The four pillars of futuristic grocery retailing

Today's retail is purely contextual in nature and such contextual retailing is supported by four pillars: an omnichannel presence, deep customer engagement, and digital supply chain – all three powered by robust analytics – which forms the fourth.

By Ed Khatuka

The Retail Grocery Industry in India is at a crossroads today. It is faced with multiple challenges: changing consumer patterns and shift in preferences, pricing, government policies, taxation and regulations, rising real estate cost issues and, most importantly, changing customer demographics. This is the generation of Millennials and 'Digital Natives' – generations that are 24X7 connected to their smartphones, engage with the world through their smartphones and (importantly for us) buy day-to-day stuff through their smartphones. Well, almost – as they can also buy through portals or walk up to a store. This is a reflection of the change in commerce today. However, the generation of traditional shoppers – those who like to visit a physical store, touch and feel the products that they buy and purchase across the counter – continue to engage with retailers. Retailers cannot ignore this still sizable customer segment.

What do customers want?

This is a difficult question because customers want everything and they are right. When there are a plethora of opportunities, why should the customer be sticky? Rather, what should a retail grocer do to retain stickiness? The answer is actually pretty straight forward: engage deeply and ensure customer delight. Observing customers' purchasing pattern is a key input for effective engagement. It provides the perfect opportunity to show that you care about the relationship by making the order process easy for him or her through standing orders. Wouldn't it be easy if their order is repeated automatically in fixed internals such as their monthly grocery list?

The same can be said of delivery too. As customers today typically prefer ordering from the convenience of their smartphone apps, wouldn't it be nice to allow them to pick up their order at their convenience like a drive-thru whenever they choose or, better still, have it delivered as per the customer's delivery window preference. Empowering the customer also includes offering him or her the option of click-n-ship or click-n-pick.

Another trend that is increasingly visible today is around grocery stores and hypermarts becoming a single stop for multiple activities. The Point of Sale terminal (POS) has evolved from being just a simple checkout terminal to selling mobile airtime, lottery and event tickets, to utility bill payment and even ATMs (!) where a consumer can get cashback from their debit/credit card. The last item in the current scenario is still largely a wish list for retailers in India due to banking regulation but it may soon change depending on innovation brought around by payment banking.

Quick checkout = Happy customers

Now consider a typical scenario in a store. Long queues are a pain. Wouldn't queue busting and price checker capability at the store help manage queue at billing counter? That would ease the workload for your store staff as well as make grocery shopping truly a pleasant experience.

In parallel, consider digital wallets and in-store app usage enablement to create self checkout possibility. Wouldn't it be nice if the customer could just pick up their phone, scan the products, choose discount options, self checkout by paying for it through their digital wallet! The process is truly complete and traceable as the receipt for the purchase will be directly emailed to the customer while retaining a copy in a digital repository for future warranty claim or tax purposes. As digital wallet and mobile adoption have increased, the above scenario is feasible today and with very limited infrastructure investment on the retailer's part. Implementation of such technology means faster checkout and exciting benefits such as points and incentives, which ultimately converts to customer happiness.

Have you thought about integrating payments and loyalty? While payment options have significantly increased beyond cash, credit card and Sodexho to multiple payment wallets, considering that most grocery shoppers are almost a weekly customer, certain large format groceries chains are experimenting with closed wallet that can extend credit line and also work as a loyalty system.

Retail needs drive technology adoption

Changing customer profile highlights the paradigm shift towards digital channels and as such 'pure play B&M' grocer has an opportunity to use the store as an asset by leveraging the physical grocery mart into a digital hub. These hubs would become the center of multi-channel retailing – also customised multi-channel engagements. A digital hub would allow the creation of efficiencies for faster delivery and offer opportunities to sell 'value add' products, such as in the example given earlier.

Delivery, another operational process, strongly hinges on technology. This process would encompass shipment of product from the closest identified warehouse, identification of the closest store depending on business preference of delivery time, cost or the need to ensure product freshness. Indeed, the need of the store dictates the level of technology requirement. This could vary from the basics of weighing scale integration, multiple barcode support, and perishable/expiry tracking to increase in complexity such as production management that supports repacking into smaller packages, and from deli and bakeries support where recipe management and/or wastage needs to be tracked, to complex pricing management for cuts (meat produce). In the same vein, if the business strategy of a grocer involves expansion into multi-format, like the kinds of Tesco or Kmart, it would make sense to invest into retail store management software that can support multi-format retailers.

Being exclusive is a promise

The development of supermarkets and other large grocery stores has created niche markets, for example, sale of unique, premium quality, or exotic foods chains. Another example is organic foods, which are also becoming an increasingly popular niche market. This, however, brings with it a technological need – better supply chain tracking and labelling to ensure the commitment of freshness or organic can be tracked to the origin. For example, 'farm to fork' tracking of organic or premium merchandise can be a complicated process involving many producers and suppliers, but leveraging technology to track will help ensure brand promises are met.

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Size and shape matter!

Store size, format and operating hours can also at times drive different technology needs – a large format store not only requires very large stock keeping units (SKUs) and inventory handling, but could also require multiple verticals, such as food (including fresh produce), general merchandise, appliances, etc., and sub-verticals (such as deli and bakery) handling, stock segregation in front and back office and docking and related stock management needs, to stock taking activities without hampering sales activities and/or support for shift and session management at POS.

A large format store similarly may want to add to their services – by creating a store-in-store model that sells, for example, upscale coffee, books, conduct eye examinations and offer spectacles, gift items and sundry. Depending on the business model, it could require a POS that supports revenue tracking and sharing or inventory segregation amongst others. Similarly, store ownership models – independently owned, franchise owned or selling

inventory on consignment – can have an impact on the both store as well as head office accounting.

Analytics drives intelligent sales

Technology and analytics help improve sales. By analysing bill penetration and scanner data, a retailer can make intelligent decisions leading to strategic outcomes. Consider, for example, the standard question of product combinations (what products tend to be purchased together). Yesteryears' scanner analysis helped a retailer place bananas both in the 'produce' and 'cereal' sections as many consumers would get to the cereal section and realise that may need bananas and may not want to go back and get them. How do we identify similar missed opportunities? How do we unearth other blind spots? As we start collecting ever more data points, insights such as these require upgrading analytics capabilities to more than just in-store data and insights.

Being omnichannnel is more than just mobility

Mobile is and will continue to play a key role in grocery retailing (more so than websites, if I may say) as the customer will be able to 'shop and build orders on the go'. This basically reiterates the fact that convenience designed in the application and the store fulfillment will be the principal driver of online growth in this sector. Being online also has the advantage of 'being current'. Typically, in a grocery store, the price of some produce may changes twice a day. The flexibility to reflect such price changes online to give the customer real-time information goes a great way in empowering the customer to make his or her purchase decisions.

The virtues of omnichannel also extend to being able to ship from the closest store location to reduce cost and delivery time. Facilitating curb side pickup for customers when they return from office could be a clear differentiation between a true omnichannel retailer versus a 'pure play' e-commerce grocer.

Clear and present trends

While the above narrative presents a kaleidoscope of virtues that technology offers grocery retailing – both to the customer and the retailer – certain clear and present trends are becoming increasingly visible, in fact too visible to ignore. Today's retail is purely contextual in nature and such contextual retailing is supported by four pillars: an omnichannel presence, deep customer engagement, and digital supply chain – all three powered by robust analytics – which forms the fourth. **PG**

The writer is CEO – Intellect Commerce, a global organization that provides innovative Retail, Store Management, Point of Sale, Inventory and Loyalty Management Softwares for leading retail chains across various verticals like FMCG, Fashion & Lifestyle, Specialty and F&B.