

2019 GROCERY TECH TRENDS STUDY



Race for Competitive Advantage

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Leading grocers step on the gas to deploy technologies that competitors will find hard to match if they fall behind. Findings in the 4th Annual Grocery Tech Trends Study uncover tectonic shifts in digital strategy and analyze 66 individual technologies that grocers can benchmark against.

Top Technologies for Today, 2020 and 2021

One of the best ways to see how grocers are investing in technology is to analyze the 330 datapoints gathered in this study that dive into spend trends for 66 separate technologies. This data is broken out according to where grocers are spending tech dollars today, where they will spend tomorrow (2020), and where they are planning to spend in the future (2021).

The three technologies that achieved #1 rankings on grocers' priority lists

1. **Price Management** (investment today)
2. **Shopper Tracking in Stores** (investment in 2020)
3. **Scan and Go on Store-Owned Devices** (in 2021)



TOP 7 TECHNOLOGIES FOR INVESTMENT TODAY, 2020 AND 2021

TODAY

1. Price Management
2. Predictive Analysis
3. Assorted Planning
4. Category Management
5. E-Commerce Platform
6. Item Master Data Management
7. Replenishment

2020

1. Shopper Tracking
2. Location-Based Marketing
3. CRM/Personalization
4. Assortment Planning
5. Fulfillment
6. E-Commerce Platform
7. Remarketing

2021

1. Scan and Go on Store Device
2. Scan and Go on Shopper's Device
3. Click-and-Collect Management
4. Chatbots
5. Space Optimization Analytics
6. Workforce Analytics
7. Shopper Tracking

Today's tech investments are flowing into upgrading or replacing such core technologies as Price Management, Assortment Planning, Category Management and even the nitty gritty of Item Master Data Management.

In 2020 retailers are focused on identifying and serving the individual customer with tailored services by investing in Shopper Tracking, Location-Based Marketing and CRM/Personalization.

The omnichannel store is the focus in 2021 with planned investment flowing into Scan and Go on Store Devices, Scan and Go on Shopper's Devices, and Click-and-Collect Management.

From this data-rich perspective, it is clear technology investments are flowing along two primary tracks – core fundamentals and omnichannel advancements. Grocers who want to benchmark against competitors should compare their technology to data about today (current status), tomorrow (in 2020), and the near future (2021).

Top Business Opportunities and Challenges

Looking ahead 18 months, grocers identify the top business opportunities for growth and the biggest challenges they face, which are two major concerns that will shape technology investments.

Topping the list of business opportunities that will drive growth is Advancing Digital Strategies to supplement and enhance store investments. This was chosen by 73% of grocers and was far ahead of the second place opportunity, which is Developing Personalized Marketing Capabilities (58%).

In the second tier of opportunities are Proprietary Product Development, Expanding Home Delivery, and Expanding Mobile Capabilities.

In line with current headlines, it is not surprising to find the top challenge is the Tight Labor Market, which was chosen by 58%. Price competition, which is a perennial concern, comes in second place and was chosen by 50%.

In the second tier of challenges are Increasing Margins and Profits (38%), Amazon (innovations, blockbuster deals, etc.) chosen by 28%, and Lack of Rich, Detailed Data about Customers (27%).

#1 BUSINESS OPPORTUNITY:
Grocers identify Advancing Digital Strategies, chosen by 75% of respondents, as a way to seize business opportunity over the next 18 months.

#1 BUSINESS CHALLENGE:
Retail is the nation’s largest employer so it is not surprising a Tight Labor Market (chosen by 57%) emerges as the top challenge for grocers over the next 18 months.

Top 5 Business Opportunities Over Next 18 Months		
1.	Advancing Digital Capabilities	73%
2.	Developing Personalized Marketing Capabilities	58%
3.	Proprietary Product Development	45%
4.	Expanding Home Delivery	43%
5.	Expanding Mobile Capabilities	43%

Top 5 Business Challenges Over Next 18 Months		
1.	Tight Labor Market	57%
2.	Price Competition	50%
3.	Increasing Margins/Profits	38%
4.	Amazon (innovations, acquisitions, etc.)	28%
5.	Lack of Rich Data About Customers	27%

*Growth opportunities clearly exist in digital and omnichannel strategies, but there are also obstacles that hinder growth in such areas as **price competition** and a **tight labor market**.*

Revenue Strategy

While grocers were slow to enter the digital space, their initial hesitation has faded and been replaced by enthusiasm. Savvy grocers both big and small have embraced omnichannel retailing, offering a host of digital services designed to provide a seamless shopping experience and remove friction from the shopping experience.

*Investments in omnichannel are clearly paying off as grocers report that **17% of total sales** today can be attributed to digital efforts. This success has led grocers to expand deployment of next-gen digital experiences and technologies.*

In addition to growing digital revenue, grocers are also growing their private label sales. In-house brands give shoppers appealing options to name-brand products while simultaneously increasing the grocer’s bottom line. Over the past five years, 81% of grocers recorded increased private label sales with 42% reporting a major increase.

Thanks to the surge in private label sales, these high-margin products now account for 29% of sales across the grocery segment.

29% Amount of Revenue from Private Label Sales

Private Label Sales Over the Past 5 Years	
Increased Greatly	42%
Increased Somewhat	39%
Decreased	3%
No Change	15%

Store Technologies

Digital shopping options help make the path to purchase smoother for tech-savvy consumers, but the vast majority of commerce still occurs at the store level. As a result, grocers invest heavily in brick-and-mortar locations to ensure they are well equipped with conveniences and services that meet shopper needs today and tomorrow.

Grocers report that core capabilities such as Food Safety (71%), WiFi for Customers (61%), Food Labeling (56%), POS Peripherals (54%), POS Software (46%) and POS Hardware (43%) are all up-to-date. This frees up future budgets to be allocated for investing in experience-enhancing capabilities.

Will Start Major Upgrade Within Two Years	
Shopper Tracking	40%
Location-Based Marketing	34%
Scan and Go Using Customer Devices	34%
Click-and-Collect Management	32%
Scan and Go Using Retailer Devices	31%
Started or Will Start Major Upgrade Within 12 Months	
Shopper Tracking	49%
Location-Based Marketing	40%
Real-Time Store Monitoring of KPIs	39%
Click-and-Collect Management	37%

Merchandise Management and Supply Chain



MERCHANDISE MANAGEMENT

Started a Major Upgrade or Will Start Within 12 Months

- 50%** Assortment Planning
- 47%** Category Management
- 43%** New Product or Private Label Development
- 41%** Item Master Data Management
- 41%** Allocation

Having the right merchandise mix is important in every retail segment, but it is even more vital for grocers to be in stock for essential purchases. Customers expect to find their favorite foods readily available whenever they visit a store and are quick to abandon a grocer if their needs are not met.

Smart grocers know this and continually invest in advancing merchandise management capabilities. This fact is seen by examining the 13 merchandise management technologies tracked in the study, all of which show significant numbers for being up to date.

However, grocers are not standing pat and instead report a broad range of upgrade activity over the next 12 months. Technologies at the top of the upgrade list are Assortment Planning (50%), Category Management (47%) and New Product or Private Label Development (43%).



SUPPLY CHAIN

Started a Major Upgrade

- 23%** Sourcing
- 22%** Order Management

Will Start a Major Upgrade Within 2 Years

- 34%** Real-Time Inventory Management
- 26%** Fulfillment

A finely tuned supply chain is an essential complement to an advanced merchandise management suite. Products and SKUs in a grocery setting are both located in stores and in motion. Successfully managing these interconnected tasks is the mission of supply chain technologies.

As noted in the analysis of merchandise management technologies, it is evident grocers have been steadily investing in their supply chain capabilities in recent years and will continue to do so at least into the next year.

The top technologies where major upgrades and deployments are underway are: Sourcing 23%, Order Management (22%), Warehouse/DC Management (19%) and Real-Time Order Management (17%).

Over the next two years, the top two supply chain areas of investment are Real-Time Inventory Management (34%), Fulfillment (26%), and Order Management (20%).

Analytic Technologies

33%

Predictive Analytics is the top analytic technology in deployment today among retailers and also the number two technology overall where work has begun but not yet been completed.

32%

In-Store Shopper Tracking Analytics, where today only about one in five have the capability, shows a combined 32% investment intent over the next two years – 16% within the next 12 months and 16% within two years.

31%

Space Optimization technology, which analyzes sales data per store, per category and per foot, shows a combined 31% investment intent over the next two years – 17% within 12 months and 14% within the next two years.

Advanced analytics is viewed as a touchstone for improving virtually every facet of the grocer's tech stack. In this section, we track 11 separate analytic technologies that are crucial for succeeding in today's highly competitive environment.

Among the 11 analytic technologies identified, the top two where grocers have focused their investments to become up-to-date are Competitive Analysis and Category Analysis.

*However, the investment trend has shifted in a big way toward **Predictive Analytics** where **33%** of grocers say they have started but not yet finished a major upgrade or deployment. Tied in second place at **24%** are **Price Optimization** and **Prescriptive Analytics**.*

Analytic technologies that show the highest future levels of investment are Space Optimization (17% within 12 months) and In-Store Shopper Tracking Analytics (16% within two years).

Despite clear priorities in several individual technologies, the analytic category as a whole does not show the same strength of investment as seen in supply chain and merchandise management technologies for 2020 or store technologies in either 2020 or 2021.

Workforce and Web Technologies

LABOR/WORKFORCE

The labor-intensive nature of grocery and food retailing requires a sophisticated approach to workforce management, a core necessity that grocers have long recognized as one of the keys to long-term success. Reliance on a large workforce has elevated the necessity to invest in management technologies that support labor efficiency, productivity and optimization.

Grocers report that vital technologies such as Time and Attendance (74%), Labor Scheduling (60%), Human Resources and Benefits (59%) and Absence Management (54%) are all up-to-date due to consistent investment in recent years.

Although many key labor solutions are currently up to date, grocers are aware that the tight labor market requires them to take specific actions to adapt. These include planned upgrades to Mobile Workforce and/or HR Applications (27%) within the next two years. Another big area of investment in the next two years is in Task Management (25%).

WEBSITE AND DIGITAL TECHNOLOGIES

Grocery shoppers are now digital and omnichannel consumers. Both in-store and out, they demand grocers provide them with capabilities to shop anywhere and anytime.

Grocers are actively embracing these technologies and increasing their digital firepower. Major upgrades currently underway include E-Commerce Platforms (26%), Community (24%), Customer Reviews/Ratings (22%), and Product/Catalog Management (21%).

Over the next two years, grocers are planning strategic enhancements to their ability to maximize Remarketing (34%), Digital Coupons (29%), E-Commerce Platforms (28%) and CRM/Personalization (28%).

Fast-moving omnichannel shoppers are driving the industry to become fast-moving omnichannel grocers.

Omnichannel

Despite initial concerns about the high cost of deployment, grocers have fully embraced delivering omnichannel capabilities to their customers. The reason? Over the past five years, 91% of grocers report an increase in omnichannel expectations among their customer base. This figure is high enough to convince even the most reluctant grocer that the time to adapt is now.

TASK MANAGEMENT

25% Planned Upgrade Within 2 Years

MOBILE WORKFORCE AND/OR HR APPLICATIONS

27% Planned Upgrade Within 2 Years

E-COMMERCE PLATFORM

26% Started Major Upgrade

28% Planned Upgrade Within 2 Years

PRODUCT/CATALOGUE MANAGEMENT

21% Started Major Upgrade

25% Planned Upgrade Within 2 Years

91%

of grocers report omnichannel customer expectations have increased over the last five years with 43% saying they have increased greatly

In grocery retailing, omnichannel capabilities link digital shopping to the store, as opposed to linking to a DC or warehouse. A big majority of grocers (60%) today offer some form of home delivery for items ordered online. Of these, 42% offer a free delivery option.

While home delivery is the epitome of convenience, enticing shoppers to pick-up their digital orders in stores is still the most cost effective fulfillment option and one that also produces incremental sales made by shoppers making impulse purchases or buying extra items during their store visits. Currently, 40% of grocers offer Click-and-Collect services. Some grocers are even experimenting with such options as Curbside Pickup (25%) and Pickup Lockers (13%).

Top 5 Omnichannel Services Offered



Advanced Inventory Management

- 76% are interested in using a **single-version-of-the-truth** to produce real-time (or near-real time) inventory reporting with 32% expressing strong interest
- 67% are interested in using **computer vision** to check on-shelf availability, and of these, 21% have strong interest
- 61% are interested in using **AI** to improve inventory management with 19% expressing strong interest
- 72% have no interest in using **autonomous delivery** vehicles for last-mile fulfillment
- 63% have no interest in using **mobile robots in stores** to check inventory, however 25% have some interest and 12% have strong interest
- 58% have no interest in testing and investing in **automated DCs/warehouses** using robotics, however 32% have some interest and 10% have strong interest

Grocers can’t afford to tie up valuable capital in inventory. The moment a grocer takes possession of inventory, it begins to lose value. Another key moment occurs when a product is out of stock, which delivers the worst possible experience to a shopper who wants to buy it.

Over stocks and out of stocks are the twin peaks of bad inventory management and both are costly. This is why grocers are focusing on advanced inventory management technologies to ensure they are optimizing processes in a way that is best for the customer and best for the grocer.

At the top of the list of advanced inventory management technologies is real-time (or near real-time) reporting, which requires implementing a single version-of-the-truth system that reduces product reporting from hours to minutes. A big majority of grocers (76%) are interested in deploying this technology with 32% saying they have a strong interest.

Two other advanced inventory technologies on the grocer’s wish list are computer vision to check on-shelf availability (67% are interested and 21% have strong interest) and AI (61% are interested and 19% have strong interest).

Interest in Testing or Investing in Emerging Inventory Management Technologies	Strong Interest	Medium Interest	No Interest
Real-time (or near real-time) reporting	32%	44%	24%
Computer vision to check on-shelf availability	21%	45%	34%
RFID on cases, pallets or individual products	19%	34%	47%
AI (advanced algorithms combined with big data)	15%	46%	39%
Machine learning (algorithms that deliver predictive/prescriptive analytics and improve over time)	14%	44%	42%
Autonomous delivery vehicles	14%	14%	72%

Recommendations

Successful grocers today with healthy balance sheets will be able to compete on price and make investments in technologies that are harder to match for those who are less financially healthy. The recommendations provided here will help sharpen the focus of grocers that want to make tech investments that will help them achieve business performance gains and match key moves made by leaders in the marketplace.

- 1** Increase technology firepower to match the 80% of grocers that plan to increase year-over-year tech budgets and 40% that plan to increase 5% or more.
- 2** Invest in private-label product development (29% of total sales) to differentiate from competitors and match a growing industry trend over the past five years (42%).
- 3** Avoid tying up capital and disappointing customers with over stocks and out of stocks. The best way to achieve this is through real-time (or near-real time) inventory reporting (76%).
- 4** Begin testing Scan and Go technologies to prepare for grocers that will roll them out within two years on Customer Devices (34%) and on Retailer Devices (31%).
- 5** Focus on technologies that monitor stores for greater efficiency and profitability such as those that grocers have either started or will start within 12 months: Shopper Tracking (49%), Location-Based Marketing (40%) and Real-Time Store Monitoring of KPIs (39%).
- 6** Upgrade merchandise management tools to match those who have either started a major upgrade or will begin one within 12 months for Assortment Planning (50%) and Category Management (47%).
- 7** Invest in analytic tools to outpace competitors that seem to have a surprising lack of interest. Focus on In-Store Shopper Tracking (32%) and Space Optimization (31%), which will meet (and in most cases) surpass competitors over the next two years.

Demographics and Methodology

This benchmark study of the grocery industry draws data primarily from regional and national chains. Data was collected in April 2019 from 60 respondents that hold executive positions within their companies that gives them significant influence on technology strategy, project selection and budgets.

Findings indicate the overall grocery segment continues to expand, which helps 83% report an increase in revenue over the past 12 months with only 7% reporting a decrease in top-line results.

As a result of growing sales, increasingly fierce competitive demands, and the rise of omnichannel shopping, grocers are responding by upping the ante in technology spending. A big majority of 80% say they will increase tech spending year-over-year, and of these, 40% plan to increase tech budgets by 5% or more.



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