

# *Front of the line*

How grocers can get ahead  
for the future

*Future of Grocery  
Experience Radar 2014*



**pwc**

**FMIConnect**  
The Global Food Retail Experience

*With thanks to our sponsor,  
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# What's in store for grocers?

## **What shoppers want in tomorrow's grocer isn't all that different from what they want today.**

### **We asked: What do you want in your future grocer?**

Your shoppers aren't soothsayers, and neither are we. But based on the more than 1,000 shoppers<sup>†</sup> we surveyed, the grocery industry's future is centered around a simple yet targeted shopping experience that's tailored to their needs.

It turns out that bells and whistles aren't necessary. And while technology will play a more important role than it has historically, it will be just one component of your strategy.

### **They answered: Convenience, coupons, better cuisine**

Shoppers told us they like traditional grocery stores. They're not completely sold on online grocery shopping yet, though many want to digitally engage with stores even after they've left. They like custom coupons and discounts on the products they're interested in. Many would pay more for organic food and want more ethnic options. And they don't want your loyalty programs to go away—in fact, they want them to evolve to offer more flexible and tangible benefits.

These preferences may be no surprise: We know shoppers want a better grocery experience, but many of them aren't getting that now. They complain of long lines, crowded aisles and parking lots, and unhelpful staff.

Shoppers simply want their future shopping trips to be more convenient and customer-service oriented.

### **So how can you reach these future shoppers?**

A one-size-fits-all grocery experience won't prepare you for the next wave of shoppers. Grocers can instead create an experience that fits individual wants and needs.

The key is segmenting to closely target the demographics making up your future shopper base. By looking at segments on a micro level, you can get to know shoppers on a store-by-store basis and figure out which features you want to prioritize in which locations. Get to know who is in your store aisles and what they want today to shape how you personalize their experiences in the future.

This report shares who these shoppers are, what they'll want for the future, and what you can do now to keep them happy tomorrow.

In other words, the future starts now. Welcome to the new grocery experience.

*As part of PwC's Experience Radar series, this report focuses on the needs and attitudes of today's grocery shoppers to better understand their future behaviors. Our research helps grocers pinpoint critical experiential elements inside and outside the store to better profile current shoppers and attract new profitable ones. To do this, we use a unique analytical methodology to illustrate data relationships.*

<sup>†</sup>Shopper research referenced in this report is highly directional and represents a unique subsection of the US population.

# What your shoppers say

## Discounts and deals could get more personal

Shoppers told us they will want coupons made specifically for them: Nearly 60% of respondents said they see custom coupons as the best way to simplify their future shopping—for example, deliver discounts digitally to their mobile devices for products they already buy or those they're likely to be interested in.

What else do customers desire for the future? They said they'll want rewards for buying healthier foods (earning points for buying apples over apple pie, for example) and for loyalty (points for continuing to give their business to the same store).

## The in-person pleasantries will matter

Over half of shoppers in our survey sample said traditional grocery stores—standalone supermarkets that predominantly carry groceries—are their top choice for where they do their food shopping, and that doesn't seem likely to change in the near future. Mostly everyone (83%) put these types of stores in their top 3 grocery shopping spots.

So while your store can still play a dominant role, shoppers will want their future shopping experiences to be even better—with more personalization and relevance to their needs.

Many continue to have complaints, with more than half of our surveyed shoppers saying they're most annoyed by long lines and overcrowded stores. Though your store is probably aware of these problems, solving them will become even more critical in the future. Make your store easy to navigate during highly trafficked hours so shoppers' convenience is a priority. Consider how new merchandise displays, improved shelf signage, and more knowledgeable staff could make the shopping experience significantly smoother and, in turn, lead to repeat visits and a bigger basket size.

Previous research with the Food Marketing Institute indicates that although price is important, shoppers are willing to pay more for an improved in-store experience, based on simplicity, quality, education, and a focus on their wants and needs—not just products.<sup>†</sup>

## What gets them to the grocery store

Percentage of shoppers we surveyed who said these features most attract them to a particular grocer.



Percentages indicate how many ranked these features within their top 3 choices.

<sup>†</sup>Food Marketing Institute, Food Retailing 2013: Tomorrow's trends delivered today.

**83%**

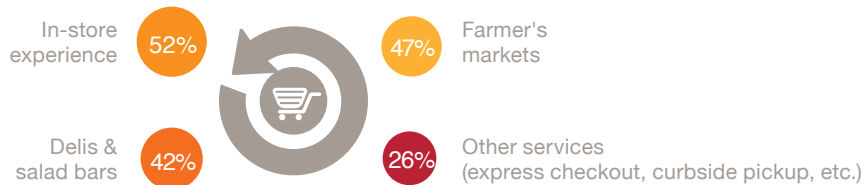
*of respondents will want loyalty programs to offer flexibility in how they earn and spend points*

**83%**

*of our survey sample consider traditional grocery stores a preferred shopping location*

## What brings them back to the store

Percentage of shoppers we surveyed who say the following features keep them returning to a particular grocer.



Percentages indicate how many ranked these features within their top 3 choices.

To that end, for the future grocers can also work on reaching shoppers through staff. Nearly half of our surveyed sample said they want store employees to act as shopping advisors. Whether it's through giving them more product information, offering recipe tips, or recommending items to purchase, shoppers will want assistance with decision making.

## They'll want to grocery shop offline

Although online retail shopping is on the rise, it's not yet the go-to for grocery shoppers, now or in the near future. In fact, just 5% of shoppers ranked online grocery shopping in their top 3 shopping options for the future.

There's still a major obstacle to overcome: Touching the product isn't possible online. Half of shoppers we surveyed said the inability to interact with the actual product is the main reason they don't online grocery shop.

Even in the non-grocery world, online shopping faces a similar obstacle: People want to touch what they're about to purchase. In PwC's *2013 Global Total Retail Survey*, 38% of US shoppers said they don't buy products online because they can't touch or try the product. This sentiment could eventually change, as shoppers may not easily envision future innovations they're not yet accustomed to. Online grocery shopping is still evolving, and by the next decade, about 10% of traditional grocery sales could move online.\*

## Tech will play a growing role

While online channels may not become a common way to buy groceries in the near future, technology will still play a big role in the evolving grocery experience.

According to eMarketer, nearly 50% of the US population are smartphone users, and by 2016, that proportion is forecast to jump to almost 60%.<sup>†</sup> No surprise, then, that over half of our survey respondents want to integrate their mobile devices into their future grocery experience.

\* Food Marketing Institute, *Food Retailing 2013: Tomorrow's trends delivered today*.

<sup>†</sup>eMarketer, "Smartphones Continue to Gain Share as US Mobile Usage Plateaus," April 9, 2012.

**1%**  
of shoppers we surveyed  
said online shopping is  
their primary way of  
getting groceries, though  
**92%**  
said they have access to it

**1 in 2**  
said the main reason they don't  
grocery shop online is that they  
can't see the actual product

In store, shoppers will expect information at their fingertips: Almost 30% of our surveyed shoppers expressed interest in store-provided devices and kiosks. But shoppers preferred using their personal devices over in-store devices by nearly 90%.

Even outside the store setting, shoppers will want to use their own technology for different tasks. Some 80% of survey respondents told us they'd use their own devices for grocery lists, and if they were to order groceries online someday, 75% would want to do so with personal devices.

### Demand will grow for organic and ethnic food

Our respondents showed curiosity and concern for the origins of their foods, with most willing to pay more for organic and non-genetically modified (non-GMO) foods. Such sentiments are indicative of how these foods will likely become more mainstream in the future—and how clear, transparent labeling of such products will be critical for shoppers who want to understand the meaning behind the messaging. Paired with the fact that 44% say a wide selection of fresh produce is a top factor in their minds when they choose a retailer, it's clear that your fresh food aisles will continue to be a focal point for the future.

But another category stood out, too. The shoppers we surveyed also had a distinct taste for ethnic food. Almost 70% said they eat ethnic food 6 or more times per month. With a similar proportion of respondents having traveled to at least 7 countries in their lives, interest in food from different cultures may only increase as shoppers are exposed to more diversity. As global megatrends like demographic shifts and growing urbanization change the populations who shop at your stores, the need for ethnically varied foods could grow, too.

### They'll want you to become more involved

Your stores are a part of the community's future, and shoppers will pay attention to how you're playing a part. Nearly 90 percent told us that when it comes to social responsibility, the least your stores should do is give back to the community. Taking future actions like community service, sustainable business practices, and carrying locally sourced products can make a difference in how shoppers perceive you—and how frequently they come back.

**64%**  
*of shoppers said they'd pay more for organic foods*

**52%**  
*would pay more for non-GMO foods*

# Meet your future shoppers

## Different needs require tailored experiences

*A true understanding of your shoppers goes beyond analyzing point-of-sale transactions. Knowing who they are, what they shop for, and what they want out of their shopping experience is the critical first step in bringing them back to your store and locking down loyalty.*

*To help profile your shoppers, consider a new way of looking at shopper segments based on lifestyles and life stages. With our Experience Radar methodology, we pinpointed four distinct types of shoppers who share common elements, based on their demographics, behaviors, and shopping preferences.\**

### Gourmet Gordon

Gordon is mostly Generation X or a Baby Boomer, living in major urban cities. Some 80% of this segment don't have children in their homes, so Gordon is likely shopping for just himself or a spouse.

### Metropolitan Marsha

She's largely Generation X or an older Millennial and lives in a large, walkable city like New York City, Chicago, or San Francisco. She's often shopping for her whole family.

### Traditional Tim

Tim is predominantly a Baby Boomer living in the suburbs, a mid-size city, or a small town. He's likely retired and shopping for just himself or a spouse.

### Millennial Mel

She skews younger in the Millennial generation and is likely living in a small town or suburb with her parents or a roommate. She doesn't do much grocery shopping now, but when she does, it's usually for herself, relying on her parents to pay for it.

\* Each segment is equally likely to be male or female.



**Gourmet Gordon**  
Focused on the food

**33%**  
of our surveyed shoppers



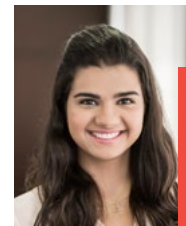
**Metropolitan Marsha**  
Craves convenience

**26%**  
of our surveyed shoppers



**Traditional Tim**  
Sticks to routines

**25%**  
of our surveyed shoppers



**Millennial Mel**  
Tomorrow's shopper

**17%**  
of our surveyed shoppers

# Get to know Gourmet Gordon

## He'll be focused on the food

### What you carry will matter most

When Gourmet Gordon steps into your store, he zeroes in on what's on the shelves. From kitchen tools to cooking ingredients to fresh foods, what you stock in your store is what's most important to Gordon. He's the kind of shopper who will walk down the aisles thoughtfully, picking up products to read about each one. He wants to know where a food was grown or manufactured, whether it's fresh or preserved, and the quality of ingredients used.

Your store's employees, customer service, and prices? Not quite as important to him. In fact, compared to other segments, he's 30% less likely to be deterred by unhelpful store staff, and 25% less interested in staff offering product and recipe recommendations. So stores that want to make Gordon's in-store experience better can do so primarily through the products they carry. Everything else you can offer is just icing on the cake to him.

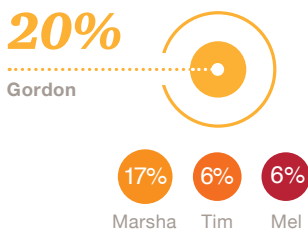
### He'll shop with a conscience

Because Gordon's quite affluent and likely shopping for just himself and his partner, he'll have the disposable income to pay a premium for the food quality he wants. And what he wants is sustainability. He looks for phrases like "organic," "locally sourced," and "non-GMO." He cares about where a product comes from, and knowing that it was sourced sustainably will make him more apt to place the product in his shopping basket.

Compared to others, this segment is 1.5 times more likely to want their future grocer to be *extremely* socially responsible—whether through giving back to the community, ethically sourced foods, eco-friendly packaging, or sustainable business practices.

### Seeking sustainability

Compared to the remaining respondents, Gourmet Gordon is more likely to choose a natural and sustainability-focused grocer.



Percentage of respondents who rank a natural and sustainability-focused grocer as their No. 1 place to get groceries.



Meet Gourmet Gordon

Generation X, Baby Boomer	
Household income	\$75k-\$200k
Grocery spend per visit	\$70
Dining out spend per meal	\$30
Number of grocery trips per month	7
Number of times dining out per month	9
How many he's shopping for	1-2

*These details are representative of the typical shopper in this segment.*



### **He'll favor freshness**

Dietary-specific labels that might appeal to other segments—gluten-free, diabetic-friendly, kosher—aren't on Gordon's future shopping list. Compared to others, 30% fewer people in this segment would be willing to pay more for these kinds of foods. Gordon is just not concerned about products that are geared for a particular kind of diet.

A full 25% more of this segment will be more likely to visit a store that offers a deli and salad bar, compared to other segments. This combined with his focus on fresh, natural, and sustainable food make his fondness for fresh clear.

### **He'll want shelves stocked with options**

Gordon is the most well traveled of the segments—3 times as many people in this segment have been to at least 11 countries—and his diverse taste in food reflects that. He is 35% more likely than other segments to eat ethnic cuisines regularly, including Mediterranean, Mexican, Indian, and Asian food.

It's no surprise that Gordon is also the shopper most likely to be deterred by a lack of options on the store shelves. He will want a broad selection available under a particular product category, including ethnic options.

### **How can you reach Gourmet Gordon?**

- **Prioritize** the stories behind the products you sell. Whether on the food labels or on the store shelves, ensure the items you carry openly emphasize details like their sourcing history, quality ingredients, and premium packaging to improve Gordon's in-store experience and keep him coming back.
- **Carry** plenty of goods that are locally and ethically sourced, and make their origins clear. Ensure your stores are invested in sustainable practices, such as recycling initiatives or partnerships with local farmer's markets and manufacturers.
- **Steer away** from specialty diet products. Gordon likes natural, organic, and fresh foods, more so than dietary-focused foods. Consider an in-store salad bar and deli that offers fresh meals he can have now. Emphasize new flavors that you carry that he may want to try. Focus on Gordon's love for food and ingredients to keep him loyal and to increase profitability. And display a range of fresh, quality produce in a prominent area.
- **Stock enough SKUs.** Whether Gordon's looking for organic peanut butter or all-natural naan, he wants a large selection to choose from. Include a wide variety within product categories—e.g., not just apples and oranges, but many apple and orange variations. Make sure your stores have a wide array of ethnic foods across different categories, too.

**42%**

**more of this segment say locally sourced food is the most important quality they'd pay more for<sup>†</sup>**

**40%**

**more likely to shop at grocers with ethnic food options**

**30%**

**less likely to be deterred by unhelpful or unknowledgeable store staff**

**2x**

**more likely to be deterred by a lack of food options at the grocery store**

<sup>†</sup>All statistics are in comparison to the weighted average of the remaining three segments, unless noted otherwise.

# Get to know Metropolitan Marsha

## She'll crave convenience

### She'll want a quick and painless process

When Metropolitan Marsha arrives at your store, she's already not in the mood to shop. While Marsha is often the primary shopper in her household—nearly 80% of the time—she's also the one who most wants to get in and out of a store quickly so she can get on with her busy day. Anything that can make her grocery trip more convenient is welcome.

As she enters the store, she pushes her cart briskly and might even skip the store aisles that are too congested for her to navigate quickly. Long lines at the deli or bakery? That's enough to make Marsha avoid them altogether. She's most concerned about how easily she can grab her necessities and go, so she won't pause for long to thoroughly examine what she's tossing into her cart. She quickly skims details like ingredients and wants to get the gist of them in a few seconds so she can move along to the next thing on her grocery list.

She's also not the kind of shopper who's dwelling on the price-per-ounce details on the shelves. Price isn't at the front of her mind because convenience takes that top slot: When it comes to picking a grocer, Marsha ranks closeness to her home as almost 40% more important than price. Since she's not the kind of shopper who'll purchase something just because it's cheaper, stores that want to reach Marsha can focus simply on saving her time—but not necessarily money.

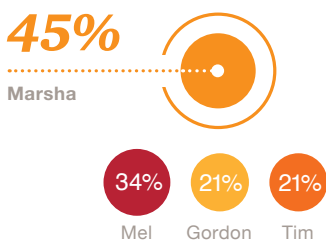
Yet her desire for convenience goes beyond the store aisles. Marsha is also 1.5 times more likely than others to be most frustrated by a lack of parking. This segment is so convenience-conscious that half want a future experience that enlists store staff to pick out and place groceries in their carts before Marsha even gets to the store.

### Technology will be her timesaver

No matter what form the technology takes in the future—tablet, phone, wearable device—Marsha will embrace tech that makes her grocery shopping experience easier. She's 4 times more likely than other segments to use a personal device on-the-go to do things like research products and recipes, create grocery lists, order delivery, and provide store feedback.

### Roll out the digital displays

Compared to the remaining respondents, more of the Metropolitan Marsha segment want smart digital displays in bus and subway stops to virtually shop in the places they already frequent.



Percentage of respondents who rank smart digital displays in bus and subway stops as a top 3 most useful timesaving innovation for the future.



### Meet Metropolitan Marsha

Generation X	
Household income	\$75k–\$300k
Grocery spend per visit	\$80
Dining out spend per meal	\$40
Number of grocery trips per month	8
Number of times dining out per month	13
How many she's shopping for	3+

*These details are representative of the typical shopper in this segment.*

Even in store, Marsha will look to digitally engage: She is almost 40% more likely than other segments to use her mobile device while she's grocery shopping. She's eager to use mobile tech more someday, too, as most of this segment say it's the top technology feature of the future they'd want.

### **Information will be an imperative**

Hurried as Marsha is, she'll want information and help quickly.

Interactive information displays in future store aisles are more appealing to her than to any other segment. She's also more likely to be frustrated by missing product details—things like price tags, price-per-ounce info, and clear shelf and aisle labeling matter to her.

She expects store staff to be equally informative. Compared to other segments, Marsha is almost 40% more likely to want recipe and grocery recommendations from store employees, and is also more likely to find unhelpful staff annoying.

### **She'll continue to share her stories**

Technology being Marsha's strong suit, she is also apt to spread her shopping stories around to others online. Whether getting groceries that day was a superior experience or a subpar one, she's 3 times more likely than other segments to share her experience on a third-party website, and almost 2 times more likely to share on the store's website. So no matter where she's digitally engaging in the future, she'll be talking a lot about her experiences.

### **How can you reach Metropolitan Marsha?**

- **Speed up** her shopping trips and check-out process. Make convenient shopping a part of your core brand. Watch out for unnecessary holdups in lines for checkout, customer service, and food counters, and explore simplifying in-store navigation. Marsha is so easily frustrated by these kinds of delays that it's especially critical for stores to keep things moving when she's shopping.
- **Invite** Marsha to be a beta tester of new technology. She's an early adopter and is willing to try new ways to make shopping smoother, like apps that help her find specific products, or mobile checkout devices.
- **Place** product information at the forefront. You've only got a few seconds to grab Marsha's attention with the information she's looking for, so ensure it's loud and clear. Consider in-aisle tablets and improved store signage, and arm your staff with product details and recipe know-how.
- **Monitor** social media networks, your website, and third-party reviewer sites, and be sure your store is responsive, no matter what form Marsha's feedback takes. Consider partnering with this segment for marketing opportunities, since Marsha is vocal enough to become an effective online advocate.

**35%**  
*more will want interactive information displays in grocery aisles, compared to other segments*

**68%**  
*rank mobile tech improvements as the top technology they want for the future*

**1.5x**  
*more likely to be frustrated by missing product information, compared to other segments*

# Get to know Traditional Tim

## He'll stick to routines

### Easy does it

Traditional Tim is a “regular” in every sense of the word—he tends to shop in a way that’s predictable and repeatable.

Think of a retirement-age man who walks down the same aisles every time he shops, picking up the familiar products he always does. At checkout, he might pull out a wallet along with a fistful of hand-clipped coupons from the newspaper or a circular.

In spite of his standby routine, he isn’t without complaints—almost 50% of this segment want to shop without a cart in the future, and 31% more rank crowds as the top annoyance in stores, compared to other segments. So stores wanting to reach Tim must be strategic about how they innovate in the future—since he's been grocery shopping this way for years, he's reluctant to change. Stores will need to address his annoyances without disrupting the positive parts of his shopping trip.

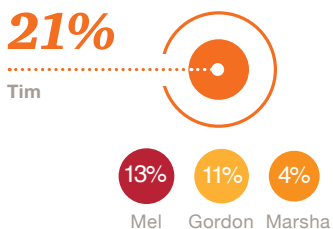
### Sticker price will stand out to him

Tim spends the least on groceries per month (a little under \$400), which is 24% less than the next lowest group. He’s frugal to the point where the price of a product will usually matter more than any other factor. And a full 25% of this segment rank wholesale clubs or superstores as their preferred grocer, reflecting how cost-conscious Tim really is.

His money won't be going toward dining out, either—he spends the least on going out to eat at just over \$100 a month, which is almost 50% lower than the next lowest group.

### Toning down the tech

Compared to the remaining respondents, Traditional Tim is more likely to resist using technology while shopping.



Percentage of respondents who said they don't want to use any additional technology in their future shopping experience.



### Meet Traditional Tim

Baby Boomer	
Household income	\$25k–\$100k
Grocery spend per visit	\$64
Dining out spend per meal	\$25
Number of grocery trips per month	6
Number of times dining out per month	4
How many he's shopping for	1–3

*These details are representative of the typical shopper in this segment.*

### ***He'd rather avoid surprises***

This segment is more likely than any other to resist using technology while grocery shopping. Even if the tech promises to simplify the experience for him, Tim is just not interested in learning a new device or software.

He is also apprehensive about technology adding new privacy worries. A full 45% of this segment said information protection is the most important concern when it comes to sharing personal information. Unsurprisingly, they're also 50% less likely than other segments to share on social media.

### ***He'd like to keep it simple***

Tim imagines his future grocery experience as similar to today's—only a little simpler.

While he'd like to see fewer crowds and shopping carts, he's the segment least interested in using mobile devices for future in-store technology. As the least well-traveled of all our segments, he's also not interested in buying ethnic foods. A full 58% of this segment are unlikely to eat ethnic food of any type.

When his grocery shopping experience doesn't go well, Tim's also not one to complain. He's 70% more likely to not share his shopping stories. Even during a food recall, Tim won't want a big fuss made—he's the only segment who doesn't want to be contacted personally to be informed about it.

### ***How can you reach Traditional Tim?***

- **Ensure** he can easily access information in print, as well as in store—don't give up those paper ads, fliers, and circulars just yet. Make it easy for him to continue clipping and redeeming his paper coupons.
- **Offer** him discounts and specials on the products he buys most. Since he's consistent in his shopping routine and recipes, you can trust he'll keep buying those staples as long as they're priced fairly.
- **Find** low-tech solutions to reducing crowds and avoid forcing retirement-age shoppers like Tim to push around shopping carts. Consider, for example, dedicated staff who could help him navigate his cart and collect items with him as he desires. An added benefit: Employees who get to know him can help build Tim's steady routine and keep him coming back to the store.
- **Be sensitive.** Don't force Tim to learn new technology quickly—be sure his no- or low-tech shopping methods are still available. His old-fashioned options are what keep him coming back.

**65%**

***say custom coupons would be the best way to improve the grocery experience for the future<sup>†</sup>***

**42%**

***fewer want technology in their future grocery experience,<sup>†</sup> compared to other segments***

**3x**

***more likely than the next highest-segment to prefer circulars as a way to research products and recipes***

<sup>†</sup>Compared to express shopping areas, pay-as-you go, smart maps, in-store specialists, in-store price comparisons, apps, or 3D virtual stores

# Get to know Millennial Mel

## She is tomorrow's shopper

### The next Metropolitan Marsha

Millennial Mel is the sort of shopper who walks in the store with one hand on her smartphone and the other on her parents' credit card. She's young enough to likely still be spending her parents' money, so she picks up groceries without much of a focus on prices. Since she likely hasn't been exposed to many loyalty programs before, she sees her loyalty points as more of a fun activity, rather than a money-saver. Still, she likes learning about what she's tossing into her cart. She might stop a sales associate to ask about whether she should buy one cereal brand over another, or to find out if gluten-free is actually a label she should pay attention to. And her tech-savviness means she's happy to use her phone or an in-store tablet to get that information, if needed.

She's young and curious, so stores can earn her loyalty by appealing to her earnestness in learning. With her liberal spending of her parents' money, aptitude for technology, social streak, and need for convenience, Mel is likely to be the next Metropolitan Marsha. She's building behaviors today that she may likely have for life.

Since Mel's young and not making her own income yet—85% of this segment aren't the primary shoppers in their homes—she's not a significant shopper today. But if you cater to her now, you can earn her loyalty in the future.

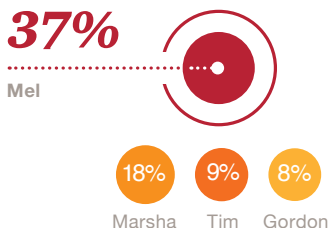
### She'll shop socially

Mel is vocal and community-oriented. She's 1.4 times more likely to share both good and bad shopping experiences via social media. She also wants your loyalty programs to be more like a game in the future, with points earned by inviting and competing with friends.

As a digital native, Mel is also comfortable using technology in ways that others aren't. She's the only segment who said she'd want custom 3D maps of stores as a top-3 tech feature in the future.

### The loyalty game

Compared to the remaining respondents, Millennial Mel is more likely to want bonus loyalty points for competing with friends or inviting new members.



Percentage of respondents who rank earning loyalty points through competing or inviting others in their top 3 most-desired loyalty program features.



Meet Millennial Mel

Millennial	
Household income	N/A <sup>†</sup>
Grocery spend per visit	\$73
Dining out spend per meal	\$24
Number of grocery trips per month	7
Number of times dining out per month	7
How many she's shopping for	1

*These details are representative of the typical shopper in this segment.*

*†Because she skews younger, Mel's household income ranges from no income, parent's income, allowance, and actual earned income.*

### ***She'll want what's within reach***

Like Metropolitan Marsha, Millennial Mel prioritizes convenience. She wants a store that's nearby and a one-stop shop—1 in 4 prefer to get groceries alongside non-grocery items, such as in a superstore. Mel is also the only segment who places convenience stores and pharmacies in her top 3 favored places for grabbing groceries.

Her desire for convenience is also evident in what she wants in tomorrow's grocer. Almost half envision a store that includes a lounge area. And half also want refrigerators or pantries in the future that automate restocking. That's 55% more than any other segment.

### ***She'll seek an in-aisle education***

Since Mel is not yet a seasoned grocery shopper, she will be looking to learn. Compared to others, almost 2 times more of this segment want staff to know their names and preferences as soon as they step into the store.

Of all the segments, Metropolitan Marsha and Millennial Mel are most fond of talking to store staff about things like recipes and product suggestions. Half of the Mel segment say product recommendations are among their top 3 things they want employees to do in the store in the future, along with groceries pre-picked out for them and staff knowing who they are.

### ***How can you reach Millennial Mel?***

- **Remember** that she's on track to be the next Metropolitan Marsha. Winning Mel's business now could pay off in the long term for future loyalty and spend. Since you're helping shape her grocery preferences, your store can offer a memorable experience.
- **Update** your loyalty programs to include social incentives, like the option to get more points through inviting others. Connecting the program to a social network could create friendly competition.
- **Make** her shopping trips a full *experience*. Consider a lounge area where Mel is encouraged to linger after her shopping is done. Clearly label aisles and products to direct an unfamiliar Mel through your store. Logical product placement can help ensure that her goal of one-stop shopping is easily accomplished and also get her to the center of the store for her needs, where she may be more apt to stick around longer.
- **Train** employees to be advisors. Since Mel is open to product tips, recipes, cooking advice, and ingredient info, your staff can play a key role in educating and influencing her purchase—and defining her future shopping behaviors. Staff who know what she likes and what she should try next can make her experience not only more educational, but also more social.

**40%**

***say closeness to home matters most when deciding where to grocery shop***

**50%**

***rank store staff product recommendations as a top feature of the future***

**2x**

***more ranked friendly, knowledgeable staff in their top 3 reasons for choosing a grocer, compared to other segments***

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# How grocers can get going

## Prepare for the future now

*Getting to know your shopper segments is one thing. But tailoring your store experience for them is another. Both are critical to becoming a successful grocer of the future.*

Three questions loom large: How do you reach the segments who now actively shop your stores? What can you do now to prepare for the next wave of shoppers? And how do you differentiate your store by integrating your shoppers' needs with a tailored and connected experience in and out of the store?

We suggest starting with a few strategic changes that can help pave the path your stores will take. A clear shopper-segment targeting capability, a store experience that aligns with those shoppers' needs, and a compelling value proposition—these three elements will help reshape both short- and long-term retail success. By focusing on these essential areas for change, you can create a multi-tiered grocery experience that suits the needs of your store's unique segment makeup and, more importantly, your shoppers at an individual level.

### 3 strategic priorities

#### 1. Collect detailed data for a shopper-centric focus

Go beyond the basics of knowing who your segments are and what they buy through historical-view analytics. Market-leading retailers may use history to understand current behaviors, but the most successful use that same data to model future shopper performance. We call it predictive analytics. Your loyalty programs are one source, but taking a closer look at your segments through shopper surveys and interviews can also dig into the details further.

Would your segments want an in-store cafeteria or lounge to make their trip more of an experience? Would a partnership with a local grower make them more likely to buy your produce? What store format would best position the products they care about—and also alleviate the pains of long lines and overcrowded aisles? Be able to segment your own shopper population based on their distinct preferences, and your in-store experience can better adapt.

Smart grocers are viewing their shoppers' behaviors broadly: They look at things like spending and purchasing habits, basket composition, purchase timing and frequency, wallet share, marketing effectiveness, and branding impact. Envision your future shoppers by understanding the most minute changes in areas like these, and use that knowledge to model and anticipate future behaviors.

Keep in mind that this isn't a one-time event: Your shopper makeup will continue to change, so collecting data and making meaning of it will be an ongoing learning experience into the future.



## 2. With insights in hand, get your in-store experience right

In-person interaction is still key to shoppers' decision-making—online grocery shopping options for the entire basket still aren't appealing to most. So make the in-store experience more personable and compelling through predictive analytics. Your store can use this data to improve merchandising and displays, update in-store promotions, and innovate through areas like shelf tagging and shopper communications. Staff who know regular shoppers' names, their needs, and their frequent purchases can make a more meaningful grocery trip.

For the most part, shoppers we surveyed choose their grocery stores mostly based on prices and what's close to home, as low prices and convenience are core factors behind most shoppers' decision-making. Understand the needs of those shoppers nearest to your stores, and focus on figuring out the intricacies that can differentiate your store for the future. Continue collecting and analyzing shopper data—both historical and modeled future behaviors—to shape what your store may need to change.

Future demographic shifts will bring new diversity in culture and age groups to your stores, too, so keeping pace with the wants and needs of these new shopper segments will be especially important.

## 3. Build your banner and private brands accordingly

Once you've got a clear understanding of who your segments are and how your store can echo their preferences, you can shape your banner promise and the role that private-label branding will play with your shoppers to more clearly reflect your strategy. What's your banner and private-brand promise to your shoppers? How can you best articulate the overall experience you're offering?

For example, if your segments expressed a clear preference for organic food options, your emphasis on carrying them may be the benefit you amplify most in your banner brand messaging. Or if you find price-consciousness in your shoppers, consider making that factor your strong suit. Whatever the ultimate approach, ensure your banner and private-label branding matches the sentiments your shoppers have expressed. Carve out a niche that appeals to their preferences.

## 5 areas where your stores can enable change

### 1. Tailor your brick-and-mortar stores

Over the next decade, as populations shift to the South and West regions of the US and increasingly relocate to major cities,\* new store locations, formats, and layouts may start to make sense. Consider locations closer to your target segments' home and work, and explore how you can bring your products even closer to them, such as a virtual store in a high-traffic location. Congested stores and long checkout lines are top frustrations for shoppers, so make your stores easy to navigate for a quick in-and-out. Think wider aisles, more parking, easy-to-reach products, and a smoother check-out process.

### 2. Personalize your marketing strategies

In the future, affordable natural and organic options may become the norm. So your store must act as gatekeeper to uphold the standards of the assortments stocked in your stores. Build up trust through transparency. With some segments willing to pay a premium for organic and sustainably sourced products, make sure the products you have in these categories are immediately identifiable. Label your store-brand products clearly with their sustainable qualities. Add storylines about the food's origins to shelving to help a shopper connect more intimately with the product.

Also, many we surveyed not only value locally sourced products and their stories, but hope for more in-store partnerships with farmer's markets and local organizations. Participate in community events, support area businesses, and help preserve the local environment through sustainable business practices, like eco-friendly packaging or electric vehicle parking. That sense of community adds uniqueness to your brand and forms relationships that help establish your stores as part of the local business scene, rather than disruptors of it.

### 3. Empower your staff

Consider a training program that arms your staff with more in-depth product-and-service knowledge. Ensure they know which segments they'll be interacting with at your stores, so they can be prepared to speak about specific product and services and engage in the way your shoppers prefer. Make ongoing training a priority—when new items hit the shelves, it becomes another opportunity to connect with shoppers. Staff who can readily offer alternative product suggestions and recipe tips that align to shoppers' lifestyles, budgets, and health goals can differentiate your store as a source for knowledge. This can help your store continue to build more personal and profitable relationships, too.

\* US Census Bureau data; PwC, *Five megatrends and possible implications*, 2013.

#### 4. Transform your technology

A majority of shoppers we surveyed named mobile integration as the most desired in-store feature and the preferred way to engage away from the store. With smartphones on the uptick among US adults, it makes sense to incorporate mobile. Consider apps that incent shoppers to check in when they visit your stores, or that help them learn more about your products.

And make sure your branded website is mobile-friendly, too. Shoppers told us they want more information to help them make grocery decisions, so make comprehensive product details as accessible as possible for them through different channels. From ingredient lists to food origins, make information available online, at in-store information kiosks, or on in-aisle tablets.

#### 5. Reinvent your loyalty programs

Keep your grocery loyalty programs, but make them even better. Shoppers want flexibility and control in how they earn and use their loyalty reward points, such as earning and spending points inside or outside the store on things they're already purchasing. Most of our surveyed shoppers said they want the option to choose whether they spend points on groceries or convert them to cash. Tying in a reward system that offers this flexibility and control can keep future shoppers spending with your store and raise the costs of switching.

Another way to update your loyalty programs? Offer shoppers loyalty points for purchasing promotional items in your store, which can help push new products at higher price points. Also consider offering similar point rewards when shoppers purchase healthy foods—the encouragement could help increase fresh food sales and also boost your reputation as a health-conscious grocer.

Loyalty in the future will be focused on value creation and shopper relevance. So ensure your loyalty program of the future generates revenue and keeps your margins intact. The secret? Personalization, relevance, and clear messaging of the value of being a member.

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# About our research

*Front of the line: How grocers can get ahead for the future* is a shopper study prepared by PwC as a sponsor of the FMI Retail Experience of the Future exhibit at FMI Connect 2014.

## How we developed our insights

Our findings are based on an assessment of the needs and shopping habits of a subsection of the US population. Our methodology used a combination of primary market research, segmentation analysis, and business knowledge to reveal insights that project the future wants and desires of shoppers.

## Who we surveyed

PwC surveyed over 1,000 shoppers across the US between the ages of 15 and 85. Particular emphasis was given to younger shoppers,<sup>1</sup> shoppers in urban metropolitan areas<sup>2</sup>, and ethnic minority groups.<sup>3</sup> The survey was administered online in February 2014.

## Why these shoppers?

Respondents were chosen on the basis of their current and perceived future role in making typical household food retail decisions, as well as observed global trends related to urbanization and demographic shifts that are believed to impact future grocery trends.<sup>4</sup> As a result, this sample is not representative of the overall US population demographic mix.

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1 Targeted Millennials and Generation X

2 Cities targeted included New York, Chicago, Philadelphia, San Francisco, Seattle, Miami, Baltimore, Washington D.C., and Oakland, based on the list of the Top 10 Most Walkable Large (300,000+) cities by [www.walkscore.com](http://www.walkscore.com)

3 Overindexed on African-American, Asian, Indian Subcontinent, and Hispanic/Latino respondents (in addition to White).

4 PwC, *Five megatrends and possible implications*, 2013.

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# ***PwC's Experience Radar***

## **A different class of insights**

To learn more about our detailed analysis of grocery shoppers and how PwC can apply this knowledge or our Experience Radar methodology to your business, contact one of our customer experience practice leads:

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For more information on the Experience Radar and survey methodology, visit:  
[pwc.com/us/en/advisory/customer-impact/pwc-experience-radar.jhtml](http://pwc.com/us/en/advisory/customer-impact/pwc-experience-radar.jhtml)

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