



COVID-19

Insights on the Grocery Customer Experience

Consumer Retail | April 2020



Introduction

This white paper is for grocery store retailers who are experiencing peak demand given the issues associated with COVID-19, detailing what they should understand about changes in the customer buying experience. Given the significance of this event, the adoption curve for e-commerce is changing dramatically, with general apprehension about shopping in-store. We've conducted a survey of 300 respondents within the US and UK markets to provide deeper insight.

We'll address:

- What is the new grocery store experience?
- What is the change in expectations and how does that reflect on your current business?
- What are the acute issues developing within grocery e-commerce?



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How customers are shopping

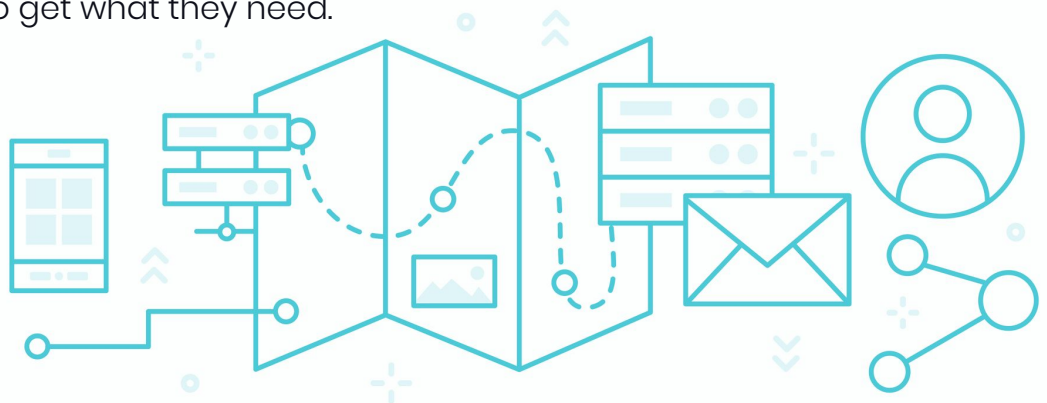
We used to believe that consumer behaviour regarding grocery e-commerce changes gradually, but this does not seem to be the case with the recent COVID-19 pandemic.

Here's the picture from the beginning of 2020:

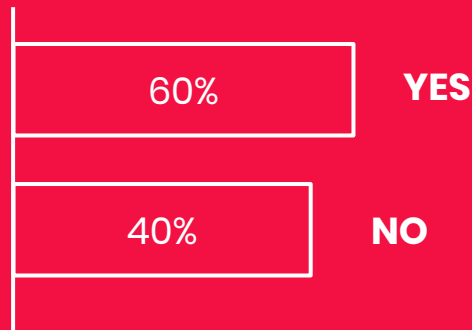
- Only **30% of people in the UK purchased groceries online frequently**
- **Online shopping represented just 5.8% of grocery retail**, though it was projected to grow 9% in 2021 (Statista, 2019)
- According to Mitel, about **one-quarter of people aged 25–34 did all or most of their grocery shopping online**
- Those age 45+ only bought groceries online occasionally, with around **42% saying they'd never bought or had no interest in buying online**.
- About **64% of survey respondents from the UK did not commit to a particular brand** when choosing grocers.

Then came COVID-19. Life's pace has changed—as have our priorities. Planning rationed shopping missions modifies our shopping lists and a lack of SKUs makes it hard to complete them. Those of us new to e-commerce experiment with a new channel from necessity. The experience of cooking is redefined, with our households being forced to spend more time together, often with kids and pets. We're spending more time together, but not necessarily quality time. We're starting to get creative, with a 'what's in the cabinet' pattern and getting new meaning from online cooking videos.

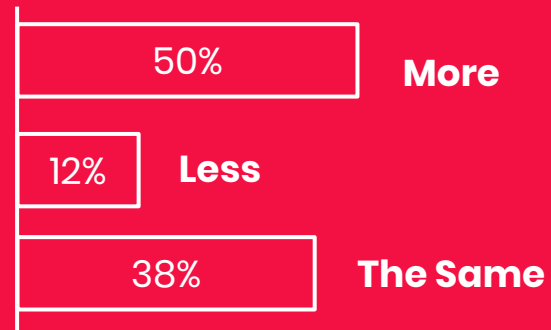
This new social context is inverting consumption patterns and changing how consumers choose to accomplish their missions, the items they select, the channels where they shop and how they manage to get what they need.



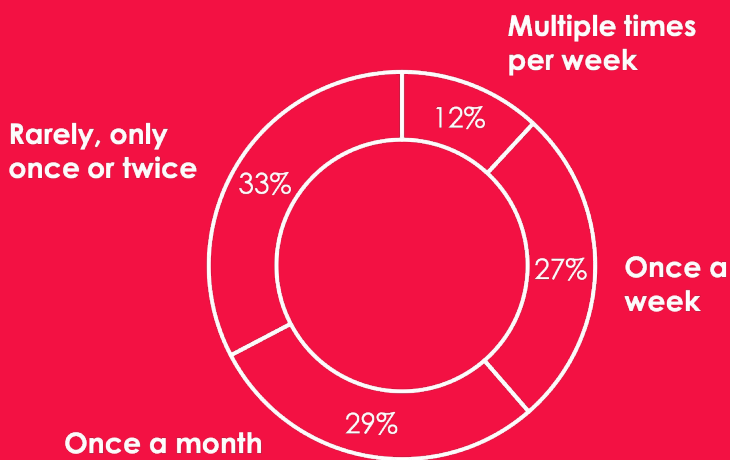
Prior to COVID-19, did you shop online for groceries?



How many expect to shop online more now due to COVID-19?



How often did you purchase groceries online prior to COVID-19?



What has changed in your behaviour recently?



Given the recent issues with COVID-19

32%

shop more online than previously

“

Before the crisis, I never stocked up on food. We used to go to the grocery shops every week—sometimes more than one time per week—and only purchased only what the family needed

...we are buying more online and generating more waste such as cardboard and plastics used in packaging for delivery.

”

Visiting the grocery store today

Consumers are demanding, shopping is stressful, and people are getting rude. Stock flies off the shelf and sometimes consumers even open secondary packages themselves to get the food they want. Demand is so healthy that there are no promotions or special offers. The usual experience has changed.

33% of consumers complain about the queues to get into the supermarket and to check out—even with **57% of the population shopping at off-peak times**. About **65% of people get anxious** when other people are close to them. In several cities, consumers are buying more than the usual each trip and avoiding return trips. Just 23% of shoppers are browsing for products in-store and one-quarter of the population is going straight for the items they need. There might be an opportunity for supermarkets to reposition items on shelves so consumers can get what they want quickly and leave faster, reducing anxiety about maintaining social distancing.

Queues and short inventory are a problem, as a consumer reports:

“ I hate queuing at a supermarket not knowing if they have the items I want inside. Maybe they should put up a sign outside with current stock levels of the more popular products. ”

Those who can't fill their pantry online are going to stores at alternative times to keep social distance.

“ Risk of contamination by sick people who are not isolating is the biggest problem about going to the supermarket. When faced with the situation of interacting with others who are ill but have no choice to go out, 99.99% would choose to endanger others in the sake of self-preservation. ”

The current issues with e-commerce

Because of health and safety issues, consumers are avoiding 'go-to' destinations. Some alternatives for a quick top-up are not available, and several survey respondents are still willing to pay for an additional delivery charge of \$5 even though these services were free prior to COVID-19. About **50% of the population complains that websites are not working correctly or at all** due to the increase in activity and load, altering the way they had previously relied on online grocers and forcing them to complete some in-person shopping exposing them from self-isolation practices.

In the weeks to come, we believe that reliability (being able to deliver the cart in full) and being able to deliver expected levels of customer service (being able to schedule deliveries within days, not weeks) will normalize. Although customers understand the current issues, the need to stockpile will dissipate and customers will return to expecting in-stock items and closer delivery dates.

“ The online store showed delivery slots 10 days later or more. Besides that, they do not display the brands I know and that I am used to...and to make matters worse the wait times online are more than 20 mins. It is a super frustrating experience. ”

Before the queuing system, demand on the site was four times the demand of our highest-ever peak. Our survey shows **23% of the population are staying up late at night to be able to find a spot in the queue to make purchases.**

OCADO, Tesco and Sainsbury's have all started to limit sales of food items. And, when the final mission is accomplished, **23% of customers still worry that they will not receive the full order, with 41% of the population in fact not receiving what they planned.**

New places and channels to shop for groceries

The types of stores consumers are going to are also changing, impacting **32% of the population that is going to new channels** and the way they approach the grocery mission. This includes customers who are choosing local shops and trying to support those businesses.

46% of the population is trying to do something to help local and small business grocers, as well as avoid crowds.

“ I want to support the smaller shops right now so sometimes find myself just going to them to pick up something. ”

New business models are thriving, with 15% of the population is experimenting with new alternatives to feed themselves, such as box and meal services. Hello Fresh is still open for new customers, but the service level has changed. Before the pandemic, consumers could change their box content a couple of days before delivery, now it must be done ten days ahead. As evidence of the boost to meal-kit retailers, Blue Apron Inc.'s stock price has recently increased about five times.

“ I am trying to eat healthily at home. Luckily we have been long-standing customers of organic farms such as Riverford Abel and Cole and Pipers farm, but quantities are limited there too. ”

The grocery shopping mix unpredictability

The product mix consumers are buying is changing—they're trying different options, such as private labels and new brands. **15% state that they are not finding the brands they are used to** and are trying new alternatives. Some are simply eating less healthy, due to scarcity or difficulties getting and preparing food.

With products becoming scarce, brand has lost importance, a problem aggravated by the fact that **50% of the population is having to shop in different stores to find what they are looking for**. Supermarkets are rationing many products, so if a consumer is looking to fill their pantry, they might have to shop around. Tesco, for instance, has restricted total order size to 80 items.

Even though people are purchasing **50% more groceries than usual for the long term**, the average grocery cart also has changed. More people are buying more of the same items with less diversity. We have seen the rush to buy 'twenty' packages of toilet paper. In survival mode, people are making purchase decisions based on basic needs, not indulgence, so in the end the average purchase starts to look like 'necessity + 1.'

“ I don't do stockpiling, and instead with each shopping buy 20% more than I need'. According to a recent article I read, 'the average basket size has almost doubled. ”

Products are now sold for the list price, with fewer sales and discounts in both brick and mortar and e-Commerce. People are less worried about price right now—**33% say the price is not a priority anymore**—but if unemployment rises this might change. Therefore, it is unlikely that traditional supermarkets will be able to keep up with their current price strategy in the weeks and months to come.

35%

of customers
do not have a
brand preference



Why companies should act

Our first priority is addressing near-term challenges, like the flow of consumers online and in brick and mortar stores.

Companies must scale their operations as well as enhance consumer experience to avoid losing more sales and to support customers during shutdowns. Addressing these issues might even increase consumer loyalty when we've finally resolved COVID-19 issues.

As soon as we start solving current problems of capability (supply and delivery) as well as the technology ecosystem, we might take advantage of the intense increase in demand. There is a clear indication that the technology involved in picking food, processing orders and routing lorries is old and slow. Most grocers pick orders in their shops, but, for instance, Ocado has a limited fixed capacity because of its large automated warehouses. For grocers, it's easier to simply hire more people to do the picking.

Even though short-term resilience is our biggest priority, it's important to consider that, according to a recent McKinsey survey, 70% of respondents believe their routine will be impacted for more than two months by the pandemic, with 31% of the population feeling an impact on their ability to work. The bottom line is: when 26% of respondents doubt their ability to make ends meet, there will inevitably be an impact on grocery operations.

Our recommended solutions

Implement safe pickup and delivery

Some players, such as Sainsbury and Morrisons, have already established their click-and-collect capabilities, but the orders still run on the same constrained capacity websites. Grocers could partner with companies such as Deliveroo to build online stores to deliver the most sought-out items to consumers.

Manage customer expectations for the grocery store experience

Increase understanding of the context of consumer shopping. Help people queue less into the supermarket. Provide statistics on how crowded the supermarket is today. Organise the aisles so people can get what is essential and leave. Remember panic shopping is about survival and not experience.

Minimize e-commerce disappointment

Extend functionality if not available to include pick-up orders. Provide real-time visibility on what is in stock and ensure the 'correct' price based on pre-surge timing.

Play up alternatives for low-stock items

As inventory becomes unavailable for certain staples, grocery retailers can suggest alternatives—not just different brands but food replacements that will satisfy meal alternatives for customers. If pasta, rice, and dry goods aren't available, which other food items should customers purchase that have a long storage life.

Commit to a safe working environment

Customers understand the supply issues and wait times with the in-store experience. Providing spacing guidelines for the queue, constant sanitizing of the store and carts, and providing gloves and masks for employees relieves customers' anxiety about their time in the store.

Conclusion

The pandemic has caused drastic changes in customer behaviour. We expect that, as this event passes, there will be a permanent shift in the number of consumers who continue to purchase groceries online.

Grocery retailers should certainly focus on their customers' immediate needs during this trying time—satisfying these needs for food, health, and safety while also ensuring that they can operate more effectively with current constraints. Adopting agile methods for crisis management and prioritization will allow your company to adjust to shifting customer behavior, creating greater transparency, balancing your workforce and optimizing your in-store and digital experience.

In the long term this presents an opportunity to change your operating model by listening to customers while providing continuous improvement to your business. There will be an inevitable shift to a new normal—the question is how your organization will become more resilient.



¹ COVID-19 Insights on the the Grocery Customer Experience

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