

Predictive assessments of business risks of enterprises in the field of online retail trade in food

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Annotation. *The article discusses in detail the changes that have occurred in the online food retail segment in 2020. The key trends of this period have been identified in the context of the COVID-19 pandemic.*

The purpose of the study is to determine the risks that players in the segment may face.

Research methods: analytical analysis of statistical data, publications in the media.

Keywords: *online trade, food, pandemic, COVID-19, retailers, hypermarkets, retail chains, express delivery, purchasing power.*

The growth of online grocery trading is the main trend of 2020. In 2019, 59% of the main Russian FMCG retailers were engaged in the development of their own online stores. In less than a year, the situation has changed: according to Nielsen data as of September 2020, 76% of retailers acquired online stores [1].

The coronavirus pandemic has spurred explosive market growth. For two months, in April-May, dozens of newcomers came to the market. A wide variety of companies, including those who specialized in other segments, began to master online sales. In March, the Lamoda store radically expanded its assortment. In addition to clothing, Lamoda began to offer customers cereals, tea and coffee, and a little later - goods from the «VkusVill» network [2].

Food delivery services also began to sell food (for example, the Moscow «Kukhnya na rayone»).

First of all, the online direction began to actively develop profile players, food retailers - both federal («Miratorg» relaunched the previously closed platform) and regional (in Kazan – «Bakhetle», Nizhny Novgorod – «Sladkaya zhizn'», and so on.).

All these processes, the acceleration of which is caused by the pandemic, have led to a noticeable growth in the online grocery market. At the end of 2019, its volume was 43 billion rubles. Infoline experts predicted growth in the summer by the end of 2020 to 130-150 billion rubles [3].

The growth was also noted by the retailers themselves. X5 Chief Executive Officer Igor Shekhterman predicted that online food retailing will show «threefold growth during 2020» [4].

According to ATON forecasts, in four years the volume will reach 720 billion rubles. That is, over a five-year period - from 2019 to 2024, the market will grow more than 16 times [5].

There is enough space on the market: today the share of online trade in the country is 6% (for comparison: in China, the share is 28%) [6].

“The online channel can become a new growth point for food retail and compensate for the losses of companies offline. Despite the fact that the Internet still occupies a small share in the segment's sales, the importance of the direction will increase as it penetrates deeper into the everyday life of Russians, ”stated in the RBC study“ Online sales as a growth driver for Russian FMCG retail” [7].

This is also influenced by the effect of the self-isolation regime - the emerging habit of online shopping. 3/4 of buyers (up to 75%) were not going to reduce their activity in using online services for shopping for food even after all quarantine restrictions were lifted, according to a study by Yandex.Vzglyad [8].

«By mid-April, the values (of offline sales) returned to their previous level ... At the same time, the dynamics of online sales hardly followed the general trend, remaining at a level significantly higher than the average annual rate», Nielsen analysts reported [9].

The motivations of shoppers who choose between going to a physical store and ordering with a gadget are different. They go to a physical store mainly out of habit, they make online purchases because of the wide selection of goods on offer, plus they do not want to waste extra time and stand in lines.

Another important point is the change in geographical accents: the greatest growth is now shown by sales not in cities (8.9%), but in rural areas (22%) [10].

At the same time, retailers will have to adjust their income. Online purchases, noted Grigory Vashchenko, head of the trade operations department on the Russian stock market at «Freedom Finance», «bring low margins (and possibly a loss - companies refuse to disclose detailed information, there is an assumption that food orders are profitable with an amount of 5000 rubles or more per large cities)» [11].

The decline in purchasing power in 2020 is one of the risk factors for any business, and online grocery shopping is no exception. The decrease turned out to be significant. According to the HSE Development Center, in the second quarter of 2020, purchasing power for 12 of the 24 key items in the food basket fell to a ten-year low.

«In the second quarter of 2020, the minimum purchasing power of the average per capita money income of the population for the period from 2011 to 2020 was reached for 12 out of 24 basic foodstuffs. Among these products are: white and rye bread, beef, fish, milk, butter, black tea» the HSE study reported [12].

The difficult financial situation changes the emphasis in consumer choice - buyers carefully look at prices, hence the noticeable increase in the share of private labels. In July 2020, the growth was 174% compared to July 2019. Preference is given to dairy products, coffee and tea, cheeses, toilet paper and other hygiene items [13].

Accordingly, it makes sense for online stores to increase the share of private labels in the product line - or even start their production from scratch, which requires additional costs.

Online hypermarkets will lose out to express delivery - the last segment will grow in five years (2019-2024), according to forecasts, the fastest. In 2019, the share of online hypermarkets was 57%, in 2024 it will decrease to 34%. The share of express delivery will increase from 2% in 2019 to 27% [14].

These basic e-grocery segments differ in terms of delivery times and choices offered. The online hypermarket «Okay» has a delivery time - on the day of order, assortment - 25,000 SKU [15].

The «Samokat» express delivery service fulfills an order within half an hour, but the choice of goods is proposed to be made from 2000 SKU [16].

As can be seen from the numbers, online hypermarkets will still maintain their leadership positions in the market (34% versus 27% for express delivery), but players who operate only hypermarkets may experience a decline in revenues. In this sense, those who develop both segments are protected as much as possible, for example, X5 Retail, which owns the «Perekrestok» online supermarket and «Pyaterochka» express delivery.

The promising online market is inevitably captured by the largest - and most powerful - players, and they showed the greatest growth in the segment in 2020. (X5 Retail Group - 370% growth, «Utkonos» - 85%). The head of the Infoline agency, Ivan Fedyakov, predicted that by the end of 2020, players from the top ten leaders will account for about 75%. In 2019, their share was 70%. This means that the consolidation process will continue. Obviously, market participants who are not in the top 10 will have a difficult time, and in order to reduce risks, they will need to soberly assess their capabilities.

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