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Up to the Last Mile

The Four Pillars of a Winning Grocery
eCommerce Delivery Strategy

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Global statistics are clear: Online grocery sales are finally hitting a watershed moment

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Introduction

Global statistics are clear: Online grocery sales are finally hitting a watershed moment.

The promise of huge revenue gains from eCommerce is coming to fruition in markets around the world, and will continue to reward retailers who invest in enhancing their brick-and-mortar business with digital capabilities.



What Is the Last Mile?

In its most literal sense, last mile refers to the movement of products from store to door. Fulfilling the last mile will differ for each retailer depending on a host of business factors (e.g. operational region and logistical processes), as well as order details (e.g. order type and size, product categories).

At Mercatus, the last mile takes the end-to-end delivery process into account. Beyond just delivery options that get products from store to door, it also encompasses the behind-the-scenes coordination, management and planning involved in offering the best possible customer experience across the entire shopper journey.

Here at Mercatus, we've spent almost 15 years empowering grocers across North America to improve execution and performance of their eCommerce businesses. And if we've learned anything over the years, it's that grocery retailers—regardless of size or how many years they've been in the business—need to get past the notion that eCommerce is only about the way you physically get your products into the hands of your customers.

Now, of course, eCommerce involves delivery. But smart retailers know that success in eCommerce comes down to the details, including the crucial steps that must be taken leading up to the delivery. And so, instead of focusing strictly on outsourcing the coordination and delivery of grocery products, we argue that retailers need to regain control of their eCommerce business as a whole. Only then can they own the entire shopper journey, from search to sale to delivery and beyond.

Why? Because, the customer wants it. At the end of the day, customer loyalty in the digital age is gained by offering omnichannel access to the products that shoppers want and need most, day in and day out. And that experience stems from the retailer's ability to harness the moving parts in the background in order to execute efficient and cost-effective last-mile delivery.

“ ...retailers need to regain control of their eCommerce business as a whole. Only then can they own the entire shopper journey, from search to sale to delivery and beyond. ”





That's why we've developed this eBook: To provide clarity on those "moving parts", so grocery retailers can gain better returns, protect their margins and maintain greater share of wallet.

We'll prove that retailers need to take control of the eCommerce buyer's journey from end to end—not just in the last mile, but even before that point, as they plan for, organize and mobilize their workforces to deliver excellent customer experiences (CX) from start to finish.

In the following pages, we provide a brief update on the surge in last-mile delivery programs that's hit the North American grocery sector since 2014, in order to help you gain a better understanding of the opportunities that last-mile thinking holds for your business.

Then, we outline the four fundamental pillars that must be in place to drive success in grocery eCommerce leading up to the last mile:

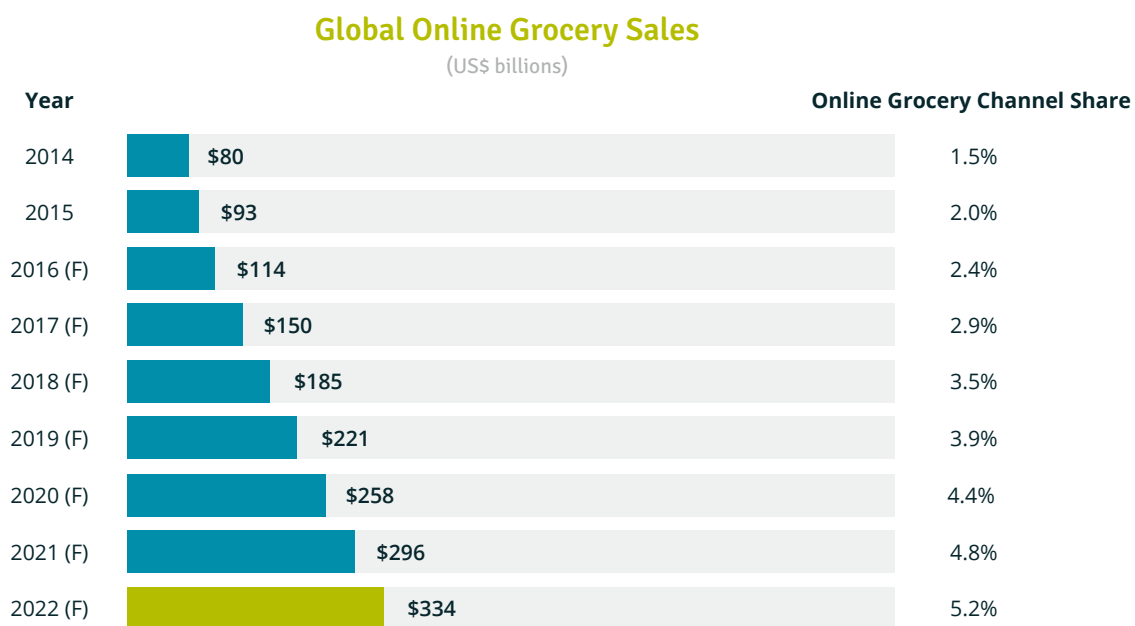
- 1 **INTEGRATION OF DATA AND PROCESSES**
- 2 **STRATEGIC BUSINESS ANALYSIS AND FORECASTING**
- 3 **COORDINATION OF ALL OF THE MOVING PARTS OF THE BUSINESS**
- 4 **MOBILIZATION OF A KNOWLEDGEABLE AND WELL-PREPARED WORKFORCE THAT'S CAPABLE OF MEETING CONSUMERS' WANTS AND NEEDS**

We conclude with recommendations that every grocery retailer, large or small, can put in place to garner excellent gains from their shopping experience.

Understanding the Opportunity:

More Flexible Delivery Options Drive Grocery eCommerce Sales Growth

You'd be hard pressed to read a retail report these days that didn't include some mention of the latest stride in grocery sales and delivery by big hitters like Amazon, Walmart, Target and Alibaba. And for good reason: They're playing the long game—taking steps to corner as much market share as possible in the early stages of last-mile grocery delivery, so once forecasts* of U.S. \$334 billion in global online sales come to fruition (likely before the year 2022¹), they'll have solidified their place in the retail industry worldwide.



F = Forecast

Source: Forrester Data: Online Retail Forecast, 2017 to 2022 (Western Europe); Forrester Data: Online Retail Forecast, 2017 to 2022 (US); and Forrester Data: Online Retail Forecast, 2017 to 2022 (Asia Pacific)

Meanwhile, in the U.S., online grocery sales continue to grow at a current rate of 13 percent year-over-year², and online grocery spending is projected to grow 10x faster than in-store sales over the next four years³, to ultimately reach U.S. \$100 billion between 2021 and 2023.⁴

Now, even if overall margins take some time to catch up to sales growth values—as retailers work to make the delivery process more cost effective⁵, in some cases working with third-party delivery providers like Peapod or FreshDirect, or personal shopping services like DoorDash or Shipt—it's safe to say that the market holds significant growth opportunities for grocery retailers who are looking to expand their businesses via digital channel activation in the coming years.

Consumer Demand is Galvanizing Grocery's Last-Mile Strategies

Today's empowered shoppers know what they want in their CX, and better delivery options have become a new bargaining chip in their ongoing quest for a faster, more personalized and lowest-cost-possible buying journey. And while two or three years ago, next-day or same-day delivery was cost-prohibitive, more consumers are now turning to these last-mile delivery services to save time and effort. This is particularly the case among more digital-savvy demographics, such as Millennials, who take advantage of online touchpoints for grocery delivery, takeout and other sources of immediate food gratification.⁶

“...better delivery options have become a new bargaining chip in their ongoing quest for a faster, more personalized and lowest-cost-possible buying journey.”



Why Should Grocery Retailers Care about Millennials?

With numbers totalling 1.8 billion people worldwide—a full quarter of the world's population—Millennials are more than just the group of “young’uns” that everyone seems to pick on. In fact, the global spending power of this cohort will soon be greater than any other generation.⁷

What is the last mile to Millennials?

Plenty of studies demonstrate that these digital natives already expect that the last mile is simply delivery and should be fully integrated into the grocery experience. (Keep in mind that a large percentage of the Millennial population has never lived without ‘smart-everything’—from phones to TVs to fridges to cars and beyond).

What does this mean for the grocery sector?

As a principal consumer generation, Millennials are set to shape the direction of the world's economy of the future—particularly for consumer goods and services, like groceries.

If retailers want to fight customer erosion and stay relevant, they'll need to provide a seamless omnichannel shopping experience that can attract Millennials now (amongst other cohorts) and evolve with their needs as they continue to put more consumer dollars back into the economy in the years ahead.



In a recent survey from [Dropoff](#), the number of U.S.-based internet users who had used same-day delivery rose significantly in 2018, from 17 percent to 31 percent. Not surprisingly, grocery products top the list of items that were bought using same-day delivery.⁸

Over the last five to seven years, a number of retail players have made considerable inroads in the last-mile delivery game. Grocery mainstay Kroger struck a deal with Instacart to bring delivery services to more than 1,600 stores nationwide⁹. Whole Foods kicked off a curbside pick-up program (currently available to Amazon Prime members¹⁰). Walmart partnered with Instacart in Canada¹¹ and with DoorDash¹² and Postmates¹³ in the U.S. to offer same-day grocery delivery. Not to mention the multitude of small-and medium-sized grocery retailers that are getting into the last-mile grocery game through their own partnerships with third-party grocery logistics and delivery service providers. It's clear that more retailers are placing big bets on the revenue opportunities offered by last-mile services.

Yet, online grocery only makes up just under two percent of shopping activities in the U.S. today¹⁴. It's clear that retailers still have a distance to go to attract new omnichannel shoppers, to build buy-in for eCommerce, and to increase repeated usage over time.



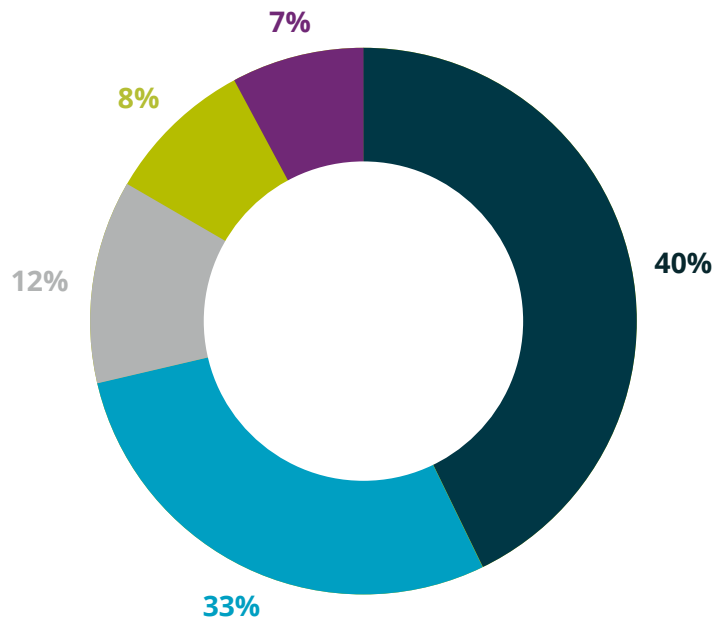
Did You Know?

The number of shoppers in the U.S. who have used Buy-Online-Pickup-In-Store (BOPIS) or Click-and-Collect (C&C) services has increased by more than 15 percent since 2015¹⁵.

Some retailers are even seeing higher volumes with C&C than with delivery. Why? It comes down to control: Many shoppers still appreciate being able to control the costs, timing, quality and other details of their grocery purchases.

Top 5 Reasons shoppers choose C&C over other options¹⁶

- To avoid shipping costs
- To get their merchandise more quickly
- For convenience
- To see the item before they brought it home
- To ensure they receive their purchases



The question remains then, how can retailers attract new shoppers, build buy-in and increase adoption?

The answer: Take a page from the playbooks of the industry's most successful omnichannel retailers and offer the best possible CX across the entire shopper journey, up to and including the last mile from store to door.

The Four Pillars of a Successful End-to-End Grocery Delivery Program

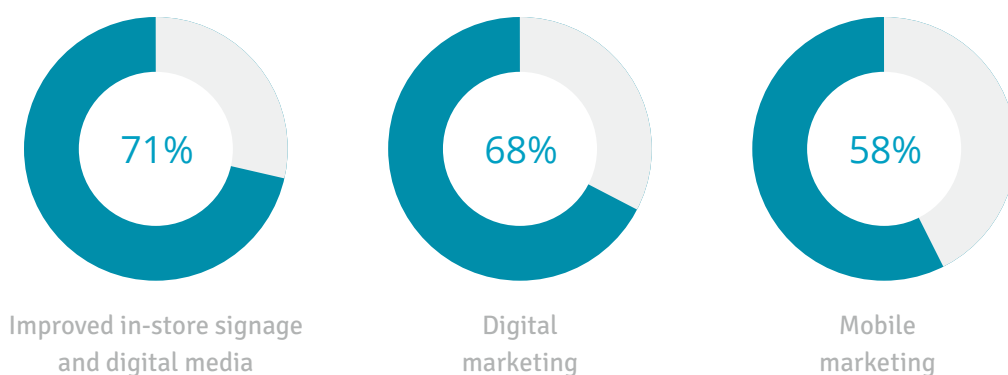
Traditional grocery retailers like Kroger and Meijer in the U.S. and Tesco, Morrisons and John Lewis in the U.K., as well as global players like Amazon/Whole Foods, Walmart, Target and Alibaba know that the best returns on grocery delivery come from creating new ways for consumers to do their grocery shopping that get orders from store to door quickly, conveniently, and with little friction from search to shop to delivery.

However you choose to deliver—whether you partner with third-party service providers for customer service, logistics, fulfillment and/or delivery services, or you enlist a digital platform that ties into your own system and processes, like [Mercatus Dispatch™](#)—it's impossible to fulfill the last mile without managing all the moving parts that lead up to it.

What are these parts that contribute to a smoothly functioning, effective eCommerce service and keep customers coming back time and again? We've organized them into four main pillars—each feeding into the performance of the next—that can influence the degree of success of your eCommerce play in the marketplace today.

Pillar 1: Integration

If you've already enlisted digital technology to help advance your grocery sales, then you're in good company. In fact, technology is so top-of-mind for grocery retailers that nearly three in four of those surveyed¹⁷ reported that they plan to increase their technology spend this year. At the top of their tech want-list? Marketing and merchandising innovations, including:



Currently, more than half of the grocers surveyed have already implemented mobile shopping app technology, although smaller chains are further behind when it comes to offering fully integrated omnichannel shopping solutions.

However, integration is key. According to market research firm IDC, companies lose 20 to 30 percent in revenue every year due to inefficiencies¹⁸. These are caused by insufficient or outdated processes, difficult-to-use systems that don't 'talk to each other' and/or share data across platforms, and inconsistent communication (between the company and consumers, between offices and headquarters, or even between associates within the same team).



Recommendation:

Take an integrative approach that harmonizes areas that are all-too-common weak links. These include:

- Different data sets (e.g. on products, shoppers, associates, stores, departments, etc.)
- In-house and third-party systems (e.g. loyalty, couponing and inventory platforms, payment gateways, etc.)
- Your company's processes or workflows (e.g. specialized processes designed for customer service, order fulfillment, order reconciliation, order tendering, etc.)
- Every individual involved in the shopper journey from end to end (e.g. shoppers, associates, management, head-office personnel, etc.)

For an even more foolproof technology implementation: Work with organizations or third-party service providers like [Mercatus](#) that offer solutions to connect multiple data-driven technology platforms.

Pillar 2: Analysis

We've argued before that grocery eCommerce needs to get better at tracking customers' key data.¹⁹ Why? Because having the ability to mine customer metrics is a significant competitive advantage for grocery retailers, and ultimately, you can't improve what you don't measure.



Think of it this way. When you multiply the many SKUs of products that come in and out of your warehouses on an hourly, daily, or weekly basis by the number of different consumers who shop for those items, you'll quickly realize that you've got a goldmine of opportunity to gain a more holistic view of your customers. (That's assuming you've got the means to collect that data in real time, and then mine it for unique insights on your customers' interests, preferences, wants and needs. See Pillar 1–Integration above.) In turn, you'll be able to better deliver the eCommerce experience your most valuable customers are looking for.

Unlock greater grocery eCommerce ROI using the data you already capture on your shoppers. [Learn how here.](#)



Recommendation:

First, seek out a digital platform that not only facilitates eCommerce transactions, but also lets you keep your data and thereby, own your customer relationships. (Hint: When you work with a third-party logistics or delivery partner, they often manage the customer relationship on your behalf, which means that if you cut ties with the partner, the customer relationship may end up being cut off too.)

Next, put the transactional data you already collect to good use, logging all single data attributes—sales details, customer demographics, psychographics, and any other details you have access to—so as to glean practical insights on the order fulfillment lifecycle.

Then, leverage these insights to continually evolve the last mile of a customer's experience and build the best-possible CX. Consider all levels of roles and responsibilities involved in the shopper journey, including shoppers, store associates, managers, COOs and CIOs.

While you're at it, make sure you're maintaining a 360° view. You'll gain significant strategic advantages if you look at your business as a whole, both retrospectively (at past trends) and prospectively (applying those insights to future activities), in order to:

- Gauge how your business is performing
- Identify predictable outcomes
- Intervene on currently unfolding situations
- Continually evolve the business to meet customer needs as they change over time

Pillar 3: Organization

By organization, we mean orchestrating all of the components of a complex grocery eCommerce machine to get the people, processes, products and so on working synchronously in order to enable the best-possible CX from your store-to-door service.

You can put hours into planning, purchasing, enlisting user-friendly digital solutions, and crunching the consumer data, but if you don't have an efficient process for organizing the details to fulfill an online order, you risk alienating your most valuable customers or worse—throwing good money after bad in lost cycles and low margins.



Recommendation:

You'll need to gain buy-in and cooperation from all levels of an organization, from head-office IT, Operations, and Logistics to frontline managers, associates, cashiers, food-to-go counter staff and stock people.

Anyone involved in the last-mile picking, packing, processing and delivery must be looped into the process. This is how you ensure you're maintaining accurate and accountable production standards for each function involved in fulfilling online orders.

Yes, we realize this seems like a lot of work. But really, this is just one more piece of the puzzle for strategic retailers who are already thinking ahead to the next big industry win. Ultimately, when it comes to delivering on the last mile, the benefits far outweigh the risks. Like with any program, if you take the time at the outset to set up and implement more efficient processes, you're likely to experience fewer hassles over time—including when your eCommerce program really takes off and customers come flooding through your digital doors.

Pillar 4: Empowerment

In-store associates are still your best ammunition on the retail battlefield, even in a digitally-driven world. Certain demographics still seek the human connection that comes from interacting with in-store associates—particularly the so-called Spendsetters,²⁰ a highly influential and digital-savvy group of consumers that accounts for a third of all shoppers and 52 percent of Millennials.

According to global payments platform Adyen, Spendsetters' biggest beefs relate to CX:

- **Lineups:** 86 percent of adult-aged shoppers in the U.S. surveyed said they had left a store because of long lines, and either purchased those products at another retailer or didn't make a purchase at all. That translates to U.S. \$37.7 billion lost in potential sales. Identify predictable outcomes.
- **Lack of payment options:** U.S. \$1.1 billion in potential sales were lost when retailers didn't support customers' preferred payment methods

Whether in-store or online, shoppers want fast, easy and frictionless service. They're willing to take their dollars elsewhere if a retailer can't deliver against their CX expectations.



Tip:

Be strategic—put the work in now to reap the rewards later.

At this point, you might be thinking: "Wow! This all seems like a lot of work!"

You're right, 'up to the last mile' does require some additional work—which could be a stretch for lean-and-mean organizations that are already running on tight budgets and even tighter resources. But, as with any strategic business decision, you have to ask yourself, do the rewards outweigh the risks?

The resounding answer is yes. Based on trends in the grocery sector over the past five to seven years or more, if you're not thinking strategically and taking advantage of grocery eCommerce sales to grow your margins, you may soon find that you've missed the boat.



“ ...if you’re not thinking strategically and taking advantage of grocery eCommerce sales to grow your margins, you may soon find that you’ve missed the boat. ”

While research continues to demonstrate that there’s still a role for “the human touch” in today’s increasingly digitally driven retail experiences, not just any human experience will do. Rather, the best retail CX is driven by employees who have a unique combination of know-how and eagerness to deliver the best possible experience with every customer interaction.

Recent studies on adult shoppers have found that:

- 62 percent were motivated by an initial greeting from a store associate upon entering the store²¹
- 43 percent who interacted with retail associates were more likely to make a purchase, and spent 81 percent more compared to customers who hadn’t interacted with a store associate²²
- These same shoppers were 12 percent more likely to revisit the store if they experienced positive interactions with sales associates²⁰

This is especially important to keep in mind for Buy-Online-Pickup-In-Store (BOPIS), Click-and-Collect (C&C) or curbside pick-up services. These hybrid fulfillment services hinge on face-to-face interactions, whether those involve a sales associate addressing questions at the service desk, handing a customer their already-paid-for grocery order in-store, or placing products in the customer’s vehicle.



Recommendation:

Retail rockstars aren’t necessarily born with natural inquisitiveness and CX acumen. It’s important to nurture these qualities by empowering your associates with the means to meet your customer’s needs and exceed their expectations.



Four steps to set your employees up for last-mile success:

1 **COMMUNICATE WITH YOUR EMPLOYEES AS IF THEY'RE CUSTOMERS.**

Online orders are increasingly complex, due to the unprecedented mix of categories and the huge selection of products available in most retail settings today, not to mention the likelihood for order customizations or last-minute changes. This can turn fulfilling orders into a moving target and can cause confusion among employees, which can lead to costly mistakes.

You can mitigate these errors by treating your internal communications the same way you treat marketing promotions to your most valued customers. This includes:

- Communicating with employees on a specified daily or weekly schedule, using the communication methods that work best for them (e.g. emails, push notifications, department dashboards, flyers, posters in lunchroom or changerooms, etc.)
- Providing clear and complete information on your program goals, sales targets, and each employee's role and responsibilities in driving last-mile success.

2

GIVE EMPLOYEES THE RIGHT TOOLS TO DO A GREAT JOB.

When shoppers have easy access to product details at the swipe of a finger, is it any wonder that consumers often feel they're better informed²³ than most in-store staff? Many retail associates feel they're not properly equipped²⁴ to deliver outstanding shopping experiences to today's customers.

By equipping your staff with mobile devices, they can conduct inventory searches or complete customer transactions on the fly. Or, for truly cutting-edge CX, consider the latest in scan-and-go technology, which has resulted in big wins for Sam's Club and Walmart²⁵, among other retailers.

3

PROVIDE ADEQUATE AND ONGOING TRAINING.

Some employees learn new ways of doing things faster than others. This is especially true of younger digital-native retail staff, who have likely never known a time before smartphones and 24/7 access to shopping.

If you're updating your in-store sales processes—especially if you're launching last-mile delivery services like BOPIS or C&C—or introducing new technology into the workplace, be sure to provide proper training and support at the outset, as well as ongoing refreshers. This way, you can keep all employees working at capacity and empower them to meet your shoppers' evolving needs.

4

INVEST IN THE POWER OF DIGITAL.

Artificial intelligence (AI) and machine learning technology have shifted from bleeding edge to easily accessible—and affordable—for retailers of all types, shapes and sizes.

The future of retail is digital—from chatbots to automated helpdesk services to algorithm-driven recommendation engines to clienteling systems that help associates improve relationships with customers. Adopting AI-powered digital solutions gives your employees the means to collaborate more quickly and meaningfully with other stakeholders and shoppers throughout the shopping journey—and can lead to better sales as a result.

Conclusion:

Win the Grocery eCommerce Game by Taking Control “Up to the Last Mile”

The online grocery business in the next five or more years holds big promises and even bigger rewards for forward-thinking retailers who are acting strategically to maximize the shift share for grocery products.

More retailers than ever before are introducing flexible last-mile delivery options as a means to cater to their most valuable customers' ever changing needs.

Yet, these last-mile options can come at a significant cost and can actually harm the long-term sustainability of the business. Here's why: When you work with big-name third-party service providers (like those used by players like Kroger and Walmart), they often control the relationship with your shoppers. And if you decide to end the partnership, more often than not, you lose the customer relationship too.

But we argue that there's no better time than right now to think strategically and take positive steps to future-proof your organization—and your share of wallet. How? By taking your eCommerce program in-house, and implementing 'up to the last mile' processes that make shopping easier and seamless for your current and future customers across physical and digital channels.

Rather than relinquishing the reins of your grocery eCommerce business to fulfilment or logistics providers, now is the time to take steps to own the entire shopper journey from end to end. In doing so, you'll be setting yourself and your organization up for sustainable success, as the grocery sector continues to evolve in the years to come.

**Are you ready to up your grocery game with up-to-the-last-mile activations?
Or still trying to figure out how to scale the four pillars to your business?**

Let's chat.

We have tons of ideas that we'd love to share with you, and if we're not the right fit for your organization, we'll refer you to a company that is.

Appendix

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Mercatus is redefining the digital experience within grocery.

Mercatus is the authoritative voice for retailers who want to strengthen their relationship with shoppers in a digital space. We empower our retail clients by creating authentic digital shopping experiences. Our technology helps retailers drive shopper engagement, grow share of wallet and profitability, and adapt to a changing consumer marketplace.

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