



How Digital Marketplaces are Transforming the Grocery Industry



Although the grocery industry has sometimes been slow to adopt new technology, the **pandemic ushered in a fresh wave of ecommerce activity** for food retailers both big and small.

As the public-health crisis emerged, consumers desired the safety and convenience of ordering groceries online. In the pandemic's first six months, **43% of shoppers bought groceries online**, compared to **just 24% before**. Traditional grocers responded to demand with expanded online offerings like home delivery and click and collect, and now more consumers expect these options post-pandemic.



As a result, **grocery ecommerce penetration** — that is, the share of dollars spent across the sector online — is anticipated to more than double within five years. To meet shifting consumer expectations, those in the grocery business are starting to leverage the multi-vendor marketplace model that is already behind some of the world's biggest ecommerce enterprises, including Amazon and Walmart.

4 Examples of Multi-Vendor Grocery Marketplaces Today

From companies that were founded as online marketplaces to brick-and-mortar operations complementing physical marketplaces with virtual ones, the grocery industry is embracing the multi-vendor model in various ways. Here are four examples of the kinds of marketplaces that are sprouting in the grocery industry:

1. Omnichannel



Big-box retailers are establishing their own multi-vendor marketplaces to create new sales channels. America's largest supermarket chain, **Kroger**, announced in August 2020 that it was expanding its estore, **Kroger Ship**, to a full-scale marketplace with third-party vendors. In 2018, **Albertsons** announced that similar plans are underway, although their marketplace storefront has a 'coming soon' message.

2. Grocery Delivery Marketplaces



Instacart's marketplace model lets consumers shop from a variety of supermarket chains, including many of North America's largest. Personal shoppers select items for shoppers, addressing a long-time barrier to online grocery ordering: quality assurance. Shoppers can choose same-day pick up at designated location or same-day delivery. Meanwhile, **Mercato** operates a similar model but with a focus on small, independent grocers.

3. Online-Only Retail



As big-box grocers vie for greater ecommerce market share, digital-native competitors are cropping up, too. **Tech upstart Bitewell** is a curated, subscription-based online marketplace for health-food products. It partners with ethical, natural, and organic brands to bring their products together in one virtual space.

4. Business-to-Business (B2B) Sales



The rise of multi-vendor marketplaces in the grocery industry isn't limited to the consumer-facing retail segment. **FoodbyUs**, for example, is a distributor-led marketplace for restaurants and wholesalers. **Rekki**, meanwhile, connects chefs with suppliers who provide ingredients.

These are just some of the many B2B marketplace models that are possible at a time when B2B ecommerce is exploding. Worldwide, the **B2B ecommerce market is forecast to swell by 14.1% annually over the next five years.**

Why Are Grocers Building Company-Operated Marketplaces?

Retailers that establish a grocery marketplace today have an opportunity to capture a large share of a developing market, particularly in the United States. While interest in ordering groceries on the web is surging, American consumers still only make 3% of grocery purchases online, compared to 20% in South Korea.



Companies that establish grocery marketplaces today have the opportunity to carve out their own niches. Unlike companies that delay marketplace launches, they position themselves to capture a large share of the inevitable increase in online grocery orders to come.

Here are **5 more big factors** that are inspiring grocers to launch marketplaces of their own:

Endless Aisles

Digital marketplaces aren't limited by available shelf or storage space. They aren't physical stores, and vendors are often responsible for warehousing. That means marketplace operators can greatly reduce overhead and yet offer a limitless variety of products.

That's the idea behind the so-called "endless aisle," which is **considered the future of retail**. Endless aisles offer unparalleled convenience for consumers, who don't have to worry about driving to a store only to find a product is out of stock.





Flexibility

When a company wants to test out a new product in a physical store, they **take on the burden of paying for stock up front** and merchandising, all while facing the possibility of being stuck with unsellable goods.

Marketplace operators, on the other hand, can **dynamically introduce fresh products or remove stale items** from their catalogs, as needed – and without any in-store risks.



Better Customer Insights

By hosting a marketplace, grocery companies **gather robust user data** from both a bigger pool of buyers and an assortment of vendors. Marketplace operators can use analytics to identify shopping patterns and adjust their catalogs accordingly.

Because of the flexibility of the marketplace model, they can quickly capitalize on emerging trends. Better customer insights also enable retailers to make more personalized recommendations to shoppers, and that's key: **71% of consumers expect personalized interactions.**



The “Buy Local” Movement

By adopting a marketplace, grocers that previously had limited local options on their shelves can now find vendors to **fill the role without overhead hassles** like warehousing, loss (from goods expiring), or reordering.

The timing for grocers to stock up on more localized inventory couldn't be better. During lockdown periods, small businesses, which often have limited resources, sometimes faced challenges pivoting online. In response, a “**Buy Local**” movement took root, with consumers taking extra care to support local products and service providers. Since grocers can add local merchandise from other vendors to their marketplaces, it's easier than ever for them to tap into this movement.




Increased Revenue Potential

The fastest-growing companies leverage marketplaces, which are forecast to account for **34.6% of all online sales this year**. Each merchant in a multi-vendor marketplace brings its own audience, putting far more eyes on the marketplace operator's products.

Marketplaces also enable cross-selling, which can increase average transaction values. Beyond the additional sales that stem from better product exposure and choice for consumers, deeper customer insights and more web traffic help marketplace operators grow digital advertising revenue.

How to Launch a Grocery Marketplace Today

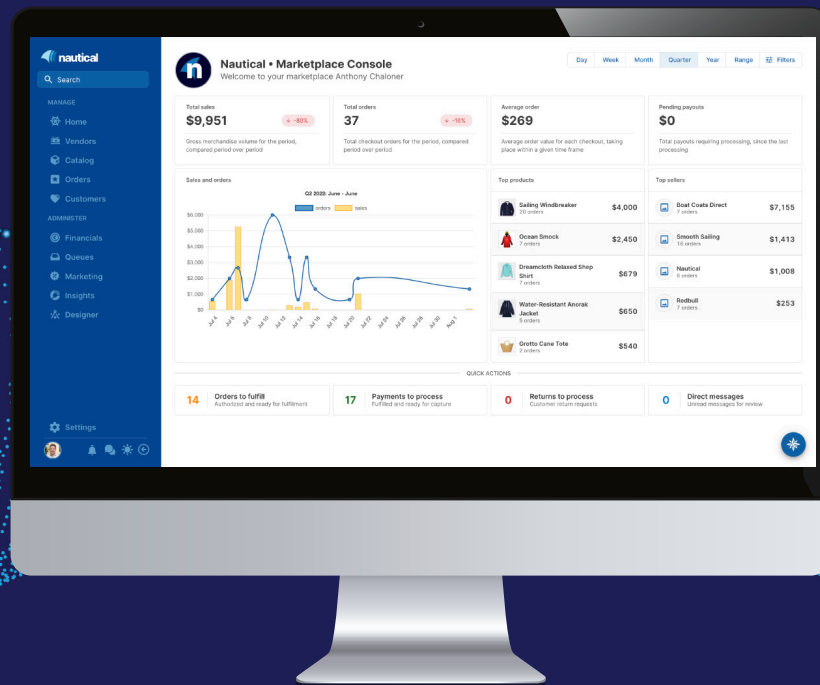


Given the benefits marketplaces afford grocers, it's no wonder businesses in the industry are scrambling to leverage the model. "The (not so) secret sauce behind the success of the marketplace model is anchored in the ability to offer an expansive range at the best prices without the associated inventory risk and capital requirements," notes a McKinsey & Company report.

What may seem like more of a secret: how do you launch a marketplace?

With the model a relative newcomer to the grocery industry – which until the pandemic had largely relied on traditional operations – some companies have opted to build their marketplaces from scratch. However, custom builds have proven expensive and slow to deploy when time is of the essence. The solution: A purpose-built multi-vendor marketplace platform.

Using a marketplace platform like Nautical Commerce, a grocer can have a sleek, scalable multi-vendor operation up and running within 90 days. Ultimately, platforms provide grocery businesses the same thing their customers enjoy about digital marketplaces: big savings in time and money.



Nautical's multi-vendor marketplace platform helps grocers, manufacturers, and distributors increase product assortment and reach new customers by launching a company operated marketplace. In as little as 90 days, players in the grocery industry can onboard vendors and offer third party products alongside their existing ecommerce offerings without disrupting their current technology.

hello@nauticalcommerce.com | www.nauticalcommerce.com