

How brick-and-mortar supermarkets can win the E-commerce race

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In retail circles, there's been significant coverage of late on implications of Amazon's purchase of Whole Foods, and for good reason. According to a Nielsen study released in January, 20 percent of all groceries will be bought online by 2025.

The study, conducted in part with the Food Marketing Institute, found that the online grocery market is growing far faster than other brick-and-mortar-first industries, and grocery stores seem to be uniquely positioned to succeed through multichannel strategies. But the idea of entering e-commerce to compete with the likes of Amazon is daunting for many smaller-format stores. Here are a few tips on staying competitive in the impending supermarket ecosystem.

Don't Be Afraid To Double-Down On Niche

In years past, shoppers often went to multiple locations to purchase goods - there was a milkman for dairy needs and a pharmacy for medications. While small businesses like these have been threatened by big box chains, we're seeing a shift with online retailers such as Dollar Shave Club and Lola coming to the table with hyper-focused offerings.

Where companies like Amazon serve as one-stop shops for a variety of needs, consumers are turning to small format retailers both in-person and online that set themselves apart from their competitors by focusing on things like providing exemplary customer service, unique products and being socially conscious.

The study by the Food Marketing Institute found that there is room for a variety of retailers in the market; consumers increasingly rely on a broad number of channels for

grocery shopping. In fact, the average consumer visits five to seven retail channels regularly to buy groceries.

Understand The Value Of Multichannel Strategies

According to a study by Koupon Media, in 2015, small format retailers like drug, dollar and convenience stores, outgrew large format stores by almost 400 percent, contributing more than \$1 trillion to the market. Part of the growth experienced by smaller stores came as a result of shifting focus to e-commerce. In fact, brick-and-mortar grocery stores incorporating a digital shopping experience appear to be doing better than online-only stores.

"Brick-and-mortar supermarkets need to join forces with strong technology partners who understand thoroughly the specifics of grocery retail operations and who can help stores build branded and integrated digital omni-channel solutions," says Dan Dashevsky, Founder & COO of My Cloud Grocer. "It is important to note, though, that building the best solution alone will not guarantee success. It requires full commitment of store management on all levels: executive, marketing, and operations."

Consultancy firm Brick Meets Click looked at online orders from 19 multichannel grocery stores over the course of one week. These included only supermarkets that offer groceries in both traditional and online formats. More than half of the stores in the study recorded average online orders between \$120 and \$180. In comparison, average sales at online-only grocery stores were lower. For example, Fresh Direct's average sale totaled \$105 and AmazonFresh's average sale was \$84. Breadberry, a grocer who participated in the study, found that "the number of customers shopping online increases each month, and the average basket size increases as well," says owner Sam Gluck.

In light of the evidence, it now appears larger retailers like Amazon are following the lead of multichannel supermarkets. Amazon has scaled back its AmazonFresh operations and has purchased organic grocer Whole Foods. Similarly, Google Express, another online shopping and delivery service, has partnered with Walmart. In 2021, Amazon is projected to sell more than \$23 billion worth of groceries.

"When Amazon recently announced it was discontinuing its AmazonFresh grocery delivery service in several geographic areas, some quickly and mistakenly reported it as a sign of retreat. I see the cutback as a clear part of the company's overall strategy to integrate Whole Foods into an expanded grocery offering," says Dashevsky. "While it's not too late yet for supermarkets to adopt and embrace the change, since it will take

some time for Amazon to complete its integration with Whole Foods, the window of opportunity is becoming smaller every day. The winners will be those grocers who successfully implemented multichannel strategies."

Incorporate Geofencing

Supermarket behemoth Woolworths is a great omni-channel case study. The company used geofencing technology in combination with beacons to improve click-and-collect services at a location in Sydney.

"The practice of identifying a mobile device when it enters a virtual area defined by a marketer allows retailers to engage with customers based on their real-time physical location, using only their mobile device," says Emil Davityan, Co-Founder of Bluedot Innovation.

Woolworth's customers were asked to download an app to place an order, which would alert in-store staff of a customer's location in proximity to the store prompting staff to begin completing an order. When completed, a push notification was sent to the customer to alert them that their order was ready for pick-up.

"The best way to succeed is by leveraging a customer's location to increase relevance of their interaction," explains Davityan. "Brick and mortar businesses can tap into contextual cues that indicate where they are in the path to purchase and tailor their message accordingly."

Pay Attention To Demand

The ample opportunities for brick-and-mortar supermarkets don't negate the challenges facing stores launching e-commerce channels. Demand can be hard to predict and mismanaged inventory can lead to a dwindling sense of convenience and customer service. That is, if customers don't receive an accurate order, they might lose faith in a significant value proposition of online shopping: convenience.

For those brick-and-mortar stores that want to compete with their online-only counterparts, anticipating the challenges that hold them back from offering the promised convenience of a smartphone-facilitated grocery experience is key. In total, U.S. online grocery sales amounted to about \$7 billion in 2015, and 23 percent of U.S. households are currently buying their groceries online. Brick-and-mortar stores will need to adapt quickly if they want a piece of the pie.