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WINSIGHT GROCERY BUSINESS

INCISIV

Digital Maturity Benchmark

Grocery Industry 2021

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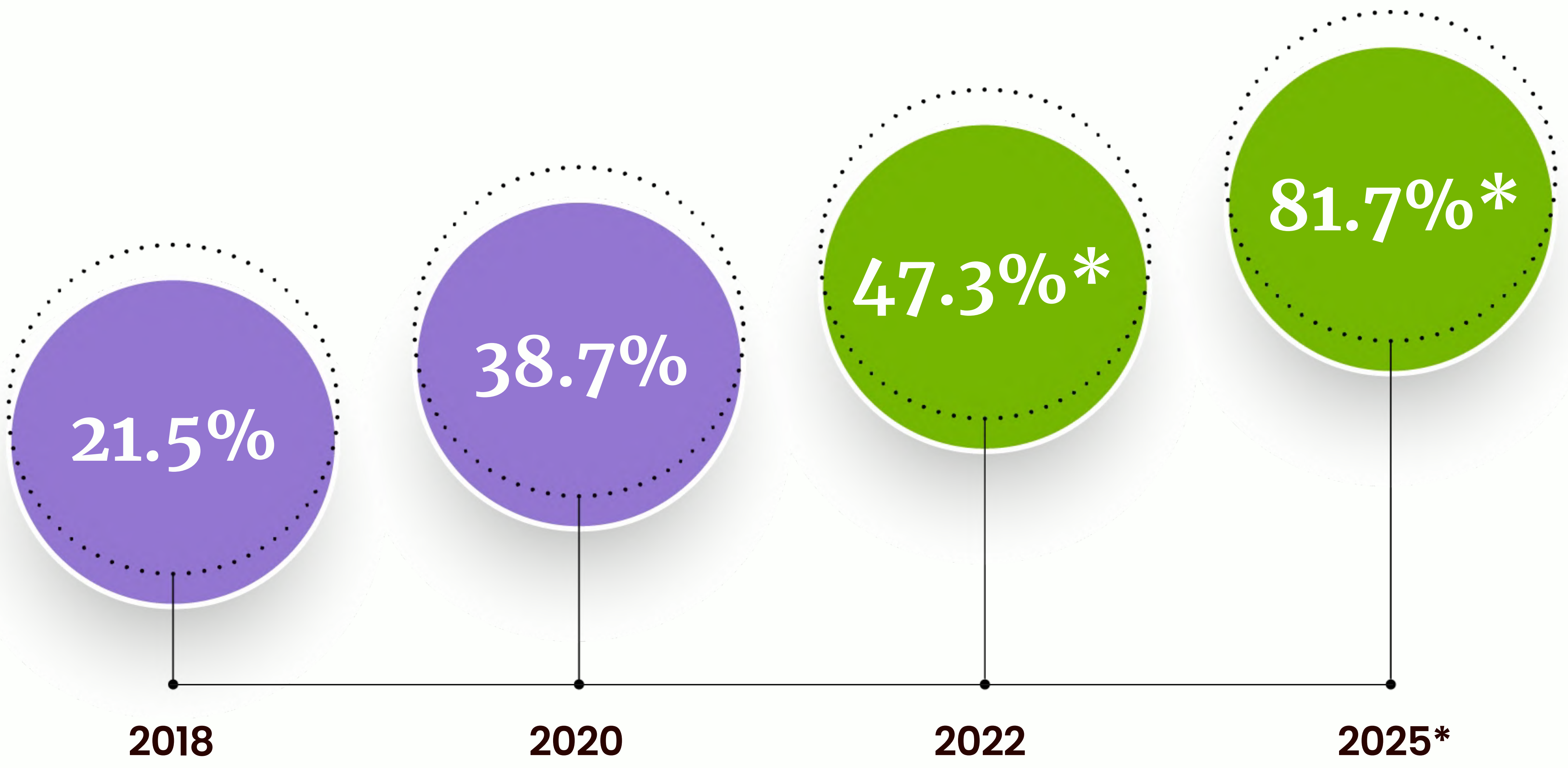
Market Trends

Consumer Behavior & Outlook

As COVID restrictions subside, online habits formed during the pandemic will continue to advance.

Convenience and habit has helped sustain the growth of online shopping beyond the regulations of the pandemic.

Adoption of online grocery shopping (Percentage of Shoppers Shopping Online)



~ 75%

of shoppers would have purchased grocery online by 2025.

30%

of shoppers have purchased more categories online in 2020 vs 2018.

Note: * Incisiv projection

As shoppers look to get back to their normal lives, stores will return to the primary shopping channel, especially as delivery fees rise. The trend will persist for next 3-5 years.

<10%

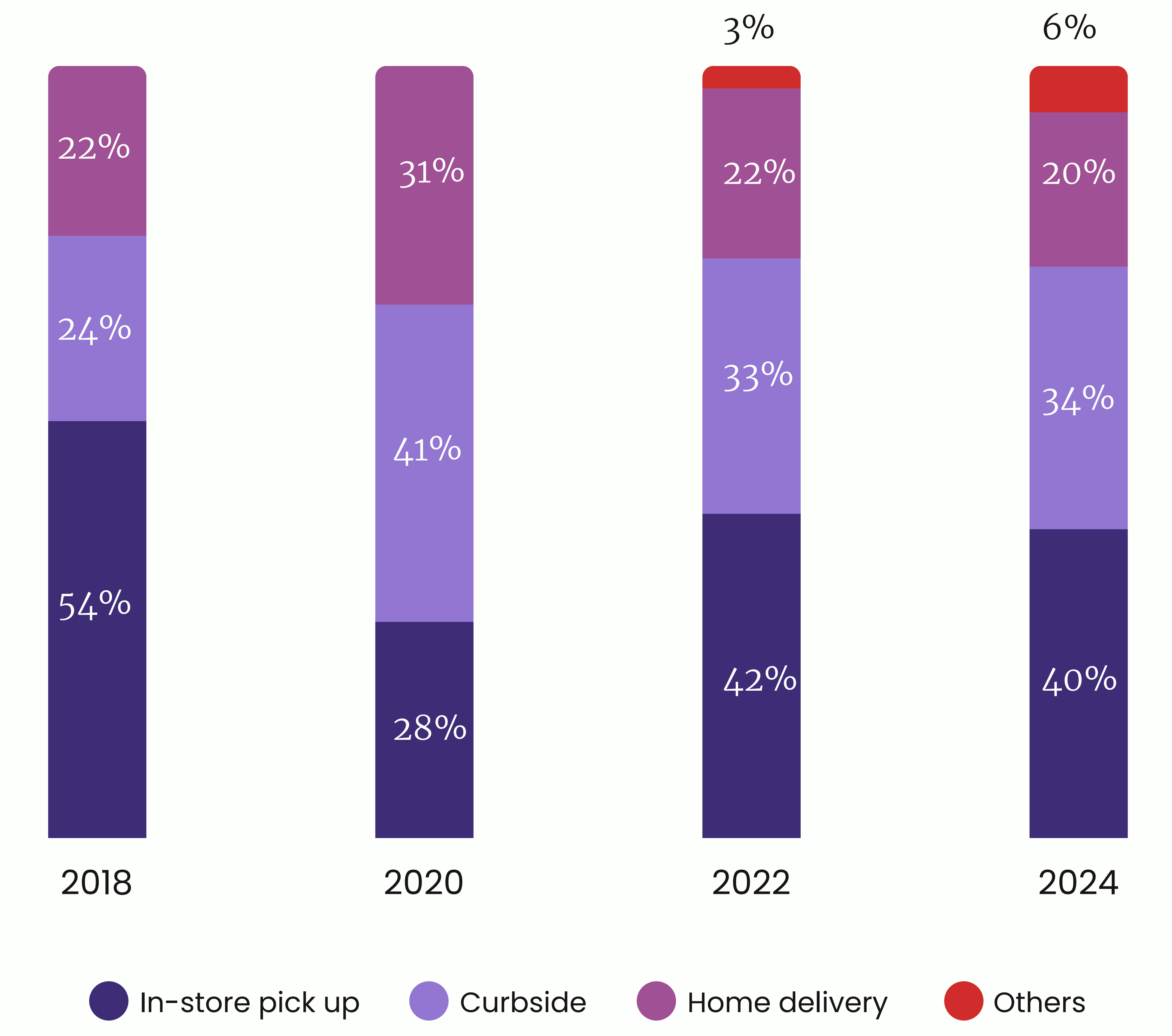
of shoppers said they found value in paying for expedited delivery, especially 2 hours or less

25%

of shoppers prefer membership based delivery options.

Incisiv's 2021 Digital Maturity Benchmark

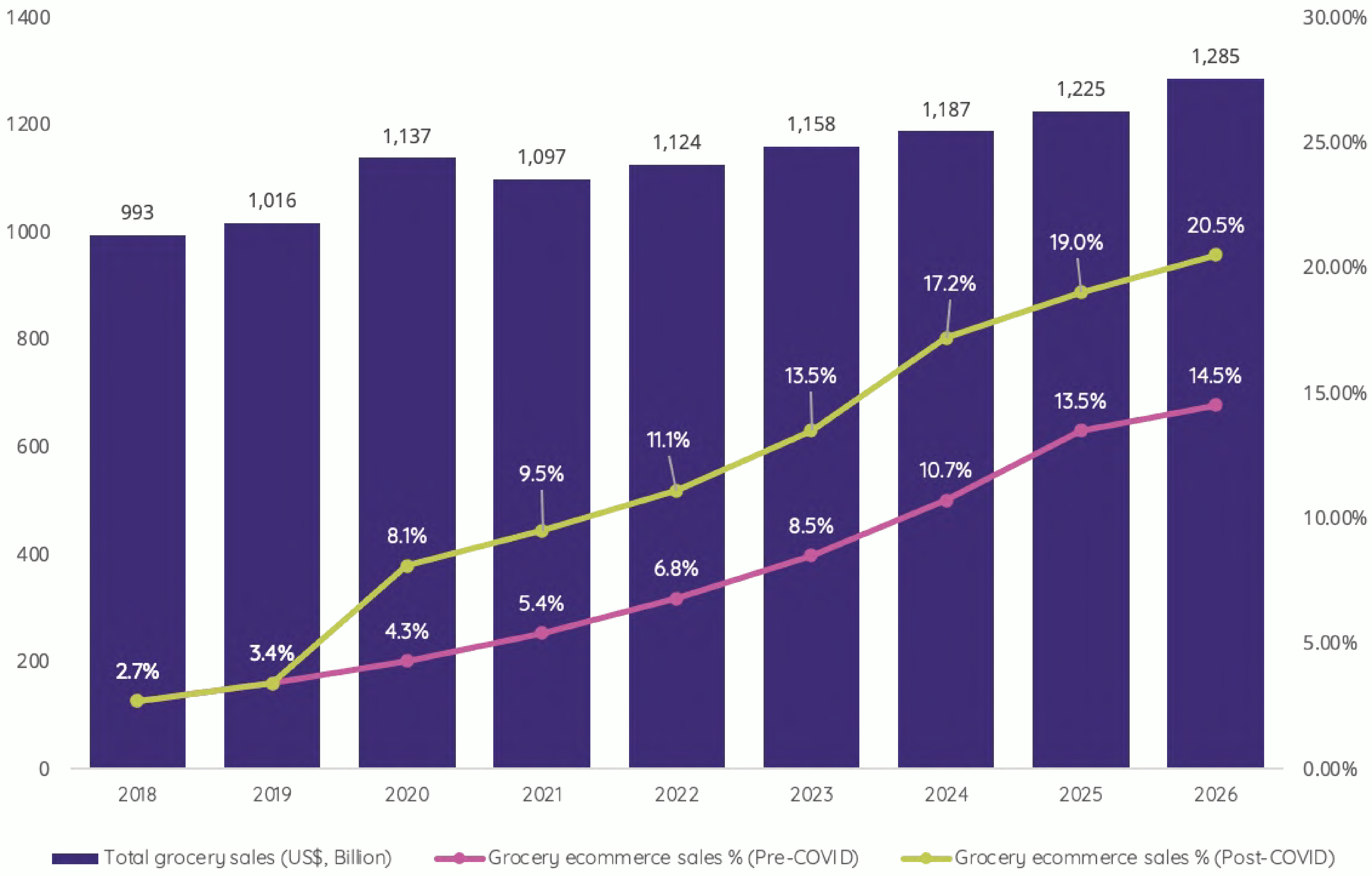
Shopper preferences for fulfilment of online orders



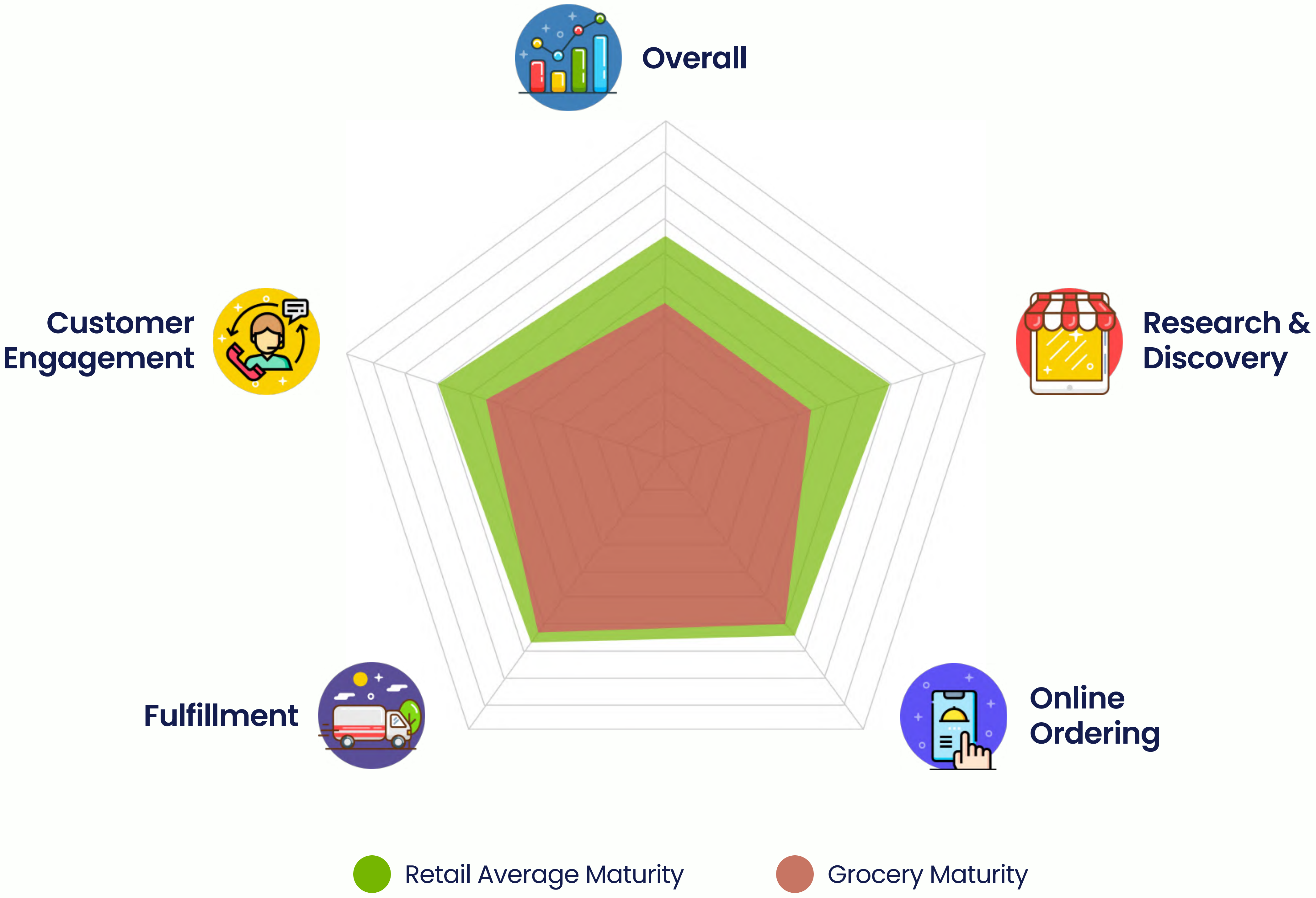
Pandemic-driven growth to continue digital acceleration in Grocery. Digital sales will reach 20.5% by 2026.

As shoppers begin to return to normal life after a year+ of restrictions, most will increase in-store purchases. However, this will not cause digital sales to go down as habits formed with online shipping will remain. In addition, retailers have added digital capabilities that appeal to shoppers, young and older alike. With these factors, we see the share of the market for online shopping to reach close to 21% in the next five years.

Online grocery sales outlook



While grocers have matured greatly in the areas of fulfillment and ordering, they are still lagging in research & discovery and customer service.



Incisiv's 2021 Digital Maturity Benchmark

While some digital capabilities have evolved, grocers still have considerable progress to make to fully meet shopper expectations.

Research & Discovery

61%

offer filters for dietary restrictions

17%

offer advanced search capabilities such as search within a wishlist

Online Ordering

82%

of grocers have private label brands

11%

allow shoppers to view in-store inventory online

Fulfillment

54%

allow shoppers to choose a delivery slot before building the cart

11%

allow shoppers to share "on the way" or "at the store" status for pick-up

Customer Service

64%

allow shoppers to register and manage their loyalty membership

27%

have a live chat option

Digital Benchmarking Framework

Methodology & Approach

Incisiv's 2021 Digital Maturity Benchmark assesses top grocery retailers' digital channel experience and capabilities across four key areas.

The benchmark is comprised of the top grocery retailers(by annual revenue) across 4 different industry sub-segments. Each retailer's digital maturity capabilities and experience were assessed using an observational methodology.

Research & Discovery

Availability of information at the crucial decision points

61 attributes

59 attributes

Online Ordering

Order personalization, inventory visibility & payment options

55 attributes

57 attributes

Frictionless Fulfillment

Availability, speed and convenience of fulfillment

32 attributes

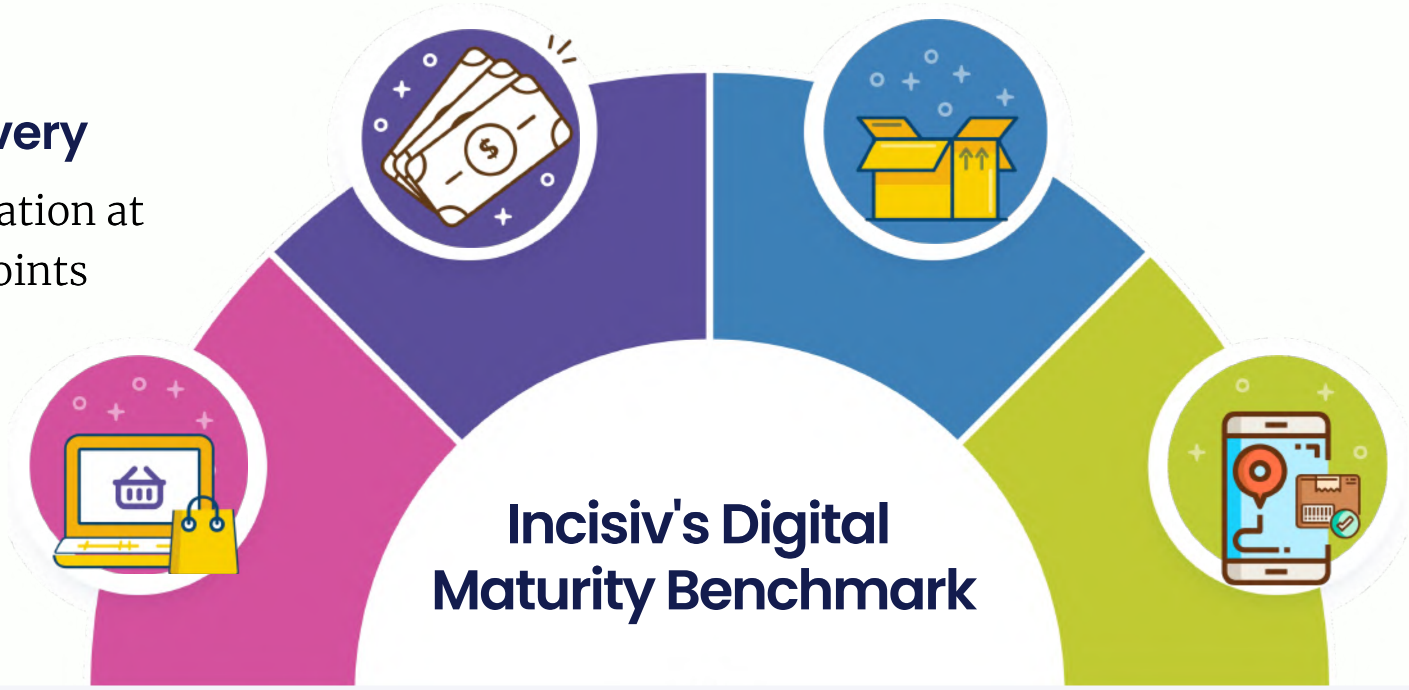
35 attributes

360-Degree Service

Resolution, returns and customer assistance

42 attributes

44 attributes



117

retailers benchmarked

90 retailers benchmarked in 2020

190

digital capabilities assessed

195 capabilities assessed in 2020

4

segments covered

Discount Stores, Hypermarkets, Supermarket, Warehouse Clubs

Unless stated otherwise, all data in this report is from Incisiv's 2021 Digital Maturity Benchmark.

Text in green indicates 2020 data

Each assessment area includes table-stakes and differentiating experiences designations. These are defined based on their overall level of adoption, perceived value by shoppers, and impact on key performance indicators (KPIs) such as average order value (AOV), conversion and traffic.

TABLE-STAKES

Foundational capabilities required to address key shopper expectations today. The absence of these capabilities has a negative impact on digital performance KPIs.

DIFFERENTIATING EXPERIENCES

Advanced capabilities that address important emerging shopper expectations. The presence of these capabilities has a positive impact on digital performance KPIs.

Illustrative examples of **table-stakes** and **differentiating experiences**

Research & Discovery

- Promotion call-outs on the homepage and search listing page
- Filter by dietary restrictions
- Availability of nutritional and content details for ready-to-eat food items
- Advanced product filters: stock availability, mode of fulfillment, delivery time
- Inventory status call-outs

Online Ordering

- Capability to book fulfillment slot on home-page
- Product substitution
- Availability of brand's private label products
- Expedited and guest check-out options
- Expanded payment means: Apple Pay, PayPal, SNAP, EBT

Frictionless Fulfillment

- Fulfillment options: BOPIS, Home Delivery
- Capability to receive order pickup alerts
- Availability of order status
- Expedited fulfillment (2-hours, same day), and contactless delivery
- Option to pay in-store
- Membership program for delivery

360-Degree Service

- Helpdesk: FAQ's, telephonic support
- Store locations and details
- Account settings: Save dietary profile and deals and coupons
- Product recommendations on home page
- Subscription to promotions via text alerts
- Availability of live chat option
- Prompt for free shipping

Digital maturity benchmark: Rating categories.

LAGGARDS

Laggards offer a severely lacking digital maturity, missing even some basic table-stakes functionality.

Adoption of table-stakes capabilities: Medium
Adoption of differentiators: Low

FOLLOWERS

Followers offer a basic digital maturity, addressing most table-stake capabilities. Their experiences lack depth, and are light on adoption of differentiated capabilities.

Adoption of table-stakes capabilities: Medium-High
Adoption of differentiators: Low

CHALLENGERS

Challengers offer a seamless digital maturity built on a solid foundation of capabilities. They offer some differentiated experiences, but lack the depth and coverage of leaders.

Adoption of table-stake capabilities: High
Adoption of differentiators: Medium

LEADERS

Leaders offer the richest maturity within and across retail segments. They lead in adoption of differentiated experiences, and are functionally mature across most assessment areas.

Adoption of table-stakes capabilities: High
Adoption of differentiators: High

Digital maturity is highly correlated with revenue growth. Leaders are experiencing more than 5x higher growth compared to laggards.

2021
Digital
Maturity
Leaders
Overall

Global Leaders in Overall.

Incisiv recognizes these 13 brands as leaders in the overall grocery shopping experience.

They have a strong foundation of table-stakes capabilities along with leadership in the adoption of differentiating capabilities.

The entire leaderboard is available at the end of the report.

Retailers rated as leaders in digital shopping experience, in alphabetical order.

BJ's
coop @home
Costco Wholesale
HyVee Employee Owned
Jewel-Osco
Kroger
Loblaws
MARTIN'S
Publix
Sainsbury's
Target
Walmart
Wegmans

01 | Research & Discovery

Ease of Search & Navigation

Search, inventory visibility and promotions are critical yet very underwhelming aspects of most grocery websites.

Shoppers look at online shopping as a substitute for in-store shopping. However, the experience of searching for products online can be frustrating. The grocery segment lags other industries as they fail to provide visibility into detailed product information for substitutes that are available. In addition, they lag in maturity around their online promotional offers.

WHY IT MATTERS

With ~90% of shoppers checking the website before even planning store visits, the research & discovery process of digital channels becomes the most crucial element for success.

75% of shoppers

actively seek promotions while shopping for groceries online.

80% of shoppers

will leave a website if it fails to offers convenient navigation with relevant results.

71% of retailers

have cited real-time inventory call-outs as a major hurdle in onsite inventory management.

WHAT WE ASSESS

This section evaluates the extensiveness of the search function, ease of navigation and availability of information at important customer decision points in the shopping journey. The attributes assessed, if present, would greatly improve customer engagement and conversion.

61 total attributes assessed, including:

- Ease of onsite search through a functional search bar
- Availability of nuanced filters around product availability, fulfillment options and dietary restrictions
- Ease of finding products: relevant product tags, new launches highlights
- Inventory status callouts on product search listings
- Availability of product content: recommendations, ratings and reviews on important product pages

2021 Digital Maturity Leaders

Research & Discovery

Global Leaders in Research & Discovery

Incisiv recognizes these 17 brands as leaders in research and discovery.

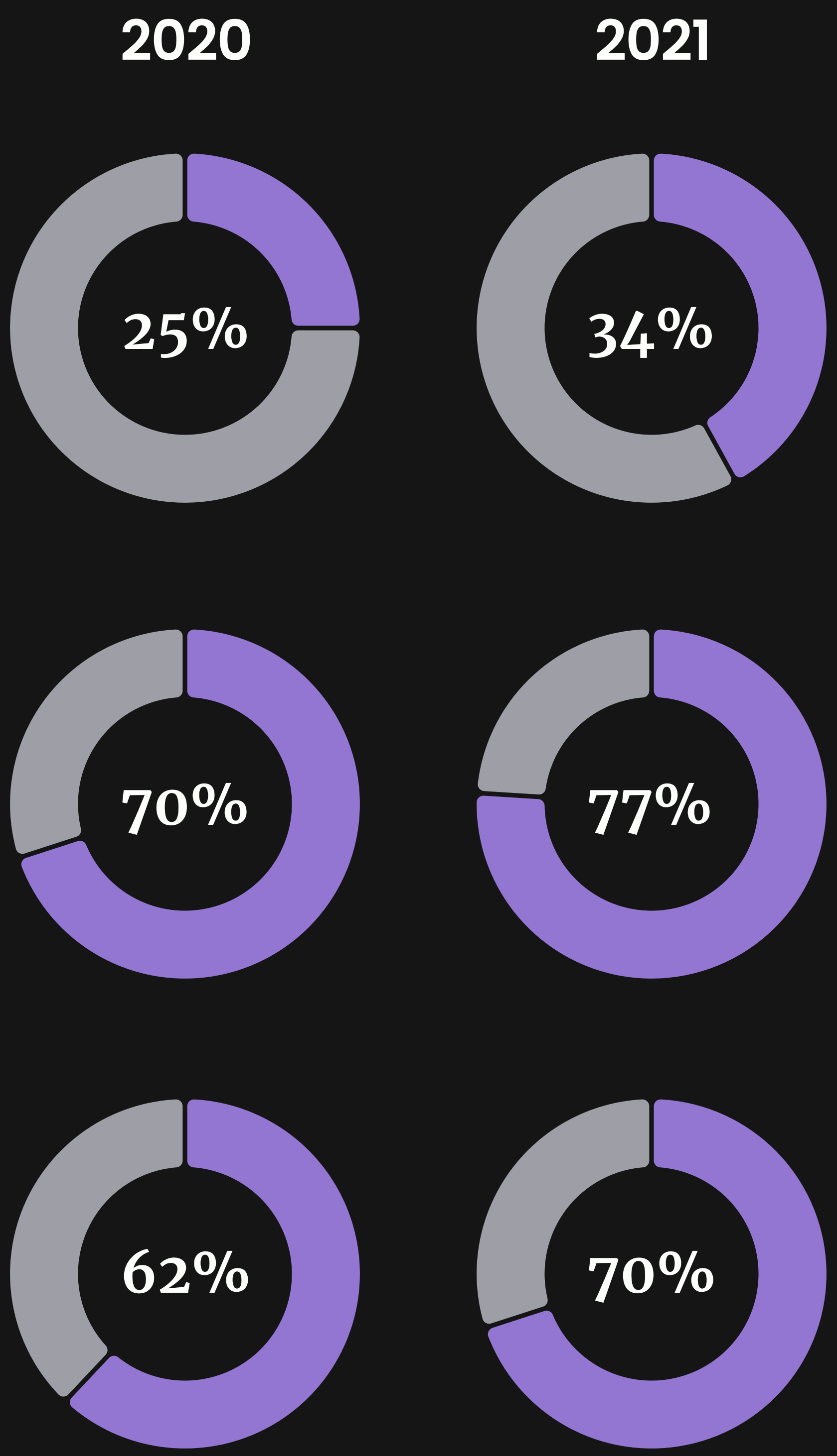
They have a strong foundation of table-stakes capabilities along with leadership in the adoption of differentiating capabilities for research and discovery.

The entire leaderboard is available at the end of the report.

Retailers rated as leaders in Research & Discovery, in alphabetical order.

BJ's
BIG LOTS!
coop @home
COSTCO WHOLESALE
U DRIVE coursesu.com
Kaufland
Kroger
MARTIN'S
Morrisons Since 1899
ocado
Peapod
RITE AID
Sainsbury's
Sobeys Inc.
Target
TESCO
Walgreens

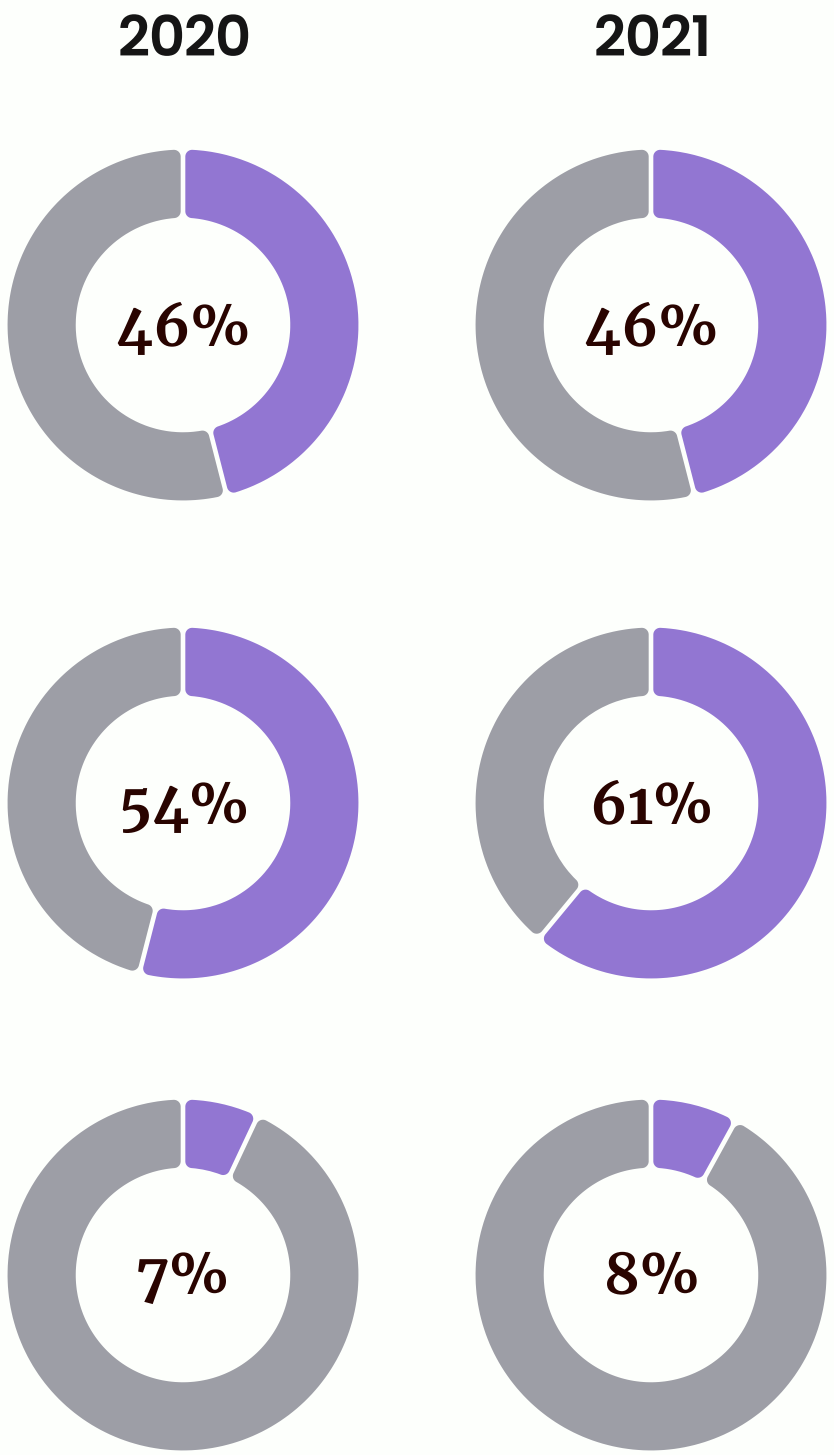
Areas of high growth: Transparency of ingredients and nutritional information.



	2020	2021
Separate category for specialty diets(e.g. vegan)	25%	34%
Availability of ingredients for ready-to-eat food	70%	77%
Availability of nutrition & allergen information for ready-to-eat food	62%	70%

Incisiv's 2021 Digital Maturity Benchmark

Areas of low growth: Nuanced and extensive filtering options.



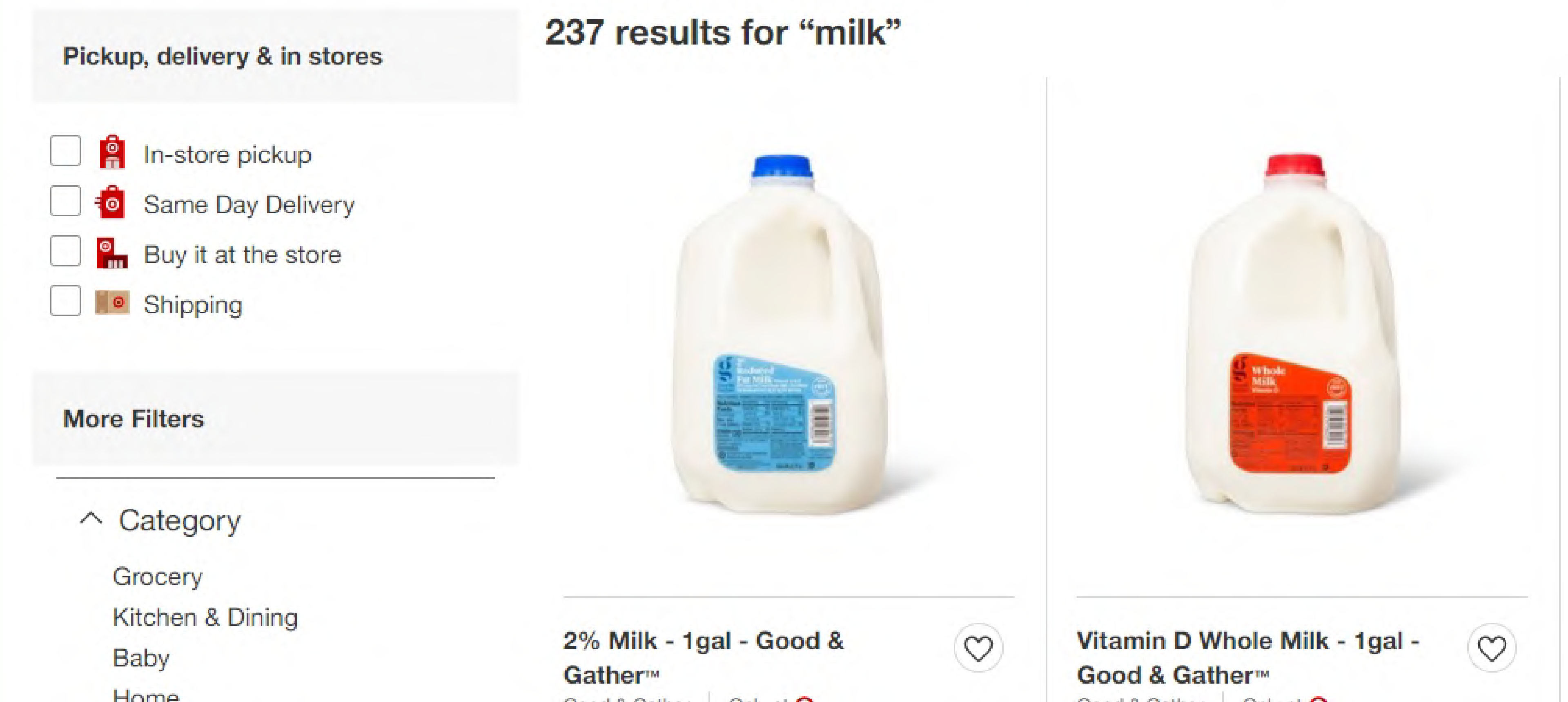
	2020	2021
Availability of more than 4 filters	46%	46%
Filter for dietary restrictions(e.g. gluten free)	54%	61%
Filter for fulfilment option (e.g. in-store pickup)	7%	8%

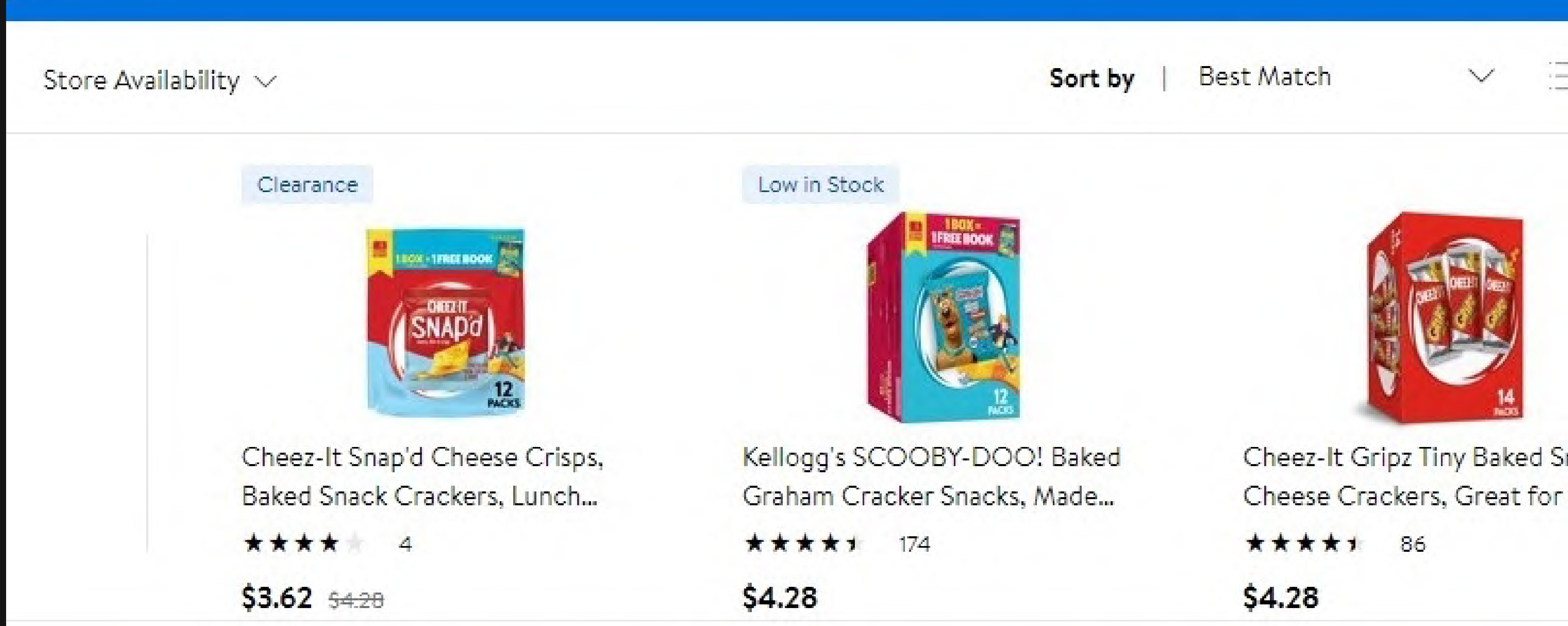
RESEARCH & DISCOVERY: SPOTLIGHT

Ability to filter products by fulfilment channel.

With ~75% of online orders set to be fulfilled from stores via in-store pick-up or curbside pick-up, easy navigation of fulfillment options is a requisite for smooth shopping. Currently, only 8% of retailers offer this capability to filter out products basis fulfillment options.

Target offers shoppers an entire section of fulfillment filter options, with the ability to get expedited same-day delivery. The variety of options reflect the level of choice and convenience available to the shopper.





RESEARCH & DISCOVERY: SPOTLIGHT

Informative stock inventory callouts.

~60% of shoppers drop off from a website without looking at a product detail page. Retailers need to go beyond availability and provide shoppers with reasons to complete purchases. Inventory status callouts attract shoppers to products and assure an instant conversion into the purchase. However, just 6% of grocery retailers currently display low inventory callouts to push shoppers to purchase.

Walmart uses prominent and simple callouts to draw the attention of shoppers to specific products.

02 | Online Ordering

Seamless Ordering & Checkout

ONLINE ORDERING: OVERVIEW

From a personalized experience to high degree of inventory visibility.

Shoppers are increasingly seeking personalization and recommendations in their shopper journey. Helping this acceleration is the surge in the adoption of digital wallets, e-gift cards, and QR codes that is simplifying the online ordering shopper experience.

A major investment area for retailers should be to maximize real-time inventory visibility. Shoppers want to know both the availability of in-store inventory as well as the exact location of the product in-store.

WHY IT MATTERS

Loyalty in online shopping is low; 50% of online shoppers defect for better deals. Retailers have to make the value tangible for the shopper beyond the product and make checkout an easy and frictionless process.

1 out of 5 shoppers

would abandon a cart if the checkout process is long/complicated.

56% of retailers

cited inventory accuracy as a problem for their omni-channel program.

36% of shoppers

are interested in or currently use a "buy now, pay later" payment option.

WHAT WE ASSESS

This section evaluates the in-house and third-party platforms for online ordering, provides insights into real-time inventory visibility, personalization of orders as well as payment options offered by retailers.

55 total attributes assessed, including:

- Platform for product purchase: Brand website or Third-party
- Inventory visibility: In-store inventory status and precise location, in cart
- Product/order personalization and recommendations
- Analyzes of the steps involved in the checkout process, guest checkout availability
- Different payment options offered to shoppers

2021
Digital
Maturity
Leaders
Online Ordering

Global Leaders in Online Ordering.

Incisiv recognizes these 20 brands as leaders in online ordering.

They have a strong foundation of table-stakes capabilities along with leadership in the adoption of differentiating capabilities for online ordering.

The entire leaderboard is available at the end of the report.

Retailers rated as leaders in Online Ordering, in alphabetical order.

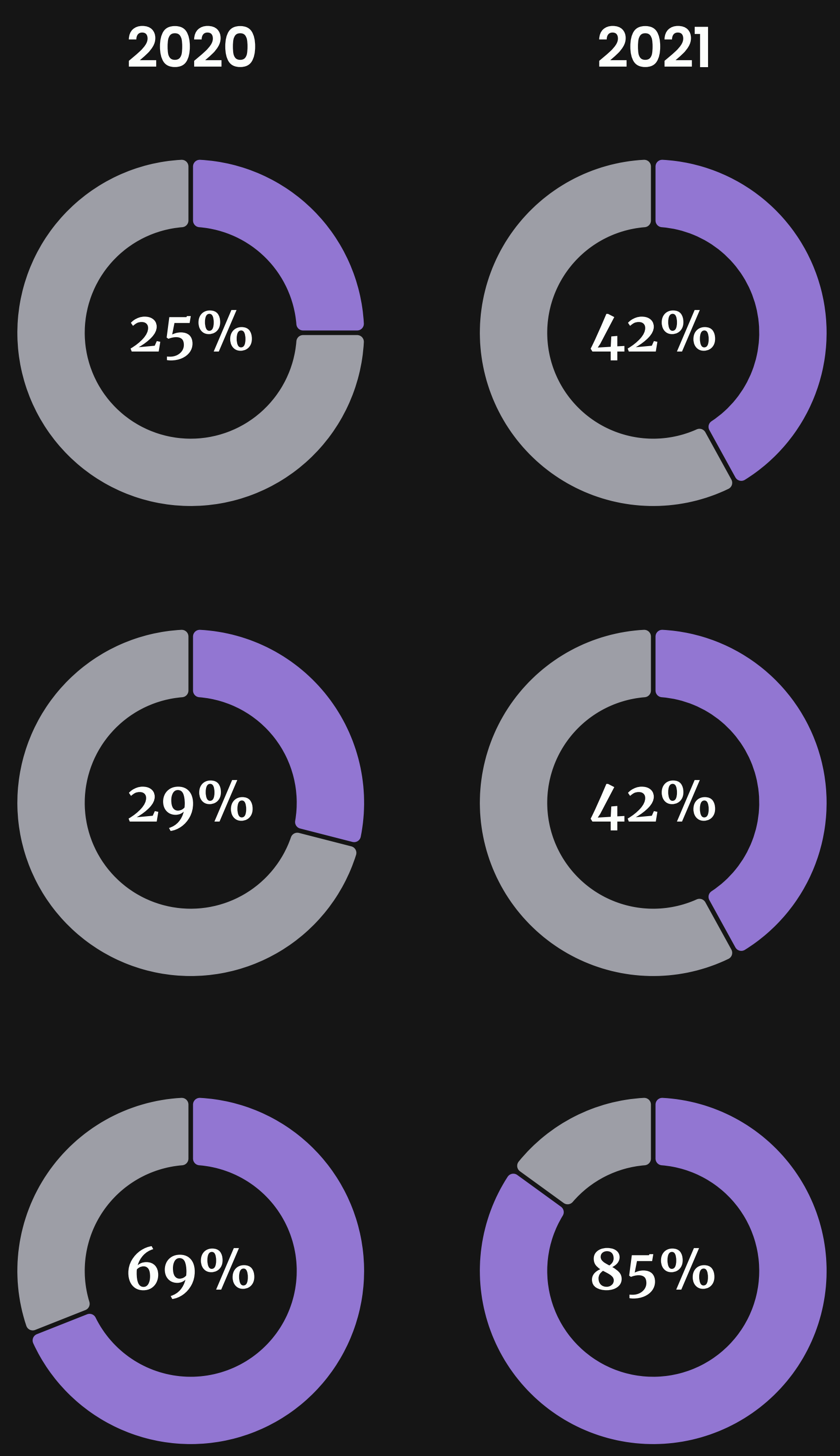
BJ's
Brookshire's food & pharmacy
Costco Wholesale
Harris Teeter Neighborhood Food & Pharmacy
H-E-B
Hy-Vee Employee Owned
Jewel-Osco
Loblaws
Lowes Foods
Piggly Wiggly
Price Chopper
Publix
Raley's
Save Mart Supermarkets
Schnucks
Sprouts Farmers Market
Target
Walmart
Wegmans
Woodman's Markets Employee Owned

Areas of high growth: Speed of checkout.

One screen checkout

Option to add-to-cart directly from product recommendation

Selecting desired store at the beginning of the shopping journey

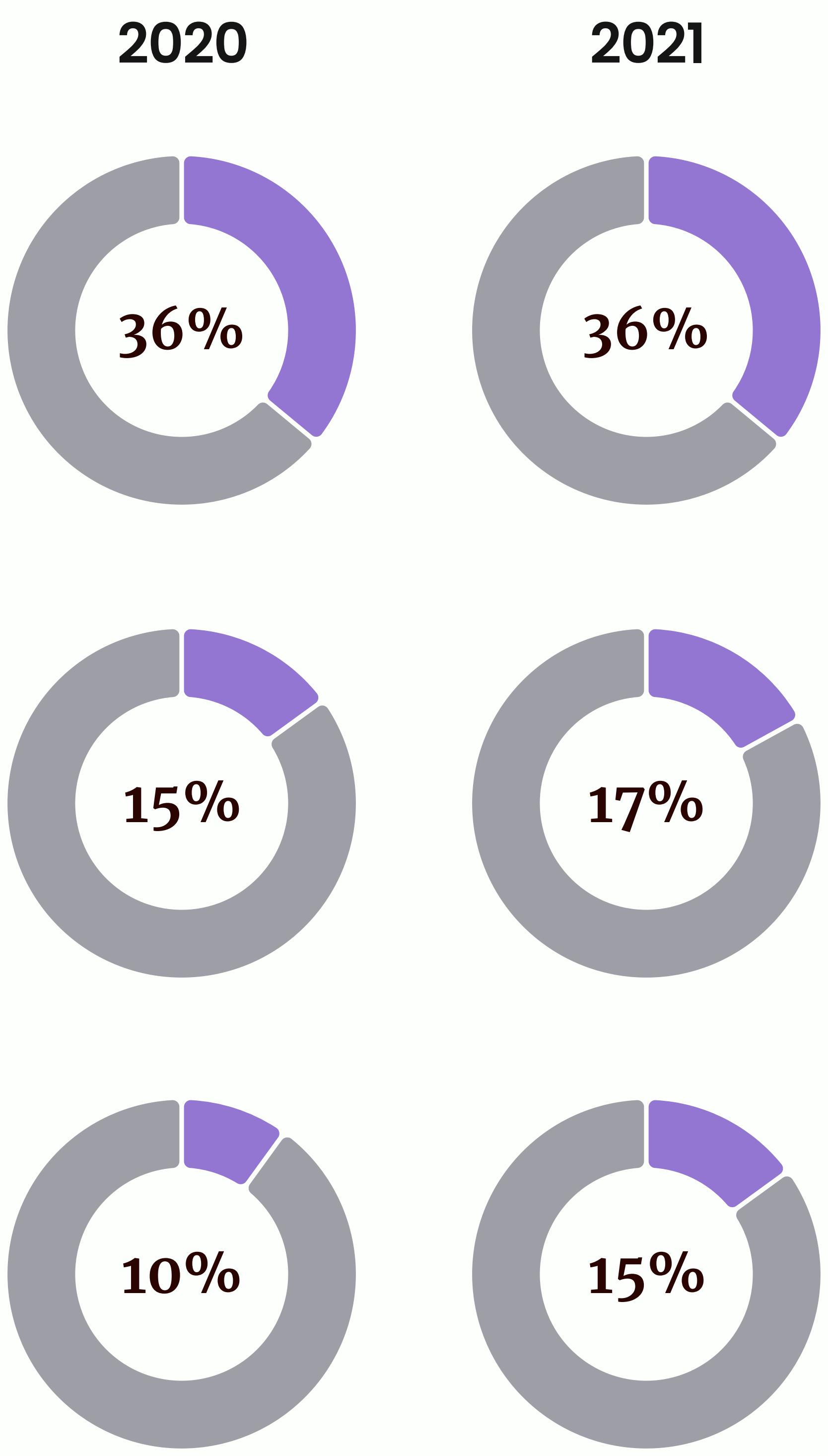


Areas of low growth: Ease of applying discounts & promotions.

Available promotions displayed in cart view

Available coupons recommended in cart

Time bound promotions emphasized in search

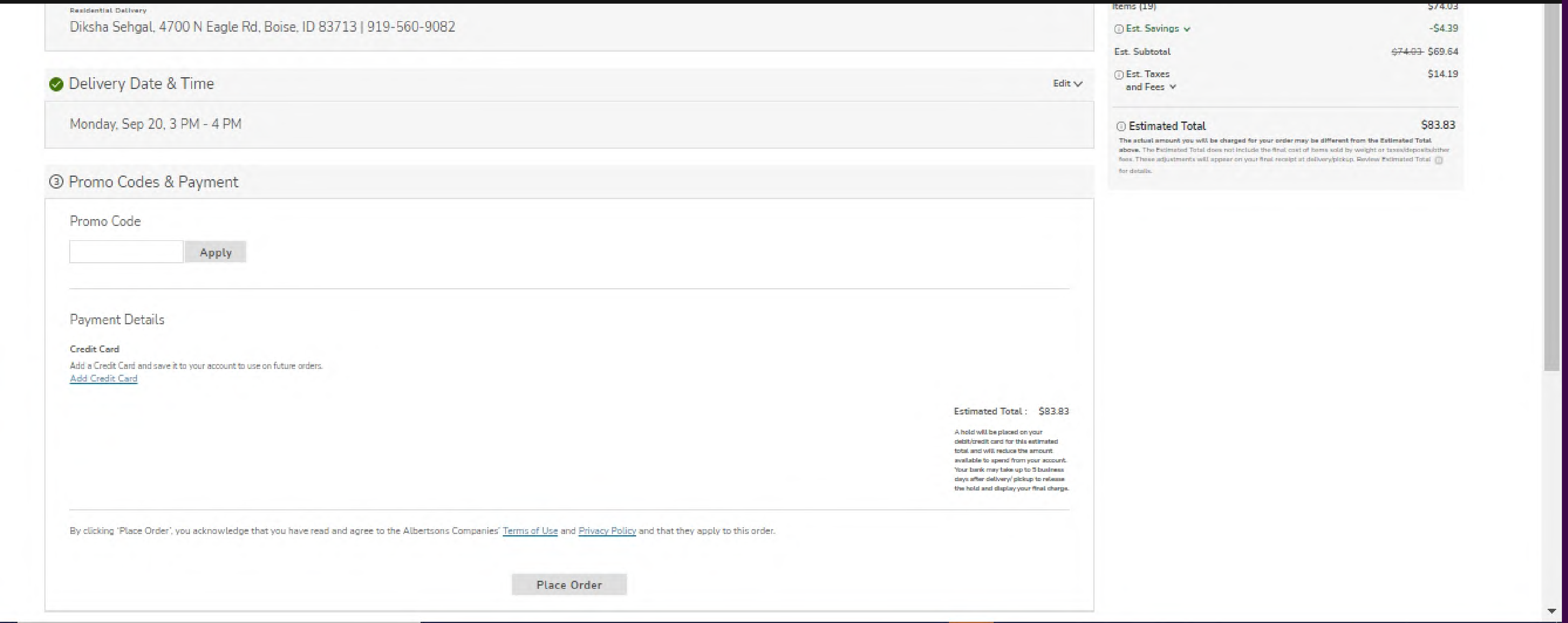


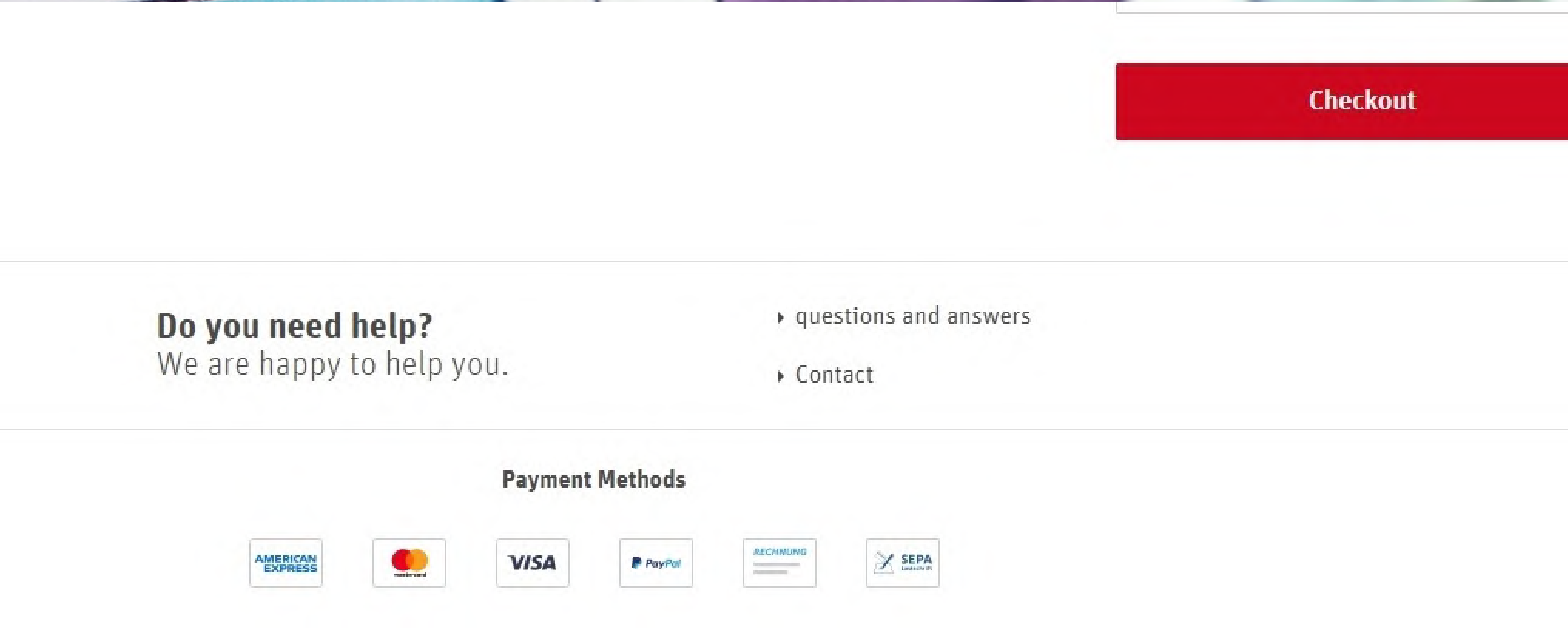
ONLINE ORDERING: SPOTLIGHT

Expedited one-screen checkout.

For over 70% of shoppers, the checkout experience is their biggest pain point. On average, 69% of the shoppers abandon the cart due to a poor checkout experience. Boosting conversion rates by optimizing the checkout process is on the high priority list for retailers, with 38% of retailers assessed offering one screen checkout from the cart page.

Albertsons offers an efficient one-screen checkout option with pre-arranged settings for location and slot.





ONLINE ORDERING: SPOTLIGHT

Digital payment methods on the rise.

Secure, fast, and convenient checkout are preeminent payment preferences for shoppers. 54% of shoppers will spend more at retailers where they can conveniently use digital payments. With the rise in digital payments, 25% of retailers have evolved to adopt SNAP EBT, 19% have adopted PayPal and 5% have adopted Apple Pay.

Rewe offers multiple digital payment options including cards, Paypal, Rechnung, and SEPA.

03 | Frictionless Fulfillment

Convenience of Placing & Receiving Orders

FRICTIONLESS FULFILLMENT: OVERVIEW

Reimagining the fulfillment experience.

Retailers such as Target and Walmart, which had mature omnichannel fulfillment capabilities pre-pandemic, saw 200%+ growth in digital sales. Retailers who lagged were forced into action and introduced new experiences such as BOPIS and curbside pick-up in record time.

Offering a complete flywheel of online and store-based fulfillment is now table-stakes. What was visionary a year ago, is ordinary today. Going forward, operational execution (speed, ability to customize, and real-time order visibility) will drive differentiation and provide a competitive edge.

WHY IT MATTERS

Availability of omnichannel fulfillment options has become widespread with 86% of retailers now offering BOPIS and 71% offering curbside pick-up. However, it is the ease and experience of ordering and receiving the products that will determine winners and losers.

85% shoppers

prefer to receive their grocery orders in 2 hours or less.

65% shoppers

use BOPIS to avoid paying shipping fees.

35% shoppers

say contact less services will be important to them even post the pandemic.

WHAT WE ASSESS

This section assesses the experience of placing and receiving an order through the different fulfillment methods offered. The ease of ordering is directly correlated to conversion and retention.

32 total attributes assessed, including:

- Adoption of different fulfillment options and speed of fulfillment
- Customer experience: home delivery-timelines, order tracking, etc.
- Customer experience: pick-up counters, wait times, etc.
- Handling customization requests: Driver notes, opt for contactless delivery
- Returns and exchanges for product purchased

2021 Digital Maturity Leaders

Frictionless Fulfillment

Global leaders in Fulfillment.

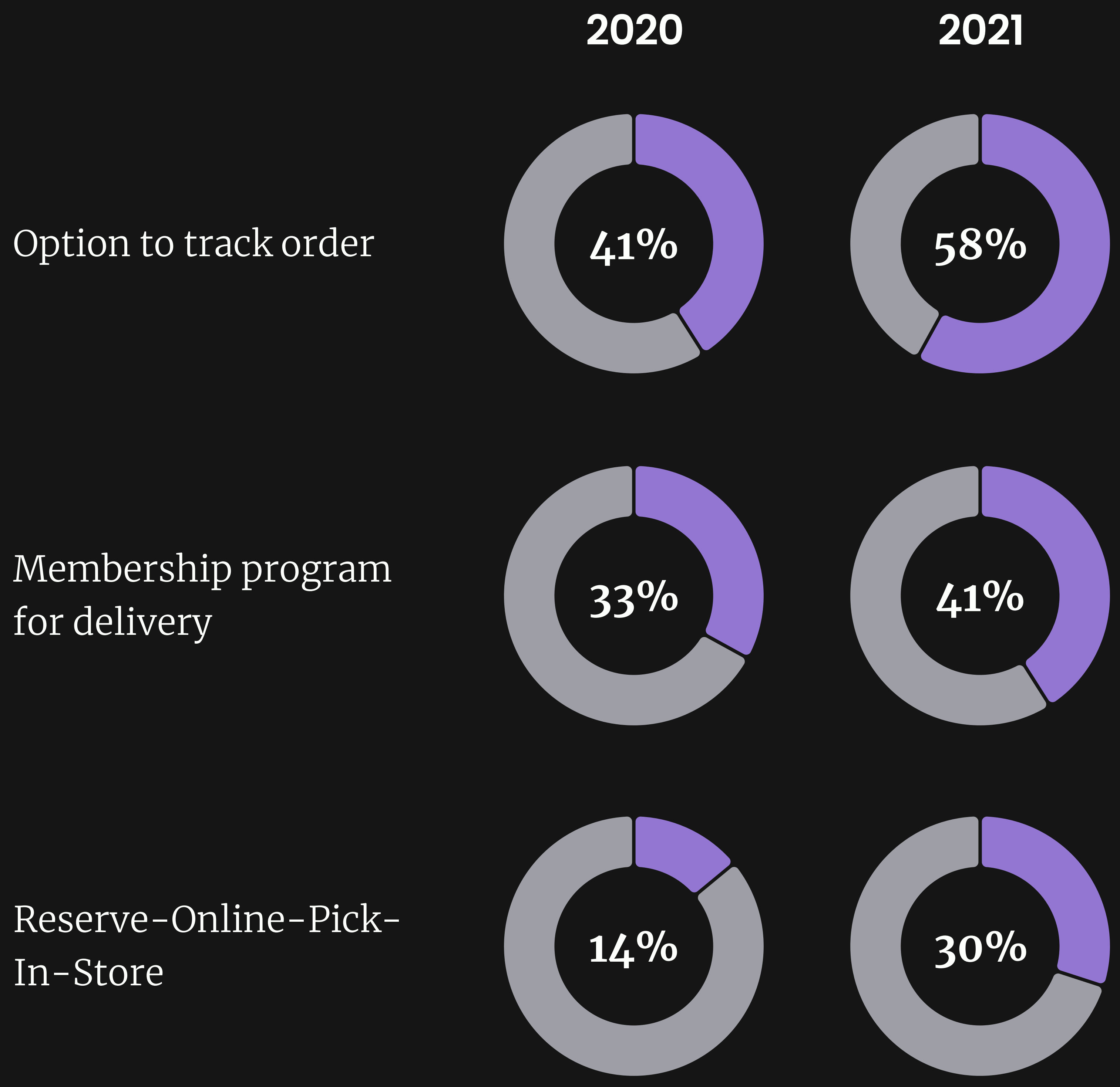
Incisiv recognizes these 18 brands as leaders in Fulfillment.

They have a strong foundation of table-stakes capabilities along with leadership in the adoption of differentiating capabilities for fulfillment.

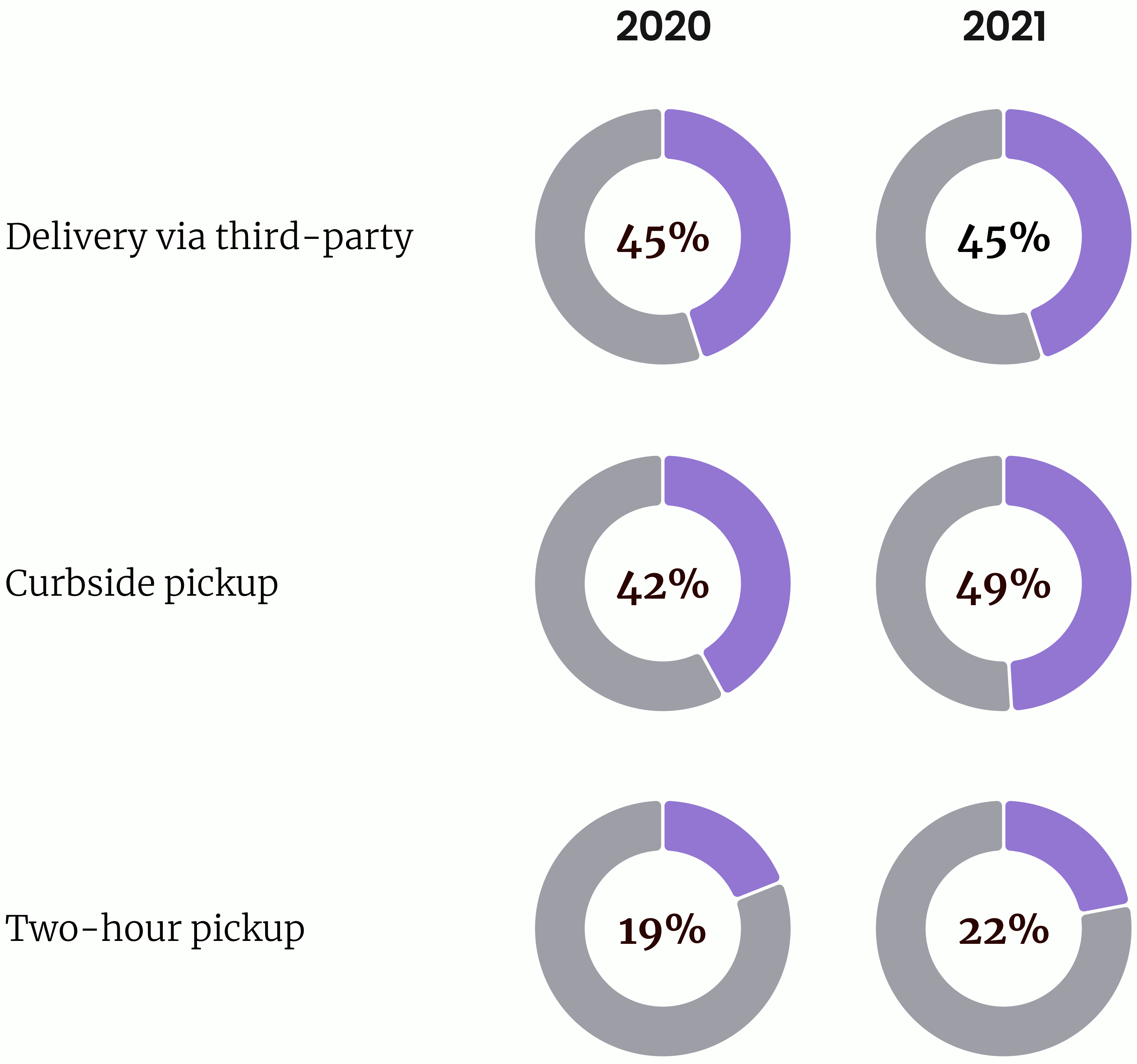
The entire leaderboard is available at the end of the report.

Retailers rated as leaders in Frictionless Fulfillment, in alphabetical order.

Areas of high growth: Experience of delivery and tracking.



Areas of moderate growth: Adoption of new fulfillment methods.

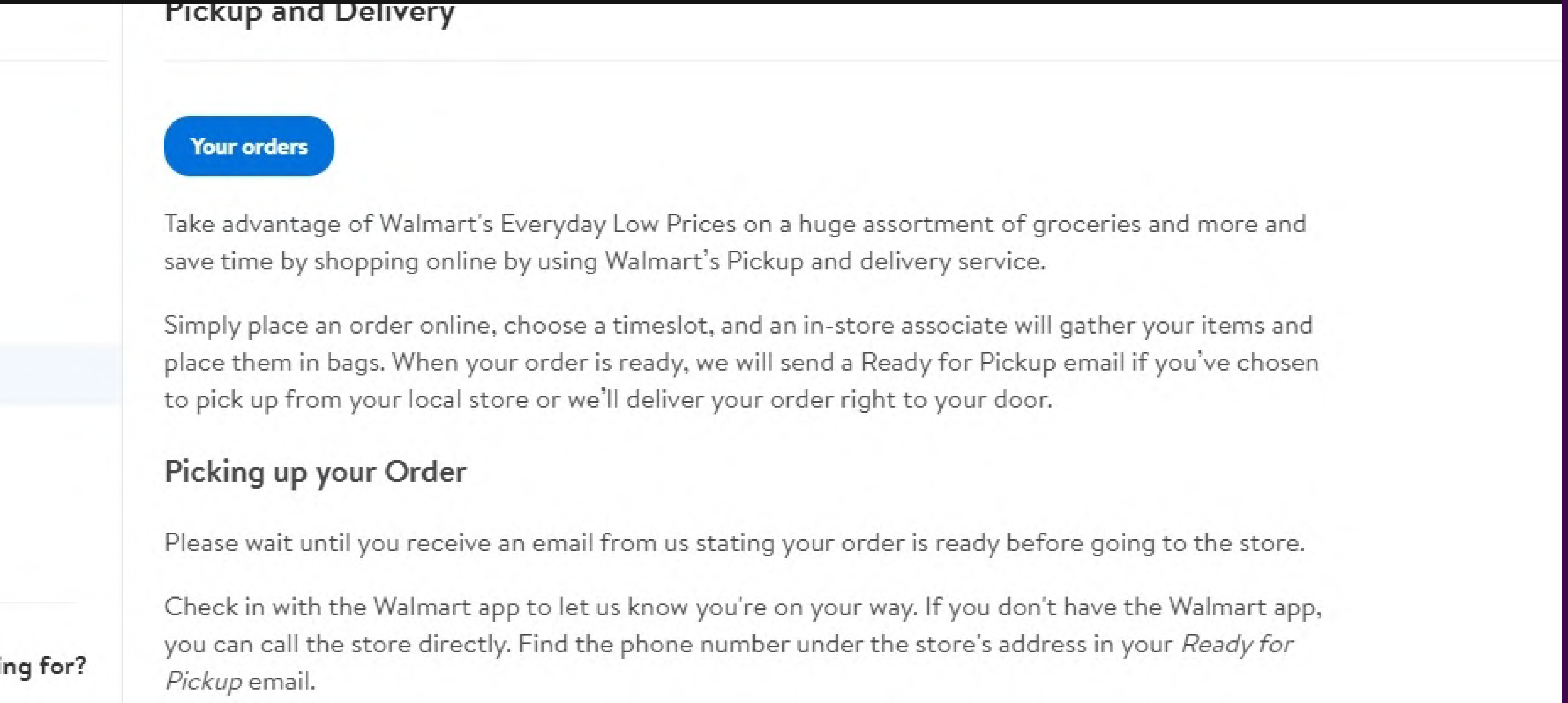


FULFILLMENT: SPOTLIGHT

Ability to share location updates with store.

88% of the shoppers have said that speed is the #1 reason for using click and collect. However, long wait times are a challenge. Conditioned by the speed of QSR drive-thru, grocery wait times are an average of 3x higher, hampering shopper experience. In 2020, grocers started experimenting with integrating with GOS services for live location tracking and immediate pickup. Currently, only 6% of grocers offer this capability.

Walmart enables shoppers to coordinate the pick up via the Walmart app or by calling up the store to inform on the status, this ensures immense efficiency for the entire process.



FULFILLMENT: SPOTLIGHT

Delivery membership programs.

74% of shoppers will abandon their cart due to high delivery costs. Paid memberships help increase shopper engagement as well as offset costs to last-mile delivery. Shoppers are 3x more likely to shop with retailers where they have a paid membership program, yet currently, only 40% of grocers offer delivery membership programs.

Sainsbury provides its shoppers with a delivery pass, using which they can avail of free delivery after making a payment of GBP20 for a 3-month subscription.

04 | Customer Engagement & Service

Customer Satisfaction & Issue Resolution

CUSTOMER ENGAGEMENT & SERVICE: OVERVIEW

360-degree service for customer satisfaction.

With the pandemic massively disrupting supply chains and product availability, customer service evolved beyond complaint resolution to a medium of trust-building.

In an increasingly digital world, transparency, convenience, and personalized communications are pillars of trust and satisfaction.

Do you provide authentic sales and service, including instant refunds for returns? Can shoppers view their purchase history and receipts)?

WHY IT MATTERS

In the absence of physical interactions, customer satisfaction has to evolve from a call-center resolution function to a pro-active customer engagement and satisfaction engine that will directly contribute to shopper loyalty.

89% of shoppers

are more likely to make another purchase after a positive customer service experience.

60% of shoppers

subscribed to the loyalty programs highlighted that they end up spending more with the brand due to the program incentives incurred.

79% of shoppers

say they prefer live chat as a mode of communication because of the promptness of service.

WHAT WE ASSESS

This section assesses all aspects of post-sales service, including the ease of shoppers to contact customer service or get their queries resolved, return policies and engagement practices.

42 total attributes assessed, including:

- Option to create a personal profile and save payment preferences and multiple addresses
- Availability of self-help tools including live chat options and FAQs
- Terms of the return policy and modes of return
- Store locations provided with contact number and hours of operation
- Availability of a loyalty program with the option to redeem rewards online
- Availability of customer engagement and shopping assistance options

2021
Digital
Maturity
Leaders

Customer Engagement
& Service

Global leaders in Customer Engagement & Service.

Incisiv recognizes these 20 brands as leaders in Customer support.

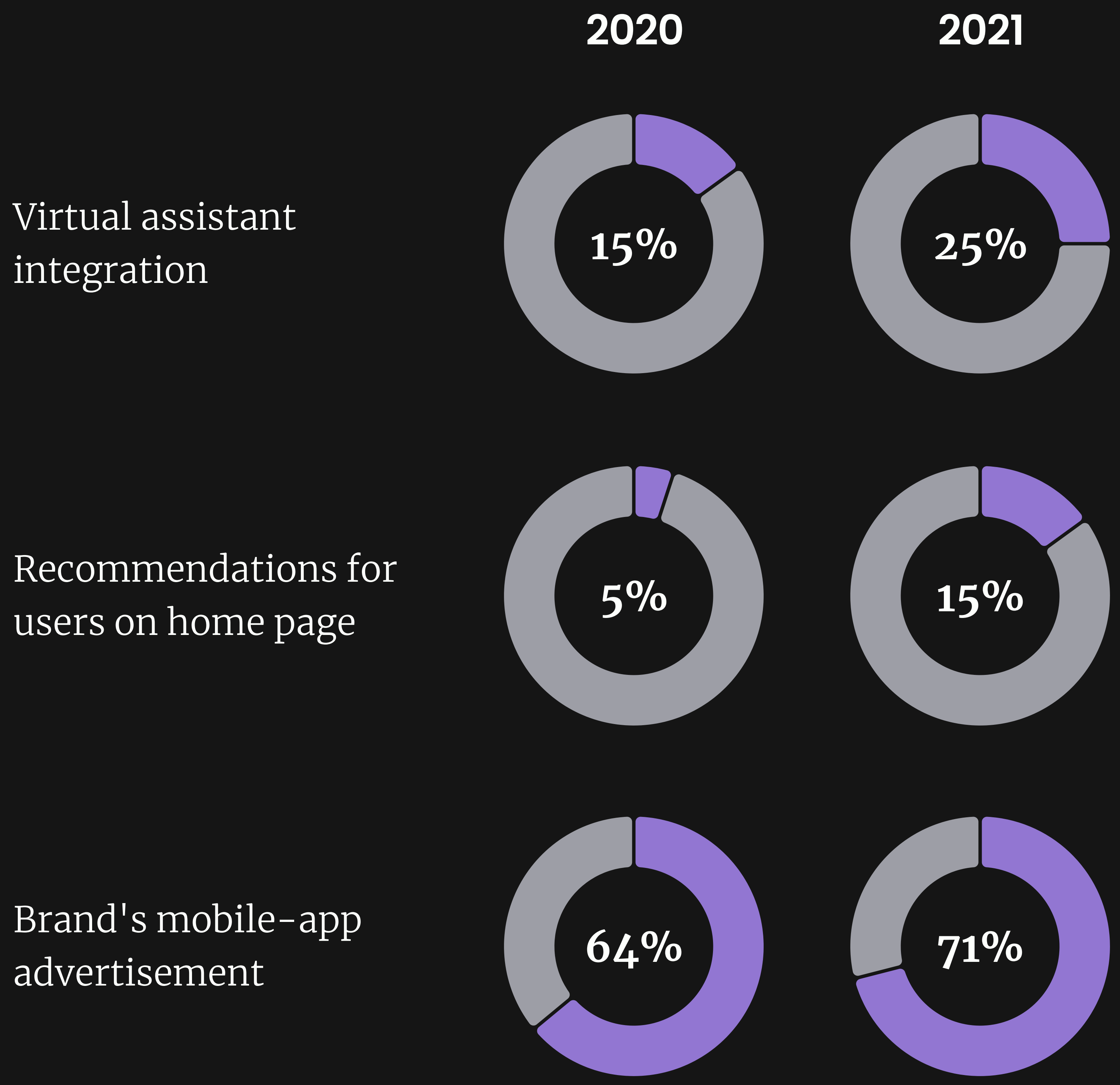
They have a strong foundation of table-stakes capabilities along with leadership in the adoption of differentiating capabilities for customer engagement.

The entire leaderboard is available at the end of the report.

Retailers rated as leaders in Customer Engagement & Service, in alphabetical order.

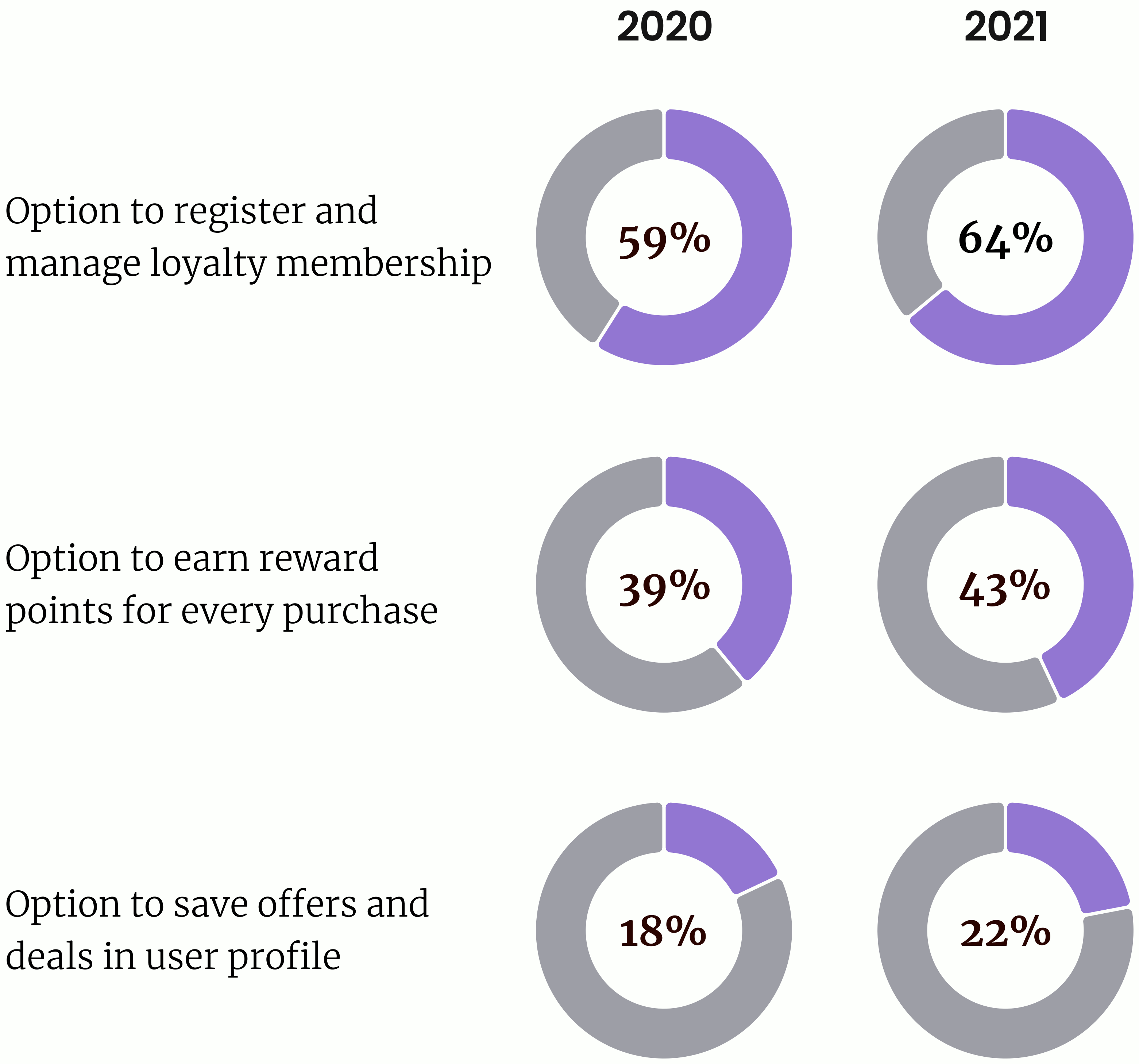
Albertsons
BIG LOTS!
Brookshire's food & pharmacy
coop @home
Family Fresh Market
Food City
Hannaford
HyVee Employee Owned
Intermarché
Kroger
Loblaws
MARTIN'S
MONOPRIX
Peapod
Publix
REWE
SAFEWAY
Sainsbury's
shaw's
Target

Areas of high growth: Personalization and engagement.



Incisiv's 2021 Digital Maturity Benchmark

Areas of moderate growth: Adoption of customer account and loyalty program.

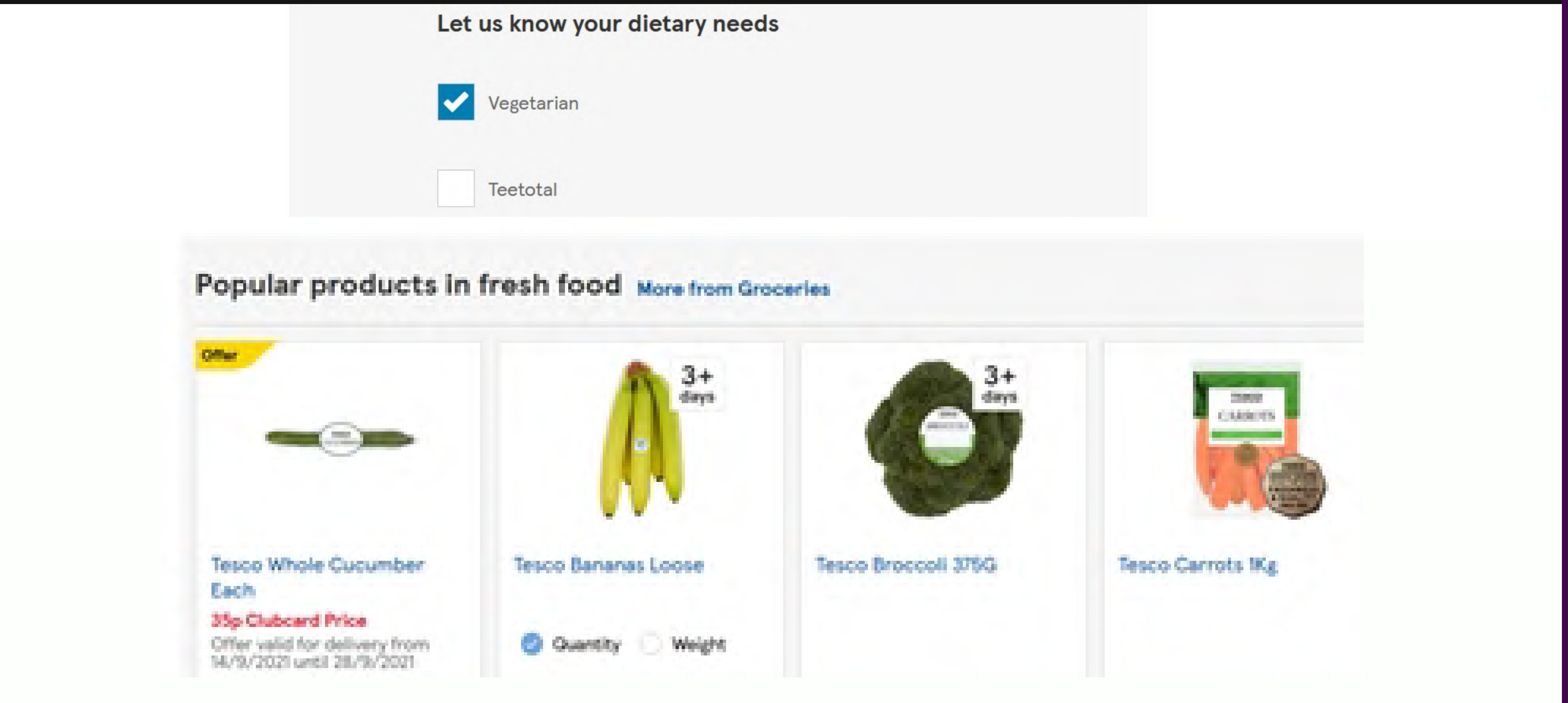


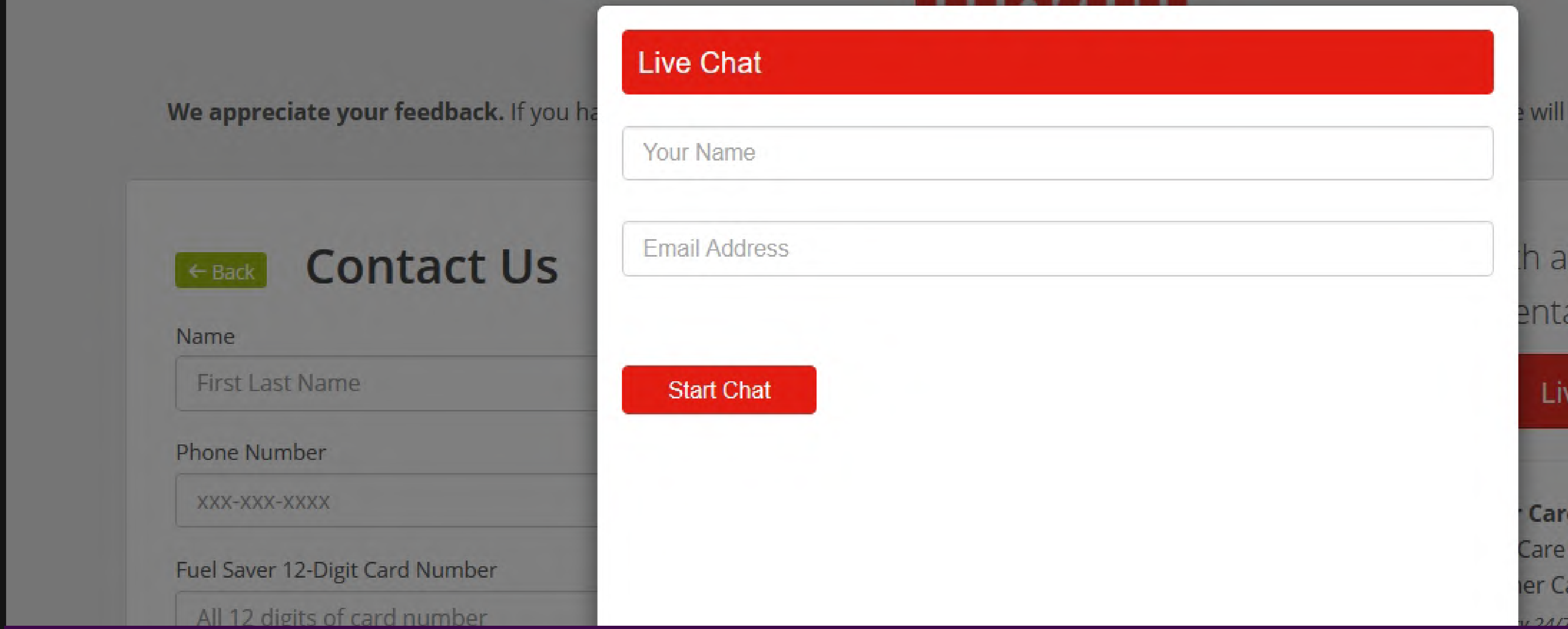
CUSTOMER ENGAGEMENT: SPOTLIGHT

Option of adding dietary preferences for personalization.

Health/Wellness has become an important factor impacting grocery purchase decisions. More than 50% of purchase decisions are impacted by dietary restrictions. Dietary profiles help grocery brands to make personalized recommendations to the shoppers based on their preferences. Currently, only 13% of grocers offer this capability.

Tesco has a host of options mentioned in the account section that a customer can easily update to get a personalized experience as per their diet/health preferences.





CUSTOMER ENGAGEMENT: SPOTLIGHT

Live chat onsite.

Shoppers expect prompt and quick customer service. Offering them a live chat option ensures their questions are answered instantly, without any wait time. 73% of shoppers believe that a brand valuing their time is the most crucial part of good customer service. Currently, only 27% of grocery brands offer live chat as a part of their contact preferences.

Hy-vee has a live chat option available on its website that helps shoppers to get their queries resolved in real-time.

Leaderboard

Laggards
(25)

99¢ only STORES, ALDI, Bashas', CIRCLE K, consum, DENNER, ESSELUNGA, EURO Spin, foodora, globus, GROCERY OUTLET bargain market, K, louis delhaize, MARKET BASKET, MERCADONA, METRO, NATURAL GROCERS good4u, Price Rite MARKETPLACE, real, save a lot, Speedway, TRADER JOE'S, VALLARTA SUPERMARKETS, WESLEY KOSHER, WinCo FOODS

Followers
(36)

7 ELEVEN, ah, CONAD, CONTINENTE online, coop, coop, co op, CRAI, Cub, EDEKA, FAMILY DOLLAR, FAREWAY MEAT & GROCERY, giant eagle, GIANT TIGER, H MART, U DRIVE coursesu.com, HIPERCOR, ICA, Iceland, ingles, Intermarché, JUMBO, Kaufland, KONZUM, LIDL, meijer, Netto Marken-Discount, PRISMA, Save Mart, Sedano's, SPAR, STATER BROS. markets, THE FRESH MARKET, weis, WiLLY:S, Winn Dixie

Challengers
(43)

Albertsons, Auchan, Big Y, BIG LOTS!, BGC BROOKSHIRE GROCERY COMPANY, Carrefour, deliveroo, Dia, DOLLAR GENERAL, e, Family Fresh MARKET, festival foods, FOOD CITY, FOOD LION, Hannaford, Harris Teeter Neighborhood Food & Pharmacy, H-E-B, instacart, Lowes FOODS, metro, MONOPRIX, Morrisons, ocado GROUP, Pick 'n Save, Peapod, piggly wiggly, Price Chopper, Raley's, REWE, RITE AID, SAFEWAY, save on foods, Schnucks, shaw's, Smart&Final, Sobeys, SPROUTS FARMERS MARKET, TESCO, Tops, WAITROSE & PARTNERS, Walgreens, WHOLE FOODS MARKET, WOODMAN'S MARKETS EMPLOYEE OWNED

Leaders
(13)

BJ's, coop @home, COSTCO WHOLESALE, HyVee EMPLOYEE OWNED, Jewel Osco, Kroger, Loblaws, MARTIN'S, Publix, Sainsbury's, Target, Walmart, Wegmans

Incisiv's 2021 Digital Maturity Benchmark is based on insights from its proprietary digital maturity benchmarking methodology.

NEXT STEPS

- **Request a custom benchmark** for your brand
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ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

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Winsight Grocery Business provides insightful business intelligence for grocery executives and industry decision-makers. In the rapidly evolving $700 billion food retail marketplace, consistent delivery of resourceful information is needed to survive. With first-to-market news, in-depth profiles, comprehensive category coverage, groundbreaking research and on-point analysis, WGB equips food retailers with information that enables them to more effectively compete. WGB delivers actionable insights via our print publications and website, daily newsletters, events, podcasts, and interactive digital platforms.

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