



Paradigm shift in consumer behavior towards online grocery shopping during the pandemic and the anticipated post pandemic trends: A Literature Review

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Abstract:

Globally many businesses were impacted due to the pandemic induced economic crash; at the same time, some companies found an opportunity within the very challenge and one such category which stood out is the Online Grocers. They could not only increase the sales from their existing customer base but attract and add new customers as well to their overall base. Many new players also ventured into this space during the economic slowdown and some of them made remarkable progress and market penetration.

This holistic study focuses on the various factors that triggered the change in consumer behavior towards online shopping particularly e-grocery during the pandemic and the strategies implemented by the successful companies operating in this space to have attracted and retained customers. It also analyzes the potential strategies to be adopted by the e-grocers to sustain their customers and business even post the pandemic.

The suggestions and inferences drawn here are based on the references from some of the relevant literature available online. Inputs were collected with an intend to understand what led them to start shopping online, what made the existing customers increase the frequency of online shopping, what excites them about it, whether or not the recent shoppers will continue the online medium even post the pandemic, what is the likelihood of them switching back to offline or physical shopping, what are some of the challenges they faced with respect to the quality of items received, some of the key differentiators which helped them continue with online shopping, the element of brand loyalty, the impact of branding and the marketing strategies etc. to name a few.

Keywords used: Online grocery shopping, consumer behavior- pre, during and post pandemic, e-grocers, marketing strategies of online retailers during pandemic etc.

Introduction of Online Grocery Shopping:

Globally many businesses were impacted due to the pandemic induced economic crash; at the same time, some companies found an opportunity within the very challenge and one such category which stood out is the

Online Grocers. Online grocery shopping has experienced solid growth and this medium is expected to continue rising exponentially in the coming years.

While many have lost their livelihood, some have also gained business and consumer base by the current state of affairs. With the norms of social distancing and the fear of catching the infection, it has become next to impossible to physically shop for groceries and other items. Taking advantage of the present situation, many large brands who were already in the business of retail have started selling groceries online. Almost all continents witnessed a major shift from physical shopping to online shopping in every sphere. Through the present paper, we shall try to understand and analyse how the pandemic has affected physical shopping and made room for online shopping for the consumers.

Online grocery shopping is witnessing a spike in demand since consumers continue to seek convenient shopping channels for buying the daily essentials and grocery being top in the list. It is undoubtedly the next big thing with a market size estimated to grow 8 times by 2026. With people spending more time than ever before at home during pandemic, online grocery shopping platforms have seen sizeable gains in orders and revenues over the course of the pandemic. Many food delivery aggregators rushed to include groceries while grocery apps added new service categories as well.

Consumers are viewing brands through a new lens and in new light so businesses need to adapt quickly to the needs of their consumers. Building a user base for one vertical is strenuous and launching a new vertical is even more labor some, that why we see a lot of apps burn out trying to branch from their core strengths. Understand purchase pattern has been the most prominent deciding factor in the growth of online groceries in the e commerce landscape.

Convenience and apprehension of getting contacted by the virus are two behaviours exhibited by the consumers that are tailwinds to the online grocery's exponential growth. This growth will sky rocket further with grocery being the category where most marketplaces' investments will be made in the next five years. This thereby gives strong indication that staying in sync with time – traditional grocers should transform themselves into the online channel by partnering with e-grocery businesses and offering an omnichannel experience of buying essentials to the customers.

Ask someone about what they're most excited to do when life begins to normalize, and you're likely to get a range of answers: a trip, a family reunion, a dance party, a favorite restaurant. As people start to get out and about, digital use is expected to drop across all industries except for travel and banking, according to a new McKinsey survey of some 29,000 consumers across 24 countries.

“As the world opens and consumers have more choices, they will move to a hybrid model, combining pre-pandemic preferences for physical channels with the digital knowledge and sophistication they've acquired over the last 18 months,” McKinsey survey reports.

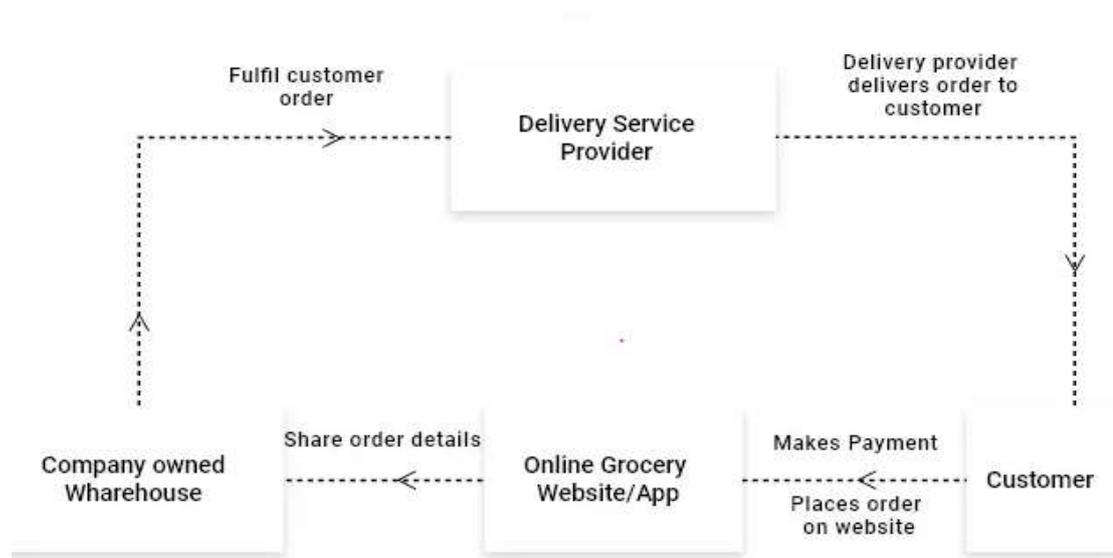
Considering all these insights, this paper aims at collection and identifies the factors that triggered consumers towards shopping online, and most importantly continue shopping online. After analyzing the factors, the paper is trying to determine the areas which need improvement if the brands expect the consumers to continue shopping online post pandemic. Studies have shown that the number of consumers buying groceries online have increased two folds since lockdown owing to various factors. However, it is not certain whether such trend will continue post-pandemic or not. through this paper, we aim at anticipating the trends in online shopping of groceries post pandemic.

However, in a highly competitive market, what are the best ways to stand out and thrive?

Business Models in Online Grocery Shopping: A theoretical review

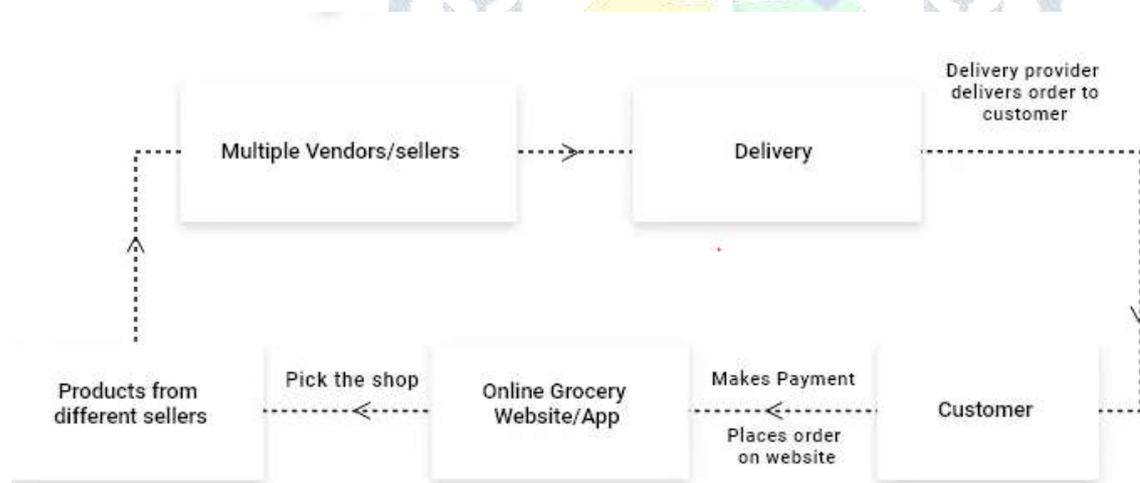
Based on the functions performed by a particular business model, the industries involved in online grocery shopping can be categorized into the following business models.

1. Inventory Models:



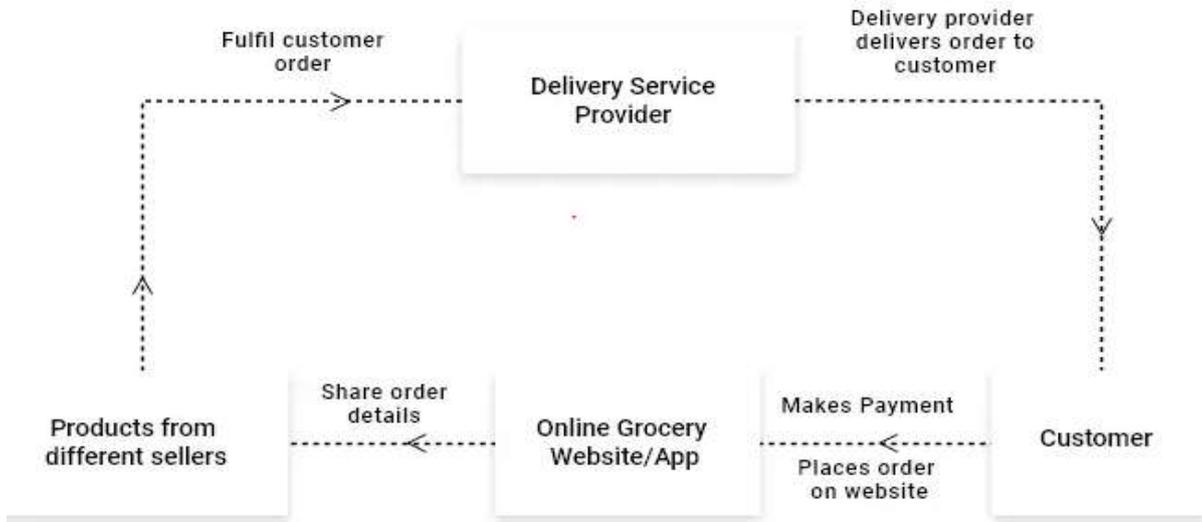
As the name suggests, the platform stores the products or supplies directly from various providers. Such business models may or may not perform the shipping services. You collect the orders from the customers and deliver them through an internal or external supply network. The orders are delivered to consumers with the logo of the site, regardless of the vendors.

2. Multi-Vendor Marketplace:



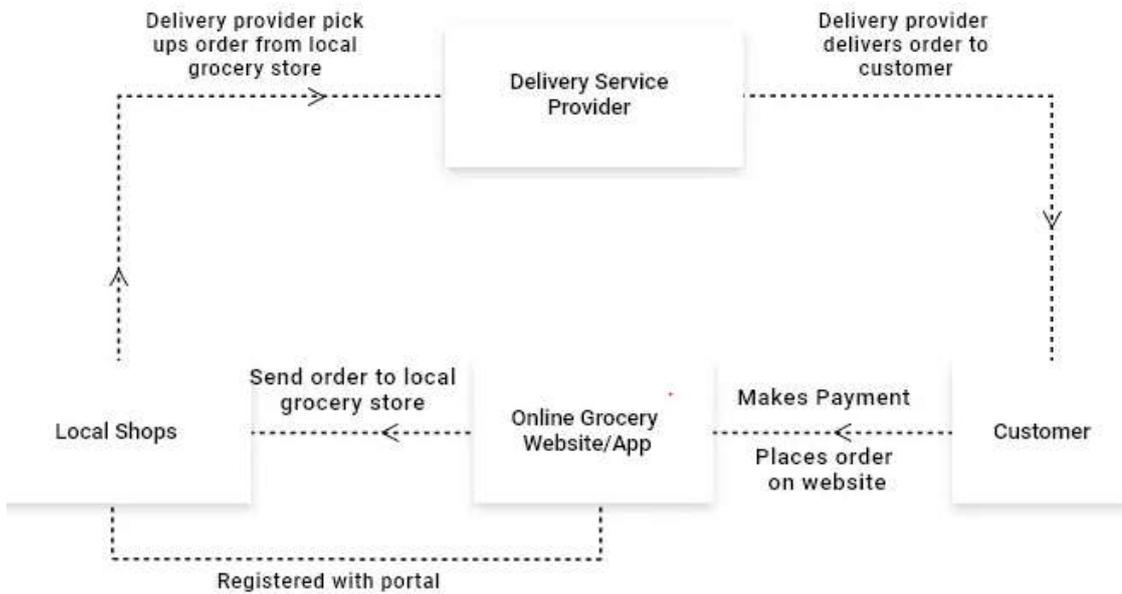
The stock is not handled by the platform. Instead, it ties consumers to nearby food shops. The order is put on the website by the client and converted to its own food shops on this website. The transports are handled by an internal logistics network, which gathers the goods and ships them to the customer. Through the respective store branding, the company delivers orders to the consumers.

3. Shopping Only Models:



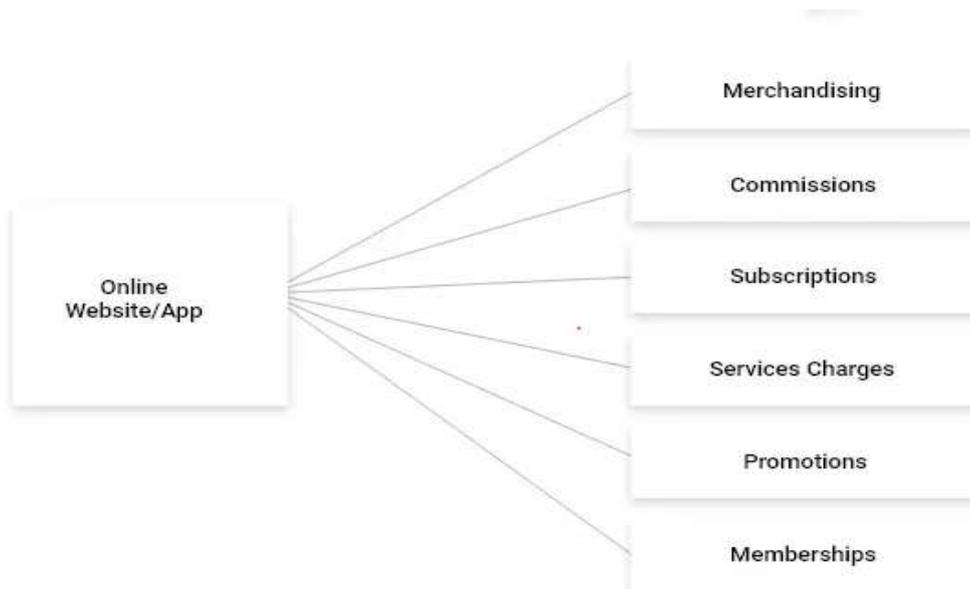
In the global economy, the Shopping Model is the most popular alternative. Nearly any giant in a hybrid shape fits this model. It operates much like the multi-seller model, except that consumers don't pick the shop they want to purchase the product before placing their order. The application controls its own network of distribution. If the order is issued, the company passes the information to its vendors, whose task is to buy and distribute the goods to its clients.

4. The Hyper-Local Model



As the name suggests, the hyper-local marketplace is a competition that serves the demands of a small region. A stroll around your home would undoubtedly take you to a comparable store, albeit large and limited, but self-sufficient, which serves virtually all of the local residents' needs.

5. Online Selling Model:



Such kind of model offers a perfect blend of online and physical shopping. The niche offers a variety of outlets to make money, based on your preferred business model. The bulk of its sales were actually generated from the established food supply and e-commerce multi-seller platforms. To increase the sales you should integrate different channels as shown in the figure.

Objectives of the study:

- To identify the key drivers of paradigm shift in online grocery shopping consumer behavior
- To understand the anticipated statistics in post COVID buying behavior
- To recommend certain strategies to retain customers post COVID in the light of insights from the literatures

Review Methodology:

A review of the literature was undertaken systematically with 2021 published articles and research papers. Search words and phrases included **online grocery shopping, consumer behavior- pre, during and post pandemic, e-grocers, marketing strategies of online retailers during pandemic etc.** The integrative approach is used to shape the analysis of literature. Additional papers were apprehended via the "snowball" method of using the most recent works to find related articles referenced in them. Since keywords in research papers are not based on standard lists, some of the literature is highly likely to have been overlooked.

Review of Literature:

According to REDSEER (2021), home grown consulting firm, Online grocery shopping is growing a rate of 40-49% in 2021 heading to become the a market worth \$850 million by 2025. In US 75% customers have tried online shopping during pandemic, in Indonesia 66% customers have shifted to online holiday shopping during pandemic and 81% customers have moved to online shopping as per YouGov (Market research company).

Online grocery was a minuscule part of food retail before the pandemic. Now, about 60% of U.S. consumers have bought groceries online in the last 12 months, and most of them plan to keep doing so post-pandemic, according to a report from Coresight Research. According to Coresight's survey, 62% of current online

shoppers between the ages of 45 and 60 and 55% of those over the age of 60 plan to continue to use those services as frequently or more frequently after the pandemic.

In UAE online grocery market anticipated to grow to \$8 billion by 2025 with more than 50% growth year on year. According to Mc-Kinsey, in China consumers are likely to opt for online shopping even after outbreak ends. The Indian online grocery market alone has reached a value of more than \$2.9 billion in 2020

(Accenture 2020) A study lead by Accenture showed how some behavioral changes in the customer's behavior shall stay back even post pandemic. One of such behaviors include online shopping.

(Forbes 2020) Another study showed similar results that the trends adopted by various consumers during this pandemic shall completely change the face of the retail market long after the pandemic is over.

(Ghai & Tripathi, 2019) Differences in perception of related obstacles like inability to physically view the product, difficulty in returning items, high delivery charges and time, and lack of social interaction with other shoppers have been observed. KPMG India's recently released study 'Customer Experience: The New Operational Excellence' shows that good customer service is about comfort and pledge fulfilment in grocery retailing.

(Siddiqui & Tripathi, 2016) Establishing online grocery retailing is an important alternative to conventional brick and mortar retailing, and issues such as meeting consumer needs and desires are crucial in terms of providing value for money, fast and easy buying, smooth distribution processes, and reducing perceptions of risk.

Based on the reviews from various literatures and articles, following are the factors **triggered a shift in consumer's behavior**.

Virtual Work Model: The new normal, work from home and hybrid work culture influenced online grocery shopping. An exhausted individual in the virtual workforce would like to purchase more easy-to-cook foods within the comfort of home delivery which offers hassle-free shopping.

Digitalization: Digitization of shopping and banking increased the adoption rate, even the mop and shop stores gone digital. Low priced internet providers have disrupted the accessibility of the internet reducing the cost of its usage drastically. This increased the dependency on the internet and also increased number of commerce markets

Financial & economic uncertainty: has driven up the savings rate with expenditure skewed towards necessities.

Rising localization: Increased inclination towards local products

Change in lifestyle: Change in lifestyle such as focusing on value, quality and availability rather than brand loyalty. Working out and daily exercise has now become a regular activity, with focus on home gyms and exercise equipment, protein powder and shakes of global brands are on demand; these being available on E-grocery stores.

Prevailing pandemic: Stress related to safety during pandemic: Consumers are now emphasizing on boosting immunity and fitness and therefore are showing a preference for healthy nutritional food and health drinks.

Reduced Economic Establishment: A conventional offline requirements are excluded such as suitable location, rent, construction, staff, maintenance etc.

Geographical hurdles: 24/7 operations of market which offer a plethora of services that are ideal for any type of lifestyle from anywhere and at anytime.

Threats in online grocery shopping:

Getting tied up with an exclusive partnership with one digital platform hurts the business of such stores.

Cyber threats, The number of online shopping frauds registered with the national Consumer Help lines has jumped nearly six times.

Recent surveys find that 57% of consumers are concerned with how businesses use their information, with 41% of consumers feeling they need greater transparency into companies to have confidence in their products/ services. To build long term trust, the industry must carefully protect the privacy and security of consumers’ data and be transparent about how they are utilizing it.

The inability of delivering products fast or in some of the areas can come out as one of the crucial grocery shopping problems for any business. Currently, on-demand app development is trending as well. Building a perfect delivery system for your online grocery business can give your business a boost.

UI and UX glitch, online grocery shopping experience is all about websites and applications, UI and UX glitch matter a lot.



The above fig was taken from the Coresight’s survey report:

It shows shopper’s intent, Coresight’s survey revealed that 49.5% plan to buy groceries online in the next 12 months, down from 62.5% in 2020 — during the heart of the consumer stockpiling phase of the pandemic — but well over the 39.5% expecting to do so in 2019.

This shows that we need to look into a new but effective operating model to retain online grocery shopping trend. We are trying to suggest a frame work to proritise some of the essentials to future operating model

Post Pandemic Retention strategies:

Improving User Centricity	<ul style="list-style-type: none"> • AI driven personalization • Lucrative Value proposition • Tailored customer service • Economic Viability
Fundamental changes in the shape and execution	<ul style="list-style-type: none"> • Harmony with store partners • Align to societal values
A profound shift in culture and ways of working	<ul style="list-style-type: none"> • AI driven automation • Organizational Agility • Local Approach

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Improving User Centricity:

- AI driven personalization is required so investing in tech that delivers users end to end personalize experience from browsing on the apps, knowing customers preferences, changing mid set at the checkouts to actual order delivery.
- Lucrative value proposition: Providing exclusive in app discounts and feature prioritization to shoppers will increase the adoption rates
- Tailored customer service: taking feedbacks from the customers and validating them in time through virtual consultation will increase the word of mouth
- Ensure the freshness and integrity of the products and services delivered. Focus on overall experiences and quality instead of vanity matrices like fast delivery

A profound shift in culture and ways of working:

- Local approach: Hire people, products and partners locally
- Organizational Agility: From strategy to product to marketing every team is constantly on the lookout for a change in user habits and market requirements while working on building the initial framework for new launches simultaneously

Fundamental changes in the shape and execution:

- Align societal values and establishing lasting trust and transparency
- Availability of products should be the top priority along with low price and promotions
- Harmony with store partners: Discounts to store partners: It will encourage the partners to know customers buying patterns to manage inventories. Strengthen the bond with its customers as well as partners

Agenda for future Research

The results of this study have contributed to the literature by being the distinctive one that offers a comprehensive framework to determine the value and impact of online grocery shopping. The review presented focus a broad perspective like online presence of retailing and factors that impact this business format but use of artificial intelligent, online and in-store price parity, automation innovation could be, in our opinion a future path or research. If someone would like to continue this work, they should search more on bringing a framework for future operating model to retain online shopping as well as to encourage GIG economy. Thus, we believe a more significant number of studies will arise.

Conclusion:

Huge growth in internet penetration redefines online retail in emerging markets in general. Given the absence of academic literature in the public domain, this study provides a platform for future studies in this area. This paper is a systematic attempt to help online grocery retailers to renovate an operation model in terms of factors that influences a paradigm shift of consumers' behaviour in online grocery shopping.

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