

UNLOCKING CONSUMER DELIGHT:

How to optimize online grocery order fulfillment and curbside delivery

As online grocery shopping picks up some serious steam, retailers must rethink their fulfillment and distribution operations in a way that accommodates changing customer demands and new delivery models.

UNLOCKING CONSUMER DELIGHT: HOW TO OPTIMIZE ONLINE GROCERY ORDER FULFILLMENT AND CURBSIDE DELIVERY

Today's time-strapped consumers — are looking for ways to get more out of their day and this can include ritual trips to the grocery store to shop, compare prices, stand in line and load groceries. As a result, everyone from Smart & Final to Kroger to Target—to name just a few—are jumping into the buy online shopping/pick-up in store (BOPIS) game. And as evidenced by the fact that the average online order now exceeds \$150, this is more than just a passing fad or a novelty—it's reality.

Expected to hit \$100 billion somewhere between 2022 and 2024, online grocery shopping appeals to a wide range of shoppers. In fact, the Food Marketing Institute (FMI) and Nielsen expect 70% of all consumers to start buying their groceries online over the next five to seven years. "The grocery industry is

currently in the age of digital experimentation," Nielsen's Chris Morley points out in a recent report, "where the roadmap on how to navigate and achieve real and profitable growth continues to evolve."

Walmart and Kroger, for example, are both spending "tens of millions of dollars to acquire digital-ordering technologies, implement home-delivery systems,

and build thousands of store pick-up points for online orders," according to the Wall Street Journal (WSJ). Not willing to be left on the sidelines, Walgreens is also getting into the game. Working with Kroger, the drugstore chain is developing and testing a one-stop shopping experience where customers can access products and services from both companies.

According to the companies, customers will order Kroger grocery items online and pick-up orders at the participating Walgreens locations.

Conversely, Kroger's Our Brands grocery items will be available in-store at participating Walgreens locations.

"This innovative new concept is an opportunity to test and learn, as we determine how we can best work together to further elevate our customer offering," said Stefano Pessina, executive vice chairman and CEO of Walgreens Boots Alliance, Inc., in a recent report. "We continue to evolve our offerings to meet the changing needs of our customers and provide a more differentiated shopping experience."

With the online grocery trend picking up some serious steam, the question becomes: What do retailers have to do to fully leverage these developments while maintaining profitability and keeping their customers happy? Until recently, grocery retail environments were not considered or designed for picking and fulfillment. But that's all changed. Retailers are looking to pick and fulfill at the point closest to the consumer, for either pick-up or direct consumer delivery.

In this white paper, we look at how shipper expectations are changing, hear what stores are doing to accommodate—and even get out in front of—key shifts like online order management, in-store order fulfillment and store pick-up, and learn what goes into an effective and profitable online/in-store program.

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— The Wall Street Journal (WSJ)

Online sales are the table stakes

When Walmart bought e-commerce site Jet.com in 2016, grocers sat up and took notice. Then, when Amazon acquired Whole Foods a year later, the grocery industry began putting more time and effort into its online offerings.

“Looking not to be left behind, grocers are remodeling their stores and designing new locations to better accommodate online ordering,” a recent WSJ report points out.

Stores also have to rethink their traditional fulfillment and distribution operations, both of which have so far focused on fulfilling online orders from physical stores. This makes keeping goods in stock difficult (the Grocery Manufacturers Association says out-of-stocks online cost stores \$17 billion a year globally) thanks to unpredictable online ordering patterns and limited backroom space.

Solving these and other problems have become top priorities for both national and regional grocers. “Online sales are becoming the table stakes for the grocery industry,” says Kevin Geason, ORBIS Corporation’s key market manager for grocery. “Thanks to changing consumer demographics and preferences, the stores are all running at a frantic pace.”

Focused mainly on ease of use and convenience, grocers want to make the shopper experience as seamless as

possible for the consumer who no longer has the time or impetus to spend an hour of their day perusing aisle after aisle of food options. For grocers, the ultimate goal is improving consumer satisfaction and loyalty. This means offering online ordering, with efficient home delivery or easy pick-up options at the store of their choice.

When consumers start complaining because they can’t be home at a certain time to accept home deliveries, grocers added the convenience of ordering online, scheduling an appointment time, and then rolling the orders right out to the consumers’ vehicles (which are parked in designated spots or in a curbside lane).

Driven by hectic lives, two-income families, and rapid advancements in technology, the curbside pick-up trend is expected to gain even more steam over the next few years. “The acquisition of Whole Foods by Amazon may have started the trend,” says Geason, “but now we’re at a point where stores have to do this in order to remain competitive; it’s what consumers are demanding.”

Order picking and offering curbside pick-up service is labor intensive

Developing curbside delivery initiatives can be a losing proposition for grocers that starts with having a store associate walk around and fill a huge, cumbersome cart with individual orders.

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— Kevin Geason, ORBIS Corporation’s key market manager for grocery

“It can be a very labor-intensive process and a loss leader for stores,” says

Geason. Not only does this require an upfront investment in new processes and in-store resources, but it also pushes grocers to rethink the way they stock their e-commerce operations—to the point where some are looking at building new DCs dedicated to fulfilling online orders. All of these changes cost money in

an industry known for having razor-thin profit margins (1.3%, on average).

Other grocers are taking a more holistic approach to this order online/pick-up in store trend, knowing that the most critical components are fast startup times, a positive shopper experience, an efficient ordering system and a safe work environment for store associates. To help stores achieve these “must haves,” ORBIS

develops in-store fulfillment tote/cart systems that help grocers quickly and accurately fulfill orders and then deliver curbside, with either dollies or mobile pallets.

The store associate who is picking produce and loading it into a cart, for example, has the bags at their fingertips, mounted on the cart. That means they don’t have to walk 10 feet away to grab a bag to fill with apples or avocados. All-plastic, standard sized totes on low-profile carts offer easy sorting and staging of online orders.

“It sounds simple enough, but if the associate is filling orders all day, every day, it literally saves seconds on every order,” says Geason. “Expand that across thousands of associates fulfilling orders across the entire chain every day, and the savings add up pretty quickly.”

Don't disrupt the in-store shopping experience

One national grocer learned pretty quickly that using large picking carts wasn't going to sit well with its traditional customer base. "It did some internal shopper surveys and put mystery shoppers out there, both of which delivered a lot of negative feedback about the huge carts," Geason explains.

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"Having a store associate pushing this massive cart around corners, fulfilling grocery orders and trying to navigate the floor just wasn't cutting it," says Geason, whose team set out to find a better way for the large grocer to tap the curbside delivery trend without alienating its valued customer base.

The new cart had to be smaller, easier to maneuver, quieter, and less intrusive. Using castors, for example, ORBIS came up with a design that didn't "rattle all through the store," says Geason, and that didn't put shoppers in fear of being run down by a huge contraption.

The new design is more compact and painted a soft gray color to avoid "standing out" on the store floor. "It's overall a better solution for the store associates who use it," says Geason, "and also for the consumers who are shopping in-store."

Existing equipment is no match for fulfillment and curbside delivery

As the online grocery segment continues to march toward the \$100 billion number, expect to see even more stores jumping into the fray and developing solutions that help them more efficiently serve time-strapped customers who don't want to shop in person.

Learning quickly that their existing equipment (i.e., basic grocery carts, pallet jacks etc.) and solutions are no match for the buy online/pick-up in store shopping trend, smart grocers are investing in customizable options that allow them to fulfill the needs of this modern-day customer—while also maintaining their in-store clientele.

Achieving that balance requires equipment with smart design features (i.e., carts that come with produce bags mounts; solutions that maintain positive in-store consumer experience (e.g., minimize decibel level); support customer satisfaction metrics (e.g., out of stocks should be 5% or less; orders should be picked in 60 minutes or less); solutions that address frozen, refrigerated, and ambient needs; and options that maintain backroom efficiency while supporting online efforts.

Grocers are selecting solutions within a mix of potential products to address these growing trends and requirements. This includes carts as mentioned earlier, totes, dollies as well as mobile pallets. Mobile pallets are an example of “smart design features” that can be stored in a static mode and with the push of a lever, wheels are engaged for instant mobility. The key is to

quickly work with the retailer to determine the solution that best sets them up for success.

Finally, these solutions need to be value-engineered in a way that supports safe handling by associates—both in-store, and in the parking lot or in the pick-up lane—and that reduce the number of “touches” that those associates have to make during the course of the day. Combined, these curbside order “must haves” come together to create a comprehensive solution that grocers can use to fully leverage the curbside delivery trend.

That trend isn't going away anytime soon. In fact, as the numbers prove, it's only going to gain more momentum over the next 2-4 years. “There's no question about it; grocers and retailers alike are going to have to make their moves into curbside delivery,” says Geason, who notes that these early efforts don't have to be loss leaders for the retailers.

“There's no need to go into this with an, ‘I've got to take losses on this,’ attitude,” he concludes. “With the right equipment solutions, the retailer can make online ordering/curbside delivery into a competitive advantage and a profitable scenario.”

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About ORBIS Corporation

Plastic reusable packaging products and services improve the flow of product all along the supply chain, to reduce costs and drive environmental sustainability. ORBIS helps world-class customers move their product faster, easier, safer and more cost-effectively with plastic reusable containers, pallets, carts and protective dunnage. ORBIS uses proven expertise, industry-leading knowledge, innovation, superior products and supply chain services (tracking, cleaning and logistics) to implement plastic reusable packaging systems.

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