

GROCERY TRENDS THAT WILL DRIVE 2015

The grocery industry has already survived several waves of disruption from strong competition. Developments in 2014 have given us a window into the next waves of disruption. Volume 3 of *The Oliver Wyman Retail Journal* examines the top 4 trends that are going to drive shifts in the industry in 2015, providing practical insight into how grocery retailers can respond in order to thrive.

“When we consider the different directions in which the market is evolving, we can see that clear format definition is disappearing. This can be tough for retailers who have had a successful formula that has been relatively unchanged over the years. Pretty much every retailer needs to be re-examining its business model and finding a new sweet spot between value proposition, key competencies, and economics.”

— Roland Berner, former Senior VP of Strategy at REWE Group, *The Discounter Threat: A conversation on front-line retail strategy*, pg. 55.

1. E-COMMERCE IS BECOMING A CREDIBLE COMPETITOR FOR GROCERS

Four online models that can offer defensible long-term value creation.



THE PRICE LEADER
“The cheapest”



THE DEFAULT DESTINATION
“The first place you look”



THE CATEGORY EXPERT
“The best assortment and service”

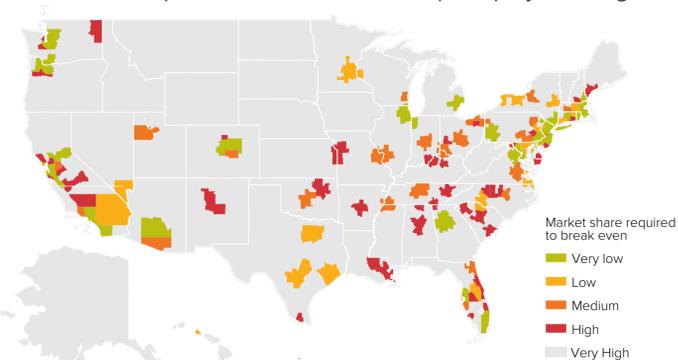


THE CUSTOMER EXPERIENCE CAPTAIN
“A fantastic end-to-end shopping experience”

Changing The Rules Of Retail, pg. 21



Market share required to break even for a pure-play online grocer



The Future Of Online Grocery, pg. 31

2. HARD DISCOUNT FORMATS AND CLUB FORMATS ARE GROWING

The four ways traditional retailers can compete successfully against low-priced club retailers and discount retailers.

1

Lower prices to narrow the gap against discount competition

2

Show consumers how much more you offer than low-priced competitors

3

Get much more efficient, making sure every piece of work you do is valued by consumers

4

Take a long term view, investing now to win competitive battles in the future

The Discounter Threat, pg. 55

3. CONSUMERS ARE INCREASINGLY OPEN TO RECEIVING HEALTHCARE FROM A RETAILER

Retailer reinvention:

By working in partnership to build new service and delivery models, **providers**, **payers**, and **retailers** can meet consumers' needs.



providers

+



payers

+



retailers

for



patients

Consumer familiarity with retail-based health and wellness clinics in the U.S.



Percentage of U.S. consumers who would consider receiving specific forms of care, by location

	PHYSICAL EXAMINATION	ROUTINE CARE	MINOR EPISODES	DIET/NUTRITION	FITNESS/WELLBEING	CHRONIC MANAGEMENT
Interested in receiving care in at least one alternative location	50%+	50%+	50%+	50%+	50%+	50%+
Grocery store (such as Kroger, Publix, Safeway)	10-24%	10-24%	10-24%	10-24%	10-24%	10-24%
Discount retail store (such as Walmart, Target)	10-24%	10-24%	10-24%	10-24%	10-24%	10-24%
Pharmacy (such as Walgreens, CVS, Rite-Aid)	10-24%	10-24%	10-24%	10-24%	10-24%	10-24%
Walk-in clinic or urgent care center	10-24%	10-24%	25-49%	10-24%	10-24%	10-24%
Remotely via phone, voice chat, or video chat	10-24%	10-24%	10-24%	10-24%	10-24%	10-24%

Legend: <10% (white), 10-24% (light green), 25-49% (medium green), 50%+ (dark green)

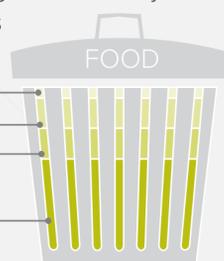
Are Consumers Ready For Retail Healthcare?, pg. 61

4. CONSUMERS AND GOVERNMENTS ARE LOOKING FOR SUSTAINABILITY

1.3 billion tons of food waste per year

The majority of food waste in Germany is by household consumers

- 5% In retail stores
- 17% In the supply chain
- 17% By large consumers (e.g., restaurants)
- 61% By household consumers



Retailers can take a leadership role by addressing their own processes and helping their customers and suppliers improve:

- Retailers can **stock the right amount of food** through implementing best in class forecasting, limiting assortment to keep food fresh, and keeping stock levels sensible
- Retailers can help suppliers by **collaborating on demand planning** and being flexible about **quality control**
- Retailers can help customers by **improving freshness in store** and by creating options to allow customers to buy in **smaller portions**

Reducing Food Waste, pg. 75