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Click & Cannibalisation: does the move to convenience online entice new customers or simply move old ones?

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Project Background

This report will analyse if the opening of Tesco Click & Collect grocery operations has the desired customer impact in England and Wales. GIS is used as a tool to visualise the spatial pattern of changing customer shopping behaviour. The aim is to identify how each Click & Collect grocery collection format appeals to various types of consumers in different market places. How Tesco's current strategy for the location choice of different grocery collection formats affect the sales and quality of its existing home delivery service is related to the varying demographics of the consumers across England and Wales is explored in detail

Data and Methods

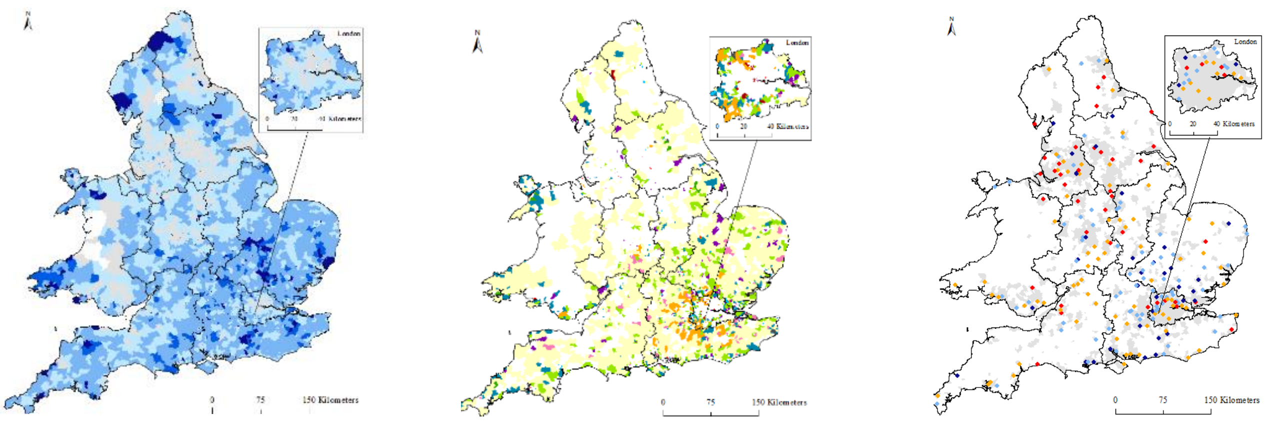
Tesco grocery home shopping data, open source data including 2011 UK census statistics and 2012 Family Expenditure Survey, consumer marketing data – CAMEO UK consumer segmentation data, and GIS data are used. Quantitative methods including measurement of market penetration and change in sales performance of both Tesco home delivery and Click & Collect grocery service are used to understand the spatial trend of changing customers shopping behaviour.

Key Findings

Both the existing home delivery and the emerging Click & Collect grocery service performed better towards southern regions and affluent neighbourhoods. However, the cannibalisation effect is not as bad as expected. The existing home delivery service tends to be favoured by the rural market while the adoption of the new Click & Collect service is more likely to be skewed to urban consumers. Six grocery collection formats are currently offered by Tesco. More new customers are attracted to drive-through pods, followed by integrated collection, and collection from temperature-controlled vans. Affluent consumers who live close to and with direct road connection to the collection points tend to be attracted to the new Click & Collect service. Less affluent consumers do not adapt to the new online service easily. For store collection, moving existing customers is achieved where the picking store is close to the collection point. The frequent Click & Collect shoppers usually do not live near the non-store collection points and collection points at Tube stations. The neighbourhoods near non-store collection points are increasingly aware of Tesco home delivery service instead.

Value of the Research

The findings would be useful for Tesco to understand its current position and to build a better Click & Collect grocery marketing strategy to boost the sales by maximizing the targeted customer satisfaction.



a) 2013-14 Tesco home delivery penetration b) Geodemographics of online consumers c.) Click & Collect performance