



The Grocery Store Migration

From Print To Digital

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This paper discusses the continuing trend among grocers to go digital in their customer communications, an area that has increasing relevance as more consumers prefer to be served digitally, and the prognosis for the traditional print vehicles is not so good.

A note: many people confuse online grocery shopping with home delivery.

This can be true, but only a small fraction of the consumers who use grocery store websites to plan their shopping trips actually have the groceries delivered. This number is growing, but meanwhile the vast majority, well into high 90's as a percentage, are using the website to plan their own trip.

This is good news for grocers and CPG companies, as it turns out. Our data show that when a shopper enters the store with a list, the cart at checkout is typically 25% larger than the list that walks in.

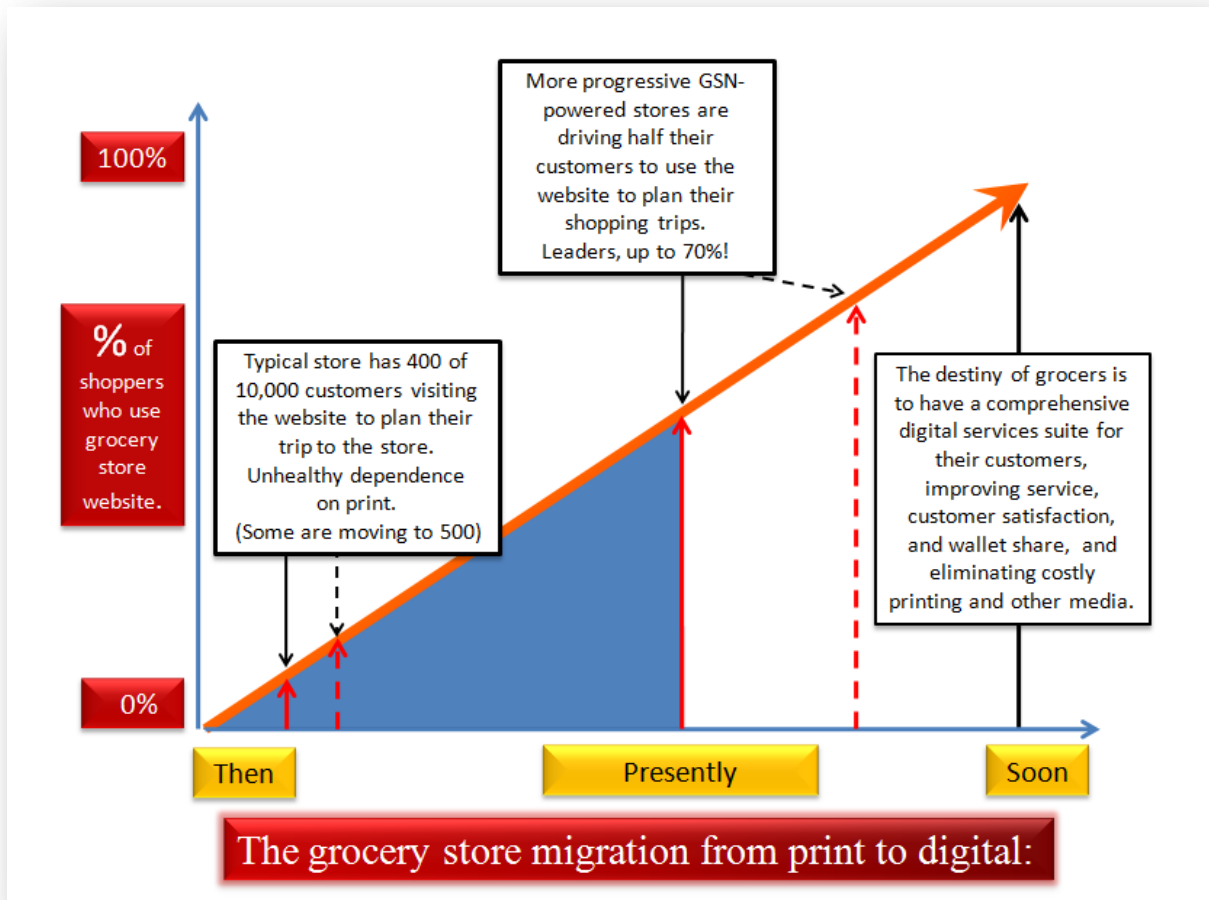
Why do some stores have more traffic than others?

Our experience shows there are several factors that impact consumer usage.

1. Some stores are committed to migrating from print and actively promote their websites, and are actively cutting print budgets.
2. Some websites offer more utility than others. The 'standard transmission' is a digitized version of the store's print circular, brought to life with interactive tools, and some form of shopping list builder. More advanced websites offer greater functionality, such as automatically selecting relevant specials for the consumer from the database of store specials (often 5,000 items will be on special but only 500 make it into the limited space of the circular). Coupon offers, the ability to build a comprehensive shopping list with coupons, specials, and re-orders from the consumer's 'pantry,' extensive recipe databases and the ability to populate the list with the recipe ingredients, the ability to print the shopping list at the store, the availability of all nutritional information, the ability to plan menus based on preferences, all are additional features that make the grocery website richer and more useful, and cause greater usage by the store's customers.

Automatic tellers were released first in the early 1980s. It took a full ten years for 50% of the banking population to use them, and another ten years for the next 33%. Now, almost 30 years later, can you imagine a bank without an automatic teller?

Where is all this heading?



A number of consumers have now become accustomed to store websites that are functioning as important household applications to save time, save money, and plan better meals. As time goes on, (and it usually does) the stores that serve these consumers better will win more of their business. As a result, all of the larger chains, such as WalMart, Safeway, Kroger, have initiatives to provide digital functionality to their consumers. Grocery Shopping Network is proud to enable over 1,500 independent chain stores with functions that enable them to compete with the giants, and often, outperform them in providing digital utilities to their consumers.

Our data show that the heavy shoppers with the big carts for whom the grocery budget is meaningful (your best customers) are migrating rapidly to using the store's digital toolset, and the migration will not stop.

Real World Behavior: Online Shopping Impacts Purchasing.

Following are data from one mid-sized chain that rolled out Grocery Shopping Network's full suite of tools on their store websites in September 2007. The data for September 2007 below are for the grocer's website before the rollout; the data for September 2009 are all post-rollout.

Highlights and trends:

- The number of shoppers using the website increased over 600%.
- The monthly shopping basket of **all** shoppers (online and offline) increased, but the weight shifted to the registered online shoppers, who grew in monthly basket size while growing in actual numbers.
- The monthly shopping basket of **online** shoppers, increased nearly 250% due to store promotion to customers of the web services and user satisfaction with the web services.
- The aggregate shopping spend of online customers grew 2200%, and as of September 2009 represented a rate of over \$850 million in annual spending, a material amount.

	Sep-07	Sep-09	Increase %
Registered Online HH Total	24,370	172,514	607.89%
Registered HH Average Monthly Basket Spend when on GSN Platform for 2 years or more	\$127.45	\$442.39	247.11%
Total Registered HH Average Monthly Basket Spend (all Registered, regardless of time using the platform)	\$101.76	\$272.26	167.55%
Unregistered (offline) Average Monthly Basket Spend:	\$106.20	\$190.30	79.19%
Total Registered HH Monthly \$\$	\$3,092,934	\$71,498,700	2211.68%

Conclusion: Grocery Stores have a new set of marketing tools to provide a better shopping experience for their customers. These tools enable a digital channel to the consumer that lowers the costs of promotion and marketing for the grocer while increasing customer loyalty and shopping cart size.