Every Picture Tells a Story: On-line Groceries

By Chuck Dinerstein, MD, MBA — July 25, 2020

The pandemic has accelerated on-line grocery sales as the fear of shortages has given way to the fear of being out and about.

As it turns out, for grocers it has diversified their revenue stream but towards a “distribution channel” with a low or in many cases non-existent profitability. You can find more from the Financial Times, Why supermarkets are struggling to profit from the online grocery boom [2]. When I was in my local Whole Foods I noticed that a good half or perhaps more of the shoppers were doing order fulfillment for others, the in-house version of Insta-Cart shoppers. There is a term for that as you will see in the accompanying picture, it is called a “dark” store.
The struggle for margin in online groceries

By channel and model (%)

- Margin without fee
- Margin with delivery or click-and-collect fee

Most common online models today

- In-store
- Grocer picks from 'dark' store
- Grocer picks from warehouse
- Third-party picks from store
- Centralised fulfilment centre (automated)

* Earnings before interest and tax
Source: Bain & Co
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