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Regional Grocery:

New Digital Pathways to
Convenience, Value and Margin Growth

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Abstract

Grocery shopping habits have been shifting slowly, but make no mistake, they are shifting. Guiding these changes are considerable investments in digital grocery offerings. Successful regional grocers are paying close attention to shopper needs in order to navigate what lies in the immediate road ahead.

This white paper provides practical guidance for regional grocers on how to get in front of eCommerce and meet changes in consumer habits.

To understand the choices ahead, Mercatus analyzed grocery shoppers' opinions and preferences based on over 50,000 U.S. grocery shopper surveys. An additional survey of over 2,000 U.S. consumers rounded out our insights.

Our findings make the case for strategic, deliberate adoption of eCommerce, and caution against pitfalls in the new era of digital grocery. To map out the road to success, we looked at three levels of change: a store-level view with an eye on what's happening at the front lines, an organization level view of changing shopper demand and habits, and finally the macro landscape where we explore how societal changes are driving new shopping behaviors.

This paper wraps up with practical recommendations on how grocery leaders can make gains from shifting shopper demands in the omnichannel grocery world.

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Introduction

With all the changes that technology offers, regional grocers and shoppers are exploring new ways to tap into value and convenience. General retailers have either been pushed out or have capitalized on technology including eCommerce. The story of regional grocery stores remains different. Many have not caved in to the pressure of following the leader by adopting technology at any cost. Instead, regional grocers are carefully exploring how to accommodate their changing shopper needs, including ways to continue to add value and convenience.

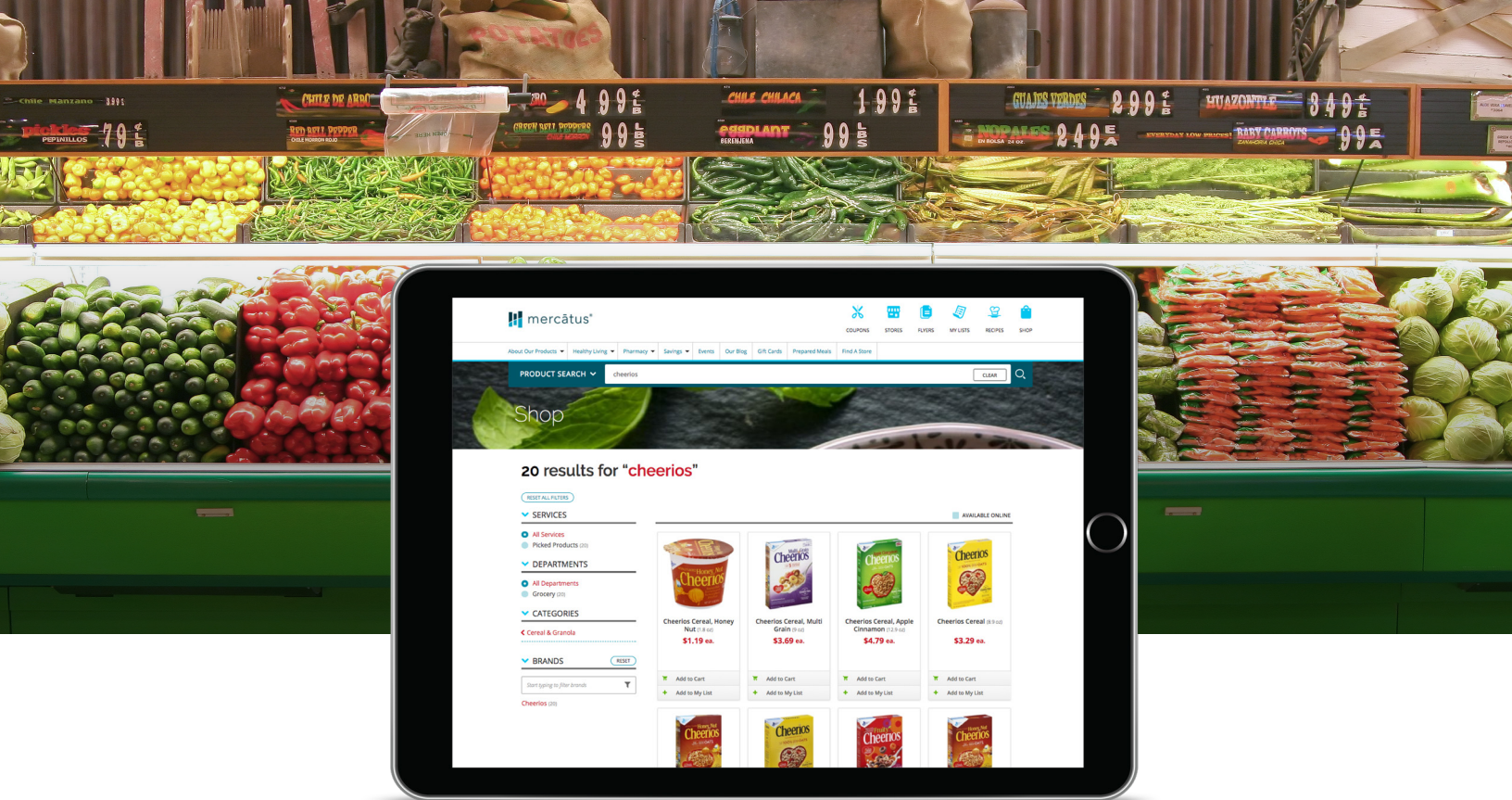
Shoppers continue to look for value in grocery. However, value is not just the lowest price. It is the best price for what matters to customers (e.g., the freshness of food, the quality of various specialty departments, etc.). Time is also money. Shoppers account for how much time they spend to get the groceries they want. As a result, convenience becomes greatly important.

Being the local grocer can mean competing on both value and convenience. But it is not just about geographic proximity. With digital tools in their reach, consumers are demanding more convenience: mobile grocery lists, online personalized offers and coupons, and the ability to order online with the choice of delivery or curbside pick-up are just a few examples.

Considerable investments in digital grocery offerings, as well as shifting consumer demands, are transforming shopping habits. Successful regional grocers are leveraging their strong customer relationships to offer the best of both worlds: in store and online.

With data guiding us, in this paper we provide a roadmap for success in the new era of digital grocery. After looking at where we are now, we examine the kind of impact to expect by exploring three levels of change:

- First we take a look at a store level view: how, in a world of fast-moving changes, shoppers are creating demands for new niche products, and mobile apps are opening up new opportunities such as mobile shopping lists
- We then explore industry-level changes: how shifting shopper demands are reshaping grocery businesses overall, including last-mile solutions
- The overall landscape is the third and last level that we examine: how societal changes are driving new shopper behaviors



Our insights lead us to recommend client-centered, thoughtful technology adoption that supports rather than hampers the growth and optimization of bricks-and-mortar grocery stores.

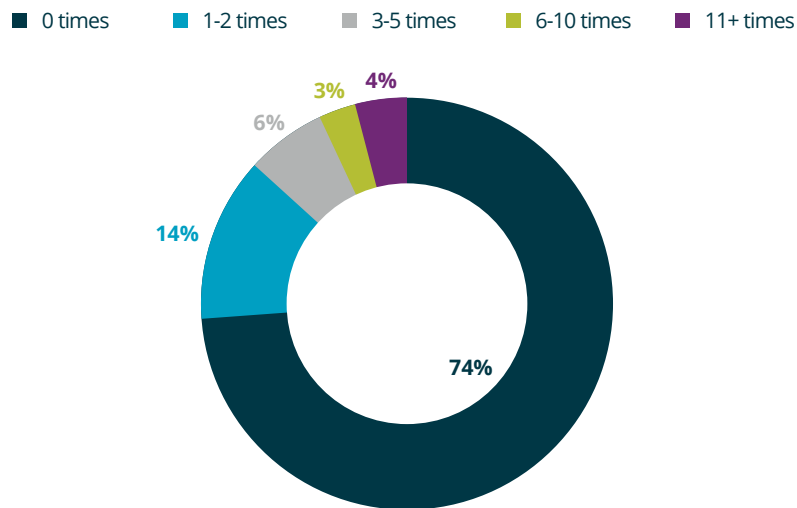
Looking at their revenue numbers, grocers may believe they have a pretty good handle on the business. Online sales are anywhere from 0.5% to 10% of sales. Looking only at current sales numbers and the current percentage of customers that shop online, the effort needed to serve this group may seem disproportionate. For grocers at the low end of online sales, the issue is which comes first—the chicken or the egg. Is it a lack of interest by shoppers or a lack of effort by the grocer that’s leading to low online sales? To answer this question, we turned to independent research to understand what is happening outside the immediate sales figures. We sorted out hype from fact to reach evidence-based answers. Looking across consumer purchases made online, the disruption to general retail is undeniable. For example, over 50% of U.S. consumers purchase clothing or shoes online.

Rounding out the top five online purchases are books, beauty, electronics, and music. The list makes it easy to see the big winners of digital disruption, as well as those who missed the boat.

Understanding online grocery purchases is a little more complex. To get a comprehensive understanding, we surveyed 52,959 shoppers across seven major regional grocers throughout the U.S. We discovered that on average, 26% of regional grocery shoppers consider themselves online grocery shoppers. Looking more closely, just over 50% of those have done so only once or twice in the past three months. Online is a supplement and not a replacement to in-store shopping.¹

The question, “How many people grocery shop online?” seems straightforward. However, the grocery business is more complicated than other parts of retail. To sort out any confusion, we turned to our summer 2018 consumer poll of 2,000+ U.S. consumers. The percent claiming to have done at least some online grocery shopping in the past month jumped to 52%. That percent appears quite high until balanced against this reality: when asked about their next month shopping intentions, only 10% of these online shoppers declared online as their primary or “more often” source for groceries.

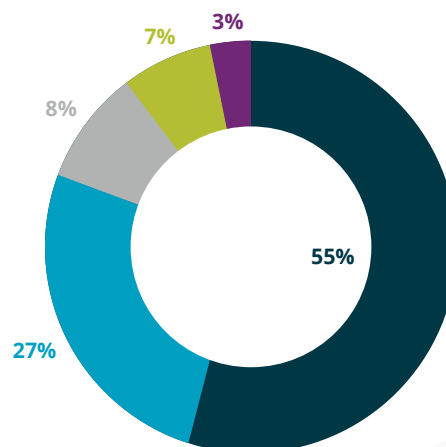
Online Shopping Rate in the Past Three Months



Source: Mercatus 2018 Shopper Surveys

Shopping Intentions Among Online Grocery Shoppers

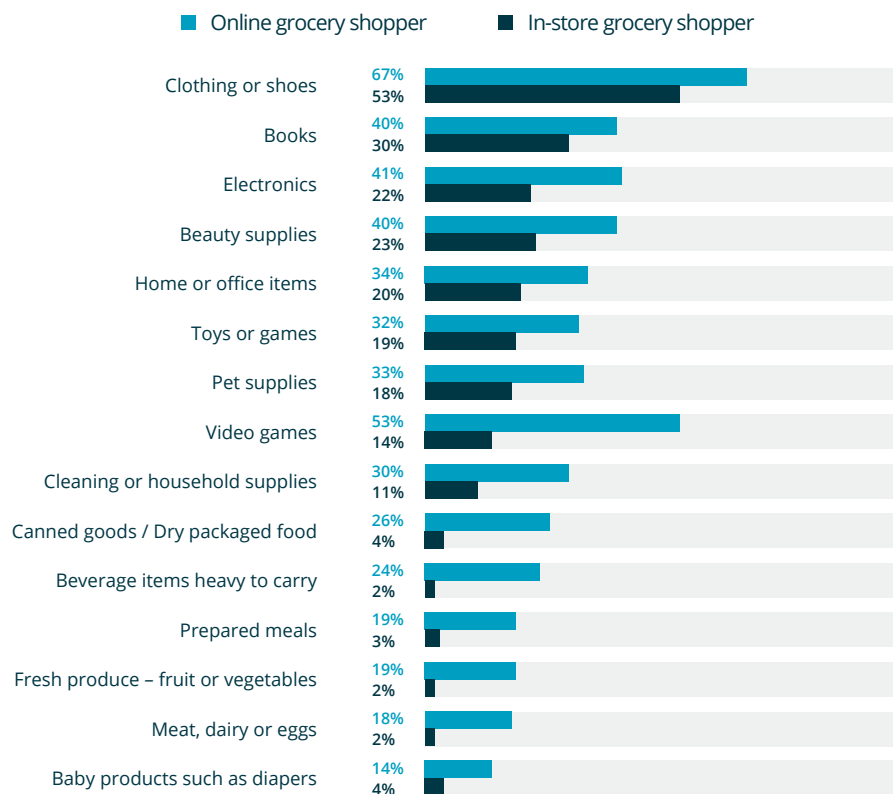
■ Primarily in store ■ Both, equally ■ Both, more often in store
■ Primarily online ■ Both, more often online



Source: Mercatus August 2018 Consumer Poll

Looking at it from the other direction, shoppers who claim not to “grocery shop online” still do purchase certain items online which could be bought in a grocery store. Beauty and pet supplies stand out as examples. The danger for grocers sitting out the eCommerce trend is that their basket size and variety might be slowly shrinking incrementally as they lose these items to online offerings. At some point, a tipping point happens for many shoppers when they realize they can greatly expand their online purchase in an effort to drive the value and convenience of what they purchase.

Online Purchases Made in the Past Three Months



These findings put the market for online grocery at an inflection point. 70% of shoppers we surveyed have been doing so less than two years, 45% just within the past year. Most online grocery shoppers are recent entrants. The reality is that online grocery sales are growing by 75% year over year.² The primary driver behind this surge is click-and-collect, which increased from 18% in 2016 to 48% of all online grocery sales in 2018.³

The scene is changing, and it's changing fast. After a decade of slow and progressive adoption, we are seeing a considerable shift in grocery shopping habits. The level of innovation and choice in the marketplace today is considerable.

So, what's in it for grocers who want to embrace the change? The journey getting there may seem difficult, but the rewards at the end of the road are enticing.

To quantify the rewards of diving into the eCommerce journey, Mercatus commissioned [independent research](#) from EKN, a leading market intelligence firm. They conducted an in-depth assessment of a regional grocery client by analyzing over 2 billion rows of transaction logs (T-Logs) that spanned a four-year period. The EKN [case study](#) findings were revealing. EKN found that stores that went from no eCommerce to a fully integrated online store experienced real margin growth.

Specifically, stores that adopted eCommerce from a previous state of only in-store offerings had the most dramatic impact. They found a 15% increase in overall weekly shopping revenue, and a noticeable shift in shopping patterns; specifically, stores saw a decline in spend per trip (5%) which was then offset by an increase in trip frequency (7%).

These results prove that there is a tangible effort-reward dynamic when it comes to eCommerce adoption.

Regional grocers implementing an end-to-end eCommerce system should expect some existing loyal customers to sign on right away. With these eGrocery enthusiasts, the grocer is simply in self-defense against a competitive online offering. However, the more significant win is that more of their shoppers will adopt this enthusiasm. The convenience of online shopping combined with either delivery or click-and-collect is creating this shift.

Wherever you are on the eCommerce maturity path, there are changes to shopper habits and demands that are taking place.



What is Happening on Your Watch: Understanding Change

“ I can't change the direction of the wind, but I can adjust my sails to always reach my destination. ”
- Jimmy Dean

Whether chaos or calm, change has predictable patterns. One way to tame technology change is to consider the three levels at which it operates. Each has its own structure and pace.⁴ Let's take a look at what shoppers are doing in each of these.

Change at the Store Level

Grocers need shoppers' attention. One way to get that is through store-level innovation that is driven by consumers' changing wants and needs. Sometimes this involves embracing an “out there” idea.

Much of innovation happens where “failing early” is ok. These days incubators and labs provide a “safe place” for promising technologies to develop. Change at this level happens very fast. There are many who fail, some who win the ‘flavor of the year’, and the precious few who create a massive change in the marketplace.

Most notable for grocers at the store level is the energy put into innovative food offerings. Consumer tastes and eating habits have changed considerably over the past decade. Social awareness movements are also feeding into this change. However, these shifts in eating habits have not fundamentally changed the overall economics of a grocery store.

New targeted food and beverage offers continue to spring up. Many of these are health and “experience” related.

As demand for these niche products grows⁵, regional grocers have mostly only made shelf-space advertising accommodations, offering new and trendy products. Some of these food innovations are online offerings, but the impact to date on most grocers' bottom line has been negligible.

Here is where our caution comes in: don't take the lack of visible impact as a case for setting it aside as a strategic priority. The EKN [study](#) clearly demonstrates the value of integrated eCommerce in driving real margin growth at the organizational level. Similarly, margin growth opportunities exist at the store level. Those who choose not to act on the online trend pay an opportunity cost.

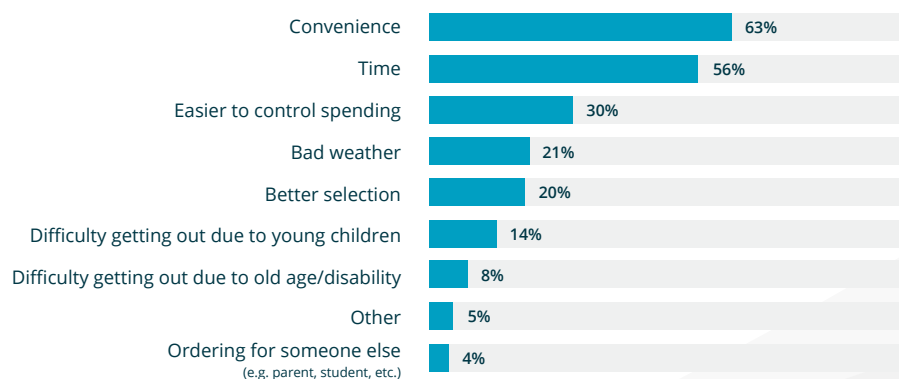
For example, packaged dinners, which are a profitable category for grocers, are now evolving. With ever broader approaches, including frozen meals, meal kit delivery, and hot meal delivery, savvy grocers are going all in. Ignoring these trends may prove over time as foolhardy as decades ago, when dine-in chains ignored the growth of quick-serve restaurants. It is not just the preparation and delivery that stand out as innovation, it is software like subscription models that are getting consumers hooked.

Whether it's Hello Fresh or Plated, these offerings are in direct competition with groceries. Grocery shoppers could be subscribing to and/or taking out meals with their regional grocer, if only given the option.

As shopping habits are shifting, so are the ways shoppers research how they can take advantage of special offers and sale prices. Even those customers who have shunned online grocery shopping enjoy the convenience of looking at products and prices online prior to heading to the store. Therefore, regional grocers need—at a minimum—an online marketing presence. While undoubtedly food and beverage innovation has seen the lion's share of change, important innovation has come from building a social media presence. A robust online presence is now table stakes in the grocery industry as in virtually all other parts of retail. Many regional grocers have already gone further, embracing fully integrated eCommerce as a vital revenue channel for their business.

More than anything, online shoppers want convenience and to save time.

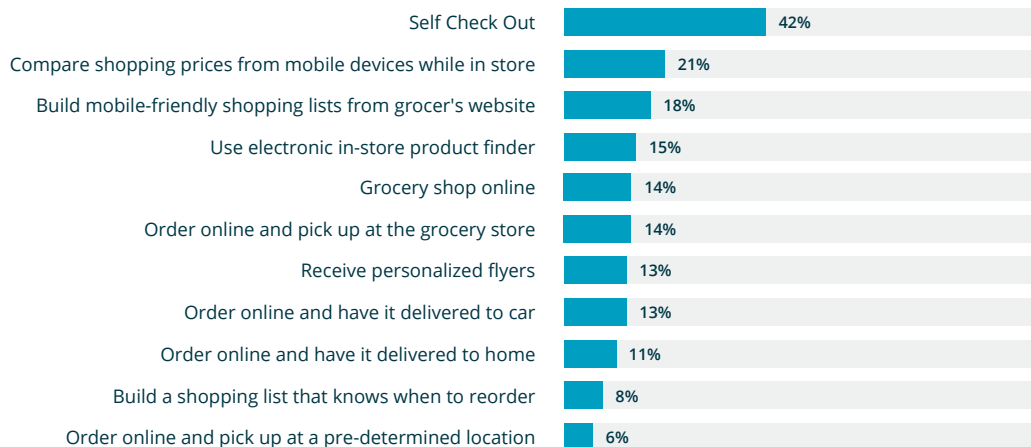
Reasons for Shopping Online



Source: Mercatus August 2018 Consumer Poll

Today's consumers are demanding and vocal about their likes and dislikes. By asking their opinions, we gained valuable insights into their priorities. We found the following appetites for new technologies among our large shopper sample.

Desired Technology Capabilities




Source: Mercatus 2018 Shopper Surveys

Many shoppers love self-checkout, a conventional technology at this point. From there, what is interesting is that much of digital demand from shoppers involves enhancing in-store experiences: shoppers want mobile price-checking, shopping lists, and in-store product navigation. These technology enhancements have a broad appeal to all shoppers.

All other capabilities, while appearing of lesser interest on the surface, have massive appeal for online shoppers. When we looked at services like personalized flyers, pick-up and delivery, the percentage appeal doubled for online shoppers. Filtering further on these by Millennials, over half want these services. Demand for digital convenience is here and growing. Those who step up and offer it well are rewarded with real margin growth. As the EKN analysis demonstrated, for one grocer it resulted in a 15% increase in overall weekly shopping revenue and a 7% increase in shopping trips. In other words, online offers and convenience drew customers closer to the brand, resulting in additional shopping trips that grew both top-line revenue and bottom-line profitability.

Change at the Sector Level

Technology can enhance and optimize experiences for both shoppers and operators, creating win-win models in the grocery sector. What stands out for regional grocers is their unique and personal relationship with customers. This calls for a cautious and thoughtful approach to digital adoption, including eCommerce, in order to put the customer first.



“ Regional grocery stores are a community gathering place. There is a reciprocity of giving back to the community that requires special attention and must be guarded. Careful adoption of new digital capabilities ought to enhance local community experiences. ”

- Sylvain Perrier, CEO, Mercatus Technologies

The grocery market is divided into price-value offerings versus value-added shopping experiences. Arguably these appeal to different market segments. We see it as slightly more complex. While it is true that budget-conscious consumers may never enter the aisles of a high-end grocer, the opposite is not the case. Many shoppers who enjoy higher-end stores for some of their shopping needs, now split their baskets across several stores, including low-cost value grocers.

What our Mercatus 2018 Shopper Survey data reveals is not surprising: shoppers who look for low everyday prices give top marks to their favorite grocery store on value.

When asked
'Why do you choose to shop at your preferred grocer?'

Value for my money
was **ranked #1** for the following brands:

Aldi	Food Lion
Piggly Wiggly	Sam's Club
Save A Lot	Shop Rite
Super1 Foods	Walmart
Walmart Super Centres	Winco

Source: Mercatus 2018 Shopper Surveys

We compared Whole Foods shoppers to Walmart Super Center shoppers. It's clear from our findings that convenience is another big factor in choosing a favorite grocer. One key aspect of convenience is obviously proximity. Again, not surprisingly, for all the shoppers we surveyed, proximity was typically ranked highly. Additionally, employee friendliness also got ranked highly alongside proximity.

“ Not all innovation has to be software related. Rather than losing business to local convenience stores and even restaurants, some regional grocers are organizing their stores to encourage a 'grocery dash'. Other offers such as catering, prepared meals, and 'take and bake' are all options that help make any store a convenient choice. ”

- Sylvain Perrier, CEO, Mercatus Technologies

Going someplace close by to shop for groceries at a friendly store has not lost its charm or place in the new digital world.

As proof, Amazon's acquisition of Whole Foods remains a confusing one for shoppers. Generally speaking, value and convenience dominate the reasons for shopping online. But Whole Foods shoppers are different: they consistently rank product quality and choice as more important than value and proximity. The ability to buy online, to click-and-collect or have groceries delivered consistently ranked in the bottom quartile of reasons for shopping at Whole Foods. Amazon's attempts to lure customers over to Whole Foods online remains at odds with the rest of their successful retail business model. Part of their challenge could be that they underestimated the complexity of grocery shoppers' habits and preferences.

Another reason for Amazon's slow uptake in the grocery game could be their relatively small physical footprint. This is giving traditional grocers an advantage as they can meet their customers' needs on and offline. After all, launching an eCommerce presence is a lot less difficult than launching physical stores. What Amazon's wading into eGrocery has done, however, is to jolt grocers into action.

“ Consumers have grocery routines, and limited-time or one-day offers may not sell strawberries the way they sell a large TV or an instant pot.⁶ ”

- McKinsey Consulting



“ [Amazon] shook people into thinking beyond the status quo. People were able to convince execs, if they weren’t on board already, that the time to innovate or die is here.⁷ ”

- Sylvain Perrier, CEO, Mercatus Technologies

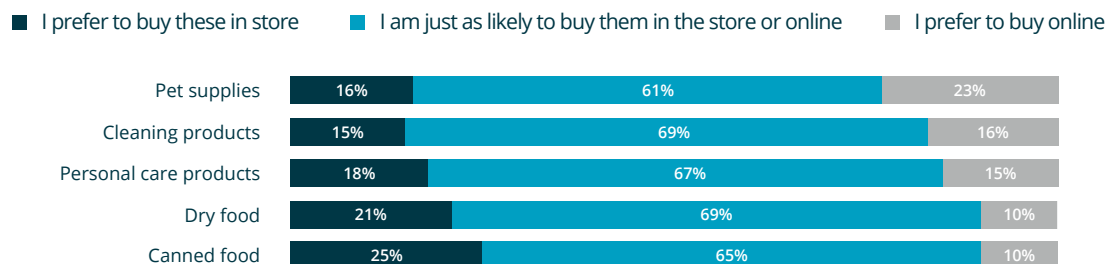
Perhaps the most significant value of the Amazon shock has been that even the most reluctant regional grocer has their eyes set on eCommerce now. While Amazon has yet to turn into a grocery Goliath, Walmart does have a robust national presence, physically and online. Our research confirmed what every regional grocer knows: that Walmart is almost always on shopper’s secondary list. Our shopper benchmarks show that regional grocers have retained loyal customers by offering a better shopping experience. In contrast, Walmart numbers on customer satisfaction are consistently lower than for any of the regional grocers we surveyed. However, the local advantage may not last forever if convenience and value turn into grocery habit. By offering eCommerce that can accommodate diverse shopper needs to their arsenal of charm, regional grocers can shield their margins from these advances.

Our research reaffirmed that value is not solely about price. It is also about time and convenience. A few decades ago, banks started putting ATMs in bank branches with the belief that it was a convenient means for customers to skip the line and deposit their checks. Instead, it quickly became a way for people to make multiple small withdrawals, despite paying a fee each time. The irony is that an in-person transaction is free, but withdrawing your own money through essentially what is a self-checkout system costs money. Bottom line: consumers will look for and pay for convenience.

So, what gives when it comes to online grocery? Consider—but do not be confused by—a recent survey that found that 65% of Americans agree with the statement: “I don’t have any interest in buying food and beverage products online.”⁸ Only a minority of Americans claim they prefer to buy groceries online today. But roughly two-thirds of people state they would be just as likely to buy the same items online as in-store for many product categories.

In the table below, we identify primary grocery categories that shoppers buy online versus in-store, or most importantly, both online and in-store with equal comfort.

Category Preferences for Online Versus In-Store Shopping



Source: Mercatus 2018 Shopper Surveys

The best chance of nudging someone to buy groceries online is through the lure of convenience. Products they don't directly consume are ideal targets. Pet supplies, cleaning products, and personal care products top the list. These categories are seen as reasonable online buying options, with shelf-stable dry food and canned goods a close second, and fresh products not too far behind.

Online grocery is rarely about moving a shopper solely into the new online channel. Rather, eCommerce is a means for grocers to eliminate one more reason for shoppers to stray to the competition. As every grocer knows, putting one more product in each shopper's basket—especially in a category they don't typically buy from—would have a huge impact on their bottom line. eCommerce offers the opportunity to gain that extra margin.

Digital grocery innovation such as eCommerce is a means to an end, not an end in itself. It is about delivering convenience and value to customers and meeting their needs, when they need it and where they need it. This change cannot be done overnight. Rather, change is happening one category at a time and will continue until it reaches a tipping point.

Bringing that tipping point closer to reality is the growing demand for click-and-collect or curbside pick-up. Grocery players, together with data science-driven software companies, are leading the charge on how to connect online ordering with the new gig economy to deliver groceries to shoppers. Seeing the demand and trend, Amazon launched click-and-collect via Prime Now at Whole Foods stores in August 2018. Fast forward just a few months, and in the Fall of 2018 at least ten other national grocers⁹ had announced click-and-collect capabilities.

Being one of the first is not the same as getting it right though. Perhaps panicked by the Amazon's and Walmart's of the world, many seem to have rushed into implementation without proper thought on their customer relationship. This is precisely where those grocers who are taking a thoughtful customer-centric approach to technology adoption will shine and outlast their competition. While serving customers where they want and when they want is important, it is equally important not to burn your customer relationships. Intelligently solving for the 'last mile' (or yard!) of delivery requires treading carefully through the options presented.

Solving the Last Mile in Grocery

The last-mile challenge is an interesting one, originating in telecommunications with many similarities to the challenges of grocery delivery. Look outside homes, and you may still see 100-year-old twisted wires transmitting phone currents. A cable initially built to carry television signals may have replaced it, or a cell tower linking a mobile phone to the cellular network. Each approach involves the cost of investing in very localized infrastructure to serve each household's consumption needs. The last mile is the hardest mile to solve.

For grocery, of course, it is about moving goods and produce from source (farms and product facilities) to warehouse and stores, then finally getting it into the consumer's hands. Grocery delivery doesn't only have the last-mile challenge, which is store to door. It also has the last 10 yards challenge, doorstep to fridge for perishables, making coordination with the customer an additional logistical consideration. With click-and-collect on the other hand, the last 10 yards is a little less complicated as the customer chooses a time slot when they proactively pick-up their groceries.

To solve the consumer side of the last-mile challenge, grocers are building capabilities in-house including developing software for online ordering, training order pickers, and sourcing drivers. There are also formidable new technology entrants, such as DoorDash, Instacart, and Shipt, each carrying their advantages and disadvantages for grocers to partner with. Investing in the right infrastructure and adopting the right partner can make or break a regional grocers' eCommerce success.

Our national poll determined that over one third (35%) of adult shoppers in the U.S. have used click-and-collect and/or delivery options in the past month.

Of those who had ordered through eCommerce, 6% had groceries delivered, 10% chose click-and-collect, and a full 19% used a combination of these options.

“ Regional grocers must retain their brand relationship and reputation with their customers in the era of eCommerce. For this, they need to own their customer data and the quality of their grocery order. ”

- Sylvain Perrier, CEO, Mercatus Technologies

Mercatus' recent partnership announcements with Shipt and DoorDash illustrate an emerging awareness among grocers of how profoundly important it is to hold on to your customer relationship. While in the interest of speedy and simple implementation it may be tempting to turn over the keys to delivery ownership to a third party, grocers should never do so if it means forfeiting control over their reputation.

A Checklist for Grocers Before Diving Into an eCommerce Delivery Partnership:

- ☐ Do your customers continue to feel served by their brand, fostering the grocer/shopper relationship? Shoppers order delivery from a store. Third party delivery agents should never own the relationship with the customer—that should always stay with the grocer.
- ☐ Is delivery the only way, or can customers choose to pick-up their order at a convenient time for them? This second option provides the opportunity for customers to step inside for certain products, get advice from experts such as the butcher and stay engaged with the store.
- ☐ Are you in control of the grocery picking? As a grocer, quality can put your reputation on the line, so you'll want to consider separating the sorting of grocery baskets from the delivery process.
- ☐ Does the shopping data stay with you or does it solely reside with the delivery agent? Your loyalty program, your ability to create personalized offers online and in flyers, and the information you need to develop specifically targeted digital marketing campaigns all rely on this data.
- ☐ Will the delivery agent work exclusively with you, or are they also offering products from other grocers? Any last-mile solution should encourage loyalty to your grocery brand, not the delivery agents'.
- ☐ Will your customers receive the private label items and prepared goods that they have come to trust from you? For the grocer, these are the most profitable elements of their store. For the shopper, they are typically the best value offered in the store. Taking these off the grocery list and offering only name brand products is not the best value for customers and does not foster brand loyalty.



Why is there often a disconnect between what grocers want to offer and what new technology-based companies that provide delivery have to offer? The answer lies in the different business models under which these sectors operate. While the grocery business delivers on a constant short game of slim but solid bottom lines, technology plays in a completely different race; a long game of burning cash while growing in value through market share dominance.

The leash to make profits in technology companies may be long, but it has a choke point. In 2015, the Webvan Group Inc. filed for bankruptcy after burning through more than \$800 million in cash in less than three years trying to adopt same day grocery delivery. More recent endeavors are even bigger, but savvier—capitalizing on the gig economy through contractors rather than owning production or distribution.

Instacart is the largest current independent delivery agent, reporting partnerships with over 165 retailers and valued at ~\$7.8 billion. The catch: they own the data and the customer. Many shoppers who get their groceries delivered by Instacart, consider Instacart their grocer. Instacart knows the shopper, the basket, the frequency of their visits. They become the storefront for the shopper. This results in the grocer becoming the middle man, rather than the frontline service provider. Worse still, it exposes the grocer to the risk of tarnishing their brand if anything goes wrong with the quality of the products picked and delivered, even though they have limited control over that process.

The final verdict is not out yet. As investment gurus at The Street state, “If grocery delivery were a race, it’s nowhere near the finish line. The next thing to consider is how to make money and whose strategy makes the most sense. No one has figured this one out yet.”¹⁰ Aside from the economics of it, businesses looking to bridge the last mile in grocery have to satisfy their customers. To explore this issue, we again turned to consumers and investigated their perceptions of click-and-collect and delivery.

Offering Value: Why Customer Satisfaction Matters More Now Than Ever

The good news for consumers is that the majority who used either pick up or delivery were satisfied, with “top box” satisfaction highest for those who had both.

In addition to customer satisfaction scores, we drilled into the experience, curious to know if consumers would find the products less satisfactory than if they had chosen the items themselves. Here we found dramatic and surprising results. Expecting to find parity or even perhaps a moderate but tolerable reduction in quality, we found the reverse.

Well over 80% found the quality of picking to be the same, better or much better than their own picking. For those who had used both click-and-collect and delivery, it was over 90%.

So, if customers who try it tend to love it, why has change been so slow compared to other sectors?

Change at the Societal Level

It is true that consumers excitedly took to online shopping for their books and music, and omnichannel for their banking, but have been slow to adopt online grocery purchasing. Even in the midst of all kinds of micro-experimentation, many shoppers still resist. Change at this level requires entirely new business models and a change in shoppers’ habits.

Consumers, like many grocers themselves, resist the unfamiliar. Those who do not grocery shop online either enjoy going to the store or mistrust what others might choose for them, especially for perishables.

Top Reasons for Not Buying Groceries Online



Source: Mercatus August 2018 Consumer Poll

Society-level changes happen when old technologies fade away and new ways of doing things are put in place. The rules change. In history, for example, sailing vessels eventually gave way to steamships, offering a much more efficient way of travel. That changed everything, from trade to tourism, from warfare to immigration. Considering change at this level begs the question: what new technology in the grocery industry will change everything?



We are in the midst of radical change, but we are nowhere near done. Change will occur at all three levels and the way we go about our grocery shopping will eventually be very different. Right now, the innovations we are seeing tend to be mostly incremental. Due to offerings like mobile shopping lists or electronic coupons offering weekly deals, shoppers are warming up to digital grocery. While grocery delivery is still slow in uptake, the speedy growth of click-and-collect in the last year shows a growing appetite for change. Shoppers surrounded by choice will continue to demand convenience and will help coax the grocery market into a new, yet-to-be-defined grocery ecosystem. FMI has forecasted that 70% of U.S. shoppers could be buying groceries online by as early as 2022.¹¹ Our current results agree.

The slow pace of eCommerce adoption in grocery over the past decade may be a poor predictor of the speed of change coming our way.

Keeping Pace with Change: Four Ways to Ensure You Succeed

1 Keep your customers as you seek out partners

Digital technology is not on every grocer's key competencies list. That is ok. It can be outsourced. Regional grocers ought to exercise caution not to outsource their hard-earned customers along the way. Maintaining a trusted reputation with the local community involves sourcing technology that makes that relationship stronger, not weaker. An old saying comes to mind: if it sounds too good to be true, it probably is. Owning the customer relationship ought to be the clincher for every eCommerce solution component being brought onboard. Insistence on owning the customer and all of the data associated with them is a must for continued success.

2 Own the entire customers experience

Thinking from start to end is critical: solve the problems that surround the experience of shopping, not just shopping itself. Help build the shopping list, offer personalized deals, teach something new, delight with an in-store experience, prepare the perfect meal to go, let them skip the lines, and the list goes on and on. There are no shortages of great ideas. Most of them are already possible and many are used in your own stores. The next step is to pull it all together into one seamless experience. If it takes five to eight apps to get it done, the purpose of value and convenience is defeated.

“ Delighting customers with a convenient, end-to-end omni channel experience is the opportunity grocers need to embrace. ”

3

Join the ride with your customers

The reality is, a lot of people actually love to come into a grocery store to shop. Regardless, even those not doing any online shopping now, will likely do so sooner or later.

eCommerce is not just about online shopping and delivery. It is also about automating the parts of shopping that consumers do not love: figuring out what is on sale, how prices compare, getting relevant promotional coupons, etc. While many shoppers enjoy things like getting expert advice from the butcher, hand-picking their own produce, or attending in-store cooking demos, most do not enjoy the more mundane grocery rituals.

Reduce the unenjoyable aspects of shopping while increasing experiences and one-to-one value offerings. That is the name of the new game. Encourage shoppers to preload their shopping list onto a mobile device and use it in store as they shop. If an old school hospitality approach of offering to carry heavy items out to a customer's car is part of the value, why not point out that next time they could be carried all the way home? The opportunities to delight customers in-store and online are endless.

4

Bring your local store to every shopper's home

The goal of eCommerce is not to drive all in-store business online. Quite the opposite. A well-designed eCommerce approach brings the store brand and grocery experience into the homes of customers.

Digital marketing should encourage and grow in-store experiences. It is not an either/or proposition but rather a "let's grow both" approach. Regional grocers know their customers and can ensure the mix is just right.

Digital technology, ironically, allows grocery to return to its roots. Regional grocers can be the trusted solution through the entire shopper journey. Being the local place where customers can shop in person or get their items delivered from a trusted merchant will keep regional grocers thriving for many years to come.

Conclusion

Looking across consumer purchases made online, the disruption to retail is undeniable. Online grocery numbers are a bit more complex. The minority of customers who consider themselves online-first shoppers still find many reasons to come into stores. On the flip side, the majority who claim not to shop for groceries online are buying more and more items online that are available in their local grocery store. No doubt that grocery eCommerce has been slower in adoption but change is coming to regional grocery businesses, fast and furious. The sheer number of items that grocery stores carry but are now often bought online, such as pet products, cleaning supplies, and cosmetics to name a few, should give pause to think, “What’s next?”.

Regional grocers look at their revenue numbers and, with online sales anywhere from 0.5% to 10% of overall sales, may be reluctant to invest much in eCommerce. The trends we uncovered suggest strongly that consumer demands are starting to take a dramatic turn toward digital solutions and online grocery shopping. Ignoring the current trends and avoiding investment in eCommerce will be to the detriment of grocers.



The long game for regional grocers is not to move more shoppers online. Rather, eCommerce is a means for grocers to:

- Eliminate a reason for shoppers to stray to the competition
- Engage and delight their customers when and where they want to shop, be that online or in store
- Drive convenience and solve the last-mile problem of getting groceries into the hands of customers, whether in store, curbside or delivered to their homes

Denying that eCommerce is a must-have for grocery retailers is foolhardy. However, adopting a quick eCommerce solution that erodes the direct customer relationship may actually be worse. Quick launch eCommerce platforms that are not branded to the grocer can turn the most loyal customers into opportunity shoppers. As regional grocers navigate these changes, maintaining their local reputations and direct relationships with customers must be core to every digital turn they make.

Not being first in line for “digital disruption” has considerable advantages for regional grocers. They have an opportunity to weigh their options and listen closely to what their customers need. With technology at their bidding, they are best equipped to master end-to-end omnichannel grocery experiences in order to delight their customers.

For those who navigate well, the road ahead holds a great deal of promise.



Endnotes

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Mercatus is redefining the digital experience within grocery.

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Our Vision

To be the indispensable and authoritative voice for retailers who want to strengthen the relationship between their shoppers and their brand in a digital space.

Our Mission

We empower retailers by creating authentic digital shopping experiences for their customers that drive engagement, grow revenue, and help them adapt to the changing needs of the market.

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