



# Grocery: The Evolution Has Only Just Begun



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## Introduction

No matter how meatless meat becomes, how many meal kits rise to fame, or how much traffic BOPIS brings, there is one thing that will always be certain in the grocery industry: customers have to eat. We can't live without food, which means we cannot live without the venues that provide it. And despite the fact that the grocery industry as a whole has remained relatively stable since its conception, we cannot deny that the way we acquire our groceries has been shifting dramatically over the past ten years.

Not only can we still get our groceries the old-fashioned way (by walking through the aisles and grabbing anything that sounds good), we can now receive them via home delivery, through BOPIS, and even at cashierless stores. For even more convenience, we can order online; home delivery and pickup services were available to 90% of all the households in the U.S., up from 81% in 2018.<sup>1</sup>

Grocery has a lot to think about, but that's a good thing. Because food is so popular—and necessary—it isn't going anywhere. As part of our research efforts, we've talked to more than 11,000 consumers in order to find out what they want when it comes to the evolution of grocery. And one thing is for sure: the people have spoken. Food (and convenience. And quality. And variety) is the way.

# The Good, The Bad and The Ugly

The Good, The Bad & The Ugly

# How Consumers Are Ranking Grocery Stores

With Amazon stepping up their grocery game (think Whole Foods, Amazon Fresh, Prime Pantry), Target acquiring Shipt to offer same day grocery delivery, Kroger partnering with Walmart and Walgreens, and online grocery sales predicted to reach \$100 Billion in 2025,<sup>2</sup> to say the grocery vertical is being shaken up is an understatement. Is your brand poised to drive innovation in this space or will you get lost in the shuffle?

Over the last three years, we’ve talked to consumers to examine the Good, the Bad and the Ugly in the modern retail marketplace in order to uncover if shoppers think a brand “gets” them, or if they don’t care if a brand goes away tomorrow. While we collected data on 10 main verticals, we’ll dive into some of the findings within the grocery vertical specifically. Grocery is slowly beginning to mirror the retail industry in terms of added delivery, experiential, and promotional offerings. And these improvements have earned grocery the number five spot in the Good vertical ratings, being outperformed by big box (which includes the largest grocery players), drug, online, and department.

Our Good (this brand really gets me), Bad (these guys are just okay) and Ugly (I don’t care if this brand disappears tomorrow) study included 100 of the top brands in the industry today. Traditional grocers should take note that the top three Good brands of the entire study also happen to sell groceries. Consumers ranked Amazon, Walmart & Target within the top five Good brands consistently all three years. So what does that tell us? Well, consumers prefer one-stop convenience-based shopping but even more so, there is a high value placed on quality of product.

## Top 5 GOOD Brands by Generation

MILLENNIALS	
Amazon	81%
Target	58%
The Home Depot	52%
Nike, Apple, Aldi	51%
Costco, Walmart	50%

BOOMERS	
Amazon	68%
The Home Depot	58%
Lowe’s	51%
Allbirds	50%
Walmart, Microsoft	47%

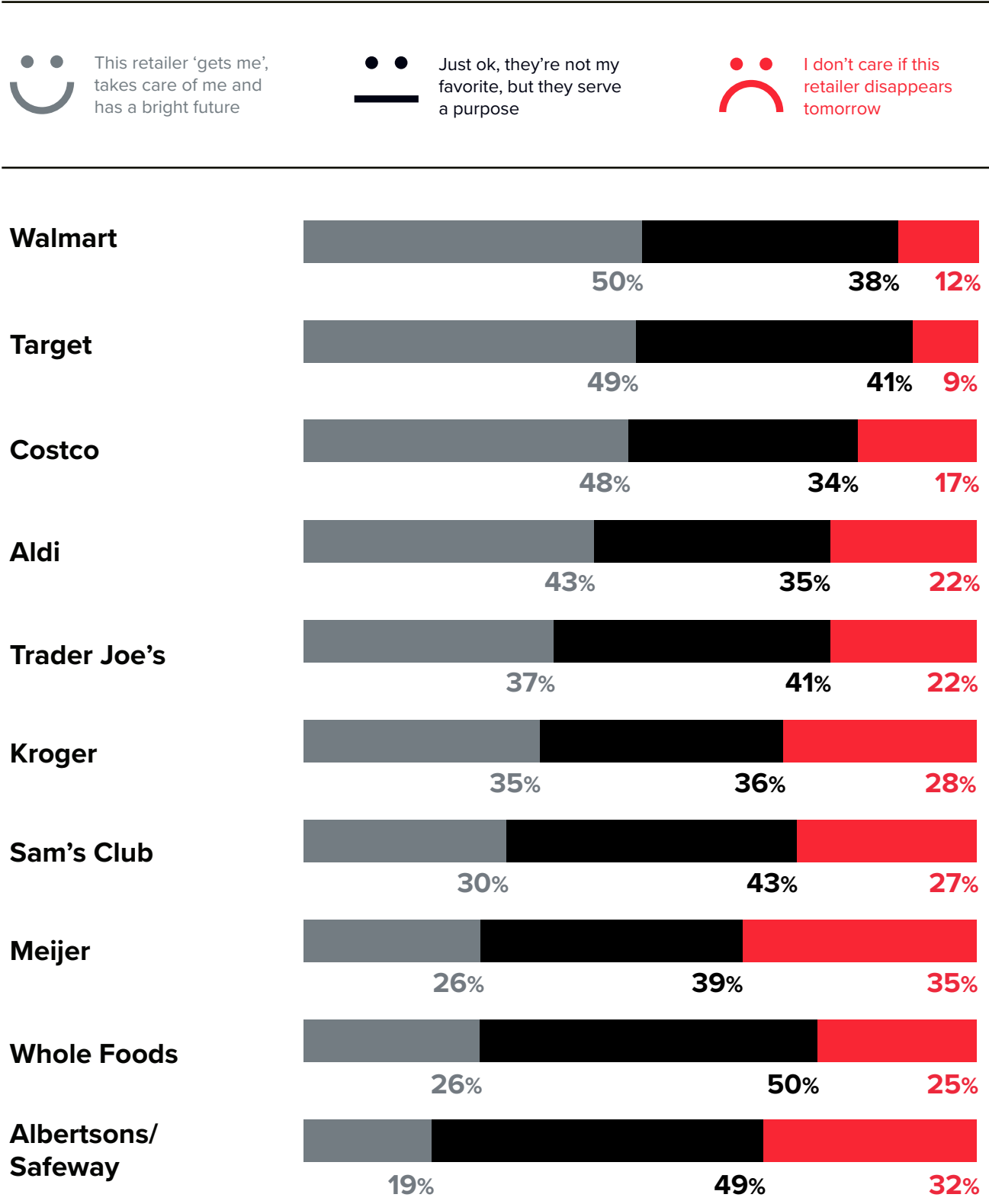
GEN Z	
Amazon	74%
Nike	69%
Bath & Body Works	68%
Apple	67%
Finish Line	58%

GEN X	
Amazon	77%
Walmart	54%
Lowe’s	49%
Costco	48%
Target	47%

SILENT GENERATION	
Amazon	64%
The Home Depot	61%
Costco	60%
CVS	59%
Apple, Lowe’s	53%

To dive deeper, we segmented the data into five traditional demographics based on age: Gen Z (18 to 22), Millennials (23 to 38), Gen X (39 to 54), Boomers (55 to 73), and the Silent Generation (73+). These generational markers helped us to identify over-arching themes in consumer behavior that would not have been revealed otherwise. We’ve come to some exciting conclusions about why companies ranked how they did and identified unexpected factors that contributed to each brand’s ranking by demographic. Each of the top five retailers (for each generation) is known either for low prices, exemplary customer service, or both. Though there weren’t any grocery providers in Gen Z’s top five brand list, Millennials named Target, Costco, Aldi, and Walmart in theirs. Gen X showed a preference for Walmart, Costco, and Target, while Boomers only named Walmart. Closing out the cohorts is the Silent Generation, with only one grocery provider on their list: Costco.

Let’s take a look at how some of the other top performing grocery brands in our study rank to get a better sense of who is going the extra grocery mile and who is falling to the wayside.



People are still getting their groceries from stores, and Walmart takes the crown when it comes to brick-and-mortar food buys. In fact, a recent earnings report shows that 11-13% of Walmart shoppers are using its grocery pickup service and ecommerce sales grew 37% YOY with grocery cited as a major contributor.<sup>3</sup> Costco and Aldi come in a close third and fourth; as we previously mentioned, these Good retailers are seeing steady growth, prompting increase in grocery ratings. While Whole Foods is at the bottom of the list, we are excited to see how they will fare next year as their parent company Amazon continues to test and make more changes to the brand and store experience.

Costco saw a climb of 6% over the last three years and while other retailers are doubling down on ecommerce efforts, Costco is just the opposite; only 4% of their sales were attributed to their website in 2018.<sup>4</sup> Regardless, sales are steadily rising for them as their members love the company’s commitment to customer service (enter: one of the best return policies out there) and quality products, including the infamous Kirkland private label. Aldi has also made valiant improvement efforts from a revamped store layout, a robust advertising budget and rebranding campaign as well as a major brick-and-mortar growth strategy in order to reframe their brand image to be about quality first and price second—and it’s working.

Online sales have become a real contributor to the grocery boom as more and more stores are implementing a BOPIS strategy based on consumer demands. Online grocery sales (in the United States) have grown from 6 billion in 2012 to an estimated 30 billion in 2021.<sup>5</sup> This seems to have hit a nerve with Amazon as they announced free two-hour grocery delivery for Prime members in more than 20 major metropolitan areas (eliminating a previous \$14.99/month fee for the same service).

In addition to online offerings, experiential factors are beginning to play a bigger role in where consumers choose to buy their food. In-store cafes, bars and dining areas are quickly becoming the new normal along with the booming meal kit trend. Companies like Blue Apron and Plated deliver ready-to-make meals through the mail and onto time-pressed Millennials’ tabletops, and one in five US consumers receive these services. From ready-to-blend smoothies to vacuum-sealed bags filled with food fit for a paleo diet, meal delivery kits show no sign of slowing down.

What’s clear is that consumers want more from retailers—convenience AND service AND quality products AND a good price. Grocery stores must innovate, test, learn and iterate in order to stay relevant in this cutthroat retail environment. While many retailers are shutting doors, the list of “grocery” competitors is only growing as out-of-vertical retailers like Walgreens start offering grocery-centric services and locations to draw consumers to their stores. The time for grocery stores to find their “more” is now.

Grocery stores must innovate, test, learn and iterate in order to stay relevant in this cutthroat retail environment.

# Apocalypse to Relevance

The answer is food

# Why Tomorrow's Mall Might Be Filled with Food

Traditional grocery isn't so traditional anymore. Shoppers can now go to the grocery store for brunch, lunch, happy hour, dinner and cooking classes without even thinking about walking up and down the store's aisles pushing a shopping cart. They can drive up and have all of their pre-selected groceries loaded into the back of their SUVs, or they can get delivery and not go near a grocery store at all.

In a category that's already changed so much, what's next for grocery? The surprising answer may actually be the mall.

As stores and entire malls continue to close, what do consumers want to see replace them? Food. In multiple formats, the response is food-related.

According to our recent research, the sprawling shopping complexes where food used to mean greasy pizza and corn dogs at the food court could transition to include local produce, unique restaurants and modern grocery. In our survey designed to find out what consumers want in tomorrow's mall, food-heavy concepts represented three of the four top results

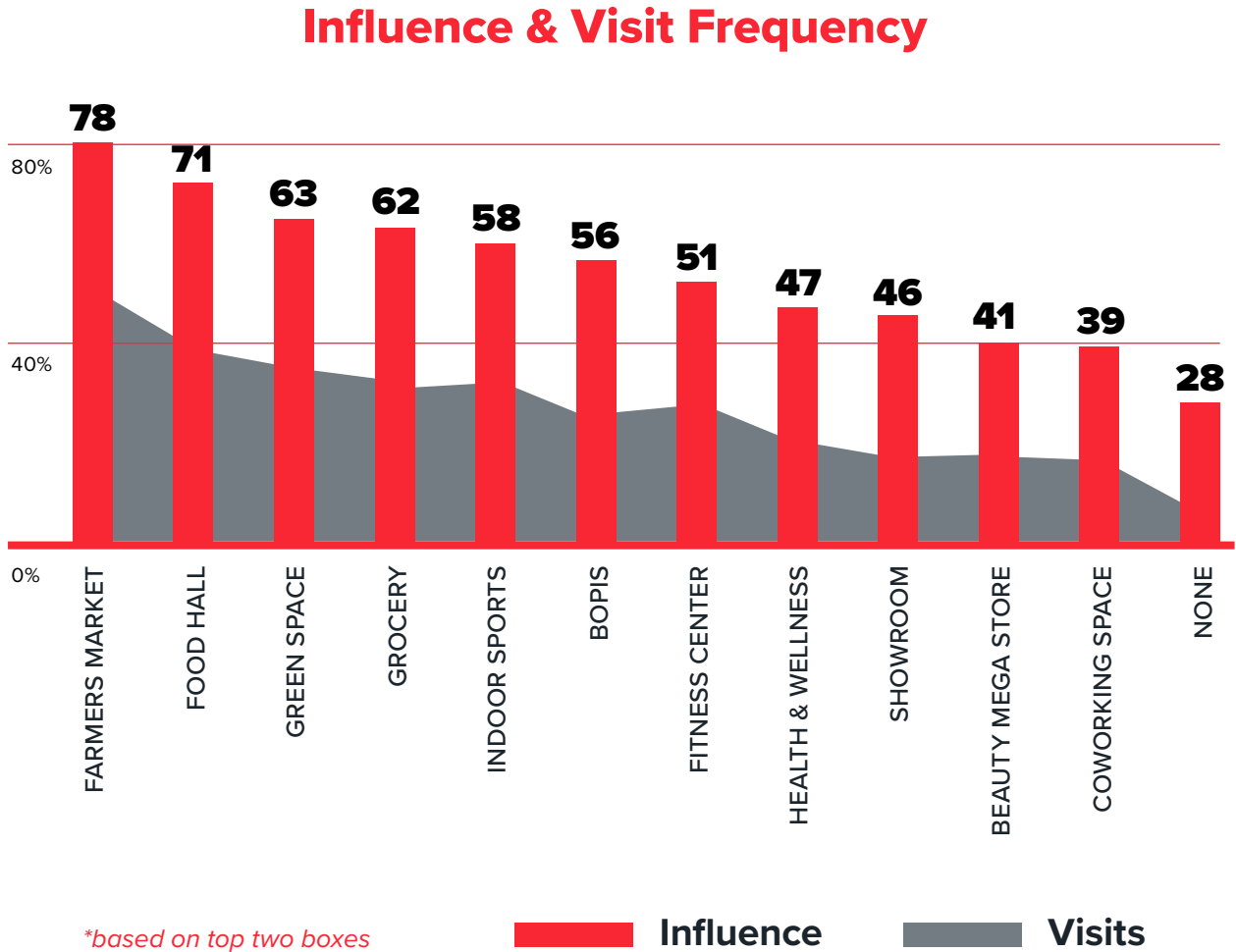
We started out by scanning the landscape of consumer contemporary culture. In doing so, we isolated 11 concepts with the energy and

relevance to draw a crowd to a physical place in our increasingly digitized world. Our theory was this: The only way to reinvent and save malls is to transform the space dominated by department store anchor tenants and specialty apparel into other purposes entirely. In the foodie world we live in, our research results should not be surprising. According to consumers, the top concept is the farmer's market, the next is the food hall, green space (non-food) is third and a smaller scale grocery store is fourth. The verdict is clear: respondents see food as a lane to bring them back to the mall.

## The Way To Consumers' Hearts Is Through Their Stomachs

When we dug deeper into the research, the granular results showed significant gradations in consumer preferences, not only across food concepts.

Yes, food is the new fashion, and respondents made it clear they wanted a vibrant foodie culture inside the mall. When we asked respondents to choose among their favorite concepts, a clear winner emerged: farmer's markets. As a solo concept, it appealed to 78% of respondents with 48% saying they would visit a mall with a farmer's market more often. Coming in close second were food halls with 71% of respondents wanting to see a food hall added to their mall and 38% saying it would increase their visits to the mall.



- Q:** How much will this concept influence your decision to visit a mall that offers this concept?
- Q:** If this concept were available in the mall closest to you, how would you describe your increase in visits?

Across the board, Digital Natives (age 18 to 29) embraced food concepts with enthusiasm. And no wonder, they eat out more—more than any other generation before.<sup>6</sup> This year, their purchasing power is set to overshadow that of Digital Immigrants (46 and older). Digital Natives eat more meals in restaurants and buy more prepared food than any other generations. Consider also that “local” food sales were expected to nearly double from 2014 to 2019, topping \$20 billion dollars.<sup>7</sup>

### Recommendations: **Give Digital Natives What They Want**

Digital Natives have spoken: Foodie culture can save the mall. Of all the concepts presented, there was one clear winner—food-inspired activities. Although at least half of Digital Natives said all the proposed concepts might influence their decision to visit a mall. Food-driven ideas were the biggest winners with the strongest appeal—with 78% liking a farmer’s market and 77% preferring a food hall. But the empty food culture of America’s dying, traditional malls, must die first. Otherwise, reinvention isn’t possible. No more fast-food and Styrofoam plates, or day-old pizzas under red-hot heat lamps. It’s time to reinvent the food court into a food hall and bring the cultural awakening of America’s famed farmer’s markets to the mall. The widespread embrace of health and wellness, including local food and farm-to-table dining, has not yet transformed the typical food offerings inside malls.

In London, Harrods now boast 30 restaurants ranging from high-end to casual, so you can drink a rosé or down a beer with some fish ‘n chips. Although some malls in America have embraced these trends, ironically, giving them free rein means malls are coming full circle.

After all, until the 1970s, malls were far more diverse, with a much broader mix of tenants, including supermarkets, drugstores, and everyday services, such as shoe repair. Many mall operators are starting to see the future. At a Bloomington, Indiana, mall, a closed Sears store reopened as a Whole Foods, an Ulta, and several other small new stores.

### **What will it take for grocery to truly take advantage of foodie culture?**

**A willingness to truly test new concepts is a smart start. Fail fast. It’s a cliché that leads to innovation, especially when trying things that haven’t been tried before.**

**Smart partnerships create opportunities in this space as well. Think about what the partnership can mean to each brand, and, more importantly, what added benefits it brings to the consumer.**

**Even if it’s not a true partnership, collaboration with other new mall tenants is beneficial. Be smart about the retailers nearby, embrace their offerings and complement the local area.**

Survey says, the mall is not dead. It needs a reinvention, and a reinvention that likely includes a lot of food.

# **BOPIS**

## Are you doing enough

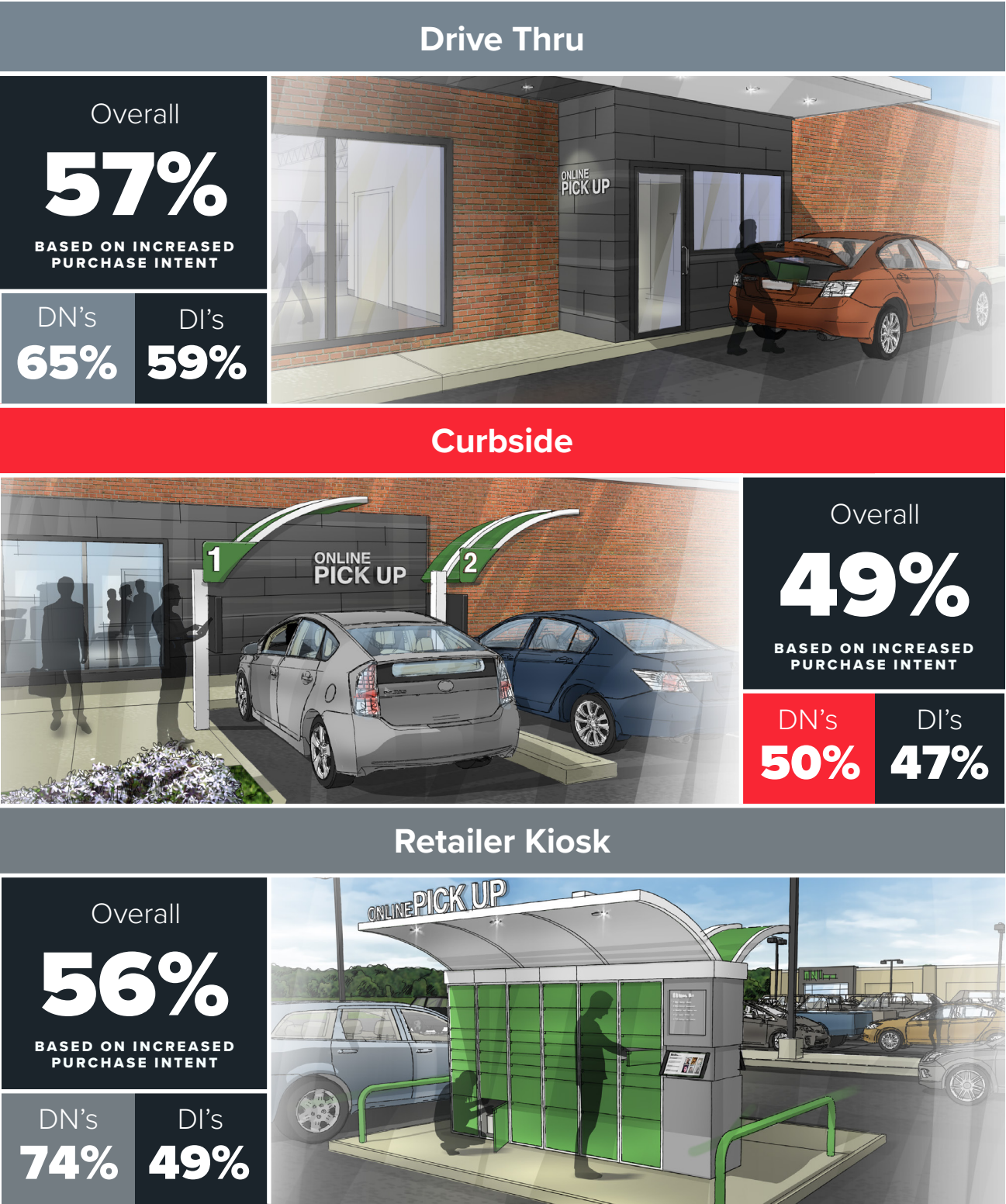
# When it Comes to BOPIS, Customers Don't Want to Come in Your Store

In a recent research study, we asked 1,500 consumers what they want in a BOPIS experience. The results were definitive; of the 8 concepts tested, those found most appealing AND scoring the highest in purchase intent do not require consumers to go inside the store. Repeat—customers don't want to come into your stores to get the items they ordered online.

The number one tested concept was a drive-thru experience—receiving 57% purchase intent score\* with all respondents (based on the top two boxes) and over indexed with Digital Natives at 65% purchase intent. The incredibly close second ranked concept was a combined retailer pick-up “center”—imagine pulling up to a “locker” system to retrieve items you ordered from multiple retailers all in one convenient location. This concept received a 56% purchase intent score with all respondents and was even more favorable with digital natives at 74% purchase intent. Our third ranking concept is one you see retailers (especially grocery stores) rolling out today—curbside pick-up (where items are brought to you). This concept had a 49% overall purchase intent score and ranked

pretty evenly among digital natives (50%) and digital immigrants (47%), making it a sure bet for retailers.

In all instances, the consumer is seeking the ultimate in convenience: give me what I bought while I wait or stay in the comfort of my car... saving me time, energy, and added hassle. All of these solutions allow for simple use of technology (i.e. mobile ordering, notification via an app, or on-site digital screen once I arrive) to purchase or communicate with the retailer. While they might not be viewed as “new” concepts to BOPIS, they have been implemented by grocers or big box retailers in the race to win consumers’ food-loving hearts.



DN's = Digital Natives    DI's = Digital Immigrants

*\*Purchase intent score means that XX% of respondents are more likely to buy from a retailer that offered XX concept. For example, 57% of respondents are more likely to buy from a retailer with a drive-thru BOPIS experience.*

**We now know that customers prefer BOPIS when grocery shopping, so the question we have to answer is this: how can this system gain (and maintain) consumers' trust?**

With BOPIS now acting as an established service in grocery, it's important to realize that not all Buy Online, Pick-Up in Store options are created equal. In grocery, the attention to detail is more important than in any other industry because the items given to costumers are entirely chosen by store employees. Prior to ordering, consumers may wonder: Does the picker know/care what a ripe avocado is? And with the pressure that management is putting on pickers to pick food quickly, is it even their fault if they are not getting produce correct?

Well, good news. BOPIS is getting better; it was found that on Black Friday, 88% of orders in 2019 were processed on time compared to 72% in 2018, and the average order processing time was 2.5 hours, down 30% from 3.6 hours in 2018.<sup>8</sup> As this offering becomes more widespread and the technology supporting it evolves, retailers are realizing that there are opportunities for growth under the BOPIS umbrella. Only 27% of retailers had an issue with orders (cancellation, wrong item, etc.) in 2019, which is a significant improvement over 60% in 2018.<sup>9</sup>

Grocery players know that they have to go the extra mile to gain brand loyalty in the booming BOPIS market, which is why so many retailers are quickly making changes on the front line. Their number one priority? **Product pickers.** Pickers have to average 100 products per hour, or they might just lose their job. They

are incentivized based on how many products they can pick every hour, so obviously the efficiencies of finding the product is key. To go even further, they have even done data pulls on every aisle to determine "quickness" for the pickers to get a sense of where they spend the most time. Their next priority is the stockers; of course, this covers stocking efficiency but it also ensures that things are in the correct place so the pickers can operate at full capacity.

Walmart, for example, has been ramping up their ecommerce efforts, doing everything from boosting the number of order pickup locations to 3,000 to implementing Alphabot to revolutionize their BOPIS efforts.<sup>10</sup> Alphabot streamlines the picking process, reducing wait time while allowing associates to focus more closely on helping the customer. Kroger and Albertsons have also been adding points of pickup for their online delivery services, with both actively working on fulfillment centers to organize their ecommerce efforts. Kroger has recently been acting on their strategic Restock Kroger plan and created a full-tech fulfillment facility in Georgia in partnership with Ocado group, which is the first of many. Albertsons is taking a different approach; instead of building standalone facilities, they are creating "micro-fulfillment centers" inside existing stores that aim to fully automate online orders in-house.

Traditional grocery isn't so traditional anymore. Shoppers can now drive up and have all of their pre-selected groceries loaded into the back of their SUVs or simply get them delivered to their homes, avoiding the store all together. In a category that has already changed so much, what could be next?

# Grocery Store of the Future

# The Grocery Store of the Future

**Grocery store executives are facing a lot of questions.**

**What do I do with stores that are overdue for a remodel?**

**Can I continue doing what I've always been doing—updating finishes and graphics while stocking the latest product?**

**Or must I innovate to maintain market share?**

For most stores, change is necessary. But that doesn't mean change everything. Grocers should think small and test often. Read on for more recommendations.

Use these five recommendations as a starting point to determine what fits your brand's current state and where you want to take it:

## 1. Think remodel NOT rollout

Utilize existing assets to create a flexible floorplan. Develop memorable exterior additions to reinvigorate blocky, tired buildings with minimal investment. Introduce human-scale elements at the entry like seating or landscaping in order to develop signature customer touchpoints and create a truly branded experience. Avoid expensive, generic architectural updates. Reduce costs by keeping core destinations around the perimeter and reevaluating adjacencies. Consider investing in green building technologies to minimize ongoing operational expenses.

## 2. Build your own retail brand

Become more than a warehouse for everyone else's brands. Be authentic, inspiring, and connected to the pulse of food and community. Source and sell local, seasonal, fresh and packaged food. Host the weekend farmers' market at the store. Expand the private label offer. Simplify the dry grocery assortment. Merchandise food as fashion with more exciting, dramatic displays that tie products to lifestyle. (Get rid of gondola shelving!) Place mini-eateries and restaurants amid the traditional categories — a layering of new ideas and experiences to surprise consumers in what has become a rote grocery customer journey.

## 3. Go multi-channel

Put customers in control. Let sophisticated e-commerce price/brand sorting tools, consumer reviews, recipes with built-in shopping lists, profiles, and automatic favorites make it easier for people to shop and plan meals. Let them pick-up their order at the store or request delivery. Replace the revenue from store shelves with revenue from online ads, recommendation preferences, and additional breadth of offer.

## 4. Build with scalability in mind

Create a flexible floorplan that can be used to remodel locations depending on the site, the neighborhood and shopping occasions. Consider a multi-channel hub — a small format fresh food grocery and eatery plus an online order fulfillment, pick-up and delivery center.

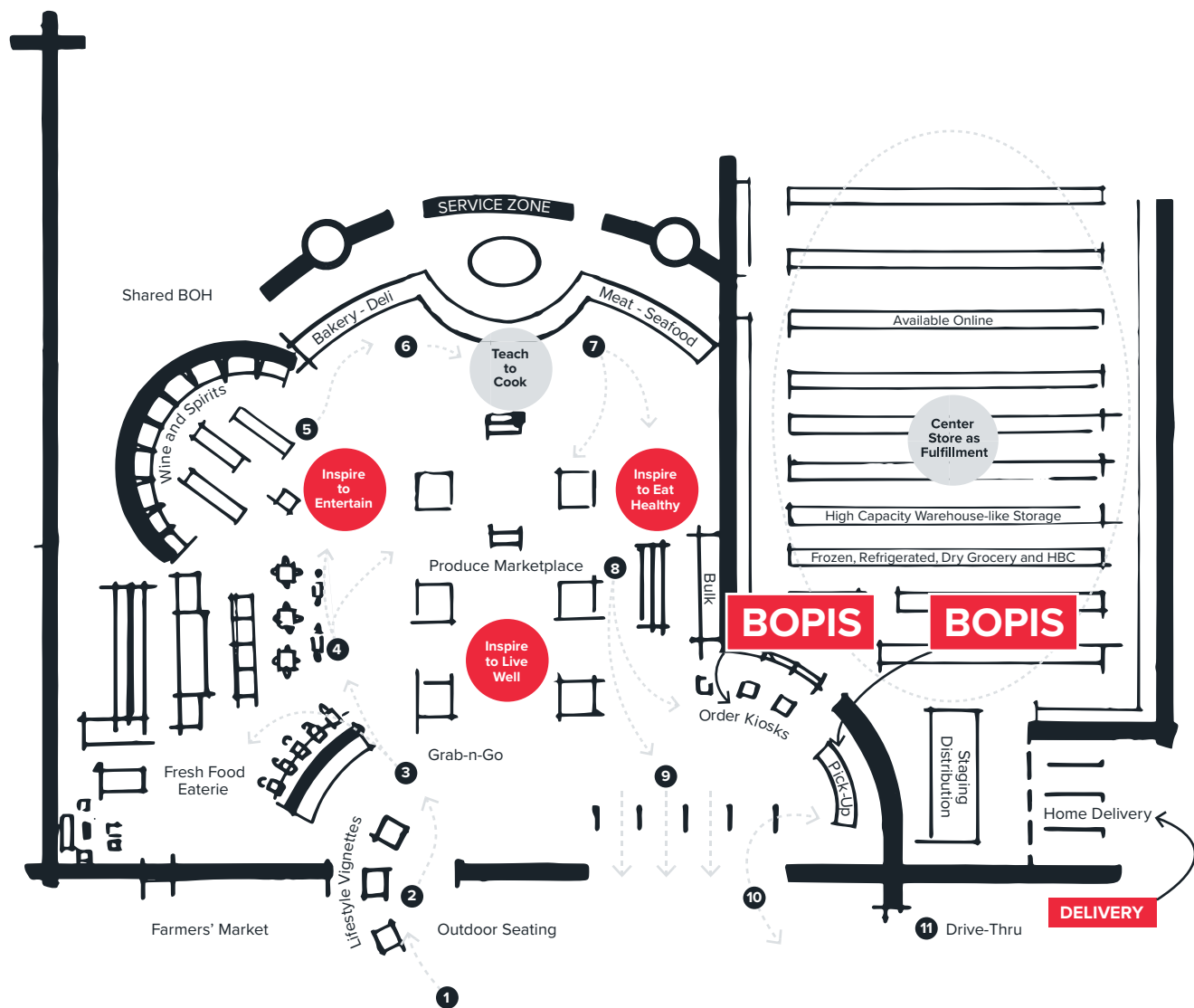
## 5. Use technology to make processes easier

Let technology open up valuable sales floor space for an enhanced brand experience. Take the bulk of center store online to make shopping accessible 24-hours a day. Automate regular purchases, and have items delivered or available for pick up in the store.

The expectations of the modern grocery shopper have changed and will continue to change. The grocery store of the future will change with—and even anticipate—the shopper's needs. Are you ready for change?

# The Grocery Store of the Future

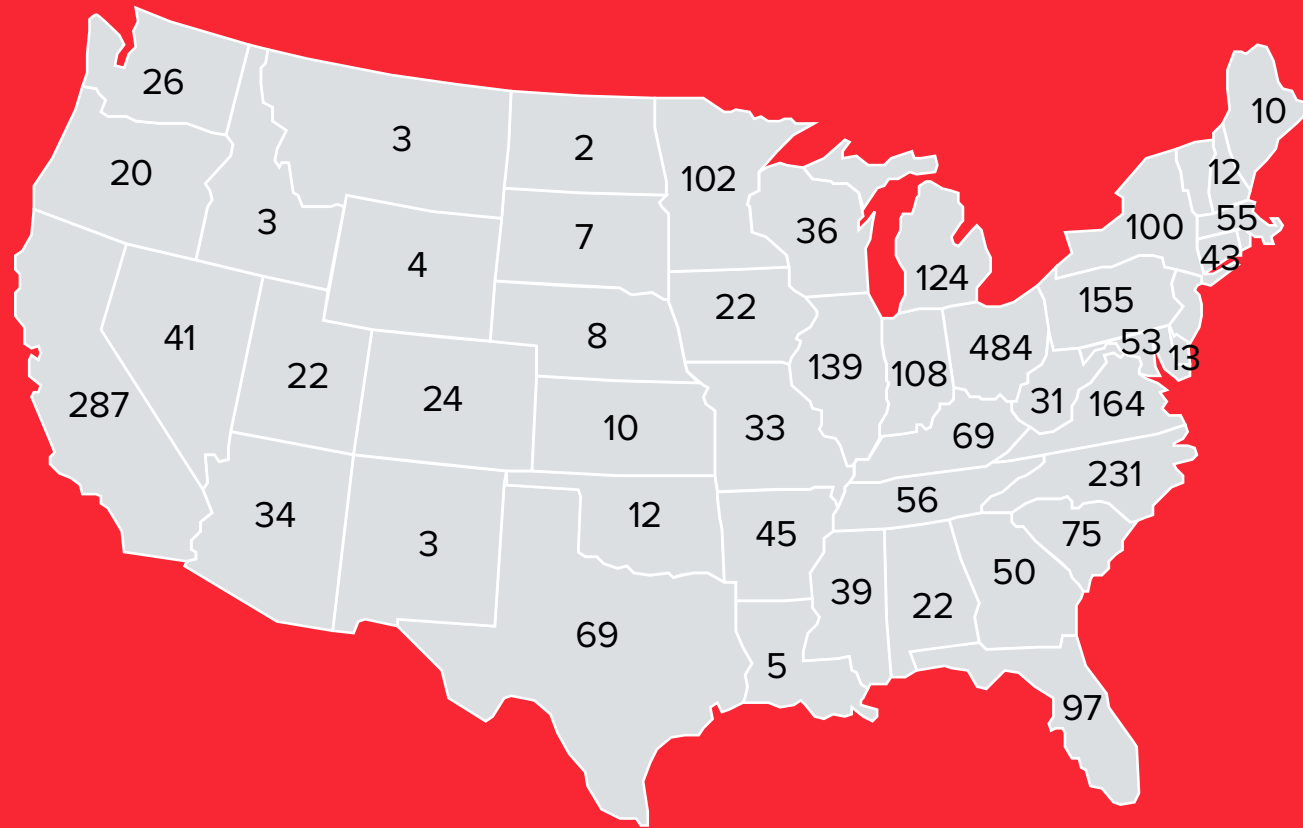
Goodbye milk in the back of the store. Hello logical, flexible flow that allows customers to take an inspiring food journey through the store OR get in and get out in a snap. The below layout depicts one variation of a modern day grocery store. The numbers show how customers make their way through strategically placed departments.



# WD Grocery Case Studies

## WD Grocery Experience

WD has completed over 2,500 projects with best grocery brands across the country.



Lucky's Market



TESCO

meijer



Publix



Walmart



### Executing on a Gap in the Grocery Market

We partnered with West Highland Capital Partners on the creation and execution of a new concept—a perishables only food market with an attached fast casual restaurant that features fresh, seasonal products. The idea was to build a food haven that encourages experiential shopping. Our extensive grocery and foodservice operations, design and development expertise enabled us to drive this entire project from concept creation through construction.



## DOLLAR GENERAL

### The Dollar Store Goes Millennial

In an effort to capitalize on the changing urban landscape, Mars-Wrigley enlisted WD Partners to study the urban shopping experience, develop profiles for urban shoppers, and offer recommendations for boosting front-end sales. The initiative evolved into a total store design for DGX—Dollar General’s new smaller format store experience designed for busy city-dwellers. The WD Insights, Strategy and Design teams created an inviting store look and layout with a touch of upscale sophistication to attract the urban millennial shopper. The DGX logo is bold, dynamic and fresh, leaving behind any stereotypes associated with the master brand.

HUDSON YARDS  
NEW YORK

MERCADO  
LITTLE  
SPAIN

### Experiencing a Taste of Spain

We studied trends in consumer culture, audited other successful food halls, reviewed Yelp reviews and identified unique food-tainment experiences. All of those inputs fed into our visioning workshop, which enabled us to translate the vision into activation strategies for every component of the experience design. In the end, we used a distinct combination of our services to allow Mercado Little Spain to deliver an unparalleled, genuine Spanish food hall experience in Manhattan’s West Side. One challenge we’re still unable to solve is which dish to try first!



## Super Work for a Supercenter

We've been partnering with Walmart on a variety of projects including BOPIS design & execution, exterior redesign, international expansion and BIM integration. We even developed a concept and positioning strategy for Walmart's Neighborhood Market stores. We have provided the full range of our services from conducting shopper research, to creating imaginative store designs and digital shopping experiences, and the development of detailed architectural designs and engineering plans for new Walmart stores, remodels and retrofits.



## Reigning Cats and Dogs

We were challenged by Purina to make Schnucks the local go-to destination for convenience, caring, and camaraderie—to transform the traditional pet-food aisle into a meaningful, emotional (and streamlined) retail shopping experience where pets reign supreme. A true collaboration between WD, Purina and Schnucks, the end concept and final installation reflects our vision for an in-store flagship experience; a learning environment that Schnucks and Purina can scale across locations.

# Methodology

## The Good, The Bad & The Ugly

An online survey was designed to meet the research objectives of WD Partners for 2019. The brand classification section of this survey was substantially similar to that of the 2017 and 2018 surveys with a repeat of 92 of 100 brands from 2018. A third-party US representative consumer panel was selected that interviewed adult consumers (18 years old or older) with household incomes of \$35,000 or more (same criteria as the 2018 study). This survey was launched on March 8th, 2019 and open for participation through March 16th, 2019. 4,003 Category Buyers qualified and completed the online survey.

Rounding disclaimer: Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

## Apocalypse to Relevance

An online survey was designed to meet the research objectives of WD Partners for 2018. This survey was launched on April 12th, 2018 and open for participation through April 24th, 2018. 4,012 Category Buyers qualified and completed the online survey.

About 80% of respondents were asked to identify the retail brands they recognized (awareness) from a list of fifty out of a possible list of one- hundred selected brands. About 20% of respondents evaluated the mall innovation concepts. The sample was segmented by Digital Natives (age 18 to 29) and Digital Immigrants (age 46 and older). Digital Native responses were balanced by gender and race for comparison with 2017. Digital Immigrants were defined slightly older in 2018 than 2017 (39 and older).

The margin of sampling error is plus or minus 1.6% for results based on the total sample of 4,012 respondents at the 95% confidence level.

# Sources

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**WD’s mission is to drive and shape the future of customer experience.**  
Our passion has been to solve our clients’ challenges and anticipate their future needs. We are customer fanatics that pride ourselves on being on the forefront of change. WD’s integrated services include: strategy & insights, brand & design, operations planning & design, architecture, engineering and construction services.

To find out how WD can drive innovation through your brand’s grocery experience, please contact us below.

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