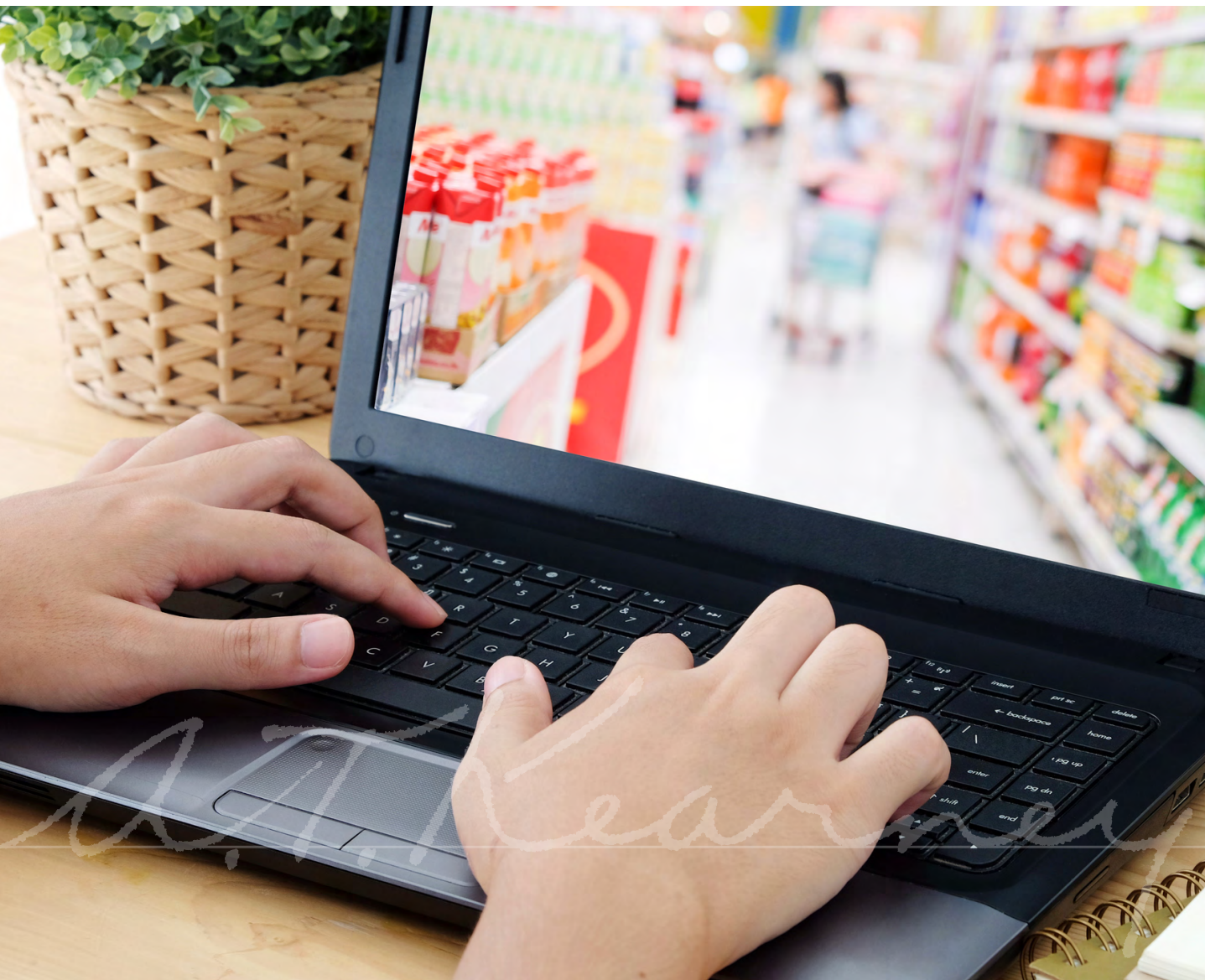


Online and Offline Grocery Shopping: Better Together (At least for now)

Retail grocers are addressing customer pain points with innovative digital solutions that both utilize and improve the in-store experience.



**Grocery shopping is a universal activity.
From North America to Southeast Asia, every consumer needs to buy groceries.**

But according to research we conducted in partnership with the Institute for International Business at WU, only 15 percent enjoy doing so—providing a	tremendous opportunity for grocers and other retailers to come up with faster and more convenient ways to shop that can win over the dissatisfied	85 percent. Digitization will be key to updating the consumer experience.
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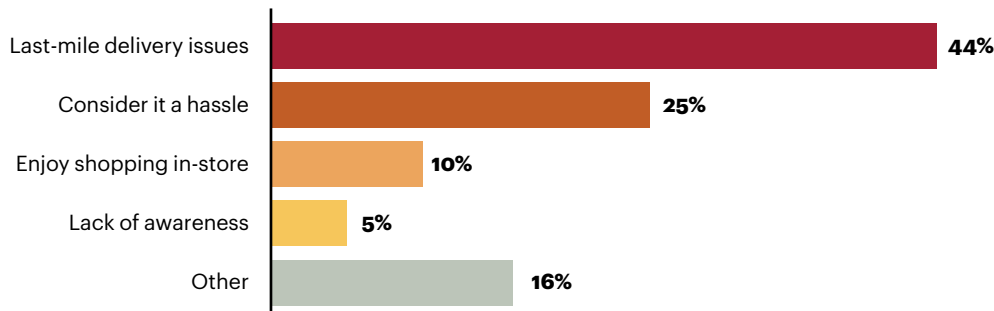
For years, grocers have operated in a hostile environment characterized by low margins, high fixed costs, and perishable products, which in turn has led the industry to consolidate into a few big companies. Today, competition is starting to heat up again, as new players, from start-ups to established corporations, enter the market with value-driven online shops, concept stores, and new delivery options, all of which have cut into the business of traditional grocers. Since convenience-driven customers tend to be more demanding, expecting better products and services for their money, those grocers that embrace the efficiencies and higher productivity of new technologies will be able to stay relevant to their customers.

Recent innovators in the grocery retail space are addressing several aspects of consumer convenience: minimizing the time spent waiting in line and searching for products, being able to rapidly research for or categorize products (for example, lactose-free/gluten-free/vegan alternatives), or removing the need to leave the house if milk runs out on a Saturday morning. To solve the waiting problem, Amazon is testing a checkout-free concept: customers enter the store, collect the items they need, and leave. The selected items are automatically charged to their Amazon account. In addition to the convenience aspect, this solution drastically reduces the number of employees needed in stores, thereby lowering costs that can then be passed through to consumers. As a next step, we could imagine the use of robots for repetitive and laborious tasks such as checking shelves for pricing errors and misplaced items. Machines and humans would interact seamlessly to deliver a unique customer experience.

To prevent the problem of running out of important staples at home, several white goods manufacturers are working toward automated order systems to create a kitchen that is fully connected and able to recognize when products are running low. The appliances would be able to go online, and according to pre-determined criteria (for example, price, quality), order whatever is needed. This concept requires new partnerships among companies such as appliance developers, grocers, and delivery services.

However, for automated order systems to evolve, online grocery shopping must first become more widely accepted. Currently, the biggest challenge to growing online sales is last-mile delivery. Of the customers surveyed, 44 percent described last-mile delivery issues as the main reason they have not tried online grocery shopping. For example, the practice of leaving products at the front door, commonplace for online apparel retailers, is not feasible for grocery suppliers due to the perishability of produce. Grocers also struggle with last-mile delivery: In most markets, the fee that customers are willing to pay for delivery is not high enough to cover shipping and handling costs. Grocers are trying a number of alternative delivery solutions: to consolidate orders and reduce costs, an online Netherlands grocer delivers only on certain routes and during certain pre-specified time frames; and an Austrian retailer has introduced a

Figure
89% of consumers have never grocery shopped online – but why?
(Reasons consumers have never grocery shopped online)



Source: A.T. Kearney analysis

monthly online shopping subscription that provides free deliveries.¹ The perishability issue is being addressed in some markets by delivering orders to the cars of customers before they drive home from work.² Newer apartment buildings have installed “shopping bases” similar in concept to mailboxes: each apartment has its own fridge, and delivery drivers are given an access code. Nevertheless, to date, no grocer has been able to provide convenient delivery profitably without risking food spoilage.

Given the challenges of designing a truly convenient online grocery shopping experience that is both affordable for customers and profitable for grocers, a blend of online and offline retail—an omnichannel solution such as “click and collect”—will likely be the gold standard for the near future. Offline presence creates brand awareness, while digital solutions simplify the in-store shopping process.

The recent Amazon purchase of Whole Foods, the US-based organic supermarket chain, signals that the global online shopping giant believes in the power of leveraging traditional retail stores.³ As the financial editor of *The Wall Street Journal* put it, “Amazon did not just buy Whole Foods. It bought 431 upper-income, prime-location distribution nodes for everything it does.”⁴ Following the same logic, Walmart acquired Jet.com, one of the fastest-growing e-commerce companies in the United States.⁵

There are other reasons why the in-store experience remains important. Some customers still want to touch and feel perishable products, creating a competitive advantage for offline grocers. In-person visits also provide opportunities for grocers to offer unique experiences such as cooking events, and with the right approach they can increase spend per visit through special deals or impulse purchases. On the other hand, complementary online services focus on convenience, allowing customers to shop anywhere and anytime. Industry players that are agile and willing to try new solutions or work with unconventional partners will be better positioned to stay ahead of the curve.

1. <https://shop.billa.at/sonderkapitel/seiten/lieferpass>

2. http://www.itreseller.ch/Artikel/84028/Leshop_liefert_mit_der_Post_in_parkierte_Volvos.html

3. <https://www.washingtonpost.com/news/business/wp/2017/06/16/amazon-to-buy-whole-foods-market-in-deal-valued-at-13-7-billion-2>

4. <https://twitter.com/dkberman/status/875701677504024576?lang=en>

5. <http://news.walmart.com/2016/08/08/walmart-agrees-to-acquire-jetcom-one-of-the-fastest-growing-e-commerce-companies-in-the-us>

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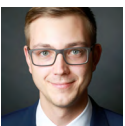
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