

millennials & grocery design:

OPERATIONAL REALITIES



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Grocery's Next Generation: How Millennials Will Change Food Shopping, is a surprising, instructive look at how consumers ages 18 to 30 regard grocery shopping today — and how grocers can meet their very different expectations in the future, when they have even more income to spend. My first thought after reading the report was, wow — there are so many possibilities. My next thought was: that's a lot of change. "Shopping sherpas"... fresh-food focus...compelling customer engagement...

can operators realistically implement all of these recommendations?

The short answer is: no, of course not. Grocery margins have always been thin, and operators are wise to explore and experiment with change cautiously. But change is necessary.



THIS WHITEPAPER PROVIDES PLENTY OF IDEAS & INSIGHTS

FOR HOW YOUR STORES COULD EVOLVE.

Take those “shopping sherpas,” for example. Millennials told us they love customer-focused, in-store experts who specialize in guiding shoppers through stores and sharing product advice. It’s a *great* idea. But such a program could require hiring extra, specialized labor (and the uniforms to go with them). And, as any operator can attest, labor is one of the most expensive parts of running a grocery store. Shopping sherpas will work for some, but not others



Here are a few highlights of the study that I think are **smart — and reasonable — operational moves** in the right direction

Being tech-enabled is non-negotiable.

Solutions that make it easy for Millennial shoppers to quickly find information, locate discounts, and share ideas is a must. For example, **Millennial shoppers love mobile apps** that offer interactive shopping lists and push relevant savings to handheld devices. Such devices are operationally low-cost — develop an app once, then distribute it with customers around the country.

Social networking tools, such as **Twitter and Facebook**, cost relatively little and allow for mobile word-of-mouth messaging. Whole Foods has more than 600,000 fans that flock to the site for recipes, contests, and video stories of people inspired by the brand. Mobile technologies, such as QR codes are a little more ambitious, but can add real value to the shopper in real time. **Shelf-level QR codes** can point mobile-browser users to additional product details, serving suggestions, related products, and special deals — all distributed uniformly to every store. Because digital offerings scale easily and require little (if any) extra labor, they let you connect with customers for a modest capital expense.

Good energy is contagious ... and free.

Millennials have spoken: they want retailers to exude a passion for what they're selling. Nothing can sour a shopping experience for them like an unhappy, unengaged employee.

Starbucks is a great example of this passion in action. Sure, they have rich, aromatic coffee and a welcoming ambience. But upbeat baristas greeting customers when they walk in the door have just as much to do with the brand's iconic popularity. Same goes for Southwest Airlines. And if commodity beverages and transportation services can be elevated in this cynical day and age, so too can groceries.

Imbuing a store with spirit starts from the top down — with management stepping up their zest and coaxing employees to do the same. Just a few examples: making attitude coaching a part of new hire training, and rewarding associates “caught” going above and beyond in customer service.

Let local items shine.

Grocery's Next Generation reveals that Millennials have a love of all things local, like their **affinity for farmers' markets**. Naturally, operators who stock even just a few local offerings should highlight this through signage, displays and store events. Grocers can't rely solely on local produce, of course, but they should make the most of what they do offer. Doing so is a win-win, because they're keeping Millennials happy and fostering good rapport with local growers. Grocers ranging from Trader Joe's to Bottom Dollar are **embracing producers close to individual stores**. It's a matter of giving managers permission to go after them.



A little rearranging (and editing) never hurts.

Based on extensive shopper surveys and interviews, our Millennial study recommends eliminating long, crowded aisles. And that could mean eliminating skus, something grocers are reluctant to do. Even if diverse aisles remain a reality, operators can actively audit shelves to identify skus that aren't earning their keep. **Editing just a few underperformers** can do much for spaciousness. And if space allows, they shouldn't shy away from experimenting with ways to merchandise products so they move more quickly and inspire cross- and up-selling.

Change needs to happen.

Evolving, whether it's comfortable or not, is necessary. As Citi investment research analyst Deborah Weinswig told the AP recently, grocery stores are facing **increasing competition from relative newcomers**, including drug stores and box stores, such as Target, whose new P-Fresh concept increases a store's grocery products by 40 percent. (The concept will be added to 400 stores this year.) "We believe they will continue to take share from the grocers as their price points, convenience, and smaller pack sizes present a compelling option for consumers to perform fill-in trips," Weinswig noted.

Don't despair. New ideas can help make your store a compelling, competitive destination, at any price point. Even small steps may lead to a big impact.



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