ECOMMERCE GROWTH IN THE FOOD INDUSTRY IN SPAIN

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Abstract

Supermarkets, online gourmet shops, direct buy stores, online agro-food marketplaces… Food is making headway in the e-commerce industry and the response from consumers and businesses is very positive.

What do the statistics say? Which platforms are available today? Is this a good time for food e-commerce? This article will answer some questions about the upsurge in eCommerce in the food industry.

According to the Central Company Directory (DIRCE) of the Spanish National Statistics Institute (INE), the food and beverage industry in Spain did € 91.5 billion in business in 2011, making it one of the largest contributors to the Spanish GDP. The industry comprises 29,334 companies and employs 364,814 people.

Data compiled by Fundetec in the 2011 Informe ePyme (E-Commerce in SMEs Report) shows that there is limited use of e-commerce in the food industry: only 27.4% of companies say that they make purchases via the Internet (sales are not taken into account); 7.3% sell their products online (purchases are not taken into account), and 17.1% say they do both. Nonetheless, these figures are above the average percentage of Spanish companies that sell online (24.4% compared to 12.2%) and that buy over the Internet (44.5% compared to 23.3%).

However, those that are doing business via the Internet have a very good online consumer base and their volume of business is constantly growing.

Better late…

The food industry came to the eCommerce scene late, and consequently due to slow growth, it ranks below Europe’s average 7%.

In Spain, 3% of Spaniards shop online, but of those that use the Internet to purchase food 60% shop fairly often, about nine purchases a year, according to the first Capraboacasa.com survey done in collaboration with the Center for Demographic Studies in Catalonia.

The survey, which was done at the end of 2011, profiles the average online supermarket shopper: faithfully surfs the Internet (two out of every three are repeat shoppers), mainly women (7 out of every 10), 37 or older, live in households that usually consist solely of adults.

Even though the percentage of sales over total eCommerce sales is still low, the industry is growing stronger and firms are offering companies and consumers several options like online shopping at supermarkets, direct buy and daily discounts on gourmet products.
Shop at home supermarkets and gourmet products

Online supermarkets have the advantage of frequent shoppers, so if they live up to their customers expectations regarding timely deliveries, quality and price, it is highly possible that the customer will return to the same site to shop again.

In 2001, Caprabo was one of the first supermarkets in Spain to offer online shopping.

In 2001 Carrefour also began its commitment to online sales as a key part of the business and as an essential option to direct sales at its stores. Carrefouronline is the company’s online service that operates through the web address www.carrefour.es. The service has continued to grow over the years and today it reaches many towns and cities throughout Spain.

Since 2001 nearly all of the country’s major supermarket chains offer online shopping through their websites: Mercadona, El Corte Ingles, EroSKI...

E-commerce businesses like Ulabox and Tudesponsa.com that sell thousands of products from well known companies via the Internet were also established in the beginning. Enterprises from other countries also arrived like Alice.com which, following its success in the United States, set up in Spain in 2011. That marketplace buys direct from the manufacturer and offers consumers discounts and other coupon deals.

Online gourmet food stores are another group that came onto the scene in force. Artisanal products, regional specialties and products that are hard to find on traditional websites are what lure consumers to these e-marketplaces.

These e-marketplaces that offer artisanal products, regional specialties and items that are hard to find on the usual websites, appeal to our interest in discovering new tastes and flavors. For example, Delinostrum.com, which was created in 2005 when the two founding partners who had lived in the UK for 6 years, decided to set up an e-commerce business that sells gourmet products from Spain to consumers throughout Europe. Gisela Pairo, the head of marketing and communications at Delinostrum says that they offer a broad catalog of products and can customize gifts and deliver them anywhere in Europe.

Degustam.com takes a different slant. Its founders combined their passion for gastronomy and travel, in order to savor at home, the best foods from the places they visited, along with new culinary products that are usually reserved for restaurant professionals. Founding partner Montse Marin tells us that they don’t just sell gourmet products. As industry professionals, they also advise and make suggestions about each of their products, which may not be familiar to many customers since they are not available at most supermarkets and food stores.

Highly specialized stores that focus on one kind of product are another trend in the industry. For example Miscota, the online store devoted exclusively to pet food, or Ibericaquesos.com, whose catalog contains more than 200 cheeses from the European Union.

Los supermercados online tienen a su favor que hacer la compra para llenar la nevera es una acción recurrente, con lo que si cumplen las expectativas del cliente en cuanto a tiempos, calidad y precio, las posibilidades de que vuelva a comprar de nuevo en el mismo sitio son muy elevadas.
Eliminate the middleman

Another online specialty shop is Olivaoliva.com, the extra virgin olive oil marketplace that offers buying direct from olive oil mills in 16 Spanish provinces, oftentimes bottled right at the mill to guarantee freshness, and delivered right to your home. Manager Eduardo Munoz Duran tells us that the company decided to sell extra virgin olive oil because “Spain is the world’s leading producer; it is a very local product with limited national and international distribution that the Internet could promote and market better; it’s recognized as a healthy Mediterranean diet product; and because it has great growth potential”.

By eliminating the middleman, the product is fresher when delivered, customers can access products that are not readily available, and in many instances, pricing is better - all of which appeal to the consumer.

In 2004, the founders of Mariskito.com combined their knowledge of e-commerce and the fishing industry to create an online store that sells shellfish from fish markets in Galicia and delivers it directly to the home. “We decided to sell this product, says company manager Fernando Cividanes, “because Galicia is known for its shellfish, and it has a differential value we could offer. Later, we also sold fish”. Compared with supermarkets and food stores in general, we are considered complementary; vis-à-vis stores in the industry we offer quality products that are hard to find.”

Specialty stores aren’t the only stores that sell online. There are also multi-product platforms that don’t use intermediaries, but that sell products from different industries on one sole platform to bring together supply and demand. An example of this is Mumumio, where you can find organic vegetables, meats, fruit baskets, etc; and Directodelcampo.com, a Grupo Intercom business that offers a wide range of products.

New e-commerce tools and business models have also reached the food world. Websites like Seleqto emerged in the wake of the success of shopping sites offering limited-time sales. Similar to Privalia and vente-prevee.com, it offers promotions of several products for a period of six days, and the promotions change on a weekly basis. Jordi Mante, cofounder and CEO of Seleqto says that he used to work as a strategic advisor to SMEs and one of his clients was a company that distributed gourmet products in the traditional way. “Wondering how we could increase sales, we decided to research the Internet as a possible channel, and came up with a Business Plan that in itself was interesting enough to create a new company”. Manté says that Seleqto offers a high level of customer service with short delivery time (24 to 72 hours), and even though “we don’t sell cheap products, we sell gourmet”, it is more economical to shop on the website than at traditional stores.

Price-comparison sites have also found a niche in the food world, although here they compare the prices of the same product at several online supermarket websites. This price-comparison website is called Carritus and it allows you to load shopping lists saved on the Mercadona, Carrefour, Condia, Eroski, Caprabo, Alcampo, Hipercor and El Corte Ingles websites.

B2B solutions

Business to business or B2B commerce is also benefiting from the food industry’s fascination with the Internet and has launched some interesting solutions. Mercachef, for
example, is an electronic marketplace created by Mercasa, a public company that assists fresh produce wholesalers via the Mercas network. This platform aims to satisfy the needs of the HORECA (Hotel/Restaurant/Café) food service industry and retail to supply fresh products with a new online fresh food sales channel that has offers from several wholesalers.

Vilia focuses on bringing food industry distributors and SME retailers and professionals together; food shops, supermarkets, specialty stores and HORECA. In addition to fresh products, they can access canned foods, pasta, appetizers, etc.

Organic produce direct from the producer can also be made available through B2B commerce, as we can see with EcoSpainB2B. CEO Franco Bertolini says that this platform was created to provide access to a greater variety of more competitively priced products. They discovered that 80% of those products were exported and only 20% were consumed in Spain mainly because Spaniards found them to be too expensive, since distributors raise the prices. “Our platform acts as neutral ground between the supply and demand for organic produce, where the producer and buyer can meet directly, without a middleman, in order to expedite distribution and ultimately make organic products more available to the consumer at a lower cost, which in turn can lead to an increase in demand.”

Related businesses

Although strictly belonging to the service sector and not the food industry, it is interesting to see other aspects of food on the Internet: online home deliveries and restaurant reservations. Just Eat is an example of the first. This Danish company founded in 2001, offers at home delivery of food from nearby restaurants. Since its inception, it has experienced tremendous international growth – 22,000 restaurants have signed on – with more than 30 million orders issued in 2011.

Marcos Alves, founding partner and CEO of eltenedor.es says that this restaurant reservation platform was created because they saw that restaurants were having trouble taking phone, Internet, etc. reservations by hand, the traditional way, and that they were out of control and could not follow-up or be faithful to their customers. “That is how the eltenedor.es reservation management system came about. It allows restaurants to manage all incoming requests with one tool, and create an accurate and useful database for future business. And it is a quick, free, online restaurant reservation service for users.” Proof that the system works is that last year it managed 1,300,000 reservations.

A global phenomenon

The growth of e-commerce in the food industry is a global trend, although the pace and stage of development vary by country.

In the UK, online food shopping represents 20% of all online purchases, a percentage that is well above the average in Europe. According to Forrester research analyst Martin Gill who wrote the report, The UK Online Retail Overview, this country is unique among its neighbours “mainly because food is the largest category for spending in the online retail market.”
A reason behind this huge growth according to Martin, is the large percentage of urban inhabitants in the UK that allows multi-channel sellers and pure-players (sellers that only operate online) to create very flexible delivery options.

An example of this is Ocado.com which offers different time slots for home delivery, with the delivery charge determined by the desired time of arrival. End of day deliveries are the most expensive. Another e-commerce food giant in the UK is Tesco, which lets you buy online and pick-up at the store, with very flexible hours.

There are several big businesses that specialize in online food shopping. In addition to Alice, which we already mentioned, Peapod is very successful. That online grocery service, used by consumers as well as companies, sells basic items and has 18 million customers in 22 States.

More and more Internet users in China are shopping online, at least for certain products that are hard to find in some supermarkets. In the absence of official statistics, Taobao, one of the largest Chinese online shopping agents, estimates that between May 14 and 18, 2012, more than 5.84 million people shopped online for food products and around 7.2 million orders were issued - impressive numbers for four days.

According to IDG Now!, 36% of Brazil’s food and beverage industry use e-commerce, although the percentage of sales is low compared to the total: 1-5% for 18.2% of businesses and between 6 and 10% of earnings for 4.5% of the companies surveyed. But given the enormous potential and rapid progress that the Internet is experiencing in Brazil, those numbers are sure to increase quickly.

It is a good time for the industry

In light of global trends, is this a good time for e-commerce for the food industry in Spain? Fernando Cividanes, manager at Mariskito thinks so, “because now people are more confident, and compared to eight years ago when we started, growth has been tremendous. At that time, e-Commerce was just starting and since then we have grown to € 950,000 in annual earnings.” He also points out that the food industry besides being necessary and essential, has two other positive features for eCommerce: “people are becoming too busy to shop, and the growing trend towards eating healthy, balanced meals with quality ingredients, is a big boost.”

“Despite the financial crisis, the consumer insists on buying any kind of product online, and food is no exception” says Gisela Peiro, the person in charge of marketing and communications at Deliostrum.com. “Besides, the Internet provides access to a much broader marketplace, which compensates for the decline in spending on a national level”.

Franco Bertolini, CEO of EcoSpainB2B credits consumer use of the Internet for information in making shopping decisions as the reason for this being a good time. They become informed, can read the opinions of other consumers, compare prices, “and find a greater variety of foods, different from those offered in supermarkets and department stores.”

Among the strong points that online food shopping fulfills for its customers compared with other industries is that it is fast, says Montse Martin of Degustam.com. “I want it, I buy it, and I have it within 24 to 48 hours. That is what we like and that is what makes us feel
appreciated as customers. Its effortless, and we can shop at our leisure.” She also emphasizes the importance not only of creating a showcase with a great selection of products, but of knowing how to put them in the right place. “My showcase is Google, and if I am not there, I do not exist. That is why we have to take great care: we look in detail at the product selection, and its information so that when we do a search for “online gourmet stores”, “online delicacies” or simply “gourmet”, we get results. That is the only way we can build our customer base every day.”

“In these difficult times we have to consolidate our customer base by offering them value that they can not get otherwise. It is the same for the food as for any other industry, but more so for food, since it is an industry on the rise in Spain. We have lots to offer and a long road ahead if we want to be at the level of countries like Italy or France”, says Eduardo Muñoz Durán, manager at Olivaoliva.com. But he also says that it is a competitive industry, that does thing well, and that with the right tools, it can go anywhere in the world.

A shiny future

As far at the future is concerned, Carrefour says: “we believe that online shopping will continue to grow. The fact is that the new technologies are changing the way society shops, and the trade distribution industry is not going to stay on the sideline.”

Jordi Manté, co-founder and CEO of Seleqto says that he sees an opportunity in the gourmet products niche for brands as well as for relatively unknown producers of artisanal items. “Distribution is already changing, and not only are there opportunities for individuals but also for professionals and the HORECA channel. You have to be very alert”, says Manté.

The manager of Olivaoliva.com says that Spain needs strong industries that can compete internationally, and the food industry is one of our strongest cards “because we are good and lead with many products”. “Besides, we are cutting-edge when it comes to food, and our internationally renowned chefs can further promote the value of our products”, affirms Muñoz Durán. He also says that there is a great synergy between tourism and food, because every tourist that visits Spain and eats food from our land is a foreign ambassador for life. He will tell family and friends about it, and for that reason, we have to take care of the food and beverages we serve in bars and restaurants and we have to promote our brands.

The CEO and co-founder of eltenedor.com recommends that: “we do not forget that increased mobile Internet usage has revolutionized the possibility of using mobile devices to search and to shop, and therefore we have to be alert to all the changes that can improve business”. His company already receives 20% of its earnings from mobile devices and is sure that that amount will increase in coming months.

Montse Martín strongly believes that online shopping is the wave of the future “not only for the food industry, but for other industries as well, because in a matter of time it will become a habit”. Although she believes that there is a long road ahead: “it is like the launch of credit cards 20 years ago, when people thought of them as something strange and not to be trusted- but now they are everywhere; the same will happen with eCommerce”. According to the co-founder of Degustam.com the profile of today is online shopper is a person that was born and grew up without e-commerce and still questions it, “but in 10 years all of that will have changed and soon the day will come when a child asks its parent: If there was no Internet, how did you do your weekly shopping?”.