



Helping retailers and suppliers navigate the expanding grocery landscape.



THE RACE TO REINVENT GROCERY SHOPPING

What you need to know to succeed



Author Snapshot – Bill Bishop

Bill Bishop is the Chief Architect of Brick Meets Click and also serves as the Research Director for the National Association of Convenience Stores – Coca Cola Retailing Research Council. He has been recognized as one of the ten thought and research leaders “driving the future of consumer intelligence” by American Demographics Magazine. Bill Bishop advises leading US grocery & food retailers on their business and digital strategies and programs.



BRICK & CLICK RETAIL PLATFORM

Brick and Click retail platform, a one-of-its-kind omni channel commerce platform for retailers, combines all elements of digital technologies such as ecommerce, mobile, analytics and retail ERP in one seamless cloud ready, modular, pre-integrated system, with best-in-class business functionalities for customer engagement and smart operations. Brick & Click brings together for the first time, in one unified platform, innovative features:

- Fully integrated store & digital commerce from engagement to fulfilment
- B2C and B2B commerce in one integrated solution
- Comprehensive single view of customers, inventory, orders and operations
- Customer intimacy driven by ML based personalization & recommendations engine
- Mobile, MPOS & IoT driven in-store customer engagement systems
- Centralized omni channel assortment, merchandising & catalog management
- Deploy on-premise, cloud or hybrid models in as little as 12 weeks



What's really going on?

Competition in the industry has never been more intense, but don't let that obscure a key change that's taking place:

Dueling digital innovations are driving consumers to reinvent how they shop for groceries.



Contents

PART ONE: UNDERSTANDING THE RACE	4
The pace of the race is picking up	4
Habits and expectations have evolved	5
Find out where your shoppers are	6
Chart the numbers to see what's happening	7
Not all innovations make the cut	8
PART TWO: HOW TO RACE SMARTER	9
Why more collaboration and digital merchandising are crucial	9
The criteria shoppers use to choose products is changing	10
Where to start: Take stock of your digital presence	11
Build better digital merchandising	12
The new reality	13
Brick meets click	14
About Brick & Click	15

These innovations are coming from both large and small players who are developing new, digitally integrated value chains. The traditional value chain players (producers, CPG brands and retailers) are going to need to enhance their collaboration – especially around digital merchandising – in order to keep up.

The waves of technology, change, and related challenges will keep coming, so the race to reinvent grocery shopping won't be over any time soon. No matter what direction it takes, however, it's increasingly obvious that both retailers and suppliers will need to create and maintain an effective digital presence if they want to remain in the consumer's consideration set, even for in-store sales. It is crucial to improve digital merchandising skills, and it's better to do this together than go it alone.

This paper explains why and gives you the insights and tools you need to compete better.

We want to acknowledge the team at Sonata Software, whose focus on digital-ready retailing helped to motivate this paper.

PART I

UNDERSTANDING THE RACE

- How digital innovations have changed the competitive landscape and shopper expectations
- How to find out where your shoppers are on the adoption curve



The pace of the race is picking up.

Digital influence is big – and bigger than many realize. It impacts 31% of food and beverage sales according to Deloitte.¹

These influences include a wide range of communication platforms such as apps, websites, and social media – from idea generator/sharers like Pinterest, AllRecipes, and Facebook, to savings apps like Ibotta and Cartwheel, to new information sources and transparency about food origins, health values, and prices, and even devices like Amazon's Echo and

Google Home (which put digital assistants in the middle of household conversations).

In addition, ecommerce now offers consumers a wide variety of online grocery options that make it possible to skip the trip down the aisles entirely for some or all of a household's grocery purchases – 40% of grocery shoppers have tried it according to Brick Meets Click research, and 21% use it regularly for at least some grocery purchases.²



41% of shoppers have purchased groceries online

21% have done so in the past 30 days.

¹ The New Digital Divide: Retailers, Shoppers, & the Digital Influence Factor, Deloitte Digital, 2014

² How Consumers Are Using Online Grocery, Brick Meets Click research report, March, 2016



Habits and expectations have evolved.

Digital influence is altering shopping habits ...



It's not clear which of today's innovations will "win" in the race to reinvent grocery shopping, but digital influence has already changed the competitive landscape in some significant ways by:

- Shortening the time between recognition of a need and when the purchase is made.
- Changing the way consumers organize and execute their grocery shopping.
- Expanding the choices people have of where to shop and which information they will use to make purchasing decisions.

... and changing shopper expectations.



Online shopping options are also changing shopper expectations. Today's shoppers have:

- Plenty of sources to choose from – Amazon, supermarkets, organics, farmers market-style, specialty retailers, mass marketers, etc.
- Many choices about how the offer is structured – from subscription services to one-off's like meal kits or big trip stock-up orders.
- An array of fulfillment possibilities to fit the needs of the moment – from slow and economic, to click and collect, to on-demand delivery.



Find out where your shoppers are.

Whether you're a grocer or a CPG brand with traditional roots that's looking for guidance on how to navigate these waves of innovation, the advice is the same.

The first thing you should do is ***find out where your customers are on the adoption curve for online***

grocery, digital tools, and digital influence. Tracking their progress relative to interest level, readiness, and use will give you the best guidance for how and when to invest.

Traditional grocery retailers

Need to understand how their customers are changing where and how they shop for groceries.

CPG brands & other suppliers

Need to learn how consumers are prioritizing channel choice when buying their products (in-store, online or blended).

Things are changing rapidly (for example, digital assistants like Amazon's Alexa were just baby ideas not long ago), so if you haven't assessed your customers' interest in and readiness for digital innovations, it may be time to do so again.

Ask these questions ?

- Which digital platforms are your customers using?
- What channels are they using for different kinds of products?
- Which digital influences do they pay attention to and/or rely on?
- What are they looking for and not finding in terms of greater convenience, product information, assortment, and ease of shopping (such as ordering, fulfillment, payment, etc.)?



Chart the numbers to see what's happening.

Once you've collected data on the specific digital innovations used by your customers, look at where each one falls on the innovation adoption curve, which has four phrases.

Phase 1 Innovators/Early Adopters – 17% of the market. These consumers are interested in technology and visionaries looking for improved performance. They are the most open to new innovations.

Phase 2 Early Majority – 32% of the market. These pragmatists like to stick with the herd and are mainly interested in better solutions and more convenience.

Phase 3 Late Majority – 33% of the market. These more cautious individuals are traditionalists who typically move only when necessary.

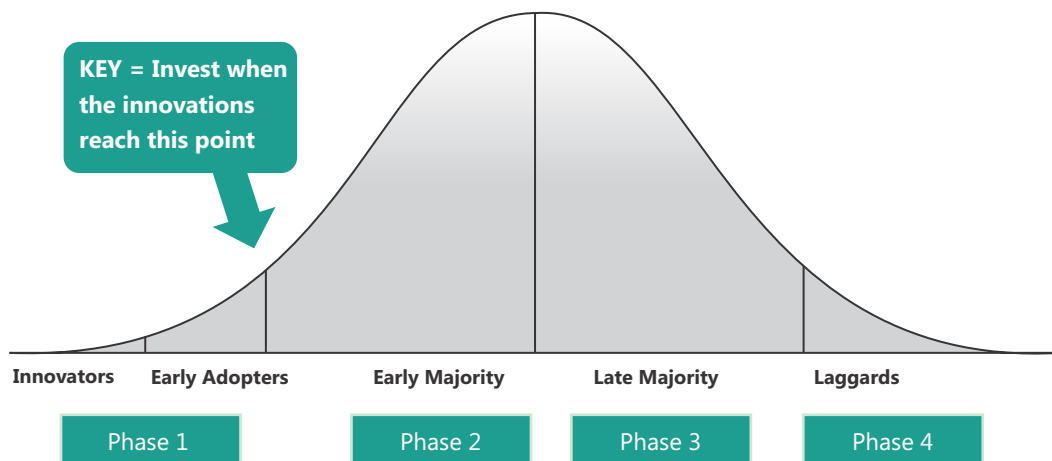
Phase 4 The Laggards – 18% of the market. The late majority is typically the last to accept innovation and may

never do so. Some are technophobes and have the mantra "no way."

Once you position each digital innovation on the curve, you'll have the information you need to decide when to make a significant investment. The current thinking is that it's time to invest when the innovation is poised to move from Phase 1 to Phase 2, into the early mainstream market. Until then, less than 17% of consumers have adopted the innovation, and it's still an open question as to whether it will ever reach the mainstream market.

The Technology Adoption Curve

As captured by Everett Rogers in his book Diffusion of Innovations, people tend to adopt new technologies at varying rates. Their relative speed of adoption can be plotted as a normal distribution, with the primary differentiator being individuals' psychological disposition to new ideas.





Not all innovations make the cut.

Why do some innovations catch on while others fail to get traction? Studies across different fields have shown that the adoption of specific innovations is typically influenced by the following set of drivers.

The relative advantage of the innovation

– how big is the improvement vs. the traditional practice?

Compatibility – the ease of integrating the new innovation into daily life.

Complexity – how challenging is it to actually use the innovation?

Tryability – how difficult or risky is it to try?

Observability – how easy is it for others to see that a household has begun to use it?

These drivers apply to grocery shoppers trying new digital tools, too, and they can provide insights into which ones will reach the tipping point.

PART II

HOW TO RACE SMARTER

- The crucial role that collaboration and digital merchandising play in running a smart race
- How to take stock of your current digital presence
- Six steps to building better digital merchandising



Why more collaboration and digital merchandising are crucial.

In this race to reinvent grocery shopping, everyone (supermarket retailers, wholesalers, CPG manufacturers, and other suppliers) will need to strengthen their collaboration around digital merchandising to fend off new options competing for share of consumer mind and wallet – and to be present when consumers are making purchasing decisions.

These two change-driving trends make this especially important.

Purchase decisions are happening outside of the store.

Digital influence has made a profound and foundational shift in where shopping happens. We used to talk about winning the sale at the shelf, but increasingly, shoppers are making decisions

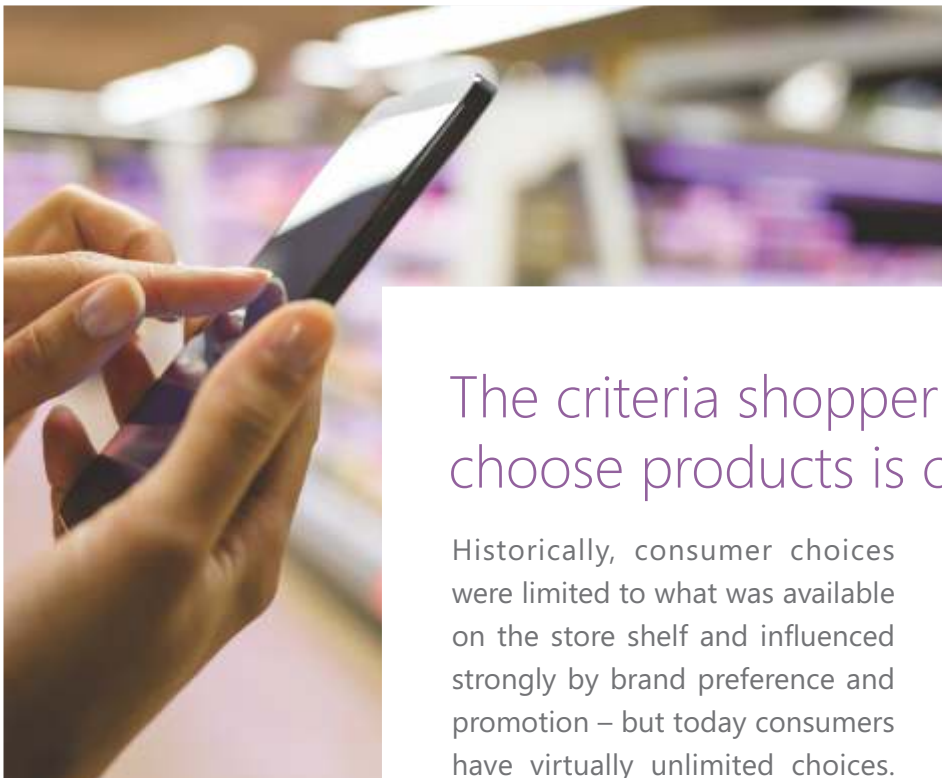
about where to shop and what to buy outside of a store. This means that if you're not present when they are making those decisions, you won't even have a chance to earn the sale.

What is digital merchandising?

Traditional merchandising is the art of promoting products by the way they are presented in-store – digital merchandising is the art of presenting products in the digital ecosystem in order to promote their sale, especially in the "moment".

"You have to get to the mindset that consumers are trying to find 'information, and then ask yourself if you're in context with what they want to do and how they want or need to do it at that moment."

– **Steve Lauder**, from the BMC blog Why digital merchandising matters more than ever



The criteria shoppers use to choose products is changing.

Historically, consumer choices were limited to what was available on the store shelf and influenced strongly by brand preference and promotion – but today consumers have virtually unlimited choices. Criteria like "better for you," "organic," and "local" play more strongly for many products. As a result, shoppers are becoming more intentional about what they want to buy, and this creates the need for retailers, wholesalers,

CPG manufacturers, and other suppliers to

- Offer products that are authentically aligned with those needs, and
- Find ways to communicate the features and benefits of these products to shoppers, who are as likely to be making purchase decisions while looking at a device as looking at a shelf.

Bottom line:

Retailers and brands are "better together" in this environment.

The situation: Brands and other suppliers need to find the most efficient way to get their messages out, and retailers need to package content about the products they're selling in the most effective and compelling ways – this is the

compelling rationale for new and enhanced collaboration around digital merchandising. Properly coordinated retailers and brands are "better together" in this environment.



Where to start?

Take stock of your digital presence

The bar is rising all the time – are you keeping up with shopper expectations?

> Look at how your products are presented digitally to shoppers.

Be prepared; in many cases, you won't like what you see.

> > Take stock of the quantity & quality of your current digital connections.

They may not be as complete and effective as you think – it is better to find this out now.

> > > Make a clear-eyed evaluation of your digital content.

Does it really serve the needs of your target customers?

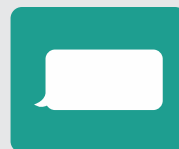
EMAIL



WEBSITES



TEXTING



SOCIAL
NETWORKS



MOBILE DEVICES
& APPS



ONLINE GROCERY
SHOPPING

Build better digital merchandising.

Digital merchandising will be an increasingly important strategic skill because it gives the retailer and other players in the ecosystem "the ability to be present, in the context of the moment that a shopper is looking for something – and able to provide the right information and experience they need to give you dollars," in the words of Steve Lauder.

Here are six key steps to ensure your collaborative digital merchandising triggers a sale.



Virtualize the category.

Make the category easy for shoppers to access both online and in-store. Present products the way that shopper insights say people want to see them.



Take targeted promotions to the next level.

This area is ripe for collaboration. Retailers use their loyalty program data to

collaborate with manufacturers and suppliers to target households based on past purchases.



Simplify the buying experience.

Shoppers are increasingly looking at replenishment purchases differently

from first time or occasional product purchases. How can you accommodate them?



Make digital an integral part of how you do business.

Align the people doing the work, build a robust contact database, analyze loyalty program data, and accelerate learning and optimization through testing and sharing...



Focus on core customers and be "loyal" to them.

These are your most valuable customers. Identify them by name or email, and

devote resources to retaining them. It costs a lot less than acquiring new shoppers.



Go after new need states & shopping occasions.

Shopping occasions used to be defined in terms of interaction with the store and basket size, now digital influence and new

options like subscriptions and delivery have opened the way to serve many more shopping occasions.



The new reality.

Consumer reinvention of grocery shopping, driven by digital innovation, is changing the way brands and retailers interact with consumers. This is ushering in a new era in which consumers decide where and how to do their grocery spending based on how well different value chains meet their needs.

Not only does this call for a shift to better digital merchandising skills for the players in the traditional value chain, it also means that those players need to work together to serve the customer.

So far, the traditional value chain still does more than 95% of the grocery business, but new digital methods and enhanced collaboration are needed to hold onto that business.

The key challenge for the industry moving forward is to change the way we look at the world. We need to look at grocery shopping the way that consumers do – which is increasingly influenced and informed by what they see on their screens, even when they are making in-store purchases.

"Shoppers will determine who wins this race. Retailers and suppliers can go it alone, but in this environment, both will be more successful if they collaborate."

– **Bill Bishop**, Chief Architect and Co-founder, Brick Meets Click



Brick Meets Click was founded in 2011 to focus on growth opportunities at the intersection of brick-and-mortar and online grocery retailing. The company aims to help retailers, suppliers, and technology service providers create the foresight, tools, and relationships they need to grow their businesses.

You may also find these Brick Meets Click papers useful. Look for them at brickmeetsclick.com under “PAPERS AND PRESENTATIONS.”

- The Supermarket Guide to Online Grocery Competition
- How Consumers Are Using Online Grocery and What It Means for Retailers in 2016
- Six Degrees of Digital Connections: Growing Grocery Sales in an Omnichannel World



BRICK & CLICK RETAIL PLATFORM

Brick and Click retail platform, a one-of-its-kind omni channel commerce platform for retailers, combines all elements of digital technologies such as ecommerce, mobile, analytics and retail ERP in one seamless cloud ready, modular, pre-integrated system, with best-in-class business functionalities for customer engagement and smart operations. Brick & Click brings together for the first time, in one unified platform, innovative features:

- Fully integrated store & digital commerce from engagement to fulfilment
- B2C and B2B commerce in one integrated solution
- Comprehensive single view of customers, inventory, orders and operations
- Customer intimacy driven by ML based personalization & recommendations engine
- Mobile, MPOS & IoT driven in-store customer engagement systems
- Centralized omni channel assortment, merchandising & catalog management
- Deploy on-premise, cloud or hybrid models in as little as 12 weeks





ABOUT SONATA SOFTWARE

Sonata Software is a global IT solutions firm focused on catalysing business transformation initiatives of its clients through deep domain knowledge, technology expertise and customer commitment. The company delivers innovative solutions for Travel, Retail & Distribution and Software Product companies through IP based Platforms, Products and Services, that bring together new digital technologies such as Omni-channel commerce, Mobility, Analytics, Cloud and ERP, to drive enhanced customer engagement, operations efficiency and return on IT investments. A trusted long-term service provider to Fortune 500 companies across both the software product development and enterprise business segments, Sonata seeks to add differentiated value to leadership who want to make an impact on their businesses, with IT.

SONATA IN RETAIL

10+ years of experience working with Fortune 500 companies and 200+ successful implementations | Retail Platform IP solutions that integrate Omni-Channel Commerce, Mobility, Social Commerce, Analytics & Cloud | Experience with leading retail technologies – SAP Hybris, Microsoft Dynamics AX, Oracle, JDA | Industry ready solution assets that reduce TCO and time-to-market | Proven large scale implementations | Global delivery model: Reach, Quality & Cost Effective service.



Seattle | San Francisco | Atlanta | New York | London | Qatar | Hyderabad | Bangalore | Singapore | Sydney

Sonata Software Ltd.

info@sonata-software.com | www.sonata-software.com