

THE  
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**BA****K**

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**The Pocket Guide to Omnichannel**

October 2022

## Report Sources:

- Amazon
- Bain & Company
- Google Trends
- IGD
- IPSOS
- McKinsey
- Kantar
- NielsenIQ
- Scandit
- Viewers Logic
- The Knowledge Bank

## Introduction

Changes to the global grocery retail market are happening fast. Trends that emerged during the pandemic are persisting, reshaping the industry. Consider this: in December 2019, the percentage of ecommerce grocery sales in the US market was slightly under 4%; it's now in the low teens and is expected to reach roughly 25% by 2030. The adoption of online grocery is expected to be even higher in parts of Europe.

While stores remain the key channel for most grocers, online grew dramatically during the pandemic, with many retailers quickly adjusting their offerings and operations to meet consumer demand. The coming years will present new opportunities.

But online does not sit on its own; shoppers now move fluidly between the physical and digital worlds - Omnichannel retailing.

Omnichannel retailing means giving shoppers a seamless and consistent offer across physical stores, online channels, websites and digital devices.

Shoppers are seeing and enjoying the benefits provided by omnichannel solutions, often outside the grocery industry, and are coming to expect it from all the retailers and producers they interact with.

This pocket guide pulls together the most recent research and thinking from around the world, showing some of the opportunities and the many challenges of this fast developing landscape.

For more on the retail landscape, online and offline, or any questions about this guide please visit us at [www.theknowledgebank.scot](http://www.theknowledgebank.scot).

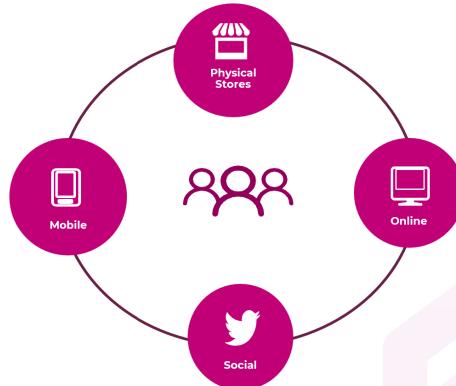
Andrew Niven  
Strategic MI Manager

## Omnichannel:

### What?

Omnichannel retailing means giving shoppers a seamless and consistent offer across -

- ❖ physical stores
- ❖ online channels / websites
- ❖ digital devices

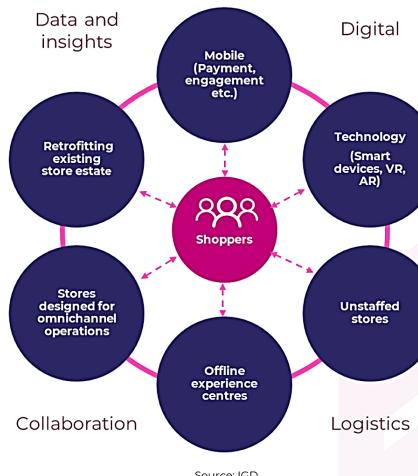


**It's all about enabling shoppers to buy anywhere, anytime and any way they want**

### Who?

Shoppers are at the core of the omnichannel model. Their demands are driving the industry's evolution and development.

How retailers inform their development requires the integration of several operational areas. It necessitates retailers having 'one view' of the shopper and then being able to use the data generated by them across several touchpoints to evolve their operations.



### Why?

**Because shoppers want it**

❖ Shoppers are seeing and enjoying the benefits provided by omnichannel solutions, often outside the grocery industry, and are coming to expect it from all the retailers and products they interact with.

❖ Cross-channel shoppers are retailers' most valuable customers. *They spend more*, on average, than those who shop in only one of a retailer's channels. Estimates suggest cross-channel shoppers spend between *twice to three times the amount* a 'single channel' shopper does.

❖ Retailers who have a firmer and holistic view of their shoppers can better meet that shoppers' needs, making them more loyal to their brand. Creating life-time value and engagement with shoppers will be better enabled by omnichannel solutions

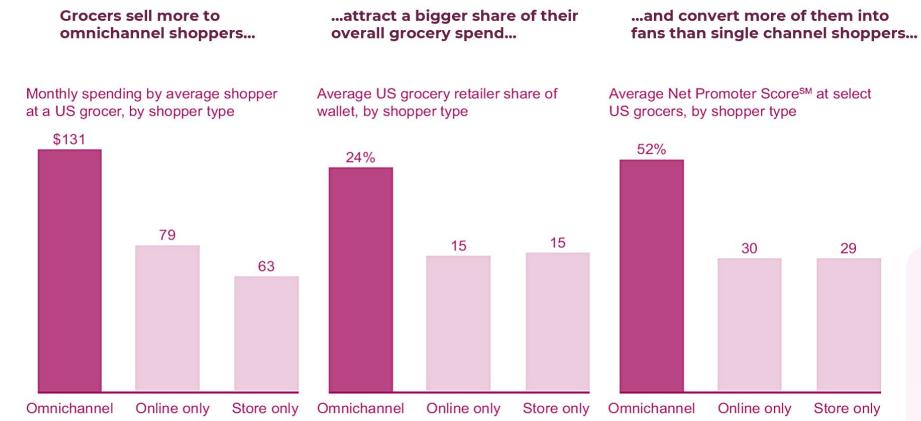
❖ Data created by omnichannel initiatives and enabling shoppers to move between channels seamlessly helps retailers and producers improve their operations and efficiency. It enables retailers to make their offer available in multiple touchpoints and make these more targeted to local shoppers.

**Initiatives embed and improve loyalty**

**Data enables virtuous circle of improvements**

### Why?

#### Value of US Grocery Shoppers: Omnichannel Vs Others



## Omnichannel:

## How?

### People, Process, and Technology

are the trifecta for a true omnichannel collaboration model

- Merge Digital and In-Store Shelf Capabilities: Manage the physical shelf and its digital counterpart to create a seamless shopping experience, where consumers see the same information both on or offline.
- Align Organisational Structures for Omnichannel Success: Integrate digital offerings in parallel with bricks-and-mortar operations.
- Integrate Forecasts to Increase Operational Efficiencies: Integrate online and offline forecasting so the right amount of inventory is available to meet orders through either channel.
- Optimize Shopper Insights: Bring retailer and manufacturer shopper information together into a single, comprehensive view of customer insights.

## How?



### Store Assistant

The In-Store App Experience That Helps You Shop!

- Walmart's app supports both online and offline shoppers. It's easy to arrange home delivery and pickup, whilst helping offline shoppers create lists, find products, and make payment.
- Walmart's supercentre of the future helps to drive awareness and support of the app. Its stores, app and the digitisation of its engagement with shoppers will play a role as it builds a new customer-centric flywheel.

## Challenges

- Cost: as with retailers, producers switching to omnichannel retailing will generate additional costs and take time. Fixing processes, changing ways of working, recruiting the right people and skills, restructuring teams and agreeing on processes all take time and attention away from the potential for 'quicker wins'.
- Culture and legacy processes: in a similar way to retailers, suppliers have aligned themselves structurally to mirror their clients. To adapt a whole company while retailers are moving at different speeds globally is difficult, as one solution is unlikely to meet the needs of all the retailers.
- Emerging channels are still not a huge part of retailers' sales: with arguments continuing about online's importance, given its small share of sales at some retailers, suppliers trying to make a case for other 'emerging' channels, unstaffed stores or VR-enabled sales, can face push back from other parts of their business.
- Suppliers face or feel a lack of control (online): depending on a companies' size, omnichannel retailing creates a feeling of *lack of control for many*. For example, to make a change in a physical store, a supplier can employ a field sales team, but to make changes to an app or online, they are reliant on retailers for the change.
- Collaboration with retailers: the variation in retailers' willingness to collaborate and / or share data and insight varies considerably in a market and globally. This makes it hard for suppliers looking to mirror developments across several retailers at once, given a lack of access to (the right) data.
- Retailers are using data internally and externally in new and expanded ways. Suppliers must be able to have a conversation with them *about data, using insight, at the same level*. If a gap exists between your company and retailers this will create challenges in the nature and types of exchange you might be involved in.

## Omnichannel:

## Integration

As grocers rapidly look to capture new markets with different attributes (for example, order density, assortment size, and delivery speed and precision), they will need an ecosystem of order preparation and last-mile operations that takes into account costs, service levels, and product quality.

The traditional online grocery model of bolting a website on to existing operations and picking products off the shelf is unsustainable because of the huge time needed to pick each order from shelves or warehouse. Often picking one order can take up to 90 minutes in traditional models. However, using automation, one full customer grocery order can be picked in just 5 minutes, and upwards of 50 orders can be picked concurrently.

But it's not just the quantity of orders that matter – it's the *quality*. During lockdown, people may have been happy to simply receive their deliveries and could overlook substitutions. But the online grocery customer is discerning. Long-term, quality of service matters and AI capabilities are a crucial part of accurate supply and demand forecasting.

AI is instrumental in the planning and optimisation of thousands of daily delivery vehicle routes – factoring in millions of constraints, like road speeds, driver breaks, and the size and temperature distribution of every order.

## Fulfilment

Being able to get goods to customers, regardless of how or where a purchase is made is a key element of the seamless, consistent omnichannel experience.



But this is also one of the most challenging aspects of omnichannel. Delivered orders are the most expensive part of the order fulfilment process for operators, typically accounting for half of the total cost of fulfilment.

A solid understanding of the product portfolio across channels should determine which products are offered on the shortest lead time. This allows operators to optimise availability and service for key products and contain costs.

In the omnichannel space, one size doesn't fit all – some customers demand rapid delivery services, while others are prepared to wait. This variety in the service offer makes omnichannel an economic headache.

A range of options should be available for customers, with the cost reflecting the convenience and level of service. Delivery is an important aspect, but collections options are also part of the mix.

## Data

If omnichannel is about anything it's about things working together. Integrations via Software Development Kits (SDKs) and Application Programming Interfaces (APIs) help fuse the e-commerce site, mobile apps and brick-and-mortar stores into one consistent experience. Technology integration from the back-end through to smart devices in the hands of employees and shoppers means accurate data and a single source of truth.

Single-Source data can map consumers' online and offline behaviour, including viewing habits, location, browsing and purchase data, over a period of time for the same individual.

### Multiple touchpoints into one, single source



## Marketing

Because 95% of consumers grocery shop both online and in-store, it's important for brands to implement marketing strategies that enable a seamless omnichannel shopping experience. As wallets tighten due to inflation and shoppers do more pre-shop planning online, an omnichannel focus becomes even more critical.



In a recent study Amazon conducted with Ipsos, across 3,000 Americans ages 18-64, 64% of respondents reported that they use a smart media device (i.e. smart TVs, smart speakers, smart displays and streaming devices) at least once per month. When it comes to grocery shopping, connected consumers use their smart devices across the purchase journey to create shopping lists, redeem vouchers, learn about brands and read product reviews. Therefore, grocery brands should consider using a connected strategy to engage these audiences.

Grocery brands using Amazon's ecommerce Demand Side Platform (DSP) as well as its Whole Foods Market stores are now able to view overall campaign performance and effectiveness for both online and in-store impact.

## Omnichannel:

### Best Practice

Amazon has made Prime an omnichannel loyalty scheme. Offline shoppers get in-store exclusive promotions, and vouchers to use online at Prime day

In Amazon Go, and Amazon Fresh stores, it's used its app, to enable checkout free shopping

It's even offering palm payment. A shopper's palm is linked to their account, so shoppers can enter and leave an Amazon Go store with the swipe of their hand

It's integrating Alexa into its Amazon Fresh stores, such as, Ask Alexa help points

It partners with other retailers to provide more pickup and return points, in a service called Amazon Counter



### China

Omnichannel has rapidly become established in China and the country's readiness to abandon the old model and embrace the new is unique.

Data science is its centrepiece: the system is tech-driven and powered by a perpetual self-learning feedback loop of customer data, enabling highly personalised service in real time.

Shared resources: brands use tools like Alibaba's Brand Databank to track consumer interest and product performance. Predictive analytics are used for realistic assessment of demand to lower inventories and reduce lead time. Crucially, data are available to all parties

Alibaba and JD.com realised early on that they needed offline data to have a full understanding of customers. Their stores are not just warehouses, but also data collection sites.

