

# OUTFORM™

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## GROCERY DEEP DIVE





# GROCERY INDUSTRY LANDSCAPE & TRENDS



When it comes to innovation, the grocery industry has seemed to be at the tail end of retail disruption. While certain market leaders and entities like Amazon have delved into the industry with Whole Foods, Amazon Fresh and their Amazon Go Stores, most grocery chains and companies have still continued to operate on a more traditional spectrum.

Prior to the coronavirus, there had been a gradual shift to transform the grocery store experience. Brands like Kroger and Whole Foods in select stores created communal spaces to keep their customers in store longer. Publix and Aldi developed strong private label brands that center on plant-based and premium-branded offerings.

Yet, the COVID-19 pandemic was a catalyst for grocers as they were thrust into an “essential” role. The rapid change in customer needs and behaviors proved to other market players, the need to re-evaluate their strategies. For the majority that meant developing their investment within their digital offering and in-store tech.

Source: [Progressive Grocer](#), [CNN](#), [Supermarket News](#), [Eater](#), [Retail Dive](#)



## GROCERANTS

The concept of blending a restaurant experience with the grocery experience. This is designed to allow consumers to linger and create community around the grocer.



## THE RISE OF PRIVATE LABEL

Retailers are taking advantage of their direct to consumer relationship and control of prominent shelf and display space by producing their own products.



## RESURGENCE OF MEAL KITS

With people spending more time in their kitchens and homes than ever Meal Kits received a consumer boost.



## HEALTH & SUSTAINABILITY

The food packaging industry is undergoing significant change as the damages of waste and consumption become increasingly evident.

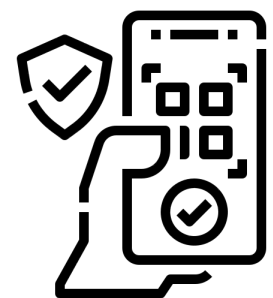


# INNOVATION & TECH HAPPENINGS

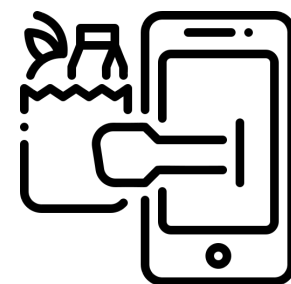
The Grocery shopping business model has changed very little over the last 100 years. Many of the biggest names in the industry today like Kroger, Publix and Walmart long predate the dot com era. A study published by Business Wire shows that 50% of shoppers say that grocery stores haven't figured out how to use technology like other retailers. While change has been very gradual by comparison to other industries, the unique landscape caused by the COVID-19 pandemic, proved the need for grocery retailers to invest in elevating their experiences and services to meet customer demands and needs.

New strategies that retailers are using to shape the future of the grocery experience include contactless payments, online grocery/click & collect and voice technology. We'll explore best practices in the market and how grocery can sustain long term innovation.

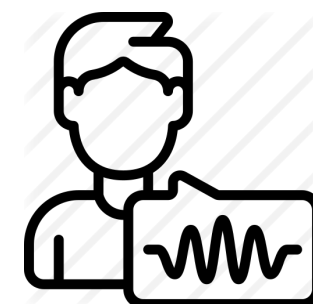
Source: Whisk



Contactless  
Payments



Online Grocery/  
Click & Collect



Voice  
tech

Post Lockdown

Up to  
**45%**

**Of consumers are still willing  
to rely on online grocery  
ordering and delivery**

Source: [Bain & Co](#)





# CONTACTLESS PAYMENTS

As the growing desire to minimize human contact leads to an increase in touchless fulfillment models, consumers' mobile devices have become the primary portal for ordering, payments and updates. Some anticipate retailers have integrated the technology on their own to appease customers or to address cleanliness concerns during and after the pandemic.

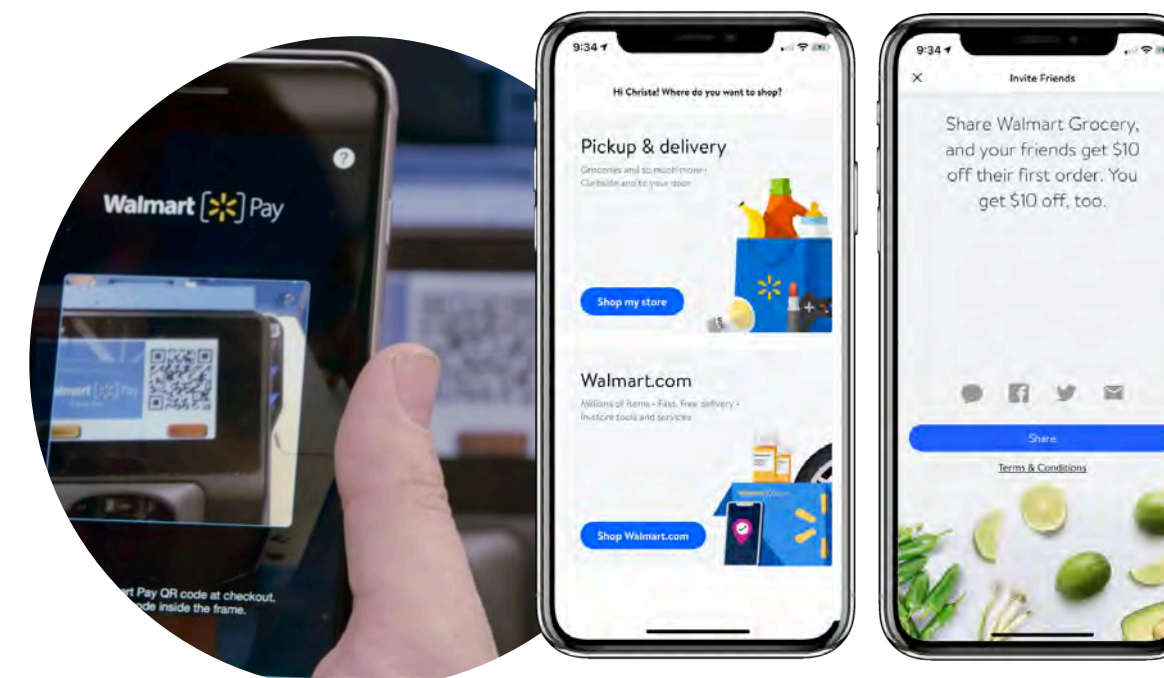
The use of contactless payments has grown by 20% since the start of the pandemic according to Richard Crone, CEO of Crone Consulting with a MasterCard study sharing that 8 in 10 consumers say they are using contactless methods due to safety and cleanliness concerns, and three-quarters will continue to use contactless post-pandemic.

Looking forward past the pandemic, contactless payment methods provide a frictionless customer journey that allows the customer to become a loyal shopper. Dedicated retailer apps that allow for contactless payment also offer an entry point into the omni-channel experience in-store.



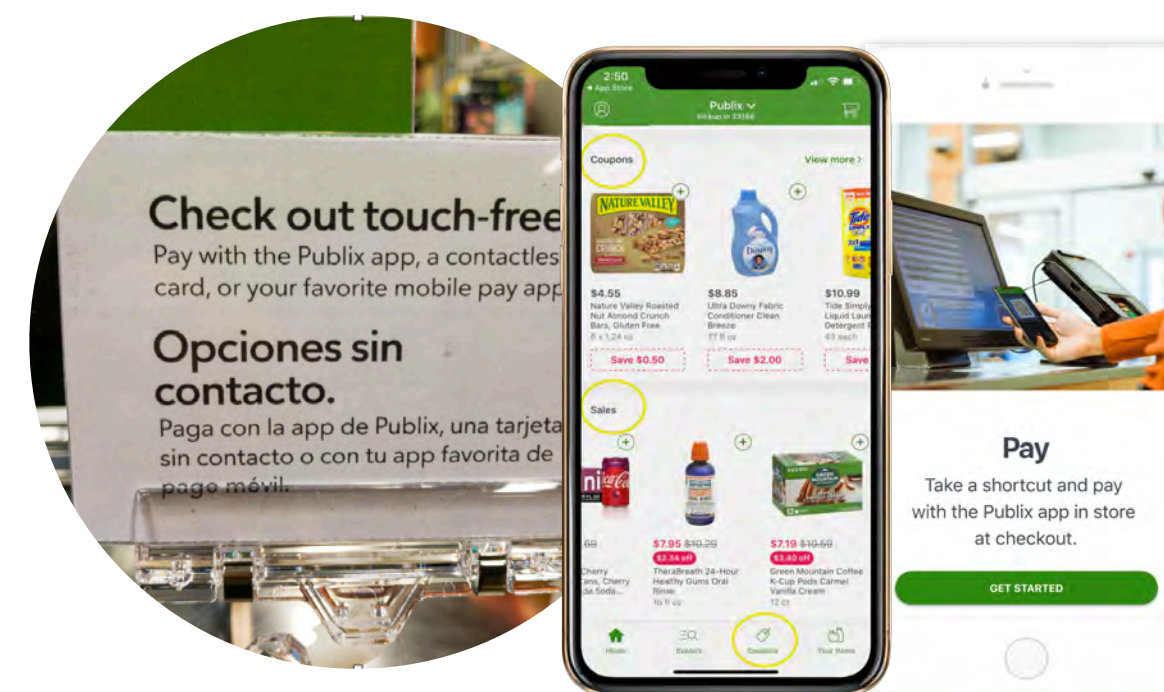
## TESCO - UK

UK-based supermarket giant Tesco is testing a cashless-only payments service at its High Holborn store in central London. Customers shopping at the Tesco Express outlet are able to make payments with a debit or credit card, NFC or the retailer's own Tesco Pay+ mobile payment service.



## WALMART - US & CA

As an initiative to stopping the spread of infection Walmart has offered a form of contactless payment for their consumers. By scanning a QR code that is synced with the Walmart Pay app, in-store shoppers can make contactless purchases



## PUBLIX - US

Customers were able to use this contactless payment option chainwide beginning April 4. Form of contactless payments included Apple Pay®, Google Pay™ and Samsung Pay®. This was in addition to the existing mobile pay option through the Publix app, which customers can still use to finalize their purchases.

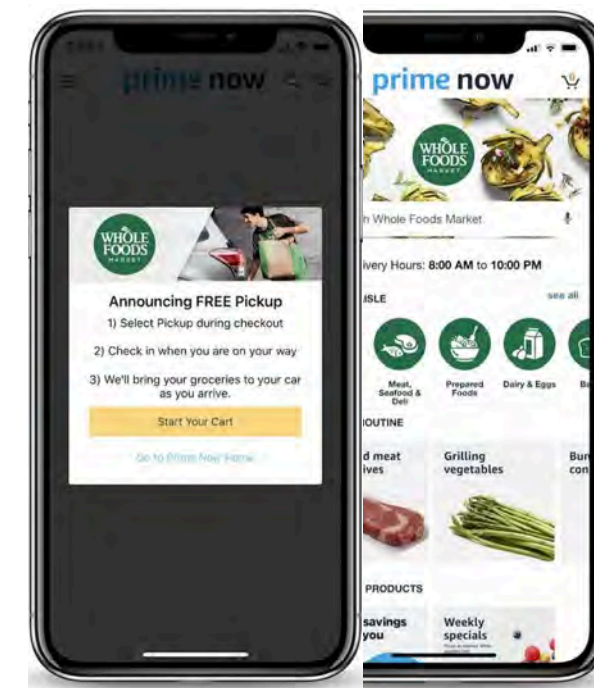


# ONLINE GROCERY/ CLICK & COLLECT

Online delivery services and click & collect became a crucial business model for grocers to manage the consumer demand during lockdown. While this technology helps to satisfy the increasing need for a unified commerce initiative, these types of transactions are often less profitable to the retailer. Many don't have the internal operations to handle it and must use third party partners like Instacart. According to Bain&Co, The average in-store operating margin of 2% – 4% turned into negative digits within home delivery. However, supermarkets are exploring other methods of providing a quick turn around and convenience to their customers.

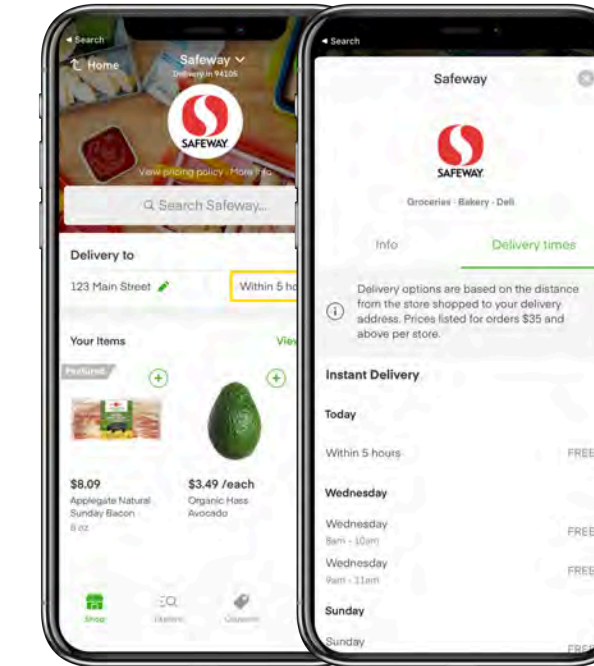
In-store or curbside pick-up, avoids costs with delivery. Some retailers offer collection points such as lockers and vans that act as an access center outside of the store for customers to interact with. The demand in online grocery delivery has demonstrated a case for many retailers to invest in micro-fulfillment stores that are dedicated to handling delivery orders.

This approach can not only help improve the customer delivery experience but also profitability.



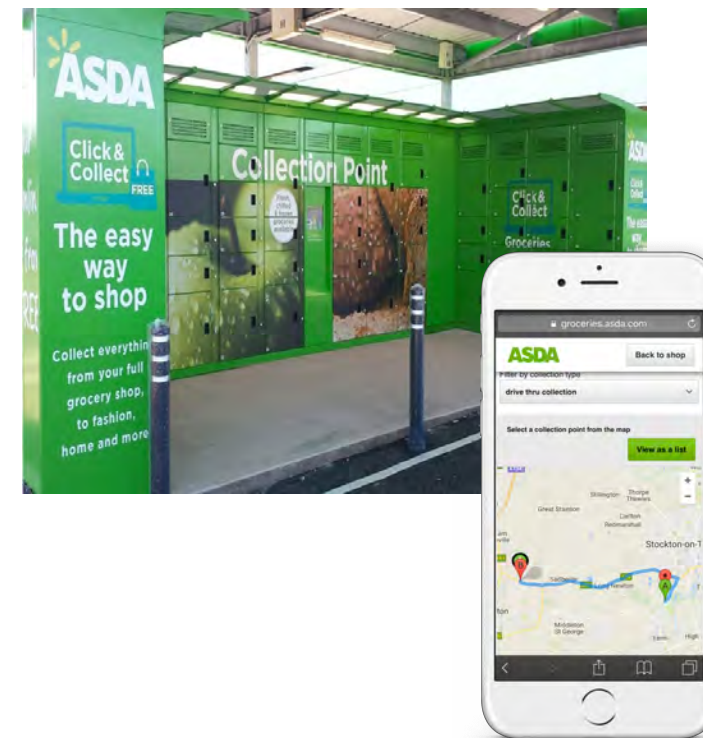
**amazonfresh**

Amazon, one of the runaway leaders in online grocery, is growing rapidly during lockdown. Their digital Prime Now approach and Whole Foods connection made them an obvious choice for consumers.



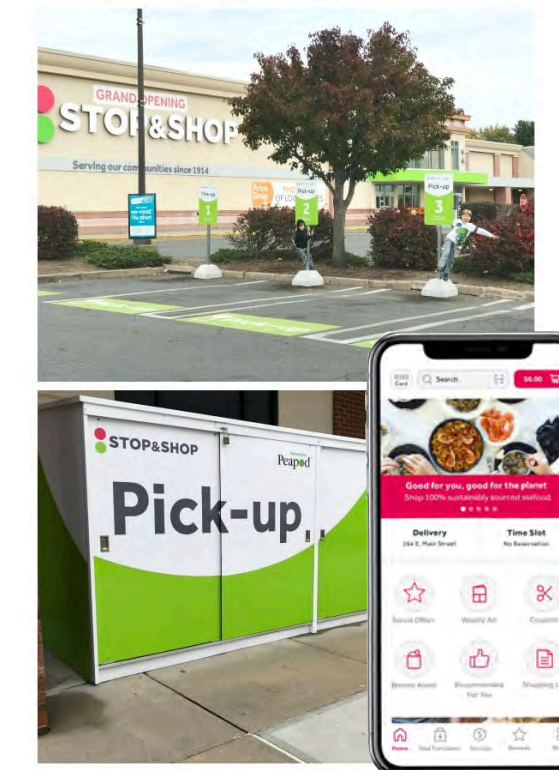
**instacart**

The adoption rate of online grocery ordering and delivery grew at the beginning of the pandemic. Instacart reported a 500% year-over-year increase in customer volume.



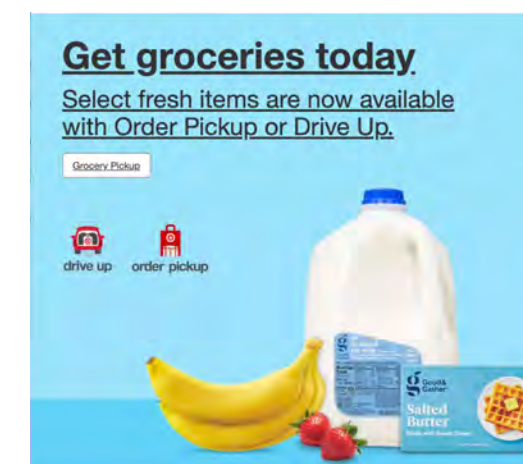
**ASDA**  
Save money. Live better.

In the UK, for its Click & collect efforts, ASDA already has over 80 lockers across its locations and has plans to implement more.



**STOP&SHOP**

Stop & Shop added more locations to its grocery Pick-up service this year and boosted its e-commerce operations. Stop & Shop also teamed up with Instacart for certain states to offer delivery past its previous Peapod offering.



**TARGET**

In select stores Target offers the enhanced Drive Up & Order Pickup service, allowing customers to shop 750 items across categories at Target.com or via the Target mobile app and pick them up at a store within a few hours.

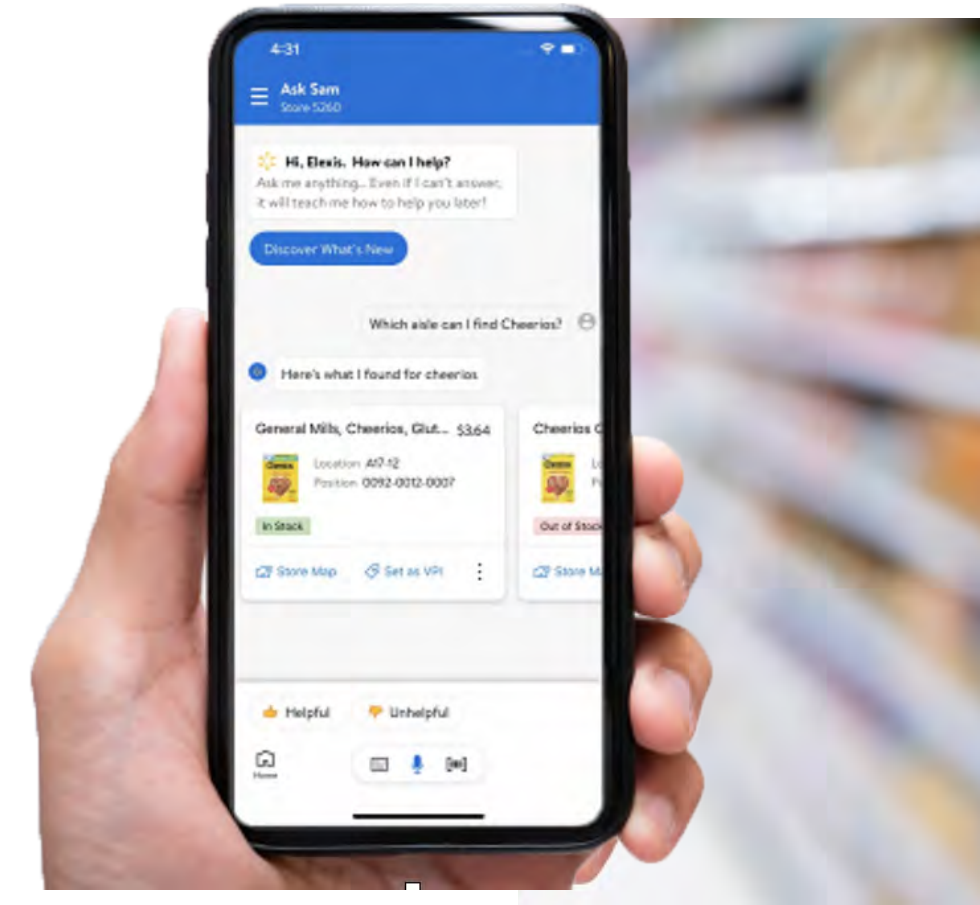


# VOICE TECHNOLOGY

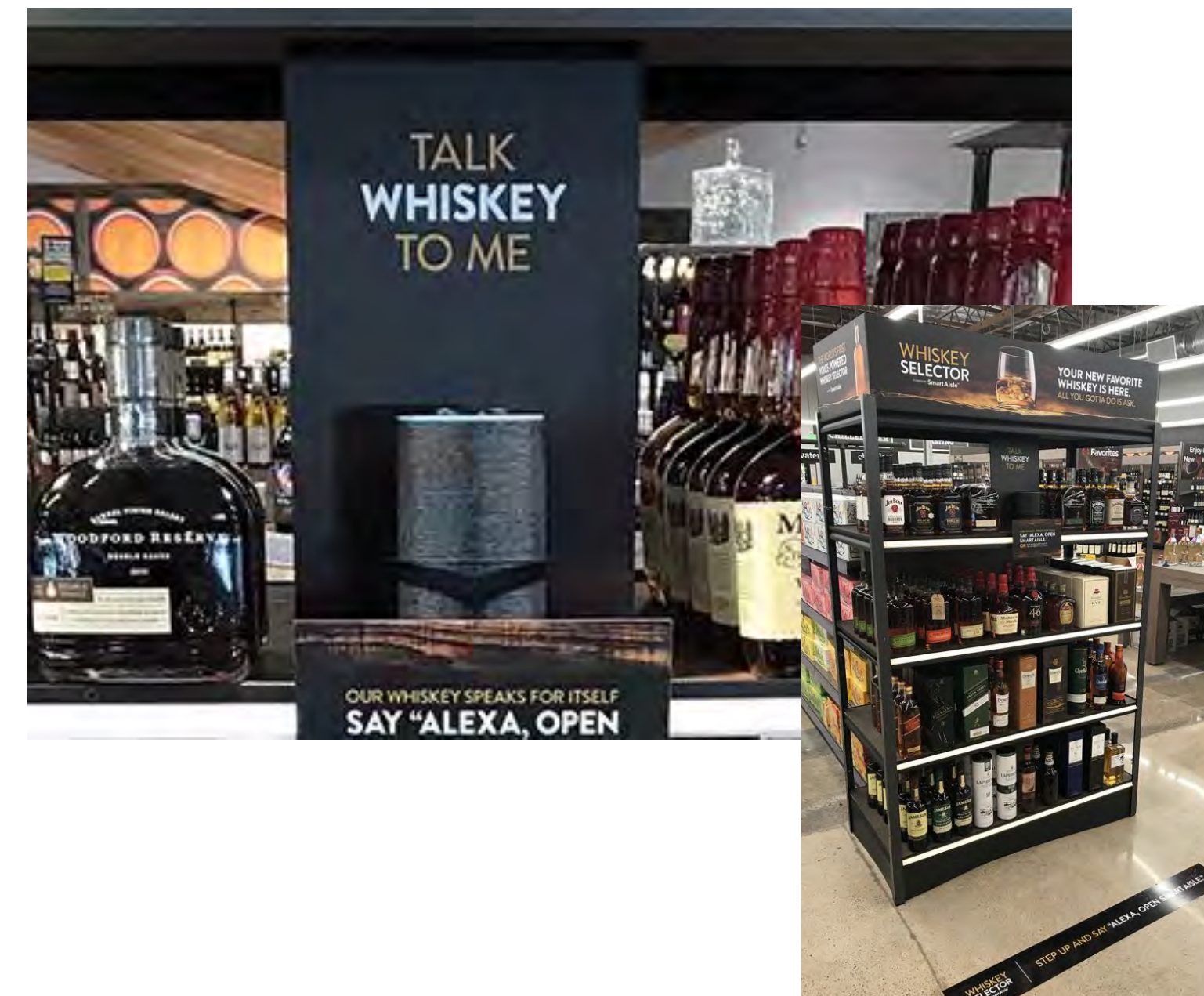
An estimated one in five UK households are now using smart speakers compared with one in four in the US. Voice tech penetration is growing across global markets, though the context for this technology has largely remained within the home. Smart speaker adoption rates are proof that consumers are being conditioned to use verbal commands to trigger responses from digital devices.

For retailers this represents an opportunity to extend the trust in at-home voice devices to the store. BevMo! in the US applied voice recognition in store to facilitate human-less shopping experiences for the customer. Walmart is rolling out their own voice assistant as a tool for their employees to seek product information on the spot.

Voice is a great way to disrupt the retail experience, the challenge lies in creating mass acceptance in store. The future of the grocery experience can support voice technology if the applications are intuitive for the customer and recognizable to many.



Walmart rolls out AI application “Ask Sam”. The voice assistant provides answers to employees about product prices and locations, including maps, either for their own use or to answer customer questions, and gives them updates from higher-ups about policy changes and emergencies.



## BevMo!

BevMo! Added a Alexa device to a whisky merchandise display, customers could ask guided questions that would lead them to the whisky product right for them.



# ROADMAP FOR THE FUTURE

The services and products that grocery stores offer will continue to be important as an essential point in consumers' daily lives. However, grocers today are facing challenges in competition, changing consumer behaviors and developing technological expectations.

Coming out of the current pandemic landscape, the need to innovate is obvious and necessary to be able to adapt to rapid changes in demand and leverage customer loyalty.

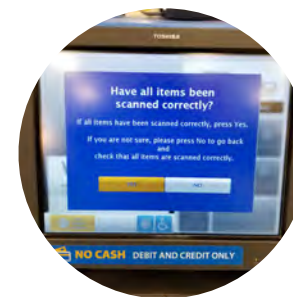
## THE MOST IMPACTFUL INNOVATIONS IN GROCERY: THEN, NOW & FUTURE



Introduction of the shopping cart.



The Barcode is invented.



SELF CHECKOUT



ONLINE ORDERING/  
CLICK & COLLECT



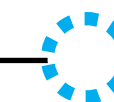
SMART SHOPPING  
CART



AI & IN-STORE  
VOICE TECH



FACIAL  
RECOGNITION



Expansion of tech/omni-channel experience in-store.

## TAKEAWAYS & RECOMMENDATIONS

1

Increase in adjacent companies like Uber and Amazon are the catalyst for change in traditional grocery establishments.

2

Consumers are willing to rely on technology to facilitate all elements of their shopping journey.

3

Elevate in-store tech to add value to the physical shopping experience in order to bring customers back in-store.

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# THANK YOU



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