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A KINAXIS COMPANY

2019 Grocery Insights Data Report

THE FUTURE OF GROCERY

EXECUTIVE SUMMARY:

THE STATE OF THE GROCERY BUSINESS

Shrinking margins. Increasing wages. Gig economy disruption. You name it, grocery retailers are facing it with new and different types of competitors and increasing pressure to accelerate digital transformation in today's omnichannel shopping landscape.

Since 1991, grocers have lost more than **$3 billion** in revenue to major disruptors in the food retail space. The pace of change and the urgency with which grocers must evolve or be left behind is only speeding up as convenient online grocery shopping options shock supply chains industry-wide.

The entrance of Amazon into the grocery industry following its acquisition of Whole Foods represents a watershed moment that forced retailers to acknowledge that they can no longer operate on autopilot. To keep pace with the retail giant, grocers must utilize data to further optimize their profits and customer experience. Data that is already available at their fingertips, but have not been leveraged with the same power and precision as Amazon.

How grocery retailers respond to this challenge will determine the future of their businesses, and the future of the grocery "store" as we know it, whether the consumer shopping experience exists within an app, online, via click and collect, or in-store at a traditional brick and mortar location.

ABOUT THE SURVEY

To compile its proprietary **2019 Grocery Insights Data Report**, Rubikloud conducted two surveys on consumers and merchandisers in grocery and retail. A survey was conducted online within the United States by **The Harris Poll** on behalf of Rubikloud from August 13-15, 2019 among 2,020 U.S. adults ages 18 and older. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. In addition, Rubikloud conducted an online survey within the United States on June 27 – July 26, 2019 with 12 grocery and retail merchandisers to better understand the challenges they face with stockouts.

KEY INSIGHTS FROM SURVEY

Friday is the most popular weekday for shoppers to visit the grocery store

Mon
Tues
Wed
Thurs
Fri
Sat
Sun
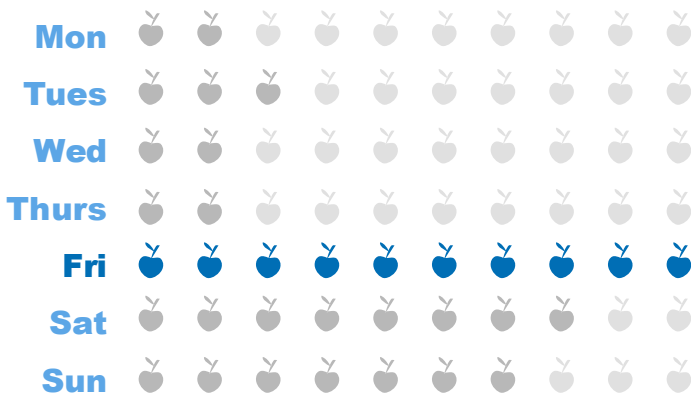
Grocers' top 3 strategic priorities over the next 2-3 years:

Implementing Technology

Improving Omni Channel Experience

Improving In-Store Experience

Coincidentally it's also the same day that grocers are **stocking out** the most

58%
of grocery merchandisers are using technology to forecast

97%
of grocers are still experiencing stock-outs throughout the year

85% **of grocery shoppers still shop in-store or mostly in-store**
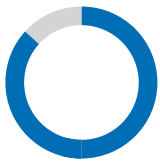
11% Grocery shoppers shop at one grocery store per month

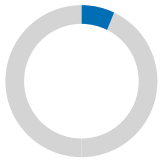**83%** Grocery shoppers visit 2-3 different grocery stores per month

INCREASED COMPETITION AND CUSTOMER LOYALTY

In today's hyper-competitive shopping marketplace, the omnichannel customer experience must be a core consideration for grocers if they are to remain relevant. Not only do consumers have more online and in-store shopping choices than ever, but non-traditional grocers like Target are breaking into grocery with its own proprietary private label with a goal of gaining a share of the nearly $12 trillion market.

Today, a last-minute run to the grocery store for dinner can instead be managed by a third-party delivery service, and curbside pickup is available for consumers that want to avoid shopping cart traffic altogether. There are even designated parking spaces at most stores for click and collect customers and reserved refrigerator space for Instacart and Shipt shoppers. Despite a growing variety of convenient shopping options that are available with the easy swipe in an app, surprisingly, **85% of grocery shoppers still prefer to shop mostly in-store.**

Large grocery chains are now competing against smaller, specialty grocery stores attending to consumers who are more conscious about where their food is sourced, meeting changing dietary preferences, and nostalgic for a local neighborhood market. With so many options to choose from and with brand loyalty trending down, it's no surprise that **more than 3 in 5 grocery shoppers (63%) shop at two-to-three different grocery stores per month.** Yet, what is surprising is that only **11% of survey-takers shared that they visit one grocery store per month**, raising questions on whether consumers' expectations are being met or if brand loyalty exists at all in today's crowded, convenience-driven marketplace.

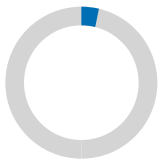**Preferences to shop in-store or online**

85%
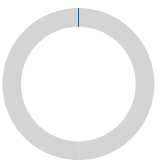Grocery shoppers prefer to shop in-store or mostly in-store

10%
Grocery shoppers prefer a fairly even mix of both in-store and online
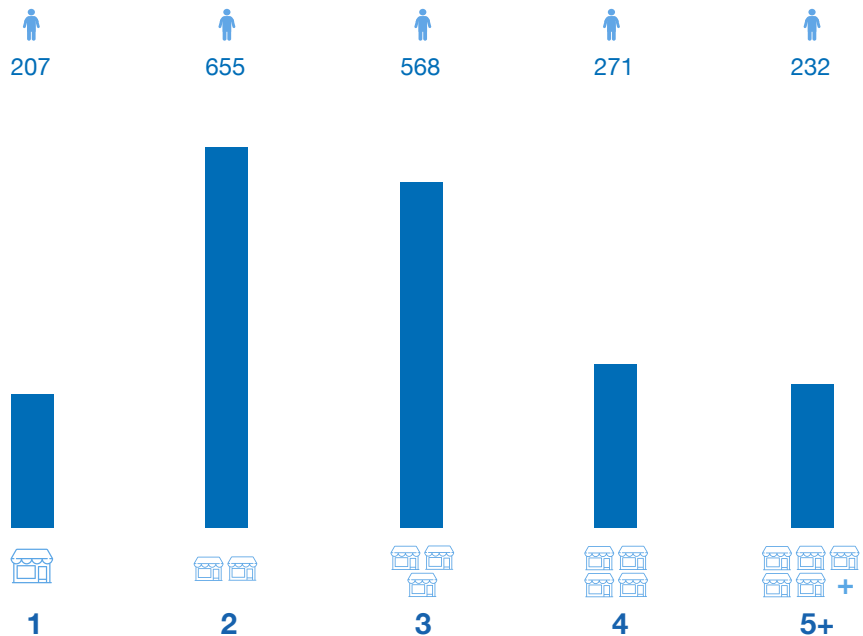
5%
Grocery shoppers prefer to shop mostly online

1%
Grocery shoppers prefer to shop only online

Number of grocery stores consumers frequent per month

207	655	568	271	232
1	2	3	4	5+

Rubikloud survey conducted by The Harris Poll among 1,952 U.S. grocery shoppers.

MANAGING THE CUSTOMER EXPERIENCE

For grocers to meet today's changing tide of consumer expectations and demand, they must focus on buyers' shopping habits and purchasing patterns. **For example, Friday is the weekday that 42% of grocery shoppers shared that they typically shop.** Coincidentally, **41% of grocery merchandisers and retailers note that they experience stockouts on Fridays, too.**

With **many grocery shoppers sharing that they would feel annoyed (53%), frustrated (48%) and some would even be angry (13%) if a product that they were deliberately shopping for is consistently unavailable or out of stock,** it's imperative for grocers to ensure that high-demand products are readily available for consumers to purchase.

83%

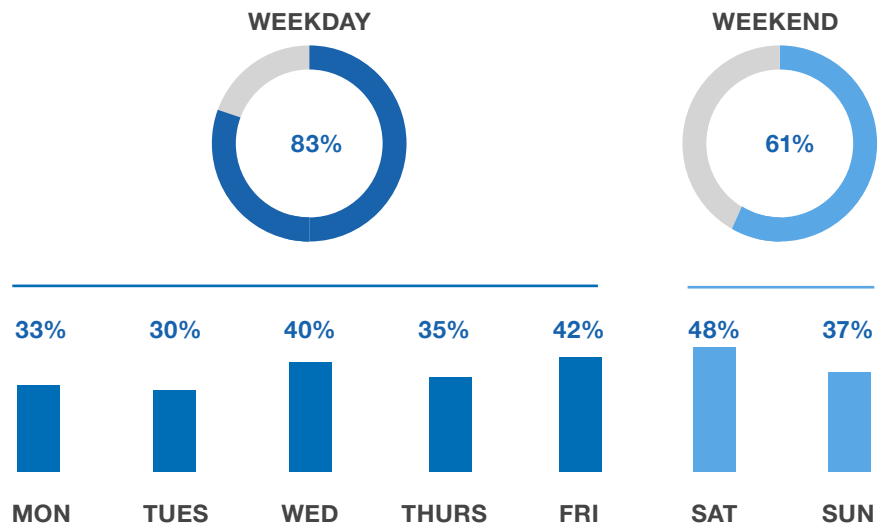Friday is the weekday that grocery shoppers visit the grocery store

41%

Grocers and retailers stock out on Fridays

56%

Grocery shoppers feel annoyed, frustrated or angry if a product is unavailable

Days of the week grocery shoppers typically shop

WEEKDAY

83%

WEEKEND

61%

MON	TUES	WED	THURS	FRI	SAT	SUN
33%	30%	40%	35%	42%	48%	37%

Rubikloud survey conducted by The Harris Poll among 1,952 U.S. grocery shoppers.

CUSTOMER ID //// 02494100
>>>>>LOAN TO VALUE $
>>>>>BRAND LOYAL. LOYAL
>>>>>PRICE SENSITIVE

MOST PURCHASED BY//// BRAND LOYALIST
>>>>>PRICE ELASTIC
>>>>>AVERAGE ASSOCIATED BASKET

THE BOTTOM LINE WITH STOCKOUTS

Knowing that product availability plays an important role in maintaining a positive customer experience, **50% of grocers and retailers experience 3-4% of stockouts throughout the year,** which means that grocers and retailers are also experiencing a 3-4% revenue loss in addition to customer churn.

According to Rubikloud's survey, **75% of grocery and retail merchandisers shared that they are managing inventory both manually and with technology. While respondents are using some form of technology to forecast consumer demand, these solutions aren't alleviating the stockout challenges that grocers and retailers are facing**. Legacy systems that grocers and retailers have historically used to manage inventory do not provide a full picture of real-time inventory, nor do these systems offer predictive technology that anticipates inventory needs based on consumer demand and shopping patterns

For example, grocers may input only a subset of promotion and pricing data into a legacy enterprise resource planning system that sits on a legacy database. Any effort to accurately forecast demand amidst rapidly-changing business complexity requires not only complete data, but the ability for their platform to automatically scale as business increases, for employees to augment or override insights when needed, and for the data to reintegrate back into legacy systems.

To overcome these challenges, grocers and retailers leaders are looking to implement processes and procedures to reduce human error, with **44% of grocery and retail merchandisers noting that they are interested in implementing technology to automate internal processes like inventory management within the next 2-3 years.**
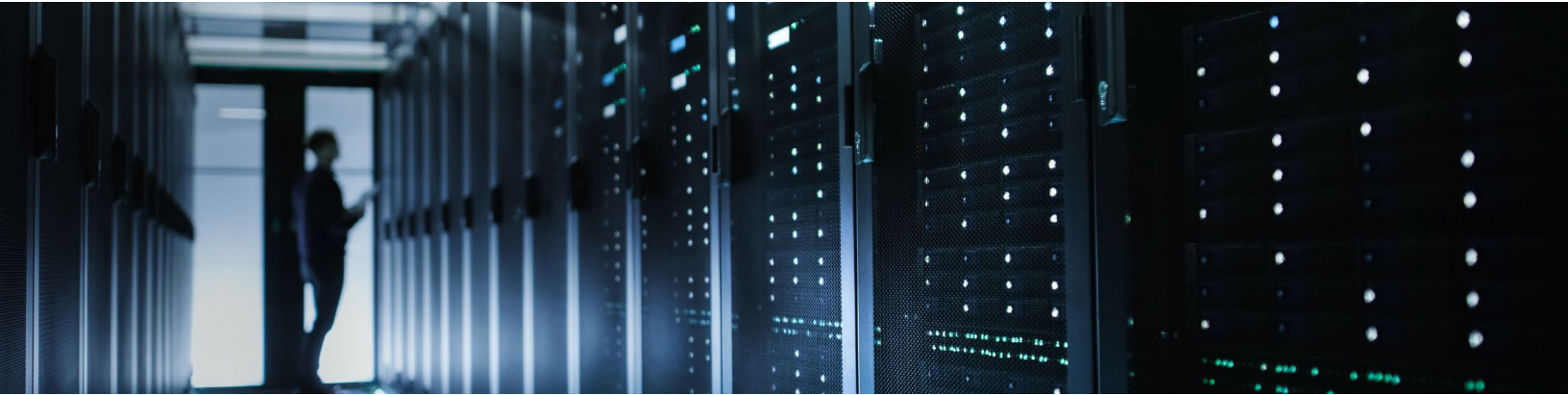
LOOKING FORWARD:

AUTOMATING DEMAND FORECASTING WITH AI

The amount of technology solutions available to grocers today are endless. And while some grocers are using some form of technology to manage margin and profits, customer churn and inventory, these solutions are often disconnected, disparate legacy systems that are unable to compile and predict data based on online and offline consumer behavior.

For larger grocers that have a large volume of products and SKUs, artificial intelligence (AI) can unlock greater operational efficiencies that directly correlate with the customer experience. However, using AI is a relatively new concept for grocers and retailers alike, especially those that have been around for decades and use the same technology and processes they did 20 years ago in today's technology-driven, omnichannel marketplace - ultimately, a main factor why they're falling behind. It's not as simple as deploying AI for the sake of doing it. This generalization of AI hinders a full understanding of what AI actually is, let alone how to apply machine learning-enabled software to make optimized and intelligent retail business decisions.

Take Amazon for example. Amazon has long mastered the ability to collect trainable proprietary user data, to the point where they understand more about their customer base than they do about customers' shopping habits. Using AI and machine learning technology, Amazon utilizes the data they collect to anticipate customer needs and making shopping easy.

But you don't have to be a retail giant like Amazon to be truly successful with AI and machine learning. For example, buyers and merchandisers from a large UK health and beauty retailer with 900 stores across the U.K. and Ireland spent 50% of their time manually planning and forecasting for promotions, which was prone to inconsistencies that resulted in excess inventory, increased stock-outs and missed cross-selling opportunities. After implementing AI and machine learning, the retailers experienced a 50% reduction in planning and execution, increased their forecast accuracy by 30%, reduced stock-outs by 31%.

AI has the ability to answer some of the most challenging problems that retailers face, empowering leaders to make better decisions that result in efficiencies, increased revenues and better customer experiences. AI is the future of retail and the key to a truly differentiated shopping experience. Grocers, it's time to bag up the data, or get left behind.