



The US Grocery Industry's Leading Provider of eCommerce,
Digital Marketing, and Data Analytics Services



Next Generation Online Grocery Shopping Presentation

Part 1 of the FMI eCommerce Webinar Series



- This is first part of a 3 webinar series
- This webinar:
 - What eCommerce is today, the size of change in the industry, why shoppers are using it, and how it can impact retailers (including if they can be profitable or not)
 - Then, look at what foundation retailers should put in place today to ensure they're positioned for success longer term, over the next 2-5 years what best practices do retailers need to implement in their overall businesses to maximize the eCommerce opportunity and achieve profitable growth
- The next two webinars will dive deeper into specific strategies and tactics for operating eCommerce, how to acquire customers and build market share, and leverage online shopping data to increase profitability whether you're a small independent operator or a regional chain with 100's of locations.

Shoppers are Changing how they Buy Groceries



72% by 2025

of all shoppers are expected to integrate digital purchasing into their overall food shopping rituals by 2025

Source: FMI

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- Recent research by FMI and Nielsen

Shoppers are Changing how they Buy Groceries



\$100B by 2025

- 24% of all grocery sales expected to be sold through digital channels by 2025
- Represents a 20% CAGR

Conclusion: 24% of all sales and 72% of shoppers will migrate to a new channel in the next 7 years

Source: FMI

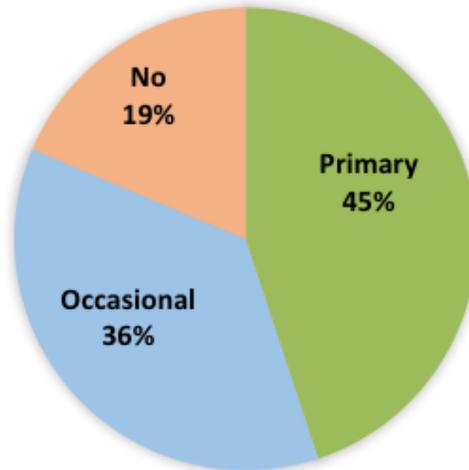
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- It's share that's up for grabs – 72% of people are going to change where and how they purchase groceries in the next 7 years, resulting in \$100B switching channels. You have an opportunity to get that share
- Alternatively, you can expect that if you don't do eCommerce, and do it effectively, you will lose your piece of that share to someone else.
- The change in share is extremely important not only to retailers, but also to wholesalers and suppliers.
 - As share moves toward companies that are effectively leveraging their private label/exclusive brands, that hurts the CPG and national brand companies
 - As share moves toward national retailers, that impacts the wholesalers that support independent and regional grocers around the country
 - Grocers, wholesalers, and their suppliers are thus incentivized to work together to implement best in class eCommerce experience

Use eCommerce to Acquire New Customers

PRIOR TO USING ONLINE SHOPPING POWERED BY ROSIE, DID YOU SHOP AT THIS RETAILER?



Primary: 2+ trips per month

Occasional: 1+ trip in last 2 months

No: 0 trips in last 2 months

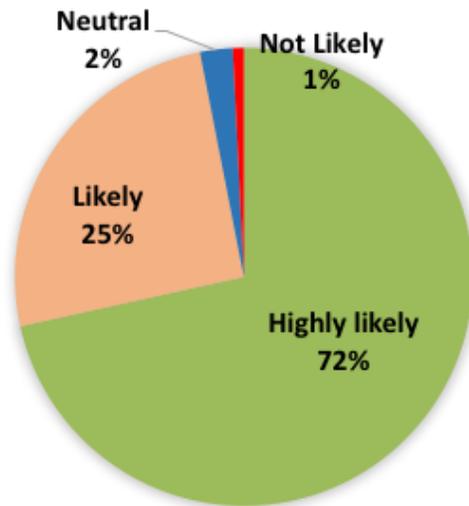
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- We are seeing evidence of those share gains on direct basis working with retailers
- These survey results are from a large retailer using Rosie's eCommerce platform

Use eCommerce to Retain New Customers

ARE YOU MORE LIKELY TO MAKE THIS RETAILER YOUR PRIMARY STORE NOW THAT THEY OFFER ONLINE SHOPPING POWERED BY ROSIE?



Note: Only asked shoppers that indicated "occasional" or "never" in prior question.

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- Behavior change typically locked in after the 3rd online order.
- Online shopping not only helps retailers obtain new customers, it enables them to retain these new customers long term

Grocery eCommerce: Functional Benefits



- Enables customers to buy your products from anywhere
- Increases your hours to 24/7
- Creates perception of personal assistance (or lack thereof)
- Extends retailer's ability to provide customer service from on-property to anywhere in the trade are

...It is clear however that these benefits do not cause shoppers to use eCommerce, or to choose one provider over another. Additional values drive customer choices.



- Collectively, these benefits are all related to “Convenience.” Most people associate eCommerce with Convenience and leave it at that.
- However, Need a more sophisticated understanding of how shoppers benefit to understand how to engage them and bring them in as new customers
- Shoppers need to connect these functional benefits to an impact on their personal lives. This is the missing piece that Rosie spends a lot of time working with our retailer partners on

Grocery eCommerce: Personal Benefits

Why consumers use eCommerce varies substantially among customer segments...

Parents



- Reducing Stress
- Curbside pickup

Working Professionals



- Saving Time
- Home & work delivery

Mobility Impaired



- Increased Independence
- Home delivery

...Each segment makes purchase decisions based upon values other than the food

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- It used to be that good location, price, and product mix were enough to ensure successful business. Today those are the baseline. Everyone expects good prices and quality products. To succeed at eCommerce you have provide additional values beyond the food itself.
- Those values related to quality of life, and they vary for each segment.
- More on this topic in the next webinar

National Competitors are Investing in Innovation



Kroger inks Ocado grocery delivery deal to battle Amazon threat



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- With that context in mind (of engaging shoppers, providing personalized value), national players are investing heavily
- - Investing in new formats, new ordering mechanisms, and new delivery options

“Check the Box” eCommerce = Loss Leader

- Simply having eCommerce does not mean shoppers will use it
- To acquire share gain, retailers should focus on three areas:

User Engagement

- Digital, social, automated marketing
- Custom retailer branding
- Customer Support

Merchandising

- Supplier-paid campaigns
- Personalization
- Effective pricing strategy

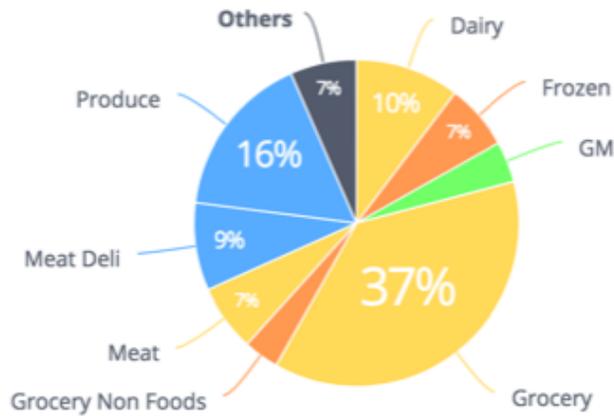
Profitability

- Measure via digital scorecard
- Increase in-store revenue
- Decrease costs

- Because national players are investing heavily to provide that personalized value to individual shoppers, grocery retailers can't rely on a "check the box" solution.
- Simply having an eCommerce program available does not mean shoppers will use it.
- To win in this space, grocers should focus on doing three things very well: User Engagement, Merchandising, and Managing Profitability
- We will dive much deeper into this topic in our next webinar and provide specific strategies and tactics on how to do each area effectively.
- We're introducing it now to highlight the importance of not just having a program, but ensuring it actually provides value to your customers in the way they care about.

eCommerce is Integral to your Business (Not Separate)

eCommerce must be seamlessly integrated across entire business to effectively serve online customers



- Top 10 products sold online are all perishable
- Use data from online customers to grow in-store revenue
 - Better merchandise products to core customer segments
 - Capture missed revenue from out-of-stocks
- Marketing and technology teams collaborate to provide seamless customer experience

Online basket mix for large retailer using Powered by Rosie eCommerce

Source: Rosie Data Analytics

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- eCommerce can and will affect your entire business
- Customers buy from all departments, and top products sold are perishables
- The data collected from eCommerce can benefit in-store departments, grow sales, and reduce costs
- All store departments ultimately need to communicate and collaborate to maximize the eCommerce opportunity

Rosie eCommerce Guide: The Store of the Future

Store of the Future

- Pricing Strategy
- Own the Last Mile
- Hyperlocal
- Innovation
- Next-Gen Formats
- Private Label / Exclusive Brands



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TOPIC TRANSITION – Now that we covered what Online shopping is, how big the opportunity is, and how it can impact the retailer’s overall business, next we want to look at how retailers can put the right foundation in place for long term success.

In working with retailers across the US, we’ve identified six best practice areas that retailers should focus on to ensure their long term success in the market. These best practices are not simply for eCommerce, they are critical to the overall business strategy.

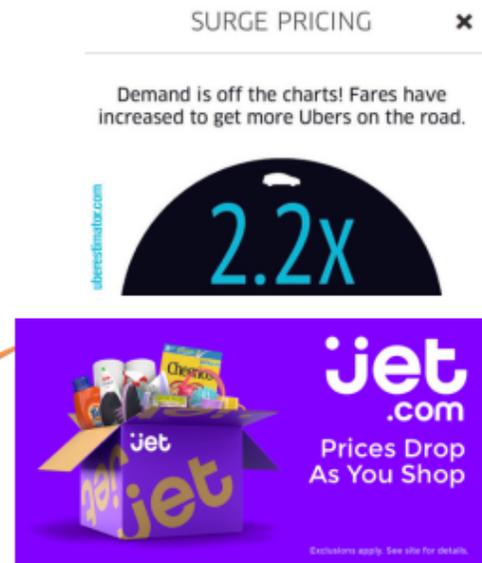
What we’ve found is that eCommerce can enhance each of these topic

areas and help retailers be successful in them.

These best practices are for retailers to implement over the next 2-5 years to remain competitive and relevant in the fast changing marketplace. As such, we highlight them today with our retailer partners so they can begin planning and preparing for each one.

Pricing is Multi-Dimensional

- Channel (pickup/delivery/local pickup)
- Online Margin
- Location
- Time (Rush/Surge)
- Subscription



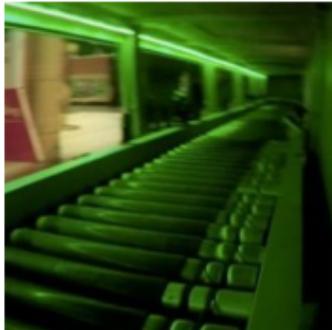
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- Effectively price your products based upon what kind of customer is shopping and how they are buying
 - Discounts for bulk purchases
 - Higher fees for last minute orders
 - Range-based prices for delivery
- Utilize Two-part pricing – this is proven to be the most effective way to price online groceries.
 - Every major national online grocery does it, including walmart, instacart, wegmans, and others
- “Prices for grocers ordered through Peapod may be different from prices in Stop & Shop stores”
- Grocers already use these concepts today – typically higher margins on prepared foods, catering, etc. Different price points for different customers based on providing what they value.

Own the Last Mile

Support each form of shopper hand-off to maximize customer engagement



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Simply put, provide a way for customers to buy from you in any way they choose:

In-Store, curbside pickup, delivery are obvious ones. Also include drop points around the community (apartment complexes, campuses, etc.) and use of unattended delivery to lockers and other formats

(Hub and Spoke included in Innovation topic)

Leverage Unique Local Attributes in Digital Experience



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Make your online shopping program “the digital place where any customer can experience what makes you unique and different.” The concepts of differentiation related to locally sourced products and personal service are already paramount to a grocer’s success. Rather than minimized, these advantages should be maximized through a grocer’s online shopping program.

This can be done through merchandising, customer messaging and marketing, and many other methods.

Innovation

- Endless Aisles: Ship any product from any supplier to store or home within 2 days
- Full data insights throughout supply chain:
 - Improve efficiency to reduce costs
 - Personalize the shopping experience to increase customer engagement
 - Anticipate trends to maximize revenue



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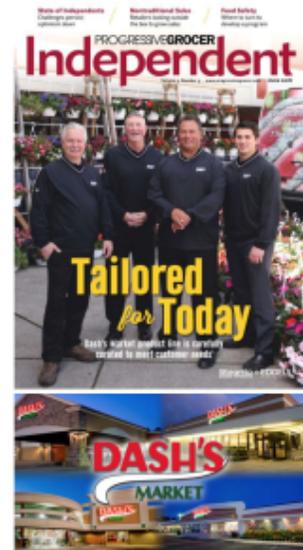


Endless aisles

- Ship from warehouse to store
 - Warehouse direct to customer
 - Supplier to store
 - Supplier direct to customer
-
- The digital shelf is endless – Amazon and Walmart offer virtually any product in the world within 48 hours. Grocers have the opportunity to access that same nearly limitless inventory and make it available to their customers.

Next Generation Retailer Formats

- Smaller footprint
- Experience focused vs. product focused
- Greater orientation on fresh products
- Omni-channel
- Eating customer vs. cooking customer (ready to heat/eat)



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As the market shifts, grocers are continually examining how to maximize sales per square foot of physical space.

Over the last 5 years, we've seen grocers re-purpose in-store photo centers, video centers, and pharmacies into eCommerce fulfillment centers

Over the next 5 years, look to enable easier curbside hand-off, easier delivery driver hand-off. As customer preferences change and product mixes vary, use eCommerce as a means of directly communicating these changes to every customer, not just the ones who physically walk into the building and see it.

Leverage Exclusive Brands to Maximize Profitability

- Digital tools enable more sophisticated merchandising to shoppers
- Invite CPGs and Suppliers to run paid product placement campaigns on digital shelf to obtain prime category placement



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Amazon is investing heavily in this area. They used to be “generics”, then “private label”, and now “exclusive brands.”

Grocers can put these products into first position in each category on their digital shelves to increase purchase rates of these products and increase basket margins.

In turn, retailers and wholesalers can run programs with suppliers where they pay a merchandising fee to have their national brands occupy first position in their relevant categories, similar to the way programs are run in-store today with tradeoffs on benefits and marketing support for various programs.

For reference – Amazon voice ordering is more about search results than it is the gimmick of using your voice. It's an access point to selling more Amazon exclusive brands

Q&A

FMI and Rosie eCommerce Webinar Series

- Part 1 (this webinar): Next Generation Online Grocery Shopping
- Part 2: Best Practices for Acquiring New Customers via eCommerce
- Part 3: How to Leverage eCommerce to Obtain Supplier Contributions



For more information on this topic, visit FMI's [Voice of Food Retail Blog](#):

For more information on Powered by Rosie eCommerce, visit meet.rosieapp.com or email Jon Ambrose at jon@rosieapp.com

Thank you very much! I hope this was informative and useful to everyone.

We will announce dates shortly for the next two webinars, expected to occur in June and July.

Questions.

- Be ready for question of how does cannibalization affect the store?
 - Positive effect.
 - When you switch in-store customer to online, on average they increase how much they spend with you wallet share and increase their loyalty to you
 - Additionally, these are the customers that you were definitionally going to lose as soon as they found a competitor online shopping program
 - The other set of customers are new to your store
- Reference customer support – 80% of shoppers that contact Rosie's support team place a subsequent order. Shoppers expect Zappos and Amazon-like customer support and if they don't get it they will switch providers.