The evolution of grocery ecommerce: Asia’s largest online markets in 2022

Five year growth forecasts for online grocery

August 2018
The online grocery channel is developing at pace in Asia. With a current value of US$91bn, we expect this to grow to US$267bn by 2022. This represents a CAGR of 24%, making it the fastest growing channel in the region.

South Korea, China and Japan are leading the way in online grocery shopping, while in Southeast Asian markets online grocery is still in its infancy.

In our second report of ‘The evolution of grocery ecommerce’ series, we forecast online grocery sales in Asia’s leading grocery markets, as well as examine the initiatives in the top markets that will continue to shape future development.
Online grocery to grow by US$176bn

- By 2022 we expect online grocery sales across Asia’s top 12 grocery markets to grow to US$267bn
- Online grocery will be the fastest growing channel, with sales forecast to increase 194% or US$176bn by 2022
- This represents a CAGR of 24.1%, compared to the overall grocery retail market that is expected to grow at a CAGR of 6.4% over the same period
- We forecast that the online channel will account for 6.9% of total grocery retail sales in Asia by 2022, more than doubling its current market share
Online grocery market shares in 2022

- The penetration, size and growth of online grocery varies greatly by country.
- South Korea, China and Japan will see the highest sales contribution from online grocery and will continue to lead the development in the region.
- Singapore and Taiwan will also have well developed online grocery channels by 2022, benefiting from existing infrastructure and retailer investment.
- Logistics and payment will be the key barriers to overcome for India and most Southeast Asian countries. Although these markets are expected to have the fastest growth, the market share of online grocery will remain small.
China

Online and offline integration driving growth

- The acceleration of online and offline integration has been accentuated by partnerships between marketplace and bricks and mortar retailers
- Ecommerce players like JD.com and Alibaba are establishing themselves as omnichannel service providers by providing big data analytics and supply chain capabilities to bricks and mortar retailers, while opening their own physical stores
- Physical retailers in China, having recognised the importance of the online and digital channel, are partnering up with ecommerce and delivery partners to offer more targeted ranges, promotions and expanding their omnichannel presence

**Online grocery sales (US$bn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>47.9</td>
</tr>
<tr>
<td>2022</td>
<td>184.7</td>
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</tbody>
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**Source:** IGD Research

**Online and offline integration driving growth**

- US$ 136.8bn increase in online grocery sales by 2022
- 31.0% CAGR 2017-22
- 3.8% market share of online grocery in 2017
- 11.1% market share of online grocery in 2022
Japan

Online retail is a key growth channel for food and grocery

- Retailers are seeking better ways to integrate their physical store networks with online operations, for example Seven & i Holdings has launched a smartphone ordering service, Net Convenience Store.

- The markets convenience store operators are also using the online channels to fulfil meal solution orders.

- Retailers are collaborating to come up with online solutions to combat the country’s ageing population; Seiyu (Walmart) and Rakuten are launching a new online grocery delivery service, Rakuten Seiyu Netsuper.

- Online investment will continue, e.g. AEON plans to invest JPY500bn (US$4.4bn) over the next three years.

Online grocery sales (US$bn)

- 2017: 31.1
- 2022: 45.5

US$ 14.4bn increase in online grocery sales by 2022
7.9% CAGR 2017-22
7.0% market share of online grocery in 2017
9.8% market share of online grocery in 2022

Source: IGD Research, Rakuten, 7&i Holdings
South Korea

Online driven by consumer sentiment and changing demographics

- The market has the highest online grocery penetration in Asia due to the rising number of smaller households, widespread high-speed internet access and high consumer confidence in making online payments.

- The market has strong pureplay online retailers, such as Gmarket, 11Street and Coupang, which are all enhancing their food and grocery service.

- Leading bricks and mortar retailers are stepping up their investment in online as well. Lotte is investing KRW3tn (US$2.8bn) and Shinsegae KRW1tn (US$938m) in ecommerce.

- The proportion of mobile purchases within total online sales is also rising.

Online grocery sales (US$bn)

- 2017: 9.2
- 2022: 19.1

- US$ 9.9bn increase in online grocery sales by 2022
- 15.7% CAGR 2017-22
- 8.1% market share of online grocery in 2017
- 13.6% market share of online grocery in 2022
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IGD Asia is our new service that will help you trade more effectively with leading retailers across the region.
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