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Where are E-Grocers, and Why?

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Problem: E-Grocery remains an emerging market, with a low adoption rate both in terms of geographic market coverage and customer base. It is unclear how much of this low adoption is due to an incorrect selection of initial markets, how much is consumer resistance, and how much is merely the current level of maturation within this industry. E-Grocers need tools and processes to help identify the right markets with the right consumers.

Methods: A comprehensive literature review helps determine characteristics of the “ideal” E-Grocery consumer. Age, gender, income, household size, and level of education are found to be key indicators of interest in buying food online. A zip code-level database of those markets currently serviced by E-Grocers was constructed. A socioeconomic analysis was then completed on each zip code currently serviced by one or more E-Grocers. This analysis looked at the key demographic measures of, age, gender, income, level of education, and size of household. Other characteristics such as number of households with Internet access, adults with a credit card, average commute time to work (a proxy of “time-starved” consumers), and the average amount that households spent in food stores

were also assessed. A descriptive model of the role of such variables in defining the probability that a particular zip code is serviced by an E-Grocer is presented at the national level. The market-coverage strategies of leading “bricks-and-clicks” E-Grocers is also assessed. This analysis helps us understand if E-Grocers are entering markets with a large proportion of “ideal” consumers.

Preliminary Results: The literature review highlighted that an “ideal” consumer is likely to be between the ages 25 and 44, to live in a dual-earning household with a household income greater than \$50,000, is more likely to have children, and to be looking for convenience. E-Grocers service approximately 1,371 distinct zip codes nationwide in twenty-six states. E-Grocery zip codes have households with incomes \$10,000 greater than the national average and that spend \$1,000 more per year on groceries. Also, compared to the national average, zip codes where E-Grocers operate have three times more households, teenagers per household, credit cards, adoption of E-commerce, and have three times more households commuting 45 minutes or more per day. More details about this study can be found at <http://aede.osu.edu/programs/e-agbiz/>.