



WHITEPAPER 2021



A Look at the Future of Grocery Retail in North America



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1. A Look at the Future of Grocery Retail in North America

Increasing agricultural price index, high urban population, high per capita disposable income, and healthy eating index are all responsible for this growth.

Grocery retail stores and supermarkets deal in an exhaustive list of food and household goods. Everything from grocery products to freshly prepared meals, frozen and packaged food, seafood, poultry, dairy products, fruits, and vegetables falls under this category. According to the [North America Food and Grocery Retail Market 2020-2026 report](#), the North American food and grocery retail market is expected to grow at a Compound Annual Growth Rate (CAGR) of 4.5% during the forecast period. Increasing agricultural price index, high urban population, high per capita disposable income, and healthy eating index are all responsible for this growth.

2. Industry segmentation and major players

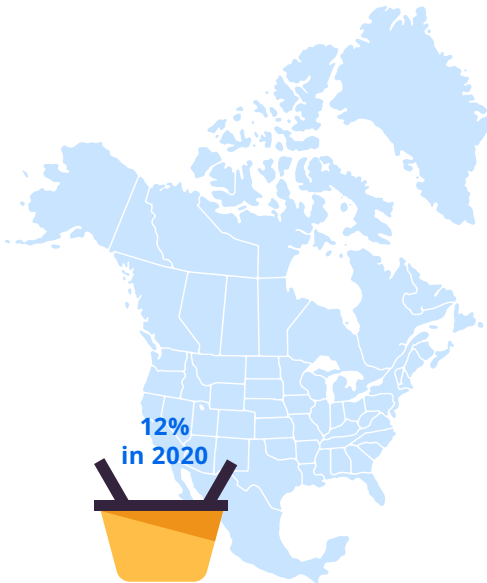
The industry can be divided into two categories. One is on the basis of products, and the other is on the basis of distribution channels. The latter is divided into online and offline - [supermarkets](#), hypermarkets, [convenience stores](#) channels, etc. The product division entails packaged foods, unpackaged foods, beverages, tobacco, and various other household products. The North American market is divided between the US and Canada, though the US owns the majority of the market share.

Few of the biggest North American retail companies include





3. What does the face of grocery retail look like?



The Grocery retail industry in North America has been undergoing a huge transformation since the pandemic hit us in 2020. North American grocery, which typically sees growth of 1 or 2 percent each year, saw an approximate growth of 12 percent in 2020.

Being one of the essential sectors in ensuring food supply during these unprecedented times, it has had to adapt to the new rules and restrictions. Grocers who haven't been as quick on their feet have had to bite the dust. The only way to make sense out of the change has been to plunge into it headfirst.

These changes in the grocery sector have been mirroring the changing habits of customers, who are forced to stay home and adapt to a new way of life. Supermarket aisles have fewer and fewer visitors, and those who frequent them do so under strict hygiene rules. Buying behavior has changed, preferences have changed, and a 'new normal' has been set in place. Whether what we are studying as consumer trends will stick out in the long run, only time will tell. We will, however, need to make room for the 'next normal', whatever that may be.

4. New rules of the game

As online shopping platforms continue to reign supreme, many retailers have been working on entering e-grocery and improving their presence in the domain. Retail giants were known for their online initiatives long before the pandemic hit us, and their interest has only increased. Walmart expanded its online distribution channel and started same-day delivery in 2019, while Amazon acquired Whole Foods for \$13.7 billion in cash, creating its presence in the fresh grocery market. Kroger Co., too, has increased pickup sites as online orders pour in. These bold moves have encouraged and, to some extent, even shaped the customers' buying behavior.



The Covid-19 outbreak is disrupting many supply chains as the demand for goods and services continues to increase. Both brick and mortar, as well as online stores, are facing challenges of their own while meeting consumer needs, for whom, price and convenience have become the big motivators for purchases.

5. Short-term impact of the pandemic



The swift move to e-commerce

The steady growth of e-commerce with or without the pandemic is no news. Books, electronics, and even fashion have been seeing good days online. It was grocery retail, which was still in its nascent stages, that was asked to grow up all of a sudden. Customers began using home delivery for bare essentials, and curbside pickup gained popularity quickly. In a matter of months, demand skyrocketed and this has had a significant impact on retailers. Until recently, digital grocery was not as profitable as the traditional setup as there were fewer impulse purchases or product trials.



Effects of hoarding

March 2020 saw consumers emptying shelves stocking up products like toilet paper and medicines, which resulted in a delayed decline in sales as these products are not consumed as quickly.



Focus on hygiene

The pandemic forced both stores and consumers to take up public health and sanitation seriously. This meant regular and thorough disinfection of supermarkets and other traditional stores and maintaining a social distance protocol. Hygiene is likely to remain of vital importance even with the coming of the vaccine. It can be a while before buffets, food festivals, and salad bars gain popularity again.



A new retail environment

Not all brands have had the same fate during the pandemic. While the likes of Amazon, Costco, and Walmart - businesses that have been able to meet high demands continue to thrive, those that were unable to meet them were forced to shut shop.



6. The long-term impact of the pandemic



Increased competition

As consumers make a permanent shift to online grocery shopping, retailers of packaged goods have ventured into e-commerce through direct-to-consumer channels. This disruption is caused by packaged goods companies, which eat up the market share of grocery channels, and so, the latter will need to keep up with the changing tastes of consumers.

According to Mika Kujapelto, CEO and Founder of LaptopUnboxed, now that the customer has tasted convenience, it has become a part of their routine. This also emphasizes the importance of retailers offering the best online shopping experiences since one awful experience could put them off it for good, or lead them to competitors with more user-friendly sites and efficient checkouts.



A permanent shift in consumer habits

A pandemic of this large scale has the potential to change consumer behavior for good, which is why it may be wise not to take current trends so lightly. A good example of this is the SARS epidemic in China, which brought about a sustained shift in people's health and hygiene habits. It is likely then that products such as probiotics, vitamins, disinfectants, sanitizers, personal care products, etc., will remain in demand in the future.



Emphasis on affordability

While stocking up on hygiene and cleanliness products was the norm during the first few months of the pandemic, the focus has shifted to affordability in 2021. The increase in unemployment rates that has come with the pandemic is responsible for this. According to a McKinsey report, about 45 percent of consumers plan to look for ways to save money while keeping an eye out for health and nutrition.



Good days for private labels

The focus on affordability will likely make way for private labels, which were already gaining popularity in 2020; private-label sales increased by about 13 percent at Albertsons and Kroger. These entry-price products that were chosen at the onset of the pandemic have now become reliable picks.



Sustainable and healthy

Cleanliness and hygiene have also made consumers educate themselves on the origin and ingredients of a product. The conscious customer is looking for fresh produce that supports local businesses during these trying times. The pandemic has made consumers reevaluate their choices to become more ecologically conscious.

According to Eli Ratansi, the Director of Marketing at Vegano Foods, the pandemic has also made many consumers evaluate their lifestyles and make their health a greater priority. Offering products that work for vegan, vegetarian, gluten-free diets and more is becoming an expectation instead of an exception. So, grocery stores that want to retain these loyal customers will need to meet their evolving dietary needs or risk losing them to stores that do.



Revamping stores

With aisles empty, grocery retailers are looking to meet consumer needs in new ways. Storage and distribution systems are being reassessed with pickup hubs growing popular and dark stores popping up everywhere. These trends are likely to continue in the future as customers increasingly seek comfort and convenience.



Personalization

The kind of traction online shopping has gained in the past few years has slowly but certainly changed the way consumers shop. With the help of historical data, retailers can put up relevant offers at great prices. Adding to this, good timing can help create the ideal online shopping environment. Personalized promotions and pricing helped retain the market share in 2020 and the trend is likely to continue outside of the pandemic.



No receipts, please!

Social distancing paired with consumers turning more environmentally conscious has made the concept of “contactless” popular. Digital wallets and QR codes reign supreme, and the shift towards a cashless economy is certain.



7. What does the 'next normal' entail?

With the 'next normal' just around the corner, grocery retailers can expect increased pressure to perform. Businesses will be defined by the unique enhancements they bring to the table, how good a relationship they have with logistics and Artificial Intelligence, and how much they are willing to bend for customer convenience.

Before the pandemic, consumers knew where to pick up fresh food and essentials, with an additional trip or two in case the need would arise. Grocery trips are nothing like this now, for the consumer doesn't have the luxury to pop in for a thing or two missed. Consumers prefer a consolidation of trips, egging grocers to create a one-stop-shop experience, and demanding grocery stores to be more than just that. This may mean stocking up on a wide variety of products, making curbside experiences memorable, and home delivery services efficient.

Some retailers predict a different future. According to Phil Crippen, CEO of John Adams IT, we can expect that more and more grocery store customers will begin staying home and doing their shopping through apps and websites. Once robotic technologies become mainstream, AI-powered robots will replace both human delivery drivers and grocery store employees. This may not be a reality in 2021 but it will happen sooner rather than later. Whether we like it or not, automation is going to transform thousands of business sectors. And grocery retail is no exception.



6. Logistical challenges in grocery delivery

The new-age customer sits at the heart of all supply chain decisions. A seamless last-mile delivery experience is essential to earn brand loyalty. Underutilized resources, sub-optimal plans, missed delivery SLAs, costs incurred by inefficiencies are all challenging issues for supply chains, resulting in unhappy customers.



Add to this the perishable nature of foods, inefficient inventory management, and the ever-changing patterns of buyers owing to unforeseen events that make grocery delivery particularly challenging. The impact is seen on both the back-end delivery fulfillment as well as last-mile distribution of grocery orders. Grocers can also face Vehicle Routing Problem (VRP) at the transportation stage of the delivery or delays at the reception stage when the customer is not available to collect the order. Time wasted on phone calls or waiting for delivery can be particularly detrimental to the food delivery supply chain sector.

6. Delivery optimization to the rescue!

Implementing same-day delivery can make sure businesses stay on top of their game. Advanced delivery optimization software providers such as Locus can help e-grocery businesses flourish even as they cater to increasing demands in food supplies. Here's how Locus can change the grocery delivery game:

Automated Dispatch Planning

Manual planning and dispatching of day-to-day orders can eat up time and lead to delay in deliveries. An agile and efficient system needs to be in place to meet demand. Locus' AI-enabled dispatching software can bring this about by completely automating daily and hourly order dispatching in no time while also making room for on-demand orders.

Network Design Planning

Seamless last-mile deliveries are only possible when distribution hubs, warehouses, and fulfillment centers are optimally located and connected by short and cost-effective routes. A strategic supply chain network design planning can bring this about. Locus' aim is to make network design decision-making deeply intuitive, and Digital Twin aids in this. Digital Twin is a virtual replica of your supply chain model that enterprises can work with to optimize delivery networks and the physical flow of goods from one point to another, thus making last-mile delivery more efficient. It is also helpful in creating 'What-if' scenarios so businesses can prepare for contingencies in advance.

Location Intelligence

Grocery businesses get innumerable orders throughout the day, all of which can only be met if addresses are mapped quickly and accurately for delivery persons to locate. Locus' geocoding engine is known to simplify even the most complex of addresses and put them on a map, to speed up on-ground delivery operations.



Route Optimization

Locus' AI-enabled route planning software plays a vital role in last-mile delivery. With its help, logistics managers can plan the shortest and quickest routes, all while considering traffic, weather conditions, and time-slot preferences.

Real-time Visibility

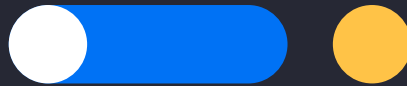
When deliveries are taking place on the same day, customers usually want to know the status of their order. Real-time visibility is beneficial not just for customers but logistics managers as well, who can take action in case of any issues. Locus' last-mile tracking not only provides real-time accurate data but also predicts the estimated time of delivery (ETA) and encourages transparency through real-time communication.

Uncertainty rules the roost at the moment but assuming that it will be completely out of the way in the months to come might be short-sighted. The past year has been challenging for the grocery industry, which has remained steadfast and resilient in the face of distress. The future can prove itself profitable for grocers if they continue to keep their heads up and cater to the most urgent customer needs.

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Locus is a deep-tech SaaS platform that uses machine learning and proprietary algorithms to automate supply chain decisions. Its smart logistics solutions enable enterprises to enhance operational efficiency, reign in costs, streamline the customer experience, and provide end-to-end visibility.



\$100

MILLION

Logistics costs reduced

100+

YEARS

Planning time saved

6300+

TONNES

GHG emission reduced

Traveling together with



**Power-charge your
logistics now!**

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