Grocery: The Evolution Has Only Just Begun

Contents

Introduction

No matter how meatless meat becomes, how many meal kits rise to fame, or how much traffic BOPIS brings, there is one thing that will always be certain in the grocery industry: customers have to eat. We can't live without food, which means we cannot live without the venues that provide it. And despite the fact that the grocery industry as a whole has remained relatively stable since its conception, we cannot deny that the way we acquire our groceries has been shifting dramatically over the past ten years.

Not only can we still get our groceries the old-fashioned way (by walking through the aisles and grabbing anything that sounds good), but we can also now receive them via home delivery, through BOPIS, and even at cashierless stores. For even more convenience, we can order online; over 70% of households in the US made use of home delivery and pickup services at least once in 2021.[1]

Grocery has a lot to think about, but that's a good thing. Because food is so popular–and necessary–it isn't going anywhere. As part of our research efforts, we've talked to more than 11,000 consumers in order to find out what they want when it comes to the evolution of grocery. And one thing is for sure: the people have spoken. Food (and convenience. And quality. And variety) is the way.

The Good, The Bad and The Ugly

GBU 20

The Good, The Bad & The Ugly

How Consumers Are Ranking Grocery Stores

With Amazon stepping up their grocery game (think Whole Foods, Amazon Fresh, Prime Pantry), Target acquiring Shipt to offer same day grocery delivery, Kroger partnering with Walmart and Walgreens, and online grocery sales predicted to comprise of 20% of the grocery market by 2026,[2] to say the grocery vertical is being shaken up is an understatement. Is your brand poised to drive innovation in this space or will you get lost in the shuffle?

We've talked to consumers to examine the Good, the Bad and the Ugly in the modern retail marketplace in order to uncover if shoppers think a brand "gets" them, or if they don't care if a brand goes away tomorrow. While we collected data on 10 main verticals, we'll dive into some of the findings within the grocery vertical specifically. Grocery is slowly beginning to mirror the retail industry in terms of added delivery, experiential, and promotional offerings. And these improvements have earned grocery the number five spot in the Good vertical ratings, being outperformed by big box (which includes the largest grocery players), drug, online, and department.

Our Good (this brand really gets me), Bad (these guys are just okay) and Ugly (I don't care if this brand disappears tomorrow) study included 100 of the top brands in the industry today. Traditional grocers should take note that the top three Good brands of the entire study also happen to sell groceries. Consumers ranked Amazon, Walmart & Target within the top five Good brands consistently all three years. So what does that tell us? Well, consumers prefer one-stop convenience-based shopping but even more so, there is a high value placed on quality of product.

Top 5 GOOD Brands by Generation

GEN Z	
Amazon	74%
Nike	69%
Bath & Body Works	68%
Apple	67%
Finish Line	58%

MILLENNIALS	
Amazon	81%
Target	58%
The Home Depot	52%
Nike, Apple, Aldi	51%
Costco, Walmart	50%

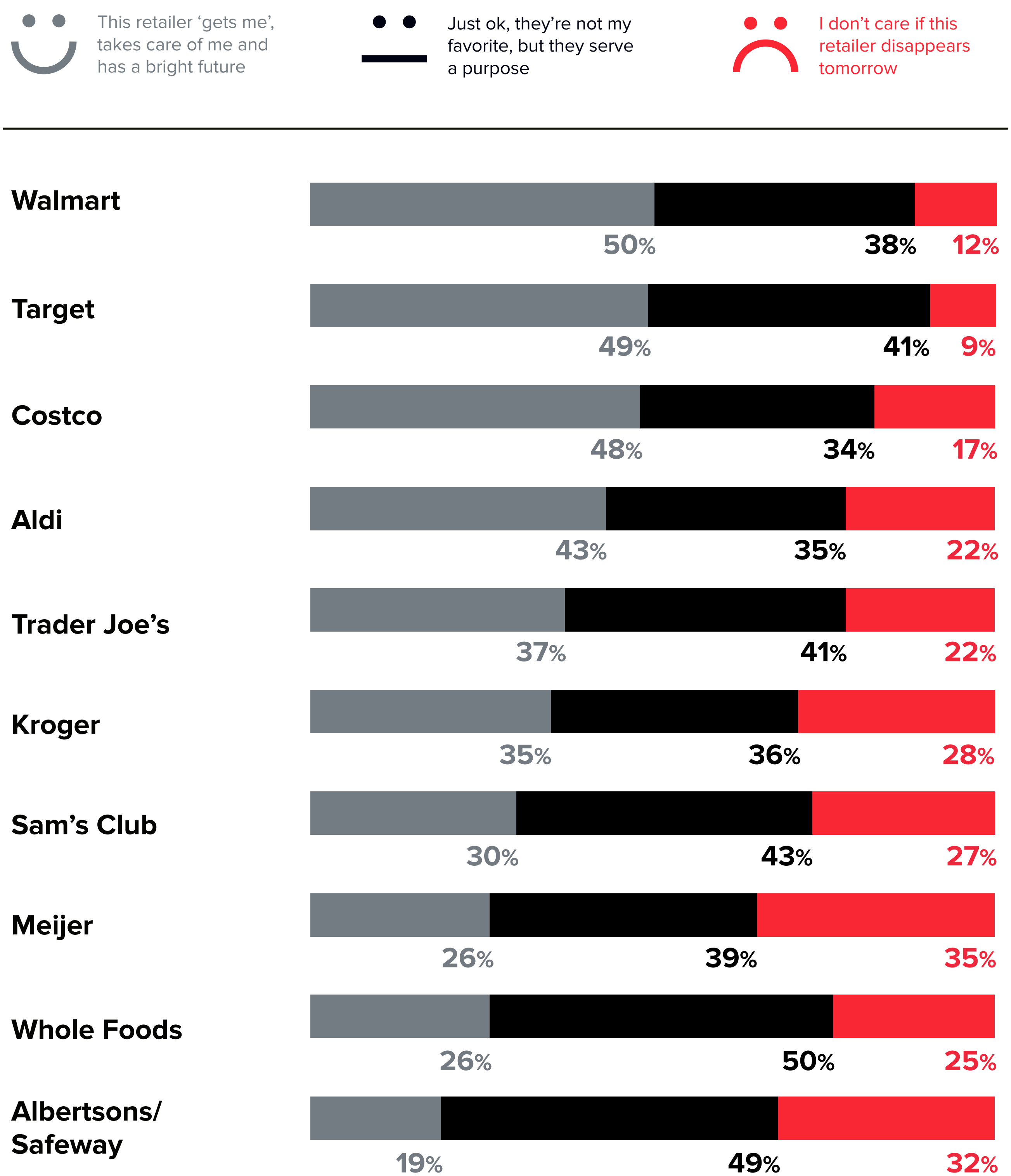
GEN X	
Amazon	77%
Walmart	54%
Lowe's	49%
Costco	48%
Target	47%

BOOMERS	
Amazon	68%
The Home Depot	58%
Lowe's	51%
Allbirds	50%
Walmart, Microsoft	47%

SILENT GENERATION	
Amazon	64%
The Home Depot	61%
Costco	60%
CVS	59%
Apple, Lowe's	53%

To dive deeper, we segmented the data into five traditional demographics based on age: Gen Z (18 to 22), Millennials (23 to 38), Gen X (39 to 54), Boomers (55 to 73), and the Silent Generation (73+). These generational markers helped us to identify over-arching themes in consumer behavior that would not have been revealed otherwise. We've come to some exciting conclusions about why companies ranked how they did and identified unexpected factors that contributed to each brand's ranking by demographic. Each of the top five retailers (for each generation) is known either for low prices, exemplary customer service, or both. Though there weren't any grocery providers in Gen Z's top five brand list, Millennials named Target, Costco, Aldi, and Walmart in theirs. Gen X showed a preference for Walmart, Costco, and Target, while Boomers only named Walmart. Closing out the cohorts is the Silent Generation, with only one grocery provider on their list: Costco.

Let's take a look at how some of the other top performing grocery brands in our study rank to get a better sense of who is going the extra grocery mile and who is falling to the wayside.



People are still getting their groceries from stores, and Walmart takes the crown when it comes to brick-and-mortar food buys. In fact, a recent report shows that Walmart has the biggest market share of online grocery orders, at 25.4% in 2021, with click-and-collect services, available at 3,800 stores, being a significant contributor.[3] Costco and Aldi rank a close third and fourth by consumers; as we previously mentioned, these Good retailers are seeing steady growth, prompting increase in grocery ratings. Although Whole Foods is at the bottom of the list, we continue to see progress as their parent company Amazon continues to test and make more changes to the brand and store experience.

Costco saw a climb of 6% and although they originally weren't doubling down on ecommerce efforts like their competitors, ecommerce sales have grown considerably in recent quarters – up 44.4% YOY.[4] Regardless, sales are steadily rising for them as their members love the company's commitment to customer service (enter: one of the best return policies out there) and quality products, including the infamous Kirkland private label. Aldi has also made valiant improvement efforts from a revamped store layout, a robust advertising budget and rebranding campaign as well as a major brick-and-mortar growth strategy in order to reframe their brand image to be about quality first and price second—and it's working.

Online sales have become a real contributor to the grocery boom as more and more stores are implementing a BOPIS strategy based on consumer demands. Online grocery sales (in the United States) have grown from 6 billion in 2012 to an estimated 221 billion in 2025.[5] This seems to have hit a nerve with Amazon as they announced free two-hour grocery delivery for Prime members in more than 20 major metropolitan areas (eliminating a previous $14.99/month fee for the same service).

In addition to online offerings, experiential factors are beginning to play a bigger role in where consumers choose to buy their food. In-store cafes, bars and dining areas are quickly becoming the new normal along with the booming meal kit trend. Companies like Blue Apron and Plated deliver ready-to-make meals through the mail and onto time-pressed Millennials' tabletops, and 17% of Americans have subscribed to these services.[6] From ready-to-blend smoothies to vacuum-sealed bags filled with food fit for a paleo diet, meal delivery kits. show no sign of slowing down.

What's clear is that consumers want more from retailers—convenience AND service AND quality products AND a good price. Grocery stores must innovate, test, learn and iterate in order to stay relevant in this cutthroat retail environment. While many retailers are shutting doors, the list of "grocery" competitors is only growing as out-of-vertical retailers like Walgreens start offering grocery-centric services and locations to draw consumers to their stores. The time for grocery stores to find their "more" is now.

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Apocalypse to Relevance

The answer is food

Why Tomorrow's Mall Might Be Filled with Food

Traditional grocery isn't so traditional anymore. Shoppers can now go to the grocery store for brunch, lunch, happy hour, dinner and cooking classes without even thinking about walking up and down the store's aisles pushing a shopping cart. They can drive up and have all of their pre-selected groceries loaded into the back of their SUVs, or they can get delivery and not go near a grocery store at all.

In a category that's already changed so much, what's next for grocery? The surprising answer may actually be the mall.

As stores and entire malls continue to close, what do consumers want to see replace them? Food. In multiple formats, the response is food-related.

According to our recent research, the sprawling shopping complexes where food used to mean greasy pizza and corn dogs at the food court could transition to include local produce, unique restaurants and modern grocery. In our survey designed to find out what consumers want in tomorrow's mall, food-heavy concepts represented three of the four top results

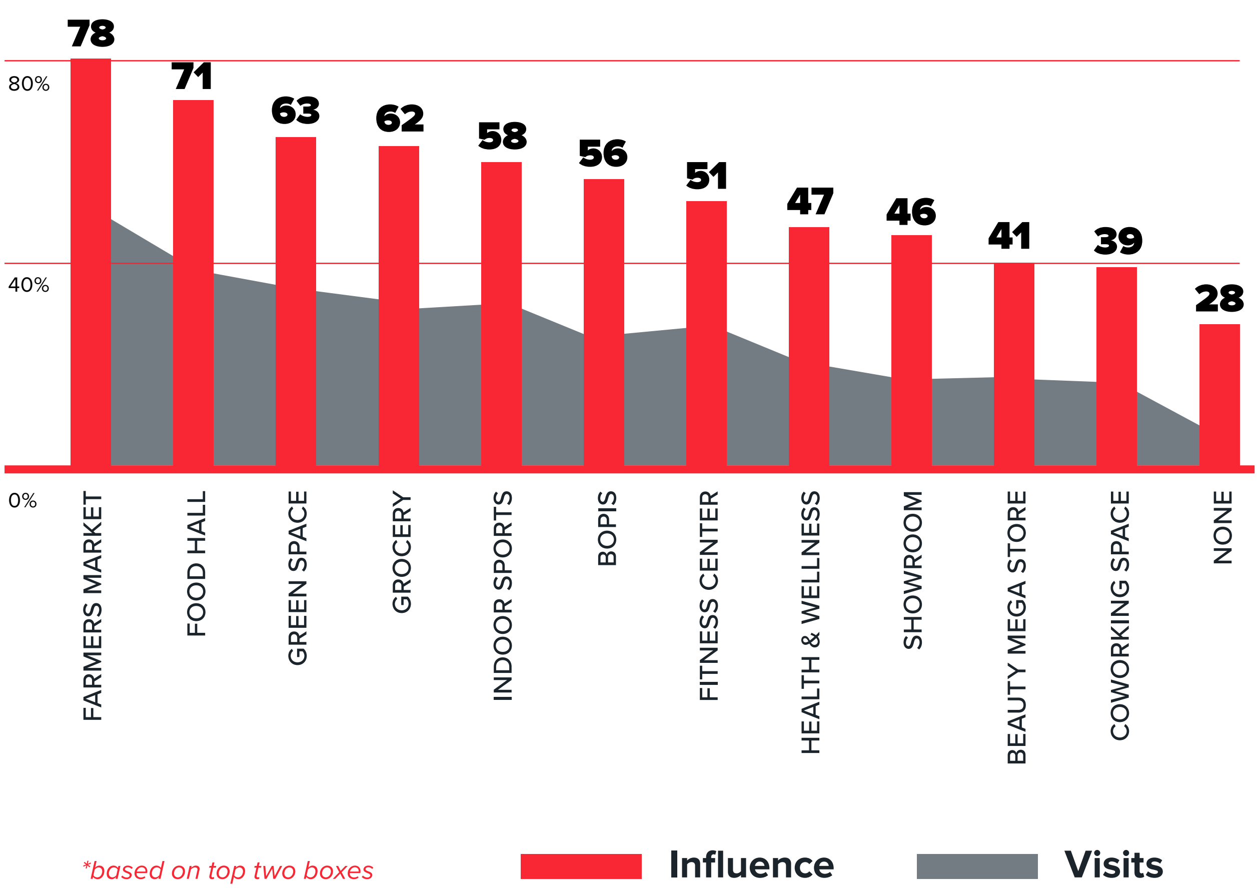
We started out by scanning the landscape of consumer contemporary culture. In doing so, we isolated 11 concepts with the energy and relevance to draw a crowd to a physical place in our increasingly digitized world. Our theory was this: The only way to reinvent and save malls is to transform the space dominated by department store anchor tenants and specialty apparel into other purposes entirely. In the foodie world we live in, our research results should not be surprising. According to consumers, the top concept is the farmer's market, the next is the food hall, green space (non-food) is third and a smaller scale grocery store is fourth. The verdict is clear: respondents see food as a lane to bring them back to the mall.

The Way To Consumers' Hearts Is Through Their Stomachs

When we dug deeper into the research, the granular results showed significant gradiations in consumer preferences, not only across food concepts.

Yes, food is the new fashion, and respondents made it clear they wanted a vibrant foodie culture inside the mall. When we asked respondents to choose among their favorite concepts, a clear winner emerged: farmer's markets. As a solo concept, it appealed to 78% of respondents with 48% saying they would visit a mall with a farmer's market more often. Coming in close second were food halls with 71% of respondents wanting to see a food hall added to their mall and 38% saying it would increase their visits to the mall.

Influence & Visit Frequency



Q: How much will this concept influence your decision to visit a mall that offers this concept?

Q: If this concept were available in the mall closest to you, how would you describe your increase in visits?

Across the board, Digital Natives (age 18 to 29) embraced food concepts with enthusiasm. And no wonder, they eat out more—more than any other generation before.[7] This year, their purchasing power is set to overshadow that of Digital Immigrants (46 and older). Digital Natives eat more meals in restaurants and buy more prepared food than any other generations.

Recommendations:
Give Digital Natives What They Want

Digital Natives have spoken: Foodie culture can save the mall. Of all the concepts presented, there was one clear winner—food-inspired activities. Although at least half of Digital Natives said all the proposed concepts might influence their decision to visit a mall. Food-driven ideas were the biggest winners with the strongest appeal—with 78% liking a farmer's market and 77% preferring a food hall. But the empty food culture of America's dying, traditional malls, must die first. Otherwise, reinvention isn't possible. No more fast-food and Styrofoam plates, or day-old pizzas under red-hot heat lamps. It's time to reinvent the food court into a food hall and bring the cultural awakening of America's famed farmer's markets to the mall. The widespread embrace of health and wellness, including local food and farm-to-table dining, has not yet transformed the typical food offerings inside malls.

In London, Harrods now boast 30 restaurants ranging from high-end to casual, so you can drink a rosé or down a beer with some fish 'n chips. Although some malls in America have embraced these trends, ironically, giving them free rein means malls are coming full circle. After all, until the 1970s, malls were far more diverse, with a much broader mix of tenants, including supermarkets, drugstores, and everyday services, such as shoe repair. Many mall operators are starting to see the future. At a Bloomington, Indiana, mall, a closed Sears store reopened as a Whole Foods, an Ulta, and several other small new stores.

What will it take for grocery to truly take advantage of foodie culture?

A willingness to truly test new concepts is a smart start. Fail fast. It's a cliché that leads to innovation, especially when trying things that haven't been tried before.

Smart partnerships create opportunities in this space as well. Think about what the partnership can mean to each brand, and, more importantly, what added benefits it brings to the consumer.

Even if it's not a true partnership, collaboration with other new mall tenants is beneficial. Be smart about the retailers nearby, embrace their offerings and complement the local area.

Survey says, the mall is not dead. It needs a reinvention, and a reinvention that likely includes a lot of food.

Grocery Store of the Future

The Grocery Store of the Future

Grocery store executives are facing a lot of questions.

What do I do with stores that are overdue for a remodel?

Can I continue doing what I've always been doing—updating finishes and graphics while stocking the latest product?

Or must I innovate to maintain market share?

For most stores, change is necessary. But that doesn't mean change everything. Grocers should think small and test often. Read on for more recommendations.

Use these five recommendations as a starting point to determine what fits your brand's current state and where you want to take it:

1. Think remodel NOT rollout

Utilize existing assets to create a flexible floorplan. Develop memorable exterior additions to reinvigorate blocky, tired buildings with minimal investment. Introduce human-scale elements at the entry like seating or landscaping in order to develop signature customer touchpoints and create a truly branded experience. Avoid expensive, generic architectural updates. Reduce costs by keeping core destinations around the perimeter and reevaluating adjacencies. Consider investing in green building technologies to minimize ongoing operational expenses.

2. Build your own retail brand

Become more than a warehouse for everyone else's brands. Be authentic, inspiring, and connected to the pulse of food and community. Source and sell local, seasonal, fresh and packaged food. Host the weekend farmers' market at the store. Expand the private label offer. Simplify the dry grocery assortment. Merchandise food as fashion with more exciting, dramatic displays that tie products to lifestyle. (Get rid of gondola shelving!) Place mini-eateries and restaurants amid the traditional categories — a layering of new ideas and experiences to surprise consumers in what has become a rote grocery customer journey.

3. Go multi-channel

Put customers in control. Let sophisticated e-commerce price/brand sorting tools, consumer reviews, recipes with built-in shopping lists, profiles, and automatic favorites make it easier for people to shop and plan meals. Let them pick-up their order at the store or request delivery. Replace the revenue from store shelves with revenue from online ads, recommendation preferences, and additional breadth of offer.

4. Build with scalability in mind

Create a flexible floorplan that can be used to remodel locations depending on the site, the neighborhood and shopping occasions. Consider a multi-channel hub — a small format fresh food grocery and eatery plus an online order fulfillment, pick-up and delivery center.

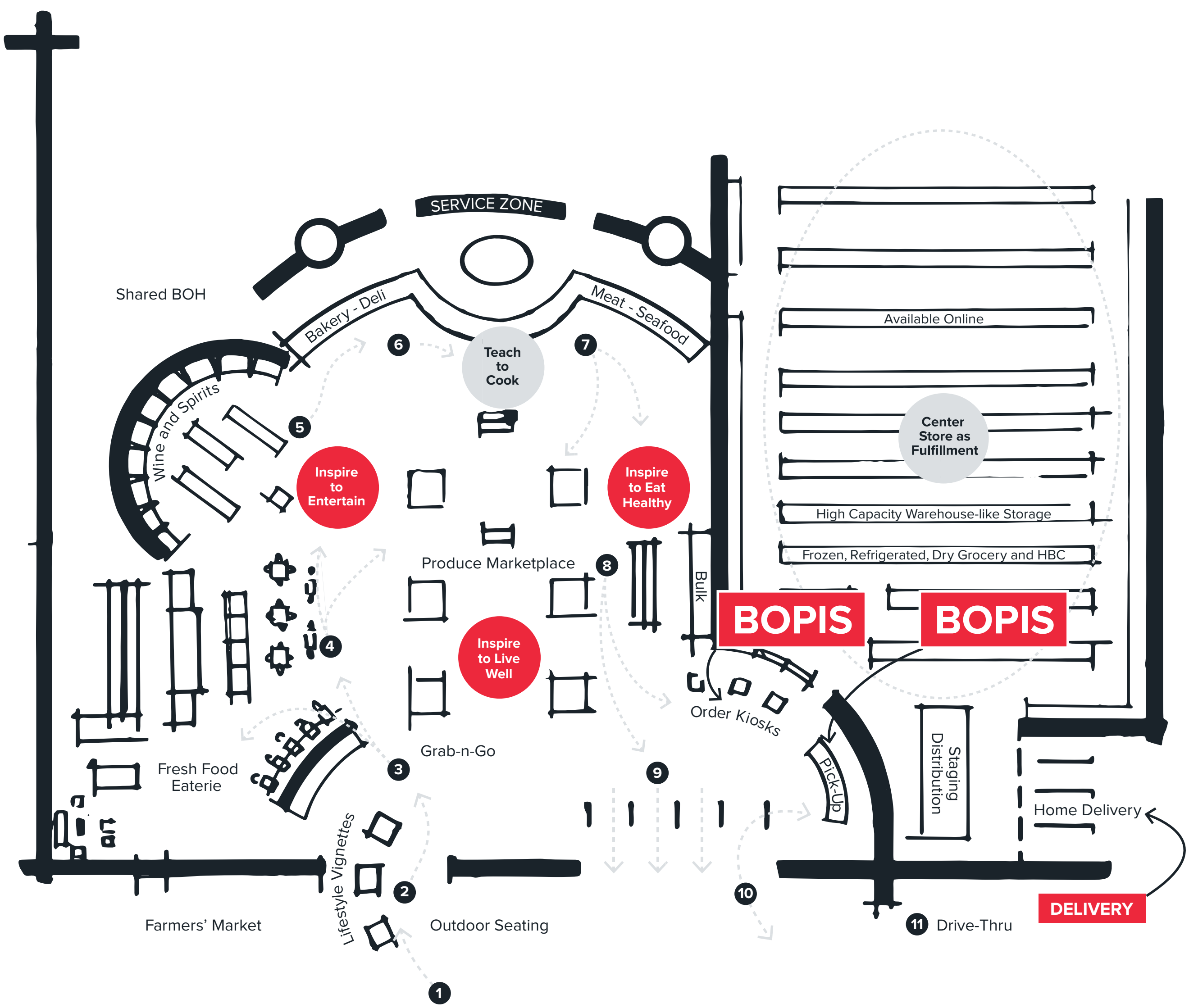
5. Use technology to make processes easier

Let technology open up valuable sales floor space for an enhanced brand experience. Take the bulk of center store online to make shopping accessible 24-hours a day. Automate regular purchases, and have items delivered or available for pick up in the store.

The expectations of the modern grocery shopper have changed and will continue to change. The grocery store of the future will change with–and even anticipate–the shopper's needs. Are you ready for change?

The Grocery Store of the Future

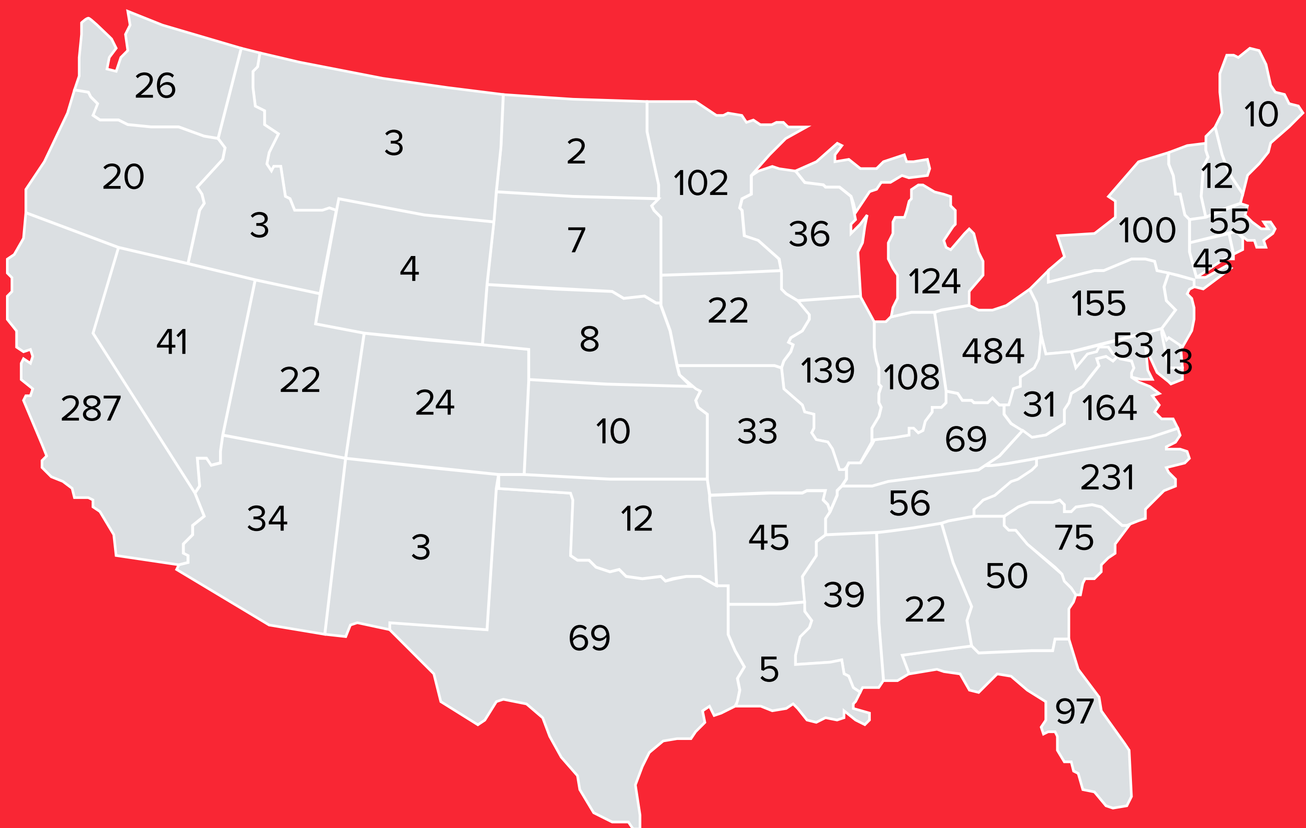
Goodbye milk in the back of the store. Hello logical, flexible flow that allows customers to take an inspiring food journey through the store OR get in and get out in a snap. The below layout depicts one variation of a modern day grocery store. The numbers show how customers make their way through strategically placed departments.



WD Grocery Case Studies

WD Grocery Experience

WD has completed over 2,500 projects with best grocery brands across the country.



Albertsons
Hannaford
Lucky's Market
Kroger
TESCO
meijer
FOOD LION
STANDARD MARKET CHICAGO
Price Chopper
Publix
Stop&Shop
THE FRESH MARKET
WHOLE FOODS MARKET
Walmart

Executing on a Gap in the Grocery Market

We partnered with West Highland Capital Partners on the creation and execution of a new concept—a perishables only food market with an a ttached fast casual restaurant that features fresh, seasonal products. The idea was to build a food haven that encourages experiential shopping. Our extensive grocery and foodservice operations, design and development expertise enabled us to drive this entire project from concept creation through construction.

DOLLAR GENERAL

The Dollar Store Goes Millennial

In an effort to capitalize on the changing urban landscape, Mars-Wrigley enlisted WD Partners to study the urban shopping experience, develop profiles for urban shoppers, and offer recommendations for boosting front-end sales. The initiative evolved into a total store design for DGX—Dollar General's new smaller format store experience designed for busy city-dwellers. The WD Insights, Strategy and Design teams created an inviting store look and layout with a touch of upscale sophistication to attract the urban millennial shopper. The DGX logo is bold, dynamic and fresh, leaving behind any stereotypes associated with the master brand.

HUDSON YARDS
NEW YORK
MERCADO LITTLE SPAIN

Experiencing a Taste of Spain

We studied trends in consumer culture, audited other successful food halls, reviewed Yelp reviews and identified unique food-tainment experiences. All of those inputs fed into our visioning workshop, which enabled us to translate the vision into activation strategies for every component of the experience design. In the end, we used a distinct combination of our services to allow Mercado Little Spain to deliver an unparalleled, genuine Spanish food hall experience in Manhattan's West Side. One challenge we're still unable to solve is which dish to try first!

Super Work for a Supercenter

We've been partnering with Walmart on a variety of projects including BOPIS design & execution, exterior redesign, international expansion and BIM integration. We even developed a concept and positioning strategy for Walmart's Neighborhood Market stores. We have provided the full range of our services from conducting shopper research, to creating imaginative store designs and digital shopping experiences, and the development of detailed architectural designs and engineering plans for new Walmart stores, remodels and retrofits.

Reigning Cats and Dogs

We were challenged by Purina to make Schnucks the local go-to destination for convenience, caring, and camaraderie—to transform the traditional pet-food aisle into a meaningful, emotional (and streamlined) retail shopping experience where pets reign supreme. A true collaboration between WD, Purina and Schnucks, the end concept and final installation reflects our vision for an in-store flagship experience; a learning environment that Schnucks and Purina can scale across locations.

Methodology

The Good, The Bad & The Ugly

An online survey was designed to meet the research objectives of WD Partners. A third-party US representative consumer panel was selected that interviewed adult consumers (18 years old or older) with household incomes of $35,000 or more (same criteria as the 2018 study). 4,003 Category Buyers qualified and completed the online survey. Rounding disclaimer: Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Apocalypse to Relevance

An online survey was designed to meet the research objectives of WD Partners. 4,012 Category Buyers qualified and completed the online survey. About 80% of respondents were asked to identify the retail brands they recognized (awareness) from a list of fifty out of a possible list of one- hundred selected brands. About 20% of respondents evaluated the mall innovation concepts. The sample was segmented by Digital Natives (age 18 to 29) and Digital Immigrants (age 46 and older). Digital Native responses were balanced by gender and race for comparison with 2017. The margin of sampling error is plus or minus 1.6% for results based on the total sample of 4,012 respondents at the 95% confidence level.

Sources

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WD's mission is to drive and shape the future of customer experience.
Our passion has been to solve our clients' challenges and anticipate their future needs. We are customer fanatics that pride ourselves on being on the forefront of change. WD's integrated services include: strategy & insights, brand & design, operations planning & design, architecture, engineering and construction services.

To find out how WD can drive innovation through your brand's grocery experience, please contact us below.

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