Microsoft
2024 Partner of the Year
Winner
AI Innovation Award

SymphonyAI

Winning the 8% Grocery E-commerce Opportunity

Customer-centric insights reveal new possibilities for global grocers

September 2024

Exclusive insights from SymphonyAI's 3rd annual grocery e-commerce study

Retail CPG

Speakers in the panel

Mike Troy

Sr. Director Content
and Thought Leadership

Laetitia Berthier

Customer Centric Retailing
Solutions Presales – France

Josh McCann

Head of HQ Client Delivery
and Analytics – US

SymphonyAI's largest grocery e-commerce study to date

72mn households

Online HH's 6.1m

1.3B transactions

Online transactions: 57mn

15B units

Online volume 1,815B

Time window
H1'24

Traditional grocery retailers Europe
USA

All retailers given
equal weight

Top takeaways

Unlocking incremental sales: **AI-powered customer-centric insights**

Growth & loyalty

E-commerce is fueling growth and loyalty in grocery retail

Seasonality

Seasonality matters for attracting and retaining omnichannel shoppers

Convenience

Core driver of E-commerce transforming how customers shop

Pack size

Meeting diverse customer needs effectively

Organic

Leading channel for organic, yet still in need of strengthening

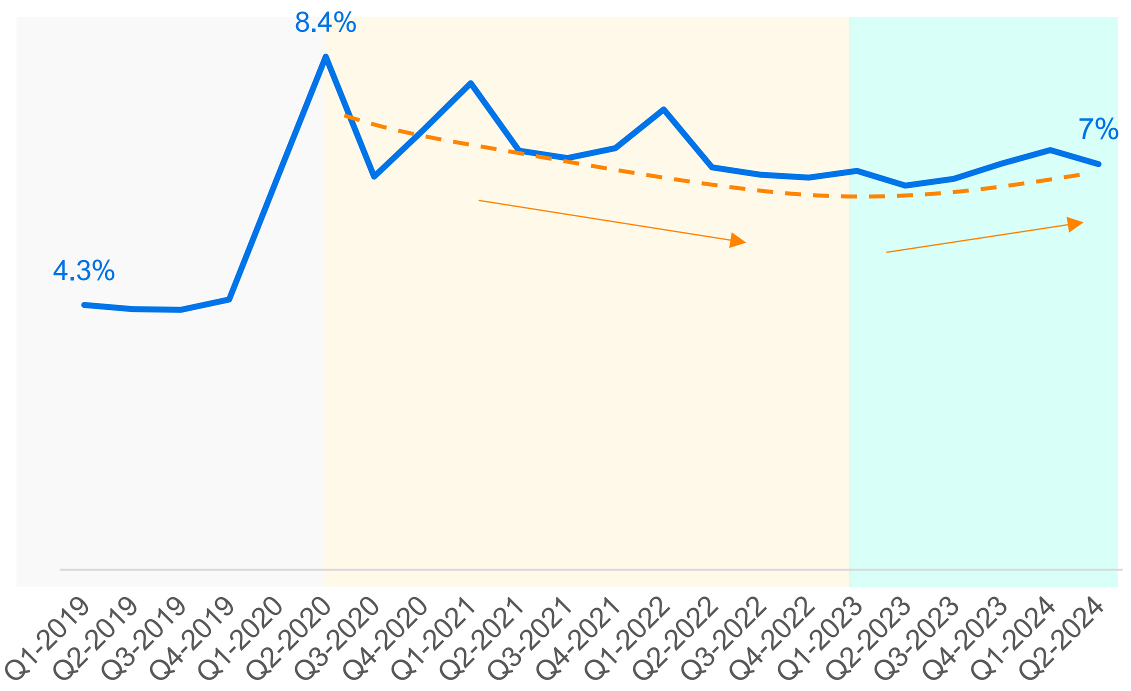
An **8% sales growth opportunity** is waiting for grocery retailers who capitalize on these trends

E-commerce is still a small proportion of grocery sales, but it is an accelerator for growth

E-commerce: from post-pandemic decline to recent rebound

After a low point in 2023, about **7 out of 100** customers currently shop online

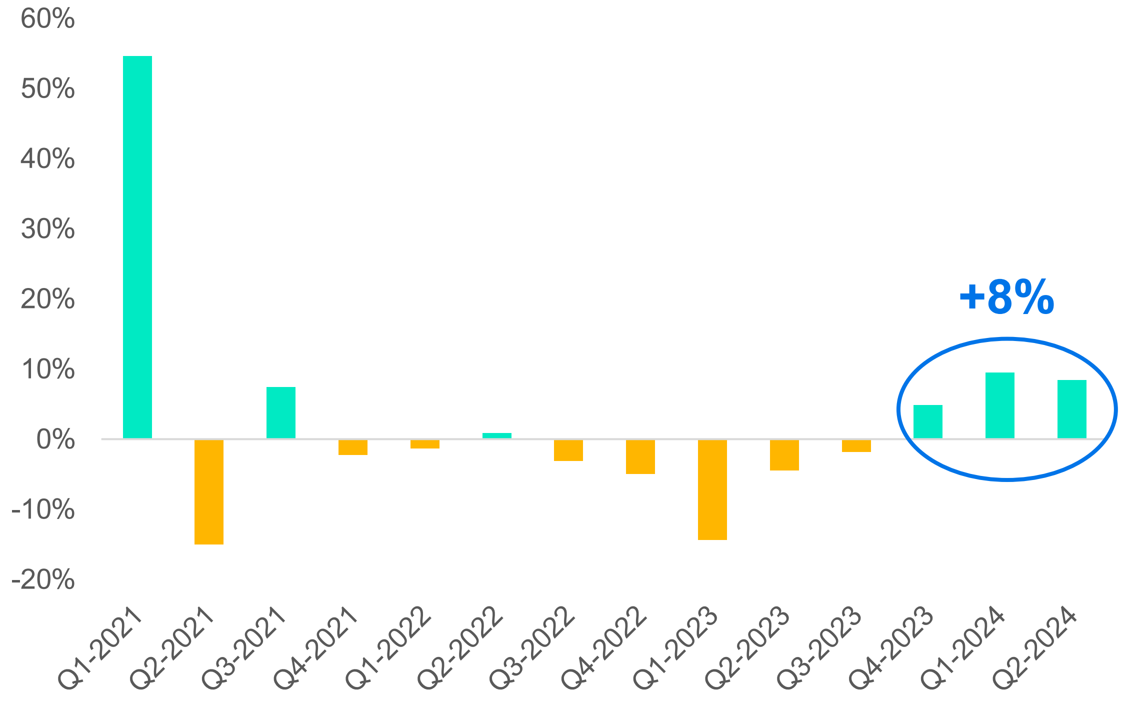
E-Commerce Household Penetration



E-commerce households ÷ total retailer households

Online Channel is **gaining customers again** after 2.5 years of decline

E-Commerce Households Growth

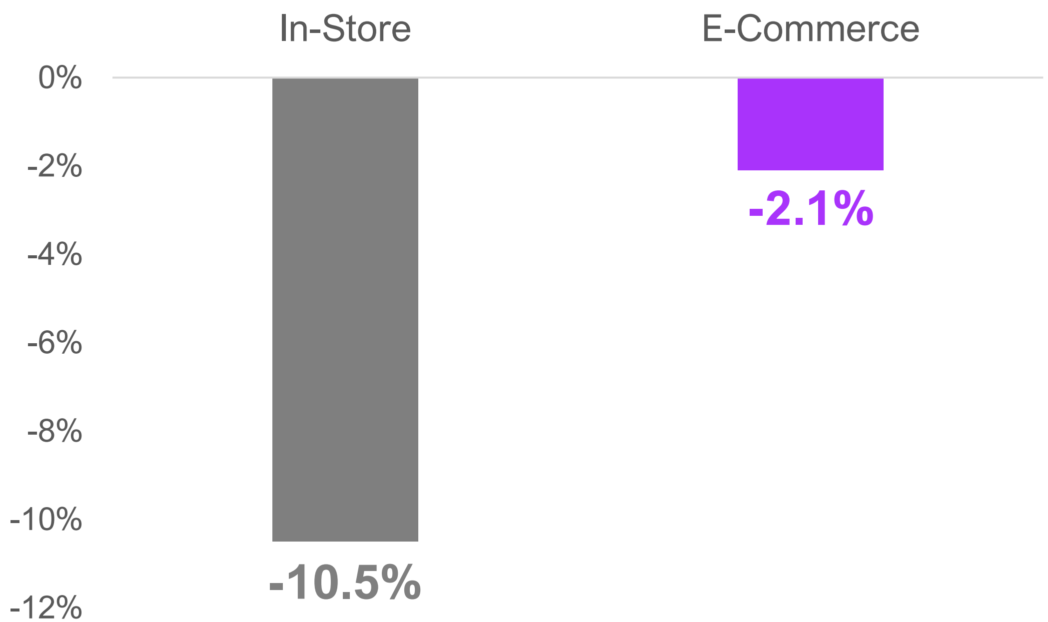


(Number of e-commerce households in a specific quarter) ÷
(Number of e-commerce households in the same quarter last year)

81% of your new online customers have never shopped in your stores

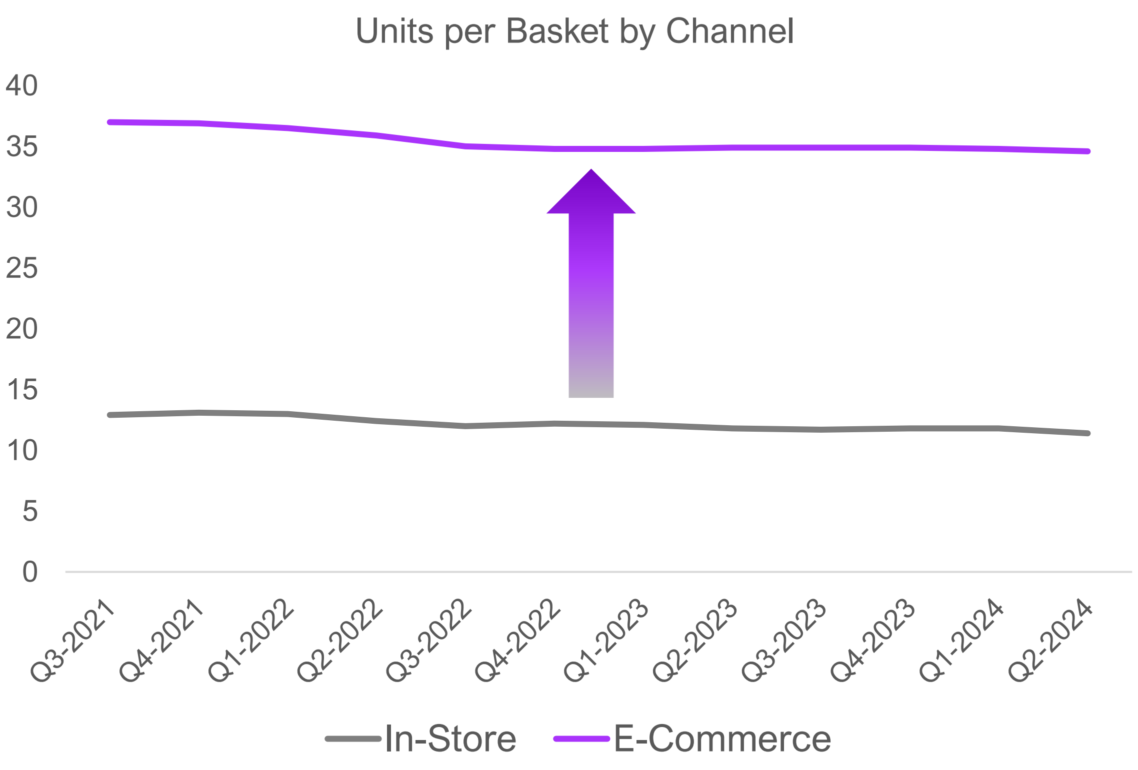
Online shoppers have more stable and predictable basket sizes

Units per customer are **much more stable** in e-commerce



Average units per customer among customers who consistently shop in the channel by quarter

E-Commerce basket size is **3x** larger than in-store



Average units purchased per baskets by quarter

Shoppers who become omni-channel drive significant growth

Incremental spend

when becoming Omni-channel customers

	In-store only shoppers start shopping in E-commerce	Online only shoppers start shopping in Store
Frequency	+9%	+31%
Basket Size	+6%	-16%

Total incremental spending calculated taking 13 weeks pre vs. post shopping online (Average of 4 quarters)

Cannibalization of sales from the initial channel is more than offset by the overall gain

Spend increase when becoming Omni-channel customers

		Cannibalization in the initial channel		Incremental spend in the new channel		Overall gain
Instore only customers (Store Spending)	Start shopping in e-commerce	-6%	+	+21%	→	+15% Increase in total spending
E-commerce only customers (Online Spending)	Start shopping in store	-3%	+	+18%	→	+15% Increase in total spending

Total incremental spending calculated taking 13 weeks pre vs. post shopping online (Average of 4 quarters)

Omni-channel shoppers expand purchases in specific categories

Customers purchase more of **frozen foods and bulk categories** when they start shopping e-commerce.
In contrast, they buy a wider variety of **fresh and cooking categories** when they start shopping in store.

Top Categories when In-store only shoppers ***start shopping in e-commerce***

% Total incremental spending

- FROZEN FRUITS & VEGETABLES
- WATER & FLAVOR WATER
- FLOUR, RICE & PASTAS
- CARBONATED DRINK
- BABY MILK POWDER
- FROZEN MEAL

Top Categories when E-commerce only shoppers ***start shopping in Store***

% Total incremental spending

- PASTRY & CAKE
- READY TO EAT
- HEALTH & FOOD SUPPLEMENT
- CONFECTIONERY
- COOKING & BAKING INGREDIENTS
- FISH & SEAFOOD

Categories ranked by % Total incremental spending calculated taking 13 weeks pre vs. post shopping online (Average of 4 quarters)

E-commerce channel drives opportunity for CPGs as well: increased brand loyalty

In e-commerce channel, customers are more loyal to the brand than in-store by ***+2ppt***

% Brand Loyal Shopper

18%	20%
in store	in e-commerce

Average % shoppers who are loyal to **Brand** / total number of brand customers by category and channel in the latest 52 weeks as of H1 2024

Key categories with much higher brand loyalty in e-commerce

Health and Beauty Care

Pet Food

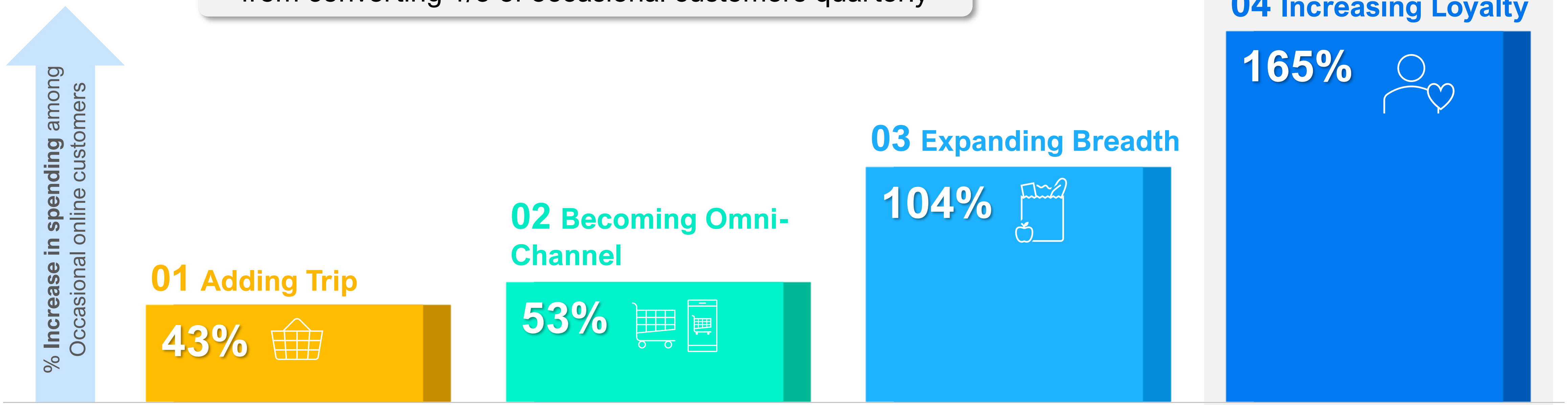
Beverages

Snacks

Categories ranked by the difference of % Brand Loyal Shopper in E-commerce vs Instore

Path to build loyalty among online customers

Unlock a **1.0%** rise in ecommerce revenue
from converting 1/3 of occasional customers quarterly



01 Adding Trip

- ✓ Offering personalized basket offers with customers' preferred brand online

Increase 1 trip in online channel

02 Becoming Omni-Channel

- ✓ Offering personalized and promotion on fresh and cooking categories in store

03 Expanding Breadth

- ✓ Cross-promoting key categories
- ✓ Offering personalized category offer in preferred channel

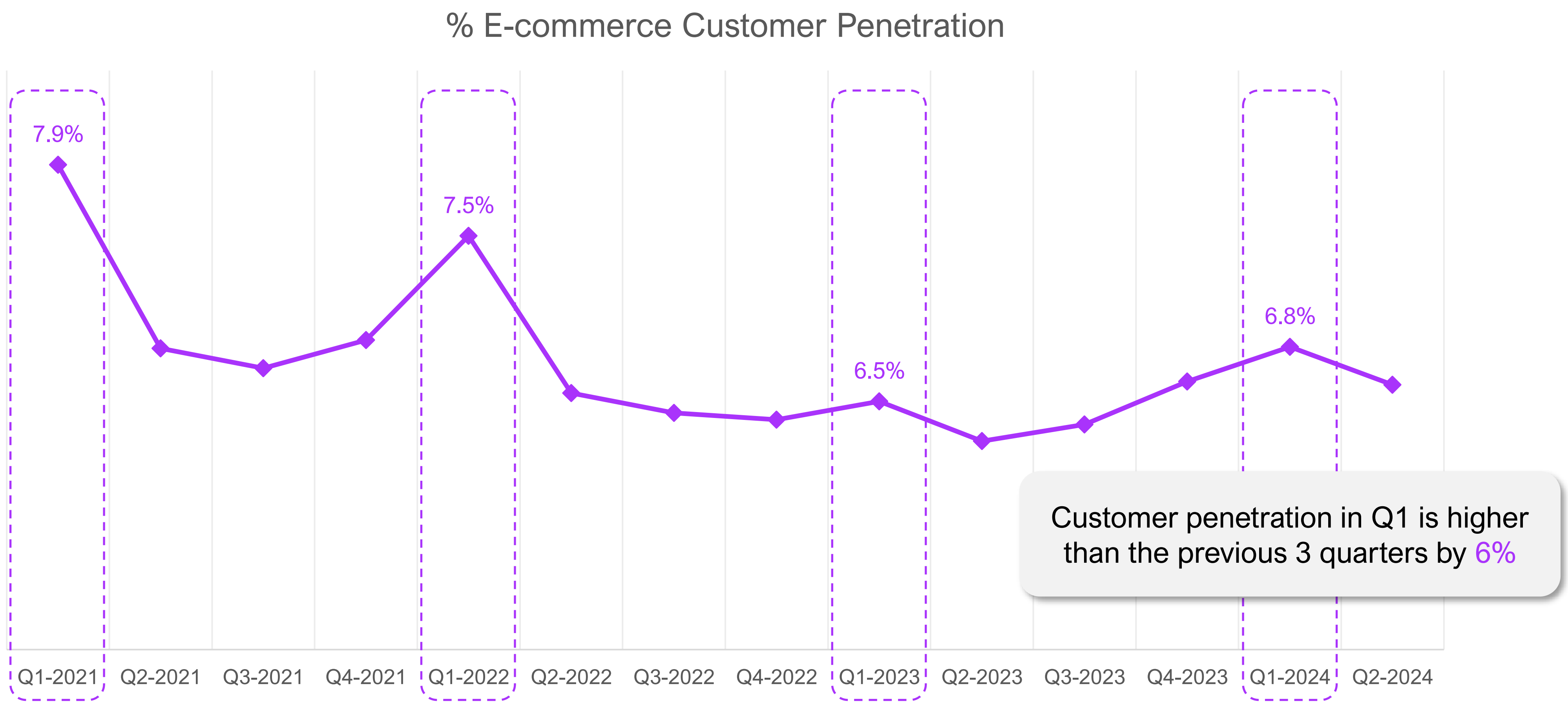
04 Increasing Loyalty

- ✓ Achieve and maintain long-term customer loyalty
- ✓ Drive e-commerce revenue growth

Become Secondary customers

Three ways seasonality affects behavior in E-commerce

1 E-commerce customer penetration consistently rises every Q1

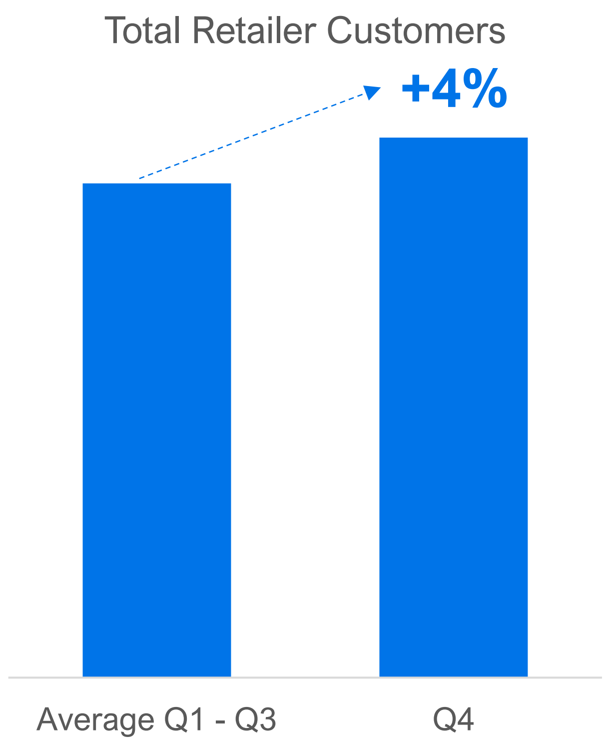


E-commerce customer penetration[1] by quarter

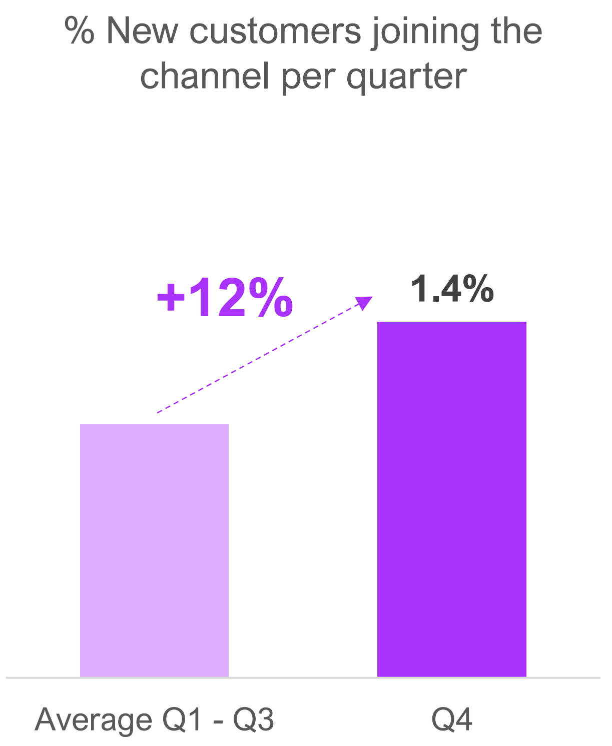
[1] Proportion of total retailer customers buying in Ecommerce channel

1 Retailers benefit from gaining omni-channel customers during holiday season and retaining them in the following quarter

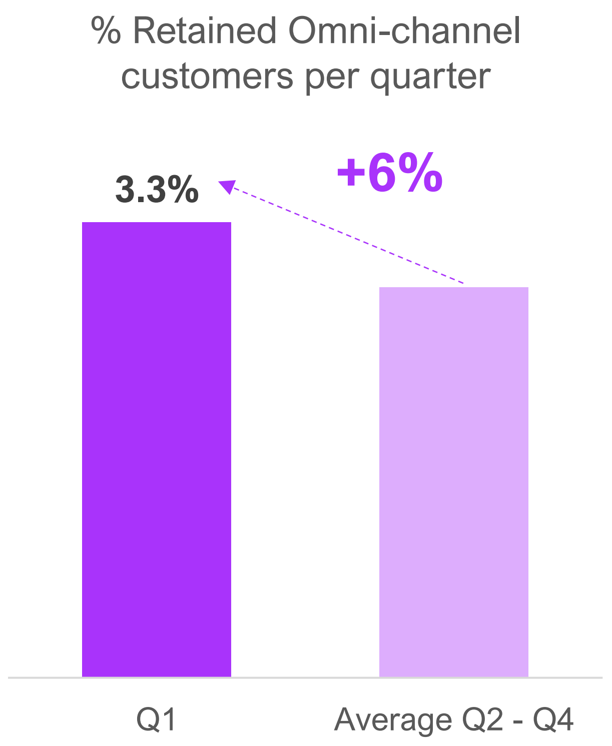
Retailer customer traffic exhibits a predictable **4%** seasonal rise in Q4, due to holiday shopping



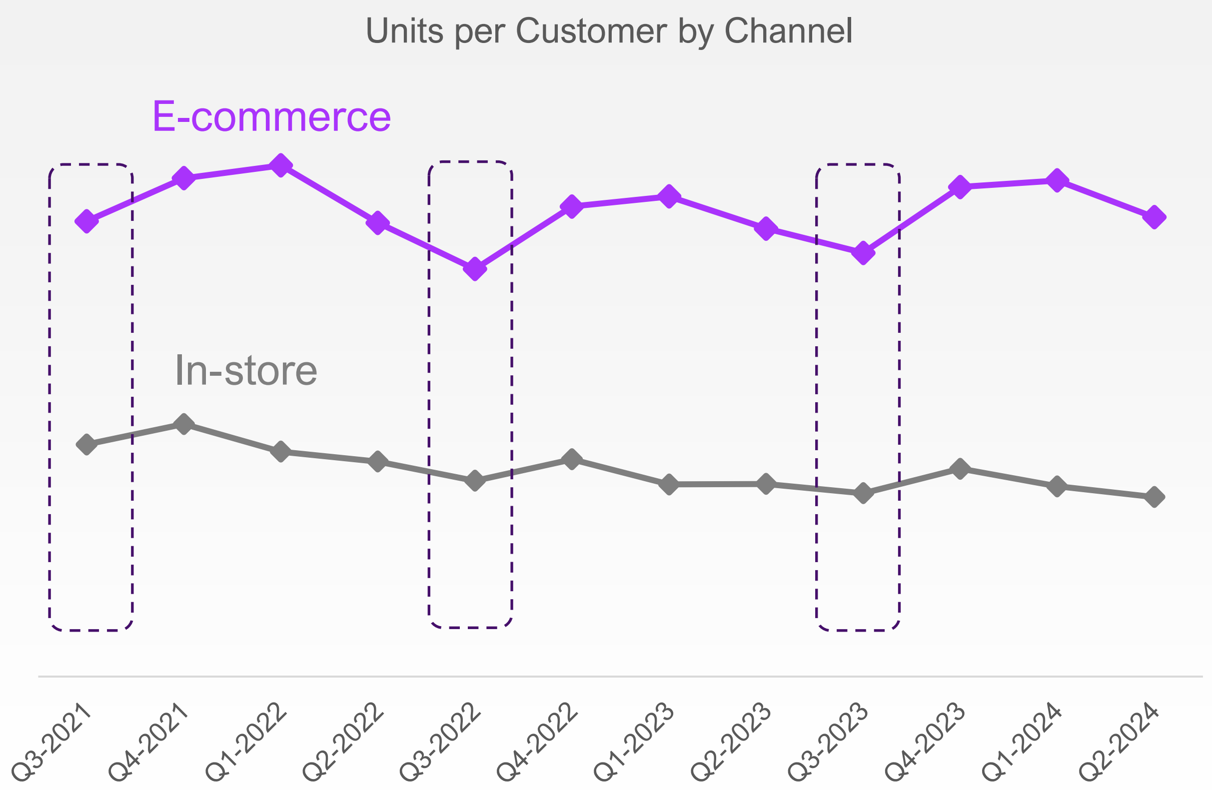
There are **12%** more customers becoming Omni-channel customers in Q4



The influx of new online customers in Q4 contributed to increased omni-channel customer retention in Q1

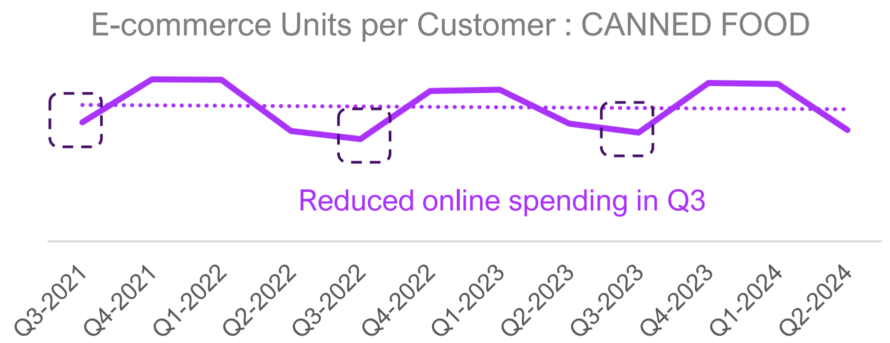


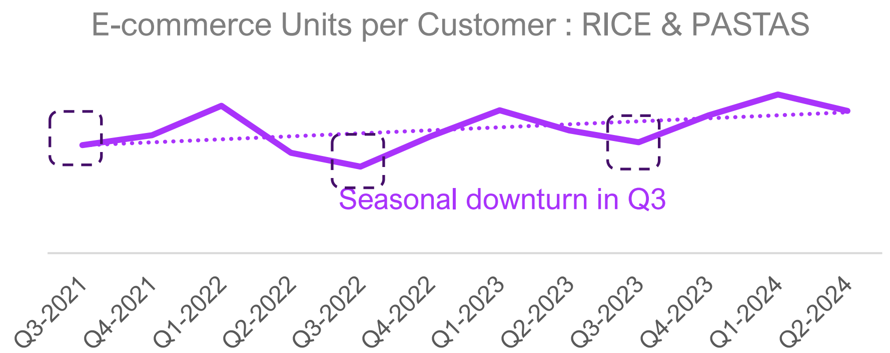
2 E-commerce customers significantly slow down their purchasing in Q3, while In-store purchases remain more stable



Average units per customers amongst customers who consistently shop in the channel by quarter

The reduced online spending in certain categories is not intuitive when not seen in-store as well





Average units per customers amongst customers who consistently shop in e-commerce by quarter

3 Specific categories have higher volume requirements in each quarter and can be leveraged for tactical excellence

High

Units purchasing in E-commerce vs Store

Low

Quarter 1

Restock the pantry after Holidays

- VEGETABLE
- MEAT & POULTRY
- READY TO EAT
- BREAD
- CHEESE & DAIRY PRODUCT
- RICE & PASTAS
- CANNED FOOD
- COFFEE, TEA & COCOA

Quarter 2

Aspiration for Summer

- WINE
- BEER
- ICECREAM
- CARBONATED DRINK
- BABY PRODUCTS
- PROCESSED FISH
- WATER & FLAVOR WATER

Quarter 3

Stable Pantry

- CANNED FOOD
- SAUCES & CONDIMENTS
- BABY MILK POWDER
- BUTTER & MARGARINE
- COFFEE, TEA & COCOA
- RICE & PASTAS
- FROZEN VEGETABLES
- PASTRY & CAKE

Quarter 4

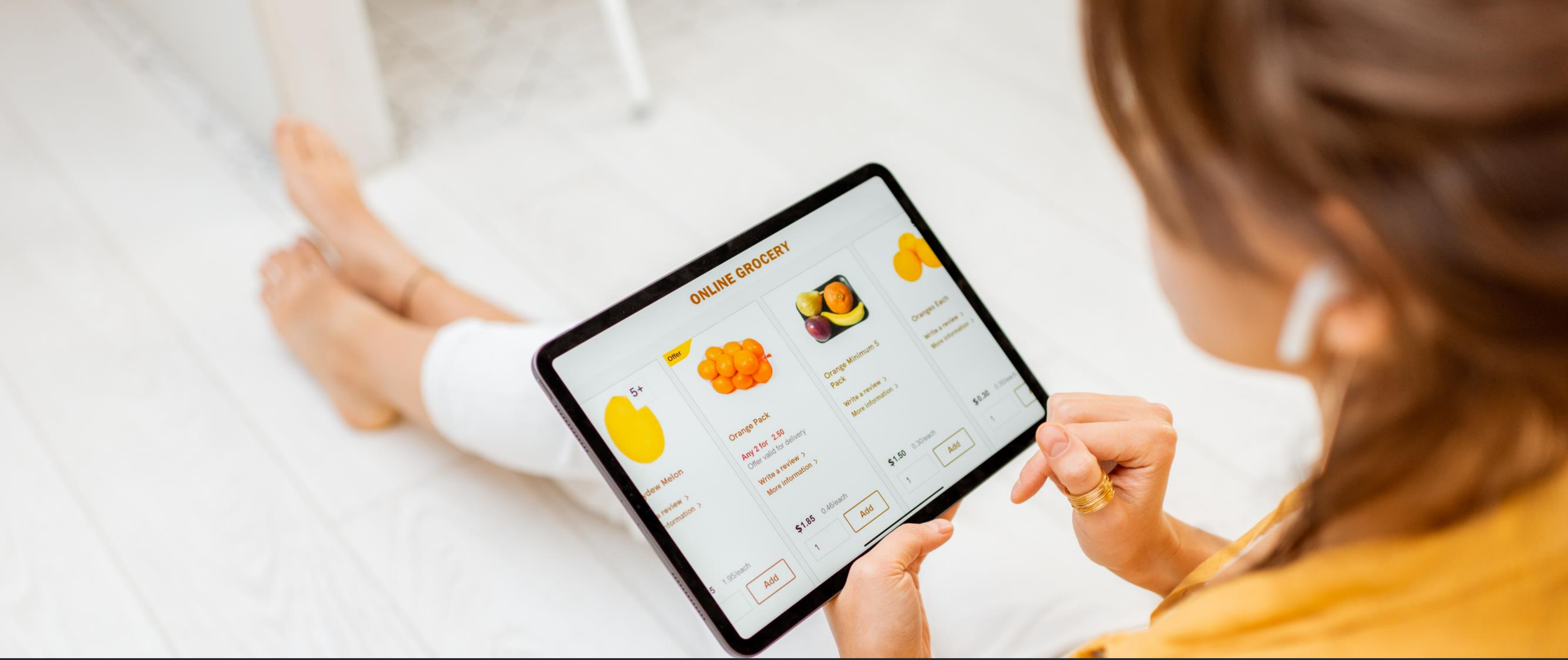
Baking and Sweet for Holidays

- INSTANT FOOD
- BUTTER & MARGARINE
- SAUCES & CONDIMENTS
- SWEETENERS
- BAKING INGREDIENT
- FROZEN BAKERY

Categories are split by the seasonality index by using online units per customers amongst continuous omni-channel customers

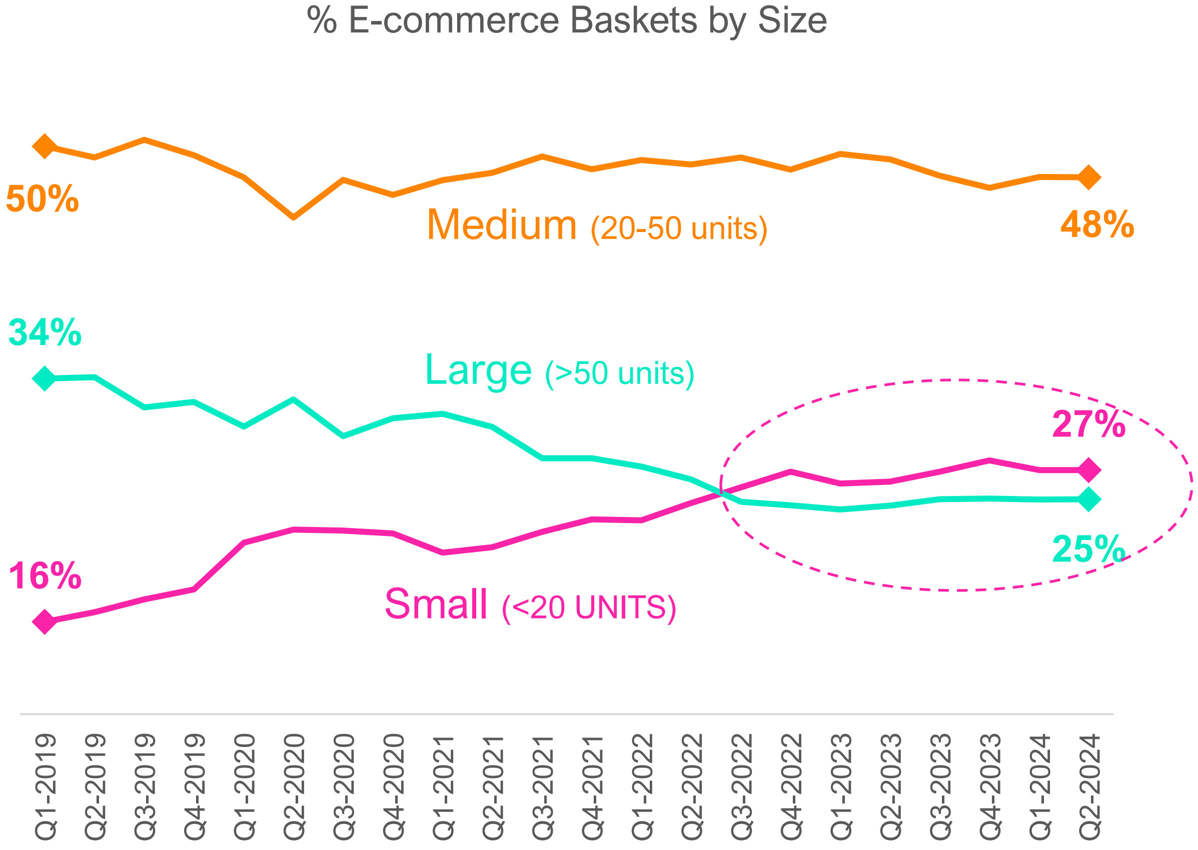
Acting on seasonal insights can deliver significant growth

Insight		Opportunity	Growth
+15%	Spend increase becoming Omni-Channel customer	Migrate **10% more customers** to Omni-Channel in **Q4** when HH count is highest and more likely to change behavior	+2.1%
-22%	Spend reduction when reverting back to single channel	**Improve retention** of Omni-channel customers from **38% to 50% in Q1**	+1.0%
Q3	E-commerce spending slows due to seasonal shift	**Stop spend decline** of **10%** of Omni-Channel customers by maintaining trip frequency	+0.9%



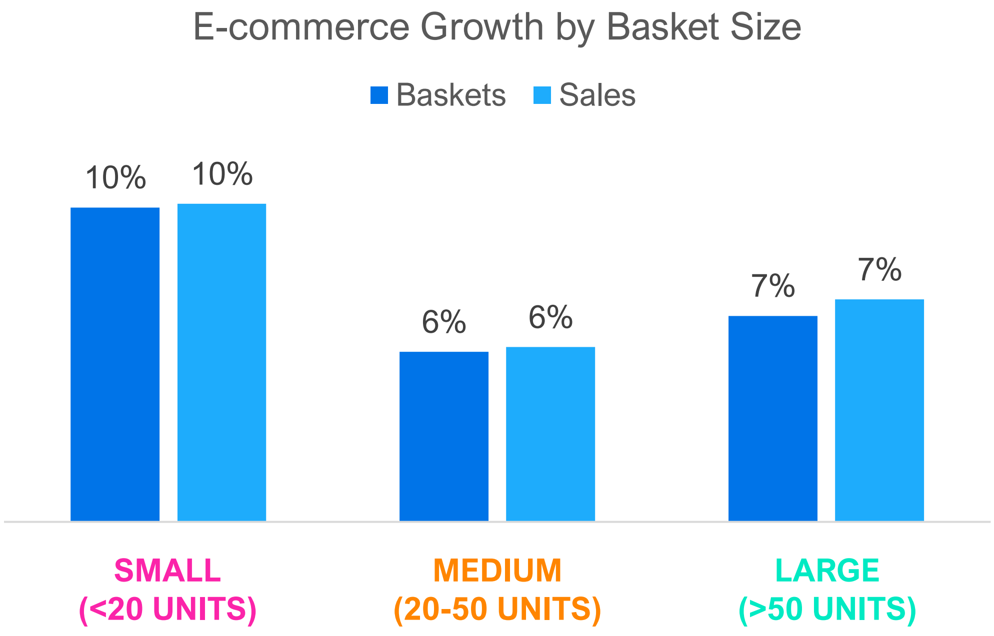
Convenience continues to be a driving force for customers in the e-commerce channel

Small baskets: still the fastest growing trend in online shopping



# of e-commerce baskets by basket size / total e-commerce baskets (Q1 2019 to Q2 2024)

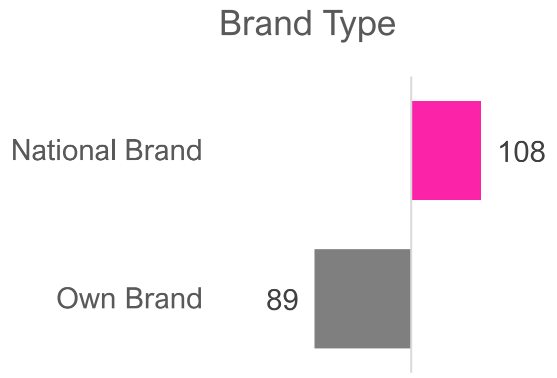
The increase in the proportion of small baskets contributing the largest growth to the channel with e-commerce



E-commerce revenue growth by basket size, H1 2024 vs. H1 2023

The small basket is a targeted shop for premium national brands, in particular, alcoholic beverages

SMALL (<20 UNITS)



% brand type units in small baskets vs. % brand type units in all e-commerce baskets (in H1 2024)

% price point units in small baskets vs. % price point units in all e-commerce baskets (in H1 2024)

SPIRITS & LIQUOR

BEER

WINE

CARBONATED DRINK

FOOD SUPPLEMENT

BABY PRODUCTS

LAUNDRY DETERGENT

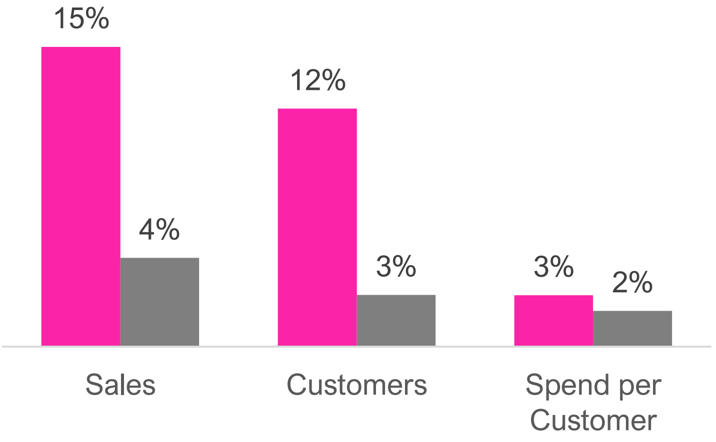
% Category units in small baskets vs. % category units in all e-commerce baskets (in H1 2024)

There is an opportunity to drive loyalty among customers who frequently purchase small baskets in e-commerce

E-commerce customers who frequently shop small baskets

All other e-commerce customers

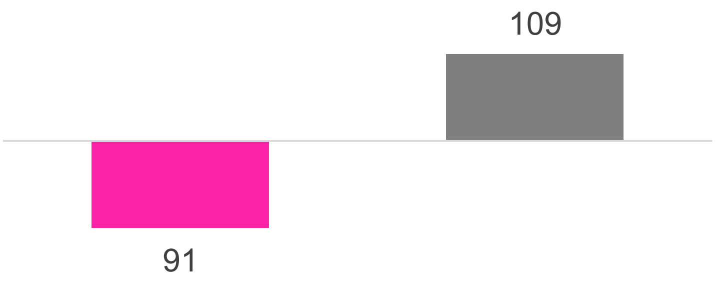
E-commerce KPI Growth



The growth in e-commerce sales is driven by the increase in the number of customers, especially those who frequently shop for small baskets.

E-commerce revenue growth by customer segmentation, H1 2024 vs. H1 2023

Index of Loyal customers VS Total customer



Customers who frequently shop for small baskets are less loyal to retailer than other e-commerce customers.

% of Primary by segment vs % of Primary amongst total e-commerce (in H1 2024)

Expand basket size in Small Baskets by promoting key categories with others that are often purchased together

Key Categories in Small Basket	Top Categories purchased together
SPIRITS & LIQUOR	• CARBONATED DRINK • JUICE • WINE • MIXER • BEER
CARBONATED DRINK	• WATER & FLAVOR WATER • PAPER TOWELS • BREAD • SPORTS DRINK • CANDY & GUM
FOOD SUPPLEMENT	• FACIAL TISSUE • FROZEN FRUITS • FEMININE HYGIENE • HOT CEREAL • YOGURT
LAUNDRY DETERGENT	• BABY CARE • TOOTHPASTE • SHAMPOO • TOILET PAPER • BODY CLEANSING

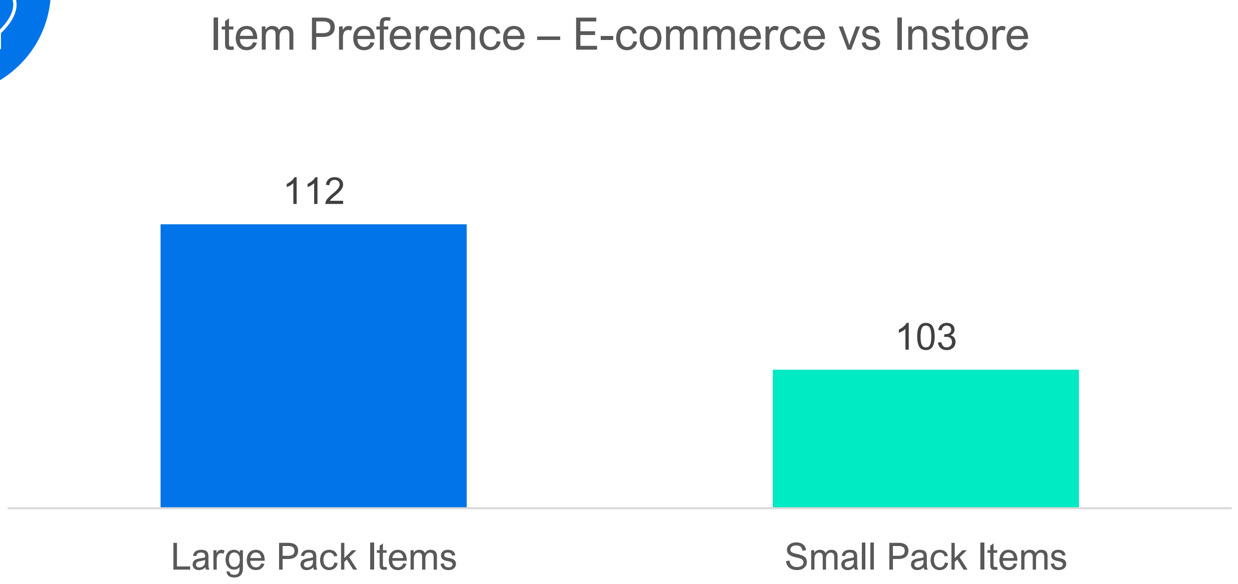
Categories ranked by the likelihood that they will appear in the same basket in online channel in H1 2024.

Opportunity for Growth

Generate **+0.7%** incremental e-commerce revenue (quarterly) from expanding at least 1 category in 50% of small baskets

Size matters: in store and online pack size preferences

Customers who buy online have a preference for large pack sizes



Index: % of units represented by highly preferred items[1] E-commerce vs instore in 52 weeks as of H1 2024

[1]Restrictions to core assortment lines have been created to reduce bias from smaller assortments online. Preference scores have also been normalized across channels

But going bigger everywhere is not necessarily the answer

Go bigger

PROCESSED MEAT

INSTANT FOOD

CANNED FOOD

BABY MILK POWDER

CARBONATED DRINK

Go smaller

JAM, HONEY & SPREADS

BUTTER & MARGARINE

RED MEAT

HERB & SPICE

CHEESE

Categories with the higher % of units represented by highly preferred items E-commerce vs instore in 52 weeks as of H1 2024

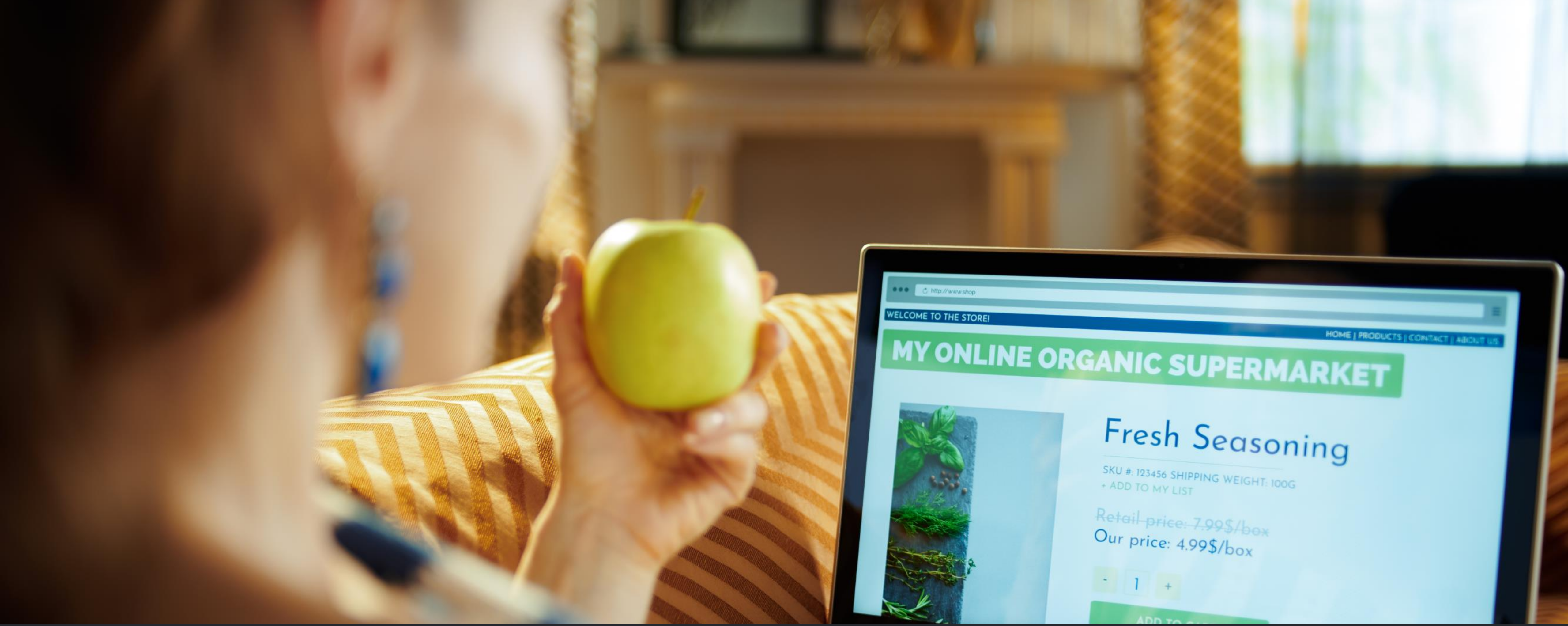
Optimizing the availability of key packs per category across can present further growth opportunities for e-commerce

- ✓ **Variety** - Fill product gaps in the online assortment, introduce new products and review distribution
- ✓ **Availability** - Increase days of supply and reduce out-of-stock to ensure that inventory levels for key items are sufficient to meet the growing demand
- ✓ **Visibility** - Ensure the key items for each pack size and category are prominently featured on the website
- ✓ **Marketing mix** - Ensure appropriate pricing, promo and personalization strategy for highly preferred items

Adding highly preferred packs **sold instore only** to the online assortment and **increasing** the **availability** and **visibility** of highly preferred packs online

% E-commerce Growth	
+4.5%	+1.0%
Per Category	Total E-commerce

The incremental growth is estimated based on 52 weeks of data, through increasing the availability online without any switching



A leading channel for organic purchases, yet still in need of strengthening

E-commerce has a large base of organic and valuable shoppers

41% of e-commerce customers are organic shopper compared to 31% in the store.

6.7% of sales from organic shopper in e-commerce are from organic products compared to 5.1% of store customers.

Organic shoppers purchase **3x more frequently** than non-organic shoppers and have **1.5x larger baskets**

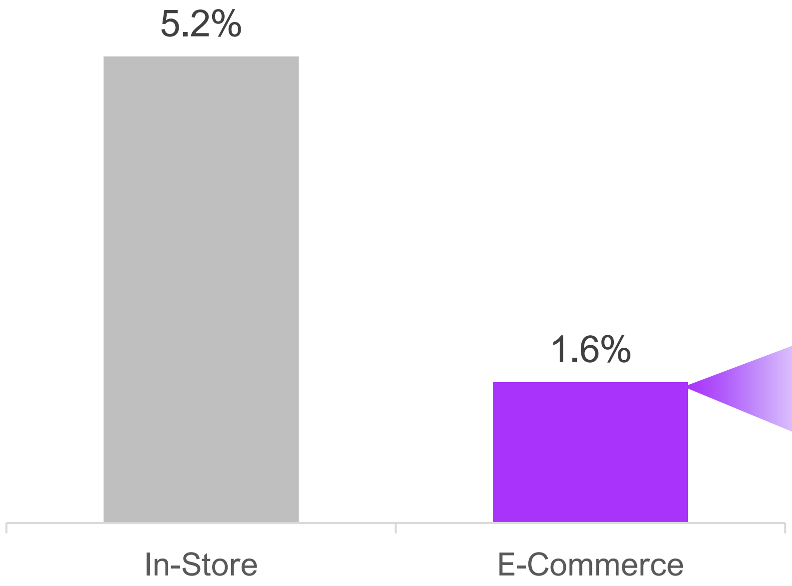
	Frequency*	Units per Basket*
Organic shopper		
Non-Organic shopper		

*Total products in the channel including organic products

Organic shopper are customers who purchase organic products more than 3 items in the channel vs non-organic shopper in H1 2024

Despite their value, organic units growth is slow online, and the channel is losing those customers

% Organic Units Growth



Organic E-commerce Revenue Driver

Customer Penetration		Frequency		Breadth		Depth
-2.2%	x	+0.1%	x	+0.3%	x	-0.7%
VS. +1.6% in store		VS. +2.6% in store		VS. -0.3% in store		VS. -0.1% in store

Organic products revenue growth among customers who purchase organic more than 3 items H1 2024 vs. H1 2023

Differentiated action based on category performance to regain the footfall in organic products

Regaining 1% of organic shoppers in the online channel could result in a significant **1.7% increase in revenue from organic products** sold online, along with a **1.0% boost to overall online channel revenue**

FROZEN BAKERY
HEALTHY FOOD & SNACK BARS
SALAD
CEREAL, PANCAKE & WAFFLE
FRUIT

Ensure organic products in these categories are available on an online platform to attract organic shoppers

ICE CREAM
FROZEN MEAT
BUTTER & MARGARINE
PROCESSED MEAT
YOGURT

Target lapsed organic shoppers by offering promotional coupons to encourage repeat purchases

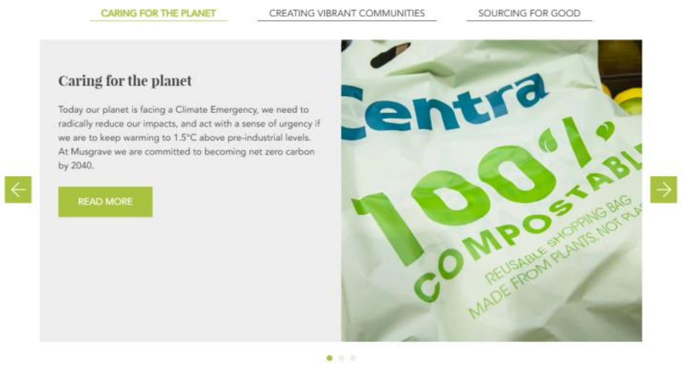
Ranked by % Organic customer penetration in e-commerce growth H1 2024 vs. H1 2023

Personalize the online experience according to customer needs to win back and retain the organic shopper

Improve the online experience for organic shoppers by creating a **dedicated landing page** that prominently displays alternative product options.

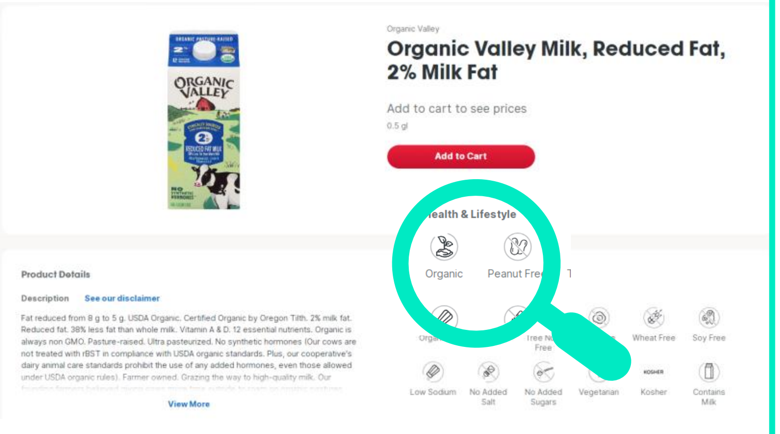
https://www.ah.nl/

Integrate **educational content or the informative blog posts** about the benefit of organic products.



https://www.musgravemarketplace.ie/

Clearly **signage** for the alternative products.



https://www.gianteagle.com/

An 8% sales growth opportunity in E-commerce for retailers

Unlocking incremental sales: AI-powered customer-centric insights

Growth & loyalty

E-commerce is fueling growth and loyalty in grocery retail

+1%

Seasonality

Seasonality matters for attracting and retaining omnichannel shoppers

+4%

Convenience

Core driver of e-commerce transforming how customers shop

+0.7%

Pack size

Meeting diverse customer needs effectively

+1%

Organic

Leading channel for organic, yet still in need of strengthening

+1%

SymphonyAI

Microsoft

2024 Partner of the Year

Winner

AI Innovation Award