

INNOVATING IN GROCERY



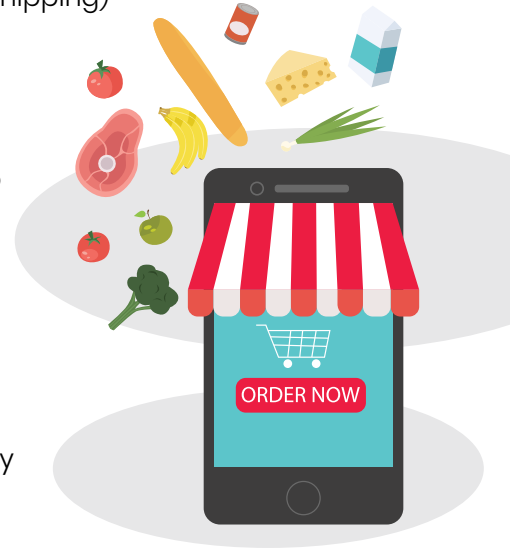
Melissa Minkow
Retail Industry Lead
melissaminkow@ciandt.com

INNOVATING IN GROCERY

While shopping behaviors across all categories tend to stay relatively static over time, the grocery space has historically faced even more resistance to change than its fellow retail verticals. For the most part, shopping is a routine activity as is, but grocery shopping is so routine that we often revolve our schedules around it. Consumers typically only evolve their grocery shopping habits in reaction to

- 1 extremely convenient and intuitive industry innovation (e.g. two-day shipping)
- 2 a milestone life event (e.g. birth of a child)
- 3 an unprecedented external shock (e.g. a global pandemic).

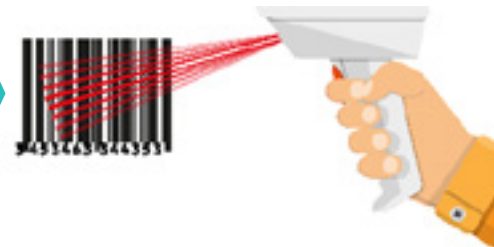
In addition to grocery shopping being such an ingrained habit, there's also a level of scrutiny required, especially in the context of produce, when making purchase decisions. These two forces of routine embeddedness and distrust when outsourcing the task have thwarted consumers' previous abilities to embrace much digital intervention. Intra and post pandemic grocery shopping is a whole different story, though. Now that consumers understand the value of digital in making grocery shopping feel safer and more convenient, it's time to open the floodgates to a variety of technology-based updates.



CHECKOUT

Over the past year, especially, grocery store checkout lines have gotten longer than ever. Though self-checkout was intended to expedite the process, too many inefficiencies arise, leaving customers frustrated. We've started to see more grocers piloting scan and go approaches, but there are other alternatives as well. **Kroger** recently began piloting its "Caper Cart" that allows shoppers to scan cart items via the cart itself for seamless checkout. Like several niche retailers, grocers could arm store associates with handheld devices to ring shoppers up in any aisle. There's also plenty of opportunity for grocers to consider partnering with financial services companies such as Venmo, Klarna, or Quickpay to really drive efficiencies and ease in the checkout process.

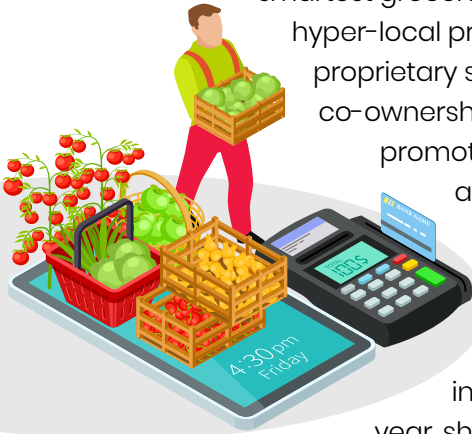
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PRICING

Since grocery is such a low-margin, yet high frequency/high-draw category, advanced demand forecasting methodology and a tight supply chain are absolutely crucial. 2020 taught us that demand forecasting must be extremely adaptive and relevant and that supplier relationships have to be resilient and reliable. To assist both of these key aspects, dynamic pricing will take center stage. The smartest grocers will leverage expiration dates, real-time inventory levels, time of day, hyper-local preferences, and in-the-moment trends. Beyond masterfully utilizing proprietary sales and customer data, we have yet to see grocers spearhead data co-ownership with their suppliers. We firmly believe that the future of successful promotional strategies and R&D relies on data partnerships between CPG firms and grocers. Finally, dynamic pricing has a history of being a “behind the scenes” tool. This approach made sense because consumers didn’t understand the benefits to them, thinking dynamic pricing only served the retailer. Now that we’ve so transparently observed supply/demand economics in action over the last year, shoppers are ready to receive full disclosure communication surrounding dynamic pricing-driven shifts in costs. Being up front about your predictive techniques will encourage consumers to share more of their purchase information, facilitate their sense of empowerment, and drive even more playful purchasing.



DELIVERY METHODS

With a great e-commerce customer base comes great delivery innovation responsibility. Consumers’ extreme conversion to online grocery shopping over the last year begged the need for creative and efficient ways to get shoppers their orders as quickly as possible. Our prior dependence on brick and mortar for filling the fridge meant expectations for urgency and convenience when transferring routines to the online world.

Between Walmart’s recent smart cooler pilot, Amazon’s garage drop-offs, the use of smart lockers, and innovative pick-up devices, such as Jewel’s new kiosks, getting groceries to shoppers has never been more technology-reliant.

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SHOP

It's only a matter of time before we see these updates in delivery trickle down to the actual shopping and ordering process. Several grocers, such as Woolworths, provide digital assistants or live chat features, but the next frontier in the US and Europe will be taking a page out of Chinese grocers' books by offering chat commerce. The fact that grocery shopping is such a frequent occurrence lends itself perfectly to the messaging medium. In the social sphere, customers would be delighted to be able to grocery shop or buy other grocery items (personal care products, infant items, etc) via Instagram, Twitter, and YouTube. Consumers are already tuning into those networks to get inspired by friends, family, and influencers' grocery hauls, so being able to immediately buy from that content would be much appreciated. Finally, the recent success of a handful of grocers' livestreams signals consumer readiness for more here as well. Food is such a visual purchase—live cooking demos and classes are a wonderful way to hybridize in-store and online environments.



FORMAT

The connected nature of retail today means brick and mortar storefronts must evolve to support e-commerce business, even in grocery. Physical stores will need to be strategically arranged to accommodate third-party pickers and proprietary packers. Walmart has already been reorganizing many of its stores where click and collect is a large portion of its business, while other grocers are toying with specialty stores with specific offerings designed around locals' preferences. For so long, grocery was mostly one-size fits all, but the pandemic has granted permission to be flexible with brick and mortar in supplementation of an online offering, versus the other way around. Along this line of thinking, balancing online and offline platforms requires establishing synergies between channels. Just as your physical stores can be arranged to support online orders, your website can host features in support of your brick and mortar stores. Several retailers, inside and outside of the grocery space have launched virtual queues on their websites to keep in-person shoppers apprised of how long the wait will be. Not only is this extremely beneficial to shoppers, but it allows your stores to drive traffic at typically lower times through urgent promotions. Furthering the harmony between digital and physical are offers to click and collect shoppers on in-store exclusive items. It's paramount that you consider every touch point a stepping stone to another touch point via an alternate channel. Even accepting returns from a noncompetitive retailer within your storefront could qualify as a frequency and format play.



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GETTING CLOSER TO THE CUSTOMER

There is a level of loyalty already baked into our grocery store decisions because of how integrated within our weekly routines they are. However, there are always more opportunities to ensure a long-term relationship with shoppers. Now that consumers are favoring larger basket, less frequent stock up trips, there is a heightened element of predictability in purchase decisions. This creates the perfect avenue for personalized subscription bundles, offered at a customized cadence. Predictive technology would also serve consumers' well in the form of adaptive shopping lists. Learning from the list function on the site and then providing smart, evolving suggestions will build stronger relationships with shoppers by demonstrating how well you've learned their preferences. So much of the convenience in brick and mortar grocery shopping comes from the ability to conserve mental energy due to how familiar aisle organization has become. A subscription service for household staples capitalizes on that same convenience mindset. Weekly or monthly meal prep services would be another loyalty play centered around convenience. Finally, with virtual gifting becoming more popular than ever before, providing ways for shoppers to order groceries or meals for loved ones at a distance will greatly resonate with current and future gifting needs.



BRAND EXTENSION

The last future-forward frontier we'll traverse pertains to strategic partnerships. The sky's the limit as far as who you could collaborate with along this journey, but we have a couple headstart ideas. Considering how frequently non-hotel renting means cooking a few meals at home, providing a bundle of promotions to out of town visitors by way of the popular rental platform would pave the path to potential new customers. Meanwhile, internally, building a new proprietary food, beverage, or beauty brand with a celebrity or important influencer can establish credibility in a new vertical while simultaneously driving frequency and loyalty.

The pandemic shook grocery shopping routines up enough to enhance receptivity to innovation. Consumers' openness to a more digitized experience means that now is the time to chase newness. However, the safest way to ensure conversion is to map every initiative back to convenience, as even with the pandemic-induced shift towards less frequent, larger stock up trips, we still grocery shop too often to allow for any friction along the way.

CI&T partners with retailers to deliver innovative digital strategies and modern technologies that resonate with consumer shopping behaviors. Whether creating sensor-enabled in-store experiences or unlocking the power of data for an optimized path to purchase, CI&T improves the connected retail experience. We develop long-term solutions to help our clients better engage and retain shoppers by driving consumer-centric operational efficiencies.



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