

How Food Retailers and Manufacturers are serving and protecting their Customers

Lessons from the field amid the spread of the coronavirus

All over the world fresh food, grocery, drug retailers and their suppliers are working tirelessly to support their customers and their communities to provide essential services as the coronavirus pandemic impacts everyone's daily lives.

We are in a time of unprecedented challenges for these retailers, their employees and their Customers. But even in these uncertain times, it has been heartening to see so many of these businesses put the Customer first and meet their most important needs, by listening to and caring for them, and adjusting their strategy and operational execution immediately – be it opening hours, services, pricing, product assortment or store experience. But in this time of crisis, it has also been crucial that retailers focus on those serving on the front lines of Customer engagement: the store and distribution colleagues. By recognising their contribution and making their lives simpler and easier, they can help them continue to serve Customers every day.

Alongside our local teams supporting many retailers and suppliers directly, by analysing changes in Customer behaviour and using data to help make decisions, we are also assessing learnings and sharing retailer responses from across our global network where retailers are at different stages of the pandemic, and some locations where social distancing has been in place many weeks.

Here are some of the learnings and highlights of responses in food retail we are seeing so far:

Learnings from China

The Chinese government implemented many practices in January and early February to control the coronavirus (during sales peak season of Chinese New Year, already a huge challenge to retailers) – extending the national holiday, suspending school and entertainment, limiting transportation, and reducing human contact with strict community-management measures.

Customer behaviour has changed over this period as more time was spent in the home and as we look at the pre vs post isolation period we are seeing a number of things:

- **Customer spend is up** across all customer segments as supermarkets take on the role of “take home” services with restaurants, coffee shops, and quick service restaurants being closed. There has also been a move away from traditional wet markets to more hygienic modern trade.
- Customer **spend per visit has grown significantly** whilst frequency of visits is overall much lower.
- **Many new customers or infrequent customers have reassessed their local stores**, with small supermarkets seeing the highest rise in sales and visits as a result of customers shopping in their nearest store.
- **There has been a significant increase in online grocery especially in fresh food** – ten times the average in sales before the outbreak. This has been driven not just by consumer demand, but the wider distribution of stores offering home delivery.
- **Consumption patterns in several categories have been changing**, including:
 - » Daily-meal related categories and instant food showing greater importance and strong growth as consumers chose to cook more at home and stock up on food.
 - » Significant increases in personal hygiene and household cleaning as customers became much more health conscious.
 - » Chinese white wine, nut, and gifted products, saw much lower demand, often popular during Chinese New Year, as most consumers cancelled family gatherings.



Implications for other retailers

There's much to learn from the data coming from China and other impacted regions. And while it is too early to fully quantify impact and trends, we do have early indications of the massive consumer changes underway.



First, Customers have prepared themselves for lockdowns by stocking staples, baby and pet care. Fear-hoarding is going hand-in-hand with urgent shopping of basic hygiene products. Much of this short-term, "long-life" pantry loading will likely see a significant lag in future consumption sales, such as medicines, household, and canned food.



Second, Customers are doing fewer trips as "social distancing" and quarantine restrictions change habits and encourage nearby shopping. In doing so, consumers are trading up to larger packs, and more "full shop" missions not always typical in those smaller local formats. Sales per visit is increasing by up to 20% in these stores.



Third, Customers are shopping more online. Most grocers are reporting record sales through ecommerce, causing some retailers to scramble to keep their websites up, maintain inventories in line with their orders, and fulfil the demand for delivery and pick-up. Interestingly, we've found that fresh food is no longer reliant on offline retail, which could cause a breakthrough point for ecommerce expansion. As consumers' online shopping behaviour becomes more developed, with convenience and quick service as advantages, we expect online basket size and full grocery shops to help drive this channel expansion further even after the pandemic subsides.



Fourth, Customers are also adopting healthy living by being more conscious about personal hygiene and household cleaning. Though there are regional variations, prevention through improving hygiene practices is seen across the globe.

None of these challenges are trivial. It puts pressure on retailers to act immediately, with both clear strategies for Customer adaptation and operational agility. That said, to varying degrees of commitment, the world's top retailers are adopting three principles:

1. The paradox of "Customer First": especially in times of crisis, it's all about putting the employee first.

Recognise and reward your store teams for their super-human responses in the face of crisis. Review attendance and sick-pay policies.

2. A better way of embracing Customer loyalty. Understand that employees are the best loyalty-building team. They are members of the community, reflecting the values of their neighbours, speaking for their friends and families, and serving as the voice of your company back to the community. In the U.S. and other regions where the coronavirus is prevalent, they are also seen as belonging to one of two professions that are deemed as "essential" (the other is healthcare). Retailers must think about growing employee loyalty to grow Customer loyalty. Winning Customer loyalty begins with helpful, well-trained, and motivated employees. Your Customers are watching.

3. More than ever, it's about the retail basics, and serving and protecting your local community. Getting back to a solid basic level of service and dealing with demand is paramount for everyone who has just faced severe panic buying. Stock shelves with the most important items, continuity of supply is all that matters. Hard decisions need to be made to peel back the shopping experience to the most simple offer, to enable staff to get the basics done. This means trade-offs, with a long list of activities to be paused in store to make employees lives easier and get to a good basic service level.

Retailers who do this rapidly and best will help their communities though these difficult times and win trust with the most Customers, today and in the ever-uncertain future.

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