

8 Grocery Industry Trends, Drivers, and Challenges





Today, consumers have new expectations that go beyond the availability of products and the usual quality of in-store and online experiences. There is more significant pressure for brick & mortar grocers to reassure in-store consumers are safe and that their time in-store is brief and efficient.



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Trends and drivers are forcing the grocery industry to transform, resulting in permanent changes in consumer shopping habits

The COVID-19 pandemic has forever changed the grocery industry. Unlike any other year in recent history, 2020 saw consumer behavior significantly disrupted by, extension, the retail market. In response to the COVID-19 pandemic, global public health measures quickly and dramatically affected consumers' ability and desire to shop in physical locations. As a result, grocery stores, deemed "essential businesses" and not subject to long-term closure, felt the significant effects of shifting consumer behaviors, perceptions, and expectations on retailers. In addition, stockpiling behaviors created new inventory management challenges for grocers, impacting brand and store loyalty.



Consumer insights

Agility and adaptability have become critical to the sustainability of grocery businesses. There is a growing imperative to manage stock online and in-store to ensure that the products consumers need are available wherever they shop.

An [Oracle Grocery Retail survey](#) showed that 53% of respondents in the U.S. had shopped online for groceries during the pandemic, with 37% stocking up more frequently online than in-store. And few people plan to reverse course — 93% of those surveyed said they plan to shop online for groceries post-pandemic, with 74% noting they will order groceries the same amount or more as they are doing currently.

The following trends and drivers are forcing the grocery industry to transform, resulting in permanent changes in consumer shopping habits, ongoing challenges in maintaining a superior grocery experience, and consumer exploration of new brands.



- 1 Market volatility:** The global pandemic has forever shifted the way consumers shop. As communities shut down, consumers began shopping differently — even with “essential” businesses like grocery stores, which remained open to the public for in-person shopping. This market volatility also impacted supply chain models, forcing grocery stores to change existing supply chains, explore private label offerings, and expand supplier networks to meet consumer demand.
- 2 New competition:** Omnichannel mass merchandisers have pushed to digitize the grocery industry. These seamless omnichannel tactics make it hard to compete. Technology leaders like Amazon are acquiring brick & mortar stores to combine e-commerce with physical stores. When Amazon acquired Whole Foods, it launched Amazon as a key player in the grocery industry. This acquisition allowed Amazon to integrate Amazon.com and Whole Foods, offering various delivery options and other benefits of online grocery shopping. With grocery shopping shifting to online, these competitors have a competitive digital advantage over the traditional grocer. As we all move forward, grocers need to examine what that means for their operations, store layouts, and everything in-between.





Customer Proof Point: Retail brands Konzum and Mercator gain operational agility with modern retail technology

When customers enter a Mercator or [Konzum](#) supermarket, they discover many organic products, fresh chopped salads, and meat ripening chambers intermingled with everyday grocery needs. The dominant grocery brands in Bosnia and Herzegovina (B&H) employ a visual standard and layout that maximizes the display of products across various segments. By upgrading to the latest release of Oracle Retail, the trading department can automate the merchandising process and offer guided best practices to associates, allowing them to focus on strategic tasks that impact the bottom line and improve daily operational efficiency.

“The common user interface of our new [Retail Merchandising System \(RMS\)](#) simplifies the day-to-day activities while allowing for flexibility where the business demands it. Once our buyers got the hang of the new system, we began to see a marked improvement in the speed and efficiency in which they could get their daily, previously tedious tasks completed,” said Željka Mujezinović, IT manager, Mercator BH d.o.o. (B&H).



3 Promotions and category management: Additionally, mass merchandisers like Target and Wal-Mart introduced \$10 off a market basket, impacting the traditional category management process for grocers and changing interaction with CPG/national brands. Consumer goods (C.G.) manufacturers spend millions of dollars on marketing, with a large portion of that going to trade funds. Historically, trade funds are used to adjust retail pricing to boost sales via Temporary Price Reductions (TPRs) or to support traditional marketing (circular retailer ads, shelf placement/merchandising). A market basket discount changes the nature of the process between the manufacturer and retailer.

4 Private label/own brand products: During the pandemic, many consumers who could not find what they needed in the store turned to online storefronts and new brands to meet their grocery needs. Nearly half of consumers (45%) discovered new brands online and will continue to shop for those brands moving forward, with 16% anticipating choosing the new brands over their former preferred brand. 86% of U.S. customers explored store own brands/private labels during the inventory shortages of the pandemic. [See grocery report.](#)

Customer Proof Point: Oracle Retail [Brand Compliance](#) supports many leading private brand grocers today, including:

- 80% of the U.K. grocers, even the nation's top 4 retailers
- A US Organic grocer with \$16B annual sales and a solid private label product development with 10,000+ SKUs
- A top 10 U.S. retailer with \$71B annual sales and a diverse private brand assortment with 12,000+ SKUs was able to launch 2,000 new products over the first two years of solution deployment
- A large U.S. grocer with \$10B annual sales, a robust private label product development with 7,000+ SKUs, and a 3-year growth plan to increase its private labels by 30-40%



5 Supply chain and in-stock inventory: Despite trying new brands when inventory is lacking, nearly 30% of consumers say they would always choose a grocery retailer where loyalty points or discounts on purchases are available versus other options. Almost 9 in 10 consumers (88%) say that they would sometimes, frequently, or always choose grocery retailers where these types of rewards are available. Just 11% say that rewards and discounts rarely or never affect their choice of a grocery retailer.

6 Peer influence impacts customer expectations: Consumers relied on others' experiences to inform their shopping choices online and in-store. Nearly 9 in 10 consumers (89%) stated they were moderately or significantly influenced by bad reviews of a product or a store's service. This reliance on peer inputs has significant potential impacts, as less than 25% of consumers rarely or never leave negative reviews after a lousy product or shopping experience. Beyond relying on reviews and responsible public health measures to drive grocery decision-making, consumers base shopping decisions on shopping rewards.

7 Hyper-personalized customer experience: The shopping experience continues to be a significant driver of consumer preference. The checkout speed remains a priority for 71% of consumers and knowledgeable staff (57%). In addition, consumers shopping in stores during the pandemic had new expectations for the shopping experience from all retailers. Beyond safety, the research showed that 47% of global respondents said out-of-stock merchandise topped their list for a bad shopping experience. Additionally, 63% said they weren't willing to wait for an item to be back in stock before trying another brand. The hyper-connected consumer expects mass personalization and convenience and will go elsewhere if they don't get what they want when they want it.

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Customer Proof Point: [Alshaya](#) — A leading Middle East retail franchise operator has teamed up with Oracle as part of an enterprise transformation to improve operational efficiency and build a foundation for future growth and innovation.

Alshaya's [digital transformation](#) will empower its associates by introducing retail best practices to create a more responsive and personalized customer service experience across its portfolio of recognized global brands.

- **Enabling a Modern Customer Experience with a Single View of Customer:** Oracle Retail Xstore Point of Service, Oracle Retail Customer Engagement Cloud Service, Oracle Marketing Cloud, and Oracle Service Cloud
- **Driving Operational Excellence with a Single View of Inventory:** Oracle Retail Merchandise Operations Management suite with Oracle Retail Store Inventory Management
- **Modernizing Legacy Systems:** Oracle Fusion Procurement Cloud, Oracle Talent Management Cloud, and Oracle EPM Cloud

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- 8 New delivery models:** Consumers drive the creation and adoption of new grocery delivery models to mirror their retail and service consumption. New delivery models such as BOPIS, curbside pickup, and direct-to-door continue to grow in popularity, reflecting a change in consumer behavior. And, consumer experience with these new delivery models drives loyalty. One to two-day delivery is becoming more common, often setting delivery expectations. Inaccurate delivery estimates negatively impact loyalty and continued patronage. As subscription services and direct-to-consumer models expand, grocers are reimagining brick and mortars to maximize their real estate investments to support new consumption models.

Customer Proof Point: [Makro](#) — Oracle Retail enables retailer to remake itself as a B2C grocer and improve customer satisfaction by 96%.

The leading Brazilian grocer and wholesaler have gone through a digital and business transformation with Oracle Retail to address essential changes in the cash-and-carry market. As part of SVH Group, Makro is a grocery wholesaler with 170 stores and over 17,000 employees across Latin America. Recently, the company moved from being solely a high volume and bulk package goods B2B provider to expanding in a direct-to-consumer business. With Oracle Retail, Makro will be able to control inventory better, standardize operations, and improve in-store experiences in five countries.





Grocery retailer spotlight

Giant Eagle — COVID-19 brought a surge in customer demand and high variability in supply for grocers such as Giant Eagle, which operates more than 200 US supermarkets. See how Giant Eagle continues to invest with Oracle by expanding programs centered on consolidated sales and margin forecasting.

[Read more](#)

Carrefour — Operating with more than 13,000 stores worldwide, including more than 5,000 supermarkets in France alone, Carrefour is combining its global store network with online shopping websites unique to each country. Carrefour chose Oracle Cloud Infrastructure to accelerate the migration of their critical databases.

[Read more](#)

7-Eleven Mexico — The convenience store chain implemented Oracle Retail to simplify operations and facilitate the customer experience. In Mexico, today's consumer demands access to brands and a differentiated experience. 7-Eleven Mexico embraced technology, empowering them to keep up with the changing demands of the market. 7-Eleven Mexico operates 1,950 convenience stores supported by eight distribution centers and 18,000 collaborators across 15 states in Mexico.

They implemented Oracle's solutions to automate best practices, improve communication among the stores, and provide more complete data to empower associates.

Oracle Retail Solutions:

- Oracle Retail Merchandising System
- Oracle Retail Price Management
- Oracle Retail Sales Audit
- Oracle Retail Invoice Matching

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The Kroger Company — One of the largest retailers in the United States and one of the top employers in North America, with 2,750 grocery retail stores, an ecommerce site, 35 manufacturing facilities, 1,885 fuel centers, and 2,256 pharmacies uses Oracle Retail solutions. Agile people management is crucial in the retail industry. Still, to quickly adapt to meet the demands of the business, Kroger needed to move off a very complex and customized environment that included 15 disparate H.R. legacy applications.

[Read more](#)



[More on Oracle Retail Grocery Solutions](#)




About Oracle Retail:

Oracle is the platform for modern retail. Oracle provides retailers with a complete, open, and integrated platform for leading retail solutions, cloud services, and hardware that are engineered to work together. Innovative retailers use Oracle solutions to pivot to customer and to drive agility across the business. Oracle Retail customers can deliver an authentic customer experience while protecting their people, processes, brand, and customers.

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