



The Future of Grocery Retail Planning

Special Report

 **invent**
ANALYTICS

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About The Report

Welcome to the new era of retail planning where omni-channel is the norm and omni-presence is the next big thing.

In this era, retailers' compass for success orients around adapting omni-aware demand forecasting, allocation, and replenishment strategies to keep pace with whatever comes next.

To take a closer look at how retailers can transform their retail planning into omni-channel supply chain ecosystems to win in 2022, we sat down with visionary retail industry executives, academics, decision-makers, and influencers from Spain to the United States.

We call them the Game Changers in Retail.

The leaders featured in this report create a window for retail supply chain leaders to thrive and reignite growth. Here, we deep dive into omni-channel retail planning in 2022 and talk about the important planning trends and predictions for the year ahead.

The report includes actionable tips to quickly respond to the new omni-channel climate and adapt omni-aware inventory and price optimization strategies to stay ahead of the competition.

I believe bringing together these perspectives for all the retail leaders is a valuable contribution to an industry facing constant change. Each insight is significant and combined they present a reinvented retail as we know it.

Once again, I'd like to thank each of our contributors for their willingness to be a part of our special report: 'The Future of Grocery Retail Planning'.

My hope is that the insights from these outstanding leaders will inspire you in 2022 and beyond.

Enjoy reading,

Prof. Gurhan Kok
Founder & CEO of Invent Analytics

Justin Honaman
Amazon Web Services

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Michelle Gloeckler
BJ's Wholesale Club

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Maksym Tipukhov
Fozzy Group

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The Future of Grocery Retail: Key Trends Shaping Grocery Retail



An Interview
with Justin
Honaman,
Head of
Worldwide
Consumer
Products
– Food &
Beverage,
Amazon Web
Services

Today's grocery retail world is changing like never before. Customer shifts around online, convenience, and healthy lifestyle agendas are creating an extraordinary challenge and a golden opportunity for grocers.

In this Game-changers in Retail series, we've met with Justin Honaman, Head of Worldwide Consumer Products – Food & Beverage, Amazon Web Services, to discuss how he sees the future of grocery retail.

Before we look ahead, let's talk about modern consumers. What do you think today's consumers expect from omni-channel grocers?

First, let's talk a little bit about what happened in the last two years. When we think about the Covid-19's impact in grocery even more broadly in consumer goods companies, I don't know if anybody could plan for supply chain pressures and tension that has been placed on these companies. Today, retail and consumer goods companies are in the midst of a transformation unlike any before in their history. And that plays out on consumers too. During this time, consumers have reacted in different ways. Their behaviors changed, and their expectations from grocers have increased.



**Digital
Engagement**



**Know Your
Customer**



Variety

A couple of things we can expect now:

First, Digital Engagement.

As consumers, we want the experience to be the same online as in stores. Although this is easier with the center store items, the bigger challenge is around the fresh produce, dairy, meat, and deli.

We all want our shopping experience to be delightful, frictionless, and omni-channel, right? Therefore, retailers need to act today, and the digital experience needs to evolve quickly. When we look at the numbers from consumer brands and retailers, the last two and a half years have accelerated many of their plans around digital customer engagement. This is exciting, and it represents significant opportunities for grocery retailers.

Second, Know Your Customer.

Grocery retailers need to know their customers better. They need to market to them, provide promotions, discounts, or rewards that are relevant to them. As a consumer, when I walk into a store, I really like an offer presented to me based on the things that I've bought before. And on the grocer's side, doing this requires data and analytics. Once a grocer is armed with great customer insights, they can maintain a positive relationship with their customers.

Third, Variety.

Consumer preferences continue to evolve around health and wellness. Today's consumers are looking for nutritious, plant-based, fresh food for meals and snacks. We also see a rise in energy drinks, healthy beverages, teas, and coffee. And, these consumers look at their grocers to offer a variety of healthy food options. If their grocers don't provide this, they lose a significant competitive advantage.

Today online platforms and apps can deliver orders in an hour or even less. What do you think this means for physical stores in the near future?

I think the idea of getting the products at home in a short amount of time is fantastic and it is very efficient. Instacart is a great example of that. They go to a store, do the shopping for you and bring the product to you.

The numbers show us that online grocery shopping will increase in the near future. That's great, but there is a reason why the stores exist. People still like the in-store grocery shopping experience. Why? Because they like the atmosphere and experience in brick-and-mortar stores and they also want to inspect and pick out their own products. And fresh is the driver in that sense.

Today, both online shopping and in-store shopping have their advantages. Will consumers prefer shopping online or in-store? I think the answer is both. It'll always be the balance of these too.



For retailers, forecasting, planning, and delivery is a top priority right now.



How important do you think it is to make granular, data-driven forecasts in the omni-grocery era?

I believe it's very important. For retailers, forecasting, planning, and delivery is a top priority right now. To succeed, grocers need to start with good data.

Today, they can access rich customer data. They also know what is in stock, what is out of stock, what the price is and what the margin is on that product in that store. And then there is IoT data, sales data, supply chain, logistics, and distribution data available, and the list goes on.

What grocers need is to have the right tools and right platform to bring all these data together and do the analytics on top. And it's challenging for some retailers because, most of the time, data is not in one place. Instead, they are all disbursed across the organization and that makes accurate forecasting even more challenging for a grocer.

Luckily, advanced solutions are available today that use artificial intelligence and advanced analytics to help grocers make data-driven forecasts. Grocers just need to take advantage of that.

Thank you Justin.



The Future of Grocery Retail: How to Become Omni-Channel Grocery Champions

An Interview with
Michelle Gloeckler,
Board Member:
BJ's Wholesale Club,
Duckhorn Portfolio,
Holley Performance



Times are changing. Today, serving the omni-channel customer in the best way possible requires grocery retailers to look at everything through an omni-channel lens, increase their data and analytics capabilities, and re-engineer their supply chain.

In this interview, Michelle Gloeckler, Board Member & Advisor tells us how grocers can be Omni-Retail Champions and shares her perspective on the future of grocery retail.

What do you think consumers expect from omni-channel grocers? What should grocery retailers do so well to meet the expectations and win in an increasingly competitive space?

I think consumers' needs and habits are constantly changing. They expect frictionless shopping experiences that integrate into their daily routines. They demand the flexibility to buy and fulfill where, when, and how they choose, and this creates complexity for retailers.

When it comes to meeting the changing consumer expectations, it is all about being agile and responsive. Retailers who can create enough flexibility in their systems and inventories to offer effortless, frictionless shopping experiences gain a competitive advantage.

How important do you think it is today to focus on omnichannel customers' fulfillment expectations and respond to fast-evolving buying patterns?

I believe retailers need to please their most valuable, loyal customers first. Yes, all customers are important but, there is certainly a lifetime value of a customer who is a grocer's most loyal customers.

And today's fulfillment expectations are very interesting. Consumers are getting smarter. They have realistic expectations, and they know when, where and how they get the best service. Retailers need to fulfill their consumers' expectations by leveraging technology, taking advantage of inventory planning tools to provide in-stock. Accurate demand forecasting can also be really helpful.

I also think that substitution logic is very important for retailers. Whether it is the shopper who wants to make a change in the order or the grocer who wants to offer substitutions in case of an out-of-stock.

Think of a busy mother who needs to get some food for her 2-year-old, for example. She does her grocery shopping online and having it delivered because she wants to save time. If the grocery store doesn't have the specific item she wanted and if that means she needs to stop by at another store, that means losing a lot of time. Emotionally this experience leaves a very negative view of that grocer that disappointed her. So, I think it's important for retailers to understand the customer's emotions.





What do you consider the biggest challenges for grocery retailers today from an inventory planning perspective?

Aside from today's supply chain challenges, I think the biggest challenge for retailers is rapidly changing consumers. There are generational shopping differences both in assortment and how they shop. Today, consumers have so many options like buying online, picking up in-store. They are often less loyal, and we know that it only takes one unsatisfactory shopping experience to make a consumer stop shopping at a retailer.

So, I think this new reality is forcing grocers to navigate things. It's about having a new omni-channel approach, using technology, having the tools and systems that make sense for their business and operations. And inventory is at the center of it all. Today many inventory tools available to grocery retailers and sorting through what works best can be challenging. But, nevertheless, every starting point must begin with the consumer in mind.

How do you see the role of dark stores in grocers' fulfillment strategies?



I think it depends on the grocery store's footprint as well as supply chain efficiency. It depends on how many stores a grocer has, what their supply chain and fulfillment are like. So, for example, if a grocer has a huge saturation of stores, it is easier to pick the items from those stores than setting up a dark store.

On the other hand, I am sure we all had the experience with the carts in the stores where store employees are picking multiple orders, and it looks like a fulfillment center. Many times, customers in the store get frustrated with that. So, from that customer perspective, I like the idea of the dark store. It may not just be as financially possible for everybody, especially if they already have a large footprint of stores. In that case, it makes more sense for them to fulfill from the stores instead of duplicating the inventory in a dark store.

If the store density isn't very strong, I think a dark store can be a good mechanism to fulfill specific geography. Today, grocery retailers doing delivery know where their deliveries are. If 60% of their deliveries are within 3 zip codes and if their closest store is 20 miles away, setting up a dark store can make a lot of sense in there.

What are the 3 key things grocers need to do to optimize their supply chain capabilities to differentiate themselves and meet their financial goals?



Know Your Customer



Win With the Assortment to Meet the Needs of Most Loyal Customers



Leverage Technology to Differentiate Your Service Levels

What do you think should be the top 3 inventory planning strategies for grocery retailers who want to become the omni-channel grocery champions of tomorrow?

Align metrics with company strategy and goals

Grocery retailers need to align their metrics with their strategy and goals. For so many retailers, inventory goals are based on historical processes. They measure in stock, inventory turn, inventory dollars -just very traditional retail inventory measurements. I think they should start over and ask the question of 'What are our company's financial goals?'. And then, they need to align their, inventory, in-stock, profits, sales and customer satisfaction to their business strategy.

In the past, there was a warehouse and a store. Now there is a warehouse and a store that is a warehouse, if you're doing fulfillment from there. There are also online orders carrying incredible consumer data. In the past, no such data was available. A grocer might have thought they lost a sale, but it was more of a guessing game.

Today when a customer places an online order, they get a recap of the items they'll get or the substitution items. And retailers have access to this very valuable information too. They can see what their consumers are looking for, what they are purchasing, the out-of-stocks etc. This is a whole stream of data and analytics, and retailers can use it for better inventory planning and more valuable experiences for their shoppers.

Leverage technology

Traditional metrics like in-stock, inventory turn, inventory dollars can no longer produce the desired financial or customer retention results. Today, grocers need to leverage the technology and tools to do robust demand forecasting, better inventory positioning, and better fulfillment.

Simplify and remove tension in the supply chain

Lastly, to meet these goals, I would say retailers need to simplify and remove tension. And I think it is a very different way of thinking about inventory, replenishment and forecasting.



Finally, how do you think Invent Analytics can help grocery-retailers to win in the new omni-channel world?

Consumers have power; they have choice...in both the WHAT they shop for and the HOW they shop for it. Add to that they WHERE they buy and it gets complex quickly. While consumers have habits, they don't conform to a predictable behavior all the time. Given that, the use of AI to build as much pattern-based learning to assist in driving the business is necessary. Invent Analytics has been modernizing allocation, inventory and forecasting through AI for years and now has tools to help in the omni-world...because we're not going back! Consumers are in charge and have the power.

Thank you Michelle.

The Future of Grocery Retail: Demand Forecasting and Inventory Planning for Grocers

An Interview with Maksym Tipukhov, Demand Forecasting Director, Fozzy Group

We are all living in a very different world than we were just a year ago. The grocery retail landscape is rapidly changing, and the majority of the changes incorporated in the industry are technology and customer-requirement-driven.

In this Game-changers in Retail interview, we met with Maksym Tipukhov, Demand Forecasting Director, Fozzy Group, to discuss the future of grocery retail and how grocers can thrive in this new omni-channel era.

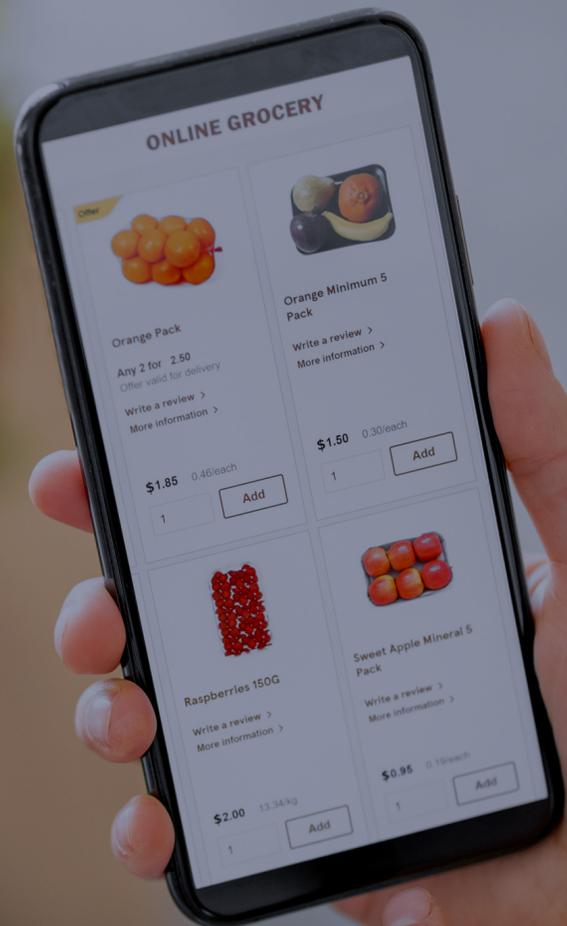


What should grocery retailers do so well to meet the expectations and win in an increasingly competitive space?

Customer-centricity is becoming the new game in town, requiring grocery retailers to prioritize the customer experience. To win in this new competitive space, retailers need to create 5-star personalized customer experiences and provide special offers. In addition, they need to quickly adapt to the new omni-channel world and leverage new technologies to serve them better. In other words, if grocers give their customers positive experiences, they will continue to do shopping with them and even recommend them to others.



Grocers must rethink how they manage their inventories and how they do the planning to meet the demand of omni-customers across all touchpoints.



How do you see the role of dark stores or micro-fulfillment centers in grocers' fulfillment strategies?

I don't think dark stores have a "role". They practically take center stage now. In today's "quick delivery market," any grocery retailer who wants to stay ahead of the game needs to have dark stores. I see them as the only effective way in grocers' fulfillment strategies.

What do you think are the 3 key things grocers need to do to optimize their supply chain capabilities to differentiate themselves from their competitors and meet their financial goals?

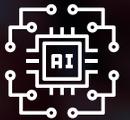
In today's market, transparency is the new gold standard. Grocery retailers need to make sure that their business processes are transparent and clear. Transparency in a business generates better performance, it builds trust and improves efficiency.

Secondly, grocers need to implement AI/ML-based solutions anywhere where it's possible and makes sense. These solutions hold the key to any retailer's success in winning, serving better and retaining their customers. So, they should leverage the power of AI and advanced analytics to improve their operations, reduce costs and increase sales.

Lastly, grocers need to prioritize environmental responsibility and focus on waste reduction and eco-friendly initiatives. While optimizing their supply chain for efficiency, they should also reduce waste by successful planning. Today, machine learning and advanced analytics technologies can be very helpful in addressing these issues.



Transparency



AI/ML-Based Solutions



Environmental Responsibility

How important do you think it is to make granular, data-driven forecasts in the omni-grocery era?

In one word: Critical.

Retailers need to make granular, data-driven forecasts to survive and thrive in the omni-channel world of retail. There is no other optimal option. They need to leverage a successful demand forecasting solution's advanced capabilities, such as quick simulations, forecast horizons, cost optimizations, and real-time parameters considered by the system.



What do you consider as the biggest challenge in omni-channel demand forecasting?

I would say the biggest challenges in omni-channel demand forecasting include the data cleansing process, data validation, and master data support. On top of that, retailers should utilize AI/ML-based demand forecasting systems to incorporate weather impacts, cannibalization-halo effects in between products, competitor cannibalization, and so on.

However, even those are not enough for the new world of omni-channel retailing. For example, while making a forecast for a store-SKU, retailers should consider the physical demand at the store, and they should take into consideration online sales that would be fulfilled from stores.



AI/ML-Based Demand Forecasting Systems



Weather Impacts



Cannibalization-Halo Effects

What is the most effective way for grocery retailers to improve availability and reduce waste?

Improving availability is a critical element of delivering excellent customer service. However, achieving high levels of availability without holding high inventory levels is challenging, so grocers working to improve availability and reduce waste need to be creative. They should focus on their business operations and take advantage of AI/ML-based solutions and mathematical models and algorithms. Planning for fresh items requires different logic. Retailers should consider the shelf life of each SKU, remaining expiry days, consumer habits - LIFO ratio, waste probabilities and, balance it with lost sales by also considering product margins.

What will be the key trends shaping the grocery industry in the coming years?

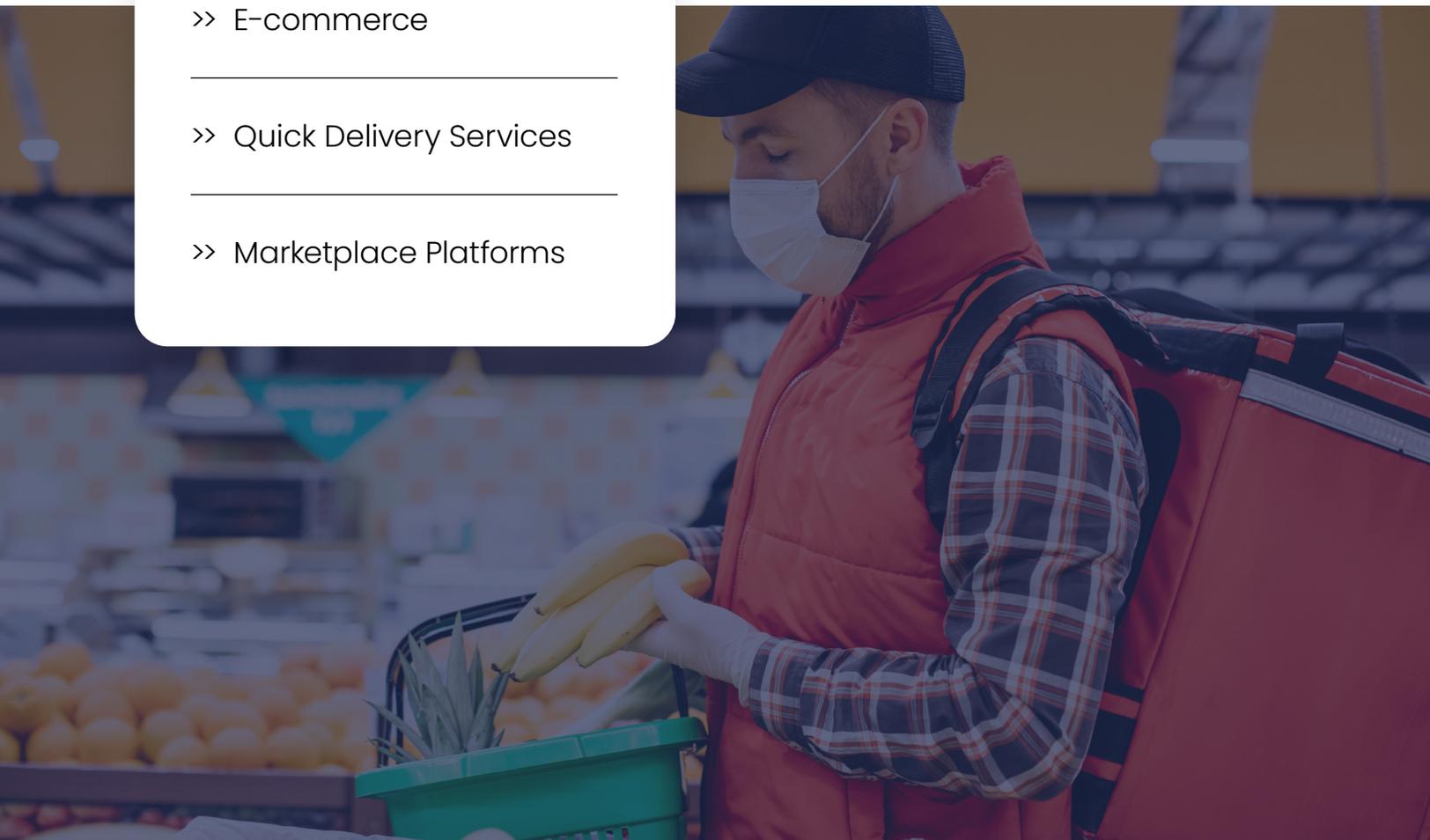
Firstly, e-commerce will continue its march. Pandemic accelerated the shift towards e-commerce, and I believe we'll see it rising in the future. There will be more quick delivery services as more customers enjoy the convenience of the doorstep experience. Lastly, I think we'll be seeing more marketplace platforms in the coming years.

Thank you Maksym.

>> E-commerce

>> Quick Delivery Services

>> Marketplace Platforms



About Invent Analytics

Invent Analytics' Omni-AI delivers significant financial improvement by empowering retailers to profit-optimize their supply chain. It orchestrates a retailer's entire supply chain by unifying network planning, inventory and price optimization, and fulfillment in one framework.

Invent Analytics puts your omni-customers at the heart of its tailor-fit solutions. It proves the financial benefits with pre-go-live simulations and rigorous A/B testing. Invent Analytics' over 30 clients have experienced a 2-6% increase in profitability.

Invent Analytics' Omni-AI SaaS solutions are:

- Omni-Network Design
- Omni-Plan Suite
 - Omni-Demand Forecasting
 - Omni-Store and DC Replenishment Optimization
 - Omni-Allocation Optimization
 - Omni-Transfer Optimization
 - Markdown Optimization
 - Assortment Optimization
 - Dynamic and Competitive Price Optimization
- Omni-Fulfillment

Invent Analytics has been selected as the Top Supply Chain Technology Company by Retail Industry Leaders Association (RILA) and won the 2020 Innovation Awards for Supply Chain.

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