As today’s digital ecosystem and consumer purchasing behavior continue to evolve, it can be more important than ever for manufacturers and retailers to create a seamless partnership to win the digitally connected consumer.

Although only 4% of grocery sales today are completed online, more than half are influenced by digital, according to research from Deloitte. The majority of customers use digital for browsing and researching products, as well as for seeking advice and input, according to the “Deloitte Grocery Digital Divide Survey, 2018.” These informed customers drive a 27% lift on transactions and a 36% lift on basket size, the survey noted.

Despite the need to collaborate, 89% of retailers that participated in Deloitte’s “The Voice of the Retailer Survey” said they don’t have much confidence that their consumer packaged goods partners have the digital capacities necessary to make the most of the opportunity. Fixing this now can be crucial.

Kevin Rose, Retail and Consumer Products principal, Deloitte Consulting LLP, indicates CPG manufacturers can address customer needs and rebuild retailer confidence by:

- Understanding the changing relationship consumers have with retailers
- Capitalizing on consumers’ digital connections
- Collaborating with retailers to win digitally connected customers
Consumers’ core values remain consistent, but their behaviors have changed. In “Challenges and Strategies to Win the War for Share,” Deloitte analysts found that the following core consumer purchase values endure:

- **AN EMOTIONAL CONNECTION:** We like to buy brands and shop at retailers who share our values and interests.
- **A FAIRABLE EXPERIENCE:** We crave shopping experiences that are positive, memorable and even fun.
- **A FAST AND EASY TRANSACTION:** We want to be able to find and buy products quickly without hassles or friction.
- **A FAIR PRICE AND GOOD VALUE:** We work hard for our money and want to feel like we’re getting our money’s worth, and maybe even a little more.
- **AN APPROPRIATE INVENTORY:** We shop brands and stores that have exactly what we want when we want it.

What is different is how these values manifest in consumers’ shopping behaviors. Take, for example, time and convenience. In the past, consumers wanted to know exactly where their box of cereal was in the store so they could find it quickly and put it in the cart. Now, convenience has taken on a whole new meaning. In addition to store layout, convenience has gone digital to include app-directed shopping, buy online pickup in store (BOPIS) options, or even free 2-hour delivery — all from your phone.

Four factors that can fuel behavioral change:

**Economic inequality:** Despite a strong economy, most of the gains since the Great Recession have accrued to the highest income group, according to Deloitte’s report, “The Great Retail Bifurcation.” This inequality can affect how and where customers shop — and, as a result, price-based and premier retailers are outperforming those vying for a balanced position, the report said.
Convenience expectations: Regardless of income, customers want immediate satisfaction in-store or online.

Channel proliferation: The average adult sees 800 to 2,500 ads a day, according to the Deloitte report “Retail Renaissance.” This fundamentally changes how they make purchasing decisions, how they define convenience and how they evaluate quality.

Disruptive technologies: Apps and other innovations can enable consumer access to product information and assortment, flexible pricing, app-based experiences and personalization.

While digital influences and shifts our shopping behaviors, the physical grocery experience is still a cornerstone, which highlights the ever-increasing importance of a seamless partnership between the retailer and manufacturer.

CAPITALIZING ON CONSUMERS’ DIGITAL CONNECTION

“CPG manufacturers should consider that market dynamics are shifting rapidly, with experience as the new basis of competition, and build their consumer-oriented strategies accordingly,” said Rose.

Deloitte data show that the total number of digitally influenced grocery sales has more than doubled in only two years’ time. There are a few ways brands and retailers can capitalize on the growing importance of digital.

Building more intimate relationships with consumers is crucial. Brands can use enriched first-party data to deliver more personalized interactions that create more intimate and lasting relationships with consumers. In fact, 68% of consumers say digital influences their loyalty, according to Deloitte research.

“Deloitte data show that the total number of digitally influenced grocery sales has more than doubled in only two years’ time.”
Stores should also deploy innovative technologies to support new purchase behaviors. Retailers can integrate digital throughout the path to purchase, reinforcing repeat purchases and reducing the time between inspiration and purchase, from mobile browsing and shopping tools to home delivery.

It's vital that manufacturers and retailers acknowledge that shopping is now:

**MORE DIRECTED:**
Deloitte research suggests that 66% of consumers lead their own shopping journey, learning about products through means outside of a brand’s or retailer’s control. Consumers now arrive in the store with a well-defined idea of what they need. They walk in, find what they’re after, check out and leave.

**DIFFERENTLY IMPULSIVE:**
While traditional moments of impulse at the register or in-aisle are becoming less effective, digital creates new opportunities. It can do more than trigger purchase; it can drive consumption and even more brand engagement.

**ALWAYS A CLICK AWAY:**
No longer does the last scoop of dog food or the last ounce of laundry detergent necessarily trigger a trip to the store. Connected consumers are a touch or a voice command away from reordering their favorite brands, and getting recommendations on alternatives or better pricing.

**NO LONGER LINEAR:**
Every point on the path to purchase is now an opportunity to build affinity, develop loyalty and drive sales. The current constructs are challenged by the sheer volume, velocity and seemingly infinite variation required to build a more intimate relationship with consumers.

Breaking through can require a deeper knowledge of the consumer, their preferences and real-time shopping behaviors, as well as seamless integration between digital and physical to deliver.
COLLABORATING TO WIN TODAY'S DIGITALLY CONNECTED GROCERY CONSUMER

Retailers have historically relied on manufacturers to support their strategic investments in brick and mortar, but CPGs’ legacy playbook may not be effective in the new digital ecosystem. That’s why many retailers have lost confidence in their CPG partners and don’t see them as partners who can help them win in the new world.

According to Rose, there are five strategies to consider to ease tension, rebuild confidence and drive better business results for CPGs and their retail partners:

- **Unify on channel agnostic growth priorities.** Align and partner on a unified path to growth that encompasses all channels.

- **Leverage consumer insights and data sharing.** Generate and continuously share consumer insights and analytics to engage consumers across the path to purchase at the moments that matter.

- **Streamline the supply chain.** Improve integration of supply chain data and processes, particularly to improve forecasting capabilities.

- **Partner to define assortments and promotions.** Partner to develop assortments optimized for each channel and merchandise and promote within them.

- **Produce marketing content.** Collaborate to develop and deliver the most relevant, timely content to consumers.

Digital is blazing a new trail that’s completely transforming the way CPGs and retailers should go to market and win with consumers. Unfortunately, both parties frequently stand in their own way by feeling that they have to go it alone. CPGs should think about things differently and acknowledge that often the best path forward cannot be forged alone.

“The hearts and minds of the consumer are still up for grabs,” Rose said. “Consumers continue to evolve, in part because of what digital offers them. Digital also means that retailers have as much ability to tap into the evolving consumer experience as anyone else, so long as they embrace the idea that the experience is the new basis of competition.”

For more insights from Deloitte on bridging grocery’s digital divide, check out the webinar: *Grocery’s Digital Divide: Navigating New Channels and Paths to Purchase.*

“CPGs should think about things differently and acknowledge that often the best path forward cannot be forged alone.”

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

ABOUT DELOITTE

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Copyright © 2019 Deloitte Development LLC. All rights reserved.