



Amazon leads SN's inaugural Top 10

By JON SPRINGER

SN'S INAUGURAL Digital Top 10 may be a running shot at a moving target — but as the industry already knows, online sales are worth taking aim at.

The list, culled from a variety of industry sources, paints a picture of a fast-growing but still relatively small slice of the North American supermarket industry. The estimates reflect annual sales of food and consumables in the U.S. and Canada conducted over the Internet — whether for delivery or pickup — and does not reflect sales from so-called concierge services such as Google Shopping Express and Instacart; although the latter in particular is growing into a formidable sales engine with retailers like Whole Foods Market, Costco, Natural Grocers, Fresh & Easy and more now entrusting at least some of their e-tailing to it (see related story on page 40).

Other Digital Top 10 retailers are getting into it how-

ever they can. Kroger, which looked like an e-commerce laggard only a few years ago, has bought its way into the picture with subsequent acquisitions of click-and-collect shopping leader Harris Teeter and Vitacost, the web-only vitamin and supplement retailer. Then again, AmazonFresh was only a test and Instacart barely existed two years ago.

Some traditional supermarket companies on the list, like ShopRite, are equipping their stores to facilitate in-store order picking and check-out and are beginning to see considerable results. Still others, like Peapod parent Ahold and Walmart, are committing considerable resources toward challenging pure-plays like Amazon behind a combination of physical and virtual retail and options. Finally, the list also illustrates the potential for narrowly focused niche retailers carving out a consid-

erable chunk of the business, like meal-delivery service Blue Apron, and organic specialist Door to Door Organics.

All of this, experts stress, is only just beginning.

"I think what you're going to see in five years is virtually every brick-and-mortar retailer having significant online sales as a result of their move into click and collect," Bill Bishop, chief architect of consultant Brick Meets Click, told SN in an interview. "And I would further say that there's a good chance that in five years that would approach or exceed 5% of the company's sales. That, I believe quite frankly, is a slam dunk."

Sources estimate food retailers today generally do between 1% and 2.5% of their total store sales online, but note the business as a whole is growing at around 20% annually. Mature, top-performing online grocers can see up to 10% of their sales online, some sources said.

The potential for online "category killers" is also considerable. *Internet Retail* magazine's list of the top 500 e-commerce companies includes evolved catalog retailers like Omaha Steaks and Hickory Farms, as well as specialty food providers like Wine.com and Nuts.com.

This, sources say, points to an opportunity for supermarkets to look at their own areas of expertise as a foundation for an online offering.

E-tailing advocates have long pointed to the advantages of bolstering a store's offering

with an online component, saying it helps to add incremental sales and strengthen shopper loyalty.

"It protects your best customers," Timothy Kenney, president and chief technology officer of MyWebGrocer, said in an interview with SN. "What we see when a store goes live is the best customer very often will move their purchases online and do store pickup or delivery — pickup is more popular by about 3-to-1 based on what we see — and those customers consolidate their purchases that today are going maybe to a pharmacy, or a health and beauty retailer, or Costco."

"You can't lug two baskets around a store, so what we see the average basket size rise to is \$160 [online] because you're consolidating your share of the stomach."

Kenney noted that early movers in the online space often have an advantage of a wider group of shoppers whose stores do not have a similar option, but even with more retailers joining the battle the overall rate of online sales growth remains sufficient.

"We've established that the best customers are the ones who are digitally engaged," Kenney said. "So if you don't have it you're essentially caving. You're saying, 'OK, I'll give those customers to someone else.'"

SN INSIGHT

WHILE SN'S DIGITAL TOP 10 provides the first snapshot of the leaders in online grocery sales, it's only that — a snapshot.

Readers should caution that these figures are only estimates and subject to change. Precise figures are difficult to come by, as few companies publicly disclose such figures, and those that do disclose their sales tend not break out online sales, and/or the percent of their online sales in grocery and consumables, and/or the percent of those sales in the U.S. and Canada. SN relied on publicly available data where available, as well as input from industry sources and published reports. SN considered both pure-play online and physical retailers selling food and consumables online in the U.S. and Canada, but chose not to include so-called concierge services like Instacart and Google Shopping Express, although we may wish to include sales from their clients in future updates. Shortly before this article went to press Instacart revealed that Whole Foods was doing more than \$1.5 million a week in Instacart sales: Maintaining that pace would rank it 8th.

A fast growing and rapidly evolving category would suggest the list itself is subject to considerable change. Estimates of online food sales growth range between 10% and 20% annually, and candidates are expanding to new markets, or signing new clients every day.

—J.S.

SN DIGITAL TOP 10

amazon

- 1 AMAZON.COM**
SEATTLE
JEFF BEZOS, CEO
SALES: \$1.9 BILLION (ESTIMATE)
AMAZON.COM; FRESH.AMAZON.COM;
WAG.COM; SOAP.COM

Web retailing giant Amazon.com reported total revenues of \$89 billion in 2014. Of that total, \$38.5 billion went toward electronics and general merchandise including grocery in North America — and that category grew by 25%. While food — particularly the fledgling AmazonFresh segment, with 2014 sales estimated at \$180 million — accounts for a small percentage of overall sales, Amazon's strengths in supermarket items like paper goods, pet foods and shelf-stable groceries is considerable, sources say. Amazon also owns a family of specialty retail stores under its Quidsi division including pet-food retailer Wag.com, natural grocer VineMarket.com, Diapers.com and Soap.com.

Peapod

- 2 PEAPOD**
CHICAGO
ANDREW PARKINSON, CEO
\$590 MILLION (E)
WWW.PEAPOD.COM

With roots predating the 1990s Internet bubble, Ahold USA's Internet shopping arm is one of the oldest and largest names in all of e-commerce. Acquired by Ahold in the aftermath of the burst, the retailer maintains big ambitions for Peapod, saying it would be a major component in a plan to increase worldwide e-commerce by 80% over the next three years, Ahold officials said in November. Ahold officials then revealed that Peapod did approximately \$590 million in sales in 2014 and was growing in excess of 10%.

freshdirect

- 3 FRESHDIRECT**
NEW YORK
JASON ACKERMAN, CEO
\$500 MILLION (E)
WWW.FRESHDIRECT.COM

When the first wave of Internet food retailing failures convinced many the concept was a losing proposition, FreshDirect made them think again. The Web-only grocer established a large and loyal customer base behind a commitment to quality and freshness that was also ahead of its time. A dense and wealthy customer base in New York helped the financial model work. FreshDirect now offers service in Philadelphia, and grew sales by 8.4% last year, according to Internet Retailer magazine.



- 4 KROGER**
CINCINNATI
RODNEY MCMULLEN, CEO
\$487 MILLION (E)
WWW.VITACOST.COM; KROGER.COM;
HARRISTEETER.COM

Vitacost, which Kroger acquired last year, reported \$383 million in sales for the fiscal year ending Dec. 31, 2013 — a 15.8% increase from the previous year. Observers expect Kroger could use Vitacost to help crack the home-delivery market while offering select products that complement Vitacost's health-supplement shopper base. Its Harris Teeter acquisition came with more than 150 click-and-collect Internet shopping locales through that company's Express Lane offering. Kroger is currently at work testing a similar click-and-collect offer at some Kroger stores near its Cincinnati headquarters, although officials have said they need to address costs before embarking on a more robust rollout. Kroger is also offering online shopping via Instacart in some markets.



- 5 WAKEFERN/SHOPRITE**
KEASBEY, N.J.
JOSEPH COLALILLO, CEO
\$350 MILLION (E)
WWW.SHOPRITE.COM/SRFH_DELIVERY

ShopRite from Home, which allows shoppers to buy online and pick their orders up at their local ShopRite store, is available at 137 stores. Observers estimate stores offering the option are seeing a ring of \$50,000 in sales every week, while some do considerably more. Wakefern, a cooperative, is the largest retail client of digital solutions provider MyWebGrocer.

SAFEWAY

- 6 SAFEWAY**
PLEASANTON, CALIF.
BOB MILLER, CEO
\$225 MILLION (E)
SHOP.SAFEWAY.COM

Like Ahold, Safeway's e-commerce efforts have origins in the dot-com bubble days — partnering with, and subsequently acquiring, a startup known as Groceryworks. Officials declined comment on Safeway's annual e-commerce sales — and prospects are unclear given the recently completed merger with Albertsons, which to this point has shied away from complexities and heavy investment that can accompany such efforts — but sources estimate the company does more than \$200 million in sales for delivery and store pickup at its Vons and Safeway banners in the West, Southwest and greater Washington, D.C., markets. Safeway is also partnering with Instacart in some markets.

Walmart

- 7 WAL-MART STORES**
BENTONVILLE, ARK.
DOUG MCMILLON, CEO
\$175 MILLION (E)
DELIVERY.WALMART.COM; WALMART.COM

Wal-Mart Stores insists its combination of stores, distribution network and fast-growing digital capabilities will position it to win e-commerce over the long haul, but the offering is still largely in the start-up stages in the U.S., particularly in food. The retailer said it did \$12.5 billion in global online sales in 2014, growing by 22% as compared with 2013. The figure above is sure to rapidly rise as Walmart is expected to invest more than \$1 billion into its dot-com efforts this year, while adapting lessons from successful strategies in places like Brazil and the United Kingdom. In the U.S., Walmart has already begun to experiment with an adaptation of a click-and-collect model used by its U.K. sister chain Asda, and offers grocery home delivery in five cities, with more to come.



- 8 BLUE APRON**
BROOKLYN, N.Y.
MATT SALZBERG, CEO
\$75 MILLION (E)
BLUEAPRON.COM

New York-based Blue Apron is the largest of the "subscription-box" meal solution providers that also include Hello Fresh, Plated and others. Although published reports estimate a sales run rate of \$120 million annually, some industry observers told SN those estimates were high. The company does not provide a figure.



- 9 DOOR TO DOOR ORGANICS**
LOUISVILLE, COLO.
CHAD ARNOLD, CEO
\$34 MILLION (E)
DOORTODOORORGANICS.COM

Door to Door Organics, a natural/organic e-tailer that builds orders on the CSA model, currently delivers to 30 markets in 12 states via five regional delivery facilities. Sources said 2014 sales were \$34 million, and growing in excess of 25% annually.



- 10 COSTCO**
ISSAQUAH, WASH.
CRAIG JELINEK, CEO
\$30 MILLION (E)
COSTCO.COM

Costco rang up \$3 billion in total Internet sales last year, and increased between 15% and 20%, officials said. That total includes sales in Mexico and the United Kingdom in addition to the U.S. and Canada and is heavily skewed toward non-supermarket merchandise. Costco is also teaming with Instacart in select markets.

