REINVENTING GROCERY

5 realities defining the new era of Connected Commerce for grocers

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The global disruption of the last two years brought a series of uncomfortable firsts to consumers in the U.S. and around the world. For many, that included placing their first online grocery order.

What started as a unique novelty soon became the norm – and some industry experts and analysts even suggested that once consumers recognized the convenience and simplicity of online grocery shopping, it would push traditional stores to the brink of irrelevance.

That idea turned out to be a myth. The most recent report from the Capgemini Research Institute, *What Matters to Today’s Consumer: 2022 consumer behavior tracker for the Consumer Products and Retail industries*, confirms as much with the survey revealing that nearly 6 in 10 grocery shoppers (57%) still go to the store to purchase the bulk of their groceries.

But even while interest in shopping the physical store remains strong, there are significant shifts at play within the grocery industry. Here we take a closer look at our research findings and help grocers separate fact from fiction and embrace change in the new era of Connected Commerce.
The leading finding from our recent survey reveals something of a contradiction: consumers are eager to return to stores – but e-commerce growth remains strong.

Total e-commerce sales in the U.S. for 2020 increased by 32.4% and accounted for 14% of total sales, up from 11% in 2019. However, the retail sector, as a whole, grew 15%. This suggests that even though e-commerce growth is strong, its share within the overall market declined slightly. Couple this with the fact that a majority (72%) of consumers expect to resume significant interactions with physical stores in the longer term after health and safety concerns subside, and you can see why the future of retail is a mix of physical and digital – or what we call “phygital”.

The reality is that consumers don’t need or want to choose between channels. In fact, it’s become increasingly rare for consumers to interact exclusively on one channel. Shoppers are leveraging a multitude of channels – in-store, online, mobile app, even the metaverse, depending on their schedule, the weather, or just their preference.

With this in mind, retailers must create an experience that transcends channels and meets the consumer at their precise moment of need, be it physical, digital or somewhere in between.
Retail giants have built their empires on two-day delivery, but our survey reveals that today’s grocery shoppers measure delivery times in mere minutes, not days. The new consumer expectation is that they’ll be able to have a very fast fulfillment window – two hours or less – regardless of channel of purchase.

One positive note for grocers from our survey is that the majority of shoppers understand that fast delivery comes at a cost. Our research shows that shoppers are willing to pay 3.3%, on average, for two-hour delivery on a $30 order – implying that fast trumps free for most shoppers.

So how do grocers increase delivery speeds and preserve margins? At present, most grocers are using traditional stores to fulfill a majority of orders. However, leveraging a variety of models, such as dark stores, micro-fulfillment centers, third-party delivery services, the gig economy and so much more, can lead to greater cost efficiencies and improved delivery times.
The rise of UberEats, Wolt and other delivery services, as well as ready-made meals and meal kit subscriptions, has changed the face of dinnertime in millions of households. For grocers, this means that they aren’t just competing against other grocers, but other retail categories.

The modern grocer isn’t just a simple seller of pantry staples – it’s a purveyor of food and a host of other incidental items that the customer needs. Consumers want the grocer to stock their whole house. That means fulfilling traditional grocery orders, offering home meal replacement kits, delivering ready-made meals, as well as other household necessities like paper goods, cleaning supplies, baby care items, and toiletries.

Increasingly, consumers also expect grocers to fulfill these needs in a variety of locations and scenarios. That can mean delivering light meals and snacks to kids at after-school activities, providing refreshments for a business meeting, dropping off dog food at a pet hotel or even diapers and wipes at daycare.
Relying on a weekly circular included in a print newspaper has become obsolete – and not just because of waning newspaper readership.

The reality is that AI/ML technology, coupled with digital signage and connection to the back-end ERP tool and inventory system, make it possible to enable dynamic pricing based on any number of factors – excess stock, expiration dates, even changes in the weather forecast.

Dynamic pricing is an all-around win. It means better margins for the retailer, lower prices for the consumer, and less waste for the environment. Plus, for retailers that leverage digital signage, dynamic pricing doesn’t have to mean spending hours manually changing tags or signs.

By the same token, with the right data, offers need not follow a One:Many approach. With advances in digital technology, it is possible to proactively share personalized offers with customers based on their unique shopping behaviors, preferences, and anticipated needs.

**MYTH:**
CONSUMERS EXPECT TRADITIONAL WEEKLY PROMOTIONS AND OFFERS.

**REALITY:**
THE BEST OFFER STRATEGY IS DYNAMIC AND PERSONALIZED.
Our survey revealed that many shoppers have paid a premium for the products and brands they perceive as sustainable. But there’s a catch: They don’t expect to have to do so in the future.

In June 2020, we found that 63% of consumers said that sustainable products should not be more expensive than similar products that are non-sustainable. This percentage increased to 72% in our current research.

For retailers, this may mean selecting products that are sustainable, but priced competitively. That may include stocking hyper-local products to reduce their carbon footprint or playing an active role in the circular economy. It can also mean offering services, such as carbon offsetting or bike delivery, that improve sustainability.

Conclusion
With consumer behaviors changing rapidly, it can be difficult to separate myth from reality and accurately invest in the future of your grocery business. That’s why it’s critically important for grocers to leverage data to get a clearer sense of the evolving needs of their shoppers – whether they are in-store or online, shopping for a large weekly order or placing a delivery for tonight’s dinner, looking for specialty items or sustainable options.

Because the reality is that the world of grocery has changed – and grocers who continue to evolve will find success in the new era of Connected Commerce.
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