

# MASTERING DIGITAL GROCERY DEMAND WITH ALGORITHMS

Retailers need to prepare now for a constant peak in digital demand

**45-50%**

Online food and beverage retail sales are estimated to rise over the course of 2020<sup>1</sup>

**36%**

Online grocery shoppers plan to retain their current online purchasing frequency once the pandemic eases or ends<sup>2</sup>

**\$152.3B**

U.S. Online Grocery Market is expected to crest \$150 billion by the end of 2026<sup>3</sup>

**2.2%**

The approximate profit margin for a conventional grocery store<sup>4</sup>

“Retail-channel participants, from farm to shelf, will need to coordinate in unprecedented ways to ensure continuity in supply despite rolling plant closures and pockets of equilibrium rebalancing. Profit margins will likely be affected at each step during messy rebalancing. Companies will need to rewire for **agility** versus trying to achieve static optimization states.”<sup>5</sup>

“One of the things you can do to help rebuild margins is cut down on the breadth of choice you have, focus on your sales on a few SKUs, buy those items in greater volume and try to get much greater economies of scale. That leads to a lot of review and rationalization of product selection in stores.”<sup>6</sup>

NEIL SAUNDERS, MANAGING DIRECTOR, GLOBALDATA RETAIL

Retailers and suppliers are in agreement on the **top three** areas of focus over the next year (as a result of the pandemic):

- Demand Forecasting
- Consumer Insights
- Inventory Planning

**1-2%**

lift in total sales for grocery companies

**Personalization** at scale often delivers this lift, typically by driving up **loyalty** and share-of-wallet among already-loyal customers<sup>8</sup>

“The promise of AI-enablement is that new math-driven analyses make it possible for businesses to develop predictive models, which in turn enable automated decision making.”<sup>9</sup>

**14%**

Retailers name adopting AI/Machine Learning tools a primary method for addressing analytic resource needs<sup>7</sup>

**23%**

Retailers planned to start a personalization technology upgrade over the next year, before the health crisis<sup>10</sup>

**9%**

The number of retailers report they have up-to-date artificial intelligence software in place<sup>10</sup>

SOURCES: <sup>1</sup> Coresight Research, “Heading Toward \$1 Trillion in US E-Commerce, Fueled by Covid-19 Spending Trends;” <sup>2</sup> Coresight Research, “US Survey Update August 19, 2020: Online Grocery Shopping Looks To Be Here To Stay;” <sup>3</sup> Research and Markets, “United States Online Grocery Market, by Segments (Staple Pantry, Ingredients, Beverages, Personal Care, Fresh Produce, Meat, Fish, Deli, Foods for Occasions), Company Analysis & Forecast;” <sup>4</sup> The Grocery Store Guy, “What is the Profit Margin for Grocery Stores?;” <sup>5</sup> McKinsey & Company, “US Food Supply Chain: Disruptions and Implications from COVID-19;” <sup>6</sup> FoodDive, “Less Is More: Why Retailers and CPGs Are Moving Toward Selling Fewer Products In Stores;” <sup>7</sup> RIS & CGT, “Retail and Consumer Goods Analytics Study 2020, Meeting Adversity With Data;” <sup>8</sup> McKinsey & Company, “Personalizing the Customer Experience: Driving Differentiation in Retail;” <sup>9</sup> RSR, “The Case For An AI-Enabled Retail Supply Enabled Retail Supply Chain;” <sup>10</sup> RIS, “30th Annual Retail Technology Study: Investing in the Data-Fueled Future”

MANTHAN

