

Culture Counts

BEFORE GROCERS CAN ADOPT A TECH-FORWARD STRATEGY, THEY MUST CREATE AND NURTURE A TECH-FORWARD CULTURE. **By Randy Hofbauer**

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ne year after Amazon announced its intent to purchase Austin, Texas-based natural and organic grocer Whole Foods Market, the industry has seen an unprecedented amount of technological advancement — from increased adoption of artificial intelligence (AI) and robotics to other acquisitions such as Target’s buying Shipt, Walmart’s purchasing last-mile delivery company Parcel, and even the Bentonville, Ark.-based mega-retailer’s taking the majority stake in Indian e-commerce behemoth Flipkart. Transactions like

these continue to blend brick-and-mortar with ecommerce.

And with half of 2018 behind them, grocery executives know that there’s nothing stopping this momentum: Shock and awe on grocery’s technology front is the new normal. If they want to be positioned for swift and smart action, grocers must create and nurture a culture that embraces innovation and the challenges that come with it.

What follows are six ways grocers can do so.

1 Start With a Customer-Centric Environment

Today, being customer-centric means delivering personalized experiences for shoppers who expect as much from their grocers. Grocers that aren’t personalizing risk losing customers to competitors that are doing so, according to Beth Curran, director of retail strategy at Redwood Shores, Calif.-based cloud services provider Oracle Data Cloud, and former director of advertising and marketing at the now-defunct Great Atlantic & Pacific Tea Co.



“Personalization should be holistic and seamless, with the customer always in mind,” Curran says. “Retailers must continuously rationalize offer strategies, pricing strategies, content and digital reach in order to maintain a relevant and impactful conversation with their shoppers. Utilizing multiple personalized tactics allows a retailer to strengthen its brand, deepen shopper loyalty and increase sales.”

Effective use of shopper data, combined with additional insights such as proximity to a competitor’s store, or shopper lifestyle, allows retailers to target their most loyal and lucrative customers with an experience that matters to them, Curran asserts.

Ken Fenyo, head of consumer markets for New York-based consulting firm McKinsey Fast Growth, who was previously VP of loyalty at the Cincinnati-based Kroger Co., adds that when developing a customer-centric culture, grocers must start from the top if they want to be effective. Senior executives, led by the CEO, must ensure that the organization is delivering value to its customers every day.

2 Knowing Shoppers Outside the Transaction

Loyalty programs allow retailers to understand shoppers’ behavior inside stores, but provide only a one-dimensional view, Curran explains. Combining first-party data with powerful third-party data adds a meaningful dimension to what grocers already know about their shoppers, enabling them to tailor communication and merchandising strategies to similar groups of shoppers. The two data sets give marketers and merchants alike a much clearer picture of what households buy, where they shop, and how to reach them with targeted and personalized messaging that will resonate.

“Strategies for retention and conversion can be built using this full view,” Curran notes. “For example, are you talking to a 31-year-old Millennial who is a heavy online buyer and engaging with natural and organics — or with a recent empty nester with changing needs? Overlaying third-party data gives you the power to strategically create a conversion plan for the Millennial to your ecommerce platform and provide the empty nester with offers that focus on a smaller household.”

3 Developing Relationships With Startups

A wide range of technologies is disrupting the grocery industry, including mobile, AI, virtual reality (VR) and augmented reality (AR), the Internet of Things (IoT), and robotics. However, few, if any, grocers have the in-house resources and talent to take advantage of these technologies, Fenyo observes. To better compete, grocers need to build a portfolio of relationships with startups to drive revenue and reduce costs.

“Some of these startup relationships could be focused on near-term needs — for example, partnering with ecommerce companies such as Instacart and Deliv” for a last-mile solution, he says. “Others could be more far-reaching and transformational, such as creating fully automated fulfillment centers leveraging AI and robotics, or using IoT to provide real-time pricing, offers and advice to shoppers in-store.”

4 Taking a Test-and-Learn Approach

Grocers haven't typically been fast movers when it comes to developing new technology solutions, often taking years to do so. But with the fast pace of change in the industry, they must move much, much faster by adopting a test-and-learn approach to new technology.

Rather than investing in a small handful of large projects, grocers should create and pilot multiple new ideas at a time, Fenyo recommends. Whether these pilots are online or in-store, grocers can quickly scale winning concepts and kill or re-engineer ones that aren't gaining traction.

5 Embracing the E-revolution of the Circular

Grocers today are, in many ways, facing the same challenges that print magazines began dealing with a decade ago: The struggle between print and digital has begun causing disruptive changes to advertising, content access and, most importantly, the customer experience, according to Blake Eisler, director of CPG retail client solutions at Oracle. And while hosting a digital version of a circular on a grocer's website provides some coverage in this area, it isn't enough.

“You want to reach your consumers wherever they engage online, whether that is Facebook or another channel, with a circular experience that provides the products and



offers they are most likely to buy,” Eisler notes.

To embrace the “e-revolution” of the circular, another lens needs to be taken to optimizing print distribution, Curran adds. Historically, retailers have run their entire businesses on the same print distribution strategy, but addressing where and how to scale back to shift to digital is a new conversation: Strategic conversations need to happen now, from the top down, to address how to shift budget, allocate resources, engage CPG partners and plan for the increased need of a targeted digital circular.

“Executing the circular via digital media provides real accuracy, accountability and transparency,” she points out. “You know who you're targeting and reaching with your ad, and how that impacts in-store sales — something that cannot be done now with the traditional print distribution.”

6 Coming to Grips With an Ecommerce Strategy

As Amazon continues to integrate its operations with those of Whole Foods, grocers have a lot to address in their ecommerce strategies, notes David Diamond of New York-based consultancy David Diamond Associates. The fact is, 20 years after Webvan, many grocers are still trying to deal with ecommerce, with a shocking number still not having fully mastered it.

“But with Amazon making a significant investment to buy Whole Foods, it seems that someone — probably Amazon — will figure it out over the next one to two years,” Diamond says. “All other grocers will need to be trying as hard as they can to be ahead of — or at least even with — this rising tide.” **PG**

3 Critical Tasks in Developing an Ecommerce Strategy

- ▶ **Decide whether home delivery is either big and worth doing, or niche and not bothering with.**
- ▶ **Develop a plan for click-and-collect that actually works in current stores and uses current personnel.**
- ▶ **Consider expanding ecommerce offerings beyond what's sold in their stores, with additional products that customers would like to add to their carts through ecommerce.**