

Are You Creating the Right Customer Experience for the Modern Shopper?

The State of Grocery Report





Overview

Digital shopping and the new balancing act for success

2X

Online grocery sales have doubled since 2016 and will account for an estimated 20% of grocery spending by 2025.

The Internet transformed retail, raising expectations for customers and forcing brick-and-mortar stores to modernize and adapt. Until recently, the grocery industry seemed immune from this impact. After all, who buys tomatoes online? Well, it turns out a lot of people do. Now the grocery industry is facing its own period of disruption, and grocers must pay attention to the transformations to stay competitive. For grocers who adapt, it's a massive opportunity, but it means understanding consumers' evolving expectations and moving quickly to address them.

The changes are happening fast. Online grocery sales have doubled since 2016¹ and will account for an estimated 20% of grocery spending by 2025. Non-traditional outlets like dollar stores and wholesale clubs are also surging, accounting for 40% of total food retail². And these new ways to buy aren't the only transformative force. Home meal kits from services like Blue Apron and Hello Fresh give people another reason not to go to the store, and delivery services like DoorDash and Uber Eats make it easier than ever to get top-quality restaurant food at home. These new services are all undercutting the traditional grocery store model, and forcing the traditional players to adapt – or lose customers.

It's clear that grocers need to respond to these new buying habits to thrive — but how?



Two-thirds of shoppers visit grocery stores **1-2 times a week...**

But their expectations are changing.

To find out, ServiceChannel commissioned a survey of 1,505 grocery shoppers to determine what people look for in a grocery store, and what attracts them to which option (online or brick-and-mortar) for buying groceries. The bottom line? **Most people still enjoy going out to buy groceries, as long as the experience is a good one.** But their expectations are changing, driven by the convenience and choice they now have online, or with various hybrid, pickup, and delivery solutions. And these expectations vary by factors like age and even the time of year.

With two-thirds of respondents saying they visit a grocery store 1-2 times a week, it's clear that people won't abandon their visits to grocery stores any time soon – but only the savviest grocers will stay at the top of the food chain in this new era of grocery shopping.

> Read on for the modern grocer's new playbook

1

Providing the Right Experience

Introducing the Omnichannel Shopper

A Glossary of Online Grocery Options

Although they're all online options, different services get your groceries to you in different ways. Here are the major formats and their main differences.

Click-and-collect: shoppers select their food online and pick them up at the curb of their preferred store location or a centralized pick-up spot in as little as a few hours. Many traditional chain grocery stores now offer this option.

Delivery-only: These services are like having personal grocery shoppers; after you select items online, their delivery people will visit the store (or stores) of your choosing, grab your items, and deliver them to you as fast as that day. Instacart is a popular example.

Pure online grocery delivery: No store needed for this option; services like Fresh Direct have their own warehouses with groceries and goods ready to go, packed and shipped to your house within a day.

Delivery from brick-and-mortar: Some brick-and-mortar chains have their own delivery services that will take your order online and deliver to your house within a day or two. Peapod by Stop & Shop is an example of this service.



About more than just groceries

Our survey reveals that a growing segment of “omnichannel shoppers” has emerged – those who regularly shop online, in stores, and also buy meal kits. When shopping at a store, these omnichannel shoppers prefer an all-in-one experience that includes extra services like coffee bars and play areas for children. In contrast, shoppers who never shop online for groceries do not tend to seek out these amenities in their primary grocery stores as much. Not surprisingly, omnichannel shoppers skew younger: 58% were Millennials or Gen Z.

The takeaway for grocers? To appeal to this fast-growing segment of young shoppers, you need to think about providing these extra services in stores, which can include everything from juice bars and in-store restaurants to services for picking up and dropping off packages.

58%

Omnichannel shoppers skew younger: 58% were Millennials or Gen Z.

Omnichannel grocery shoppers use their grocery stores in a whole new way — not just to buy food.

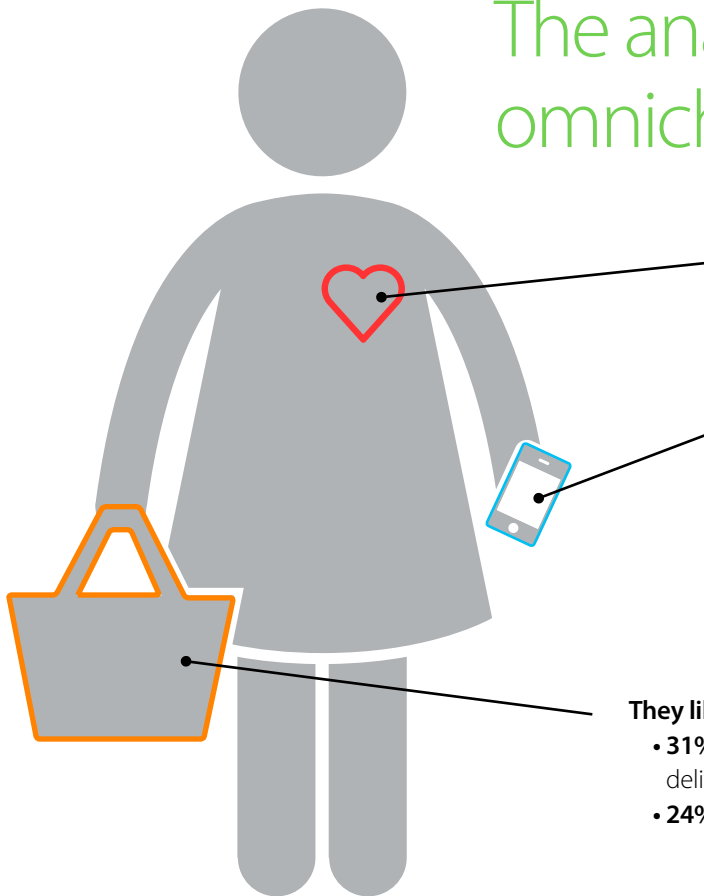
3X

as many omnichannel shoppers eat at in-store restaurants compared to non-digital shoppers (25% vs 7%)

Compared to non-digital consumers who shop only in brick-and-mortar stores, omnichannel shoppers do a lot more at the store:

- **2x** as many use banking services (26% vs 12%)
- **3x** as many consume quick service/prepared food (31% vs 11%)
- **3x** as many eat at an in-store restaurant (25% vs 7%)
- **7x** as many grab a drink at an in-store bar (15% vs 2%)

The anatomy of the omnichannel grocery shopper:



They still enjoy the in-store experience a lot:

- **79%** enjoy grocery shopping most or all of the time
- **50%** visit the grocery store 1-2 times per week

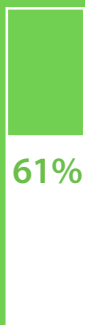
They regularly shop online, but also visit the store:

When they do shop in physical stores, it's because they want to **select their own fresh items** (42%) and because the store offers **services they can't find from an online grocery** service like a restaurant, coffee bar, bank, or pharmacy (30%)

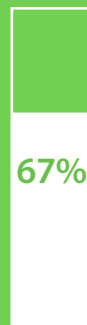
They like the convenience of prepared foods:

- **31%** like the prepared foods offered by their grocery delivery service
- **24%** seek out prepared foods in the physical store, too.

Omnichannel shoppers are more discerning about tech and physical appearance:



61% have walked out of a store because it lacked tech amenities (e.g. self check-out, Wi-Fi), compared to 9% of non-digital shoppers



67% have walked out of a store because it wasn't clean, compared to 39% of non-digital shoppers

Omnichannel shoppers are less loyal:

4X 

Non-digital shoppers were 4x more likely to say they are loyal to their primary grocery store.



Check it Out:

Are Boomers sitting out the digital grocery revolution?

While the omnichannel shopper skews younger, Boomers, with their larger wallets, are still a critical audience for grocers. The last Census³ showed that there are 74 million Boomers, outnumbering Millennials by a nose, although that gap is quickly shrinking. Boomers also spend more than Millennials⁴ – and every other generation.

So what do Boomers want from their grocery experience?

Stability. Many Boomers aren't looking for changes from their primary grocery stores. When asked what new services would make them visit their store more, half of Boomers said nothing would.

The main features that would entice them to visit more often? The top two chosen were **quick-service food offerings** with areas to eat them and **cleaner bathrooms**.

Boomers v. Gen X and Gen Z



2x as many Gen Z and **3x** as many Millennials have ordered groceries online



3x as many Gen Z and **5x** as many Millennials have ordered meal kits



Only 9% of Boomers regularly eat a meal at their grocery store (compared to 22% of other age groups).



Only 7% of Boomers would visit their grocery store more often if it had a bar. Twice as many Gen X, and about a quarter of Gen Z and Millennials said the same.

For grocers, it'll be a balancing act of accommodating the omnichannel shopper while also keeping in mind that most shoppers simply want a great experience within their primary store.

2

Providing the Right Experience

What the Modern Shopper is Looking For

1/4

of shoppers say they shop in a physical store because it **offers services they can't get online.**

1/5

of shoppers say they want to buy **prepared food** at the grocery store.

Many grocery stores have already started to cater to this new type of shopper who values experience and convenience. In-store grocery food service sales (prepared foods, sandwich counters, etc.) have grown into a \$34 billion market — approaching three times the 2006 total of \$13 billion. Whole Foods, Kroger, and Wegmans have invested in in-store bars⁵, while others have gone so far as to offer cooking classes⁶ and even petting zoos⁷ to make the store experience more fun and rewarding.

THE MOST POPULAR NON-TRADITIONAL ACTIVITIES AT GROCERY STORES, BY GENERATION:

	Gen Z	Millennials	Gen X	Boomers
1				
2				
3				
4				
5				

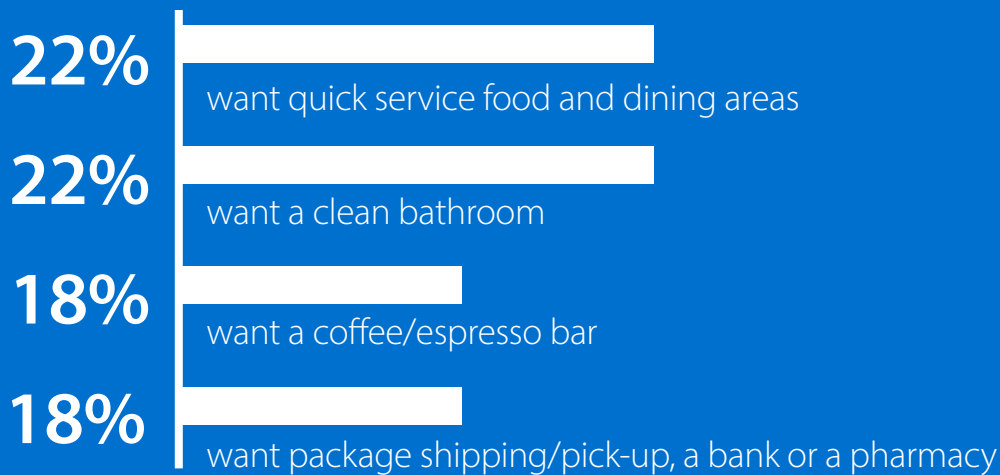
LEGEND:

- Buy coffee or tea
- Fill a prescription
- Engage with my community
- Buy quick serve or prepared food and eat in-store
- Use banking services
- Visit the juice bar
- Visit in-store restaurant and have a meal

Grocers who provide shoppers with experiences and services that online grocery can't match will be rewarded.

Lives are busier than ever, and grocery stores are becoming an everyday destination that can't be matched by online grocers. Consumers want to grab a meal or a coffee and also check errands off their to-do lists while they're in the store.

What features would make shoppers visit more often:



Enticing shoppers to switch from their primary grocery store to a new one:



Boomers were most likely to make a change for **good value.**



Millennials were most attracted to **in-store bars or restaurants and children's play areas.**

3

Providing the Right Experience

Expectations for the Store Experience are Higher than Ever

1/3

More than a third of grocers are creating a negative shopping experience by not having clean bathrooms.



The **top technologies** people want to see in grocery stores:

1. **Self check-out**
2. **Price check kiosks**
3. **In-store Wi-Fi**

Grocery shopping is a sensory experience.

Smells, sights, and touch matter in the place where you buy your food. It all adds up to an enjoyable – or negative – experience.

What shoppers expect when they walk into stores of all types has evolved in recent years as retail has transformed. In the grocery store, shoppers may want appealing services and amenities, but they expect the experience to be consistent, smooth, and efficient, thanks to everything from clean floors to organized stores to quality Wi-Fi.

With shoppers now buying and consuming food in stores, cleanliness is more critical than ever.

The most important physical aspects of a store to shoppers are clean shelves, bathrooms, floors, and carts.

These aspects mattered more than parking, store layout, or lighting and design. Yet a quarter of respondents have experienced either a dirty bathroom or a dirty/broken shelf in the last 6 months.

Shoppers highly value clean bathrooms and clean eating areas.

Nearly a quarter say these features would make them visit their primary grocery store more often. Yet **only 61%** of shoppers report their grocery store as having clean bathrooms. That means more than a third of grocers are creating a negative experience for shoppers – and losing out on business.

In-store tech is a foundational expectation for shoppers.

Consumers want their trip to the store to be efficient and cost effective with the help of simple and easy-to-use technology.

They likely rely on Wi-Fi, for example, to look up recipes and text family members with shopping questions.

Men are actively seeking out technology in grocery stores more than women: thirty-one percent of men have walked out of a store because it didn't have the tech amenities they wanted, compared to 20% of women.

48%

of people have left a grocery store without buying anything because it was too dirty.

#1

The #1 issue to make a shopper leave a grocery store without buying anything is seeing bugs or rodents.

Grocers face unique challenges and turn to facilities management to help provide great customer experience

“**The most unique thing about the grocery industry is the volume of what we're dealing with from a maintenance perspective.** In other retail environments like clothing stores, there tends to be a lot less to break. In our grocery stores, we have so many different pieces of equipment between our refrigeration and our food processing system, like the equipment needed at the meat, deli and bakery operations. **There's a lot that can break and can go wrong.** The volume of work that we're having completed is generally pretty high.”

— **Craig DeGroat,**
Maintenance Supervisor,
Tops Markets

“To survive in today's market, **you need to ensure you have a great store experience.** This means that when customers walk in, they don't notice if the store is having any issues or problems. Stores are open environments. Things will break, but how can you minimize that? **Having an air-tight facilities management strategy is critical to delivering a great experience.**”

— **Steve Hebda,**
Facilities and Construction Director,
MOM's Organic Market

4

Providing the Right Experience

Be the Hero and Reduce Holiday Shopping Stress

\$1T

Forecasted winter holiday retail sales surpass one trillion dollars⁸. Food spending will be the second biggest category after gifts.



Buying presents isn't the only thing on holiday to-do lists.

Shopping for and preparing holiday meals also commands time and dollars. In 2018, Americans planned to spend an average of \$142 on their Thanksgiving dinner⁹. For grocers to grab a piece of that pie year-after-year, offering convenient ways to minimize stress is key.

Consumers have come to expect feeling stress over the holidays.

30% of respondents expect the grocery shopping experience to be more stressful than usual in the 2019 holiday season.

Prepared meals, already gaining in popularity year-round, will take center stage during the 2019 holiday season, presenting a big opportunity for grocers to rack up sales.

- **29%** of all respondents will order prepared holiday meals or dishes to make grocery shopping less stressful over the holidays. More men (36%) are planning on this option than women (21%).
- **63%** of all respondents said they would be at least somewhat likely to order a fully prepared holiday meal from an online grocery delivery service if it were available, with Millennials and Gen X being the most interested.
- **32%** of those who already shop online say they'd be very likely to order a fully prepared holiday meal from a delivery service.

Shoppers who regularly buy groceries online will lean on digital options even more heavily in the 2019 season:

- **50%** of those who regularly shop online for groceries plan to order them online more than usual.
- Compared to other generations, **more Millennials (47%) and Gen Xers (53%)** plan to order groceries online more often than usual over the holiday season.

It's not all about the products. Consumers said the top things grocery stores could do to alleviate stress during the holiday season is adding more checkout lanes and staff. Grocery stores should also staff up for all-hours shopping, as 55% of shoppers plan to visit the grocery store at off hours.

Consumers have come to expect feeling stressed over the holidays.

30%

of consumers expect the grocery shopping experience to be **more stressful than usual in the 2019 holiday season.**

More stress means more online shopping. Even consumers who don't typically shop online would do so to reduce holiday stress.

46%

of shoppers who don't order groceries still say they'd be somewhat **likely to order a fully prepared holiday meal from an online grocery service.**

How to Win the Loyalty of the Modern Grocery Shopper



1

Meet the expectations of the omnichannel grocery shopper.

This is a new type of grocery shopper, who regularly shops online AND in stores, and buys meal kits for convenience. Omnichannel shoppers enjoy going to the store, and expect a lot from the experience. To remain competitive and thrive, grocery stores must cater to these shoppers with diverse, enticing services and amenities – while ensuring the shopping experience is efficient and smooth.

2

Provide a convenient, “one-stop” shopping experience that goes beyond food.

Grocers should consider what else consumers can do in their stores beyond buying packaged food, meat, and produce, and offer these products and services – such as prepared and quick-service food, banking, package pickup, and pharmacies. These categories are especially in demand for Millennials, many of whom are feeding new families¹⁰, and Gen Z, whose tastes will define the next era of consumer experience.

3

Meet the expectations of all grocery shoppers (whether they buy groceries online or not) who are accustomed to a superior store experience.

While many consumers want new, convenient services and amenities, they ALL expect the stores to be clean and organized, with technology like WiFi and self check-out for an easier and faster shopping trip.

4

Holiday seasons are becoming a truly omnichannel shopping experience for American consumers, who are seeking ways to reduce holiday stress.

People will split the load between grocery delivery and in-store shopping fairly evenly, and look for time-saving options like prepared foods. They'll avoid stores if they can because of the crowds and lost time, but they also want to grab specialty items and produce in person.

Methodology

An online survey was conducted with a panel of potential respondents in August 2019. The survey was completed by a total of 1,505 respondents 18 years and older in the U.S. who made a purchase at a grocery store in the past six months, and are one of the primary grocery shoppers in their household. Of the 1,505 general consumers, 599 bought groceries online within the past six months and 500 ordered a meal kit online (either from an online grocery service or a meal kit service) within the past six months. The sample was provided by Market Cube, a research panel company. All were invited to take the survey via an email invitation. Panel respondents were incentivized to participate via the panel's established points program.

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² Supermarket News. (2019). Traditional Supermarkets Lose Share as Playing Field Shifts. Retrieved from <https://www.supermarketnews.com/retail-financial/traditional-supermarkets-lose-share-playing-field-shifts>

³ Pew Research Center. (2018). Millennials Projected to Overtake Baby Boomers as America's Largest Generation. Retrieved from <https://www.pewresearch.org/fact-tank/2018/03/01/millennials-overtake-baby-boomers/>

⁴ MediaPost. (2019). Baby Boomers Spend More than Millennials -- Yet are Ignored by Advertisers. Retrieved from <https://www.mediapost.com/publications/article/336177/baby-boomers-spend-more-than-millennials-yet-ar.html>

⁵ Vox. (2018). Grocery Stores are Bars Now. Retrieved from <https://www.vox.com/the-goods/2018/11/30/18116801/kroger-whole-foods-wegmans-grocery-store-bars>

⁶ MSN. (2019). The Craziest Grocery Store Amenities Across America. Retrieved from <https://www.msn.com/en-us/foodanddrink/foodnews/the-craziest-grocery-store-amenities-across-america/ss-AAHTg7B#image=6>

⁷ MSN. (2019). The Craziest Grocery Store Amenities Across America. Retrieved from <https://www.msn.com/en-us/foodanddrink/foodnews/the-craziest-grocery-store-amenities-across-america/ss-AAHTg7B#image=7>

⁸ Progressive Grocer. (2019). Happy Holidays to the Grocery Industry. Retrieved from <https://progressivegrocer.com/happy-holidays-grocery-industry>

⁹ Yahoo Finance. (2018). Americans Spend an Outrageous Amount on Thanksgiving Dinner - But You Don't Have To. Retrieved from <https://finance.yahoo.com/news/americans-spend-nearly-150-thanksgiving-194000546.html>

¹⁰ Pew Research Center. (2018). More than a Million Millennials are Becoming Moms Each Year. Retrieved from <https://www.pewresearch.org/fact-tank/2018/05/04/more-than-a-million-millennials-are-becoming-moms-each-year/>