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Grocery Online Retailing in Spain

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Report Highlights:

The digital economy and e-commerce is becoming a very relevant sector of the Spanish economy. Overall, online sales made up less than 1% of total retail value for Spanish grocery retailers. Nevertheless, with the continuous growth in online shopping, grocery retailers find it necessary to maintain an online presence so they do not fall behind if online grocery shopping does eventually take off. Preference for online grocery retailing stems from the fact that it is convenient, informative, and provides consumers with low prices. Online grocery shopping also helps working families stick to their shopping list. Even though Spain is emerging from an economic recession, the need to budget by families is still present.

I. General Information:

1. Sector Overview

E-commerce between online or traditional retailers and the end consumer (B2C) is a sector that continues to grow in Spain, reaching 18% valued at €14.610 million in 2013 as stated by the Spanish National Observatory for Telecommunications and the Information Society (ONTSI), whose main objective is to monitor and analyze the Telecommunications and Information Society sector. The Spanish government defines E-commerce as the exchange of goods and services through a standardized electronic medium.

This report analyses the B2C transaction between online grocery retailers and the final consumer. E-commerce is comprised of the following:

- The buyer
- The retailer
- Companies that provide electronic means of payment: credit/debit cards, PayPal, google wallet, apple pay, and square, among others.
- Certification authorities that authenticate the identities of the parties involved in the transactions, acting as a sort of notary.

2. Sector opportunities

Customers may prefer online retailing due to the convenience, information and seemingly low prices. Online retailing provides women in the workforce a form of convenience for buying groceries due a limited amount of time to go to a grocery outlet. Women, especially those that are single mothers, are particularly vulnerable to the challenges of work family life reconciliation. Online grocery retailing provides these women, and all working parents, with a greater convenience of shopping in the comfort of their homes. Promotional prices and the ability to compare products across different online grocery retailers give working parents the opportunity to save money. Online grocery retailing also helps working families stick to their shopping list, avoiding purchasing unnecessary products. Even though Spain is emerging from an economic recession, Spanish families still find the need to budget.

The increased use of broadband Internet, as well as mobile devices, has contributed to the growth of online grocery retailing. The improved safety in online transactions and information technology has also aided the increase in online retail, as well as the wide range of payment methods consumers are able to use.

3. Market Overview

Digital economy and ecommerce is becoming a very relevant sector of the Spanish economy, not only for its increasing size, but, as a whole, for its continuous contribution to the Spanish economy. Internet retailing is important for economic growth, as well as the improvement of production and the development of various sectors. The principal indicators show the constant improvement of the Spanish economy as it recovers from its economic recession.

Anecdotally some retailers report that Spanish customers don't like to purchase their produce online, however the data shows that online sale of fresh produce has increased by 14.7 percent; year on year compared to non-perishable (11.7 percent) and refrigerated items (11 percent). Consumers prefer to buy heavy products, such as oranges and potatoes, online. While Spaniards are ready to buy food products online, grocery retailers need to provide a better delivery system, as well as the need for an increase in online offers of these products.

Table 1:

Annual Percent Change				
	Source	2013	2014	2015
GDP	BE	-1.2	1.4	2.8
National Demand	BE	-2.7	2.2	3
Private Consumption	BE	-2.3	2.4	3.3
Gross Fixed Capital Formation	BE	-3.8	3.4	5.9
Unemployment Rate	BE	26.1	24.4	22.2
Consumer Price Index	BE	1.4	-0.2	-0.2
Euro/Dollar exchange	BE	1.3	1.33	1.09

Source: Bank of Spain, Projections Report Spanish Economy

4. B2C Ecommerce in Spain

The increase in sales volume in the B2C market can be explained by the increase in the three variables that compose e-commerce:

- Internet users up to 28.4 million.
- Online shoppers up to 17.2 million in 2013.
- Average annual online shopping expenses up to €848 from €816.

The number of Internet users has increase by 3.2 percent since 2012, putting the percent of users at 73.1. A notable growth of 4.9 percent can also be perceived in the number of Internet users that have effectuated a purchase online. Overall, it should be noted that the total number of Internet shoppers has increased to 17.2 million from 15.2 million in 2012.

II. Grocery stores with an online presence

Overall, online sales made up less than 1% of total retail value for grocery retailers in Spain. Nevertheless, with the continuous growth in online shopping, grocery retailers find it necessary to maintain an online presence so they are not behind if online grocery shopping does take off. An online grocery store functions as a means for customers to browse and compare store products, as well as browse promotional items.

While positive growth has been recorded for online grocery shopping, grocery stores like El Corte Inglés and Ulabox still struggle to attract customers. Online grocery retailers target young, independent professionals who like to use smartphones and other forms of technology. However, due to the economic recession and increased unemployment, young professionals have been forced to move back with their parents, causing them to not be fully independent. Challenges are that, those who are fully independent are too busy to stay at home while waiting for their groceries, preferring to go to the local, independent grocer to buy supervisions. Also, some people just don't want to pay delivery fees. Spaniards tend to buy 34 products per transaction, using online grocery shopping to buy bulk and heavy shelf products such as bottled water, coffee, or carbonated drinks like soda.

While online grocery stores offer from 6,000 to 25,000 products, consumers complain that the major

chains need to improve their websites for clarity and ease of use. A challenge faced by online grocery retailers is improving the delivery and return system for online purchases. A high number of incidents where the items break in transit or the grocery store runs out of these items are still being reported. On average consumers need to pay around €7 for the delivery of their groceries since margins obtained from sales is not enough to cover delivery costs by the retailer.

Major Grocery Chains and their Online Sales

1. Distribuidora Internacional de Alimentación (Dia)

Online retailing for Dia is only available in the greater Madrid Metropolitan region with 4,500 products available. Within the weeks following the launch of their online store, Dia offered free delivery to its customers. For purchases of €50 or less, customers have to pay a delivery fee, while purchases above €50 do not pay a delivery fee. Customers that place their orders before noon will be able to receive their order the same day. Dia sends a text message 20 minutes prior to the delivery in order to notify their customer of the delivery. The customer is also given the option of picking up their online grocery order at the store free of charge.

2. El Corte Inglés

El Corte Inglés has an online registration of 4 million customers, making them the leaders in online grocery retailing in Spain. In June of 2013 the company invested €15 million in order to set up a distribution platform in the Coslada, Madrid region. Corte Inglés is able to make over 20,000 deliveries per month since they hire over 120 employees. These deliveries include the delivery of fresh produce. The grocery retailer has a Click & Car service, where customers are able to place their order online and pick up their groceries at a specified location. Due to the amount of tourists that visit Spain, Corte Inglés decided to implement a unique shopping experience for tourists that reside in the UK, Ireland, and Netherlands. The idea behind this online experience started in 2014 is to attract tourists visiting Spain or Portugal who will later continue to shop at Corte Inglés in their respective countries. Internet sales for this grocery retailer make up 1.6% of their total net sales.

3. Mercadona SA

Online sales for Mercadona have yet to be profitable for this grocery retailer. Therefore, it is not a major priority for the company. One of the main reasons is because they have yet to find a way to prevent the customer from paying delivery fees due to their sales margins not being able to absorb such fees. Therefore, Mercadona has a weak online sales performance compared to its competitors. Also, compared to other major retailers, Mercadona's website, mercadona.es, is poor in terms of navigability and information.

4. Carrefour SA

Carrefour is one of the first grocery retailers to offer online shopping in Spain. The delivery costs charged to the customer depends on the amount spent. In order to attract customers to their online store, Carrefour has launched online promotions as well as offered free delivery. Similar to El Corte Inglés, Carrefour offers a Click & Car service with a fee of €3. Carrefour's online store provides its clients with 12,000 available items.

5. Grupo Eroski

Eroski's online supermarket launched in 2000, with the possibility of delivering products purchased online to all major regions of Spain. Items that are found online are also available in the store, with the possibility of online promotions and discounts. A client that has spent more the €200 on their purchase is not charged a delivery fee. The strength of Eroski's online store is that it also provides items such as beauty products, gluten-free products, and other exclusive items.

Regional price trends

The first regional price barometer for supermarkets sites the region of Asturias as the most expensive for Spaniards to fill their food basket. The barometer compares prices of seven of the largest online supermarkets in Spain, which includes Mercadona, Carrefour, Alcampo, Eroski, El Corte Inglés, and Hipercor. Prices in Asturias were shown to be 0.34 percent higher than the national price average,

followed by Aragon (0.33 percent). The Galician regions of Lugo, Ourense, Coruña, and Pontevedre are sited as being below the national price average and as the cheapest for online food shopping.

Reference

1. B2C E-Commerce Edition 2014. ONTSI 2013 - National Observatory for Telecommunications and the SI, Ministry of Industry, Energy and Tourism of Spain