

The main new driver of customer experience in Grocery retail - the Fresh opportunity

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Abstract: *The main challenge of a modern retailer is how to delight customers in fresh products without risking profitability. To compete effectively, businesses must focus on the customer's shopping experience. To manage a customer's experience, retailers should understand what "customer experience" actually means. Customer experience includes every point of contact at which the customer interacts with the business, product, or service. Customer experience management represents a business strategy designed to manage the customer experience. This paper presents the results of a marketing research study conducted for reviewing perception versus reality of customer experience delivery in fresh products and product availability.*

Key-words: *main driver, customer experience, fresh opportunity, customer loyalty, product availability*

1. Introduction

The fresh sector from fruit and vegetables, to meat and seafood, to baked goods and prepared food is responsible for 40 percent of grocery's total revenues. New entrants into the grocery market, combined with channel complexities have generated fresh challenges for grocers. Additionally, the battle for the customer has not only intensified due to increasing competition, but the shoppers are more complex and sophisticated in their needs. What constituted good customer experience in the past has evolved rapidly as lifestyles change and technology advances.

Today's shopper is not simply looking for the best price, but also for the best choice, best availability and most importantly, the freshest product. Get availability, price and choice right in fresh and the rest should follow, including the customer. It sounds simple, but as grocery retailers know all too well, the perishable nature of fresh comes with fast, furious and complex decisions around managing price and replenishment. Decisions that, if made inaccurately or at the wrong speed, can leave shoppers heading for the exit sign and into the welcoming arms of the competition.

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But if customer experience is the yin, profitability is the yang. Many grocery retailers are struggling to deliver the right experience in fresh products, availability and choice while also getting margin right. Balancing their fresh value proposition with availability, waste – in the omnicommerce era – has become increasingly complex.

The objectives of our research are to identify the main driver of customer perception that generates the choice of customer favorite store, eventually leading to long-term customer loyalty. In order to achieve the research objectives, the authors conducted an online survey, trying to identify the consumers' opinions.

2. Literature review

Delivering the right experience in fresh performance can be increased by decreasing the inventory levels and increasing the fill rate i.e. replenishment, product quality, therefore such benefits to the retailers has resulted in increased use of VMI over time (Emigh, J., 1999 as cited by Yao et. al., 2007). According to Yao et al. (2007), VMI can be termed as collaborative initiative where vendors are authorized to manage the inventory at buyer's end. Achabal et al. (2000) said the VMI has the potential to reduce inventory levels and costs associated with inventory to benefit both the suppliers and the buyers. This also helps in improving customer attention and providing better services to the consumer (Waller et al., 1999).

Woensel et al. (2007) also stated that performance measure of quality for fresh products is mostly influenced by the time of filling the shelf and then replenishments during the rest of the business day, the experience of the person who is doing all the ordering for bread bakeries and the consistence in assorting in day to day ordering processes of the retail store. These measures were found by interviewing store personnel and by observing the ordering process along with shelf stacking.

Demand forecasting is an important aspect in perishable retail sales as the overall order size, dynamic pricing etc. and it depends on how well forecasting is being done. There are many techniques for forecasting the demand. Many authors (Wang, 2011; Badri, 1999; Baron et al., 2010) have argued that demand cannot be deterministic. Stochastic demand patterns are much closer to the real-world scenario and hence should be taken into consideration. The majority of authors have considered shortages as one of the important factors for modelling the perishable inventory. Some authors used a cost parameter for lost sales and/or backorders. There seems to be a need in creating awareness across the whole fresh supply chain in order to increase efficiency and effectiveness.

3. Objectives

The battle for the consumer is given in the perimeter of fresh products. And getting fresh products right to make it profitable is even more complex. The best opportunity for the grocer of today and tomorrow is in the marginal gains that can be delivered in balancing freshness, availability, price and choice – profitably. Disruptive shopping behaviors have made increases in demand more unpredictable while grocery shopping missions based on trust, freshness, choice and – of course – value all add to the complexity of replenishment decisions. The demands on grocery management show no sign of abating in the always-on world.

The two main objectives of our research are to identify:

- a) the main driver of customer perception that generates the choice of customer favorite store and leads to long-term customer loyalty,
- b) and to identify the gap between perception and reality – our research indicates conflicting viewpoints between the grocery management team and their customers: shoppers stated that they struggle to get what they want.

4. Materials and methods

4.1. The concept “main driver” of customer experience perceived value

Competition in the food retail market has increased in recent years. Traditional food retailers have faced fierce pressure from alternative channels including warehouse clubs, supercenters, drug stores, mass retailers and convenience stores, as well as online retailers and grocery delivery services. As consumers distance themselves from the traditional supermarket model, grocery retailers are attempting to stay competitive by creating more intimate and innovative shopping experiences tailored to individual shoppers with emphasis on fresh, organic and prepared food options. The retailers had also invested in the in-store customer experience by improving merchandising and enhancing its prepared food offerings. These stores enhancements position facilitates for retailers to capitalize on the growing demand for fresh and prepared foods (Vargo, 2008). Retailer’s fresh fruit and vegetable offerings are delivered daily to ensure the freshness of fresh products.

4.2. Research methodology

Different retailers have adopted very different approaches to attract customers, to increase the buying frequency and the value of the basket and, most importantly, to boost their fidelity – but what is most effective? To answer this question, it’s important to understand what consumers want, and what they think of the fresh food offering of different retailers today. In our research, we interviewed 379 respondents

who shopped at least once from the main grocery stores across Bacau: “*Cora, Auchan, Kaufland, Lidl, Carrefour, Penny and Profi*”.

In order to achieve the research objectives, the authors conducted an online survey, trying to identify the consumers’ opinions on the main driver of customer perception that generates the choice of customer favorite store and leads to long-term customer loyalty. The sampling method chosen is a mix between convenience sampling and snowball sampling. There were two simultaneous conditions for the respondents to be included in the sample:

(1) the respondents must have visited at least two stores from our list and at least once each and

(2) the respondents must be at least 18 years old.

The survey was based on a questionnaire with 15 questions, created using the platform surveyMonkey.com. The link was distributed using the e-mail (875 invitations). The questionnaire was available for respondents to answer for 30 days, from July 5 to August 4, 2017. In the end, the sample consisted of 379 completed questionnaires (response rate of 43%).

In our research we collaborated with the grocery store Cora from Bacau so that the relevance of the database used during the research was ensured by the initial segmentation: fresh product customers who also attend other stores in Bacau - these segmentations were made on the basis of the customer profile, resulting from the acquisition history and internal market studies using the Satisclient tool - an online customer feedback platform.

5. Results and discussions

Our survey of 379 consumers shines light on customer experience in fresh and product availability.

Profile of respondents		Grocery stores frequented	
		multiple responses	%
Woman	51%	Cora	62%
Man	49%	Kaufland 1&2	41%
Buying frequency	%	Lidl 1&2	33%
Daily	21%	Auchan	41%
Once a week	21%	Metro	22%
2/3 times a week	31%	Selgros	18%
Once a month	18%	Carrefour expres	11%
2/3 times a month	10%	Penny	8%
		Profi	12%

(continued)

		Income ranges	
Age of the respondents		500-1099 ron	15%
18-25 years	8%	1100-1599 ron	30%
26-33 years	22%	1600- 2099 ron	21%
34-41 years	50%	2100-2699 ron	8%
42-49 years	15%	2700-3299 ron	1%
more than 50 years	6%	> 3300 ron	1%
Occupations of respondents			
Freelancer	7%		
Secondary education	33%		
Unemployed	11%		
Higher Education	34%		
Pensionary	8%		

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Key Findings

In the research, the following were discovered: availability - 68% of shoppers feel disappointed with fresh products, 81% of shoppers cannot get the products they want, 30% of shoppers abandon their carts if they cannot get what they want; freshness - 68% of shoppers feel disappointed with freshness, 54% have put off shopping with a particular grocery retailer due to the lack of freshness of their shop. The younger the shopper, the more discouraged they are by a lack of freshness (69% of shoppers between 26 – 33 years felt disappointed with freshness).

Shoppers are more likely to be let down by the selection of their fresh items in the store: 71% in hard discounts stores, 60% in grocery stores, 67% in Cash&Carry stores and 75% in supermarkets.

Even more concerning is that more than half of shoppers have been put off a particular grocery brand due to unsatisfactory freshness. The results reveal that younger consumers are less forgiving, 30% of customers who couldn't get the product they wanted left their shopping carts and went elsewhere for their grocery shop and bought a similar product but were not satisfied.

Shoppers are not only demanding the best price and availability, but their expectations for quality and freshness have increased significantly in recent years. Delivering anything less than the freshest is not an option. This is where brand promise is broken and profits are lost and won: fresh food drives revenue. It's also the assortment that comes with the most complexities versus ambient and other categories.

Pressure to maximize margins

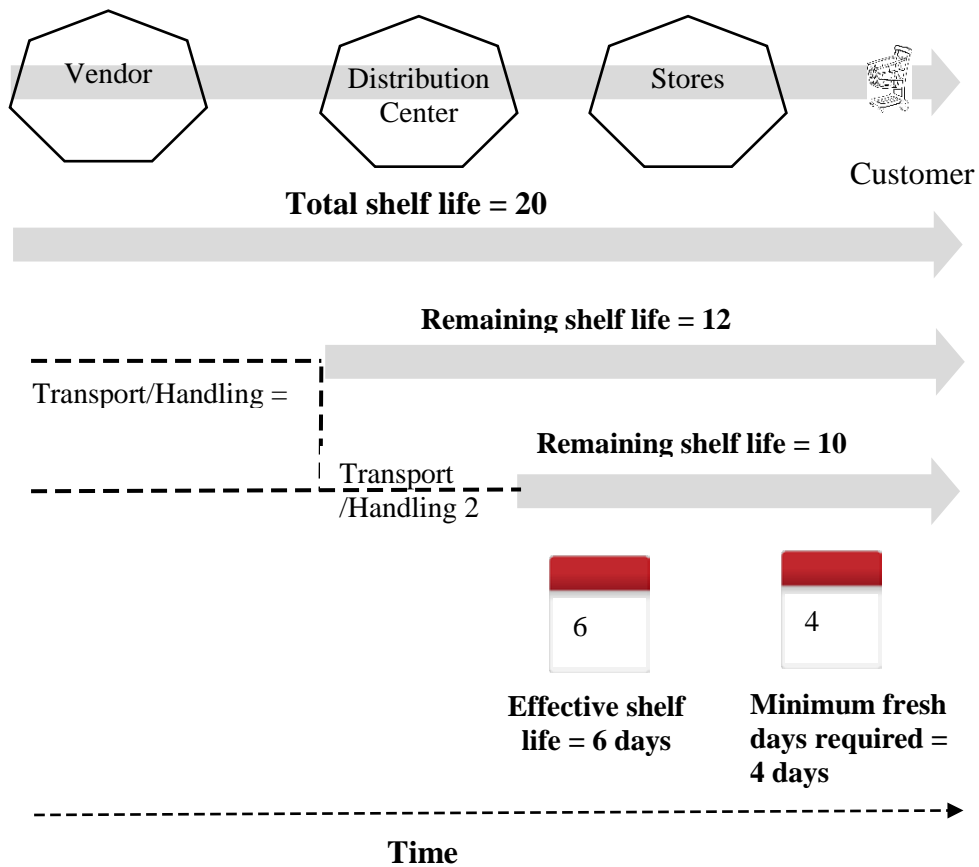


Fig. 1. *Freshness Risk Matrix – out of 20 days of total shelf life, only 6 days are available to sell the product at full margin in-store*

All these have long-term consequences for profitability: 20% of shoppers who have found a product unavailable have stopped shopping with the retailer either permanently or for a period of time and 31% that left empty handed have stopped shopping with the retailer. Retailers that fail to deliver the best availability are

literally handing over precious customers to the competition. More alarming for grocery is that the consumer research found that this is not just an issue for that moment in time. Being unable to deliver the product when and where the shopper demands has long-term consequences for revenues.

6. Conclusions

Fresh food is at the heart of grocery retail: a compelling fresh food offer is central to any successful, differentiated proposition. At the same time, it presents a complex challenge, requiring a coherent strategy “from field to fork”, in which sourcing, handling, distribution, visual merchandising, and service are aligned to deliver maximum customer appeal and attractive economics.

Fresh products is already a clear point of differentiation for grocery retailers, and its importance will only grow in the coming years. Customers see – and value – the differences between one retailer and another, and this ultimately has a powerful influence on where they choose to shop. This makes fresh products an enormous opportunity, where the right approach can yield transformative results: 5–10% LFL sales gains and 2–4% margin improvement over the short term, as well as improved customer perception and significant market share gains over the longer term.

When we look at which retailers’ customers rate most highly for fresh products, it’s clear that there are many different ways to win. Nonetheless, there is a common theme: getting to grips with the complex challenges that fresh products presents, understanding how sourcing, supply chain merchandising and service interact to affect product choice, quality and value, and targeting investment accordingly. The winners in fresh products have aligned the five key levers – store, product, delivery, execution, and value – to create a fresh food offer that customers will love and that will also make a positive contribution to the bottom line.

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