

PAXCOM

Grocery eCommerce- Revenue Generating Strategies for Online Retailers



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Description

With the rapid growth of online grocery shopping and delivery services, one thing is for sure- consumers want easy access to their groceries. Grocery eCommerce is booming. The evolution of home delivery is also fuelling growth. According to a Cowen & Company report, sales at leading grocers (Walmart, [Kroger](#), Amazon, Target, Albertsons, and Costco) grew by 3% to \$800 billion. In contrast, e-commerce grocers grew 67% to \$4.2 billion. India's online grocery market registered a CAGR of **27.88%** from 2017 to 2021, and the market value is expected to reach **USD6.40 billion** by 2022.

The new convenience and lifestyle gave an unforeseen boost to online grocery. In the wake of the lockdown, online grocery sales surged, but how will the shift to online offerings fare in the long run? And what can we assess as a 'new normal in grocery shopping? In a way, grocery retailers are in a unique situation. They can reasonably expect to have customers so long as people need food. However, evolving customer expectations have already uprooted where and how consumers shop for food.

To better understand the rise of grocery eCommerce, we must first understand the status quo of consumers:

- Grocery Dive estimates that online grocery sales will reach \$129.72 billion by 2023, according to its report.
- Additionally, the Grocery Dive report found that 53% of consumers buy groceries online for the convenience and speed of online shopping and delivery. About 50% said it was easier to shop online. 31% of consumers said they have access to more products online.
- Another reason for switching to online grocery shopping is that it saves money (20%), offers a wide selection of products (19%), and allows the customer to store shopping lists (17%).

Furthermore, the same report suggests that millennials lead the way in online grocery shopping at 47 percent. While 31% of GenX shoppers, 19% of Baby Boomers, and only 4% of consumers from other generations do the same.

In light of what we know about consumer behavior around grocery eCommerce and given how dynamic and new this area is. Let's see the challenges that come with it for online retailers.

Challenges faced by Grocery eCommerce brands

With online grocery being vastly different from other industries, it presents its own unique challenges. Customers are hard to keep loyal, inventory fluctuates quickly, margins are tight, and data disadvantages are prevalent. With every unique set of challenges, there is a unique set of solutions:

Inventory Management

The availability of groceries can be unpredictable, which makes inventory management difficult. Due to the fickle nature of the eGrocery sector, out-of-stock products can lead to a poor brand reputation, waste of ad spend, and poor customer experience that does not result in sales. Grocery eCommerce must ensure that customers are directed only to pages with in-stock items or, at the very least backup SKUs.

Falling Margins

Grocery margins are already thin enough, and many of those margins rely on customers picking up their items at the grocery store and transporting them home on their own.

Grocery eCommerce makes picking and delivering products much more expensive for retailers when they have to do it themselves. No matter how efficient the operation is, retailers are taking on a job that customers previously did for free, leading to erosion and even total collapse of operating margin.

Rapid Inflation, along with increasing competition.

The adoption of technology like ESLs is closely connected to pricing systems. Through the use of this technology, retailers can now price their products dynamically based on the current price of goods coming from the latest shipment rather than just against Amazon, Walmart, or other competitors. With inflation rates of 8-55% per item, each shipment can cost significantly more. When an industry averages 1-2% net profit margins, it's crucial to price each delivery effectively.

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Give customers the information they crave

COVID-19-related shortages for essential goods left shoppers sometimes blindly purchasing brands they weren't always familiar with or toggling between different sites to learn more about products.

Make your product detail page more detailed so shoppers can make better purchasing decisions.

Among them are

- Food product pages with dietary considerations
- Ingredients for non-food items
- Labels such as “gluten-free” and “lactose-free” make it easier for shoppers to find products that will suit their needs.

With these details, shoppers will see that you are there to guide them. In spite of brand swaps, this boosts confidence.

Ensure convenience for grocery shoppers

79 percent of consumers say that a company’s experience is just as important as its products. Grocery brands need a convenient online presence. For example, add recipes to your site, where customers can select the dishes they want to create and add a “bundle” of the ingredients to their cart. Adding ingredients to store availability will filter out recipes that use only ingredients available at the local store.

Focus on digital assortment and availability.

Brands will lose sales if product availability and how or if products show up on shoppers’ screens don’t align. Each retailer has its own policies about which products appear online, so it’s important for brands to understand the policies and how to influence how their products are presented.

Depending on the retailer, seasonal items might not be included in its online mix. Certain brands, however, are highly reliant on seasonal sales when offering holiday or seasonal scents. Keeping close contact with grocery chains gives brands more control over seasonal products.

Integrating digital assortment and availability requires:

- Auditing and understanding the current digital assortment at each retailer
- Comparing the online offer to the brick-and-mortar offer? and implementing a sales strategy that encompasses both
- Identifying gaps and incremental seasonal opportunities to influence retailers’ online policies
- Resourcing ongoing maintenance and monitoring

Integrate the online and in-store experiences

Besides improving their online processes, grocers should also look for ways to give customers as many advantages as possible in-store. For retailers to sync their physical and online operations, they need to combine in-store and e-commerce experiences.

When shoppers shop online, they have to rely on websites and apps to find out whether something they want is on a store shelf. As a result, grocers should prioritize giving consumers reliable information about what they can actually find and offering appealing replacement items when stock is low.

Ultimately, grocery shopping is a methodical, personal experience people feel they control. However,

they interact with a store. Creating an e-commerce environment that gives shoppers the warm feeling of walking into a store is essential. If you just give a generic experience to everyone who walks into your digital door, they very quickly go somewhere else.

Leverage data and analytics.

Many brands have a surprising amount of difficulty getting visibility into the details of their online sales metrics, but it's worth the effort to gain access and work through the complexity of extracting insights, which vary by the retailer because the data is a treasure trove of critical information. Used effectively, data and analytics can help pinpoint problems with digital promotion and advertising and provide insights into inventory and out-of-stocks.

To get the most from available data, brands should ensure alignment with retailers' changing strategies, business goals, and KPIs, along with tracking efforts and business metrics impacted by e-commerce optimization to maximize opportunity.

Final Thoughts

Keeping pace with new shoppers' expectations requires a simple, flexible online shopping experience for grocery stores. In order to deliver the right product to the right customer, [Paxcom](#) leverages the power of unified product data with the speed and scale of artificial intelligence. Interested in seeing how our platform can help your business? Paxcom? [Request a demo today](#), and let's get started.