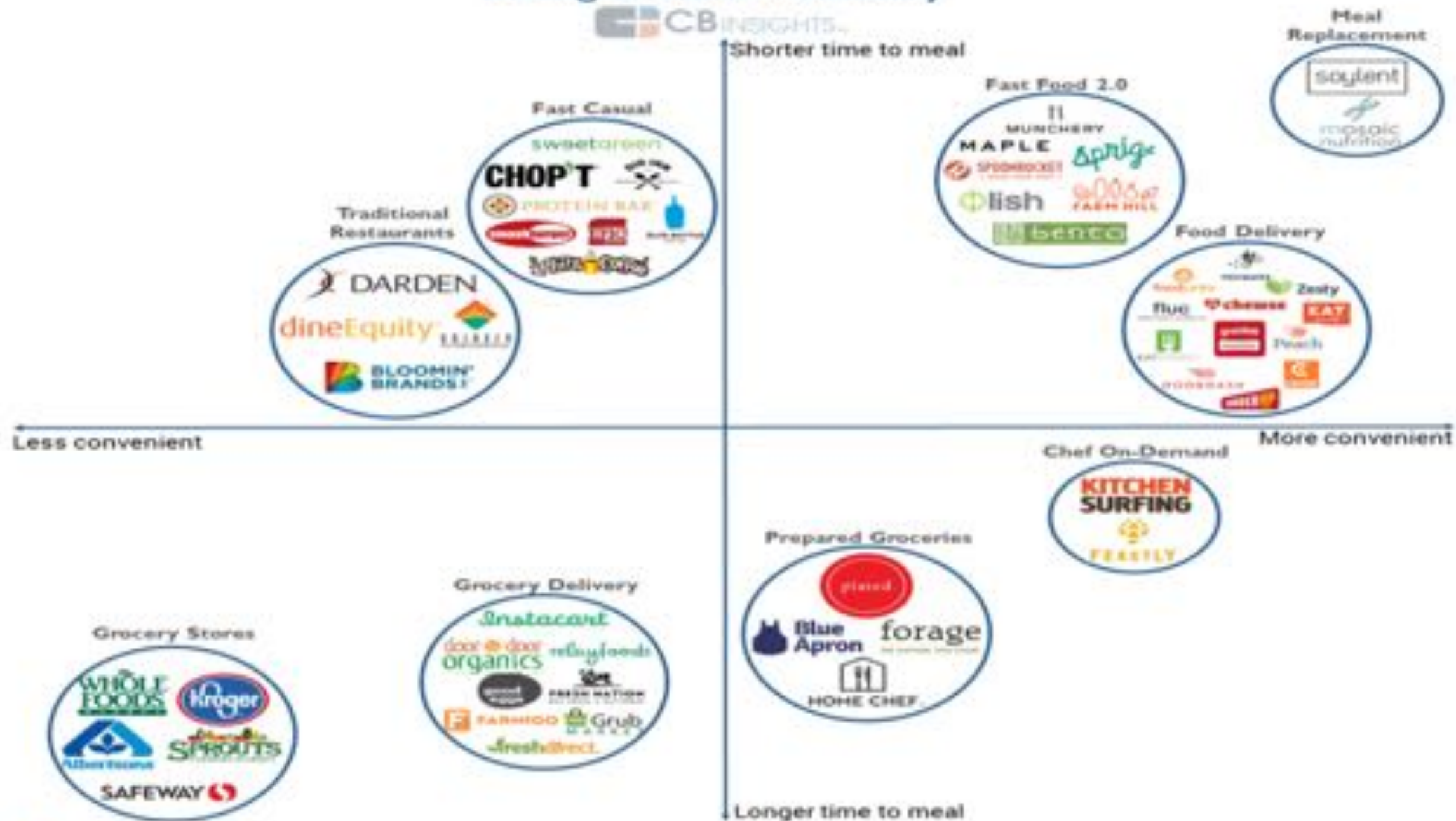
# The Current Landscape: *E-commerce in the Food Sector*

*“In the next five years, restaurants will become less synonymous with prepared food. Prepared meals will remain the primary business for restaurants, of course, and dining in restaurants will not be going away. However, the range of operators, concepts and venues for obtaining prepared meals and solving for daily meal occasions will continue to expand. Rather than a strict separation of restaurants and prepared meals on one end and grocers and packaged food and drinks on the other, we’ll see more of a spectrum, with a range of different approaches to prepared food and drinks, generally ordered via an app.”*

▶ Michael Schaefer, Head of Beverages and Foodservice Research, Euromonitor, August 2021



# Eating in the 21<sup>st</sup> Century



# Consumers: Perspectives, Perceptions, Attitudes

## **Broad results on the study, November 2020:**

- ▶ 7,200 Canadians surveyed: 79% female, 44% Millennials (born 1981-1996), 47% Ontario

## **Survey Themes:**

- ▶ Consumer price sensitivity to costs of online food purchasing
- ▶ Growing sustainability-related concerns over food packaging and waste
- ▶ Product sensory experience related to online vs. in-person food selection

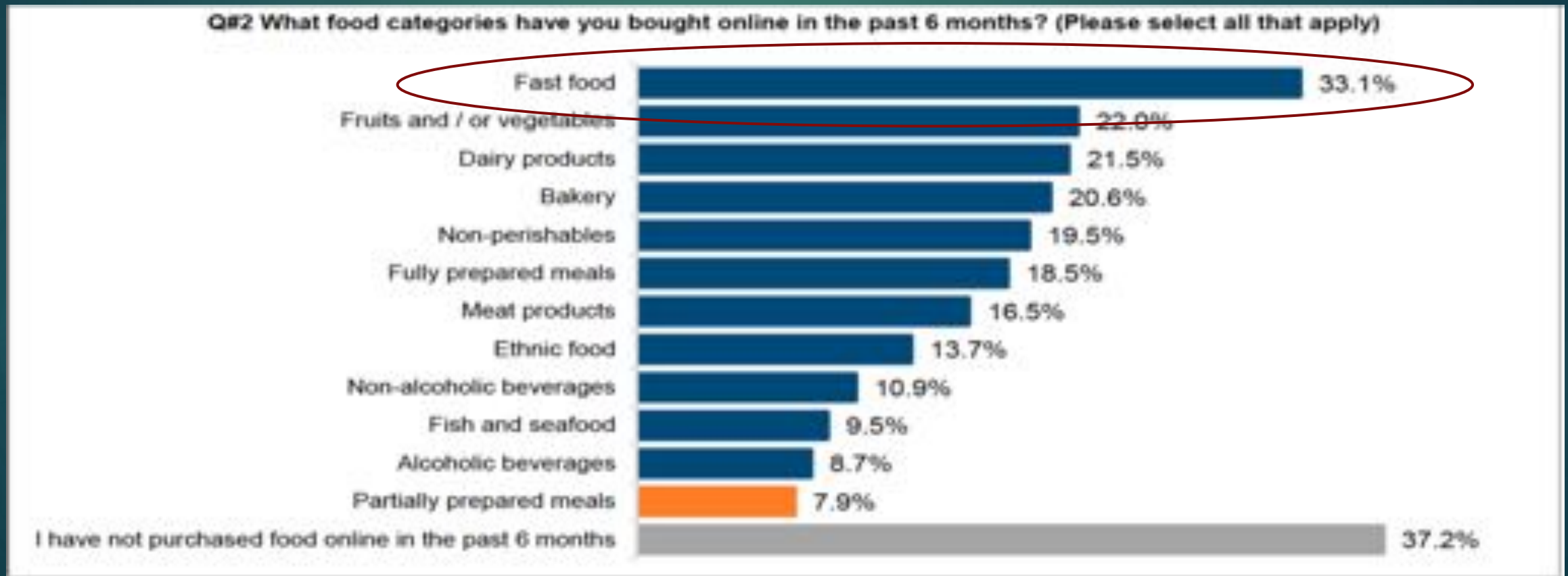
# Consumers: Perspectives, Perceptions, Attitudes

Fig 1 E-Commerce Preference for Buying Food



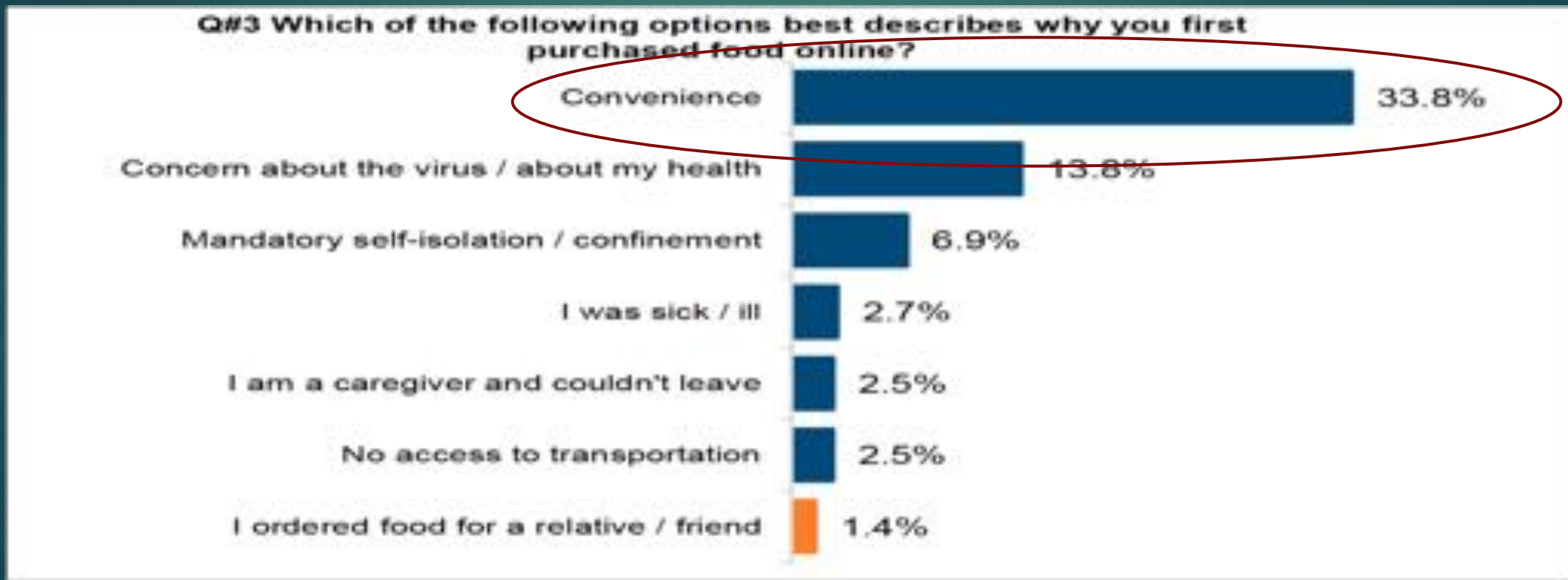
# Consumers: Perspectives, Perceptions, Attitudes

Fig 2 Fast Food Most Popular Online Purchase (June-Nov 2020)



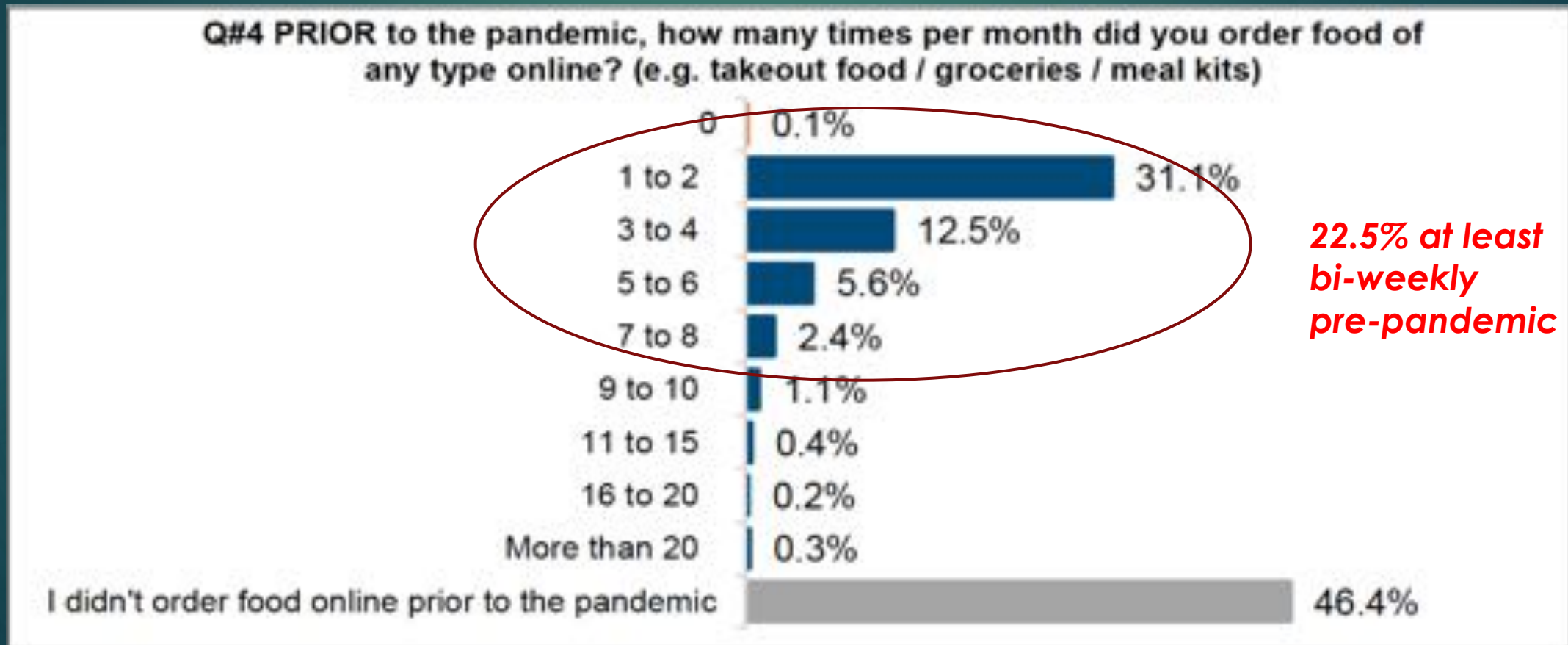
# Consumers: Perspectives, Perceptions, Attitudes

*Fig 3 Motive for First Online Food Purchase*



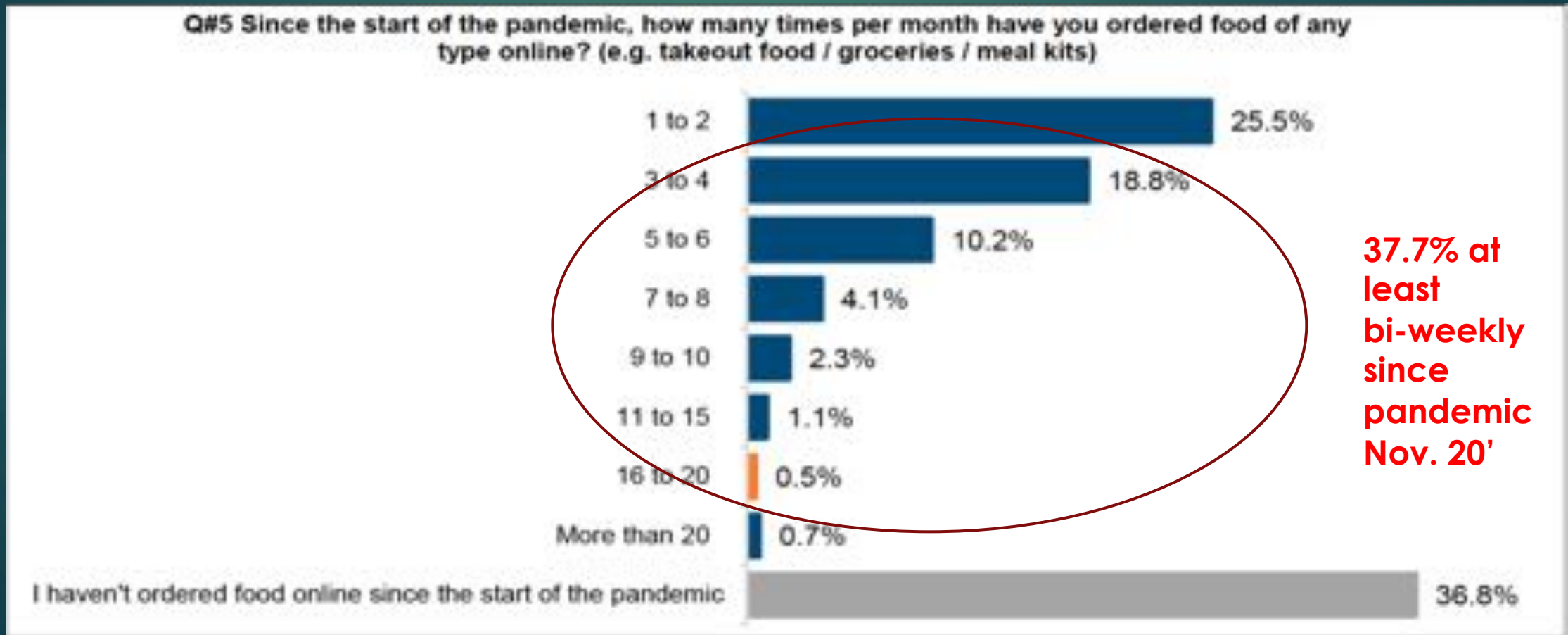
# Consumers: Perspectives, Perceptions, Attitudes

Fig 4 Frequency of buying food online – pre-pandemic



# Consumers: Perspectives, Perceptions, Attitudes

Fig 5 Frequency of Buying food online – 1<sup>st</sup> 9 months of pandemic



# Consumers: Perspectives, Perceptions, Attitudes

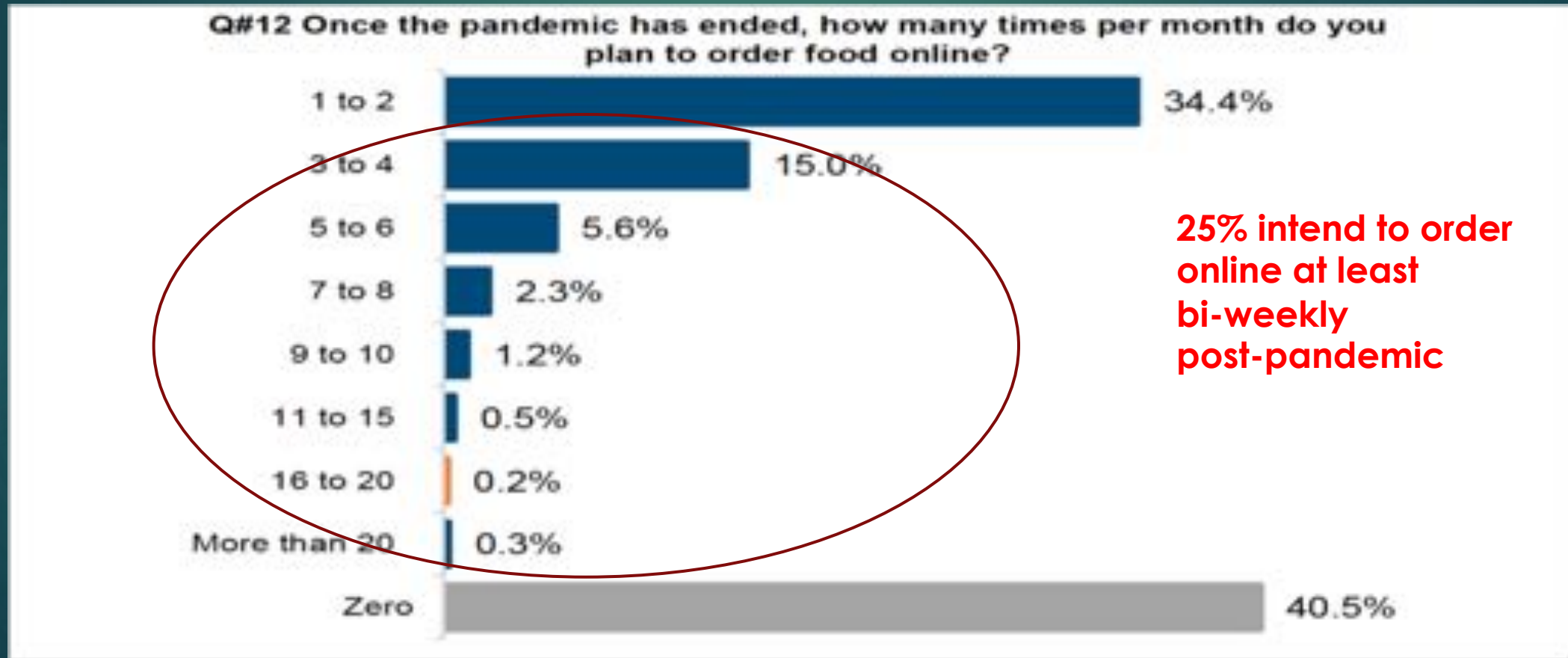
Fig 6 Frequency of Buying food online – projection to May 2021





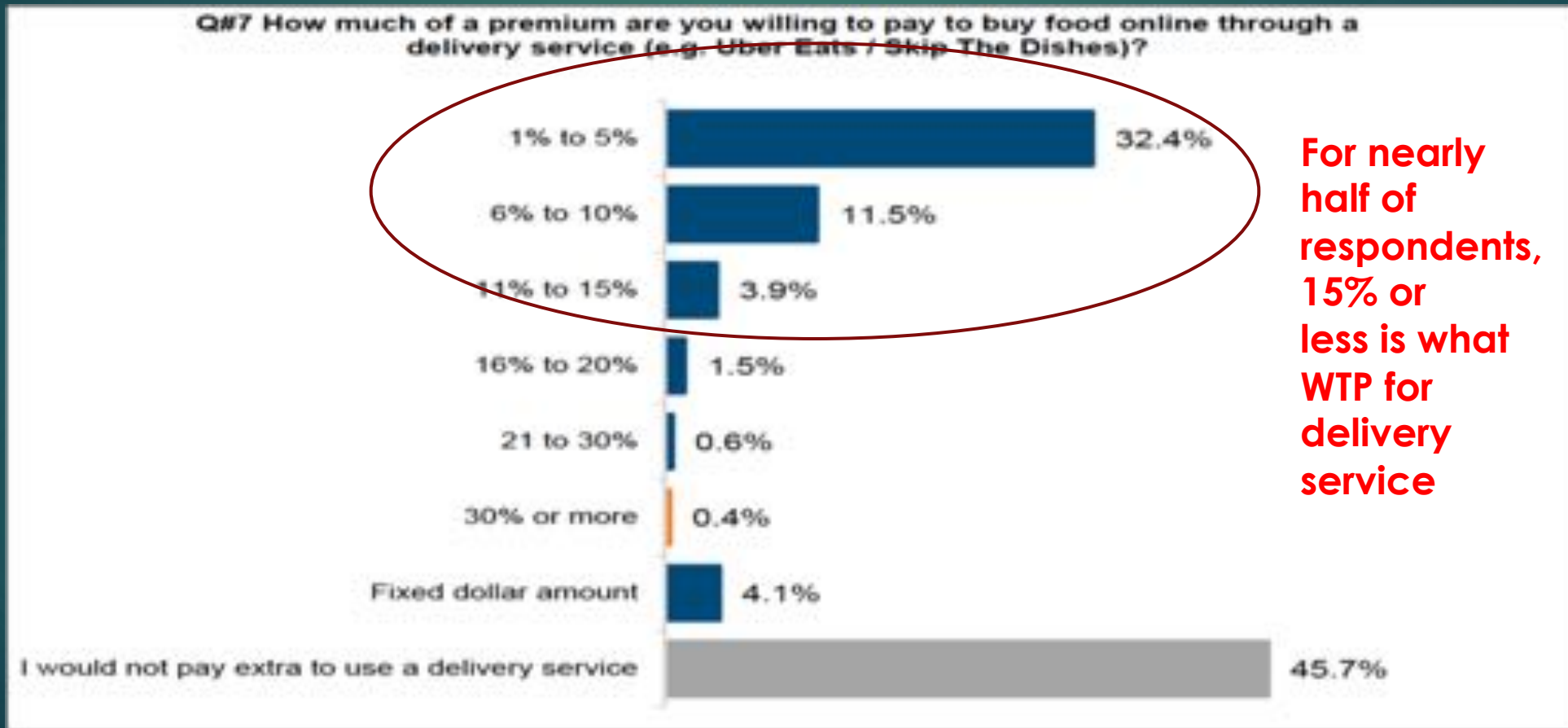
# Consumers: Perspectives, Perceptions, Attitudes

*Fig 12 Post-pandemic online food purchase intent*



# Consumers: Perspectives, Perceptions, Attitudes

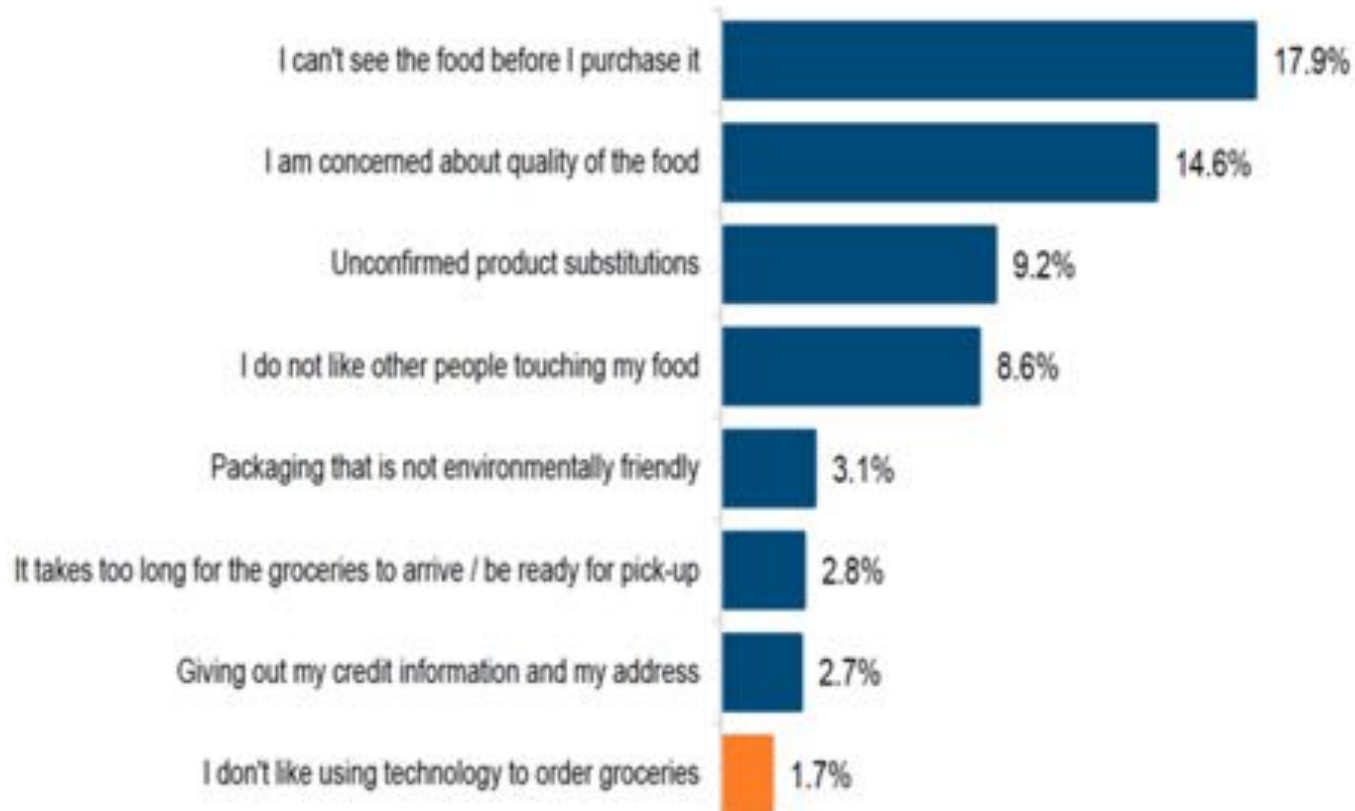
Fig 7 Willingness to pay a fee



# Consumers: Perspectives, Perceptions, Attitudes

Fig 11 Dislike most about ordering food online

Q#11 What do you dislike most when ordering food online?









**Key Issues with online food ordering:**

1. **Can not see the food beforehand**
2. **Food Quality Concern**
3. **Risk of Product Substitution**
4. **Food Contact**
5. **Environmental Concern/Packaging**

# (New) E-Commerce Business Models

- ▶ Business Models (competing for consumer dollars): reducing transaction friction
- ▶ Convenience
- ▶ Affordability
- ▶ Usability
- ▶ E-commerce with a conscience
- ▶ Partnerships for Innovation and New Models

# (New) E-Commerce Business Models: Blurred Lines, Ghost Kitchens, Cloud Labour

Name of Company/Logo	What are they doing in food e-commerce?
	<p>Gopuff operates more than 250 micro-fulfillment centres/dark stores that serve more than 650 cities in the US, and stock grocery, alcohol, pet food 24/7</p>
	<p>DoorDash, (with Germany-based Gorillas) accelerate fast grocery delivery, and DashMart for convenience products, along with hot meals from ghost kitchens.</p>
	<p>Ordermark/NextBite leverage underutilized kitchen spaces to run delivery-only restaurant concepts, and help find spaces to launch concepts.</p>
	<p>Kroger integrates ghost kitchens and digital ordering capacity, while hiring culinary talent to prepare meals on premise or at nearby commissaries</p>
	<p>Albertson's Co seek to compete in the delivery of groceries in under 30 mins category with 'speed, selection and affordability – delivered on-demand'</p>
	<p>Bite Ninja operates a platform for cloud labour to take orders remotely for QSR. Its founders state the platform can increase order accuracy and upselling.</p>

# (New) E-Commerce Business Models: *Kroger Fulfillment Centre*


Growth of automation fulfillment and distribution centres – Kroger – and UK tech partner Ocado – 350,000 sq. ft automated fulfillment centre for online grocery orders in spring in Dallas



# (New) E-Commerce Business Models: *Reducing Waste*

Name of Company/Logo	What are they doing in food e-commerce?
 <p>Too Good To Go</p>	Denmark-based Too Good To Go, works with hotels, restaurants, supermarkets, and other food businesses that have surplus food via an online platform. Customers pick up discounted food at a designated time.
 <p>Plant Jammer</p>	Aldi Sud and RIMI Baltic, as large food companies, are implementing Plant Jammer's new food waste fighting app that allows consumers to track and manage their home food waste.

# (New) E-Commerce Business Models: *Specialty DTC*






Name of Company/Logo	What are they doing in food e-commerce?
 <p>The image displays four logos stacked vertically. From top to bottom: 1. 'ferme Grazing Days farm' with a cow silhouette. 2. 'BEST OF CALGARY FOODS' with a fork and knife icon. 3. 'de la mer' in a serif font. 4. 'JUNE SHINE HARD KOMBUCHA' in a bold, sans-serif font. Below the logos is a photograph of various kombucha bottles and jars.</p>	<p>Specialty Direct-to-Consumer E-Commerce platforms are supporting the growing desire of many consumers to purchase from craft producers, specialty businesses, restaurants, and food purveyors. Companies such as Grazing Day Farms, Flagship Cellars, de la Mer, June Shine, and Best of Calgary Foods are building on the strong support for premium food product demand.</p>



# (New) E-Commerce Business Models: *Supporting Local-Independents*

Name of Company/Logo	What are they doing in food e-commerce?
	The Slice platform is a suite of tools, including online ordering, a rewards program, delivery facilitation, and a POS system, made specifically with independent pizzerias in mind, and the idea to support them.
	Spread (acquired recently by Lunchbox) is a NYC-based delivery marketplace, created to connect consumers and restaurants without charging the former hefty commission fees charged by dominant third-party services
	WhatsGood is an aggregator platform that makes it easier to order quality ingredients for food producers and foodservice from local suppliers
	The Kitchen Door connects food entrepreneurs with commissary and shared commercial kitchen spaces available for rent
	BentoBox helps restaurants create and manage their own digital storefronts, such as online order management, website design, and dine-in order and pay.

# (New) E-Commerce Business Models: Consumer-Supply Chain Data As Service

Name of Company/Logo	What are they doing in food e-commerce?
	Halla is a tech company that helps retailers understand and respond to shopping patterns with better information about what is going out the door from online and brick-and-mortar sales
	Qu POS is a platform for virtual restaurants, with a unified suite of multichannel order management, reporting and third-party delivery integration
	McCormick Foods partnered with IBM in 2019 to use AI in reducing time towards new product development by mining decades of consumer preferences via sales.
	Notch is a Canadian restaurant supply chain technology company, that provides a central place for restaurants operators to view and manage their suppliers and shipments, create inventory lists and digitize the operation.
	Brightloom offers a 'data-science-as-a-service' platform to help restaurants make more sense of data, and get better insights on their customers preferences.

# (New) E-Commerce Business Models: *Drone Delivery – Home Delivery*

Name of Company/Logo	What are they doing in food e-commerce?
 The image shows the Walmart InHome logo at the top, which includes the text "InHome" and "A new kind of grocery delivery". Below the logo is a photograph of a Walmart employee in a blue uniform standing in a grocery store aisle, looking at a shelf of products.	<p>Walmart's InHome grocery delivery, launched in the fall of 2019, arranges with customers to have drivers deliver custom grocery orders directly to refrigerator while people are out of the house. Trust is built (as with dog walkers or home cleaners) with security locks, tenured staff, and cameras on the drivers shirt.</p>
 A photograph of a white Manna drone in flight against a blue sky. The drone has four rotors and the word "MANNA" is printed on its side.	<p>Ireland-based Manna provides drone delivery from restaurants to home within minutes without the need for full-sized delivery cars, flying at 60 meters above the ground.</p>

# Global Trade Markets: *E-Commerce in the Food Sector & The Case of China's Pinduoduo*

- ▶ China's Pinduoduo is the largest online marketplace for agricultural produce, and applies consumer insights to help revamp the traditional supply chains to benefit both consumers and producers.
- ▶ In 2019, Pinduoduo helped farmers in China improve their productivity and find new sales channels online. Pinduoduo equips farmers and entrepreneurs in rural communities with skills such as finance and marketing to fill the rural talent gap.
- ▶ Pinduoduo promotes the concept of "consumer-to-manufacturer" (C2M). A model aimed at providing more transparency to producers so that they can more accurately produce according to actual consumer demand.



# Global Trade: E-Commerce in the Asian Food Sector

## The end of the beginning of e-commerce in Asia

### Drivers for online sales for FMCG:

#### Rising numbers of households buying online

<b>+46%</b>	<b>+15%</b>	<b>+325%</b>	<b>+47%</b>	<b>+5.1%</b>	<b>+58%</b>
Hong Kong	Indonesia (urban)	Philippines	Singapore	South Korea	Thailand

**▶▶▶ 67%**  
plan to continue to buy online even after quarantine restrictions are removed in the Philippines.<sup>1</sup>

**▶▶▶ +74% (food)**      **+ 60% (non-food)**  
growth of food versus non-food categories in Thailand.<sup>2</sup>

#### Increased frequency in buying

<b>+75%</b>	<b>+37%</b>	<b>+11%</b>	<b>+29%</b>
Hong Kong	Indonesia	Singapore	South Korea

#### Increased spending

<b>+52%</b>	<b>+46%</b>	<b>+16%</b>	<b>+27%</b>
Hong Kong	Indonesia	Singapore	South Korea

# Canada + Global Trade

## E-Commerce in the Food Sector

### Canada Retail Ecommerce Sales, 2021-2025

billions, % change



Note: all years converted to USD using average 2020 exchange rates; Exchange Rate; includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales

Source: eMarketer, December 2021