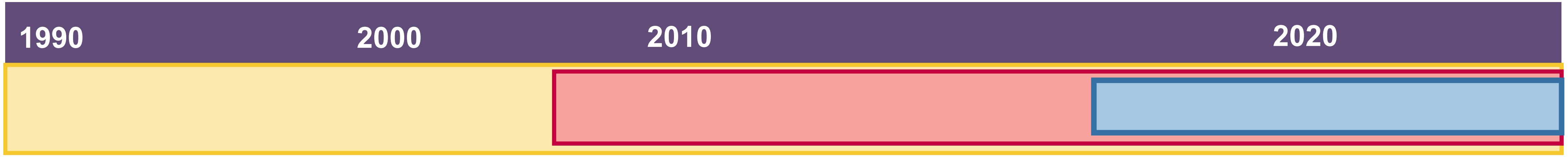
UK Convenience Delivery Report 2023

January 2023

THE EVOLUTION OF THE UK CONVENIENCE DELIVERY MARKET

The UK Convenience Delivery market has evolved rapidly in the past few years, with the pandemic accelerating the growth of rapid delivery. Technology and models have developed at a fast rate to drive efficiency for companies and convenience for consumers.



First generation vertically integrated models

TESCO direct, ASDA, Sainsbury's

Software and logistics models and retail one-hour delivery

amazon fresh, Sainsbury's CHOP CHOP, Zoom by Ocado, ocado zoom, JUST EAT, deliveroo, Uber Eats

Second generation vertically integrated models, partnerships and rapid delivery

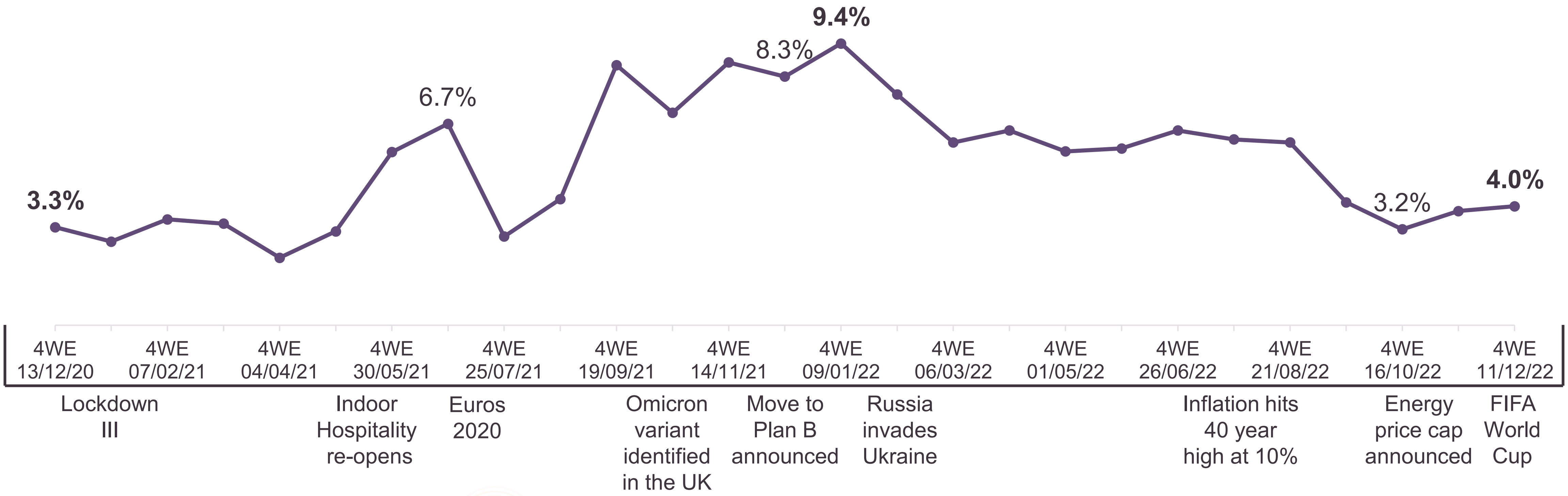
TESCO, getir, Zapp, JUST EAT, deliveroo, Uber Eats

Source: Lumina Intelligence, January 2023

DELIVERY IS PICKING UP DRIVEN BY THE COLDER WEATHER

Delivery occasions reached the highest share over the festive season at 9.4% in 4WE 09/01/22. Since then shoppers have opted for less delivered convenience shopping as cost takes priority over convenience amid the current economic outlook. Delivery usage increased in the 4 weeks ending 11/12/22, with colder weather and the start of the FIFA World Cup prompting more delivery occasions.

% share of occasions which were ordered online and delivered

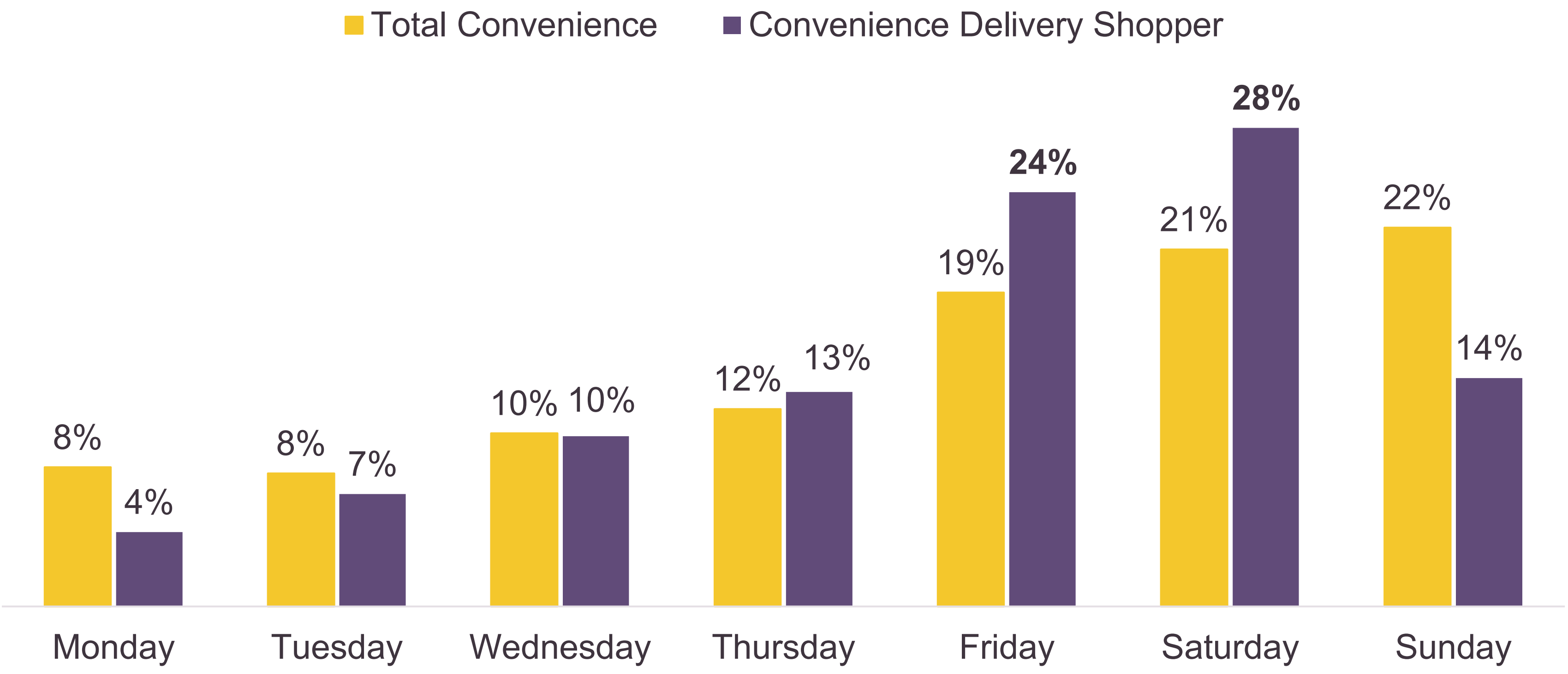


Source: Lumina Intelligence Convenience Tracking Programme, 2021-22

DELIVERY USAGE IS SKEWED TOWARDS THE WEEKEND

Convenience delivery usage is skewed towards the weekend, with shoppers being more likely to order on a Friday or Saturday than total convenience. Suppliers can target the weekend meal occasion with new product development aligned with shoppers' weekend entertainment and nights-in needs. Tesco Express introduced the "3for2 chilled party food" in December 2022, to target cosy nights-in and festive parties.

Day of the week – Total Convenience vs Convenience Delivery Shopper (% of delivery occasions)



9am-11am
41%
ix. 130

Lottery days
69%
ix. 120

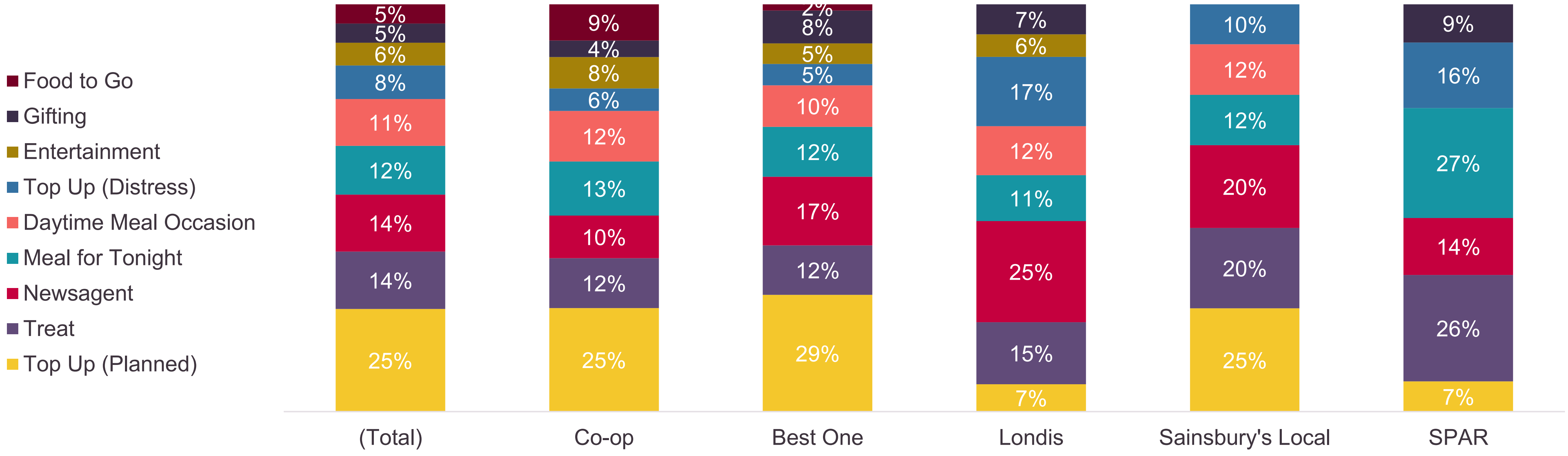
3 for 2 on chilled party food

Source: Lumina Intelligence Convenience Tracking Programme, data collected 52WE 11/12/22

TOP UP AND TREAT ARE KEY FOR DELIVERED RETAILERS

Treat is the most common mission when ordering via delivery for Spar and Londis, with Sainsbury's also over indexing compared to the market average. Delivered retailers should target treat missions by clearly signposting treat led products such as confectionery and other indulgent items. Planned top ups are the largest mission for Co-op, Best One and Sainsbury's, so ranges should include staple grocery items.

Shopper Missions When Purchasing via Delivery, 12WE 11/12/22



CONVENIENCE DELIVERY MARKET DRIVERS, 2023F-2026F

Leveraging delivery services at certain times and internal innovations including expanded services and product coverage will be key drivers in the convenience delivery market in 2023 and beyond.

Higher importance

Internal	External
Continued shift to **more premium ranges and offerings** boosting spend, particularly in BWS	**Strategic partnerships** within convenience delivery will be key to driving growth, constant development and competition in the market
Promotions and vouchers incentivising price-conscious shoppers to return to the market	Delivery operators will benefit from offering more quality nights-in options and value-led propositions compared to foodservice operators, as financial pressures see shoppers having **more meals at home**
There has been a **resurgence in meal occasions and food to go** missions as shoppers return to pre-pandemic lifestyles	**Offering 24/7 delivery services** will give competitive advantage and boost customer satisfaction
Delivery app developments providing software and logistics solutions enabling market growth	**Time poor convenience revolution** with busier lifestyles resulting in greater shopper demand for meal for tonight and food to go solutions
Greater availability of delivery boosting spends and expanding the reach of the convenience delivery market	Convenience delivery operators can capitalise on key delivery occasions in the future, including **Winter peaks and seasonal events**.
Increased professionalism in the market delivering better offerings, store ranges and layouts	

Lower importance

Source: Lumina Intelligence, January 2023

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