



Customer experience in the new reality

Perspectives from the grocery retail sector

Global Customer Experience
Excellence research 2020



Introduction

COVID-19 has driven customers online and brings the role of physical retail space into question. The leading food retailers in our Customer Experience Excellence research have linked immersive in-store experiences with advanced digital technologies to integrate the online and offline shopping experience but face a growing profitability issue if home delivery remains the customers preferred option.

COVID-19 has accelerated several macro retail trends:

- business model evolution — the rise of platforms is changing the retail landscape.
- the value of purpose — customers want to buy from companies who stand for something bigger than profits.
- the focus on reducing cost — retailers take new approaches to cutting costs and driving profitable growth.
- the increased power of the consumer — customers focus on availability over selection suggest discounters and platforms will thrive.

This is particularly true of the grocery sector, where health and safety have driven new customer behaviors and fundamentally changed the in-store experience.

Digital ordering, home delivery and curbside pickup are now embedded buying behavior across all demographics. Grocery outlets have rapidly innovated in response, accelerating ecommerce and using creative ways to effect home delivery with larger supermarket chains recruiting 1000's of new staff to meet the increase in delivery demand.

Those that had an omnichannel mindset and close proximity to their customer have made this journey quickly, others who see digital and physical stores as separate channels now face diminishing numbers of physical customers and structural change in the balance of their business.

The future experience

The move online

It took two decades for UK home delivery to reach 7 percent of grocery sales, yet in 8 weeks this rose to 13 percent. In Germany and Italy analysts believe that grocery ecommerce has doubled over this period.¹

But at the heart of this switch online lies a profitability issue. Customers are moving from the most profitable channel, in store, to the least profitable, online. Ecommerce requires a huge commitment of resources. It is estimated that it takes 4 years for a customer who switches to online to become profitable. The rise in costs is only marginally offset by an increase in transaction size.

Pricing strategies have compounded the issue, offers of free delivery and coupon discounts have educated customers into believing that there is no cost for home delivery, a situation that is patently untrue.

Trust and safety

Trust and safety continue to be uppermost in the mind of consumers and is likely to be so for the foreseeable future. A home food drop is less risky than a trip to a supermarket

as it avoids other shoppers. But no process has zero risk. As per our most recent 'Consumers and the new reality' survey, supermarkets are very focused on the health and safety of both employees and customers but 80 percent of those who have moved to shopping online because of COVID -19 intend to continue doing so.²

With this as a backdrop ecommerce, online shopping is likely to continue to be the preferred shopping channel for many customers.

Experience versus ease

The challenge facing grocery retailers is how to optimize the economics of in-store and ecommerce. For some organizations this involves syncing digital with in-store to attract customers for the experience and for others it involves minimizing the costs of home delivery.

Business models

Although some physical stores will certainly return to growth, it's clear that the days of driving growth through physical stores alone are over. Those with no existing on-line or delivery channel will struggle to survive this challenging time.

Over the coming year, ongoing challenges with supply, demand and business continuity will force retailers to rethink their future business models and in turn, spark a new wave of innovation and competition across the industry.

¹ FT, Why supermarkets are struggling to profit from online grocery boom, <https://www.ft.com/content/b985249c-1ca1-41a8-96b5-0adcc889d57d>

² KPMG COVID 19 Global tracker, Consumers in the new reality



China’s Alibaba designed its 207 Freshippo (Hema) supermarkets with delivery as the main priority, rather than a later addition. Pickers often outnumber shoppers in the stores, also known as Hema. they move between shortened aisles to pick groceries and send the items on conveyor belts to an in-store packing station. Orders are then delivered by scooter couriers, often in under 30 minutes.

Some leading US stores such as Hannaford, are applying technology to manage and sync the supermarket’s retail operations from the back-end — supply chain, stock replenishment and employee scheduling — all the way through to the consumer experience, tracking purchases and giving people personalized product recommendations in real time as they shop. The technology drives the in-store experience whilst also facilitating ecommerce.

Concept stores are emerging which indicate that the future in-store experience is perhaps more theatre than retailing. Products are displayed beautifully.

Consumers can see fresh bread baking behind glass windows and choose from an extensive range of wines that features ratings and pairing recommendations.

They can head to the exclusive bar for a drink and select fresh fish that will be cooked for them in the restaurant within increasingly popular grocerants (grocery and restaurant). It is all about bringing the highest quality produce to customers within an immersive setting, elevating the weekly shop so that far from being a chore, it becomes an experience — one that customers can look forward to.

Retailers realize they need to encourage their customers into their stores and keep them there for as long as possible using pop-up experiences and special events including cookery classes to drive foot traffic and boost engagement. A report by The Wall Street Journal said that retailers such as Origins, which has invested in getting shoppers to linger in store, have seen sales increase³ 20 percent to 40 percent.

³ Source: <https://www.wsj.com/articles/the-slower-you-shop-the-more-you-spend-1445359614>

The recovery pathway

Grocery retailers face a new era in grocery shopping and an unprecedented change in customer behavior. Much of the new customer behaviors will likely stick. In a recent KPMG International survey, "Consumers and the new reality" 80 percent of respondents that had purchased online for the first time intended to continue doing so⁴. As a result of COVID-19 grocers now face several strategic questions:

- What is the role of physical stores in the customer experience?
- Is it a channel or part of an integrated network of technology and experience?
- How do we integrate digitally front to back to meet changing customer needs and behaviors?
- How do we harness technology to drive the in-store experience?
- What are the new activities we need to undertake to make the in-store experience more immersive and compelling?

The Six Pillar model was developed to provide a precise and practical definition of the kind of emotional outcome a successful experience needed to deliver. Based on over 4 million detailed customer reviews, The Six Pillars have been validated in 27 markets this year and modeled against the commercial outcomes of retention and recommendation. The Six Pillars are inextricably intertwined and, in combination, provide a powerful mechanism to help organizations understand how well their customer experience is delivered across channels, industries and company types. The leading organizations demonstrate mastery of these pillars and are outstanding at all of them. [Click here for more information.](#)

⁴ Source KPMG International Research, "Consumers and the new reality." Jun, Jul 2020



Digital ordering, home delivery and curbside pickup are now embedded buying behavior across all demographics. Grocery outlets have rapidly innovated in response, accelerating ecommerce and using creative ways to effect home delivery. The leaders in our research are using digital methods to support in-store attendance and give the customer options as to how they then want to make their purchases. ”

Paul Martin
Head of Retail UK

In architecting new experiences, the Six Pillars provide a useful checklist:

Integrity

COVID-19 has accelerated concern for the environment and for sustainability. It has also driven a desire for localness, not just local produce, but an active contribution to the local community and its economics.

Resolution

Customers will likely want to have access to the latest technology and interact with grocers in an omnichannel way. Many firms demonstrated innovation and a problem-solving mindset as they reacted to COVID-19 continuing this will be key.

Expectations

Supermarket CEOs were amongst the most proactive in communicating with their customers, setting and resetting expectations as the crisis developed. Customers valued this and the candor with which the communications were conducted. Again, customers are keen to see this continue.

Empathy

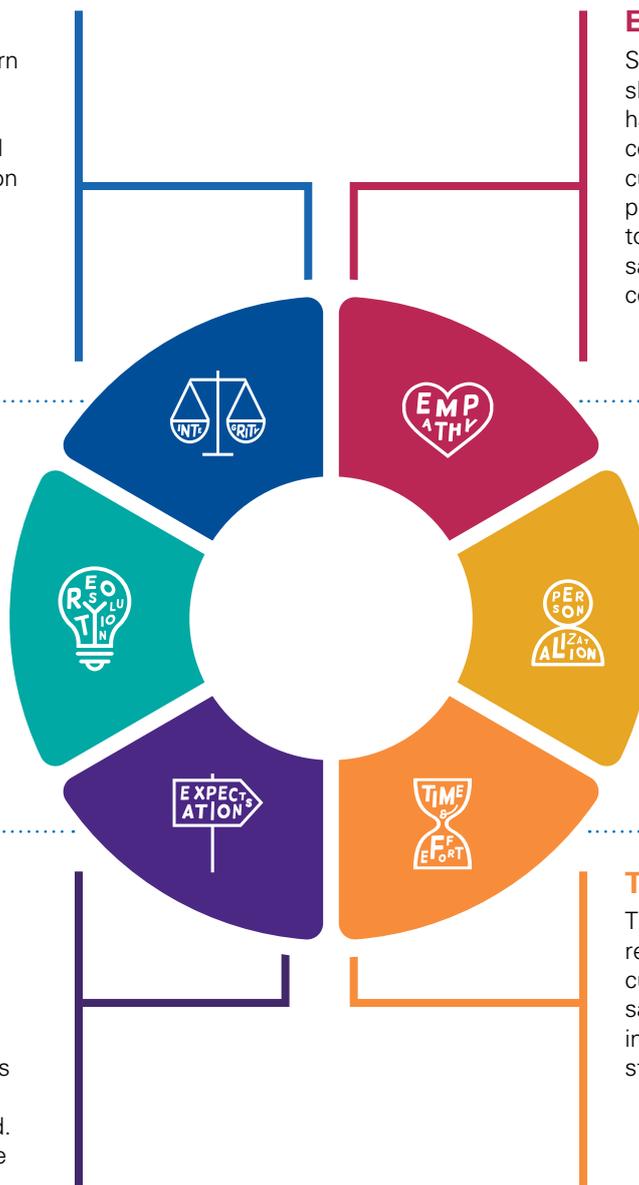
Supermarkets everywhere have shown that they care. They have demonstrated kindness and compassion for both staff and customers putting people before profits. 71 percent of respondents to the global Edelman trust index said they would refuse to deal with companies that did not do this.

Personalization

Advances in technology with AI and machine learning are now enabling personalized offers and content messaging at scale.

Time and effort

The need and grocer’s rapid response to home delivery means customers have a new way of saving time and effort. Frictionless interactions with grocers are now standard.





Case Study

H-E-B

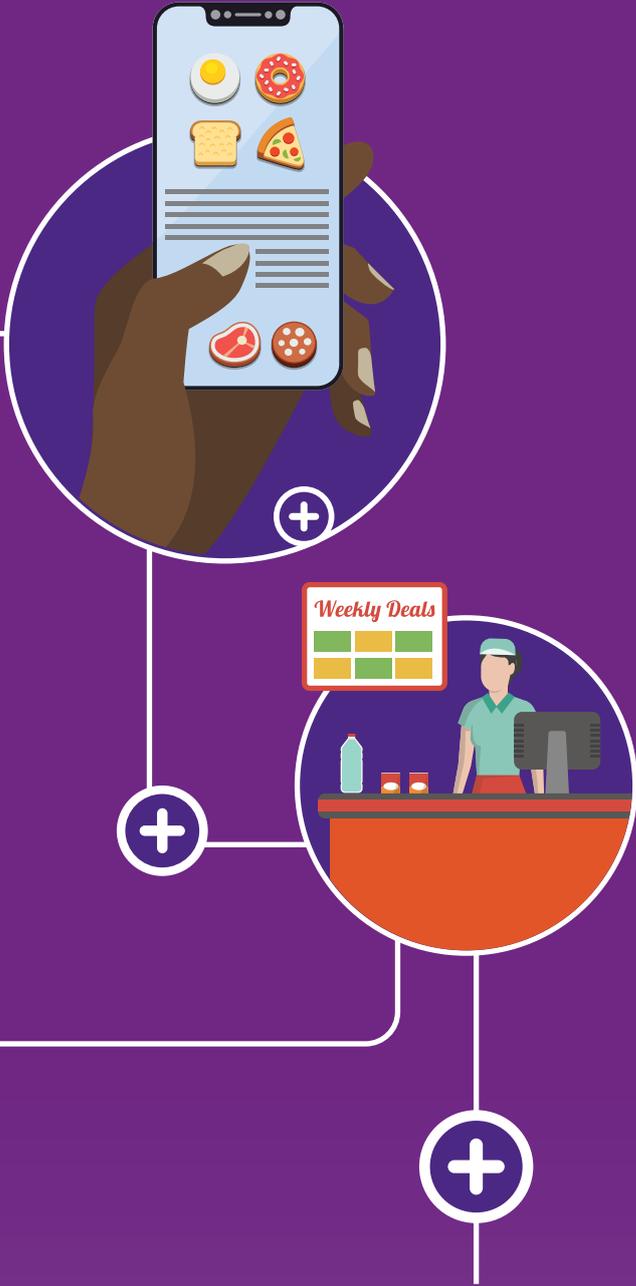
Texas based H-E-B has a strong sense of place and its commitment to the health and wellbeing of its staff and customers has been central to the experiences it has delivered over the past few months. A series of initiatives centred around kindness and “compassionate philanthropy,” has given real meaning to this.

H-E-B launched “Texans Helping Texans” as a community-outreach initiative that’s guided by “digital innovation, compassionate philanthropy and the generous spirit and strength that brings together all Texans during uncertain times”, a program aimed at helping the most vulnerable.

Seeing the damage caused to the restaurant industry from COVID-19, H-E-B sell ready-made meals from restaurant partners. All proceeds from the sales of these chef-prepared meals go directly to the restaurants.⁵

⁵ <https://www.heb.com/static-page/texans-helping-texans>





Case Study

Publix



Publix has over 180,000 employees each one carefully selected to deliver the Publix brand promise of making shopping a pleasure.

Publix has had to work extra hard to deliver the brand promise during COVID-19. A rapid roll out of contactless technologies to limit the contact customers had with pin devices, designated times for the vulnerable and elderly to shop in safety and a range of sanitization protocols to ensure the safety of their stores, as well as delivery and curb side collection.

During this period Publix launched Club Publix a digital app that provides a highly personalized experience. This free program bundles together a number of digital features, including early notifications of BOGOs and other sales, the ability to pay with a simple scan of the Publix app, and the option to receive e-receipts with exclusive member perks and personalized content.⁶

⁶ <https://ww4.publix.com/faq/coronaviru>

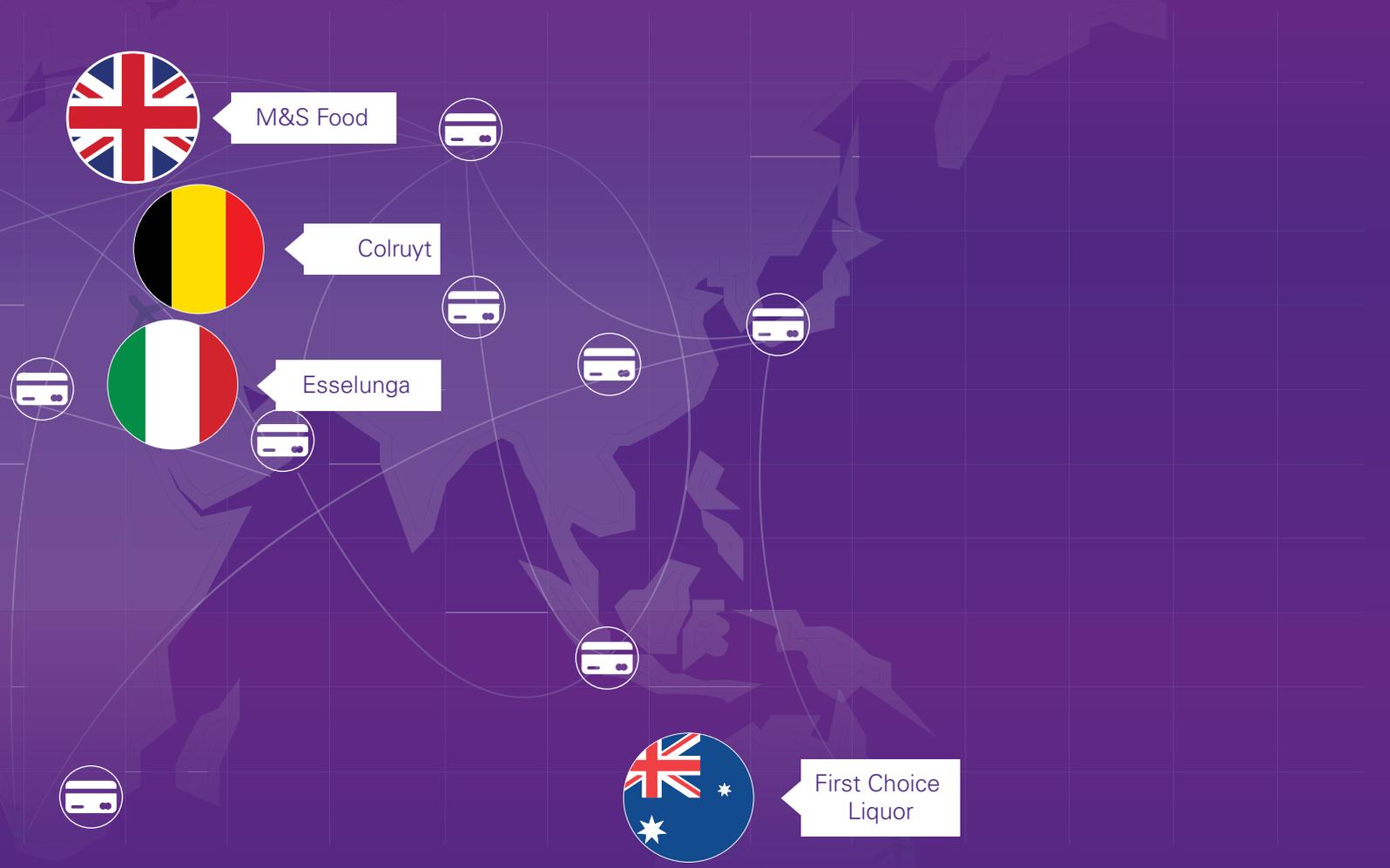


Hall of Fame 2020

The leaders in this year's global CX research are well adapted to respond to new and emerging customer requirements. Each of the companies in this year's hall of fame are united by their desire to continually improve and innovate. They realize that digital services require a human touch and are mastering the art of highly personalized service across channels.

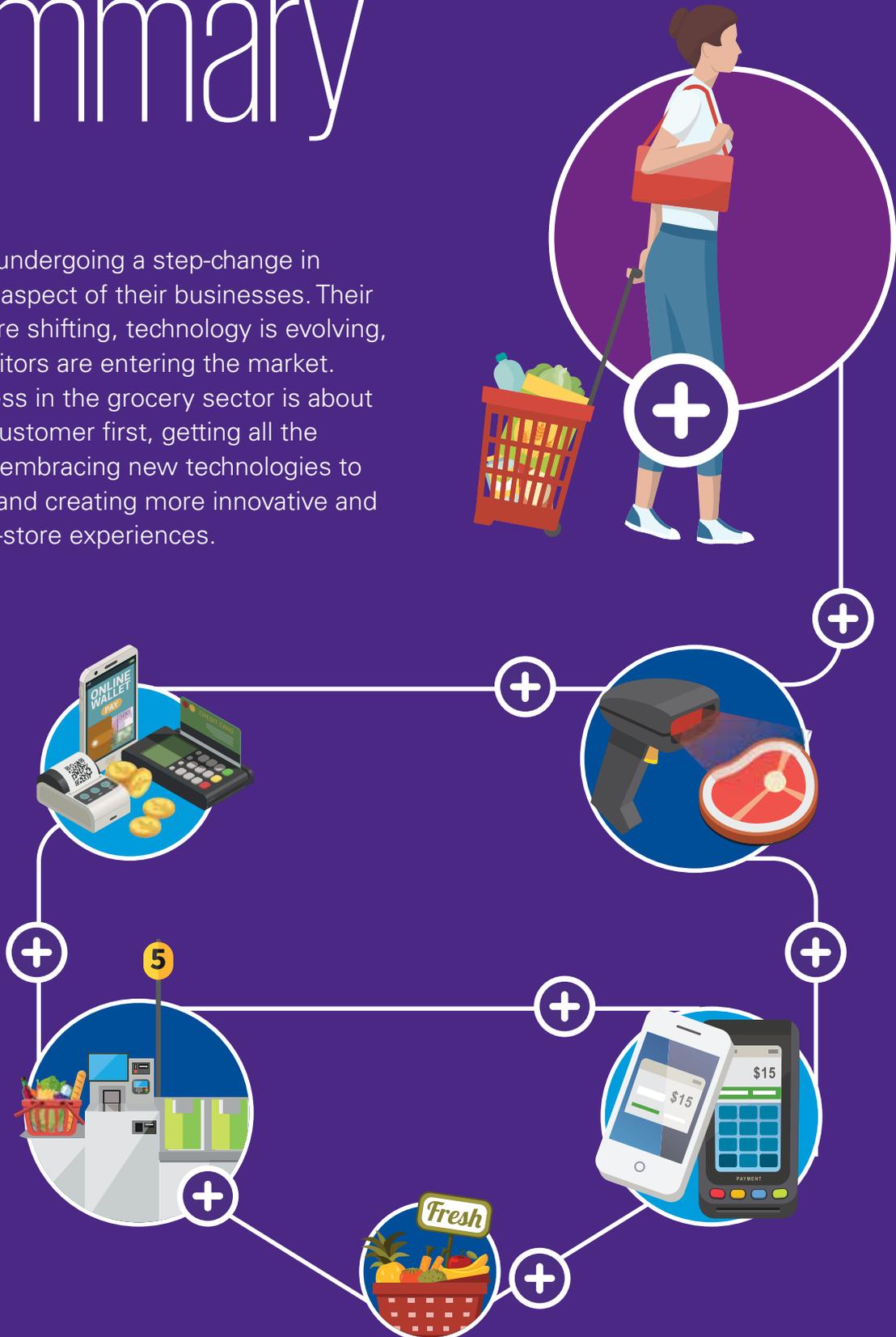


Note: Hall of Fame based on brands' CEE performance relative to their market, according to consumers in the market specified.



Summary

Grocers are undergoing a step-change in nearly every aspect of their businesses. Their customers are shifting, technology is evolving, new competitors are entering the market. Future success in the grocery sector is about putting the customer first, getting all the basics right, embracing new technologies to achieve this and creating more innovative and rewarding in-store experiences.



Get in touch

COVID-19 presents challenges to businesses — but also opportunities. It throws light on the need for organizations to put the customer at the heart of the business and have a coherent, consistent intent across their Front Office functions — and indeed connect the entire enterprise. It highlights the importance of digitalization and robust data collection so that organizations make decisions based on evidence, not instinct. And it foregrounds how essential it is for organizations to consider how each function fits together.

To flourish rather than flounder, businesses must determine the correct investment strategy across the Front Office by considering their customers, their brand and their place on the economic curve, so they can invest with greater certainty of return. All companies will be physically constrained during the measures to contain and limit the impacts of COVID-19 and their values will come under close scrutiny. However, they must leverage their ability to adapt and be resilient, embrace technology and, above all, trust their teams to put their customers' needs first and foremost — as this will bear fruit long after the pandemic is over.

If you have any questions regarding the possible impact from COVID-19 or are looking for help to position your customer experience strategy to be resilient in the face of future threats, please do not hesitate to get in touch with our global network of consultants.

Julio Hernandez
Global Customer Center of Excellence Lead, and Principal, US Customer Advisory Practice Lead
KPMG in the US
E: juliojhernandez@kpmg.com

Rene Vader
Global Head of Consumer Retail
E: rvader@kpmg.fr

Paul Martin
Head of Retail UK
KPMG in the UK
E: paul.martin@kpmg.co.uk

home.kpmg/customerfirst



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The statements made in this report and the related case studies are based on the results of our survey and should not be construed as an endorsement by KPMG of the companies' goods or services. Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Throughout this document, "we", "KPMG", "us" and "our" refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity.

© 2020 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit home.kpmg/governance.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Designed by Evalueserve
Publication name: Customer experience in the new reality
Publication number: 137142F-G
Publication date: December 2020