

# The Fantastic Four

This quartet of food retailers is doubling down on ecommerce now, for future success.

By Randy Hofbauer



## FAST FOOD

By partnering with Uber, Walmart has access to a fleet of cars for grocery delivery 24/7, allowing online shoppers to get their orders whenever they want.

**I**t's understood that in ecommerce, the grocery channel has been somewhat of a laggard compared with others.

According to New York-based eMarketer.com, computers and consumer electronics are anticipated to make up the No. 1 category in U.S. ecommerce dollar sales between 2012 and 2018, at \$108.4 billion, trailed by apparel and accessories (\$86 billion) and auto and auto parts (\$51.6 billion) at Nos. 2 and 3, respectively. Food and beverages fall at No. 9, with \$10.9 billion.

Grocery ordering online for pickup or delivery is anticipated to mature, however. While only 12 percent and 9 percent of North Americans in 2015 reported purchasing groceries online for delivery or pickup, respectively, 55 percent and 57 percent said they're willing to do the same, respectively, according to "The Future of Grocery," an April 2015 report from Schaumburg, Ill.-based market researcher Nielsen. Clearly,

many are ready to give online grocery shopping a try.

A number of traditional brick-and-mortar grocers seem to understand this reality and have been investing heavily in recent years to grab their share of the ecommerce pie sooner rather than later — and to continue to grow it even while competition heats up.

The following is a look at four of the more noteworthy contenders.

## Walmart

Wal-Mart Stores Inc. recently has made significant strides to position itself as a major ecommerce player. In late 2015, the Bentonville, Ark.-based company announced plans to pour \$2 billion into ecommerce over the following two years, outpacing the \$700 million it spent on

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ecommerce in the previous fiscal year, *The Wall Street Journal* reported in November 2015.

Among the mega-retailer’s initiatives in the grocery ecommerce space were partnerships forged last June with rideshare services Uber, for the Phoenix market, and Lyft, for the Denver market.

Particularly interesting is the Uber partnership, notes Jim Wisner, president of Libertyville, Ill.-based retail consultancy Wisner Marketing Group. While most other services require scheduling time windows for delivery, Uber empowers the retailer’s shoppers to get their deliveries whenever they want.

Turning from delivery to click-and-collect, Walmart has continued to expand its pickup program in various markets in the past year. In April 2016, for instance, the company brought free curbside pickup of groceries to eight new cities, including Kansas City, Mo.; Boise, Idaho; Charleston, S.C.; and Austin, Texas.

As Walmart ramps up competition against Seattle-based Amazon.com, attention to perishables will play a critical role, especially since the ecommerce behemoth hasn’t yet developed the same reputation in the area of groceries, particularly perishables, that it has in nonconsumables, notes Carol Spieckerman, president of Spieckerman Retail, a consultancy based in Bentonville. In response, the company is putting in place what Wisner calls an “extensive training program” for team members who prepare shoppers’ orders, with special attention paid to perishables.

But these initiatives don’t hold a candle to what’s arguably Walmart’s biggest ecommerce move yet: the acquisition of Amazon’s most capable ecommerce competitor, Jet.com. The \$3 billion cash deal included not only the Hoboken, N.J.-based company’s proprietary technology, customer data and ecommerce expertise, but also the services of its co-founder and CEO, Marc Lore, who will head Walmart’s online division for several years.

“The combination of Walmart’s retail expertise, purchasing scale, sourcing capabilities, distribution footprint and digital assets, together with the team, technology and business we have built here at Jet, will allow us to deliver more value to the customer,” Lore, a former Amazon executive, said at the time of the acquisition last August.

Of particular benefit for grocery shoppers: Jet’s pricing platform calculates discounts as shoppers purchase more, which helps drive volume and average order value. This is critical in the low-margin ecommerce grocery business, Mike Elmgreen, CMO of New York-based

B2B ecommerce platform provider Handshake, told *Progressive Grocer* at the time of the acquisition announcement. Additionally, since Jet was a late ecommerce entrant, it used quick delivery as a differentiator, positioning warehouses and streamlining logistics to maximize rapid delivery — something especially critical with perishables.

Jet’s technology is state-of-the-art enough to match Amazon’s, says Bill Bishop, chief architect with Barrington, Ill.-based retail technology firm Brick Meets Click. And combined with its market position, which allows it to outflank Amazon on price, the acquisition could well be a game changer for the industry.

## Kroger

Kroger is well known for being careful and disciplined across its business, from leveraging consumer insights for product development to integration of entire regional chains into its overall operations. It approaches ecommerce in a similar manner.

The Cincinnati-based grocery giant is methodically growing its way to online success by expanding its click-and-collect service to a growing number of markets. Formally dubbed ClickList in fall 2015, the service came into existence following the company’s 2014 merger with regional grocer Harris Teeter, which

The screenshot shows the Vitacost website interface. At the top, there are three promotional banners: "\$5 OFF" for purchases over \$55, "\$15 OFF" for purchases over \$100, and "\$30 OFF" for purchases over \$180. Below these is a search bar and navigation links like "Shop by Department" and "Shop by Specialty". A central banner reads "BUY MORE, SAVE MORE" with the same three discount levels and "PLUS, FREE SHIPPING!". Below this is a "Deals you'll love" section with several offers, including "Extra 12% off New Chapter supplements" and "20% off Arrowhead Mills bread". To the right is a "20% OFF" promotion for Garden of Life products. At the bottom, a "Just for you - buy or view it again" section displays a carousel of products with their prices: Artisan Organic Raw Past, Vega One Bar Chocolate, Adlon Andrew Medical Inc., Garden of Life, SunFood Raw Organic Maple, and Wild Blue Honey Naturally.

### LEARN AS YOU GROW

Kroger gained a firm footing in the world of online vitamin and health product retailing through its 2014 acquisition of Vitacost.com.

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—Gary Hawkins, Center for Advancing Retail & Technology

gave Kroger access to the Matthews, N.C.-based chain's Express Lane technology as a starting point.

Harris Teeter's program helped Kroger end up with a successful online grocery shopping platform, Bishop says, noting that the regional chain had been around long enough to “work out a lot of the kinks,” and that building the platform on its own loyalty program helped with personalization. Additional power came from the July 2014 acquisition of Vitacost.com, which gave Kroger a “solid foothold” in the pure online retailing of vitamins and health-related products.

In the past year alone, the grocer has expanded in a number of markets from coast to coast, from Southern California to Atlanta, and even celebrated the launch of its 500<sup>th</sup> ClickList location, in Delhi, Ohio, last fall. It rang in 2017 with the announcement that it plans to double the number of ClickList locations in central Ohio.

All of the data powerhouse's expansions are planned carefully, according to Gary Hawkins, CEO of the Los Angeles-based Center for Advancing Retail & Technology (CART). The grocer is well positioned to leverage its “vast knowledge” of its customers to understand what services these folks want, and which shoppers are most apt to use online ordering.

Moreover, Kroger is a master at using qualitative and quantitative customer feedback to continuously evolve and improve its online offering, which, at press time, consisted of some 40,000 products, including fresh meat and produce, as well as private label, which Wisner says few chains have effectively begun to integrate across all digital platforms.

“Kroger is doing a good job bringing together the personalization they have become known for and making it part of their online experience,” Hawkins says. “I can start building my online shopping list using items I frequently buy or have most recently purchased, or I can choose from sale items that have been filtered based on my past purchasing behavior, all of which make creating the list easy to do.”

Furthering convenience in this area, digital coupons saved to loyalty cards are automatically applied to online orders. Additionally, Kroger waives fees for the first three orders, which Wisner says allows consumers to learn the value of the service without the risk of losing money trying it.

As Kroger continues to build on its acquired properties and integrate them into its fold, it's expected to carefully consider how any new addition can benefit its ecommerce capabilities — and vice versa — and better position it for the future, especially if the Harris Teeter deal has been any guide.

“I think Kroger has a much more mature approach to acquisitions than most companies do,” Wisner asserts. “They leave what works there and try

to add resources where they have something new and different, and bring what they got from the acquired company back to the rest of the Kroger operation.”

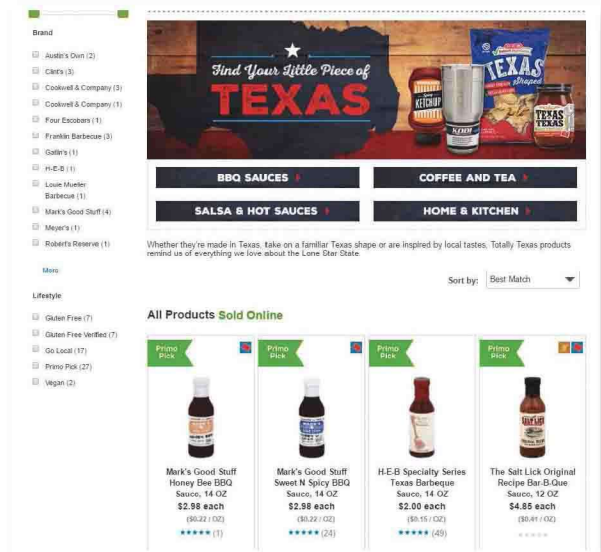
## H-E-B

Regional grocer H-E-B has a reputation for not being quiet about its Texas pride. It's also known for the deep admiration it engenders among generations of Lone Star State residents: Unlike many other grocers in Texas, San Antonio-based H-E-B has called the state home since its beginning, with locals relying on it for everyday needs since 1905.

“They do a better job of engaging their customers in the shopping experience” than most grocers, Wisner stresses.

That's especially true of ecommerce today: In 2016, the homegrown Texas retailer expanded partnerships with such third-party delivery services as Birmingham, Ala.-based Shipt and San Francisco-based Instacart, making such services even more accessible to Texans across some of the biggest markets statewide, including Houston, Austin, Dallas, Corpus Christi and Waco. It also brought its Curbside click-and-collect service to areas such as San Antonio and Waco, as well as more stores in the Houston metropolitan area.

Arguably, however, its most inventive ecommerce innovation goes well beyond its borders — and evokes its home-state pride, too. In November 2015, the grocer announced that more than 50,000 shelf-stable foods, drugs and general merchandise products — an assortment larger than that of many online



### LONE STAR TASTES

H-E-B's website enables consumers in Texas and 46 other states to choose from 50,000 nonperishable products, including a large number of Texas-made brands, for delivery to their front doors.

“The technology incorporated into the Samsung Family Hub refrigerator allows families immediate access to our ShopRite stores the moment they run out of food or need ingredients for a recipe or planned meal.”

—Joe Sheridan, Wakefern Food Corp.

retailers and even some H-E-B stores — had become available for purchase and shipping via HEB.com, including national and store brands. Unlike its brick-and-mortar stores or Curbside and delivery options, though, the website allows consumers in Texas and 46 other states, as well as those stationed at military bases worldwide, to shop H-E-B.

The news meant that while many grocers were working to set up their own ecommerce sites to offer everyday products that locals might be able to find elsewhere nearby, H-E-B was differentiating itself by offering only Texas’ best. At the time, its new “Totally Texas” page included products made in Texas or inspired by Texans, such as Whataburger Whatafries potato snacks and Spicy Ketchup, and Austin-made Franklin Barbecue Sauce, as well as Texas-made chips, carbonated soft drinks, salsas and more under H-E-B’s own brands. Even the grocer’s exclusive Mexican-inspired Cocinaware cookware could be purchased through the site for delivery.

“We’ve been receiving calls for decades from Texans around the country that miss their favorite foods from home, like H-E-B Texas-Shaped Corn Tortilla Chips and H-E-B Café Ole Taste of Texas Coffees,” says Martin Otto, chief merchant and CFO at the grocer. “Now, even if you move outside of Texas, you’ll still have a ‘neighborhood H-E-B’ just a click away.”

It’s this intense focus on growing a differentiated business that makes H-E-B primed for tomorrow, Bishop notes.

“Today, they’re the go-to site online for Texas-made consumer products,” he says. “This gives this regional grocery powerhouse a national online reach, which is quite exceptional.”

## ShopRite

ShopRite, the banner operated by members of Keasbey, N.J.-based retailer cooperative Wakefern Food Corp., is known as one of the earlier adopters of online grocery retail, foreseeing the shift to come years down the road. First introduced to customers in 2002, ShopRite from Home is now available in ShopRite stores across Connecticut, Delaware, Maryland, New Jersey, New York and Pennsylvania, allowing customers to place online orders from their home computers or mobile devices and have their groceries delivered to their homes or picked up in-store.

ShopRite’s longtime leadership in online grocery puts it at an advantage for future success in ecommerce. Bishop notes that the retailer has been able to drive strong online sales using both customer pickup and delivery. It promotes its online grocery aggressively, resulting in sales in this space reaching up to 10 percent of total-store sales at some locations.

What made for such early and long-term success? First, the commitment of Wakefern’s top management, and second, the co-op’s strong partnership with Winooski, Vt.-based MyWebGrocer.

A unique development in ShopRite’s recent ecommerce initiatives, however, connects to the larger Internet of Things (IOT). In January 2016, ShopRite revealed plans to integrate ShopRite from Home with Groceries by Mastercard, an app that comes preloaded in the Samsung Family Hub refrigerator, allowing consumers to order directly from the fridge using a built-in screen. The fridge, which was released four months later, sports an integrated tablet that allows users to schedule in-store pickups or at-home delivery with a few simple taps on the refrigerator. Via the app’s secure, easy-to-use interface, customers also have the ability to add products to their ShopRite shopping basket and pay online.

“This new technology incorporated into the Samsung Family Hub refrigerator allows families immediate access to our ShopRite stores the moment they run out of food or need ingredients for a recipe or planned meal,” Wakefern President and COO Joe Sheridan said at the time of its launch.

While the technology is still very much a new concept, it displays the grocer’s forward-thinking nature and desire to be truly ahead of the game in the ecommerce space.

“Their partnership with Samsung is definitely thought-leading,” Bishop says, adding that it “will position them well in terms of the evolution of online shopping” into IOT. **PG**

**SMART FRIDGE**  
Via a partnership with Mastercard and Samsung, ShopRite lets customers order groceries directly from the Samsung Family Hub refrigerator, which sports a tablet that runs an app customized for the grocer.

