

# Winning with the omnichannel shopper in the face of disruption



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The macro-economic events that have built upon each other over the last three years have created massive shifts in customer behavior that impact the current omnichannel landscape. COVID-19 disrupted supply chains, changed how (and what) foods shoppers consumed and caused many to change their lifestyles. As a result, ecommerce accelerated.

Today, inflation has become top-of-mind and a concern for many. A recent study by 84.51° shows that while the majority of customers agree that inflation levels are highly concerning, there is no consensus on how long it will last. Younger customers are most confident that inflation will last less than a year, while older customers are more likely to think it will last longer and potentially more than two years.

This uncertainty has omnichannel shoppers changing their behaviors both online and in stores as they look to stretch their constrained budgets. Understanding these shifts is necessary to meet shoppers where they are today. With an informed omnichannel approach backed by insights, brands and retailers can address shoppers' expectations and needs no matter how and where those customers choose to shop.



## INSIDE, YOU'LL FIND INSIGHTS INTO:

- Who is the omnichannel shopper and how have macrotrends impacted their behavior?
- How has inflation changed the shopping dynamics?
- What does a “seamless” experience mean to the omnichannel shopper?
- What is important to these shoppers when making online orders?
- How do omnichannel shoppers build their baskets online?

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# Today's omnichannel shoppers

Omnichannel shoppers are those who make purchases in-store and online. While these "hybrid" shoppers represent a range of shopper groups, those shopping online are more likely than an in-store shopper to be:

- Millennial
- Households with kids
- Part of a larger household
- Value convenience items – pre-made meals, frozen items, things that can be prepared and consumed quickly
- Very engaged with Natural & Organic items within the store

## DIFFERENTIATION WITHIN ECOMMERCE LOYALTY

Even within ecommerce, there is a spectrum of shoppers based on their loyalty to the modality.



### HIGH ECOMM LOYALS "Digital Champs"



- More likely to be **Less Price Sensitive**
- More likely to buy "Quality" products
- More likely to buy "Healthy" products
- Highest engagement with **Natural & Organic Items**

### LOW ECOMM LOYALS "Digital Dabblers"



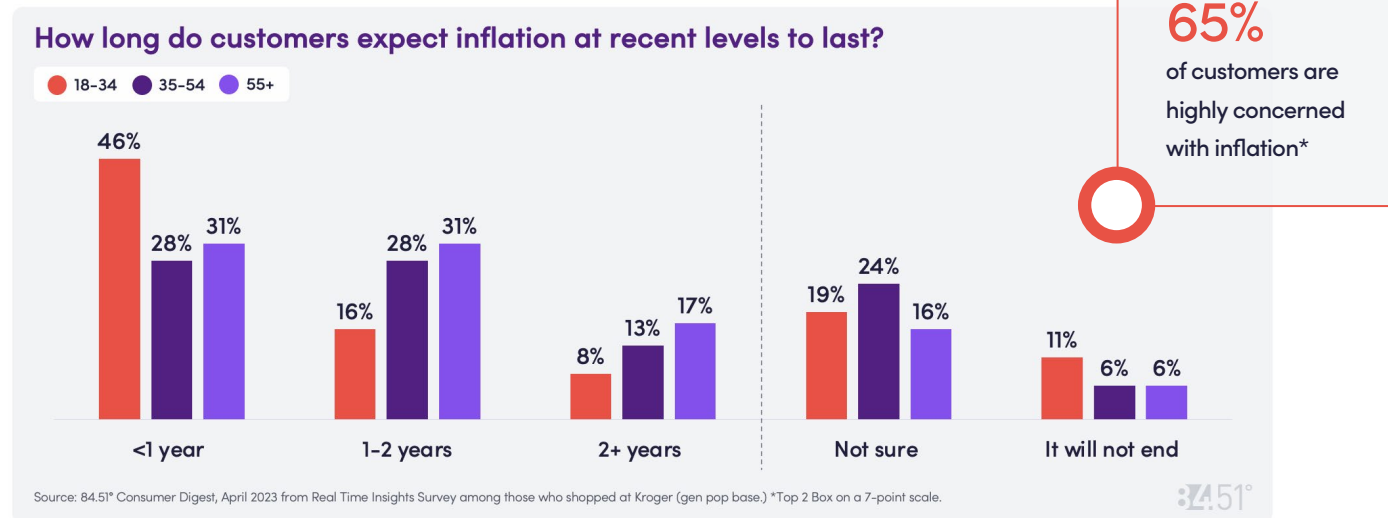
- More likely to be **Very Price Sensitive**
- More likely to have **Household of 5 or more**
- Less likely to buy "Quality" products
- Less likely to buy "Healthy" products

Source: 84.51° Stratum. 52 wks ending 3/18/2023. 104 wk Continuous Panel. Total Store.

Ecommerce Loyalty determined by range of dollars spent online across households who consistently make pickup and/or delivery trips.

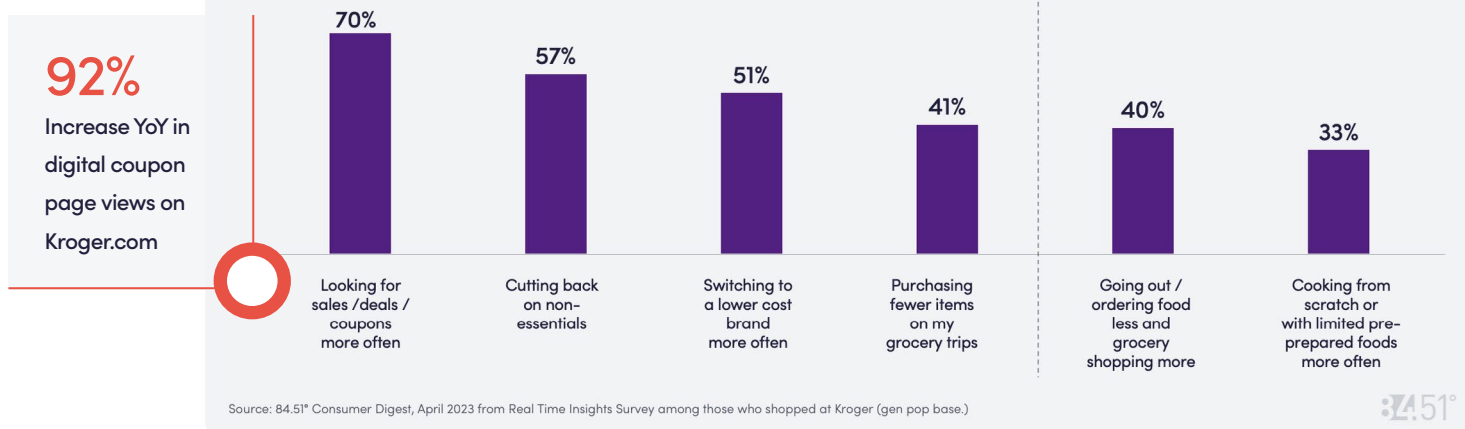
# How inflation is impacting the omnichannel shopper

## PEOPLE ACROSS AGE GROUPS HAVE A HIGH DEGREE OF UNCERTAINTY AROUND THE OUTLOOK FOR INFLATION.



Constrained budgets increase deal-seeking behavior and overall demand for groceries due to eating out less. The top behaviors found among customers as a result of inflationary pressures center around making choices about what goes in their baskets. For example, 70% are looking for sales, deals and coupons more often, and more than half are cutting back on items – overall and on each trip – and openly switching to lower-cost brands.

## What customers say they are doing as a result of inflation and high prices...



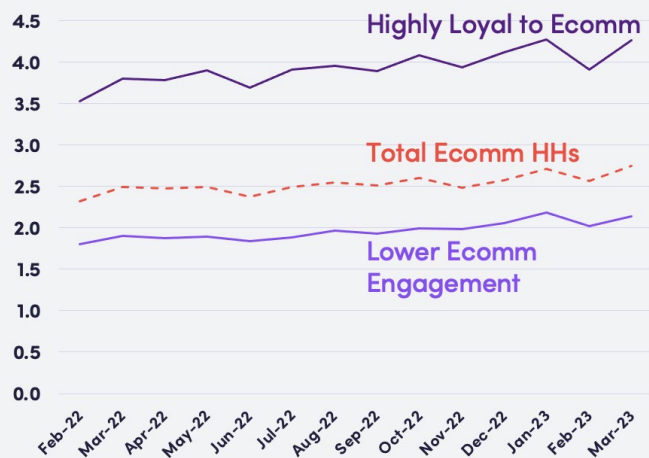
These shifting behaviors put significant pressure on brand loyalty. When customers are disproportionately driven by price, they are increasingly willing to skip products that are considered a “nice to have” versus a “must have” and switch to competitors that may deliver a similar benefit at a cheaper price.

As disruption and uncertainty around inflation continue, constrained budgets are affecting where customers shop, what they buy and how they save.

## ONLINE SHOPPING TRENDS

Among monthly ecommerce trips over the past year, what started as a spike in trips due to necessity and safety concerns has shifted into a maintained-to-increasing behavior across the spectrum of ecommerce loyalty.

### Monthly pickup/delivery trips per household by ecommerce loyalty

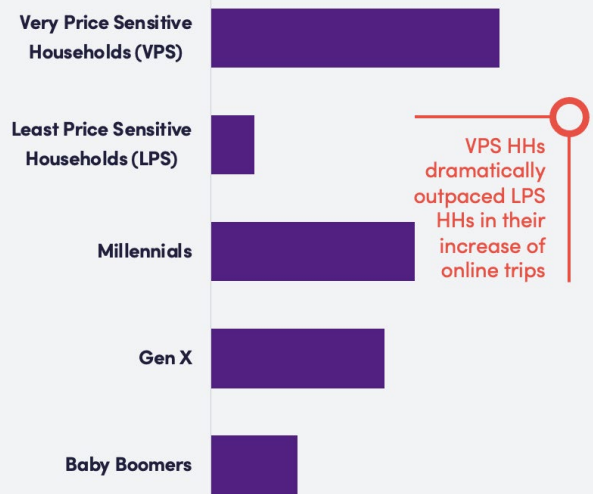


Source: 84.51° Stratum. 52 wks ending 3/18/2023. 104 wk Continuous Panel. Total Store.



Factoring in the pressures of an inflationary environment, one key segment stands out when looking at ecommerce trips across a range of household groups: Those who are Very Price Sensitive have some of the highest trip-per-household growth over the past year — more than Millennials, Gen X and those Less Price Sensitive Households.

### Growth in pickup/delivery trips per household by key segments



Source: 84.51° Stratum. 52 wks ending 3/18/2023. 104 wk Continuous Panel. Total Store.



### WHO IS THE VERY PRICE SENSITIVE CUSTOMER?

- They place a high importance on price, typically paying less than the average purchase price in the market for a product.
- They are more reliant on coupons and promotions.
- They are also more likely to buy lower-cost brands or store brands to save.

Source: Price Customer Dimension in 84.51° Stratum

# Reasons for choosing a shopping modality

Convenience continues to top the list of reasons why consumers shop pickup or delivery for their groceries. However, saving money – either overall, or by helping to reduce impulse purchases – is the #2 reason for pickup/delivery.

OMNICHANNEL SHOPPERS OVERWHELMINGLY CITE CONVENIENCE AS THE REASON TO SHOP ONLINE, BUT ALSO FIND WAYS TO SAVE MONEY



Shoppers who are Very Price Sensitive are especially likely to quote **saving money** as a reason they use pickup.

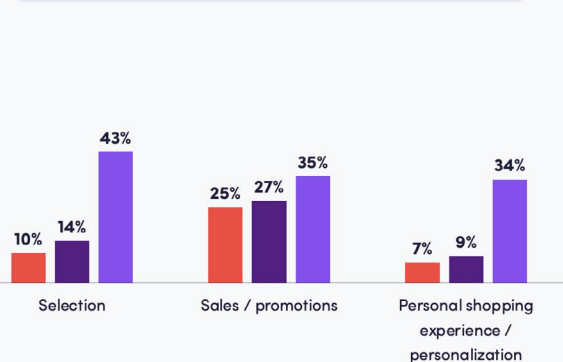
## Reasons why omnichannel shoppers choose each modality

● Why Shop Pickup ● Why Delivery/Ship ● Why Shop In-store

### TOP 3 ONLINE REASONS



### TOP 3 IN-STORE REASONS



Source: 84.51° Real Time Insights, February 2023. Omnichannel shopper base.



## SHOPPERS ARE STILL GOING IN-STORE

Despite the convenience of online shopping, even the most loyal ecommerce shoppers find reasons to go into the store. Very few households fall into the extreme of claiming to rarely shop in-store versus online. Even those most loyal to ecommerce still complete almost 40% of their grocery trips in-store. And those who are less loyal – and more price sensitive – are going in-store for their grocery trips almost 90% of the time.

## WHAT SHOPPERS SAY...

### Split of grocery shopping in-store vs. online

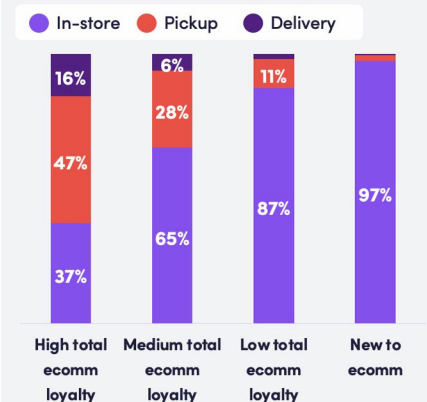


Source: 84.51° Real Time Insights, February 2023. Omnichannel shopper base.



## WHAT SHOPPERS DO...

### % of trips by modality and ecommerce loyalty



Source: 84.51° Stratum. 52 wks ending 3/18/2023. 104 wk Continuous Panel. Total Store.



# What is important to the omnichannel shopper?

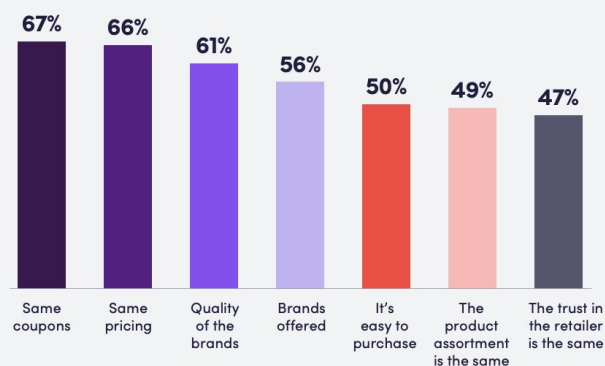
The most loyal ecommerce shoppers spend the most at a retailer overall. So how can brands and retailers move shoppers up the loyalty ladder? The key to ensuring a positive online experience for omnichannel shoppers is to provide a seamless experience between their in-store and online shopping.

## WHAT DOES SEAMLESS MEAN TO SHOPPERS?

Omnichannel shoppers expect the same experience across their online and in-store experience, specifically the same:

- Coupons
- Prices
- Quality of products
- Brands offered

### What do omnichannel shoppers expect to be the same/similar between in-store and online shopping?



Source: 84.51° Real Time Insights, February 2023. Omnichannel shopper base.

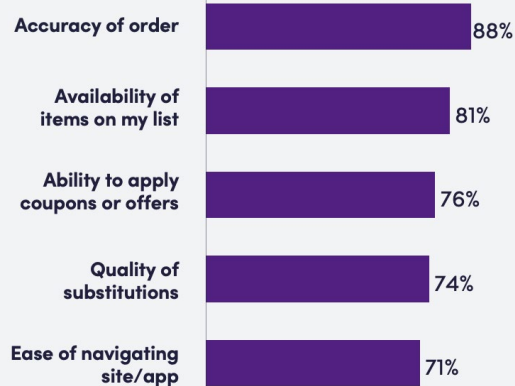


## WHAT MATTERS MOST TO THE OMNICHANNEL SHOPPER?

To meet these expectations, several strategies can help keep shoppers in the ecommerce experience. Order accuracy and availability are extremely important when shopping online. Omnichannel shoppers are also looking for digital coupons, quality substitutions and an easy site or app experience.

### Most important when shopping online...

Top 2 Box on a 7pt Scale



Source: 84.51° Real Time Insights, February 2023. Omnichannel shopper base.



To meet these needs and increase ecommerce loyalty, brands and retailers should consider:

**Adequate supply:** Ensure that during key selling periods, your products are available both online and in-store to increase satisfaction.

**Online accuracy:** Make sure the items your shoppers expect to find in-store can also be found online.

**Relevant coupons:** Do you have the coupons that households are looking for online (even if purchasing in-store)?

**Quality substitutions:** Make sure if shopper's first choice is not available, a substitution is offered that they will be happy with.



# Addressing omnichannel shoppers' needs

## ACCURACY AND AVAILABILITY ARE CRUCIAL TO RETENTION AND LOYALTY

If an item they tried to order online was unavailable, 75% of omnichannel shoppers said they'll try to get that item again at the same retailer – either on their next online trip or by going in-store. But the other 25% value accuracy and availability so much they will try to get that item elsewhere.

Some shoppers will even switch their entire cart to a different online retailer to get what they need, disproportionately impacting a retailer's sales, both for that particular order and possibly even future orders. This is especially true for higher-income households. Brands must prioritize ensuring their items are available and accurately represented to ensure retention and loyalty with omnichannel shoppers.



25% OF OMNI SHOPPERS VALUE ACCURACY AND AVAILABILITY SO MUCH THEY WILL SWITCH ONLINE RETAILERS TO FIND THE ITEM THEY WANT



# 75%

Will purchase the item immediately in-store or during their next online or in-store purchase

**RETAILER RETAINED**



# 19%

Will buy the out-of-stock item **ONLINE ELSEWHERE**



# 6%

Will switch their **ENTIRE CART** to a different online retailer that has the item in-stock

**LOST SALES FOR RETAILER**

Source: 84.51° Real Time Insights, February 2023. Omnichannel shopper base.

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## IN-STORE VERSUS ONLINE CATEGORIES

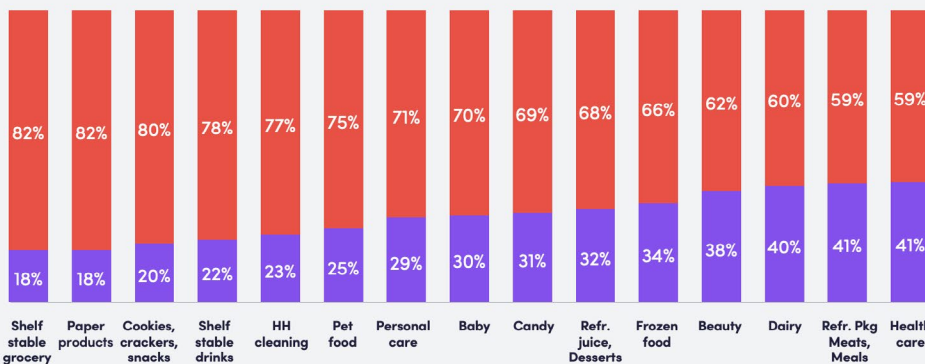
Omnichannel shoppers consistently say they prefer to buy fresh products in-store. However, their buying behavior shows they do make exceptions to these claims — especially for items they purchase frequently. There are some products within fresh meat, deli and produce that have similar online buying rates compared to dry grocery items.



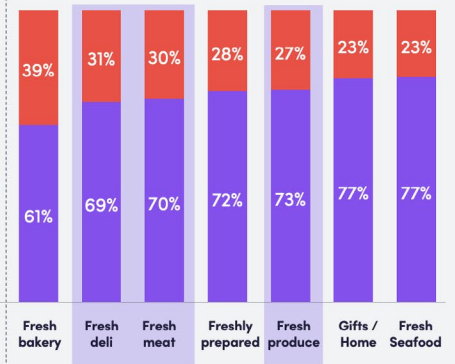
### “SAY” | Omnichannel shoppers’ preferred way to shop for different grocery and household items

● In-store ● Pickup/Delivery

#### Majority prefer pickup/delivery



#### Majority prefer in-store



Source: 84.51° Real Time Insights, February 2023. Omnichannel shopper base.

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To shift shoppers’ mindsets to being comfortable buying fresh online, brands must make the experience of buying these fresh categories online easy and also ensure that the products meet consumer expectations.

“DO” | While omnishoppers claim to prefer shopping deli, meat and produce in store, they purchase them online at a similar level as dry grocery items

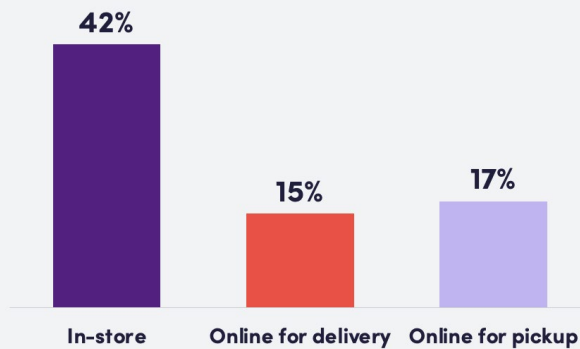
Source: 84.51° Stratium

## PROMOTING NEW ITEMS

**“SAY” | OMNICHANNEL SHOPPERS ARE STILL MOST LIKELY TO BUY NEW ITEMS INSTORE VERSUS ONLINE.**

### Where are omnichannel shoppers likely to buy new items?

Top 2 Box on a 7-pt Scale



Source: 84.51° Real Time Insights, February 2023. Omnichannel shopper base.

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**“DO” | OF THE NEW ITEMS SALES MADE BY OMNICHANNEL SHOPPERS IN 2022, 75% WERE PURCHASED AS PART OF INSTORE TRIPS AND 25% ONLINE.**

Source: 84.51° Clickstream Insights. 52 wks ending 3/18/2023.



Personalized product recommendations contribute to ~25% of search “add to carts” on Kroger.com, demonstrating customers are still open to discovery.

To encourage consumers to try new items online, brands should make sure their new items get noticed. Some omnichannel shoppers don’t know if they are looking at “new items” online and they might not seek them out.



## HOW DO OMNICHANNEL SHOPPERS LEARN ABOUT NEW GROCERY & HOUSEHOLD ITEMS?



20–25%

- Influencer
- TV commercial
- “New items” section of site
- Digital banner ads

18%

- Will use search bar to look for new items
- Social media (29% for 25–34 year-olds)

10%

- Are not sure items they see online are considered “new items”

22%

- Don’t seek out / learn about new items when shopping online

Source: 84.51° Real Time Insights, February 2023. Omnichannel shopper base.

# How omnichannel shoppers build their online baskets

## “SAY” | WHAT CONSUMERS CLAIM THEY USE

More than 60% of omnichannel shoppers say they use Search and Promotions/Coupons to drive their online basket building. Browsing recent purchases or suggestions is another easy way for consumers to build their online baskets. Of those features, coupons are omnichannel shoppers’ favorite, especially for those who are Very Price Sensitive.



**“SAY”**  
**ONLINE ENGAGEMENT TRANSLATES TO IN-STORE PURCHASES:** Almost half of respondents said they are looking for coupons or using their shopping list from their phone while in the store.

**“DO”**  
**SEARCH VOLUME IS +31% VS. LAST YEAR ON KROGER.COM** as customers navigate looking for deals and price comparisons.



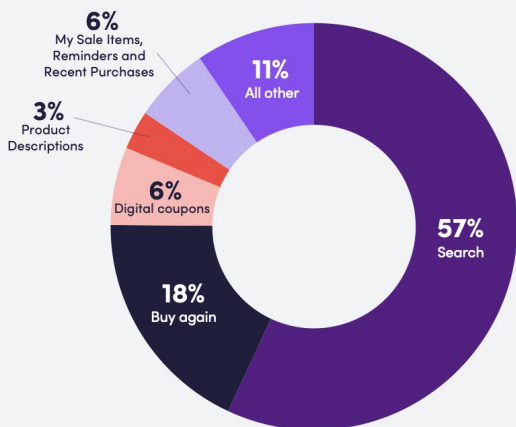
## “DO” | THE POWER OF CLICKSTREAM DATA

Online basket-building journeys vary by category and how easy it is for consumers to find what they’re looking for. Brands that understand their category’s clickstream journey are better able to increase shopper satisfaction while moving them forward in their ecommerce loyalty.

Search dominates engagement with almost 60% of all clicks online. The next most popular engagement is with features centered around past purchases, followed by digital coupons. Some categories are more reliant on each of these features. For example:

- Engagement with digital coupons is higher for Health & Beauty Care products.
- Very Price Sensitive shoppers are also more reliant on digital coupons.
- Those who are less loyal to ecommerce are more reliant on Search, especially because their online purchasing history is not as robust as one who is most loyal to buying online.

### % of clicks on website or app by the following...



Source: 84.51° Clickstream Insights. 52 wks ending 3/18/2023.



Building a basket online takes 28 minutes on average. Roughly two-thirds of the time, this building is happening on an app. And morning is the peak time of day (whether weekend or weekday) for this basket-building to occur. Knowing this, brands can tailor the experience and messaging to meet their customers where they are in their online building journey.



**TIME PER ORDER**  
28 MINUTES



**WEB VERSUS APP**  
APP IS USED 2/3 OF THE TIME

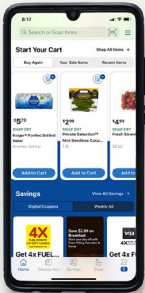
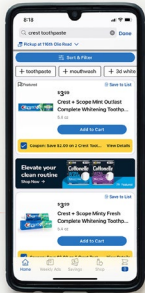
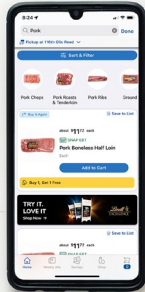


**PEAK TIME OF DAY**  
MORNING

Source: 84.51° Clickstream Insights. 52 wks ending 3/18/2023.



# Online shopping journey differs by category

	 <b>DRY GROCERY</b>	 <b>PERSONAL CARE</b>	 <b>PORK</b>
<b>How long?</b>	30 minutes	36 minutes	39 minutes
<b>How do shoppers find items?</b>	Search is 64% of clicks; Start My Cart is 14% of clicks	Search is 54% of clicks; Digital Coupons are 19% of clicks	Search is 64% of clicks; Start My Cart is 10% of clicks
<b>When is this added to the basket?</b>	Evenly added throughout	More likely to be at the end of the basket	Later in basket
<b>Top search terms</b>	Category-focused	More brand-focused	Ham, pork chop(s), pork, pork tenderloin

Source: 84.51° Clickstream Insights. 52 wks ending 3/18/2023.



## KEY TAKEAWAYS

- Inflation will continue to cause disruption in shopping behaviors as post-COVID “normal” continues to evolve.
- Convenience dominates the reason for online shopping, but in an inflationary environment, the most price-sensitive shoppers will increase their online engagement when they know they can save money.
- Choosing which modality to shop can vary by trip.
- Omnichannel shoppers are looking for a seamless experience in the coupons, prices and products offered online versus in-store. And orders **MUST** be accurate, and substitutions **MUST** be acceptable.
- The journey to online basket-building varies by category and how easy it is to find what consumers are looking for – so understanding your category’s clickstream journey can help you increase satisfaction and move them up in their ecommerce loyalty.



# Power your omnichannel strategies with 84.51° solutions

## YOUR CHALLENGES:

## OUR SOLUTIONS:

1. Know what's working and who's buying what in-store vs. online leveraging rich, first-party data.
2. See how your consumers are building their baskets.
3. Know if ecommerce shopping drives incremental sales or if shoppers trade off with in-store purchases.
4. Measure the business impact when another brand is substituted for your brand and when your brand is substituted for another.
5. Understand the "why" behind how consumers engage with your brands and categories on digital modalities.

### 84.51° Insights

1. **84.51° Stratum** is powered by transaction data from 62 million households representing 95% of Kroger sales. Bring insights to life and better identify performance and shopper behavior. Modality Insights provide new segmentations—high, medium or low online engagement—to better understand ecommerce adoption.
2. **Clickstream Insights** show you the consumers' online path to purchase, so you can see what's driving sales.
3. **E-comm Incrementality Measurement** measures true ecommerce incrementality for brands and compares to CPG benchmarks.
4. **Pickup Substitutes Impact** identifies most commonly substituted items for your product groups and provides insights about how that impacts post-substitution behavior to help you build customer-centric pickup strategies.
5. **Mobile Digital Mission** is a qualitative solution providing context and depth to online shopping behavior and perceptions.

6. Reach shoppers who are noticing price increases in certain categories (e.g., Fresh Departments) with compelling messaging.
7. Entice impulse purchases for snacks, beauty and drinks and win back households cutting back on non-essentials like cleaning and pet food.
8. Connect with shoppers who have traded down despite prices not increasing as much as perceived.

### PRECISION MARKETING POWERED BY 84.51°

6. **Leverage KPM's programmatic media solutions** to reach broad audiences, communicating reasonable prices or quality at home.
7. **Activate all placements on Kroger.com Product Listing Ads & Targeted Onsite Ads**, including Basket Builder & Savings. Onsite search and display ads maximize visibility in the digital aisle among customers actively building their basket on Kroger's digital properties.
8. **Deploy multi-channel KPM campaigns** to simultaneously provide recipe inspiration for shoppers who may be trading down, and new promotional offers on Kroger's digital properties.

9. Build and retain loyalty among your best shoppers with rewards and relevant content.
10. Drive awareness and trial for brand innovation.

### 84.51° Loyalty Marketing

9. **Our Best Customer Communication** events such as Loyal Customer Mailers, MyMagazines and MyMagazine Extras provide relevant, personalized offers that can be used in-store and online. These drive engagement, retention and incrementality in addition to avoiding trade-downs. Reach high-value omnichannel customers with new Boost exclusive offers.
10. **New at Kroger** is a marketing vehicle that uses sales and shopper metrics to acquire new households who have the propensity to buy your new products at Kroger.

84.51° is a retail data science, insights and media company helping The Kroger Co., consumer packaged goods companies, agencies, publishers and affiliates to create more personalized and valuable experiences for shoppers across the path to purchase.

Powered by cutting-edge science, we utilize first-party retail data from over 62 million U.S. households to fuel a more customer-centric journey utilizing 84.51° Insights, 84.51° Loyalty Marketing and our retail media advertising solution, Kroger Precision Marketing.

## Methodology and resources

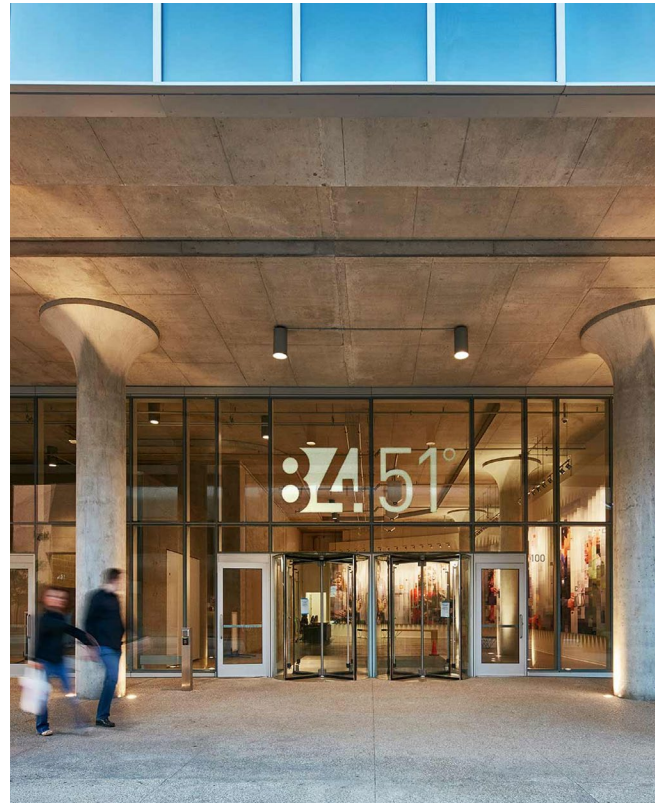
### 84.51° Stratum

Our platform includes first-party transaction data from 62 million households over the past four years. This analytics solution combines rich customer behavior insights with retail performance measures to deliver science-powered insights that drive results. For this study, the analysis covered 52 weeks ending March 18, 2023.

### 84.51° Real Time Insights

Survey fielded February 2023

This opt-in survey measures the attitudes, perceptions and stated behaviors of 400 people who shopped Kroger online (pickup and/or delivery) and in-store in previous 52 weeks. This audience has been double verified with transaction data and claimed purchase behavior.



### 84.51° Clickstream Insights

Clickstream is defined as the sequence of shopping behavior online, with data captured across web and mobile applications. 84.51° Clickstream data captures how users shop the Kroger website and app to help you create digital strategies at Kroger and beyond. For this study, the analysis covered the 52 weeks ending March 18, 2023.