

What will the Dutch supermarket landscape look like in five years' time?

The (online) future of grocery shopping

REPORT

The Netherlands
SUPERMARKETS



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Introduction

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Introduction

The rapid growth in e-commerce has brought about permanent changes on the Dutch retail market. At least this is the case for the part of the sector that excludes day-to-day shopping. When it comes to that, we still tend to prefer to use 'real' supermarkets. Although we are purchasing groceries much more online than we did in the past, sales at physical supermarkets have also risen in recent years. As a result, the impact of online shopping on the supermarket sector has so far been limited. In fact, the number of physical stores in the Netherlands actually rose in recent years. But a tipping point appears to be in sight. What growth do we expect to see in spending on online grocery shopping and how many supermarket formulas will ultimately survive? In other words: what will the supermarket landscape look like in five years' time and what will this mean for investors?



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Introduction

The online presence of supermarkets: essential or a luxury?

Sales in physical supermarkets continue to increase, whereas online channels within the sector are loss-making. In 2022, online supermarket Picnic actually saw its losses almost double. This could lead you to conclude that online grocery shopping has no future in the Netherlands. Yet online shopping in the food sector is clearly on the rise and we are seeing some significant investments in an online and distribution network. This is done both by the established order – such as large supermarket chains Albert Heijn and Jumbo – and relatively new players, including Picnic and Crisp.

When starting up an online channel, the key priority is generally to acquire and increase market share. The fact that there will be losses is already priced in from the outset. For established supermarket formulas, these can soon mount up: in addition to the high start-up and operational costs of online shopping, part of the turnover is also lost from physical stores. Online sales cannibalise offline sales, while margins are already often low. However, any organisation that fails to offer omni-channel runs the risk of losing the battle with the competition – and with it both regular and new customers.

Because of this, an omni-channel strategy is more a necessity than a luxury for established supermarket formulas. But this is also forcing them to rethink their operations. Supermarkets are becoming a logistical platform – even more than they were in the past: total sales and profits are becoming more important than those of individual branches. As a result, online channels will actually contribute to profitability in the long run.

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Success for online high streets

There is an interesting parallel with the fashion sector, which originally made the error of assuming that online channels would not be profitable. Yet companies like Zalando are increasingly making a profit, after years of losses. The influence of e-commerce on the clothing and footwear sector was already evident after 2010: countless formulas that failed to adapt fast enough ended up facing bankruptcy. There were empty high streets and the role of physical shops began to change. At the same time, the impact for investors on market rents and investment values was huge.

Demand starts with supply

Ultimately, the potential consumer demand for home delivery or click-and-collect will be the factor that determines the growth of online grocery shopping. This demand is actually bigger than sales would currently suggest. Besides, a comparison with other retail sectors shows that it is also possible to create this demand through supply. People get to know new products or services and then become enthusiastic and used to them. The result: they can no longer do without them.

But not everyone will yield to the temptation. Take the older generation, for example: for them, the supermarket still meets a social need, which is why they are happy to continue using the local supermarket. But there is also growing demand for online grocery shopping from the younger generations who grew up with the internet, including increasing numbers of young families. Much more focused on convenience, they prefer to spend their time on other things than going to the supermarket. As a result, we expect to see interest in online grocery shopping grow as the right supply becomes available, enabling consumers to make more purchases faster, more cheaply and more smartly.

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Introduction

The strongest prevail

The competition for online consumers is raging, but not all supermarket formulas are able to compete in this battle for competition and investment. A self-reinforcing effect appears to be emerging: the further consolidation of the number of large supermarket formulas is accelerating the growth of e-commerce. This is because there is a greater focus on online shopping among the market leaders. They have the network and power needed to further expand their offering, whereas smaller chains often have no online store or have discontinued what they had. This appears to be causing the tide to turn.

The increase in the supply of online grocery shopping is having an impact on the sales potential of physical supermarkets. In order to determine the extent of this impact, CBRE has worked out three scenarios: cautious growth of online shopping to around 9% in 2027, accelerated growth of online shopping to almost 14% and an aggressive growth scenario, in which the online share reaches 23%.

It is worth noting that the drop in sales in physical supermarkets in major cities and the Randstad is largely being offset by population growth. But in some municipalities, the drop in sales in physical supermarkets will end up meaning that fewer locations are needed in the future. This will also bring an end to the time when every single supermarket was a goldmine.

Market polarisation

Whether growth ultimately amounts to 9%, 14% or 23%: the shift to online channels is very likely to result in polarisation in the occupier and investment market. Ultimately, several supermarket formulas will remain that will be profitable with a strong online platform and fewer physical stores. This could also have an impact on the rents and values of supermarket real estate. As is the case in other sectors, a portion of the value is shifting to the online store – and therefore to the logistics sector. As a result, investors can expect to see stronger divergence between the values of core, core+ and value-add supermarket real estate.

Supermarket real estate: long a goldmine with minimal risks

The value of both existing and new supermarket locations is important in acquiring or retaining market share. The fact that supermarket formulas pay significant funds in key money is therefore more the rule than the exception. At the same time, they also generally involve particularly long-term leases: often lasting (twice) five, 10 or 15 years. As a result, there is only limited tenant movement within the sector. For some time now, this stability has stimulated interest in supermarket investments from both Dutch and international investors. They have also been partly encouraged by the banks, because of their increased willingness to offer attractive finance deals in view of the more limited risks. This has manifested itself in an increase in the value of supermarket real estate: initial yields saw much higher decreases than other types of real estate in the period from 2014 to 2022. This decrease in initial yields is now experiencing an upheaval, mainly as a result of raised interest rates rather than increased risk perception on the part of investors.

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The supermarket landscape in the last decade

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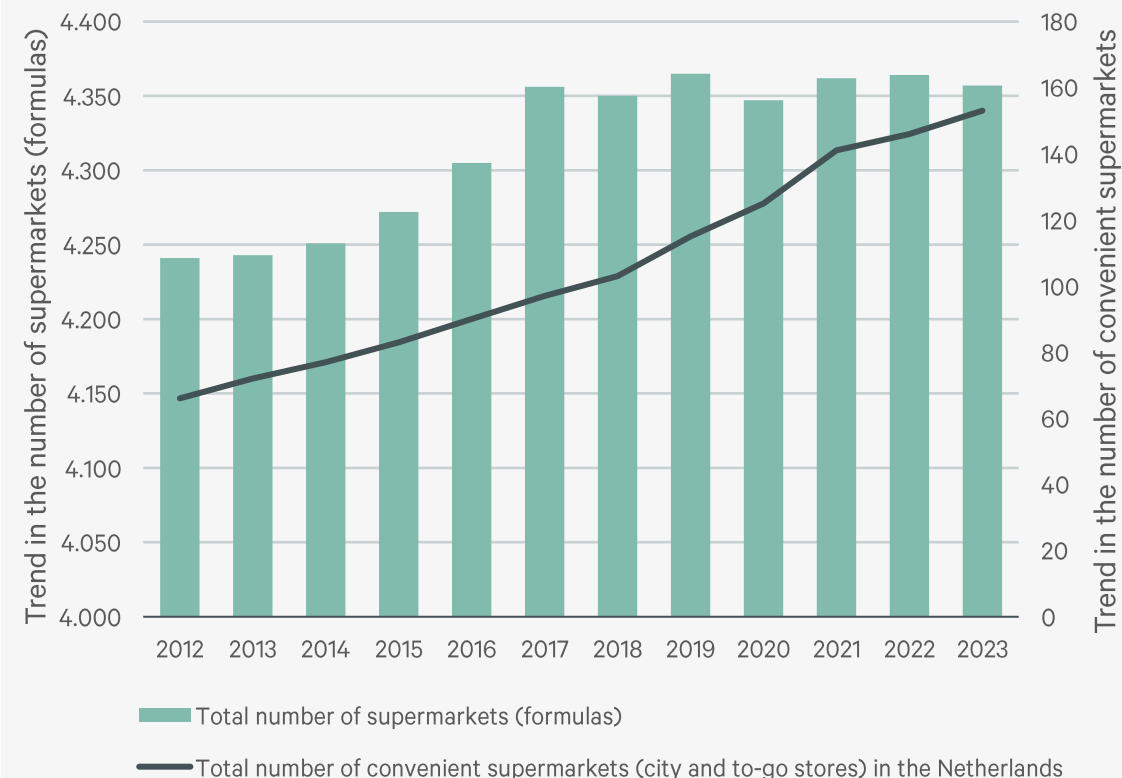
The supermarket landscape in the last decade

Increasing number of square metres

In order to make a proper assessment of the sector's future, we first need to look at the last decade. Over this period, there has been a noticeable increase in the number and square metres of supermarkets in the Netherlands. A decade ago, there were almost 6,100 supermarkets in the country, compared to 6,620 in 2023 – around 4,350 of which are branches of one of the larger chains. At the same time, the space occupied by supermarkets increased in the same period by around 865,000 sq. m.: from more than 4.1 to almost 5 million. As a result, the supply of supermarket space per Dutch inhabitant rose from 0.25 sq. m. to 0.28 sq. m.

Almost one eighth of the retail space in the Netherlands is occupied by a supermarket. As such, the supermarket is a key component of the Dutch retail landscape. However, the figures also show that the number of locations occupied by larger formulas reached its peak (at least for now) in 2019, and has fallen slightly since then. It is worth noting that this peak is not visible in the number of square metres, which has remained relatively constant. There has however been a clear rise in 'city' and 'to-go' supermarket concepts.

Trend in the number of locations of supermarket formulas and the number of convenient supermarkets in the Netherlands



Source: Locatus

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The supermarket landscape in the last decade

Saturation versus densification

The Dutch supermarket landscape is often described as being saturated. This is not totally unjustified since the restrictive policy applied in the Netherlands means that new supermarket locations are few and far between. Despite this, there is still some densification within major cities and the number of independent supermarkets has increased by almost 470 stores since 2012. These are mainly small local supermarkets that are independently run – and increasingly international in character: Turkish, Surinamese, Indonesian, Asian or Polish.



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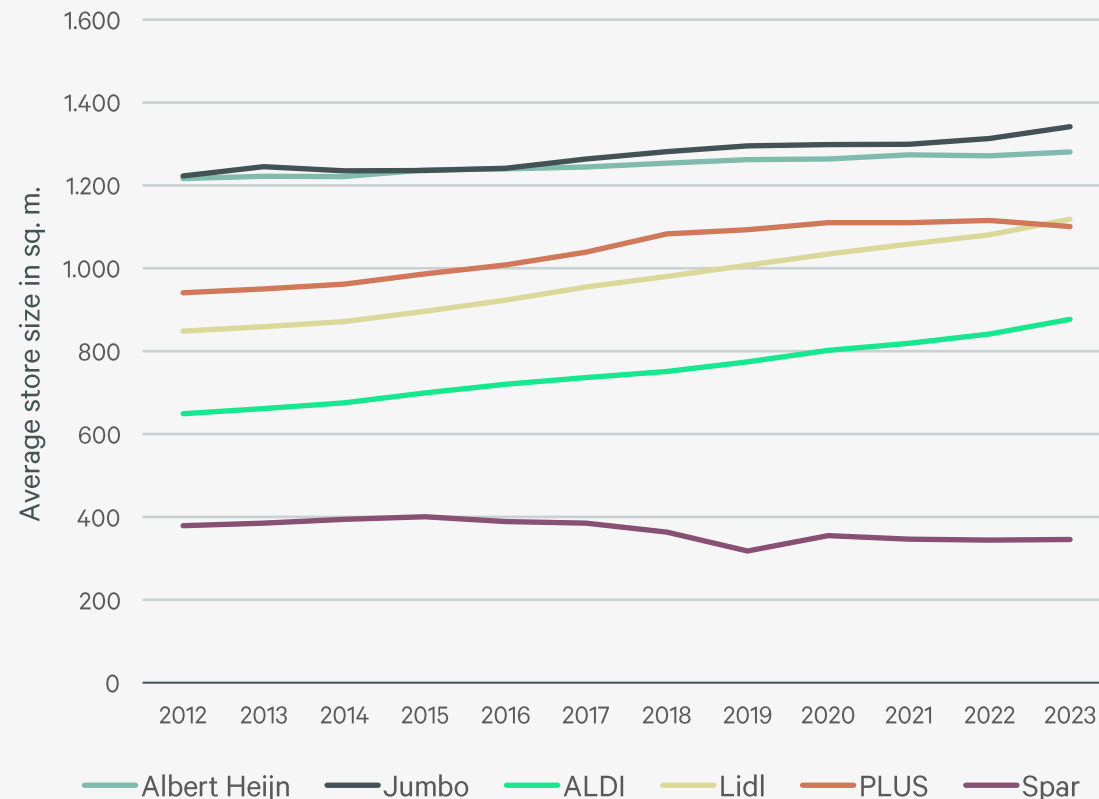
The supermarket landscape in the last decade

Visible upscaling

Much of the increase in the amount of supermarket retail space can be attributed to upscaling. Supermarket formulas are constantly on the lookout for opportunities to expand their stores in order to be able to offer an increasingly wide product range. They are finding success primarily in places outside city centres, such as residential neighbourhoods.

In the Netherlands, we still exercise caution when it comes to supermarkets at peripheral (PDV) and large-scale (GDV) retail locations: the proportion of supermarket retail space at these locations is just 2.5%. But the ongoing upscaling is still clearly visible in the statistics. Whereas the average location held by larger formulas was 909 sq. m. a decade ago, it has since grown to 1,068 sq. m. This trend can be seen in all large formulas active in the Netherlands. The exception is Spar, which tends to be located in much smaller residential areas.

Trend in the average retail floor area for the largest dutch supermarket formulas



Source: Locatus

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The supermarket landscape in the last decade

The disappearance of small supermarkets

The trends in the Dutch supermarket landscape become even clearer when we consider the different size categories.

Since 2012, there has been a significant increase in the number of hypermarkets (from 2,500 sq. m.) and large supermarkets (1,500 to 2,500 sq. m.). This is mainly due to the rise of larger Albert Heijn locations (some of them XL) and to a lesser extent Jumbo Foodmarkt and DekaMarkt. At the same time, the number of average-sized supermarkets (800 to 1,500 sq. m.) is also growing significantly as a result of upscaling.

In addition, the number of small supermarkets fell from 1,052 in 2012 to just 622 in 2023. As a result, they are gradually disappearing from the streetscape. On the other hand, the number of convenience stores at high-traffic locations is actually showing a gradual increase. These tend to be 'city' and 'to-go' store concepts at public transport hubs and in busy high streets.

Trend in the number of supermarkets by size between 2012 and 2023

Number of supermarkets by type	2012	2023	Trend in 2023 compared to 2012
Hypermarket: larger than 2,500 sq. m. (XL or Foodmarkt)	64	73	+9
Large supermarket: 1,500 - 2,500 sq. m.	341	585	+244
Supermarket: 800 - 1,500 sq. m.	2.017	2.551	+534
Small supermarkets: 500 - 800 sq. m.	1.052	622	-430
Local supermarkets: smaller than 500 sq. m. and not city/to-go concept	2.496	2.636	+140
City or to-go concept at high-traffic locations	66	153	+87

Source: Locatus

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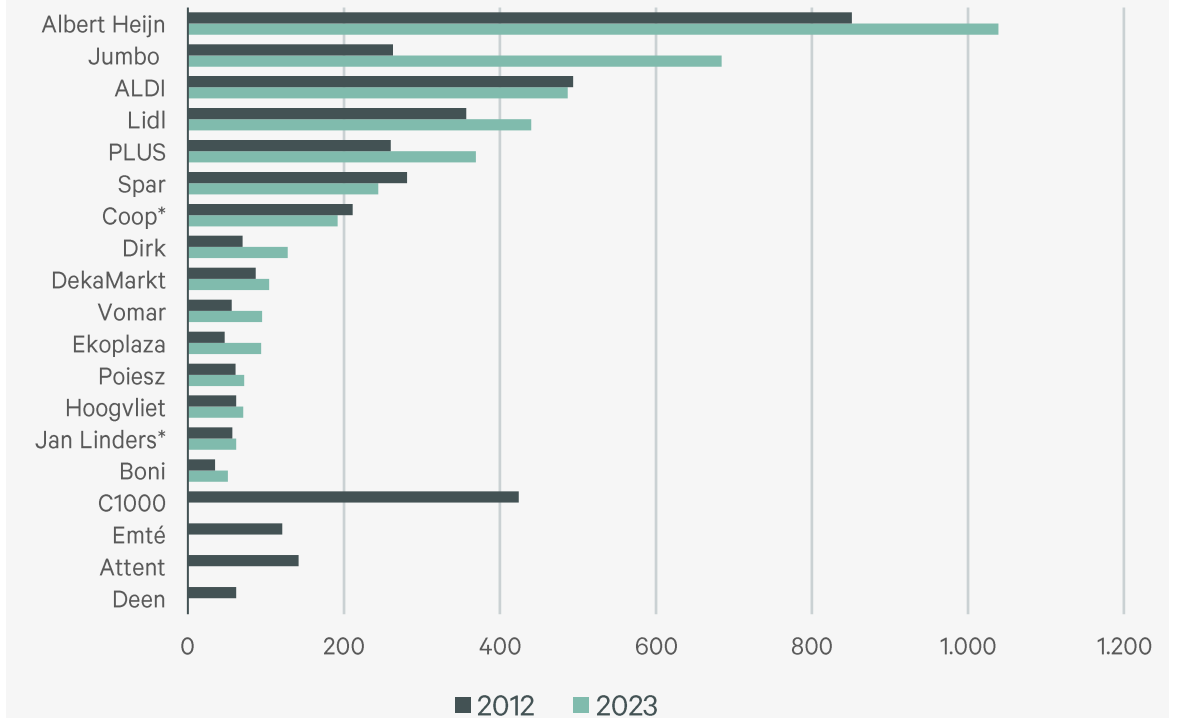
The supermarket landscape in the last decade

The major players

In 2023, two major players dominate the supermarket sector. Albert Heijn (more than 28% of supermarket retail space¹) and Jumbo (more than 18%) account for almost half of all supermarket retail space in the Netherlands. In the wake of its merger with Coop, PLUS has also become a major player. PLUS is a member of Superunie: a purchasing organisation that also includes formulas such as DekaMarkt, Spar and Dirk.

The German discounters Lidl (10% market share) and ALDI (9%) are the main foreign players in the Dutch market. Together the five market leaders account for 76% of supermarket retail space in the Netherlands. Finally, Spar also has numerous branches (244), although these generally tend to be smaller convenience stores (average of 345 sq. m.).

Trend in the number of stores held by supermarket formulas with at least 50 branches in the Netherlands 2012-2023



*As a result of the merger with PLUS, Coop locations are being converted into PLUS branches.
 **As a result of the takeover by Albert Heijn in 2022, 52 Jan Linders locations are being converted into branches of Albert Heijn
 ***Boni and Nettorama are set to merge, with all branches then continuing as Nettorama. Nettorama has not been included here since the formula has fewer than 50 branches.

Source: Locatus

¹Including the 52 branches recently taken over by Jan Linders

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The supermarket landscape in the last decade

Consolidating the advantage of scale

As well as increasing the store size, most Dutch supermarket formulas are also pursuing an expansion strategy in order to create advantages of scale. This is necessary in order to sustain the low margins within the sector. In recent decades, many formulas have also seized strategic market positions and expanded, mainly by taking over other formulas or through mergers.

Smaller players often fall short in terms of logistics, marketing or delivery. This is making the competition with large chains increasingly difficult. In any case, it can prove relatively expensive for them to follow the latest trends. As a result of this, more than 20 supermarket formulas have disappeared from the Dutch market since 2000. The recent takeovers and mergers demonstrate that this is still happening. Recently, the regional formula Jan Linders was acquired by Albert Heijn and Deen came under the ownership of Albert Heijn, Vomar and DekaMarkt. There was also the merger announced between the two family companies Nettorama and Boni.

The rise in online grocery shopping is proving to be an increasingly decisive factor in the loss of formulas from the supermarket sector. Since e-commerce has largely been loss-making so far, the extent to which formulas are competitive and profitable is ultimately key to their survival.



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The supermarket landscape in the last decade

Consolidation continues

The end of the consolidation trend is not yet in sight. It is likely that the number of large supermarket chains – with more than 20 branches – will decrease further in the years ahead, until around six to eight major players remain. This domination by just a handful of players is familiar from other sectors, like electronics (Coolblue, MediaMarkt), sports (Nike, Adidas, Under Armour and Puma) and clothing (Inditex, Primark, H&M and C&A). The clothing and footwear sector in particular has seen large numbers of mergers and takeovers as a result of the rise in e-commerce since 2010. There has also been consolidation more recently in the instant delivery market, as Gorillas became part of Getir.

The Netherlands Authority for Consumers and Markets (ACM) closely monitors takeovers. When supermarkets merge, it assesses whether sufficient alternatives remain in the neighbourhood for consumers. Although there is no strict limit for this, the general rule is that no individual player is permitted to have more than 50% of the local market share.² This means that, in some takeovers, the market leaders are forced to divest supermarkets to prevent the emergence of a local monopoly.

²ACM: Ahold Delhaize Nederlandse mag 38 supermarkten en een deel van de centrale activa van Deen overnemen

Trend and forecast for the number of formulas in the supermarket sector and clothing and footwear sector with more than 20 branches in the Netherlands



Source: Locatus & 2030/2035 forecast by CBRE

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The supermarket landscape in the last decade

Positioning

In view of the fierce competition, supermarket chains are increasingly focusing on their positioning. They are showing their cards and focusing on service, convenience, price, a wide product range and plenty of fresh, sustainable or organic products. Of course, players are also adopting successful strategies from competitors. This is seen in the case of Albert Heijn and Jumbo – typical full-service supermarkets – who offer a lot of own brands in order to compete with discounters, such as ALDI and Lidl. Generally, the full-service segment focuses on customer satisfaction and experience, but every formula has its own area of focus. For Albert Heijn, for example, this is sustainability and convenience, whereas Jumbo places slightly more emphasis on affordability and personal service and PLUS on regional products.

Discounters like ALDI, Lidl, Dirk and Vomar continue to perform well in the Netherlands, despite strong competition from the market leaders. The number of discounters has increased by 16% since 2012 and their supermarket retail space by almost 40%.

Growing interest in organic and sustainable food has led to an increase in the number of organic supermarkets in the Netherlands – mainly thanks to the rise of Ekoplaza and Odin. The first major takeover in this sector happened in 2019: Udea – parent company of the organic supermarket chain Ekoplaza – took over Marqt. The large supermarket formulas have also been quick to expand their range of fresh and organic food in recent years in order to capitalise on the rapidly increasing demand.

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The changing way we shop groceries

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The changing way we shop groceries

How much do we spend on grocery shopping?

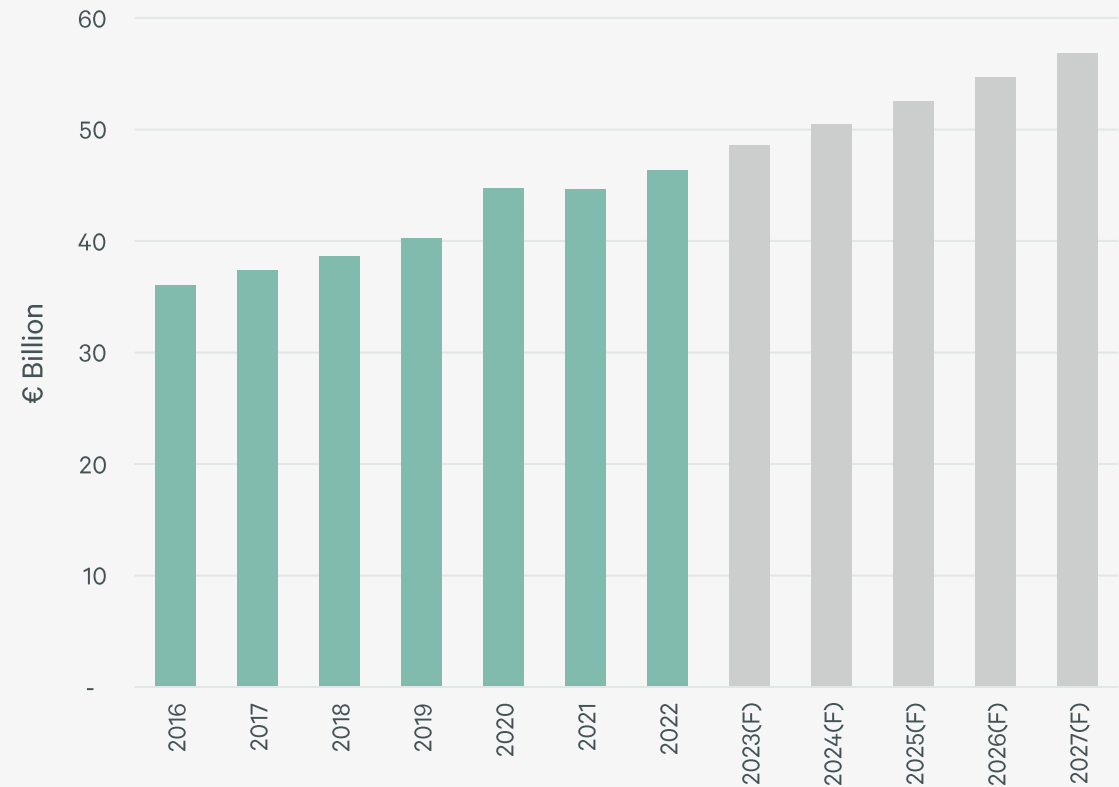
We now know how supply in the supermarket landscape has changed over the last decade. It is now time to examine demand. In 2022, €46.3 billion was spent on grocery shopping in the Netherlands³ – approximately €50 per person per week. That was up by almost 4% compared to the year before. Some 70% of all our expenditure on food and drink takes place through grocery shopping.⁴ Most of this is spent in supermarkets and the rest at specialist outlets and via online channels. We tend to choose traditional supermarket formulas together with online supermarkets, such as Picnic and Crisp, and instant delivery services, such as Getir*. In the years ahead, we are expected to spend on average 4% more per year on shopping. Excluding correction for inflation, that amounts to around €60 per person per week by 2027.

³Nielsen

⁴FSIN

*These instant delivery services sometimes have partnerships with traditional supermarket formulas.

Sales in the supermarket sector



Source: Nielsen, CBRE

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The changing way we shop groceries

The online shopping cart

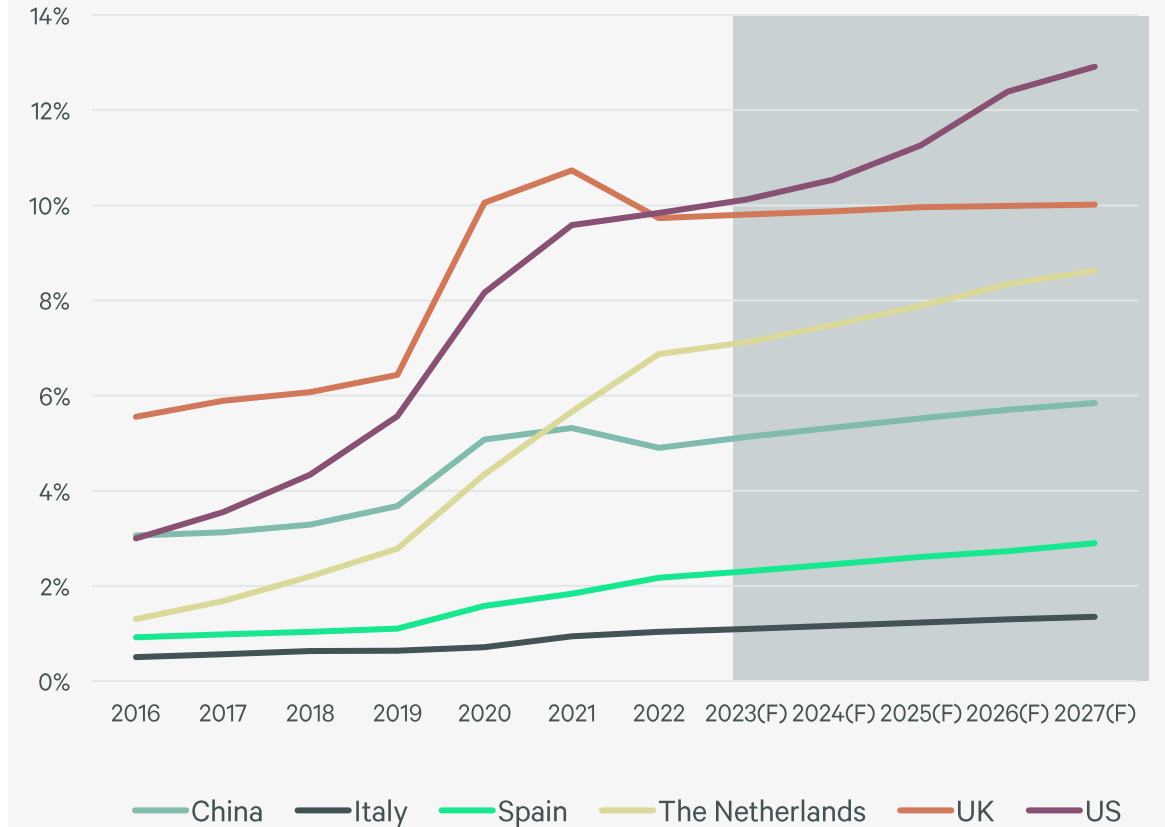
We are increasingly ordering our groceries online. Although the high growth figures seen in recent years are expected to level off, the amount is expected to continue to increase. In 2022, online grocery shopping in the Netherlands had a market share of approximately 7%⁵. By way of comparison: for the entire retail market, the share of online purchases was around 20%. There are also some sectors where this percentage is even higher, such as fashion: at around 50%. In the years ahead, the share of online grocery shopping is expected to increase towards 9%. For example, market leader Albert Heijn already achieves more than 10% of its turnover from online sales⁶, making it the front-runner among the traditional supermarket formulas.

In 2023, the online grocery and meal delivery landscape is more diverse than ever: supermarket formulas, online supermarkets, instant delivery services, meal and mealbox delivery services are engaged in fierce competition. They vary widely in terms of their coverage, delivery charges and minimum order amount. It is also interesting to note that some formulas have withdrawn from online sales and many discounters do not (yet) deliver grocery shopping.

The online channel for day-to-day shopping is smaller than for non-day-to-day shopping. There are several reasons for this. The density of physical supermarkets in the Netherlands is intense: it takes relatively little time to reach a supermarket. In addition, most supermarkets have long opening hours. At the same time, ordering online often involves delivery charges, delivery times and a minimum order amount. The product range via online channels is also often more limited and customers have less control over the quality of (fresh) products.

⁵Euromonitor, CBRE
⁶AH: Albert Heijn closes exceptional year with 37% market share

Share of online purchases as percentage of total shopping



Source: Euromonitor, CBRE

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The changing way we shop groceries**Overview of the largest companies in grocery shopping and meal delivery in the Netherlands (mid-2023)**

	Delivery in the Netherlands	Coverage within the Netherlands	Conditions and charges
Albert Heijn	Yes	Over 90% of Dutch households, not on the Wadden Islands and outlying areas in the northern part of the Netherlands	Delivery charge €2.50 - €7.95, minimum order amount €50
ALDI	Not as yet: available in Great Britain, trial in Germany		
Boni	Discontinued via own channel, via Picnic only		
DekaMarkt	Trial conducted, but discontinued		
Dirk	No		
Ekoplaza	Yes	The whole of the Netherlands, except for the Wadden Islands	Delivery charge €2.50 - €7.95, minimum order amount €60
Hoogvliet	Yes	Rotterdam and Leiden	Delivery charge €5.99, minimum order amount €50
Jumbo	Yes	Almost the whole of the Netherlands, not on the Wadden Islands (except for Texel) and some outlying areas	Delivery charge €4.50 - €7.95, minimum order amount €50
Lidl	Not as yet: available in Great Britain and the United States		
PLUS	Yes	Delivery from most branches	Delivery charge €6, minimum order amount €25
Poiesz	Yes	Northern Netherlands	Delivery charge €2.50, minimum order amount €40
Spar	Yes	Almost the whole of the Netherlands	None
Vomar	Discontinued		
Crisp	Yes	The whole of the Netherlands, except for the Wadden Islands	Delivery charge between €2.95 and €8.95, free of charge above €75, minimum order amount €50
Picnic	Yes	In almost all towns and cities in Noord- and Zuid-Holland and Utrecht, in other provinces only in towns and cities with around 50,000 or more inhabitants	No delivery charge, minimum order amount €35
Getir	Yes	Amsterdam, Amstelveen, The Hague, Delft, Leiden, Rotterdam, Tilburg	Delivery charge €1.80, minimum order amount €10
Flink⁷	Yes	28 larger cities spread across the Netherlands	Delivery charge €2.90, minimum order amount €10
Marley Spoon	Yes	The whole of the Netherlands, except for the Wadden Islands	Delivery charge €6, weekly delivery (min. 2 and max. 6 dishes)
Hello Fresh	Yes	The whole of the Netherlands	Delivery charge €4.99, weekly delivery (min. 3 and max. 6 dishes)
Uber Eats	Yes	Mainly in the Randstad and larger cities in the southern and eastern Netherlands. There is only limited coverage in the north of the country	Delivery charge €0.89 - €2.19, often minimum order amount of €10 or more
Just Eat Takeaway / Thuisbezorgd	Yes	More than 7,500 restaurants, not on the Wadden Islands (except for Texel) and some outlying areas	Delivery charge €2.49 - €4.99, often minimum order amount of €15 or more

⁷There were rumours of a potential takeover of Flink by Getir, but this appears not to be happening

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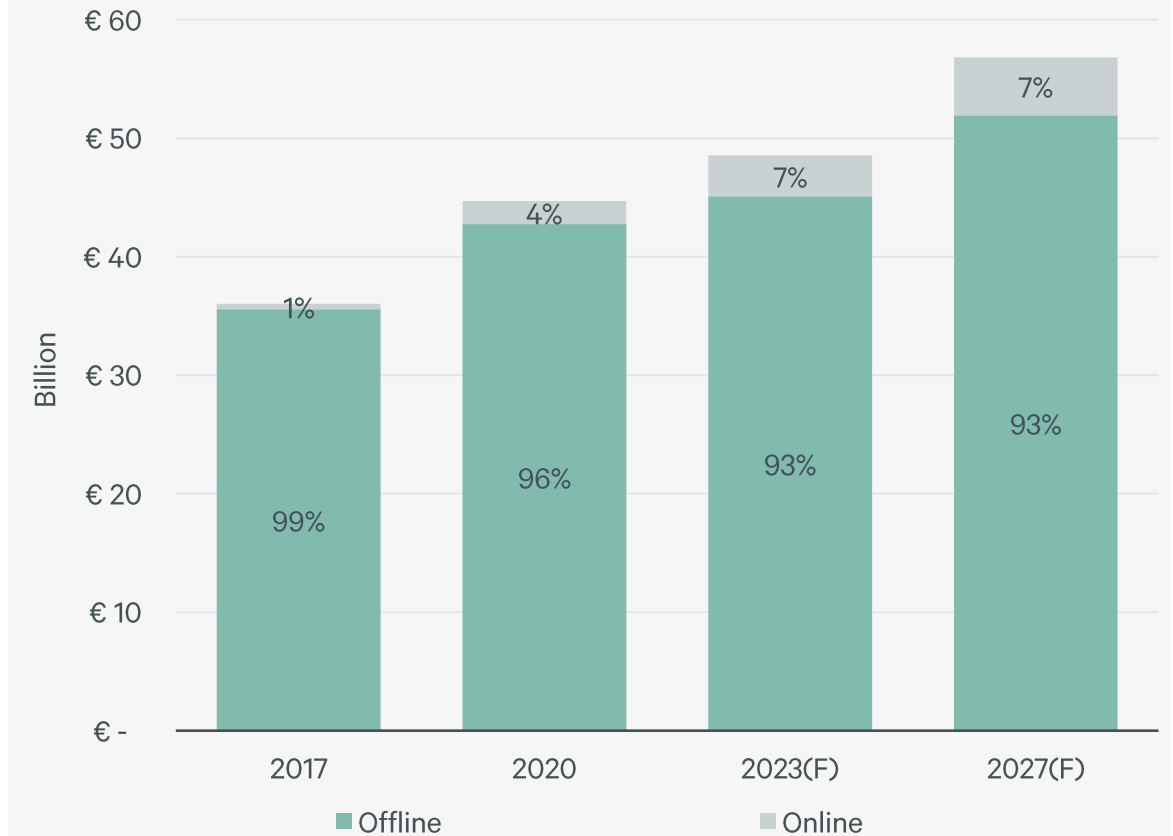
The changing way we shop groceries

The impact of online grocery shopping

The increasing demand for online grocery shopping is not necessarily bad news for supermarket chains. After all, most online shopping is done at the traditional supermarket formulas, and especially Albert Heijn and Jumbo. Albert Heijn has been delivering since 1999 and its parent company Ahold Delhaize has gained additional experience – and supply – thanks to the acquisition of Bol.com. Although the cost of delivery remains relatively high, the online channel offers an opportunity to meet customer demand and thereby retain or even increase market share.

Total expenditure on grocery shopping (both online and offline) has increased. This trend is expected to continue in the years ahead. The increase in supermarket sales is largely due to population growth and inflation. If corrected for these factors, spending per person is increasing by just 1% per year. Although the share of online is increasing year-on-year, this is yet to reach a tipping point that triggers a fall in sales in physical supermarkets.

Physical turnover is increasing, despite drop in market share



Source: Euromonitor, CBRE

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The changing way we shop groceries

The current situation in a nutshell

Put briefly, the number of formula supermarkets has been falling since 2019 – the market is saturated. However, the amount of supermarket retail space continues to increase thanks to upscaling. At the same time, there has been a significant increase in the number of small (urban) convenience supermarkets. The number of large supermarket formulas in the Netherlands continues to fall as a result of mergers and takeovers and the end of the consolidation trend is not yet in sight. There is fierce competition between supermarket formulas, online supermarkets, instant delivery services, and meal and meal box delivery services.

Most of people's expenditure on food and drink is spent in the supermarket. The share of online grocery shopping in the Netherlands is around 7% and this percentage is only expected to increase in the years ahead. However, spending in physical supermarkets is also increasing. This is yet to reach a tipping point where sales in physical supermarkets fall.



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The future of the supermarket landscape

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The future of the supermarket landscape

Current sales potential per municipality

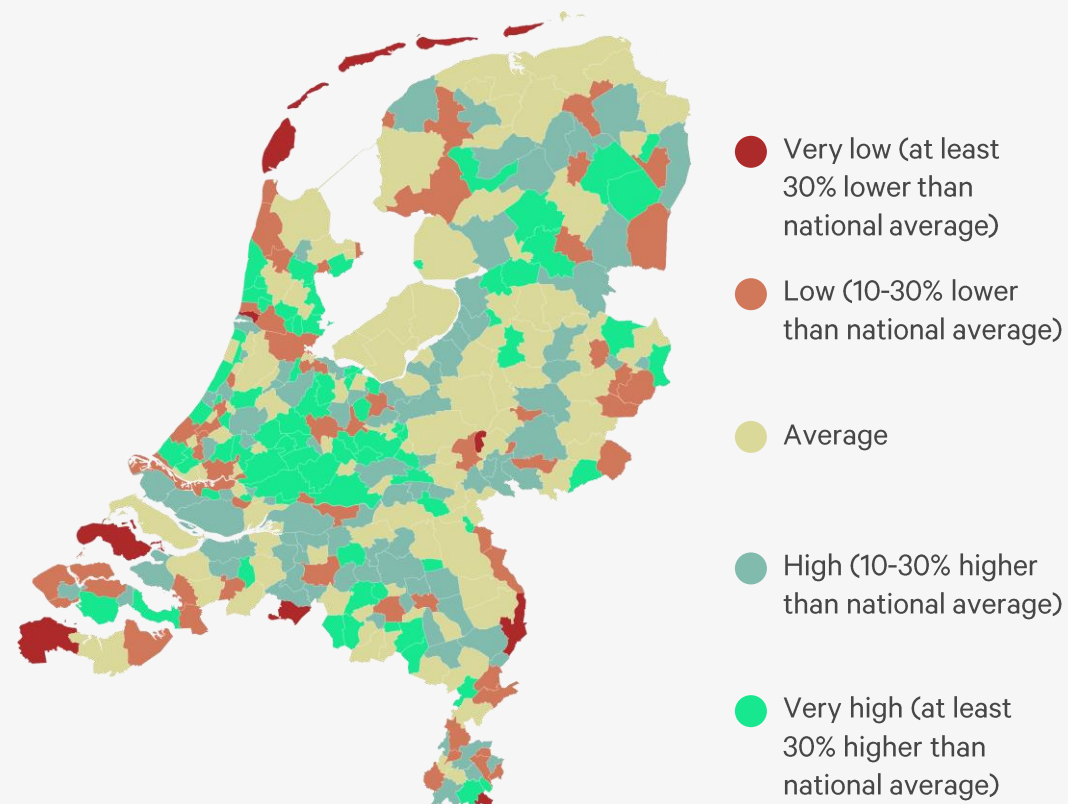
Now that we know the extent to which the share of online grocery shopping is increasing, we can make an assessment of how the sales potential of supermarkets will develop. This involves factoring in the number of supermarket square metres per inhabitant, the demographic trend, the lifestyles of people in a municipality⁸ and the coverage of online grocery providers.

Because of the high population density, there are more online grocery providers in cities than in rural areas – here they are able to deliver more efficiently and more cheaply. This is why instant delivery services are active in urban areas only. People living in some – often rural – areas are still completely unable to do online shopping at organisations like Picnic. This is even more good news for the physical supermarkets in those areas.

If we calculate the sales potential per square metre, areas in the centre of the Netherlands score particularly well – roughly the area between Utrecht, Rotterdam and Oss. Areas closer to the borders perform less well, for example because more people on low incomes live there or the population has decreased, leading to too many services for the number of inhabitants. Coastal towns achieve lower scores because there are relatively large numbers of supermarkets in these tourist areas. Tourists' expenditure in supermarkets is difficult to pin down and has therefore not been included in this survey.

⁸Based on the Whooz Whize categories

Sales potential per supermarket square metre, 2023



Source: CBRE

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The future of the supermarket landscape

The sales potential for physical supermarkets is highest in the municipalities of Waterland, Bloemendaal and Blaricum. In these areas, the supermarket ratio – the number of supermarket square metres per inhabitant – is lower than 0.14. This is less than half the national average. These areas also have large numbers of people with high incomes, who spend more on shopping.

As mentioned above, the increase in spending on groceries in the years ahead will primarily be due to population growth. Based on inflation, demographic trends at municipal level and the trend in the share of online shopping, we can make three different forecasts.



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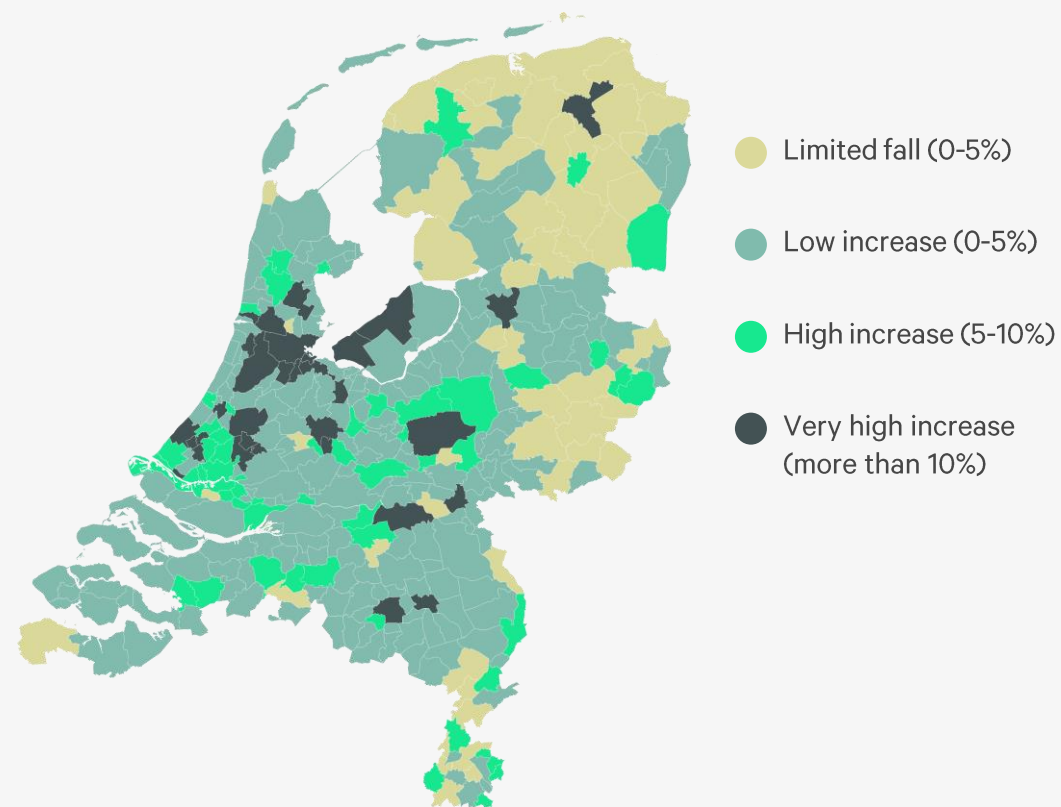
The future of the supermarket landscape

Base scenario: growth in online shopping tails off

In this scenario, we are assuming growth in online grocery shopping of around 9% in 2027, based on Euromonitor data. The market share has increased significantly in recent years, but will only increase to a limited extent in the years ahead. In this scenario, the impact on physical supermarkets is minimal: there is even room for the total amount of supermarket space to increase by almost 6%, although this of course only applies to areas where the sales potential increases.

There are significant regional differences. Because of the expected population growth in major cities, such as Amsterdam, The Hague, Utrecht, Eindhoven and surrounding municipalities, it should be no surprise that the sales potential is set to increase most significantly in these areas. It is also interesting to note the strong growth around Lelystad and the Alphen aan den Rijn-Gouda-Waddinxveen-Zuidplas cluster: these are areas where there is a lot of new housebuilding planned in the years ahead. Falling sales tend to be focused mainly in the north, the Achterhoek region and parts of Limburg – although this fall is limited: less than 5% of the sales potential. Expressed in terms of the number of supermarket square metres, this amounts to no more than 300 sq. m. in these municipalities. It is only in the municipality of Eemsdelta that this fall translates into a substantial reduction in the number of square metres: 640 sq. m. – the size of a small supermarket.

Change in sales potential per supermarket square metre, 2027 – Base scenario



Source: CBRE

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The future of the supermarket landscape

Medium scenario: current growth in online shopping continues

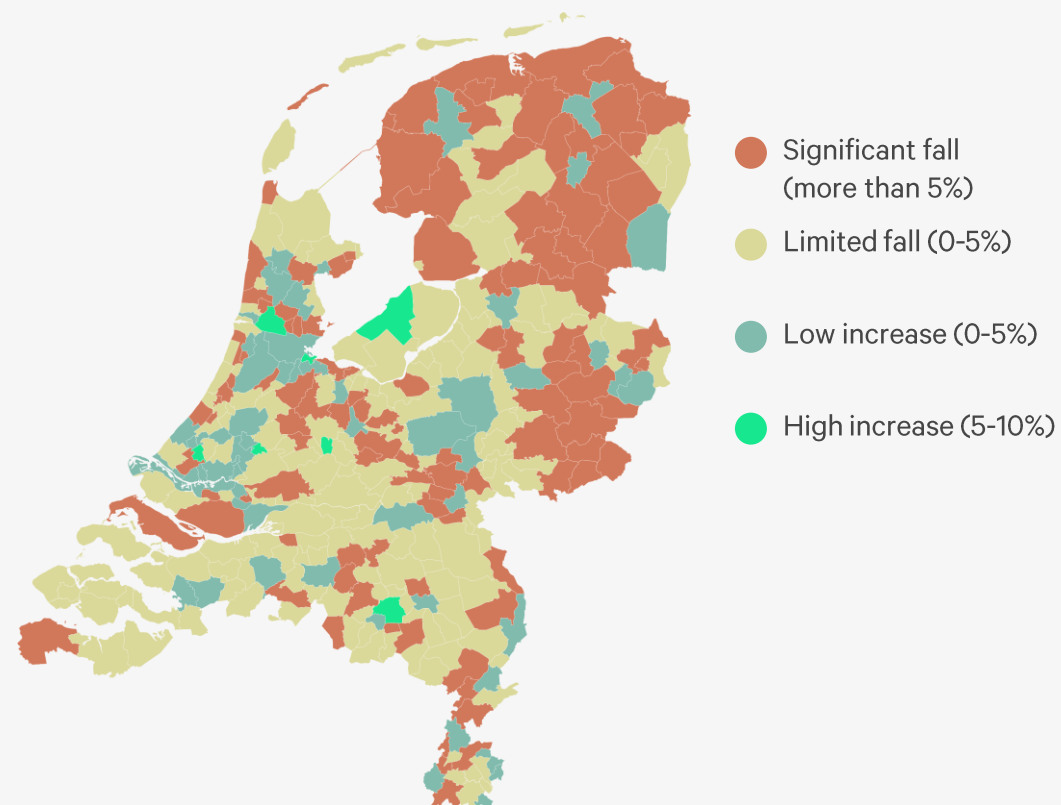
It is still quite possible that the share in online grocery shopping will increase more significantly. This is because there is a lot of investment in distribution centres and the logistics network, making it easier for many people to have groceries delivered to their door. Albert Heijn already achieves more than 10% of its sales from online channels, which makes the 9% prediction for 2027 in the base scenario look relatively conservative.

With further consolidation, we expect players to increase in size and their efficiency in offering online groceries to improve as a result. Demand will also grow: increasing numbers of today's grocery shoppers are from a generation that is accustomed to shopping online.

In this scenario, the absolute increase in the online share seen in recent years will continue at around 1.4%. It is then expected to reach almost 14% by 2027. This growth will be wide-ranging: both in urban areas and beyond them. This share is reasonably similar to current Euromonitor forecasts for the US, but still well below the current total share of e-commerce, which is 20%.

The impact is significant. In the medium scenario, the nationwide picture in 2027 shows a (minor) surplus of supermarket square metres – and no increase, as in the base scenario. In a few, mainly large, municipalities, there is still room for growth in this scenario, but not in 80% of them. In this case, the surplus amounts to a total of 117,000 sq. m.: around 2.3% of the total supermarket floor area. In this scenario, we estimate between 150 and 200 supermarkets will need to close.

Change in sales potential per supermarket sq. m. in 2027 – medium scenario: strong online growth



Source: CBRE

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The future of the supermarket landscape

Aggressive scenario: current relative growth in online grocery shopping continues

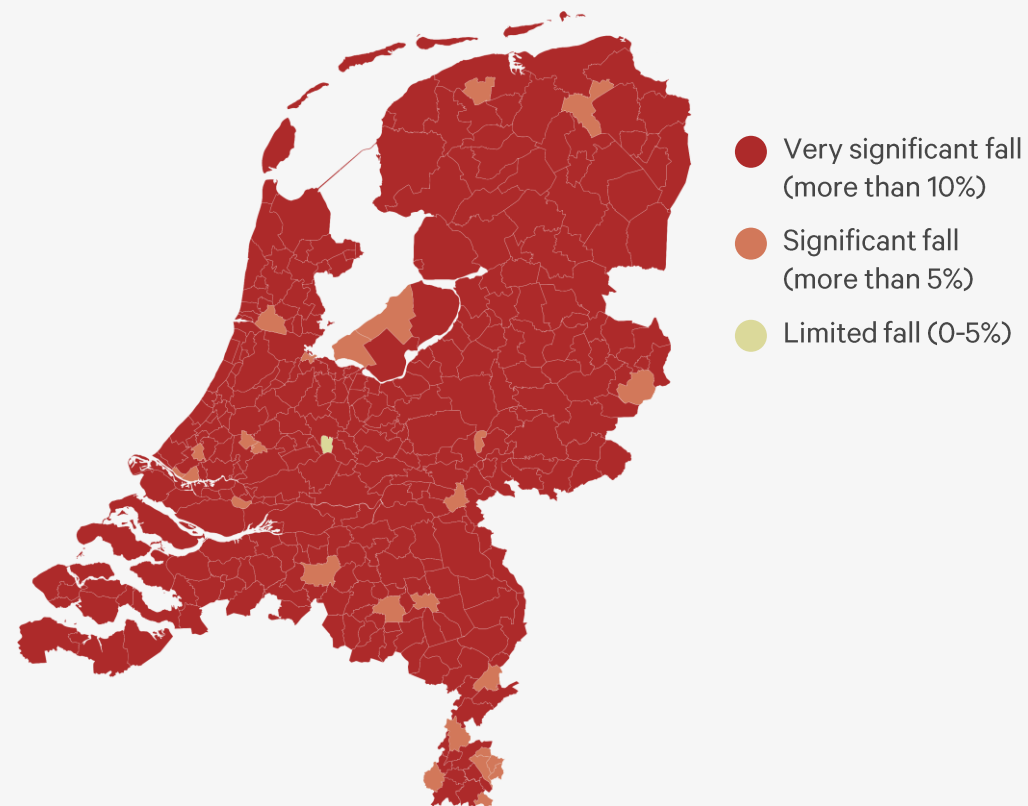
Finally, the aggressive growth scenario. If we consider relative rather than absolute growth, the share of online grocery shopping increases even more than in the previous scenario. In recent years, it has seen relatively stable increases to reach an average of around 28%.⁹ If you project that growth further to 2027, the share of online grocery shopping reaches as much as 23.3%.

In this scenario, every municipality will see a fall in the sales potential of physical supermarkets. Nieuwegein is the only municipality with a limited fall, with the rest of the map turning dark red. This means a surplus of more than 680,000 square metres of supermarket floor area, representing 14% of the current supply. This is expected to result in the closure of 800 to 900 supermarkets.

The aggressive scenario would appear to be improbable. Despite this, it provides valuable insights into potential long-term trends. The growth in the share of online grocery shopping is not expected to stop after 2027. This means that, even in the majority of municipalities where the population and the sales potential for physical supermarkets will continue to increase until 2027, there will soon be a tipping point when the sales potential begins to fall after all.

⁹Much more significant growth (of as much as 56%) was seen only in 2020 and was caused by the coronavirus pandemic. This has not been taken into account here.

Change in sales potential per supermarket sq. m. in 2027: Aggressive scenario: rise in growth online continues (exponentially)



Source: CBRE

05

Upcoming changes in the supermarket landscape

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Upcoming changes in the supermarket landscape

Year-on-year, our shopping focus is increasingly moving towards added convenience, such as ordering online. But this trend is also visible on the street: for example, the growth of physical supermarkets at high-traffic locations, such as railway stations and high streets. This trend is expected to continue and it is here that people will do their day-to-day shopping, but these locations will also increase in popularity for click-and-collect.

For the remaining large supermarkets, the first few metres on arrival will become increasingly important: it is here that they already achieve the most sales, but it will also increasingly become the place where customers are offered an experience and become acquainted with new products. At the same time, significant investments are being made in online and distribution networks, both on behalf of the established order (Albert Heijn, Jumbo) and by new players, such as Picnic and Crisp.



05

Upcoming changes in the supermarket landscape

The battlefield for market share

The priority for most new entrants to the market is to rapidly acquire and increase online market share, which often results in losses – as is the case with Picnic. However, the clothing and footwear sector tells us that these losses will not necessarily continue. Online and offline shopping are complementing each other to an increasing extent. The number of supermarket formulas is consolidating further, partly because it is more difficult for the smaller chains to offer the same quality both online and offline than it is for the large chains. This is why we expect the number of chains to consolidate further in the period ahead, ultimately leaving six to eight large formulas.

Reduction in physical sales potential

Because increasing numbers of customers are shopping groceries online, the sales potential of physical supermarkets will decrease in the future. But this will happen at its own pace in each area. In the base scenario, the fall in sales in major cities is largely offset by population growth. But some municipalities will in theory soon require fewer supermarket square metres as a result of a fall in sales.

The medium scenario is also not inconceivable. In this forecast, 80% of municipalities will have a supermarket surplus in 2027. At the moment, the aggressive scenario still appears to be improbable. Yet despite this, the analysis suggests an approaching tipping point, even in municipalities where there appears to be room for growth. Even there, the sales potential of physical supermarkets is declining. In these two scenarios, the surplus of supermarkets will result in several hundred to as many as 900 supermarkets having to close their doors. After all, it is ultimately inevitable that an end will come to the time when every supermarket is a goldmine for investors.

05

Upcoming changes in the supermarket landscape

Impact for owners of supermarket real estate

For a long time, the intricate structure of the Dutch supermarket landscape was a strength. But since there is as yet no end in sight for the consolidation trend, the densification in the Dutch market is increasingly turning into a threat. Formulas often no longer need several branches located close to each other, because this can result in cannibalisation. Alternatively, the ACM may deem the risk of a monopoly to be too great, so that locations need to be sold off if there is a takeover. This means that there is also a strong likelihood of supermarkets closing in the event of takeovers and mergers.

This is further compounded by the increase in online grocery shopping. As the sales potential of supermarket locations falls, this exerts pressure on margins, thereby increasing the likelihood of a store closing. In addition, the online offering means that fewer supermarkets will be needed if deliveries continue to increase. This particularly applies to those areas where there is already a multiplicity of supermarket formulas.

Supermarket density could therefore also decline in the medium to long-term. This will then place pressure on rents. How much this pressure amounts to will depend on local supermarket density and the competitiveness of the supermarket concerned. In other words, it will have only a limited impact on supermarkets that are dominant in their area. For this reason, it will become increasingly important for investors to keep a close eye on the competitiveness of their supermarket, so they can then respond on this during lease negotiations and hold-sell analyses

A long residual term on a lease may provide some comfort in the years ahead. However, consolidation of supermarket formulas and expansion of the online model will ultimately give the remaining chains room to thin out the network. This will result in increasing polarisation within supermarket real estate. As a result, investors can expect to see stronger divergence between the values of core, core+ and value-add supermarket real estate.

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