



*Grocer's Survival Guide to*

# Digital Retail

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## INTRODUCTION

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# In today's bold new retail world, disruptive technologies are now a constant.

From eCommerce to mobile and beacons to big data, staying on top of the digital wave can seem daunting. But make no mistake—this is an exciting era of opportunity for retailers, and no one can afford to be left behind.

So, how can grocery retailers survive and thrive in the age of disruption? We've developed this “Survival Guide To Digital Retail” to help you cut through the noise and navigate this complex, and at times overwhelming, space.

With practical tips and insightful solutions, this guide will help you chart a course toward a digitally integrated future.



A great digital experience is no longer a nice-to-have. It's a make-or-break point for your business as we more fully enter the digital age.

*An excerpt from Forrester's Top Technology Trends for 2014 to 2016 report*



**CHAPTER ONE**

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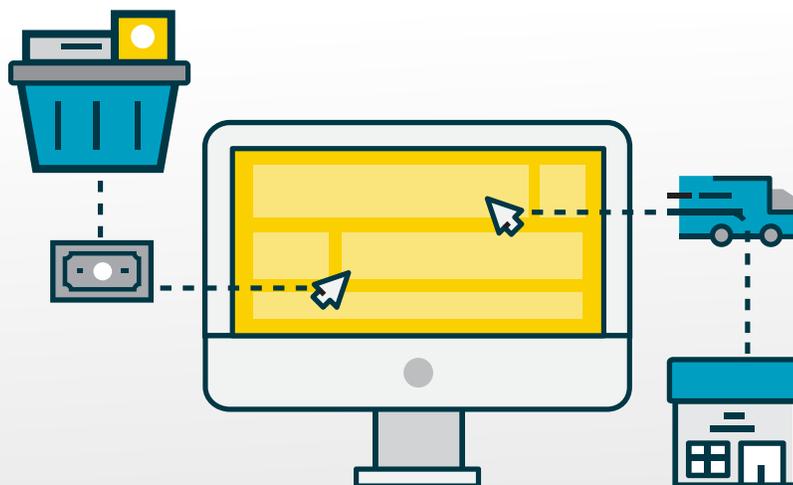
# Take In Your Surroundings

## Taking in your surroundings is a natural place to start in any survival scenario.

A look at the retail landscape shows an industry that is experiencing unprecedented change. To start, category lines are blurring: Pharmacy retailers are increasingly offering grocery products—including fresh foods—to time-strapped consumers. At the same time, big-box retailers are reducing their suburban footprint and opening smaller, highly accessible urban locations, while other merchants are investing heavily in fuel and convenience to compete against strong players in the category.

In this highly competitive environment, grocers also have eCommerce powerhouses to contend with. Amazon is expanding its grocery delivery service, Amazon Fresh, while smaller players continue to gain momentum in regional markets. On top of that, brick-and-mortar giant Walmart is expanding its home-delivery offerings to include groceries.

Consumers are also more powerful and more informed than ever before. With widespread adoption of new technologies, they have instant access to information at any time and any place. However, simply being accessible through multiple mediums is no longer enough for retailers.



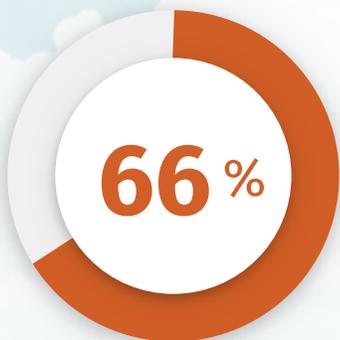
# Consumers' Heightened Shopping Expectations



will not buy from retailers unable to offer **click-and-collect** shopping.



would purchase elsewhere if their preferred **method of delivery** wasn't available—even from a retailer that they felt loyal to.



are less likely to buy from retailers unable to confirm **product availability online**.

SOURCE *Kibo's Digitally Demanding Consumer Report*

In light of this rapidly changing landscape, brand manufacturers and retailers need to utilize advanced technology and develop robust omni-channel strategies that cater to today's digitally demanding consumer.

Omni-channel commerce is not just about delivering the same content and features across devices—it's making sure the user experience in all environments is well thought-out and planned. The entire commerce journey needs to be seamless, engaging and personalized for today's "anytime, anywhere" shoppers.

## SURVIVAL TIPS

- ✓ Pay attention to emerging market trends, not only in the retail industry, but in others as well. Soak in trade publications, business magazines, thought-leadership platforms and other types of media.
- ✓ Learn about new technologies and see how they can benefit your business. Notice consumer adoption rates and see how people integrate and interact with new technologies in their lives.
- ✓ Naturally, observe the competition.

**CHAPTER TWO**

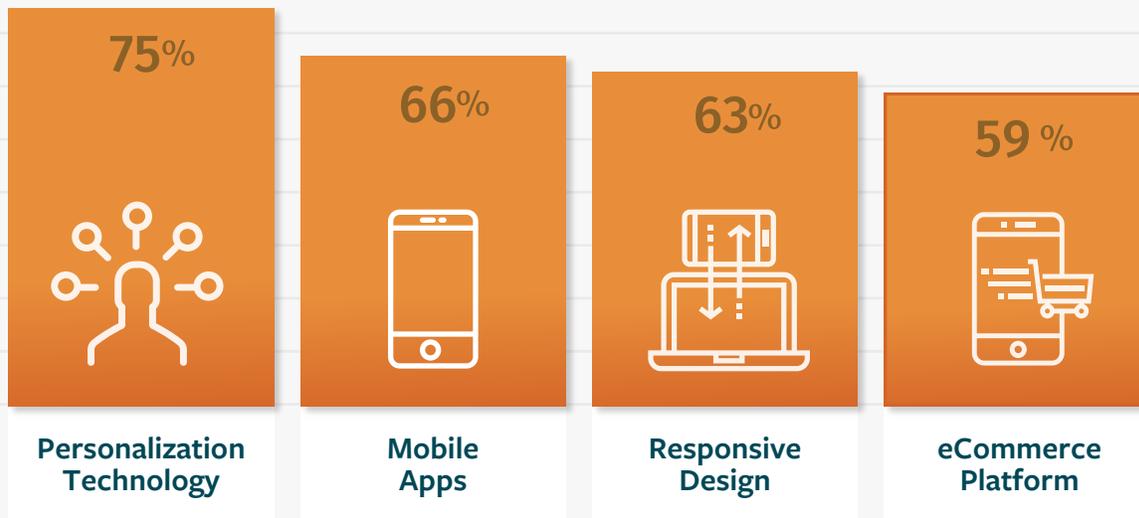
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# Identify Complexity

**There's no question that investments in digital technology are needed to drive the retail business forward, and more and more companies are making the leap.**

According to research by Forrester, retailers and brands alike are bolstering their capital investment programs to ensure they stay at the forefront of digital innovation.

## **Top Technology Investment Priorities for e-Business Professionals**



SOURCE *CEO Survey 2015: Committing to Digital, Gartner*

With online retail spend in the U.S. forecast to grow 10% annually through to 2018, reaching \$414 billion, it's no wonder retailers are banking on digital commerce for future growth.

## Where Should Retailers Start?

The past few years have seen an explosion of new marketing technologies, with product innovations from big software companies all the way down to small startups. But the complex and seemingly infinite options on the market can be confusing and ultimately impede decision-making.

It's important to identify your goals upfront. Some key questions to ask are:

- ▶ What **business problem** are you trying to solve?
- ▶ What will the new **marketing technologies** accomplish?
- ▶ How will the investment impact the **customer experience**?
- ▶ What metrics can be used to **measure success**?

In addition, look for trends and observe where the market is headed. For example, survey data from Forrester indicates that while licensed commercial applications and homegrown solutions are the most common commerce platforms in use today, the landscape is increasingly diversifying to include SaaS, open source and full-service solutions.

Investment in SaaS-based commerce solutions is on the rise—almost one-third of e-business leaders have or are planning to replace their digital commerce solutions with a SaaS alternative. Forrester reports that e-business professionals want to ensure that the technologies they invest in today will be more future-proof than those that were purchased in the past, and they believe SaaS-based solutions will fulfill this need.

While there's no one-size-fits-all solution, retailers now have access to powerful tools that can deliver impactful consumer engagement and drive business results. There is enormous value in partnering with a solutions provider with strong expertise that is also nimble enough to adapt to constant change because, as we all know, if there's one thing that remains constant in retail, it's change.

## SURVIVAL TIPS

- ✓ Explore the various solutions and zero in on the ones that support your specific goals.
- ✓ Avoid solutions that don't support your objectives.
- ✓ Make sure you understand how this technology will work for your unique business.

**CHAPTER THREE**

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# Align Your Tribe

## It's clear that today's customers want a seamless experience through any channel—whether they're in a physical store or shopping online, on a desktop or a tablet.

And while retailers recognize the importance of meeting that expectation, a host of internal challenges stand in the way.

Oftentimes it's organizational, operational and technological constraints that hamper retailers' efforts to be truly omni-channel. These days, many retailers have dedicated omni-channel teams, but the vast majority face significant barriers to becoming a truly integrated, omni-channel company.

This begs the question: What's holding retailers back? Well, for the most part, many retailers are finding it difficult to integrate back-office technology across all of their channels. What's more, even though many businesses report having set up omni-channel teams, organizational silos and conflicting priorities remain a key challenge.



## Overcoming Internal Challenges

This starts with getting your leadership team and staff on the same page—or “aligning your tribe”. Any company’s success is dependent on its tribe—the group that collectively will get the organization where it needs to go.

A tribe, of course, may include people who don’t always share the same path and priorities, with diverse groups from IT, marketing, operations and finance. Many firms are trying to forge better alliances between CIOs and CMOs—a relationship that is historically fraught with tension. However, it’s important for marketers and tech management executives to work collaboratively in order for marketing technology plans to gain more company support and funding.

Getting everyone rowing in the same direction can undoubtedly be a challenge, but a well-considered, thought-out plan is the ticket to success.

### SURVIVAL TIPS



Does the collective have the right skillset to deliver great consumer-engaging solutions?



Do I have alignment at all levels of the corporation to make this a success?



Create and leverage a strong ecosystem of outside partners. Remember that no single company can do it all—it’s important to share, learn and build.

**CHAPTER FOUR**

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# Chart Your Course

## For the store of the future, the possibilities are limitless. Around the globe, leading-edge retailers are giving a glimpse into what lies ahead.

An example is an LED smart lighting system developed by Philips, created for retailers to use in conjunction with mobile apps and retail management software. The lighting system serves as a grid that can receive information from customers' smartphones, including their location, in order to provide them with product information and guide them to the items they want to find in the store. Using an app, shoppers can plan their routes and look up information about products.

“Consumers appreciate personalized shopping suggestions, which are also more likely to result in sales.”

The system is an example of how customer convenience and retail intelligence go hand-in-hand—while providing shoppers with helpful information and guidance, the lights can collect information about customers' shopping habits. This information can be added to data collected from eCommerce and other software to augment data analytics and drive better business decisions. Additionally, retailers can use the system to send targeted advertisements and deals to shoppers. Consumers appreciate personalized shopping suggestions, which are also more likely to result in sales.

This example, along with other advancements in retail technology, demonstrate the many ways in which grocers can use technologies to gain a competitive edge. But how do you get your organization there?

It can certainly seem daunting, but any challenging task can be managed through a solid plan. Now that you've identified goals and challenges, it's time to take stock of what your organization is working with. This will help shape the development of a clear and cohesive digital strategy.

## Three Key Areas to Consider when Creating Your Digital Strategy



### Inventory

What technologies do you currently have access to?  
What can you leverage and build on?

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### Time

Does your business have any critical dates to hit, such as the holiday season, back-to-school, or fourth quarter?

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### Budget

What is your organization willing to spend on digital engagement in the next 12 months?

When developing a digital strategy, consider your organization's broader goals, value proposition and level of commitment. Where does your organization want to be? Do you want to be an industry leader, or catch up to the level of your closest competitors? This will help determine how fast and how far your organization moves on the road to digital transformation.

## SURVIVAL TIPS



Keep an internal focus when getting started on a plan. Not being honest about your current circumstances will not help you on your quest for survival.



Follow through on profitability—define metrics and bring them full circle.



Focus on your organization's strengths and leave the rest to your strategic partners.



**CHAPTER FIVE**

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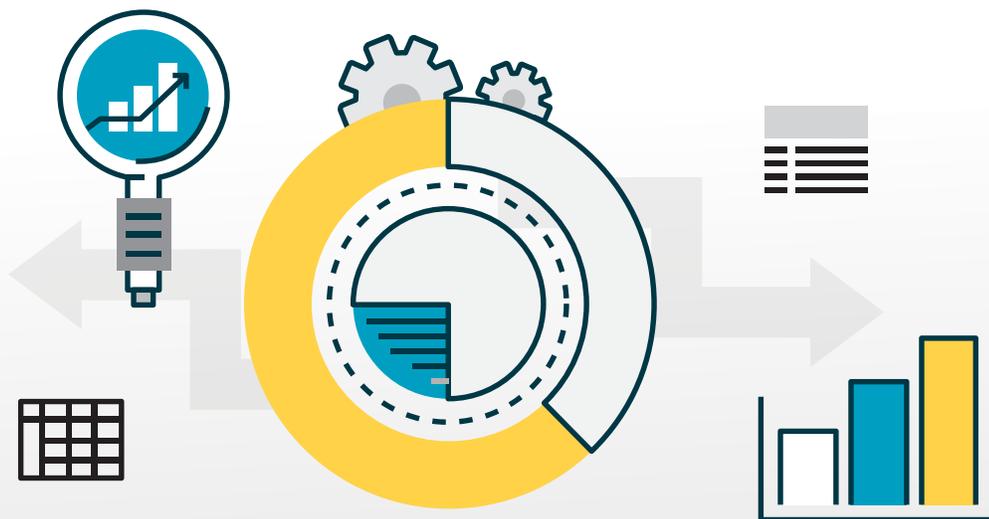
# Leverage Data

# “Big data” may seem like a buzzword, but it’s critical to businesses’ digital transformation.

Massive amounts of customer interactions at multiple touch points have led to a goldmine of data that allows retailers to transform the shopping experience.

## How Can Data Help Grocery Retailers?

- 1** Gain a deeper understanding of consumers’ interests, purchase preferences, shopping patterns and levels of satisfaction
- 2** Provide a tailored, personalized shopping experience, including product recommendations, e-coupons, real-time offers and more
- 3** Respond early to new shopping trends by tracking the marketplace and listening to what consumers are saying on social platforms



Most businesses understand the potential of big data, but many retailers have yet to tap into the full power of data and analytics to deliver an omni-channel experience, because for them, big data means big obstacles.

## Why are Retailers Holding Back from Big Data?



**need to better understand** how big data can help solve their business problems



want the **cost of implementing** big data solutions to come down



felt they **need simplified big data solutions** that are intuitive to business users

*A survey conducted by 101data, a cloud-based data management platform*



# Planning for Effective Use of Big Data

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## Organize for Success

Companies need to organize around the customer, not the product or function. Mining data for consumer insight “gold” means new rules, new methods and new approaches to infrastructure.

2

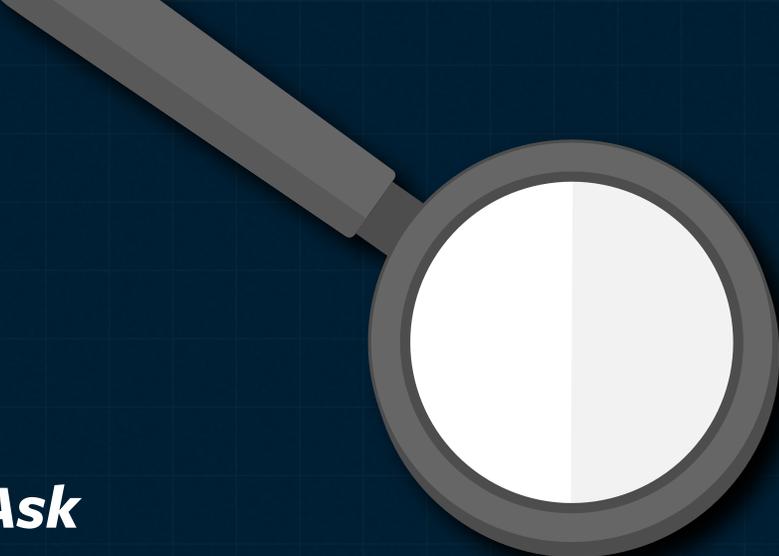
## Integrate Data

Integrating customer information from all available sources is critical for success. According to research by Forrester, 92% of respondents said having an integrated view of customer data is either “critical” or “very important,” yet only 2% have fully achieved that goal.

3

## Provide Value

Great customer experiences depend on accurate customer information. Retailers should make it effortless for customers to manage their preferences and give customers value in exchange for personal information. Consumers will share more data if it means more relevant offers.



## Key Questions to Ask



Are you **channeling captured data** to the right internal and external partners?



Are you actively **organizing and categorizing data** for efficient dissemination?



Can you confirm that the **right information is getting to the right departments**?



Do your data findings deliver **actionable insights**?



**CHAPTER SIX**

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# Choose Wisely & Create a Roadmap



Once you have established your goals, you're ready to map technology solutions to meet your objectives. A roadmap is a strategic guide that will help prioritize the work and avoid being reactionary in the future.

Begin by plotting the customer journey and determine which digital channels can provide the biggest benefits to both customers and the business. Map out your plans and communicate the plan across the business so everyone understands each step. With a clear roadmap, you can better align the business.

Now it's time to take action. When it comes to implementation, the magic word to success is "iterative." Build on success and customer feedback, and update your plans as changes occur.

## SURVIVAL TIPS

- ✓ Avoid automatic decision-making and prioritize your objectives
- ✓ Arm yourself with the full facts and avoid chasing shiny new digital capabilities
- ✓ Make the distinction between consumer trends and business needs
- ✓ Choose your digital channels wisely and ensure you're providing value at every interaction

**CHAPTER SEVEN**

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# Measure for Success

## As retailers embrace new tools and technologies, they need to also embrace new metrics.

This includes mobile I.D. tracking that uses WiFi to gauge customers' shopping routes and average time spent in the store; video analytics to measure dwell times, navigation paths and engagement with different products and merchandising; and apps that help connect consumers' online and offline actions to track sales after the in-store experience.

“These technologies exist now, but retailers need to embrace them and, more importantly, embrace the paradigm shift that they represent,” explains Doug Stephens, retail analyst and founder of Retail Prophet. “We can no longer measure retail store productivity based on holdover metrics from the industrial age.”

“If stores truly begin selling experiences, then we need new means of quantifying and qualifying their success and productivity at doing so. That entails using completely new technologies that allow for the measurement of the store as a media form.

— Doug Stephens, Retail Analyst

Every channel will have its own metrics to evaluate success. On the eCommerce front, there are five metrics that really matter:



While in-store analytics may still be in its infancy, it's ready for significant growth. The top five analytics retailers want most are:

- ▶ How many customers **enter a store**
- ▶ How many of those customers **buy something**
- ▶ Which **promotions attract** customers
- ▶ Where the customers **go in the store**
- ▶ Times customers pick up the **retailer's own brand** products instead of a national brand.

In the previous chapter, we discussed the importance of iterative implementation. The same applies to metrics: using retail metrics for decision-making is a slow, iterative process. The key is to define metrics that align with customer and business objectives—a dashboard can track progress and call out early warnings. Retailers can then take corrective measures for areas that are falling off track before they have any significant impact.

## SURVIVAL TIPS

- ✓ Focus on the right metrics and align them with both customer and business objectives
- ✓ Attain a single view of the customer across all channels
- ✓ Track metrics and adjust strategies in real time

**CHAPTER EIGHT**

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# Choose a Guide & Fight Fear

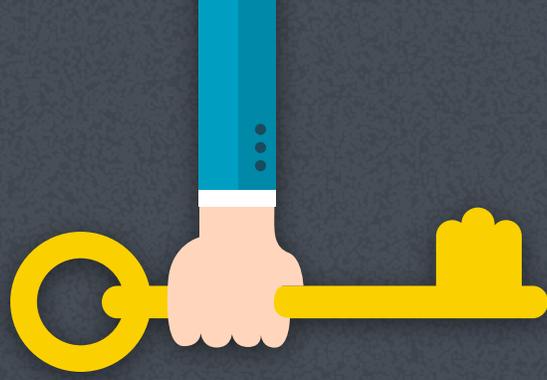
## The time for grocery retailers to adopt new technologies is now.

In this day and age, the majority of retail executives rate digital adoption as a matter of survival. For firms to not only survive, but thrive, digital innovation is critical.

Success can be achieved, but retailers can't navigate the landscape on their own. A good way to mitigate risks is to choose an experienced guide to walk you through this path. A great partner is one that understands your space and level of expertise and helps you avoid common mistakes. They will bring in the support you need to make a successful transition into the digital world and confidently navigate the retail landscape of the future.

We're experiencing seismic shifts in the retail landscape and these changes are only getting bigger, more intense and more immediate. With all this change, companies have a choice to respond with fear and do nothing, or embrace this space with enthusiasm and excitement. Those who fight fear and take action now will be the big winners in the retail space.





# Key Takeaways

- ✓ Pay attention to emerging market trends, learn about new technologies and see how they can benefit your business.
- ✓ Identify your goals upfront and explore solutions that support your objectives.
- ✓ Align your tribe: Find like-minded individuals in your organization, discuss plans and possibilities, and align goals.
- ✓ Ensure data delivers value and creates a better shopping experience.
- ✓ Choose your digital channels wisely and ensure you're providing value at every interaction.
- ✓ Focus on the right metrics and KPIs and align them with your business objectives.

As we've discussed throughout this eBook, retailers must take in the landscape, set goals, address challenges, leverage data, develop a roadmap and measure success.

We hope our *Grocer's Survival Guide to Digital Retail* will help you on the path to this bold transformation.



For more tools, tips and information on grocery eCommerce, check out our resource center at

[WWW.HUB.MERCATUS.COM](http://WWW.HUB.MERCATUS.COM)



# Begin Your Digital Transformation

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