

Competing on delivering new online grocery shopping experiences

The value of online grocery sales in Europe will hit €93B in 2021 (+20% vs 2020) and boom towards a projected €193B by 2024 ([Source: Statista](#)), making this industry one of the sectors most impacted by the pandemic. Supermarket chains are called to innovate and the frontline of innovation is driven by the shopping experience.

Consumers are looking for product availability, green packaging and contextual personalized deliveries. So grocery retailers have to demonstrate strong differentiators capabilities linked to consumer's needs and aspirations. To do this a focus on game-changing technologies is required.

In particular, mastering and exceeding the last mile is definitely one of the major differentiators under the spotlight of grocery retailers that are investing more and more in home delivery services as part of their business focus.

Research released in the [MIT Sloan Management Review](#) reveals that online grocery shoppers place a higher priority on being able to choose when their order will be delivered than on how quickly it will show up. [According to Ocado's CEO Tim Steiner](#) traditional online grocery shopping, where people book delivery slots days in advance, will continue to underpin the market: "the channel shift is going to move to the big warehouses because they are the format that offers customers the lowest price and the largest range, and the freshest food, and customers have always migrated to those factors".

The strategy, then, relies heavily on fulfilment. Ultra-fast riders might snatch a slice of the "sudden cravings" market, operating from micro-dark stores whose catalogue stays in the tens, not even hundreds, of products. Uber and Instacart-like types will continue to crowd the supermarket aisles, eating away at revenues with their 30%+ service fees, whereas grocers who govern their own fleets are discovering that their investments in dark stores [are now paying dividends](#) guaranteeing a scalable approach.

But how to make sure that the delivery slots will please consumers while not collapsing under the stress of yet another seasonal or covid-related peak? Those who rely on crowdsourced deliveries mainly do so because they are easy to scale and implement, no matter their weak long-term sustainability. Fleet-owners instead have first to understand their geography, density and picking needs. Medium size suburban dark stores will do the trick for efficiently serving both urban areas and their sometimes sprawling less-densely populated suburban bordering regions, whereas automated micro-fulfilment centres may work best near the biggest cities, even if their ability to store frozen goods is still close to zero.

Once a strong fulfilment strategy is in place it's time to think about the last mile. To properly work, the delivery slot offering must not be siloed from the customer's expectations. A fixed (both in time and in price) delivery slot, which might or might not be available depending on fleet saturation, is a passive proposition: it makes the customer feel helpless, thus negating their "shopping experience".

[A flexible delivery slot](#), which lets the customer select the window size, keeps evolving with both the operational and experiential needs in mind: it is, in fact, a powerful driver of customer behaviour. Being algorithmically linked to requirements like Residual Capacity, Historical Density and Pricing, this fluid solution is the perfect example of "Experience First": the customer feels in control and able to find the correct balance between shipping fee and convenience.

If experience is the primary focus for contemporary grocers', the last mile services have to be considered at the centre of the online grocery strategy: there's no better way to please than offering the privilege to choose.