

A **MADE4NET** WHITEPAPER

GROCERS HAVE ADAPTED QUICKLY TO THE NEW PANDEMIC NORMAL, BUT ARE THEY READY FOR WHAT'S NEXT?

With necessary innovation over the past two years in how people shop and how grocers get product into consumers' hands, the price of innovation is considered table stakes as grocers turn to technology and automation to remain competitive.





THE GETTING IS GOOD IN THE GROCERY SECTOR

right now. Thanks to government stimulus and pent-up demand caused by the pandemic, grocers are enjoying high gross profits, more sales volume, and room to charge higher prices.

However, the height of the pandemic taught the industry that the ability to pivot is critical, and even when they manage the pivot effectively enough to get the job done and provide for their customers, the cost of adjusting to our ever-changing circumstances can be higher than many are comfortable swallowing. The cobbled-together systems and processes that brought massive shifts in how consumers access groceries weren't built for the long haul in many instances.

Now that the world has mostly calmed down, companies have the opportunity to fine-tune their processes and make sure they're ready for the next big pivot. What can grocers do to ensure consistent profit margins in new delivery options and how can they prepare to tackle whatever comes next?

As is often the case in this day and age, technology holds the key for companies to create new, effective processes, collect and manage data, and expand their offerings as needed. In this dynamic market full of ever-changing consumer demands, static software products may not cut it for long.

THE PROBLEM

NEW CHANGES TO GROCERY SHOPPING and pickup and delivery options are costing grocers too much and are inefficient. These are not just issues for small, local grocers, but for national grocers, too. Even huge companies with massive capital at their disposal have struggled to make it work in the long run.

A study conducted by Incisiv for Wynshop showed that 86% of grocers were dissatisfied with their online profitability. The same study projects a \$14 million margin loss per \$1 billion in sales by 2025 due to the change in revenue mix between in-store sales and online sales.

As consumers opt for online shopping options more and more often and in greater quantities, the issues grocery retailers have encountered throughout the pandemic will only be exacerbated if they don't find a way to improve efficiency and profitability in online sales.

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BACKGROUND

The Pandemic Changed a Lot

IT'S COMMON KNOWLEDGE that our whole lives changed during the pandemic, and it only makes sense that how people obtained the goods they need changed, as well.

The demand for online orders skyrocketed, leaving companies scrambling to manage and fill orders in a timely manner. A study by Incisiv found that online order basket size grew by about 70%. New touch-free processes that made grocery pickup more hygienic and safer for customers and employees alike were immediately put into place.

Truly, many grocers positioned themselves splendidly to adopt new order fulfillment and delivery processes or scale up current operations. However, under non-emergency circumstances, the systems many grocers are using are lacking in certain areas.

For one, they tend to be labor-intensive (and therefore expensive). Incisiv's study found that 92% of grocery retailers were dissatisfied with their online order picking efficiency and 86% of grocers were not content with their labor utilization.

Two, hiring was challenging, and being short-staffed exacerbates the problems caused by labor-intensive processes. A study conducted by FMI showed that 80% of food retailers stated that hiring issues were having a negative impact on business.

Three, the technology many grocers are using isn't built to meet their needs. Lack of inventory visibility is a major issue that online order filling inefficiencies and short supplies shine a huge light on. Despite the technology available to improve visibility, in a survey by Cloudleaf, 97% of respondents in the food and beverage industry stated that they'd experienced at least some product spoilage in their fresh food deliveries.



Despite Successful Adaptation, New Processes Aren't Perfect

COMPANIES FROM THE FORTUNE 500 to the corner market are experiencing similar issues. Fulfillment is too labor-intensive, costs too much, and takes too long. Issues certainly haven't been restricted to companies with capital on hand. Major process and software changes normally require a significant stretch of time to get in place, from R&D or procurement to installation to training and testing. And this is time that's difficult to find while companies are struggling to stay on top of their current workload.

In Incisiv's study, it was discovered that 86% of national grocers reported that their online business was plagued by low profitability. The grocery executives surveyed revealed a laundry list of issues of concern regarding their online sales including:

- Low profitability
- Difficulty managing third party relationships
- Operational inefficiencies
- Inadequate technology



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Competitors are Making Big Moves

SOME OF THE MAJOR PLAYERS in the grocery industry have seen the writing on the wall and they're working towards more sustainable solutions. Here are some examples of big moves companies are making to stay ahead of the curve.

Uber Freight purchased supply chain software company Transplace in July 2021 in an effort to better manage their shipping and create opportunities for profitability.

Amazon's grocery division has made several big moves over the past couple of years, but they recently began opening brick and mortar Amazon Fresh cashier-less grocery stores with locations stretching coast to coast.

Instacart, while so far not getting a deal done, has been looking for a merger with a well-established food delivery company like Uber Eats or DoorDash in an effort to leverage combined infrastructure.

Kroger teamed up with Microsoft to create a more futuristic, intelligent, adaptable shopping experience both online and in-person.

All these huge names in grocery are looking towards the future, aiming to insulate themselves and their revenues from supply chain uncertainty and the ever-changing demands of consumers. Are you?

What Will the Future Look Like?

EVERYTHING HAS CHANGED so much in the past few years. The FMI 2021 The Food Industry Speaks report showed that online grocery orders soared more than 300% at the start of the pandemic, and that online ordering has become the new normal for many households. Consumer demands coupled with supply chain challenges have created an entirely new normal for grocers over a very short time. This intense period of change only makes it logical for grocery retailers to wonder what curveball will come their way next.

Digital is the future in grocery, and it's a primary driver of growth, which is hard-earned and typically very slow in this industry. The changes of the past couple of years open doors and give grocers an unprecedented shot at growth if they can come through on the digital front.

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THE SOLUTION

HOW CAN YOUR COMPANY DEVELOP AND MANAGE processes that will not only help you survive the new normal but thrive in it? More so, how can you set yourself up to pivot and roll with the punches down the road? How can you ensure that you continue to provide customers with a high level of service and maximize profits even when the going gets tough?

Preparing for the Unknown

How do you prepare if you don't know exactly what's coming and how it will affect your operations? How do you set yourself up to ensure that when the next curveball comes your way, you're ready to not just muddle through the crisis, you're ready to grow?

Simple. Grocers can set aside some of the money they're earning now and invest in technologies that can pivot with them, handling the new challenges to come. It's being proactive instead of doing damage control.

Ideally, the new technology will:

- Manage inventory in real-time, with little difference in accuracy between the store and warehouse.
- Translate inventory levels to online ordering platforms to avoid stockouts and the necessity for order substitutions or refunds.
- Handle the complex nature of orders from various platforms with multiple options for getting product into customers' hands.
- Be able to incorporate new fulfillment facilities, including in-store fulfillment and new warehouse formats (like micro-fulfillment centers) with ease.
- Provide data at every touchpoint, increasing visibility and providing the tools companies need for improved forecasting.
- Embrace a future that is likely to include increased use of automation and robotic technology, incorporating both into systems and processes that better enable adoption, training and employee retention.
- Do all the above at the pace today's (and tomorrow's) consumers expect, with same-day fulfillment being the norm, sometimes within mere hours, even.

CONCLUSION

NOW THAT THE PANDEMIC and the restrictions that came with it are easing, grocers have a chance to take what they've learned and earned through the crisis and use it to prepare for a more digitized future in the grocery industry.

It's pretty apparent that supply chain woes and staffing issues aren't over yet and may get much worse before they get better. It's an ideal time to invest in more intuitive, flexible processes and the technologies that support them.



We know you're here to get some answers about modernizing your grocery supply chain. So, we invite you to have a conversation with one of our food industry supply chain experts who can talk through your specific challenges and share how we have helped companies like Uber Eats, Sprouts Farmers Markets and many others optimize their supply chain processes. We are happy to help.



About Made4net

M A D E 4 N E T

MADE4NET is a leading global provider of best-in-class, cloud-based supply chain execution and warehouse management software for organizations of all sizes to improve the speed and efficiency of their supply chain. The company's end-to-end SCExpert™ platform offers a robust WMS that enables real-time inventory visibility, labor management, and equipment productivity with performance analytics that drive faster, more accurate order fulfillment and improved supply chain efficiency. In addition to the best-of-breed WMS, the platform offers integrated yard management, dynamic route management, proof of delivery and warehouse automation software solutions that deliver a true supply chain convergence. For more information, visit www.made4net.com.