

Online sale of fresh produce promising and challenging

The online market for fresh produce and ornamental plants is growing. However, while the ornamental plant sector is making giant steps forward in this respect, the food market is lagging distinctly behind, particularly with regard to fresh produce. How can this be explained, and what are some of the opportunities and threats facing the online sale of horticulture products? Four parties engaged in this field present their vision on the developments, each based on their own expertise.

The number of consumers preferring to make their purchases online is constantly growing. Not only do they buy their clothes and shoes online; they also buy their food on the internet. The percentage of fresh produce sold online, however, lags far behind that of other product groups.

This can in part be explained partly by the high supermarket density in the Netherlands and partly by a lack of consumer confidence in the quality of fresh fruit and vegetables offered online: they prefer to see - and even touch - these products before buying them. Additionally, they are reluctant to pay additional shipping and delivery costs. On top of that, many suppliers of fresh produce lack a successful business model, particularly due to the logistic complexity associated with online sales. There are still many challenges ahead!

Online groceries

Nevertheless, various people engaged in the online sale of food products believe this to be a highly promising market. A study conducted by LEI Wageningen University Research Centre at the beginning of 2015 showed that approximately 12% of all Dutch consumers order their groceries on the internet from time to time. Another study, conducted by Deloitte in 2015, revealed that 8% of all consumers have, at one time or another, made use of an online ordering service. This service is used once or twice a month and the average amount per online order is approximately 69 euros.



Groceries ordered by respondents (or that they would like to order) online are mainly products with a longer shelf life, dairy products and frozen food. There is, however, also a notable rise in the number of fresh products ordered online. The emergence of meal boxes, of which more and more are being offered by supermarkets and other retailers, plays an important role in this development. This relatively new concept is benefiting from the popularity of regional products, healthy nutrition, organic ingredients and several intensive marketing campaigns launched by leading international players.

Meal box increasing in popularity

The meal box is becoming increasingly popular among Dutch households: A recent survey by Multiscope showed that, as it stands today, 11% have tried out a meal box and one third of them will continue to order them. Two out of ten people in the Netherlands are interested in the concept, but have never ordered a meal box. These are generally households composed on one or two persons. What appeals to them in particular is the convenience, the variety in meals and the inspiration to try new recipes.

HelloFresh is the best-known meal box. Eight out of ten people in the Netherlands has heard of this brand. Users are most satisfied about the originality and good quality of HelloFresh box. However, the price and freedom of choice in the various varieties received a lower score. HelloFresh does not deliver its meal boxes on Monday, which is the preferred delivery date.

Allerhande Box, however, delivers on Monday and is second to HelloFresh when it comes to name recognition (49%).

Martijn van Andel, JEM-id:

'The ornamental plant niche has grown very quickly'

JEM-id is based in Honselersdijk and develops websites and software. Ninety-five per cent of its clients are active in the fresh produce and ornamental plants sectors. Account manager Martijn van Andel has experienced the rapid growth in online sales achieved in the past few years by the ornamental plants sector, while according to him the the fresh produce sector lagged notably behind.



Van Andel explains that the diversity of the products in the ornamental plants sector is much greater than that of the fresh produce sector. Apart from this, consumers want to see fresh food products before buying them. 'Even if you're speaking about the same product, there are notable differences. No two moth orchids (Phalaenopsis) are alike. The number of branches will be different, as well as the quality, the packaging, and many other aspects. You really buy a specific article. This is why people are looking for ways to clearly and efficiently present the diversity of their products. Good photographs, taken at the growers' place of business, are very important in this.'

This is different in the fresh produce sector, and the differences are less obvious. 'If you order a five-kilogram box of red sweet peppers, diversity will be very limited. Everyone knows what you mean and nobody actually needs to look at the products before buying them. In this respect, ordering fresh produce is easier than ordering ornamental plants.'

FloraXchange

JEM-id developed the FloraXchange online communication platform especially for the potted plant sector. This platform provides support to growers in advertising their offering of potted plants. There are currently 1,059 growers affiliated with FloraXchange who present their products on the website. JEM-id makes this information available to more than 300 buyers, who in turn forward

this information to their own customers. 'It is quite revolutionary in the market. I venture to claim that this initiative has given the entire sector a boost. It provides in a demand; we have obtained a lot of positive response.'

According to the ICT specialist, trade companies really wanting to boost their sales have to make sure that their internal automation and logistics processes are in order. This means that a lot of their old systems will need to be replaced. Of course, not everyone is equally enthusiastic about this. 'If you are a leading exporter of fresh produce or ornamental plants and you have to replace your internet systems, this will cost you a lot of money. This will, of course, have a huge impact, while the success ratio can be called quite exciting in terms of feasibility. There are many companies who keep putting this off. However, you have to embrace change rather than avoid it; at this point you have no other choice. You have to change with the times. This is the only way to survive in a world where the only constant is change.'

Purchase moment

According to Van Aniel, there are still plenty of opportunities in the consumer market, both in the ornamental plants sector and the fresh produce sector. Logistics plays an important part in that respect. 'Although there are special boxes available these days for shipping plants, shipping shoes is still a lot easier. Besides this, plants are impulse products. You don't decide to buy a plant when you're sitting on the couch in the evening with your laptop; you decide to buy one when you're at the garden centre or the supermarket.'

However, the ICT specialist is surprised that the trend of buying groceries online is lagging so far behind. At the same time, he offers some plausible explanations for this. 'Ordering a packet of macaroni, a jar of pasta sauce or a carton of yoghurt online is easy. But it's different when you're buying fruit or vegetables. If you regularly buy produce at a supermarket, you know that the freshest mushrooms aren't the ones stalled out in front, and that the quality of green beans is variable from day to day. This is preventing a lot of consumers from buying these products online.'

One of the aspects that should be taken into consideration is customer perceptions at the moment of sale. 'Buying a computer online is a lot more fun than buying one at a shop. Mediamarkt may have the lowest prices, but when you buy a computer there you will be helped by an eighteen-year-old in an ill-fitting jacket. On the other hand, when you buy a computer via Coolblue, you are not being pestered by anybody trying to sell you a more expensive product, you can consult hundreds of user reviews and your computer will be delivered to your home the next morning. It's clear who will be winning this race.'

Harrij Schmeitz, Fresh Informationmanagement Center:

'Taking part in this development is not voluntary, but mandatory.'

Entrepreneurs have to jump on the online bandwagon, says Harrij Schmeitz, the director of Fresh Informationmanagement Center (FIC). The objective of FIC is to make the fresh produce sector stronger, more efficient and safer, and to successfully launch innovative developments on the market.

Schmeitz calls the online world an entirely new world. 'I am comparing it to the emergence of the convenience market. This market was created by a group of pioneers who started chopping and packaging vegetables in a shed. In the course of time, this niche grew into a full-fledged



market. The online market will be undergoing a similar development.'

According to Schmeitz, this is the reason why FIC launched the Fresh ONLINE Pack project. This project is exploring ways to promote the online market for fresh fruit and vegetables. The results are shared with the corporate world through 'Innovation Circle Meetings'.

Good quality and perception

According to Schmeitz, young people's increasing tendency to opt for convenience offers plenty of opportunities for boosting the online sale of fresh consumer products.

'However, this development could lead to negative results if we are unable to offer good quality products and

adequately contribute to customer perception. Additionally, this niche is faced with a great deal of international competition. Acceptance with regard to the online sale of fresh consumer products will be faster in one country than in another. Just consider the Asian market in this respect!'

The Director of FIC believes that taking part in this development is not voluntary, but mandatory. 'As a sector, we need to develop a strategy to cope with the changing market. The question is whether the enterprises currently operating in this sector will continue to survive at all. New parties are tapping into this market, also from outside. A new market is emerging, with new players and existing players that are undergoing a transformation. You have to hop on the bandwagon or you'll miss the boat!'

Nicolette Quaedvlieg, GroentenFruit Huis:

'There is still a whole world to conquer'

The consumption of fruit and vegetables is declining. The purchase of fresh vegetables by consumers dropped by three per cent and the purchase of fresh fruit by half a per cent in 2015. This trend has been growing for some time.

According to Nicolette Quaedvlieg of GroentenFruit Huis there is still a world to conquer in this respect. 'The online market offers a lot of new opportunities.

Businesses are looking for new markets and models for their distribution.'



However, Quaedvlieg is also aware that the online sale of fresh produce is lagging behind the sale of other consumer and other goods. 'People buying fresh products want to be able to see, touch and smell them first. Additionally, one type fruit or vegetable can easily be replaced by another; the internet offers more added value in the sale of consumer goods.'

Experience

Nevertheless, Quaedvlieg believes there to be ample opportunities with regard to the online sale of fresh produce. 'There are outstanding opportunities if you can offer a unique product that is not available anywhere else, for example.

Or if you can add something interesting to your products, like a recipe. Customer loyalty is also very important; people will come back once they know how tasty your products are. Consumer experience is a key factor in this.'

Quaedvlieg is also convinced that selling your products online enables you to enter into closer contact with your customers, which is a considerable advantage. 'It's easier to get feedback, from which you can gain a great deal of information. However, if you don't make use of this it won't be any help to you. This service is very important to consumers.'

Machiel Reinders, LEI-Wageningen UR.

'Online environment offers numerous opportunities'

Machiel Reinders is a senior researcher of Marketing & Consumer Behaviour at LEI Wageningen University Research Centre. He is currently focusing on trends in the agrifood market, in which capacity he is also involved in the Fresh ONLINE Pack project. In the previous years, Reinders mapped out the existing situation and the situation that is desirable in the future with respect to the online sale of fresh produce.



This study included a mystery shopping experiment, in which products, packaging and the ordering procedure of various online sellers of fruit and vegetables were tested. 'The study revealed that there were substantial differences not only with regard to the ordering and delivery processes, but also in respect of the product ranges, delivery frequencies, packaging and the payment methods offered.'

Critical success factors

What requirements would you need to satisfy if you wish to be successful in the online sale of fresh produce? According to Reinders, one of the biggest obstacles is logistics. How can you be sure that your fresh products will be delivered on time and in the desired manner, and in a way that is profitable to you?

Door-to-door delivery is expensive, particularly when your customers have individual wishes with regard to delivery and are only willing to pay limited delivery costs.

There are a few ways to keep these costs down, according to the researcher: 'If you opt for home delivery, you can limit yourself to a specific delivery radius or 'pick' your orders in a decentralised manner, like at the local supermarket or greengrocer's. Another alternative is to use pick-up points at supermarkets or community centres. The study conducted by Deloitte in 2015 reveals that consumers increasingly want to pick up their own groceries. The most important reason for this the ability to pick up your groceries when it's most convenient to you.'

Speed and convenience

Reinders believes that opportunities abound in an online environment. Groceries can be put together according to individual specifications, or linked to a personal profile, such as a specific diet. An online environment can also offer consumers inspiration, in the form of videos, for example. Platforms like these also enable information to be shared via social media. 'Online channels offer the ultimate in speed and convenience.'

The researcher also believes that online sales offer opportunities in the field of freshness and quality. 'Supplying products of a consistently high quality and responding to the demands of target groups could make it easier to achieve higher profit margins. Differentiation in products range and delivery methods are also opportunities that could be explored. Also, differentiation raises efficiency in the chain: food waste can be reduced and chains shortened.'

According to Reinders an online environment also offers opportunities for demand-driven innovation and marketing because it is easier to gain insight into the behaviour and wishes of customers who order their products online. 'This will provide an incentive for new products or concepts to be developed based on customers' prior ordering behaviour.'

The threats facing the online sale of produce lie mainly in the fact that the Dutch fresh produce sector is still highly traditional in its commercial development, says Reinders. 'The Netherlands is not a front runner in digital technology. Also, the online delivery of a consistent and high quality still constitutes a challenge. Moreover, many consumers believe online purchases to be more expensive. This also forms a serious threat.'

New initiatives

Reinders expects the online market to keep growing unabatedly over the next few years. 'The ING bank anticipates the online portion of sales achieved by Dutch supermarkets to reach 15 to 20 per cent by 2020. Developments follow one another at a rapid pace; new online initiatives are mushrooming. I think that growers and suppliers responding to these developments can be assured of becoming the preferred business partners of certain sales outlets and retailers. As far as this is concerned, the sector should not let these opportunities slip by!'

Food safety and quality critical success factors in online sales

Key points for attention in the online sale of fruit and vegetables are quality and food safety. Another factor to take into consideration is packaging. Can standardised packaging guarantee the desired product quality, food safety and customer experience standards?

Although no specific rules apply to online sales - as opposed to traditional sales methods - online sales channels will need to observe the same quality and food safety regulations as other food suppliers. 'Food safety is a priority issue,' says Nicolette Quaadvlieg, policy officer for Quality & Food Safety at het GroentenFruit Huis.

She also believes that the quality of online products should be better than what is offered by supermarkets. 'You have to take it one step further. People are less disappointed when they pick up a product at the supermarket with a quality defect than if they had bought the same product with the same quality issues online. That's simply not acceptable to them.' Additionally, Quaadvlieg points out that consumers purchasing produce online need information about the product's country of origin. Online sales platforms are also required - just as shops and restaurants - to provide information about allergens, both on their websites and upon delivery to the customer.

Best quality

Martijn van An del of JEM-id is also convinced that consumers should get the best possible quality when they order something online. 'And that's possible, because you leave out several links in

the distribution chain. Going grocery shopping three times a week is actually ridiculous, since 90% of the products you buy are identical. Neither is grocery shopping a particularly interesting experience. There are few people who genuinely enjoy shopping for groceries.'

Harij Schmeitz of the Fresh Informationmanagement Center emphasises that the quality of online groceries not only needs to be good; it must also be consistent. 'The consumer must not be disappointed. If consumers fail to find the quality they seek online, you will lose them and they will purchase their products elsewhere.' Consistency in quality and freshness is, according to Machiel Reinders, senior researcher at LEI Wageningen University Research Centre, only possible through short lines and foolproof chain cooperation with preferably local suppliers. 'Good customer service is also of paramount importance.'

Packaging

The range of packaging currently available can only partially guarantee the desired standard of quality and consumer experience, says Reinders. He indicates that there is a demand for better packaging, particularly for more delicate products. 'Special packaging is also needed for the cooled transport of products. PostNL has conducted several experiments with Vershuys.com, for example, in which they explored the possibility of using special coolers for the shipment of fresh food products.'

The researcher also points out that packaging can also enhance consumer experience through the addition of supplementary information, or visual materials, for example. 'On the other hand, one of the trends in modern society is to desire to curb the amount of packaging waste. To put it briefly, there are still plenty of opportunities for innovation in the field of packaging for the online market. This is one of the issues on which the Fresh ONLINE Pack project will be focusing in the next few years to come.'

Key conclusions

- The online market for fresh produce and ornamental plants will be furthering this trend during the next few years.
- The food market is lagging behind the non-food market, partly on account of the way in which the Dutch market is organised in terms of structure and the high costs of such factors as logistics.
- The online sale of fruit and vegetables is a difficult segment within the food market. This is partly attributable to consumer desire to see, touch and smell these products and an unwillingness to pay additional costs for shipment.
- A consistently high standard of quality and food safety are of paramount importance on the online market.
- Consumer experience also plays an important part in online sales.
- Businesses are increasingly engaged in creating added value by responding to unique facets such as origin and sustainability.
- Competition by new parties who are making it easier for consumers to buy fresh products on the internet is also continually increasing.
- Entrepreneurs will need to embrace these developments instead of avoiding them. This is the only way to survive in a world where the only constant is change.

Appealing online examples

- **Bloomon (www.bloomon.nl):** an online retailer of bouquets of wild flowers, in which consumers can choose between small, medium and large bouquets and the accompanying prices, and weekly, fortnightly or monthly delivery, as well as the preferred delivery time (in the evening or during the day).
- **HelloFresh (www.hellofresh.nl):** consumers receive a box of fresh ingredients and healthy recipes every week. In September 2015 HelloFresh announced that its customer base had

increased by 429% and its turnover by 408% in comparison to the year before.

- **Vershuys (www.vershuys.com)**: a modern online supermarket with a product range that includes numerous fresh products. The products are sourced directly from the field or from recognised producers of fresh produce in the region of sale and can be delivered to consumers' homes or picked up.
- **Loca Fora (www.locafora.nl)**: an online market place for sharing, buying and selling locally produced food.
- **Graaggedaan (www.graaggedaan.nl)**: connects local fresh produce outlets with local consumers.
- **Picnic (www.picnic.nl)**: a supermarket that sells its products exclusively online.