

RETAIL NEWS INSIDER



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**The E-Commerce
Explosion:
Can Traditional
Grocers Survive?**



Interactions

The award-winning Interactions *Retail News Insider* offers a look at the trends, best practices and news affecting today's retail environment as it relates to engaging shoppers and driving sales.

As the flagship publication for Interactions, *Retail News Insider* provides insight on trends that affect all levels of our business, practical sales tips for our field teams, as well as the latest news from our own consumer experience marketing experts. Our team embraces the concept that the world of shopper engagement is an ever-evolving marketplace, and goes inside the stories to take a look at what's happening in the U.S. and across the globe.

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AVA Digital Awards

Gold Award Corporate Newsletter
MarCom Awards

Best Digital Communication Vehicle
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Best Internal Publication
MarCom Awards

Best Employee Publication
International Academy of Visual Arts Communicator Awards

Best In-House Trade Publication
San Diego Press Club

Best Regularly Featured Column (Essentials to Engagement)
Content Marketing Awards

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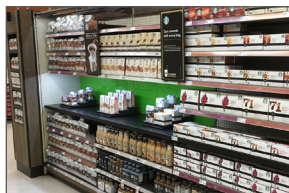
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Bharat Rupani
President, Retail Services

Retailers today need to stay relevant in the consumer's journey to purchase and need to curate their offerings and experience through the constant new technologies that are being adopted. Not all of these technologies will succeed—but not knowing what will take hold, it is imperative that retailers continue to be part of enabling the journey.

This summer we saw the rise of interest in apps and tools that use augmented reality to create unique and fun experiences. The most visible example of augmented reality recently has undoubtedly been Pokémon GO, embraced and enjoyed by people all over the world. This development clearly illustrated the now proven use of augmented reality for fun. But we're

Insider Look: Shoppers' Enthusiastic Response to Augmented Reality and the Implications for Retailers Today

also interested in its application within retail! To learn more about how customers are engaging with this new medium, Interactions explored this trend more in-depth by conducting a survey in markets across the U.S., studying the impact augmented reality is already having for shoppers.

The 2016 survey conducted by Interactions found that 71 percent of respondents would shop at a retailer more often if they offered augmented reality experiences and 40 percent would be willing to pay more for a product if they could engage via augmented reality.

Picture this augmented reality shopping experience: a customer enters the store, downloads the app and creates a profile including personal preferences like favorite foods and perhaps even food allergies. The customer can simply point their phone's camera at products and choose to go on their personalized journey, having the choice to see information such as source, ingredients, price and special discounts, etc. Or they could explore recipes, or engage in a visual experience to see how the finished recipe would look.

Grocery retailers, too, have the opportunity to build on sales generated by foot traffic through augmented reality user experiences. The possible applications of augmented reality include using it as a game, as an educational tool teaching families about the basics of healthy eating, or to reinforce healthy eating choices. It could open a new avenue in providing personalized promotion. And the wealth of insights on how consumers journey through to the final purchase decision would lead to more satisfied shoppers.

As augmented reality continues to grow in use and popularity, customers are expressing their interest in the platform. They see it as a novel and fun way to view, learn about and purchase products. Eighty-five percent of shoppers say that value-added augmented reality influences their purchase decision, proving the possibilities within the retail space are limitless and retailers today are finding a variety of creative ways to use this technology to generate both excitement and increased sales!

Bharat Rupani
Bharat Rupani

[Editor's Corner] **Fighting the Amazon Threat**

Our Market Watch feature this month was inspired by recent news reports that Amazon may be getting into the click-and-collect grocery game, expanding their e-commerce grocery reach beyond the current AmazonFresh home delivery program. Though the company has neither confirmed nor denied such plans, it made us pay closer attention. If Amazon is thinking of getting into click-and-collect, it must be ready to explode, right?

Well, as you'll read in the feature starting on page 6, e-commerce grocery is steadily growing, but it's not a lost cause for traditional

retailers. Brick-and-mortar retailers still have the majority of the market share by far—and there's a lot they can do to keep it that way.

You won't want to miss the other articles in this issue, either. With expert insights on how nimble merchandising teams help retailers adapt to a changing landscape, game day selling tips for Sales Advisors and more, there's a little something for everyone.

All the best,
Angelica Martinez
Angelica Martinez



Angelica Martinez
Senior Communications
Manager

[Essentials to Engagement]

SCORE A TOUCHDOWN WITH GAME DAY SHOPPERS



Football season is upon us, which means Sunday afternoon parties, Thursday tailgating and more. According to consumer research firm Mintel, half of Americans consider themselves football fans, making it the most popular sport in the U.S. What's more, nearly two-thirds of fans say eating and drinking is a big part of watching the game. As a Sales Advisor, you're in the ideal position to capitalize on this trend and help shoppers take game-day fare up a notch.

One of the best ways to reel football fans in from the start is to bring the sports theme to your cart set-up and display. If you're sampling products that feature special packaging, contests or sweepstakes related to the game, be sure those graphics are front and center. Create a large stack or pyramid of product on your cart. Or display them in a way that features the local team's colors, if you can.

Go for the extra point with salty snack ideas! According to Mintel,

68 percent of fans choose them over the sweet stuff when watching sports.

Also play up ideas for game-day snacks using your products. Suggest making an amazing creamy dip out of the Greek yogurt you're sampling, or turning frozen meatballs into an irresistible (and easy) appetizer by throwing them in the slow cooker with equal parts grape jelly and chili sauce. Encourage shoppers to think outside the beer can, too. Juices, sparkling waters and instant drink mixes can all make good cocktail starters—or serve as welcome non-alcoholic options.

Don't worry if you don't know a lot about football. Simply playing up on the sport can open the door for shopper interaction—and the opportunity for a sale.



[From the Front Lines]

RECRUITING THE BEST TO DELIVER SUCCESS

As seasonal hiring starts to ramp up, we wondered: what does it take to find the successful Sales Advisors and Brand Ambassadors who drive our business? We sat down with Interactions' Senior Recruiter Fred Castro to find out.

RNI: What's the process for hiring front-line associates, particularly during the holiday ramp up?

Castro: At some locations, we could need to add up to 10 or 15 additional associates to help cover extra events during the holidays. So we post on various job boards, then funnel the responses from those ads back to the managers to conduct interviews. We're also always happy to get referrals from current associates. In the first six months of this year, 37 percent of our new hires came from referrals.

RNI: What are you looking for when you hire a new Sales Advisor or Brand Ambassador?

Castro: We're looking for someone who, when you first talk to them during a phone interview, they're upbeat and interactive. They answer questions without much hesitation and genuinely like talking to people. The person we want out there on the sales floor—they're making eye contact, they're interacting with shoppers and answering questions. Of course, there are also the practical things. We're looking for someone who can be on their feet for 6 hours a day. We run events 7 days a week, so we also need people available both during the week and on the weekends.

RNI: Recruiting is a two-way street. Why should people want to work for Interactions?

Castro: The part-time world is very competitive right now. We know people have choices, so we offer competitive pay and a flexible schedule. There's also opportunity for growth, if that's what someone is looking for. If an associate is interested in moving up the chain to become a shift supervisor or a manager, they should talk to their manager about working toward that. We want to promote from within and foster the talent we have. It's better for us—and for our clients.



Fred Castro
Senior Recruiter



RETAIL'S NEW REALITY REQUIRES NIMBLE, RESPONSIVE MERCHANDISING

By Michael Bellman, President SAS Retail Services

It's no secret that the retail industry is undergoing a major period of change. Over the past year, we've seen an unprecedented number of mergers, consolidations and acquisitions in the grocery arena, as well as increasing pressure from online retailers. Consumers are also changing the way they shop—making more frequent, yet smaller trips to multiple stores instead of one or two big weekly buys. They also want more assortment and a better shopping experience. To stay competitive, retailers have to react and adapt to the changing landscape. And that means merchandising also has to be quick, nimble and responsive.

The fast and furious year we've been having at SAS Retail Services is prime evidence of this shift. In addition to executing launches of several new dedicated merchandising programs, we've jumped in to help several of our retailer partners with new projects—from refreshing store layouts to

updating categories to remodeling acquired stores. This work often has to be completed on short deadlines, and sometimes calls for hundreds of new hires in just a few weeks.

Fortunately, given our broad network across the country and the way we're ingrained with many of our partners, we've been able to respond to their changing needs just as quickly as they need to adapt the new retail reality. That's one of the key benefits of a dedicated merchandising model. It allows us to get to know a retailer, understand their market and how they operate, and then more quickly react and expand. Our position within the Daymon Worldwide suite of companies also gives us the knowledge to support private brands, which is one of retailers' key pillars of growth and success today.

Ultimately, though, versatility and agility comes down to the people who make up your business. People are the core of SAS Retail Services. The quality of our associates, the way we train, educate and onboard them—it all makes the difference. It's what gives us the advantage in delivering the best merchandising services for our retail partners, no matter what their needs are or how quickly they change.

TOP
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Best-Selling Halloween Candies

Are you part of the 75 percent of households planning to hand out Halloween candy this year? If so, chances are good there'll be some chocolate in your basket. According to the National Confectioner's Association, chocolate is by far the most popular type of Halloween candy. Seventy percent of kids and grown ups alike say it's their favorite. Can you guess the top 5 brands that land in trick-or-treat bags each year? Check it out:

1. REESE'S
2. M&M'S
3. SNICKERS
4. HERSHEY'S SNACK SIZE
5. KIT KAT

Sources: IRI Worldwide, 24/7 Wall Street



MARKET
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The E-Commerce Explosion: Can Traditional Grocers Survive?

By Retail News Insider



AmazonFresh, Instacart, Netgrocer, Peapod, Plated, Blue Apron, HelloFresh, PeachDish— and the list goes on. These are just a few of the many alternatives consumers now have to going to a traditional grocery store to stock their fridges and pantries. Since the very first online grocery shopping service hit the scene nearly two decades ago, sales and consumer adoption have slowly, but steadily grown—at least until the last few years, when that growth seems to have finally caught fire.

According to research firm BI Intelligence, e-commerce grocery sales are expected to grow by 21 percent by 2018—compared to just over three percent growth for traditional brick-and-mortar grocery stores. And financial services firm Morgan Stanley predicts consumer adoption of grocery e-commerce will soar from 16 percent in 2015 to 28 percent by the end of 2016.

Should brick-and-mortar grocers be worried? Yes. But is it a lost cause? Absolutely not. This month, *Retail News Insider* investigates the top e-commerce trends impacting the grocery landscape today, what the future holds—and how traditional retailers can keep up.

WINNERS IN THE ONLINE MARKET

Over the last 15 years, a number of players have entered the online grocery market. Looking at those that have had the most staying power, there are three main types of e-commerce grocery services that have been successful in capturing consumers' attention (and dollars): **grocery home delivery, click-and-collect and meal kit services.**

Grocery home delivery—the full-service option that lets shoppers add everything from tomatoes to toothpaste to their online carts and have them delivered directly to their doorstep—is the model that started it all nearly two decades ago. And it's still going strong today, with traditional grocery retailers like Ahold and Safeway, online retailers like Amazon, and third-party services like Instacart and Google Express all getting in on the mix. (For those who aren't familiar, third-party services essentially function like a personal shopping service, allowing consumers to order from multiple retailers—even those without their own online/delivery services.)

This model has been especially popular in Europe and Asia, but somewhat slower to become mainstream here in the U.S., particularly as the sole method of grocery shopping. A recent survey by Morgan Stanley showed that 67 percent of consumers who have never shopped online cite wanting to choose their own fresh products (fruit, vegetables, meats, etc.) as the top reason. That same survey showed that while 16 percent of Americans have purchased packaged foods online in the last year, only 8 percent have bought fresh items. Another turn-off for many consumers are the shipping costs and service fees often associated with home delivery.

In an effort to mitigate such concerns, and to lower retailers' own costs, **click-and-collect models** have become another major player in the e-commerce market. This model typically



GROCERY E-COMMERCE AROUND THE GLOBE



E-commerce share of total grocery sales

U.S. – 2%
UK – 6%
China – 4%

Consumers who have tried online grocery shopping

U.S. – 21%
UK – 30%
China – 46%

Consumers willing to try grocery home delivery

U.S. – 55%
UK – 50%
Asia – 53%

Sources: Nielsen, IGD Group, Morgan Stanley

involves ordering items online, then picking them up at a traditional grocery store, locker or dedicated drive-thru. In most cases, service costs are lower than home delivery—and consumers often have the option of inspecting their groceries before accepting them. Some consumers may also choose to order packaged goods via click-and-collect, then make a separate, shorter in-store trip for fresh items. According to market research firm Nielsen, U.S. consumers who don't currently shop online say they would be more willing to try click-and-collect models (57 percent) versus home delivery (55 percent).

The newest player to enter the e-commerce grocery market are **meal kit services**. These are typically subscription-based models, where users sign up for a set number of meals each week and the services ship them all the ingredients ready to cook, along with the recipe. These services tap into the market of consumers who want to cook at home rather than eat out, but who don't have the time or inclination to find recipes, plan meals and shop on their own.

Though meal kit services have only been around for a few years, they have already exploded into a \$1.5 billion market. And while survey firm CivicService puts U.S. trial at only about 4 percent, they note that these services may be tapping into bigger wallets—with most consumers who make at least \$100,000 per year being most likely to try one. Those same consumers tend to have bigger basket spends, which means there's potentially more at risk for traditional retailers.

HOW BRICK-AND-MORTAR GROCERS CAN STAY ON TOP

While grocery e-commerce will continue to grow for the foreseeable future, that doesn't mean traditional grocers are doomed to sit idly by while their sales decline. Nor can they rest on their laurels on the assumption that the majority of consumers will always prefer to shop in-store as they do today.

"There's a real danger in becoming complacent," says Ryan James Dee, Creative Director for Interactions. "It

would be foolhardy for traditional retailers to ignore the fact that these e-commerce services exist, much like twenty years ago when bookstores thought people would always want to come into the store to peruse books. But look at where they are now. You can't ignore it. Times are changing."

So what's a retailer to do? "There would be very few supermarkets who wouldn't benefit and see their sales benefit from offering an online option," says Bill Bishop, Chief Architect of Brick Meets Click, a consultancy firm dedicated to helping grocers focus on growth opportunities at the intersection of brick-and-mortar and online retailing. "Some should obviously be thinking more aggressively than others. But, with very few exceptions, most should have it covered in some way to avoid that loss of sales, so shoppers [who want to shop online] aren't forced to go somewhere else."

Bishop points out that this doesn't necessarily mean retailers have to build their own online solutions from the ground up. Partnering with a third-party delivery service, such as Instacart, Google Express or Postmates, can be a viable option with lower initial investment and infrastructure requirements.

All grocers, whether they have an online option or not, can also benefit from increasing their digital connections with shoppers, says Bishop. According to a study by Brick Meets Click, the more digital connections a consumer has with a retailer (think interactions via e-mail, websites, social media, texting, etc.), the more likely the consumer is to become a primary shopper. And primary shoppers—people who consider a particular retailer their primary grocery store—spend nearly three times as much money with that retailer than with others.

In order to make these digital connections, Bishop emphasizes the importance of having accurate and up-to-date contact information for consumers. "It's not unusual for a retailer to say they have 20,000 customers in their loyalty program, but it turns out 3,000 of those accounts are obsolete and only about 7,000 have up-to-date phone and email information," he says. "Correcting this is something [retailers] can act on right away... and the difference, in terms of engagement that a retailer has with consumers, leads to a much more engaged and much more loyal shopper."

"It also behooves retailers to amplify the in-store experience," adds Dee. Grocers have to make their brick-and-mortar stores places that shoppers want to keep coming back to. "There are certain niche stores, like Trader Joes and Whole Foods, that people want to go in because they know they're going to find something unexpected," explains Dee. "Traditional retailers can do the same thing. They can do experiential

"As we are quickly learning in food retailing, experiences, not products, are the key drivers of success."

—Carl Jorgensen, Director of Global Consumer Strategy for Daymon Worldwide

events or bring in new products or introduce shoppers to new flavor profiles in order to keep them engaged and in the process, increase loyalty."

Meal kits are another way for retailers to deliver positive experiences to shoppers—and to directly compete with online offerings. "Many meal kit customers report that they learn new cooking styles and techniques, as well as experience new flavors from meal kits. These are experiences that they might not otherwise have. And as we are quickly learning in food retailing, experiences, not products, are the key drivers of success," says Carl Jorgensen, Director of Global Consumer Strategy for Daymon Worldwide.

"Meal kit delivery services are still in their infancy, so it's the prime time for retailers to stake their claim and come up with their own versions," adds Dee. "In fact, they can be even better than a meal kit service. They literally have the entire store at their disposal to create their own make-and-take meals or recipe kits. And consumers don't have to subscribe or worry about picking out their meals on time. They can just go into the store on any given day and know there will be a solution waiting there for them."

Whether it's improving the in-store experience, increasing digital connections or developing their own online options, with over \$600 billion in in-store grocery sales at stake, traditional grocers have all the reason in the world to act—and to act now, before the e-commerce options grow larger and more competitive.

MARKET WATCH CALENDAR

January	Merchandising & Big Data
February	Experiential Marketing
March	Bottom Line: Investing in Technology
April	The Cost of Crime, Part 1
May	The Cost of Crime, Part 2
June	The Cost of Crime, Part 3
July	Exponential Innovation
August	Generation Z
September	Retail's Digital Playbook
October	Changing Fundamentals
November	Voice of the Consumer
December	2017 Trends

Up Next

2016

THE IMPACT OF AUGMENTED REALITY ON RETAIL

DISCOVER THE IMPACT OF AUGMENTED REALITY IN INFLUENCING SHOPPER BEHAVIOR AND PURCHASES

80%

of shoppers say that augmented reality has changed the way they shop

34%

of people have used augmented reality while shopping

76%

of people's purchases involve the use of augmented reality at least half the time

71%

of people say they would shop at a retailer more often if the retailer offered augmented reality

Get more insights into the uses of augmented reality in retail in the October 2016 Retail Perceptions report.

Interactions, the global leader in innovative retail solutions and experiential marketing for retailers and brands, publishes the latest insights-directly from shoppers to you.

Visit www.retailperceptions.com for the latest Retail Perceptions report, available this month.

Retail
Perceptions 

SAS Retail Services Delivers on Aggressive Plan to Bring New Look to Wisconsin Retailer

In May of this year, SAS Retail Services' Regional Vice President Tom Dennis and his team were presented with a fantastic but challenging opportunity by a Wisconsin-based grocery company. They would be offered the chance to support the retailer's remodeling project, an aggressive plan to update 28 stores in Northern Wisconsin. The catch? The team would need to hire 400 associates in 45 days.

"There were so many obstacles that we faced with this project," says Dennis. "First, we were hiring in a tough market, and second, we were doing it in a short period of time. Third, we were figuring out how we could strategically allocate resources."

Capitalizing on the experience of developing a dedicated merchandising program for the retailer in 2015, the SAS team rose to the occasion and accomplished their recruiting goals in record time. Now the team has moved onto the execution stage of the project, having set a goal to complete 6-7 stores per week, with employees dedicating an average of 3,750 working hours per location. As a testament to their capabilities, the remodel teams have actually been finishing each store ahead of schedule.

According to the retailer, the individual stores that have been completed to date are seeing big increases in sales, showing the clear difference that SAS Retail Services can make for retailers. The project will continue in the Madison market through the end of the year, and the SAS team will move on to tackle the retailer's Milwaukee market in 2017.

"I could not be more proud of our program," says Corey Wiesner, SAS Program Manager for the retailer. "The remodeling project has been a total team effort. It's truly impressive what has been accomplished within a short period of time."

"I have one word: Amazing," continues Dennis. "The time and the energy the team put into this in order to pull it off is amazing. These guys deserve all the credit in the world."



Enhanced displays give the retailer's stores a fresh, modern look.

"Things are going well and I am hearing very positive things from the store teams. They had great praises for the SAS Project Managers. The team has jumped in and helped on sets, equipment and replenishment – it's been great!"

Retailer Executive - Retail Support Services

DAYMON DOES: EXPORTS

It's hard to get noticed in the dog-eat-dog business world, and that was especially true for the manufacturer of "Petchup," a tasty and nutritious flavoring sauce for dry pet food. When **PAUL KIM**, Daymon/Omni business development manager, found out about the product, he identified South Korea as a potential market that Petchup Inc. hadn't considered.



Paul quickly developed a market entry strategy to make this happen – and a small quantity of product was provided to Ebay Korea. Immediately customers took to social media to praise "Petchup" for helping their pets regain their appetites. Within weeks, "Petchup" sauces were the top sellers in the category! Petchup Inc.'s business in Korea continues to expand dramatically and, says Anthony Williams CEO, "Daymon was the primary reason." That's no shaggy-dog story.



To learn more, please contact
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FOR YOU.