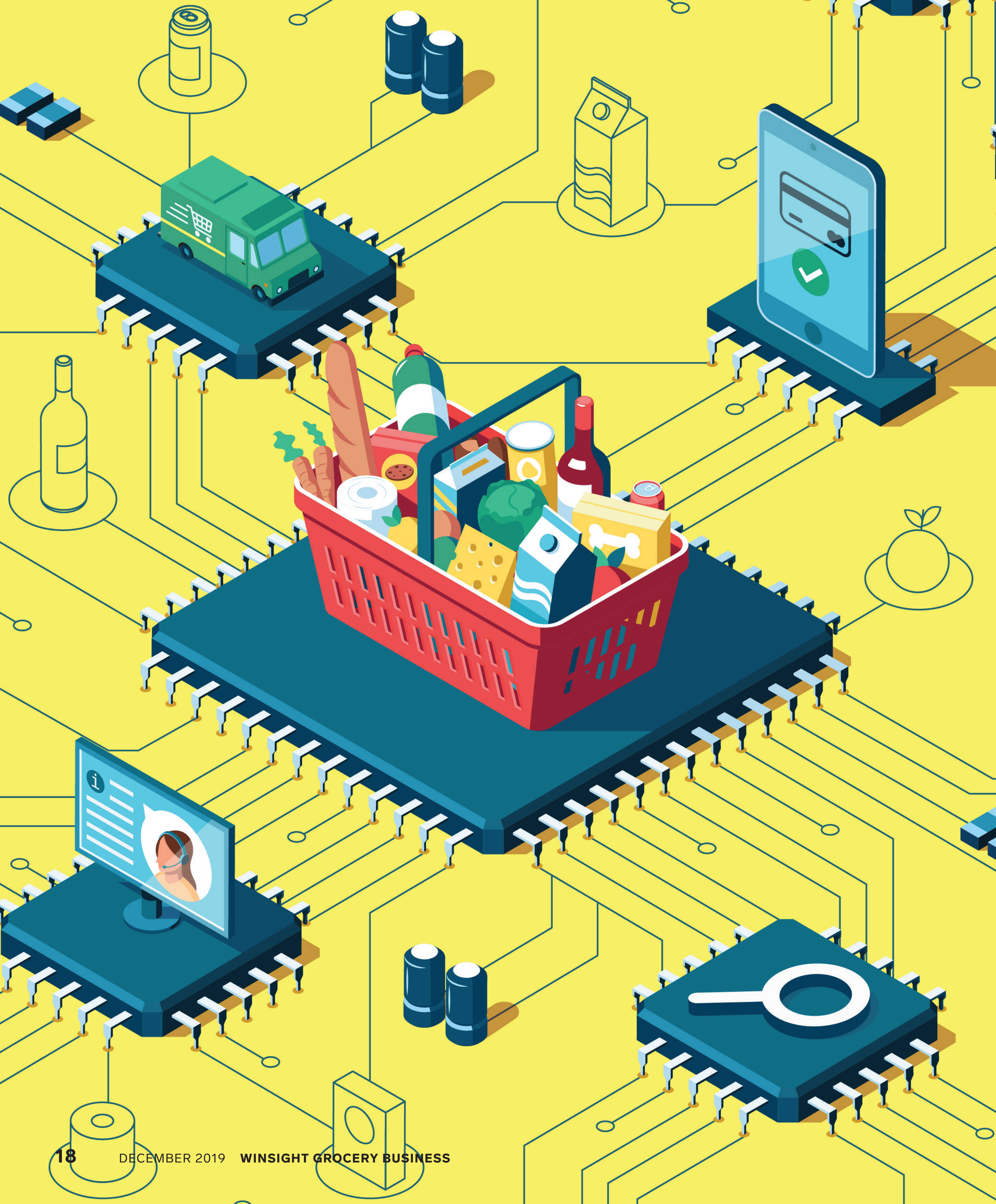
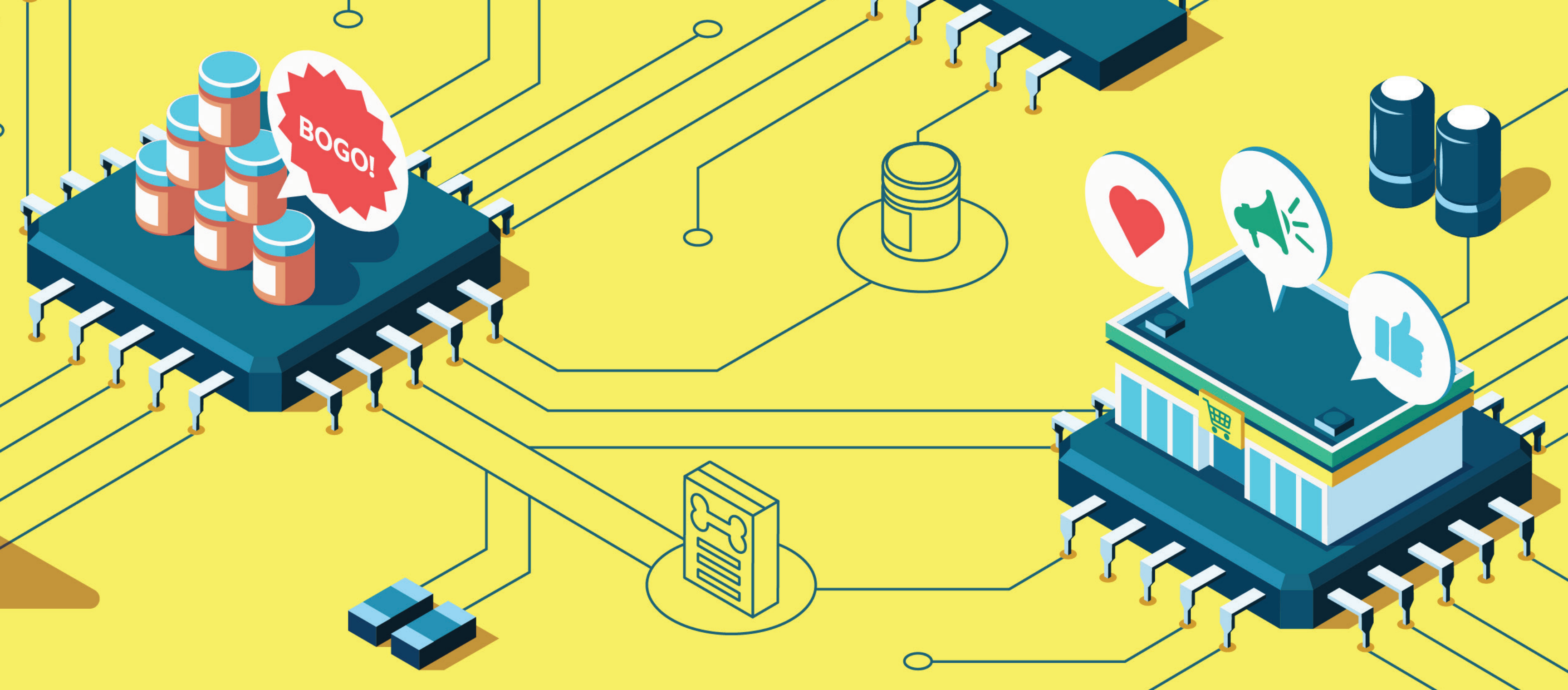
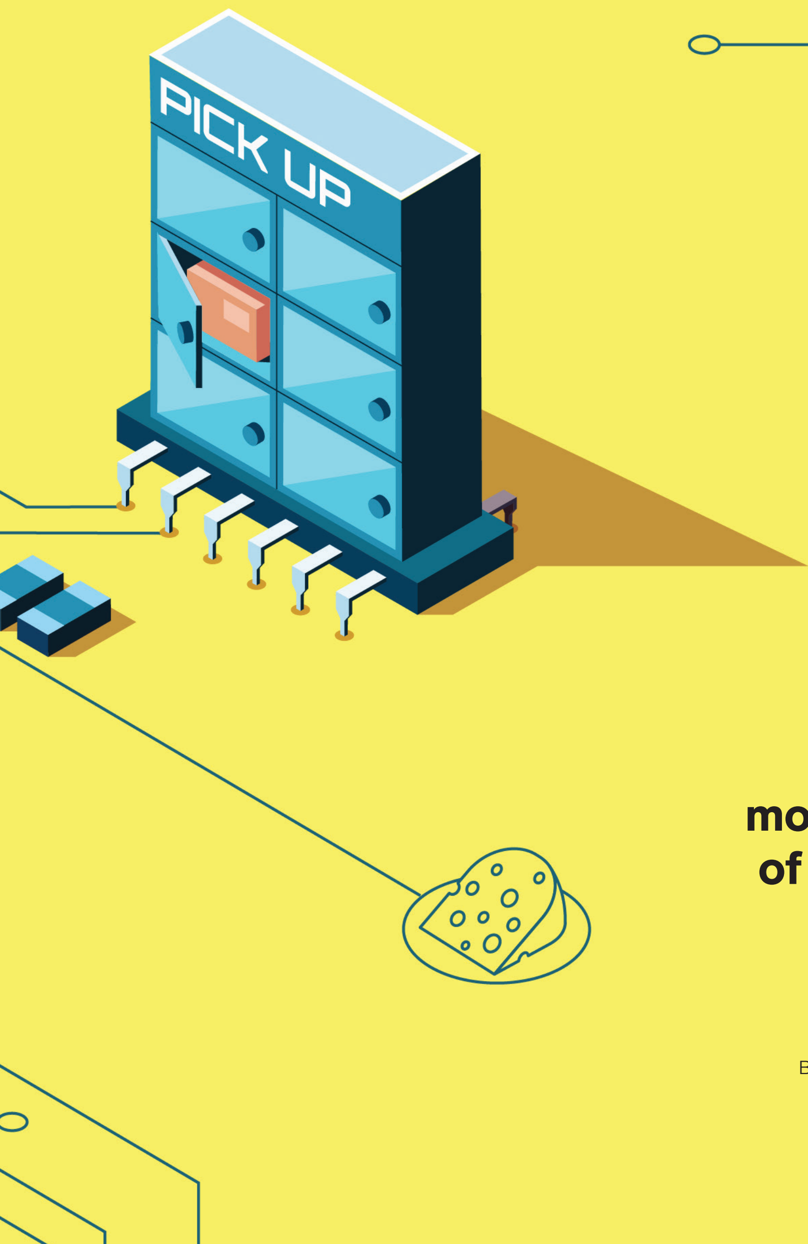




2019 GROCERY DIGITAL MATURITY BENCHMARK REPORT

Digital Maturity Sparks Growth



Incisiv and *WGB* present the industry's most comprehensive ranking and analysis of food retailers' digital initiatives to date in this exclusive research study.

By WGB Staff and Incisiv Analysts • Illustration by Coen Pohl

BROUGHT TO YOU BY TITLE SPONSORS DOSH AND MERCATUS

Digital is sparking change in every market segment, and grocery is no exception.

Evolving customer demand—coupled with continued increases in competition—is driving the business forward, forcing grocers to upgrade their digital capabilities if they are to thrive in a highly challenging business environment.

That's the overarching takeaway from the inaugural Grocery Digital Maturity Benchmark study, which was conducted by Incisiv, an industry insights firm focused on digital disruption, and *Winsight Grocery Business*. Designed to comprise an annual global assessment with the ultimate goal of benchmarking digital performance and identifying areas of improvement and investment, the study covers the 80 largest retailers in the U.S. and Europe (including the U.K.). For the purpose of this report, however, we focus on the top 50. The study examines the digital grocery sales platforms used by retailers in four formats—traditional grocery stores, hypermarkets, discount/cash-and-carry stores and warehouse clubs—for more than 120 attributes and 10,000 data points across four stages of the customer journey: research and discovery, ease of ordering, order fulfillment, and customer engagement and service. Public information and the Incisiv digital database for determining fulfillment maturity were used for benchmarking purposes.

"The study is a deep-dive, data-backed assessment of digital capabilities deployed by grocery retailers across the U.S. and Europe, with the ultimate goal of benchmarking digital performance and identifying areas of investment and improvement that merit attention as consumers become more and more digitally focused in many aspects of their lives," says Amar Mokha, chief operations officer of Incisiv, West New York, N.J.

For purposes of the study, "grocery" was defined as the market that sells primarily edible products, alongside nonedible merchandise. It included retail formats such as supermarkets and hypermarkets, as well as traditional retail formats such as open-air markets, bakeries and traditional food stores, but excluded wholesale and foodservice formats along with drugstores/pharmacies.

Top 50 Performers

The Grocery Digital Maturity Benchmark examined 80 of the largest retailers in the U.S. and Europe. Here are the top 50.

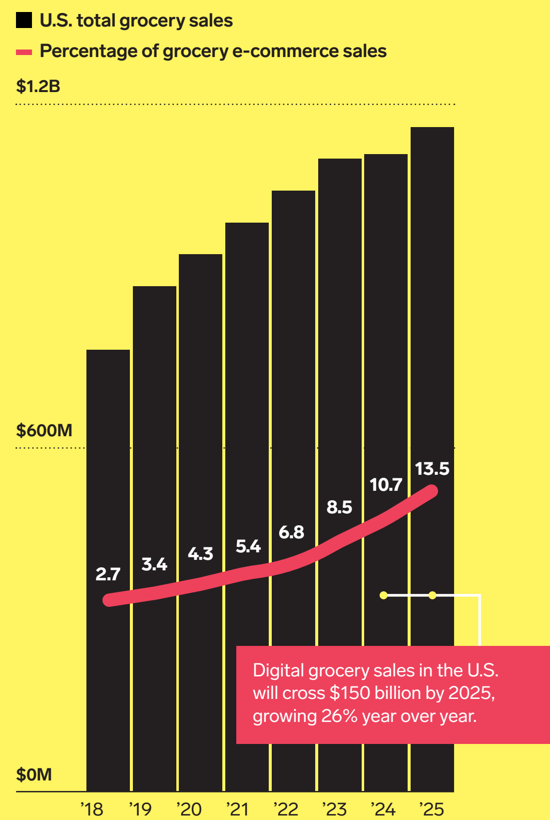
1	BJ's	18	Albertsons	35	Prisma
2	Carrefour	19	Waitrose	36	Sprouts Farmers Markets
3	Albert Heijn	20	Family Fare	37	Coop U.K.
4	LeShop	21	Coop at Home	38	Loblaws
5	Auchan	22	Cub Foods	39	Aldi***
6	Kroger	23	Sainsbury's	40	Iceland Foods
7	Costco	24	Metro	41	Save Mart
8	Target	25	SuperValu	42	ICA
9	Rewe	26	Market Basket	43	Schnucks
10	Walmart	27	Intermarche	44	DIA
11	Spar	28	Tesco	45	Giant Eagle
12	Wegmans	29	Coop Sweden*	46	Publix
13	Monoprix	30	Edeka	47	Hyper U
14	Hy-Vee	31	Coop.dk Mad	48	Esselunga
15	H-E-B	32	ShopRite	49	Continente Modelo
16	Eroski	33	Meijer	50	Price Chopper
17	Safeway	34	Leclerc**		

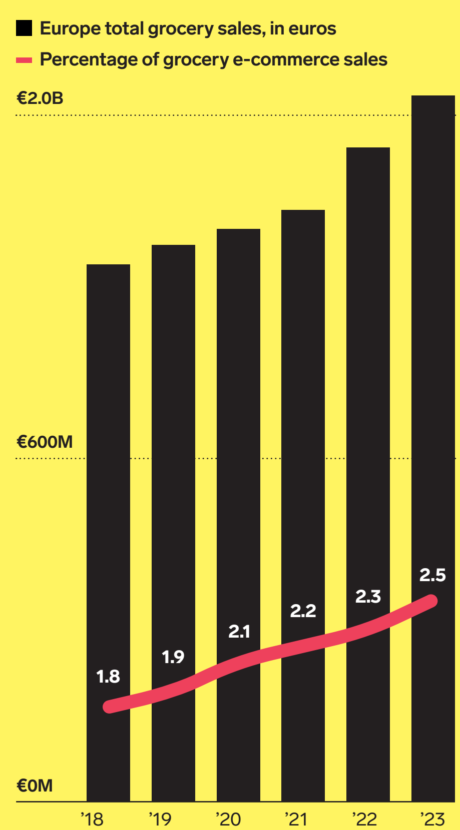
REGION
U.S. Europe

* Coop Sweden digital maturity: 47%
** Leclerc digital maturity: 45%
*** Aldi digital maturity: 43%

Grocery Sales at a Glance

U.S. e-commerce sales of grocery are expected to reach double digits in 2024, while e-commerce sales in Europe will remain relatively flat.





Digital Maturity Is Grocers' Growth Catalyst

Digital grocery sales will grow exponentially as consumers become more comfortable ordering grocery products online, according to the study and other research conducted by Incisiv. Annual digital grocery sales will cross $150 billion by 2025, growing 26% on a year-over-year basis, per Incisiv's research and CAGR predictions. Meanwhile, digital grocery sales will account for 13.5% of all U.S. grocery sales in 2024, up from 2.7% in 2019.

Among the overall conclusions drawn from the study is improvements in digital maturity are critical to growth in a challenging business environment, where an increasing number of players are and will be vying for a piece of the online grocery sales pie and an increasing number of consumers demand the option to shop for groceries online rather than in person.

The research brings to bear a strong correlation between grocery retailers' level of digital maturity—the extent to which they have adopted and executed digital capabilities and processes—and their business performance. Of the grocery brands examined, the 25 retailers with the highest revenue growth (a standard deviation of greater than two from the average growth rate of 3.4% between 2015 and 2018) have a digital maturity index of greater than 50%. Moreover, grocers that have added digital capabilities have reaped significant rewards in the form of increased sales and improved competitive positioning, the study shows.

"Grocers need only look at the growth of Amazon in the grocery segment to see the importance of attaining increased digital maturity," says Gaurav Pant, chief insights officer of Incisiv. Market research firm eMarketer estimates that Amazon has captured 18% of U.S. grocery sales since 2017, and even if the retail giant's share of the market falls to 10%, its online grocery sales could reach $10 billion by 2025, according to estimates from Nielsen and the Food Marketing Institute (FMI).

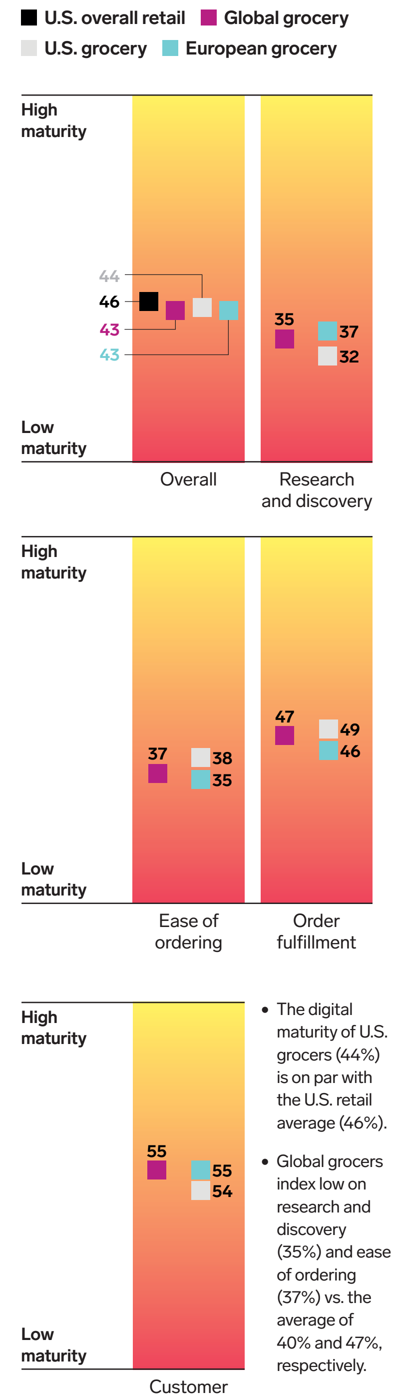
Improvements Warranted

Diving more deeply into specifics, the study shows that U.S. and European grocers need to overcome significant challenges and up their game in the research and discovery (maturity index 35%) portion of the customer journey. If statistics are any indication, giving customers the ability to hide or filter unavailable products once they have performed a search would be a great place to start. At present, just 3% of U.S. and European grocers offer this option. Meanwhile, only 25% of U.S. grocers make research and discovery an easier process by displaying discount and clearance items within a single section on the primary menu bar of their e-commerce website. European grocers do a better job here: Fifty percent have one online catchall "home" for products that are available at a discount or are on clearance.

Additionally, warehouse/cash-and-carry

Digital Maturity of Grocers by Region and Customer Journey

The scores below indicate the maturity score of the corresponding customer journey stage for grocery retail at an overall level as well as by region. The maturity score is ranked on a scale of zero to 100%.



Brands	Digital Maturity	Strength of Correlation	Description
High growth percentage*	High	Strong correlation	25 brands with high revenue growth and digital maturity index > 50%
Above-average growth percentage**	Medium	Moderate correlation	18 sites with moderate revenue growth and digital maturity index > 40%
Low growth percentage	Low	Moderate to weak correlation	33 sites with moderate revenue growth and digital maturity index < 40%

* > 2 standard deviation of average
** > 1 standard deviation of average

stores have a significantly higher digital maturity level in research and discovery, with an overall maturity index of 48%. The digital maturity level for supermarkets and hypermarkets, however, is far lower.

Grocers are also lacking in some aspects of customer engagement and service—although an overall digital maturity index of 55% means they are, on the whole, more mature (and on par with other retail segments) for this stage compared to other stages of the customer journey. Based on the research, U.S. and European grocers alike understand the need to display store information consumers can use to contact them directly, with 75% making that information available to customers as part of the online shopping process. By contrast, less than 30% offer another must-have for e-commerce success: online customer service, on demand.

Interestingly, as with research and discovery, warehouse/cash-and-carry stores display the highest digital maturity level (67%) for customer service and engagement. Again, this retail segment far outdistances supermarkets and hypermarkets on the scale.

Elsewhere along the customer journey in order fulfilment, U.S. grocers have more readily adopted in-store digital coupon redemption than their European counterparts. While having the chance to redeem digital coupons during a trip to a brick-and-mortar store is important to today's increasingly digitally oriented consumers, one-fifth (21%) of European grocery players whose digital maturity index was determined in the study allow such flexibility. For U.S. grocers, this figure exceeds 50%.

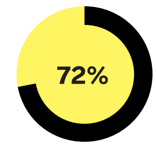
In general, fulfillment is the phase in which supermarkets, with a digital maturity index of 50%, are on par with other segments. Warehouse/cash-and-carry stores beat out this segment only slightly, with a digital maturity index of 53%, while hypermarkets come in slightly below the mark, with a digital maturity index of 49%.

Yet another granular insight centers on ease of ordering (maturity level 37%). This is an area where grocery players seem to shine more brightly, but there remains significant room for improvement. For example, the

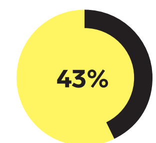
> "Grocers cannot afford to or minimize the importance of digitization and digital maturity."
> **—Gaurav Pant,** *Incisiv*

Key Highlights From the Grocery Industry Benchmark

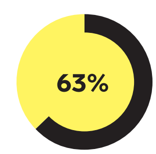
Research and Discovery



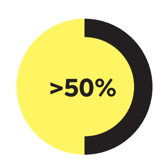
of the grocery commerce platforms **do not display product recommendations** with images in search.



of grocery commerce platforms offer capability to **search within a product category**, significantly higher than overall retail.

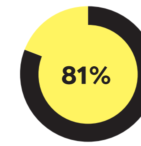


of the grocery commerce platforms do not offer **four or more attributes** to filter items on the listing page.



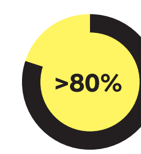
of European grocers display discounts and clearance as a section in their primary menu bar vs. only a **quarter of U.S. grocers**.

Ease of Ordering

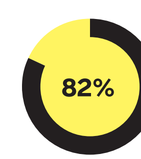


of grocers **do not offer** guest checkout. (Users must register to use the platform.)

of grocers offer capability to add a **personalized note** for the order pickers.



of grocers do not offer the capability to **place orders more than five days** in advance.



of grocers are offering **order-ahead functionality** with almost each one of them accepting orders for frozen food/meat and seafood and fresh food.

Top Performers by Customer Journey

Here are the retailers who performed the best in four key areas.

	Research and Discovery	Ease of Ordering	Order Fulfillment	Customer Engagement and Service
1	TARGET	Kroger	BJ's	LeShop

Top Tier: Wegmans, Costco Wholesale, H-E-B, Walmart, BJ's, Auchan, Carrefour, ah

majority (82%) offer order-ahead functionality from their digital platform. Of these, almost all accept orders for frozen food, meat and seafood, fresh food, dairy and eggs, and prepared meals/deli items. Order-ahead capabilities on alcohol remain less common, with fewer grocers (50% in the U.S. and 70% in Europe) providing such a mechanism for merchandise of this kind.

There is a similar dichotomy on the personalization and/or customization leg of the online grocery shopping journey. A respectable number of U.S. retailers (70%) have tweaked or overhauled their digital platforms to enable order personalization and/or customization capabilities, the study shows. Far fewer European retailers (48%) have done the same, a trend Pant and his Incisiv colleagues believe could be a result of more stringent data privacy laws.

Who's Leading and Why?

In addition to an assessment of how far grocers have progressed in implementing these and myriad other individual digital capabilities, the study includes a leaderboard ranking of the top 80 performers by digital maturity, 50 of which are highlighted on page 21.

The study also details the leaders across each step of the customer journey. The top 10 performers overall, in descending order, are BJ's Wholesale Club (U.S.), Carrefour (Europe), Albert Heijn (Europe), LeShop (Europe), Auchan (Europe), The Kroger Co. (U.S.), Costco (U.S.), Target Corp. (U.S.), Rewe (Europe) and Walmart (U.S).

Among top performers by customer journey, U.S. grocers are in the lead, including Target for research and discovery, Kroger for ease of ordering and BJ's for order fulfillment. LeShop is the only European grocer in the customer journey first-prize winner's circle, nabbing this designation for best customer engagement and service.

Auchan takes second place for research and discovery, while BJ's and Carrefour are tied for that distinction on the ease-of-ordering front, and Albert Heijn and Walmart share the No. 2 spot in order fulfillment. Interestingly, three European grocers—Albert Heijn, Carrefour and Auchan—and one U.S. player, BJ's, tie for second place in customer engagement and service.

Both BJ's and Carrefour exhibit myriad differentiating digital capabilities that support their rise to the head of the best performers class. For BJ's, the study points squarely to two research and discovery capabilities: a product comparison tool and the appearance of product recommendations in the search bar of the retailer's digital platform. Carrefour also provides product recommendations in the search bar, along with a filter that lets consumers view or hide unavailable products in search results and aggregate product ratings on the product landing page.

Meanwhile, BJ's differentiating capabilities in ease of ordering include a filter attribute on the product landing page that allows customers to see which products are available for pickup at the warehouse club and/or same-day delivery. Its product detail page features delivery timelines, which are based on the destination ZIP code. Carrefour also offers ZIP code-based delivery timelines on the product detail page, and all promotions are displayed in the shopping cart.

In order fulfillment, delivery

More Highlights From the Grocery Industry Benchmark

Order Fulfillment

>60% of U.S. grocers and **more than 80%** of European grocers do not offer membership programs.

60% of the grocers do not allow customers to return **online orders** by walking into a store.

>90% of the grocers that offer online order-ahead capability also **offer home/curbside delivery.**

>50% of U.S. grocers enable digital coupons to be redeemed in-store vs. only **21% of European grocers.**

Customer Engagement

73% of the grocers offer the capability to **make shopping lists**.

82% of U.S. grocers offer weekly ads vs. only **19% of European grocers**.

>95% of grocers can not auto-detect a user's country to address the issue of eligibility to **fulfill an order criteria**.

>70% of grocers **do not offer on-demand customer service**, but more than 75% display information for users to contact them directly.

in less than two hours is a point of distinction for BJ's, along with customer notification that orders have reached the store. For Carrefour, a delivery window shorter than two hours also ranks among differentiating digital capabilities. Complementing this is the deployment of in-store grocery kiosks where shoppers can pick up their orders.

Finally, in customer engagement and service, BJ's digital platform incorporates the capability of storing customers' payment card details, as does Carrefour's. Consumers can also leverage the BJ's platform to register for a BJ's membership and to handle their account as well. And unlike almost every grocer whose digital platform was assessed for the study, Carrefour provides on-demand customer service as consumers shop online.

Moving Forward

Competition will increase and with it will be the need to achieve digital maturity across all grocery channels and at every point of the customer journey. For grocers, this will mean investing in digital capabilities that differentiate their business from the pack, which will help to attract and retain a loyal clientele and grow the overall customer share of wallet. Regular benchmarking to identify opportunities for improvement will also separate leaders from laggards.

"Digital isn't optional. It's not a good to have; it's the price of entry," Pant says. "Shopper expectations on frictionless digital experiences and last-mile delivery will force a consolidation of the grocery industry. Grocers have to significantly upgrade their digital experience capabilities or they risk rapidly losing market share.

"Like retailers in other channels, grocers cannot afford to or minimize the importance of digitization and digital maturity," Pant continues. "It's the bottom line." **G**

For the full report, visit www.incisiv.io.

> Grocers need only look at the growth of Amazon in the grocery segment to see the importance of attaining increased digital maturity." **—Gaurav Pant,** *Incisiv*

Insights for *WGB's* and Incisiv's Grocery Digital Maturity Benchmark study are brought to you by:

TITLE SPONSORS

DOSH

Dosh is a card-linked offer platform connecting grocers to consumers with automatic cash back when they make purchases, ultimately driving higher spend and brand loyalty. Directly integrated into major card networks, Dosh enables grocers to track advertising spend to every transaction, providing measurable attribution both online and offline. Visit doshforbusiness.com to learn more.

mercātus®

Mercatus helps leading grocers get back in charge of their e-commerce experience, empowering them to deliver exceptional branded omnichannel shopping experiences end to end, from store to door. Its expansive network of more than 50 integration partners enables Mercatus-powered grocers to work with their partners of choice, on their terms. Visit mercatus.com to learn more.

SUPPORTING SPONSORS

AIMIA INSPIRING LOYALTY

Aimia Intelligent Shopper Solutions decodes the "messages" that customers leave in data and helps translate them into simple, actionable insights that enable effective business decisions throughout an organization. In turn, its clients can sustainably grow sales and profits with relevant, engaging and inspiring shopping experiences and personalized interactions driven by deep customer intelligence. Visit iss.aimia.com to learn more.

Takeoff

Takeoff's mission is to bring fresh and affordable groceries online by working with grocers to integrate its automated grocery fulfillment solution into their existing business. Takeoff's micro-fulfillment center sits inside their stores, working alongside their employees to fulfill orders on a hyperlocal scale. Visit takeoff.com to learn more.