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Mobile Shopping. Alternative Delivery. What's Next? What to Do?

On December 18, in the midst of the holiday shopping crunch, Amazon introduced a free two-hour delivery service in New York City. For \$7.99, "Prime members can get products like

paper towels, shampoo, and batteries delivered right to their door in an hour or less," boasted a press release announcing the Prime Now service, coming to a city near you in 2015.

In week two of the new-year, the U.S. Postal Service announced it would expand the pilot program of its same-day-delivery service - MetroPost - to Washington, DC. For the previous year and a half, the program had been delivering essentials for a fee on behalf of local retailers in San Francisco and New York. The Postal Service is testing same-day grocery delivery in San Francisco, too.



Valet service for groceries, it turns out, is not merely a pricey convenience for impatient upscale elites. ShopRite in Philadelphia delivers groceries to poor urban customers, who find the minimal delivery charge to be cheaper than bus fare to and from the



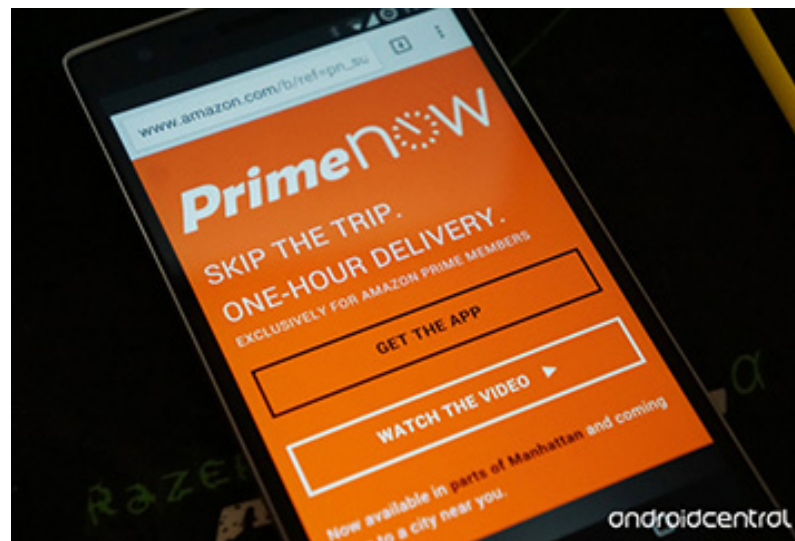
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store. Retailers of a mind to mimic ShopRite's success can do so right away via third-part delivery services like Instacart and Postmates.

By the year 2020, according to RetailNet Group (RNG), e-commerce will claim 20% of all retail sales and digitally influenced store-based retail will account for 61%. "Retailers have to be available wherever shoppers want to act, and they've got to make it easy for them," says Tim O'Connor, VP of the research company RetailNet Group (RNG). "Alternative delivery is for everybody."

This comes as no surprise to retailers and their vendors, all of whom sport bumps and bruises from having been knocked around by the mobile marketing maelstrom over the past two years. What brick-and-mortar retailers can't afford to lose sight of during these turbulent times is that, while they must compete digitally to remain relevant, their most profitable business will continue to take place inside their store doors. Added costs of a delivery business include additional labor for picking and packing as well as trucks and drivers, and demanding consumers are often unwilling to pay enough to cover the tab. While it is clear that all retailers must explore offering online shopping alternatives to key customers, the long view on profitability favors a multichannel blend of delivery, pick-up, and store-based sales, with the store as the hub of a multichannel, digitally-run marketplace.

There is evidence that this integration can pay off. A study by Ahold showed that a hypothetical \$100 in-store customer who added Peapod home delivery upped her total spend to \$150, \$80 of which was in-store. The total spend increased to \$175 dollars for the shopper who used all three consumption



methods. Again, the in-store portion remained the largest at \$70. People want convenience, but people still like to touch, feel, taste, and see products at retail. Indeed, a 2014 Nielsen study found that 74% of shoppers still prefer to buy groceries and other consumables in stores, even if they buy other items online. The winners in this omni-channel retail challenge, it is clear, will be the chains that continue to give their customers new reasons to come into their stores. They will also be the ones that most adroitly exploit new technologies to not only engage with shoppers at retail, but continue to allow them to remain

operate in multichannel mode while on-premise.

Pioneers of the digitally influenced retail frontier will be the ones that:

Integrate in-store with online offerings through mobile apps that present new ideas to consumers that will make them want to do further exploration in-store, and that continue to guide their educational process when they arrive.

Fully exploit collaborative options with powerhouse brands to create unique offerings for their shoppers. Brands will see greater opportunities to captain “store-within-a-store” merchandising programs that enable them to lock up permanent in-store visibility in exchange for underwriting the cost of production and installation.

Deploy innovative attention-getting devices. New techniques of lighting, sound, motion, and even scent can help displays jump out from the in-store media clutter. Application of beacon technology can grab hold of individual shoppers while in aisles and lead them immediately to displays with personalized appeals via mobile devices.

Make the “online store” a seamless extension of the actual store.

Wherever a valued customer is shopping, either on a sofa at home or in a store’s prepared food aisle, use the technology at hand to keep brand imagery and messaging consistent on websites, apps, circulars, and displays.



The United Kingdom’s Tesco chain--which sees a doubling in business from its Clubcard customers who shop both in-store and online--is a good example. Its app for club members forms the centerpiece of its multichannel strategy. Using it, shoppers

can order items and schedule pickups, but also discover new recipes in an online magazine and add needed ingredients with a few simple clicks. The company is testing a MyStore feature, which will display exactly where items can be found in a particular store. Picture, then, a store pick-up customer who wants to try a new recipe, but wants to touch and feel the unfamiliar ingredients before purchasing. When he arrives to pick up his order, he can use the app to quickly pick out the new ingredients and add them to his order. A cross-channel

transaction is born.

“Retailers have to look at the different ways people use digital and give them what they need to make decisions,” O’Connor says. “Merchandising in-store may have to include digital activators. It may have to get more multi-brand or multi-product to provide relevant solutions.”

Digital shopping and alternative delivery methods have quickly become fixtures on the retail landscape. The situation’s not likely to change until someone figures out a way to reconstruct food products in 3-D printers.

What will change among the retailers and their vendors who win in this environment is their understanding that the store remains a critical place in an increasingly digital landscape. Critically important is that stores will serve as experiential and engaging destinations in a multi-channel system in which each channel feeds off the other.

For information on how RockTenn is developing innovative in-store solutions to turn shoppers into stoppers and browsers into buyers, call your RockTenn representative.