

23.06.17

## Ordering groceries online – a logistical challenge for retailers

**Online sales currently amount to only one percent of the market share in the grocery industry in Germany. By contrast, in other countries in Europe the percentage of turnover from online sales is already in double figures. With this in mind, logistics experts at the KU decided to investigate which concepts are used to sell fruit, vegetables, and other groceries through channels other than store branches in various European countries. As part of their research Prof. Dr. Heinrich Kuhn (Chair of Supply Chain Management and Operations) and Prof. Dr. Alexander Hübner (Professor of Supply Chain Management and Logistics at the University of Luxembourg) interviewed the top managers of twelve large grocery retailers in six countries including Germany, the UK, France, and the Netherlands.**



Colourbox.com

‘Online grocery retail is growing significantly and in terms of turnover it is expected to overtake online electronics retail in Europe from 2018 onwards. This will make it the second largest segment of Europe’s online market after fashion,’ the researchers explain. However, this turnover will not be produced exclusively by online-only retailers – a significant part of it will be attributable to traditional bricks-and-mortar companies that offer their customers the option of ordering online as a second sales channel. The experts predict that this will lead to operating multiple sales channels becoming standard practice in the grocery industry. This presents a particular challenge for grocery retailers in Germany, as they will need to adapt their established logistics structures adequately in order to link bricks-and-mortar business and online trade in a way that is cost-effective and meets market requirements.

Over the course of their interviews the logistics researchers identified three different types of logistics network that are currently being used in online grocery retail. One strategy involves processing orders using existing bricks-and-mortar structures. Order picking for orders that are placed online is carried out in a branch and the order is then made available to the end consumer. This option is particularly suitable in regions with a large number of branches, as the distance from branch to consumer is short. It works best when the volume of online sales is still relatively low – as is currently the case in Germany. For this reason, this model is usually most suitable for companies that are just starting out in the online market. ‘However, branch stock is usually not sufficient to fulfill

a customer's order completely. As a result, it is not possible to achieve high levels of service with this model,' the researchers explain. A variation of this model involves setting up pick-up stations to reduce the distance that customers have to travel. This model has proven particularly popular in France, where there are currently around 4000 separate pick-up stations.

A second possibility – which is more efficient and enables better service to be provided – is to use a separate warehouse for online orders. In this scenario both home delivery and pick-up orders are possible. However, a higher volume of online sales is needed in order to justify the necessary investment. In smaller countries like the Netherlands, only one central distribution center is needed to process all online orders. This model can be supplemented if necessary by adding perishable goods such as fish or meat to online orders in the branch, as some companies in Portugal do.

The third type of logistics network combines online ordering with small branches that offer mainly convenience products. This model is most suitable in large cities such as London, where customers can purchase ready-to-eat products directly in the branch and have additional products delivered to their homes.

Detailed information on the results of the study is available at [www.multichannellogistik.net](http://www.multichannellogistik.net).

---

[<- Zurück zu: Archive](#)