

Grocery Web Site Trends

*White Paper
prepared by*

**James Paulson
and Jarrod Lay
Sirius Computer Solutions**



Contents

Foreword.....	3
Overview	3
Continue the in-store experience online to gain loyalty	3
Propose cheaper alternatives and increase product assortments	4
Encourage cross-selling and up-selling	4
Reward for active participation in social commerce.....	4
Become an authority on food.....	5
Improve customer experience using precision marketing.....	6
Deploy a multi-channel platform	7
Go mobile.....	8
Conclusion	8
Examples of Specific Grocery Sites Best Practices and Functions	9
Example 1: Everything Food Related.....	9
Example 2: Store-Specific Pricing	9
Example 3: Recipes	9
Example 4: Cooking Assistance.....	9
Example 5: Weekly Flyer.....	9
Example 6: Product information	9
Example 7: Shopping List.....	9
Example 8: Community – Ratings, Reviews and Blogs	9
Example 9: Community – Social Networks Facebook/Twitter/BazaarVoice.....	9
Example 10: Personalization and Loyalty	10
Example 11: Store Locator.....	10
Example 12: News	10
Example 13: Wellness & Pharmacy	10
Example 14: Online Shopping.....	10

Foreword

As IBM's largest value-added reseller and systems integrator in the United States, Sirius Computer Solutions has been building world-class e-commerce solutions since 1996. The Sirius client portfolio reads like the who's who of best-in-industry, including household-name retailers, sporting goods providers, grocers, manufacturers, health care organizations and government agencies. With over 3,100 technical certifications, tens of thousands of e-commerce man-hours invested, extensive intellectual property and dozens of industry accolades, Sirius Computer Solutions has a proven track record of delivering best-of-breed e-commerce solutions for the Sirius client base. The following paper is intended to share some thought-provoking perspective on the grocery industry, which should be considered by grocers as they consider their next-generation Web presence.

Overview

Grocery shopping is a task that many consumers are likely to perceive more as a time-intensive chore than something they enjoy, and consequently they are eager to seek efficiencies in its conduct. The customer has to maintain shopping lists, manage coupons, read the fine print on food cans, stand in check-out lines, and figure out in which aisle he or she might find an item. A significant percentage of grocery shoppers would therefore be interested in a more convenient, faster grocery shopping option. Time-saving features such as ease of Web site functionality and savable shopping lists are increasingly essential in creating a compelling online grocery offering.

Taste still matters, according to findings in the International Food Information Council Foundation's (IFIC) 2009 Food and Health Survey. The annual survey, which provides insight into how consumers view their own diets and their efforts to improve them, found that 87% of Americans (up from 84% in 2008) trust their taste buds more than any other influencing factor when filling their grocery cart.

In these challenging economic times, price also plays a major role in shoppers' decisions, significantly increasing in importance since 2006 (74% chose price as an influential purchasing factor in 2009 vs. 72% in 2007 and 64 percent in 2006). Price matters most to consumers who are between the ages of 25 and 34; who have made changes to their diets in the past six months; and who agree that reading or hearing about food and health is of interest to them.

Continue the in-store experience online to gain loyalty

Push convenience to the front of your online offer. Understand what your customer wants and needs from your Web presence, and make it prevalent, easy to use and easy to find. Make use of shortcuts like "add recipe ingredients" to shopping list. Gain customer e-loyalty by building a reputation for reliability and security of payment. Online videos provide instant assistance to customers who need more-detailed instructions for preparing a meal. Navigating your site and finding relevant information and assistance should be as simple as walking into a store, making a few turns, and finding the butcher to talk to about meat.

Propose cheaper alternatives and increase product assortments

Price transparency and product availability online are more crucial than ever. As consumers look for ways to spend less, they appreciate sites that sort products and offers based on price. Offering a cheaper alternative is valuable to the customer and can also be used to promote the store brand. The intent is to keep customers less tempted to visit other price-comparison Web sites to find lower prices. Product comparison is an extremely user-friendly way to distinguish ingredients, price point and nutrition facts across brands, while keeping the customer on the site.

Encourage cross-selling and up-selling

Promoting nonfood products like shampoo, paper towels, laundry detergent—and even apparel, games, DVDs and music—alongside groceries increases shoppers' spend. Customers appreciate cross-sells that are personal. For example, showing soy-based products instead of milk products to a person who has identified themselves as lactose-intolerant will go a long way toward helping build loyalty. It is important to be able to do special merchandizing associations for reasons like associating a recall alert to the recalled product so that the important information can benefit the customer. These concepts also apply directly to your e-mail communications with customers. Keeping outbound communications personally applicable and appropriate increases customer response and willingness to act on offers (this helps to avoid unsubscribes as well).

Reward for active participation in social commerce

It's a new world of "word-of-mouth" recommendations using the latest technologies. On-site social tools are critically important. In addition, links to and participation in the most popular social sites are expected. The shopper is spending less time on advertising and more on social networking to help them decide where to eat and what foods to buy.

On-site social tools increase the perception of you as an authority on food, by adding real people with real opinions to the content users are searching. It helps to reward the content contributors who are providing ratings and reviews, blogs and general community info. Active social participants may be enticed with promotions, or tagged as power users. Encourage the people-to-people connection.

Grocers are expected to join and set up Facebook and Twitter accounts to let customers know what's on sale and what new products are hitting the shelves, and to share favorite recipes. Several grocery websites offer extensions of their site through Facebook and Twitter. Recent Twitter feedback from some of their 3,000 followers prompted Fresh & Easy to introduce a family meal line.

Become an authority on food

More than most retailers, grocers have the unique opportunity to offer their customers information in order to provide them with a more-informed shopping experience; or even to influence their food buying habits. Customers trust their grocer of choice to be expert in everything related to food; from freshness, to nutrition, to ways to prepare, the answers are within the grocer's store personnel—but unfortunately may only be voiced upon customer request. Beyond the in-store experience, where a customer can reach out and speak directly to a knowledgeable employee, the grocer Web site provides a limitless vehicle to provide important information and expert advice that will take the customer's next in-store visit to another level, and drive them to the Web site time and time again.

When reviewing the nation's leading grocers in Internet store traffic (chart below), information is provided in several ways, but the knowledge areas that are focused upon are mostly common across the sites. Examples are seen with sites dedicating entire sections to recipes, cooking techniques, health and nutrition, food safety, allergens, and recalls.

There are two things of note revealed by the table. First, the very high growth rate of visitors to sites across the board suggests that consumers are increasingly looking to their grocer for information about food, and that the opportunity to establish one's self as the leading source of food-related information within their market area is now. Second, when viewed from the perspective of the number of visitors per store, two brands stand out with significantly more traffic than any of the others: Wegmans and Whole Foods. Both of these brands are well known for their excellent in-store brand experience and high levels of customer service. The data suggests these two online leaders have also managed to create a compelling Web experience that is attracting visitors to their sites much more successfully than most of the others in their industry.

INTERNET STORE TRAFFIC

Using data provided by the **compete.com** Web site, Supermarket News obtained total unique visitors for select store Web sites, then divided that total by the number of stores under the store banner to arrive at an estimate of unique visitors per store, per month.

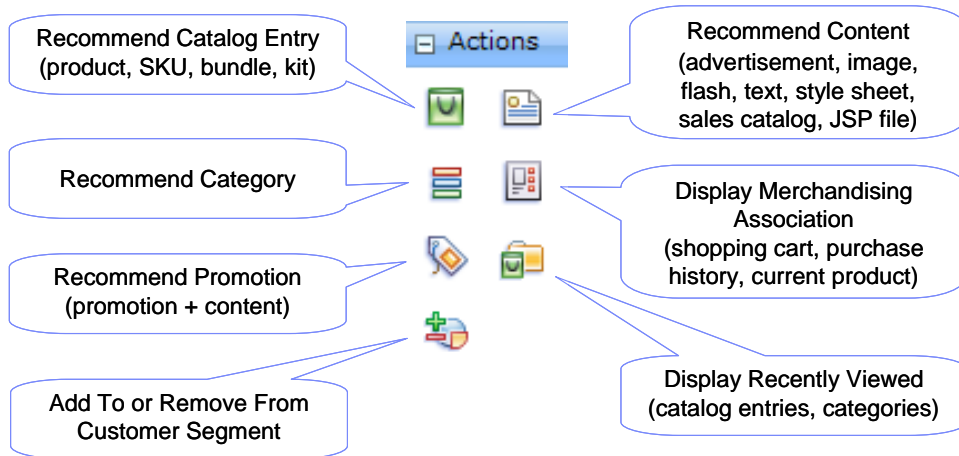
The figures are based on **compete.com**'s unique visitor counts for August 2009, and its percent change compared with the same period a year ago. Store total figures were obtained by SN from recent retailer press materials and other documents but should be considered approximate. The year-over-year growth emphasizes the rapid expansion of Web traffic.

A similar study using figures from April 2009 published by Willard Bishop showed a range of traffic between 805 unique visitors per store, per month, to "high traffic" sites averaging more than 4,200 unique visitors per store. The Willard Bishop study showed that retailers with experience in the online space for hard goods – Costco and Wal-mart – had a significant advantage, attracting more than 13,000 and 11,000 unique visitors per store per month respectively.

BANNER	UNIQUE VISITORS AUGUST 2009	VISITORS PER STORE	CHANGE FROM AUGUST 2008
Wegmans	422,038	5,781	+60.6%
Whole Foods	1,164,458	4,312	+53.5%
Harris Teeter	541,717	2,881	+77.4%
Giant-Landover	451,312	2,493	+56.6%
ShopRite	483,911	2,419	+54.2%
Giant-Carlisle	337,216	2,248	+17.3%
Stop & Shop	821,862	2,192	+34.7%
Shaw's	454,777	2,165	+67.7%
Safeway	1,680,830	1,630	+60.6%
Kroger	2,208,599	1,557	+58.7%
Lowes Foods	168,319	1,544	+147.7%
Dominick's	104,420	1,305	+85.7%
H-E-B	365,971	1,180	+106.3%
Publix	1,184,040	1,172	+46.9%
Acme Markets	146,237	1,125	+43.8%
Jewel-Osco	2,906,387	1,115	+50.2%

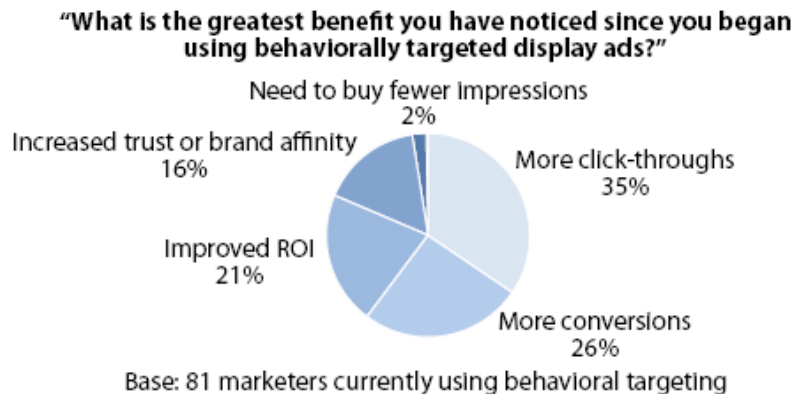
Improve customer experience using precision marketing

Presenting targeted offers and customized promotions at the individual shopper level enables companies to design and fine-tune online shopping flows, content and e-marketing messages that resonate with the target audiences, and helps make the brand stand out over the competition. Precision marketing drives one-to-one interactions with shoppers based on attributes like preferences, purchase history and shopping behavior. Companies can sense trigger events like abandoned cart, order placement, social media participation, search term, or referring URL, and take actions to target shoppers with offers such as custom landing pages, mobile SMS text messages or targeted product cross-sells and up-sells.



The benefits of precision marketing are quantifiable and well documented:

- ❖ An E-tailing group survey found that merchants with effective Precision Marketing have annual performance rates two times higher than other benchmarked groups in the following key metrics:
 - Customer retention rates
 - Customer satisfaction levels
 - Profitability per customer
 - Profitability per customer transaction
 - Percent of customers purchasing multiple products or services
- ❖ A Forrester survey of 81 marketing managers using Precision Marketing found:
 - 35% have seen improved click-through rate
 - 26% have improved conversion rates
 - 21% have improved ROI
 - 16% have seen an increase in brand awareness
- ❖ Gartner found Precision Marketing has seen five times the response rate of non-timed mass-marketing campaigns



Deploy a multi-channel platform

"Online" today means much more than just a catalog and method to place an order. Earlier e-commerce systems were just that: a method to find a product and order it. Today's systems can do so much more, and customers are expecting much more of them. One aspect is that much of the content and information necessary for a basic e-commerce site can be reused in other areas of the business. The most obvious example is that the system that supports online selling can often also support kiosks, customer service representatives, and in some cases even the point of sale. The same product information, promotions etc. are needed in each area. Also, customers want to have a consistent experience across all interaction points, and to be able to move between them easily. Examples include having their loyalty program function across all channels, or the ability to buy online and pick an item up at the store or perhaps view their personal shopping list from an in-store kiosk. Another value from a multi-channel solution comes into play when a business supports multiple—usually targeted—market segments. The ability to use a single platform to support broad, "general" end-user sales, as well as sites in foreign languages and "microsites" targeting unique market segments, makes it much easier to sell and support the needs of these customers. In grocery, examples might be an online storefront that's

dedicated to fresh, natural products; a site that is focused on party planning; or maybe a wine and cheese specialty store. All of the above scenarios might have a valid return on investment, but when the platform selected to run the systems can easily share the necessary information (customer information, inventory, product descriptions, prices, etc.), the costs to both implement and operate these kinds of multiple sales channels can be significantly reduced.

Go mobile

Mobile commerce transactions have tripled between 2010 and 2011. This trend is on an exponential growth path, and is expected to rise much faster than the PC- or browser-based growth of the past. Today's online solutions must embrace mobile users, particularly in grocery where considerations like UPC scanning for price lookup, in-store product locators on mobile devices, and buy-on-mobile/pick-up-in-store are popping up more often. The potential for customer-enticing mobile solutions is limitless at this point.

Conclusion

It is no secret that grocery consumers continue to become more comfortable with technology playing a larger role in their lives. The line between online and in-store customer expectations continues to blur. During the infancy of the Internet, the consumer was quite tolerant regarding the experience and functions that a grocer could supply online, and almost detached online expectations from in-store expectations. That tolerance has declined significantly; the consumer now expects the online experience to be consistent with the in-store experience, while providing features that are even more robust. When the online experience falls short, not only is the grocer's brand diminished, but customer satisfaction, revenue and profits can fall as well.

The fact that customers are demanding a rich online experience, combined with their desire to trend towards healthier and fresher eating habits, is a perfect storm of opportunity for grocers. By leveraging the power of an online experience, together with the unprecedented set of low-labor, high-ROI customer interaction tools that come with it—such as personalization, social communities, lights-out marketing campaigns, and automated cross-sell and up-sell—grocers will give consumers the experience and functions they crave, while inherently building customer loyalty, mindshare and walletshare for themselves.

Examples of Specific Grocery Sites Best Practices and Functions

Example 1: Everything Food Related

- ❖ Provides many angles to show depth of authority on food
- ❖ Offers easy access to information and video around food and health

Example 2: Store-Specific Pricing

- ❖ Provides pricing that the customer can expect to pay at their store

Example 3: Recipes

- ❖ Offers ability to add ingredients to shopping list
- ❖ Can link to other marketing component like magazine references and cooking techniques
- ❖ Offers ratings and reviews, recipe-tweaking tips, and nutritional guidelines

Example 4: Cooking Assistance

- ❖ Provides outstanding customer service, with the ability to see step-by-step cooking instructions, videos, and temperature charts

Example 5: Weekly Flyer

- ❖ Promotes sales, and customer can quickly review all pages
- ❖ Allows customer to add items directly to the shopping list
- ❖ Shows store brand savings
- ❖ Offers ability to get to associated specials and coupons

Example 6: Product information

- ❖ Provides ingredients, details, directions and nutrition facts

Example 7: Shopping List

- ❖ Allows customer to easily create list based on recipes, past purchases, and seed lists (like Thanksgiving Dinner)
- ❖ Includes aisle information for the customer's store and allows them to sort the list based on aisle location so they can get the optimum path for their store
- ❖ Provides a link to the recipes that the shopping list was made from so the customer can quickly get to the recipe after returning from shopping
- ❖ *E-mail a Friend* can send shopping lists to people to be shared (including cell phones)

Example 8: Community – Ratings, Reviews and Blogs

- ❖ Provides online community interaction with ratings, reviews and blogs
- ❖ Offers customer-to-customer communication

Example 9: Community – Social Networks Facebook/Twitter/BazaarVoice

- ❖ Allows community members to provide feedback and ideas
- ❖ Offers sharing beyond the onsite network to much larger existing social communities

Example 10: Personalization and Loyalty

- ❖ Allows user to personalize preferences and update settings
- ❖ Connects customer to loyalty card

Example 11: Store Locator

- ❖ Allows customer to find store with desired services
- ❖ Provides store details and printable map

Example 12: News

- ❖ Provides news information about community, stores, food, health, etc.

Example 13: Wellness & Pharmacy

- ❖ Offers ability to refill prescriptions
- ❖ Provides real-time integration with PDX
- ❖ Provides links to additional important information

Example 14: Online Shopping

- ❖ Ability to submit order online and pick up at store