VTEX

Going digital: Taking grocery operations online

Summary
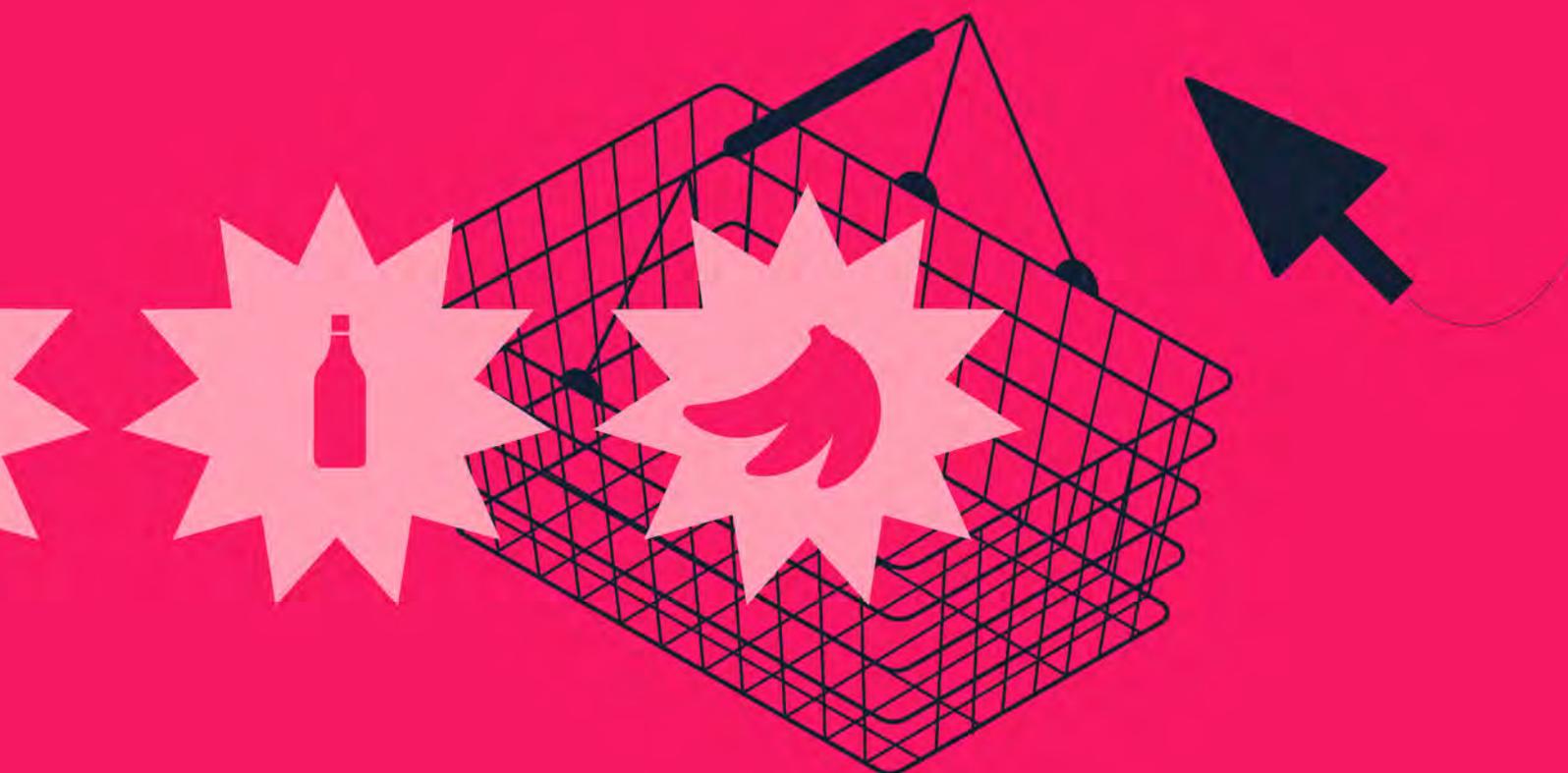
Grocery shopping, as we know it, has changed. COVID-19 social distancing measures have pushed a great number of customers to purchase their groceries online. According to the FT, online sales for US supermarkets rose by a quarter compared to the previous month (June 2020).

"Certain ecommerce behaviors like online grocery shopping and click-and-collect have permanently catapulted three or four years into the future in just three or four months," according to eMarketer principal analyst Andrew Lipsman.

Omnichannel think-tank Brick Meets Click said that 43% of the Americans they surveyed will continue to buy their groceries online, even after the pandemic eases. This means having a digital presence will become increasingly mandatory for supermarkets, and the ones that don't adapt will lose customers to the ones who offer convenient digital channels.

Managing an online store is outside the comfort zone for most supermarkets, not just digitally, but also from an order fulfillment perspective. Dealing with picking through the sheer amount of product assortment, handling of fresh produce and complex logistics requirements may seem daunting for retailers yet to undergo their digital commerce debut.

However, through implementing over 40 online grocery operations in nearly ten different countries, we have seen the challenges of building successful online grocery stores come down significantly, as every new customers' demands add to our overall market experience. Now, it is much easier to pinpoint the exact requirements to build an online grocery operation. From a digital standpoint, our solution allows retailers to handle the great majority of digital requirements with little to no customization, which has significantly shortened implementation periods.

(Case in point: we recently delivered Mexican supermarket Calimax´s online store in only 30 days). Moving on to logistics: most customers are able to jump-start e-commerce operations with very little infrastructure investments, leveraging assets already available in their stores.

In this ebook, we will demystify the digital, infrastructural and operational requirements necessary for building a start-up e-commerce operation within a supermarket.
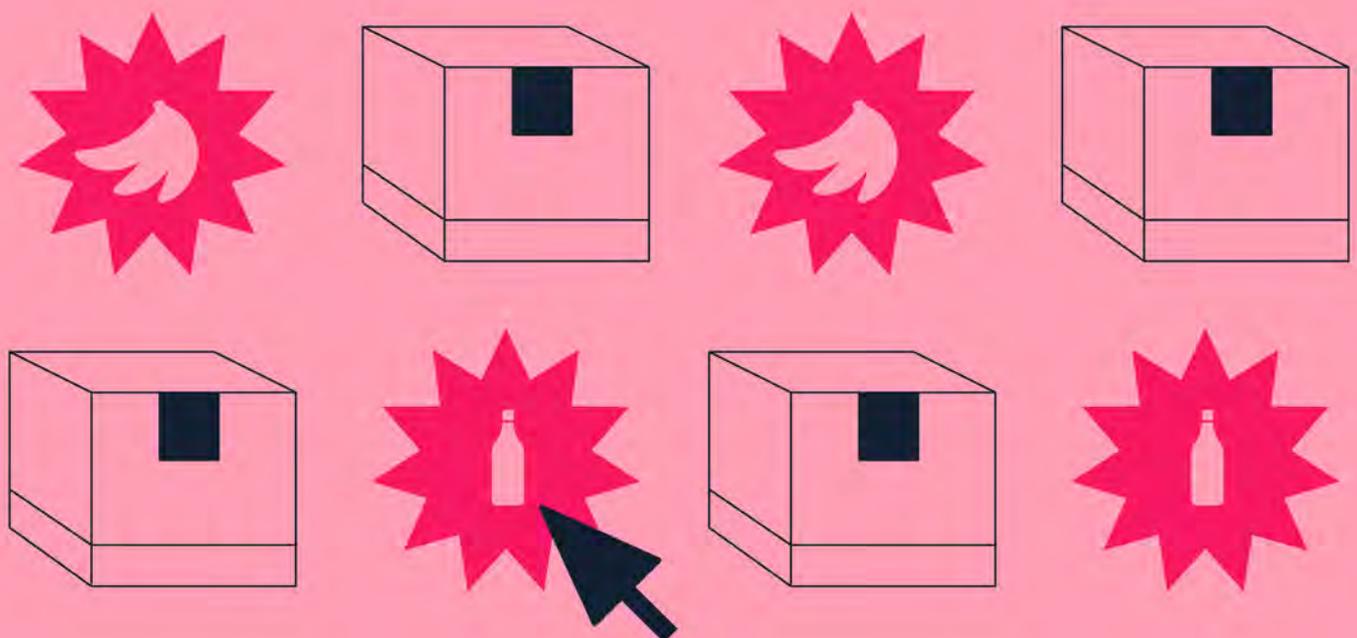
Building and running an online supermarket

When planning the digital transformation of a supermarket, there are a number of critical factors to consider when choosing a solution and building a team to manage it.

Shopping experience

Groceries are not purchased to fulfill customer aspirations. Instead, they are generally seen as a necessary task, an obligation, a part of running a home. Typically, grocery shopping happens almost every week, is repetitive, has very large shopping carts with over twenty items, and purchased goods can often be substituted.

Therefore, keep in mind that when building an online grocery store, function precedes form. An effective website built with optimal user experience will ensure customer loyalty over having a "beautiful" front end.

First and foremost, having a fast and accurate search engine is significantly more important in grocery shopping than in other

e-commerce sectors. Large shopping carts require navigation of multiple pages, which can render poor user experience, especially if the purchase is a one of a recurring, mundane nature.

A strong search engine allows the user to select and purchase products without having to navigate multiple pages.

An AI-driven search bar can help offer a better search experience by using autocomplete, spell check, synonyms and suggested terms.

Turning on the ability to "add to cart" without leaving the search engine enables customers to select an entire shopping list without exiting the homepage, reducing friction and maximizing conversion rates.

In addition to a strong search engine, grocery stores typically offer a wide set of additional functionalities designed to simplify customers´ tasks of purchasing more items faster, including:

01.
Shop by recipe - highlighting recipes with ingredients that can be bought with one click

02.
Multiple-item single search - allowing customers to input multiple items in a single search query and add them from a single search results page

03.
Personalized shopping lists - letting users create and save shopping lists where they can quickly purchase pre-selected items

04.
Site-generated shopping lists - shopping lists for different types of customers in different occasions (ie. general cleaning shopping list, birthday party shopping list)

05.

Subscriptions - automatic reordering
of recurring items purchased

06.

Repeat order button - allowing the user to
repeat past purchases, load items in a cart
and edit

07.

Bundling products by category - allowing an
easy creation of combos for cross-selling
of items that are generally used together (ie
dishwashing detergent and a sponge)

Order changes
and substitution

Over half of supermarket orders require
the store to make changes after checkout,
whether it's due to unavailability or because
a product priced-by-weight needs to reflect
its exact weight.

A flexible Order Management System
should allow for revisions in order value
upon collection of payment, which can also
be reflected in the final credit card payment
(this is dependent on the acquirer).

When a product is unavailable, some
supermarkets take personalization a step
further by asking customers to specify
whether they wish to have specific goods
substituted by similar products. Others
offer the option of being contacted by
the supermarket by phone in the event of
missing items selected in the cart. Some just
cross unavailable items off the order.

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Delivery area limits

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Different product handling necessities

A single grocery order can contain fresh produce, frozen products, refrigerated goods, and cleaning supplies.

For efficiency and quality of service, each of these products needs to be subjected to various picking, handling and storing conditions, and often even different delivery conditions (some supermarkets use compartmentalized trucks that can refrigerate

a portion of the truck load) .
Whether a supermarket chooses to store picked orders or opt for just-in-time for delivery, frozen items should be left for last to avoid thawing, or by storing them appropriately after picking. However they choose to treat the order, frozen items cannot sit outside of the chiller past two hours.

For this reason, the platform must allow the association of product attributes that determine how they must be handled and stored, and these attributes must be able to affect picking order, storage conditions, or even delivery conditions. This capability will then allow the supermarket to choose the best handling program according to its infrastructure.

Flexible delivery and pickup options

Grocery orders do not get dropped into a mailbox upon delivery. For the same reasons stated in the section before, supermarket deliveries need to have someone receive the goods to ensure proper storage upon arrival.

Rare is a customer willing to sit around the house all day waiting for a delivery, so it is important to offer customers the ability to schedule preferred delivery slots for their orders. The more precise, the better; failing this, a two-hour period is acceptable. Another option is offering "buy online, pick-up in-store" (BOPIS) or click-and -collect, which has proven to be popular as this gives the customer control over his own schedule. Recently, curbside pickups have been put in place by a number of retailers, including supermarkets, to comply with social distancing rules and minimize wait times.

Don't forget the team

The success of an e-commerce operation is only as good as the people managing it. Hiring people that have had experience in working on a complex omnichannel operation such as that in grocery is necessary, as this is something that cannot be learned in a few weeks.

Gone were the days when managing e-commerce was a niche job. The industry has matured enough to give retailers a wide talent pool to hire from.

Going to market and fulfilling orders

After considering all the digital aspects discussed, it is now time to plan logistics. This includes the go-to market strategy and picking, checking, packing, storing and delivering of the orders.

Go-to-market strategy

When rolling out a new e-commerce operation, it is advisable to start with a smaller number of stores before expanding this to a wider area. Limiting this to a specific town or city mitigates the risk of affecting a greater number of customers during the start-up phase.

A number of companies choose to dip their toes into click-and-collect before moving to home deliveries, as this is cheaper and simpler to manage.

Even for the largest brands, online grocery operations do not rely exclusively on separate dark-store logistics networks to fulfill orders, instead leveraging existing store locations. To begin operations, it is

helpful to choose a few supermarkets with more space and less traffic to allow pickers to move about without disrupting shoppers.

Regardless of how they choose to go-to-market, online grocery companies find that every store has specificities that require adaptation to manage an e-commerce fulfillment operation. The same can be said even for an established online grocery operation, due to the differences in store layouts and the availability of checkouts, parking lots, storage space, and delivery truck loading space.

Mistakes will inevitably be part of the process, but their impact can be reduced if the supermarket responds to these quickly. It is important to identify problems as soon as they happen and act to correct structural issues. Prioritize customer satisfaction in order to protect brand reputation.
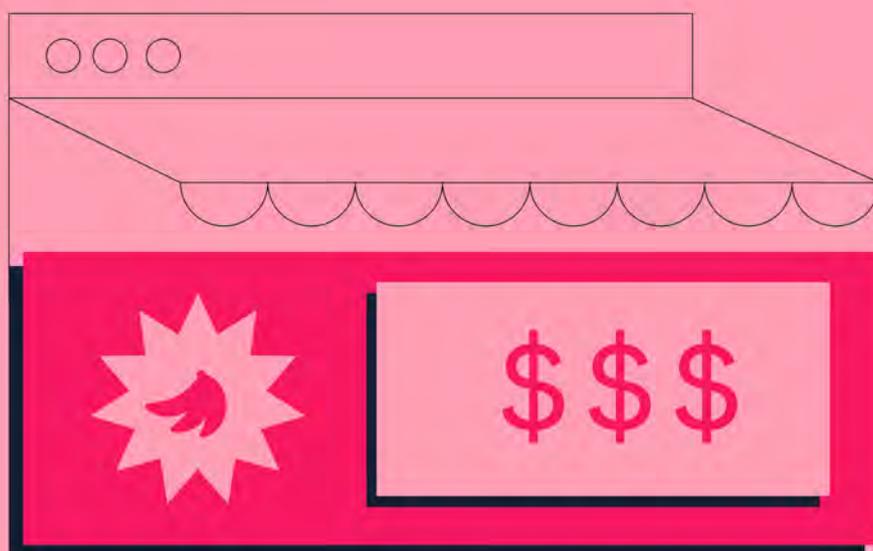
Grocery order fulfillment

As stated, picking, packing and shipping processes done inside supermarkets need to be efficiently executed to cause minimal disruption to shoppers.

Some methods for order fulfillment including picking (single-order or wave picking), substituting products, order checkout verification and shipping. There are no specific rules, and processes may vary in different operations. That said, we have identified a number of practices that are widely adopted by our customers.

Verification and packaging

Supermarkets are not required to make large infrastructure investments to process online orders. The final order verification can be performed through an ordinary physical checkout. Depending on the volume of orders, supermarkets may decide to dedicate one or two cashiers to manage online orders.
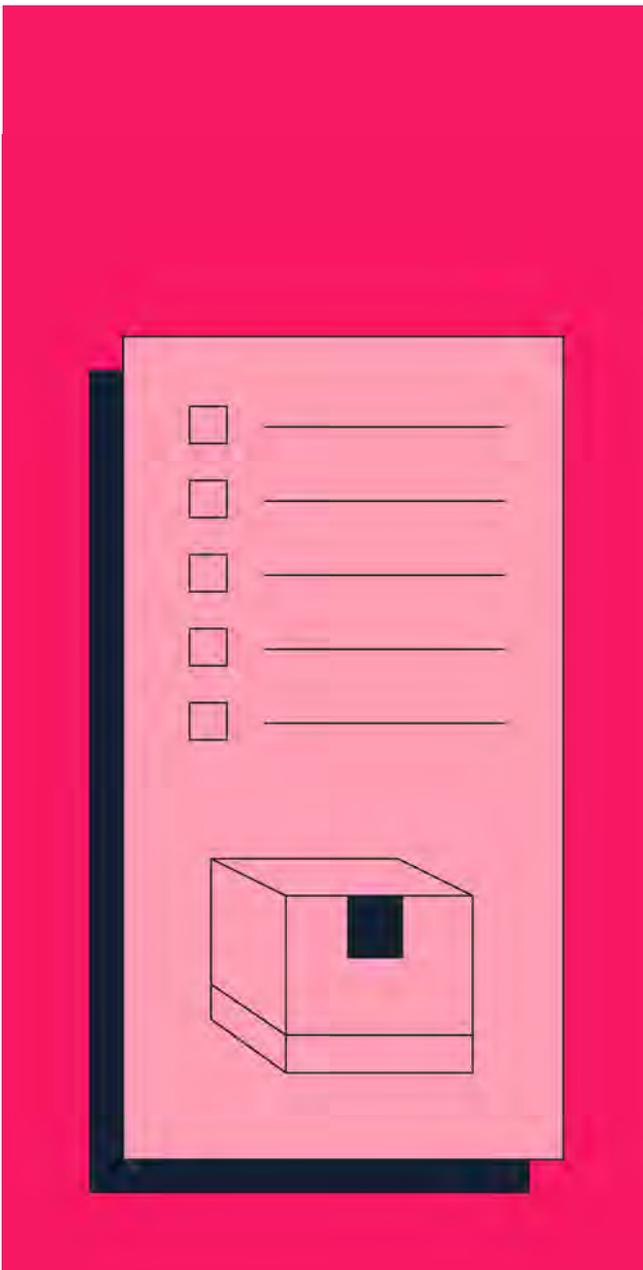
If the picking is carried out in waves, arrange a dedicated space around these checkout lanes where products from the individual orders will be selected. In this space, trolleys full of products from different partial orders each wave are to be separated, and the products previously collected in the picking wave are then aggregated by order.

After separation and any modifications on availability and weight, the final order can be checked out: the cashier scans the prices, prints the receipt, and "accepts" a payment that will be paid online or upon collection. The orders are then packed for shipping or collection.

Keep in mind that it is not necessary to integrate the e-commerce activities of a supermarket into the management system (ERP) to close orders and deliver receipts. The manual process of product verification allows the insertion of the order in the system which traditionally happens during checkout.

Storage and shipping

As some smaller shops have limited space to store orders, the picking process in this instance should leave refrigerated and frozen products last in order to be loaded onto the delivery trucks immediately. Delivery trucks should have dedicated cold rooms.

In many cases, supermarkets have ample space to dedicate a storage area equipped with a refrigerator and freezer to store orders for shipping or collection. For pick-ups it is advisable to set this up near the exit: this allows customers to simply request their orders without having to enter the shop.

The storage of orders and shipping are closely related to the picking and checkout phases. Generally, orders are managed according to shipping times. This means that orders with shipment scheduled after two days will only be prepared on that morning, or the previous evening. Consequently, the availability of products at the time of picking may differ from when it is ordered. This is why a flexible OMS plays a huge role in efficient e-commerce operations. Given the limited geographical distribution areas for each store, supermarket deliveries are generally single mode deliveries. Simple TMS systems can assist with order route determination and delivery window fulfillment capacity.

For deliveries, integrated WMS and TMS systems can handle everything from delivery capacity to route determination, easing logistical operations.

Call center operations

The final key consideration for an online grocery operation is to set up a customer service area for incoming calls. Groceries generally do not have to worry about reverse logistics, as compared to other e-commerce verticals, as items are seldom returned. However, they do need to handle

a sizable number of calls ranging from order complaints, requests for reimbursement, or for shipping missing products purchased. Generally a couple of operators will be enough to handle call volume. The better the operation, the less operators needed.

Conclusion

Online grocery operations may seem daunting at first. However, as this becomes increasingly more common, the cost of investing in both systems and infrastructure have significantly gone down.

A number of digital solutions are available in the market that can service online grocery operations with little customization, which brings down implementation costs and time. In-store fulfillment operations do not require major investments, and existing infrastructure can be adapted to service fulfillment needs.

When it comes to choosing partners, experience is an extremely valuable asset, not only for accelerating time-to-revenue, but for imparting best practices to mitigate errors that can affect customer satisfaction.

VTEX is the first and only global, fully integrated, end-to-end commerce solution with native marketplace and OMS capabilities. We help companies in retail, manufacturing, wholesale, groceries, consumer packaged goods and other verticals to sell more, operate more efficiently, scale seamlessly and deliver remarkable customer experience. Our modern microservices based architecture and our powerful business and developer tools allow VTEX to future-proof our customers' businesses and free them from software updates.

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