What's in store for omnichannel retail?

Meeting consumers where they are shopping

How did we get here?

Consumers are grocery shopping online more than ever. Initially, pandemic-driven safety concerns drove them to their computers and smartphones to order everything from diapers and breakfast cereal to — when it was available — toilet paper. Now, in addition to the advantage of avoiding crowds, these omnichannel consumers have warmed to the newfound convenience of filling their digital shopping carts at home, then either going to store for pickup or scheduling a delivery.

91% of households say they'll do as much or more online grocery shopping in 2022 as they did last year.

The state of omnichannel shopping: Insights feed opportunities

Omnichannel grocery shopping is in a pivotal growth moment. It's a great time to examine changing shopping behaviors — everything from what shoppers prefer buying at home or in-store to their preferred shopping days.

Armed with this intel, brands and retailers can proactively develop products and experiences that meet the consumer where and when they're shopping. This could mean anything from increasing the number of self-checkout lanes in a supermarket to changing the size or style of a product's packaging.

HERE WE'LL ANSWER ...

- Who is the omnichannel shopper?
- What new shopping habits and preferences are they forming — what are they buying, where, and how are they doing it?
- How can these behavioral changes shape the future of on and offline shopping?

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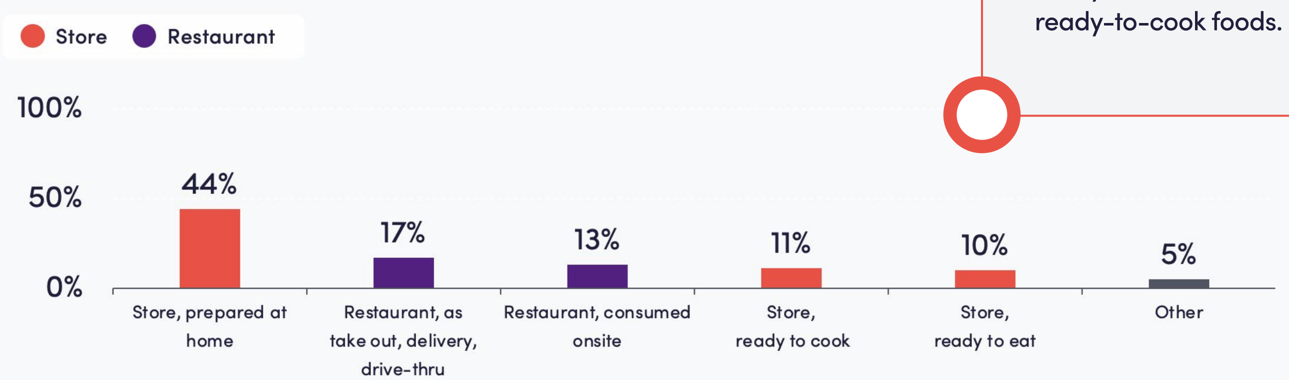
Key takeaways

- **Hybrid shoppers represent a broad spectrum of consumers.** They're bringing online shopping into their routines in constantly evolving ways.
- **Ecommerce provides more flexibility than ever** in choosing the days and times we shop, while in-store remains the most convenient option for specific circumstances.
- Online shopping has opened the door to **new impulse-buy categories.** It's also a way for some shoppers to curb their impulse buying.
- **Shoppers are going online more for their key grocery trips.** Increasing comfort and confidence in navigating the ecommerce experience will spur more online shopping and a shopper expansion into more grocery categories.
- Online shoppers want an easy **way to compare options and find promotions online.**

SHARE OF STOMACH

Thinking ahead for 2022, what percentage of the food do you expect you'll eat/consume meals, beverages, snacks from?



Source: 84.51° Insights, May 2022

Grocers' "Home Plate" Advantage

Not only has ecommerce grown, but grocery as a whole has benefited from behavior shifts over the past two years. Online shoppers say they'll buy 65% of their food from a store this year. This includes groceries to prepare at home, as well as ready-to-eat and ready-to-cook foods.

Source: 84.51° Insights Omnichannel Study, May 2022

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The hybrid-shopping value proposition

Despite a surge in ecommerce adoption, most online grocery shoppers still incorporate in-store trips into their routines — the practice of "hybrid shopping." Which mode they choose on a particular day — getting in the car or tapping on their phone screen — depends on several factors, including:

- What items they're buying
- When they need them
- Current and ongoing health concerns
- Convenience

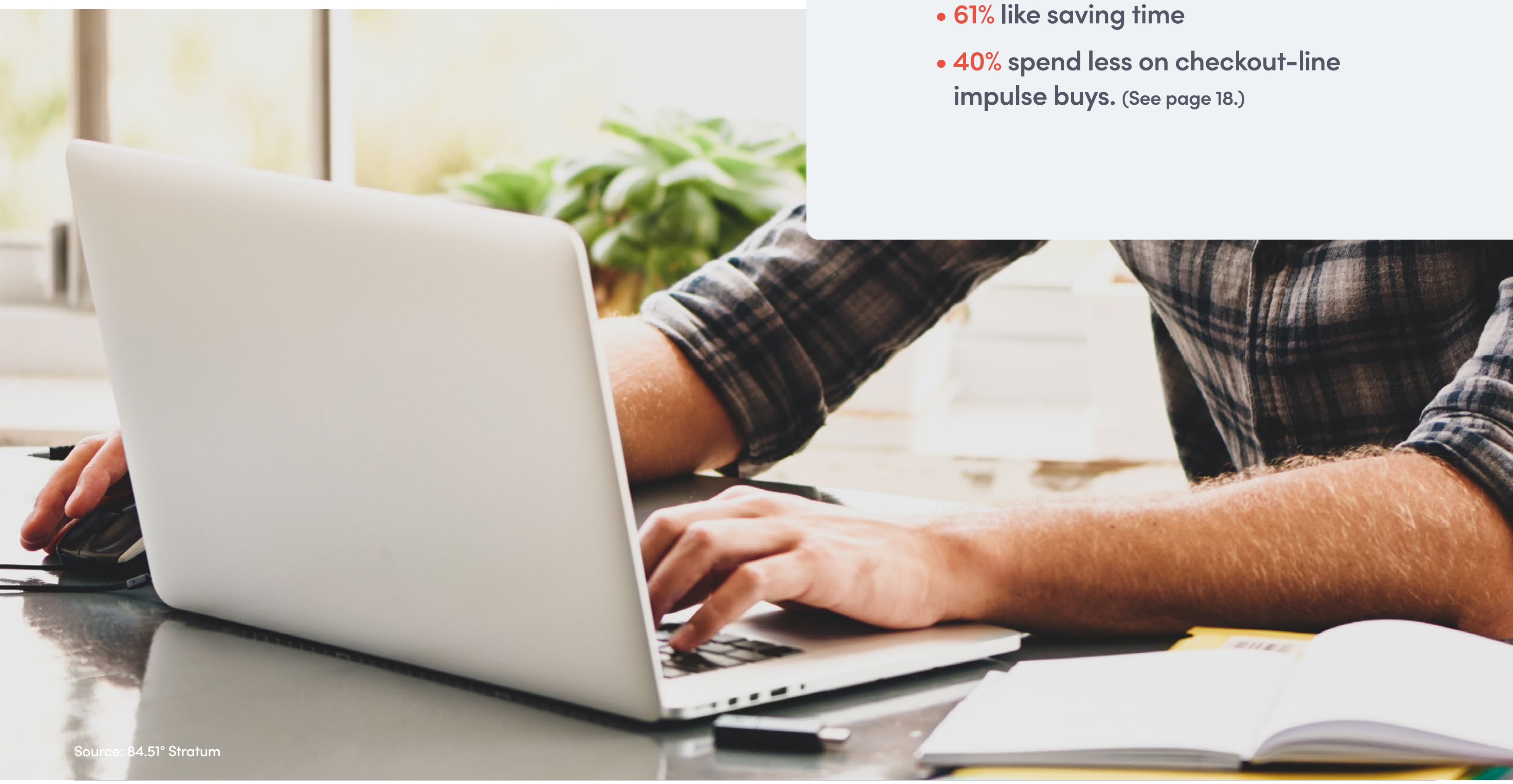
Digging into the details of these motivators, as we'll do here, can help brands and retailers create a better shopping experience.

Q: What keeps onliners clicking?

Seven out of 10 online shoppers say "avoiding crowds" is a big reason for ordering online. While the pandemic caused shoppers to stay home due to safety concerns, they are continuing for other reasons. Here's what else they say:

Here's what else they say:

- **66%** enjoy shopping from home
- **61%** like saving time
- **40%** spend less on checkout-line impulse buys. (See page 18.)



Source: 84.51° Stratum

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Who is the hybrid shopper?

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There's no one answer. Rather, omnichannel shoppers sit on a continuum. They range from the newcomer to the seasoned online ace. By looking at some of the differences and similarities between the low ecommerce loyal (Digital Dabblers) and high ecommerce loyal (Digital Champs) groups, we can better understand the entire spectrum.

OMNICHANNEL RISING AND THE HYBRID SHOPPER

Hybrid shopping refers to shoppers who are using both ecommerce and in-store shopping modes to get their groceries, though not necessarily in the same trip. Hybrid grocery shopping has increased **2x** since 2019.[1]

SPECTRUM OF OMNICHANNEL SHOPPER

Ranging from "new to ecommerce" to "loyal to ecommerce"

[1] Source: 84.51° Stratum

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WHO ARE THE “DIGITAL DABBLERS”?

Millennials David and Marlene Wilkins are the heads of a large household. They’re price sensitive, so they comparison shop and hunt for deals — and take more time to do it. While the convenience of online shopping is appealing to them when they need it most, they still like to go in-store for their produce and other perishables. In fact, **86**% of their shopping trips are at the supermarket, though when they do shop online, these baskets are typically **2x larger** than their in-store totals.

Champs lead spending.

High ecommerce loyal customers spend **40**% more than online newcomers on pickup orders, **41**% more on delivery orders and **9**% more on in-store purchases.

MEET THE “DIGITAL CHAMPS.”

Greg and Suzanne Rossi are completely onboard with online shopping. Like David and Marlene, they’re also millennials and parents. Roughly **70**% of their “trips” are transacted online, and they spend **85**% of their total food budget there. They are very health conscious and not very price sensitive.

Convenience is a big reason why they’re comfortable shopping from home for most anything they need, from paper towels to a pound of shrimp. Their comfort in leveraging ecommerce to purchase the breadth of categories across the grocery store also means they’ll create a larger online basket than the Dabblers. Additionally, they go online at least once per week to make an online order, completing an average of **53** ecommerce trips annually.

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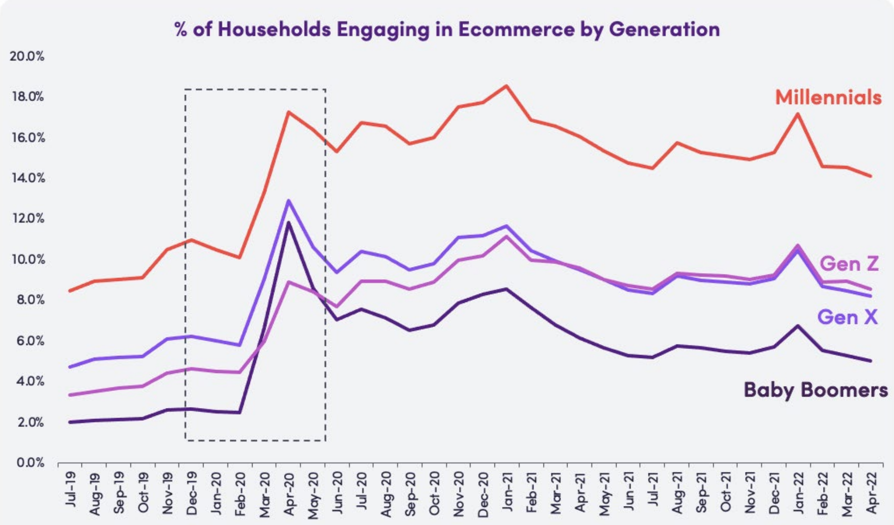
Hybrid demographics show a narrowing generation gap.

Safety concerns drove online adoption across all age groups throughout 2020 and 2021. The trend continues, with millennials now leading the charge. Early in the pandemic, **baby boomers** surpassed **Gen Z** adoption. However, as restrictions eased, boomers cut back to their previous levels. A subset of older consumers remains highly loyal to ecommerce, though, possibly due to safety concerns and ease of deliveries.

BABY BOOMERS BOOMED WITH ECOMMERCE, THEN TAPERED OFF.



Source: 84.51° Stratum

Younger generations adopted ecommerce and have stayed, with highest penetration among millennials.

Baby Boomers surpassed Gen-Z adoption early in the pandemic but have since largely reverted in-store.

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New shopping patterns emerge

The path online for grocery categories

As consumers further adopt ecommerce, some are getting more comfortable going all in. How do we see that progression happening?

The migration of online shopping will likely unfold as follows:

FIRST

Non-perishable pantry and cleaning items. The online pickup and delivery categories are already ruling this category.

SECOND

Everyday middle-aisle items, including beverages, snack food, cereal and other breakfast foods, condiments and baking items.

THIRD

The perimeter-aisle categories, particularly produce, meat/seafood, bakery/deli, as well as alcohol and beauty products. These are categories that consumers prefer to browse before purchasing.

Omnichannel shoppers are changing longstanding behaviors.

Shoppers are using ecommerce and making in-store purchases for discrete reasons.

Hybrid shoppers go online to save time, save money, and streamline their shopping experience.

- “Saves time. I don’t have to be in the store.”
- “Helps prevent impulse purchases and saves time.”
- “It’s faster. I can do my list on the phone.”

WHAT BRINGS HYBRID SHOPPERS IN-STORE?

Delivering on convenience and high-stakes trip missions.
In-store visits prevail in many cases, due to shoppers’ confidence in their ability to get in and out quickly and browse when needed.

Supermarket trips lead the pack for:

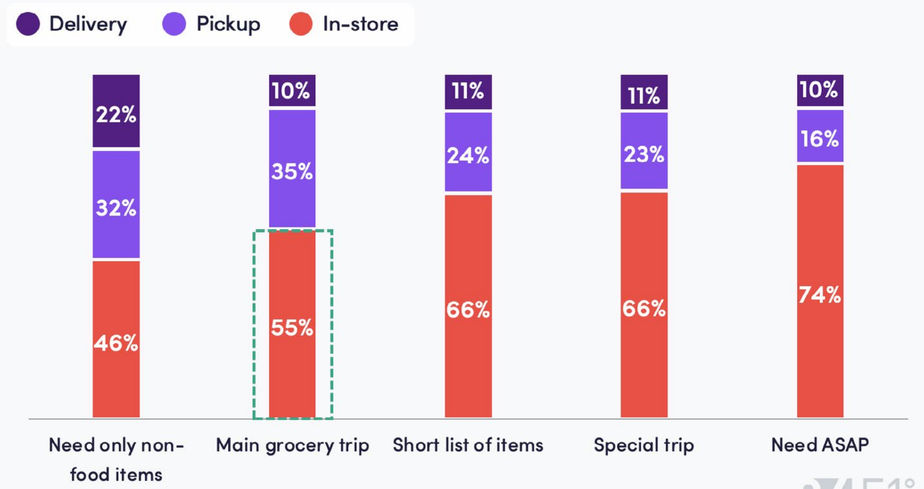
- When they need it ASAP (74%)
- It’s time for a special reason or event (66%)
- They’re getting a short list of items (66%)

Source: 84.51° Insights Omnichannel Study 2022

Grocery shopping fits into our lives in new ways.

As more shoppers integrate ecommerce into shopping routines, they are developing stronger preferences about what trip missions they prefer to complete in-store versus online.

WHEN SHOPPING FOR THE "MAIN GROCERY TRIP," IN-STORE IS THE TOP CHOICE AMONG OMNICHANNEL SHOPPERS



Source: 84.51° Real Time Insights, May 2022

Going in-store to round out the online basket.

When Pickup shoppers visit the store on the same day as placing an online order, four out of 10 say they've done so because they **forgot to add something to their online cart.** They also say they've:

- Looked for an item that was out of stock online (28%)
- Shopped for a product they like to buy themselves (24%)
- Needed to resolve an item-substitution error (23%)

% of online orders accompanied by an in-store visit

26%	15%	7%
Digital Dabblers	Medium ecommerce Loyal	Digital Champs

Source: 84.51° Insights

However, the more comfortable an online shopper gets, the less likely they need to go in-store after picking up their online order.

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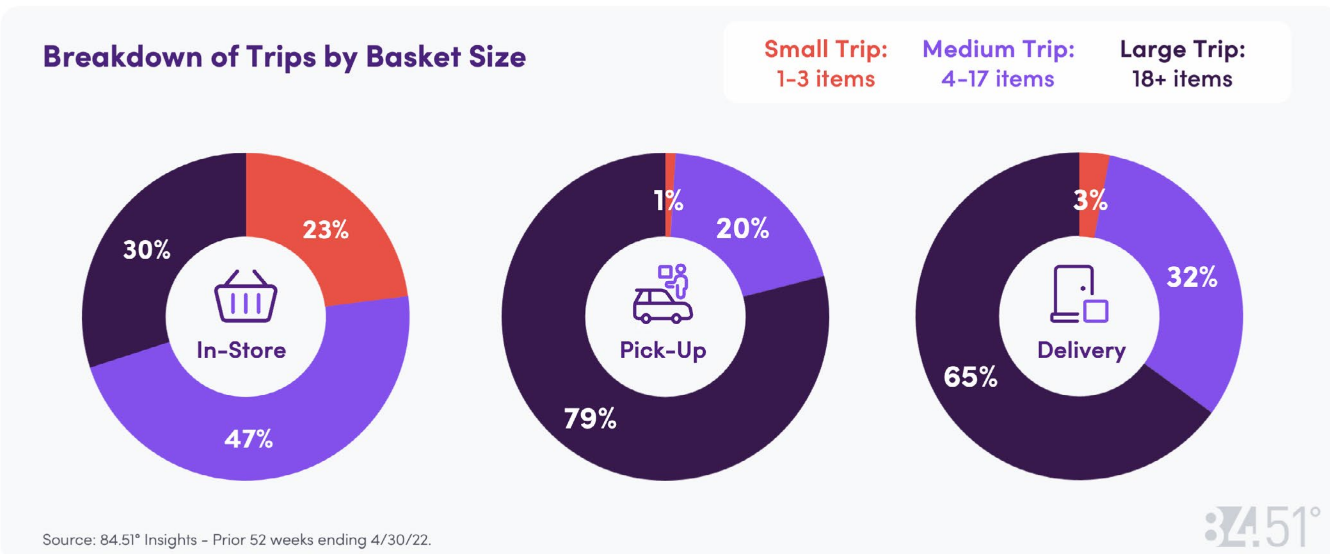
The size of baskets — small, medium, large — varies by trip modality

In-store shopping remains the primary home for **medium cart** (four- to 17-item) and **small cart** (one- to three-item) purchases, by a significant margin.

PICKUPS ARE ALMOST EXCLUSIVELY LARGE STOCK-UP TRIPS



Source: 84.51° Insights - Prior 52 weeks ending 4/30/22.

How do omnichannel shoppers prefer to save money?

A: The simpler the better:

- **78%** want everyday low prices.
- **73%** like buying on promotion or sale.
- **72%** like loyalty card savings.
- 72% look for digital coupons and items on sale.

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Living large online: The “main grocery trip” rules

Large carts typically include main stock-up and/or heavy or bulky items that are more easily picked up or delivered. Nearly **eight out of 10** online orders for pickup and **65%** of online delivery orders are now large-cart buys (18+ items), compared to only **23%** of in-store transactions.

Small ecommerce baskets often fill urgent needs.

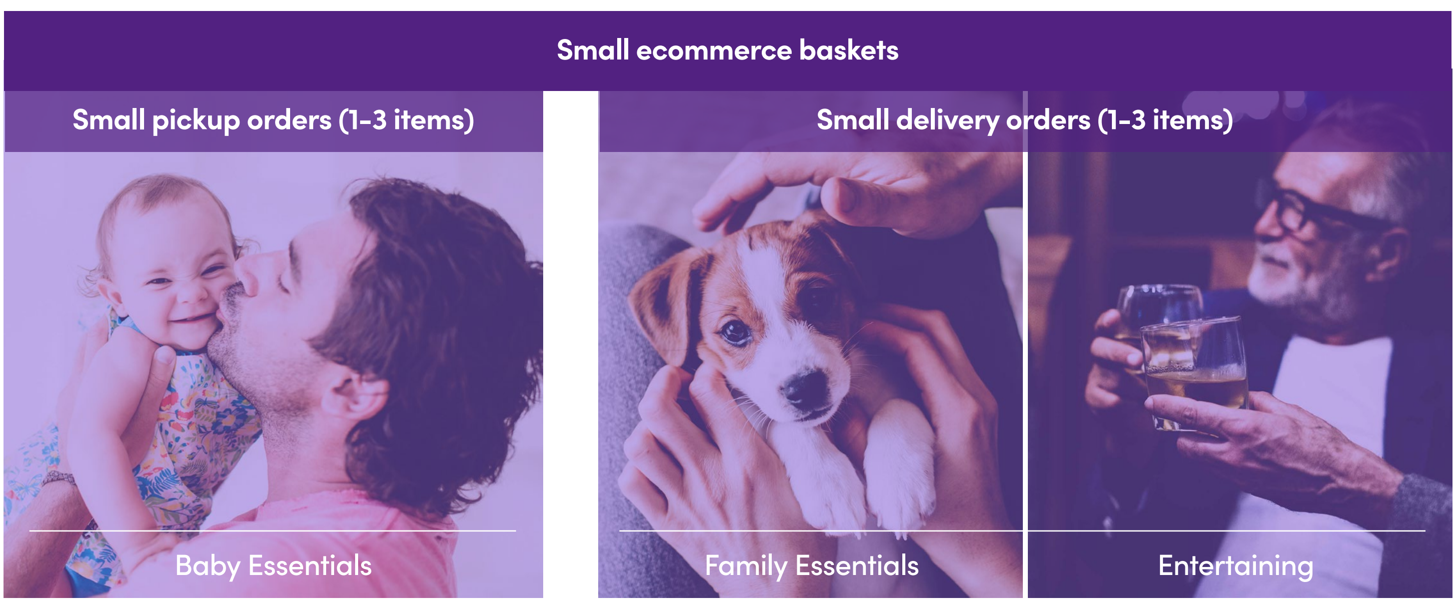
Small pickup orders tend to include baby essentials such as formula, diapers and wipes.

Small delivery orders often comprise either family/household essentials or entertaining essentials such as:

- Baby items
- Pet food
- Toilet paper
- Alcohol, beauty, and flowers

WHO’S FILLING THEIR CARTS TO THE TOP?

Digital Champs prevail. These high-ecommerce loyal shoppers buy more often (slightly more than weekly) and spend 35%–40% more than Digital Dabblers per trip. They’re also more likely to make outer-perimeter bakery, produce and meat/fish/poultry purchases.



Situations that drive shopping trip choices:

In-store visits are a boon to shoppers looking for grab-and-go foods, last-minute items and the kind of purchases that may require in-person comparison (e.g., a head of lettuce or a cut of meat or fish).

Pickup vs. delivery: Pickup is valuable for time-pressed parents.

Delivery is the best option for those who can't or just don't want to leave home.

HYBRID SHOPPERS' WISH LIST FOR IN-STORE SHOPPING TRIPS:

- More promotions: 61%
- Faster checkout: 55%
- Their brands/products in stock: 47%
- Easier navigation: 32%

IN-STORE STILL WINS GRAB & GO FOR THE HUNGRY AND INDECISIVE; PICKUP IS PREFERRED FOR TIRED & TIME PRESSED PARENTS

Source: 84.51° Real Time Insights, January 2022

Time-shifting the shopping trip: Digital makes it doable.

THE EASE OF ONLINE SHOPPING MEANS IT CAN HAPPEN WHENEVER THERE'S TIME — AND THAT MAY BE CHANGING SOME COMMON PATTERNS.

Hybrids can reclaim some valuable weekend time.

Sunday has long been the most popular in-store shopping day, closely followed by Saturday. This pattern has carried over to online shopping with pickup. However, Saturday pickups have decreased, while Friday and Monday pickups are increasing.

So perhaps instead of taking a couple hours of Saturday morning to push a cart, some households are now clicking at home or at the office, then picking up their purchases after work — in either case, the weekend is still the catalyst.

ECOMMERCE IS ENABLING US TO SHIFT WHAT DAYS WE SHOP

Index of Visits on Each Day of the Week by Modality

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
In-store	99	95	95	94	102	106	110
Pickup	111	97	83	86	103	97	123
Delivery	103	94	92	90	101	102	119

Source: 84.51° Insights - Prior 52 weeks ending 4/30/22.

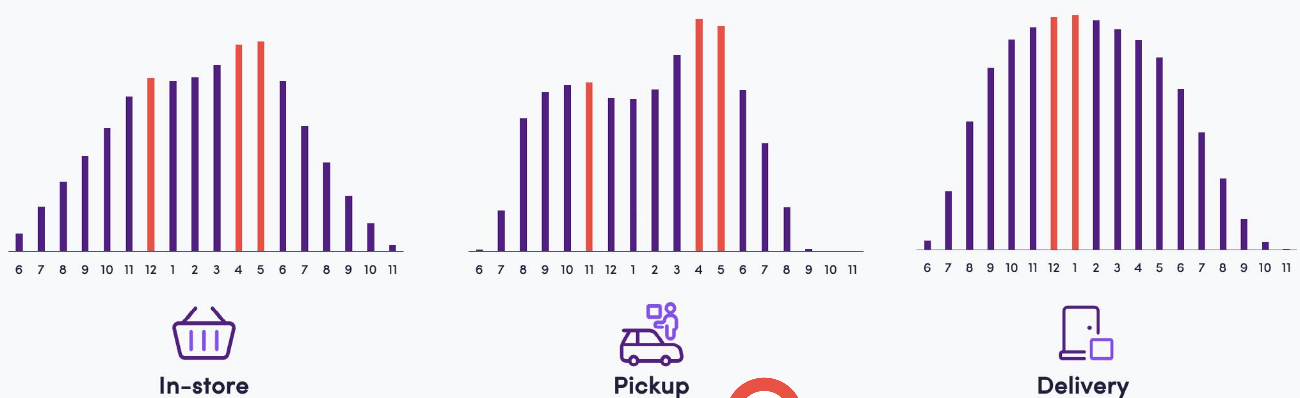
Deliveries, on the other hand, remain equally robust on Saturday and Sunday.

They're giving their online orders the time of day.

Traditional rush hours in-store are 4 p.m. to 5 p.m. (post-work and -school), along with the lunchtime bump. But with pickup, a midmorning surge replaces lunchtime. Delivery on the other hand, shows a bell curve throughout the day. Consumers choose to have groceries delivered at any time they are home to receive them and are not nearly as subject to work and school hours as online-pickup shoppers.

ECOMMERCE OPTIONS ALSO LET US CHOOSE WHEN WE RECEIVE GROCERIES

Most Common Times of Day to Receive Groceries by Modality



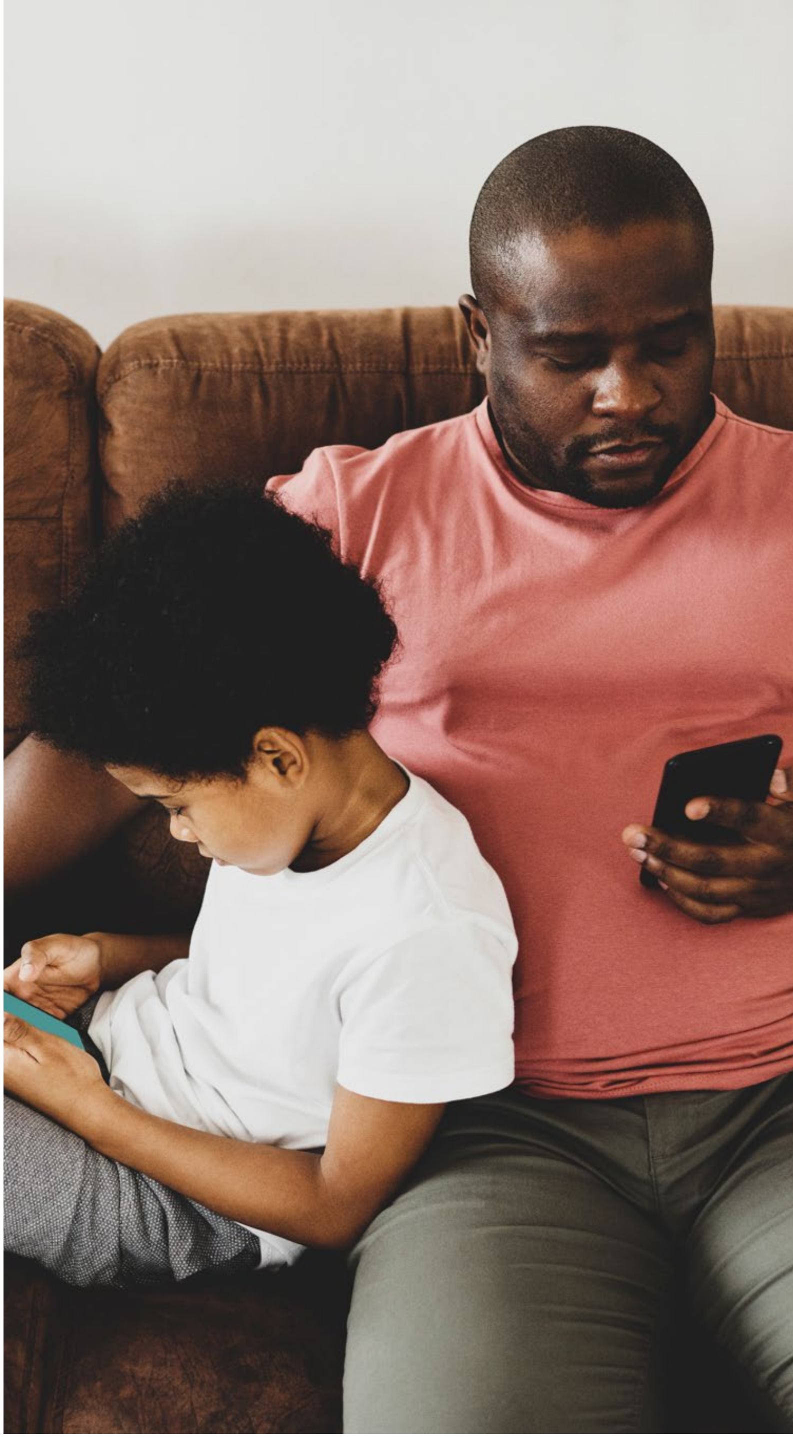
Source: 84.51° Insights - Prior 52 weeks ending 4/30/22.

Average Time Between Order Placement and When it Leaves the Store:

Pickup: 15.3 hours

Delivery: 4.2 hours

How do shoppers build online baskets?



Mobile devices prevail as shopping tools.

Shoppers using mobile apps predominate online shopping:

- **Over 60%** of online orders are made using a mobile app, versus a mobile web or desktop device.
- These shoppers also get the job done in slightly less time than their desktop counterparts, shaving about **three minutes** off their shopping trip.

How are shoppers filling their carts?

The **Search** tool is primary for **56%** of shoppers, followed in the distance by Start My Cart, with **25%** of users. **Trailing in the cart-building toolkit:** product detail page, digital coupons, Recent Purchases and My Sale Items. Browsing, an in-store ritual, places **dead last** online.

Source: 84.51° Stratum

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The impulse buy, redefined

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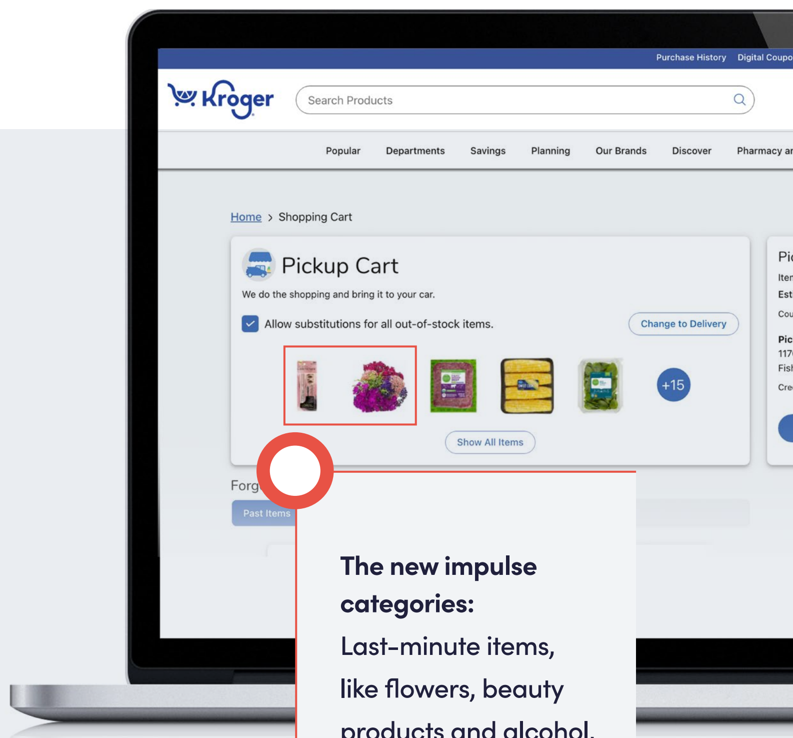
Four out of 10 online shoppers think that by avoiding the checkout line, they're also curbing the impulse to make last-minute purchases, whether that means a magazine, a candy bar or a value-pack of batteries.

They're right in thinking they may be avoiding those specific categories. However, clickstream data analysis of what they're adding to their cart shows consistent patterns of last-minute items — just like they might do in the store. These include alcohol, flowers and beauty products.



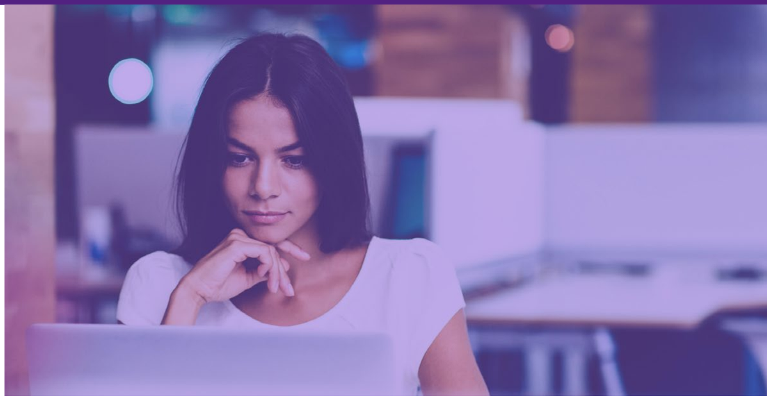
IMPLICATIONS:

This, of course, presents risk to those traditional impulse categories that now need to find new ways to disrupt the ecommerce shopping experience. However, it also gives marketers a new perspective into what impulse items customers are looking for when the definition of impulse expands beyond immediate consumption.

The new impulse categories:
Last-minute items, like flowers, beauty products and alcohol, are getting added to digital carts.

Source: 84.51° Clickstream Insights

Looking ahead to an omnichannel world:



How can you best use these findings?

Shifts in consumer behavior are likely throughout 2022. Convenience remains a paramount motivator across shoppers. However, declining health concerns are being replaced with increased concerns over inflation. In this evolving environment, brands and retailers should expect that shoppers will look to both ecommerce and physical stores to fulfill different trips and deliver experiences that help them easily and confidently complete their orders each time.

Therefore, it is critical to invest in the broad ecosystem, so that customers can decide how they want to shop for a given type of trip — and don't have to compromise on convenience, confidence, control or inspiration.

- **Win digital shoppers today to impact tomorrow's routines.** Brands will face an uphill battle in the near future as the Digital Champs become more comfortable with automating their ecommerce purchases. Winning ecommerce shopper loyalty today will have a big impact on customer lifetime value.

- **Make it easier for customers to shop on a budget, with confidence.** Create data-driven promotion plans and then communicate them both in-store and online.

- **Use digital media to grow in-store sales too.** Ecommerce is expanding quickly, but even today the vast majority of in-store sales are influenced by digital touchpoints. With two-thirds of shoppers loading digital coupons — regardless of shopping modality — the digital aisle is quickly becoming a must-win arena for brands.

- **Recognize that the impulse categories are different online from in-store.** Traditional checklane categories need to understand these new patterns and may need to adjust pack sizes and other elements to better compete online. For new impulse categories such as alcohol, flowers and health & beauty, create inspirational experiences to help people indulge (without breaking the bank.)

- **Analyze behaviors and motivations of your omnichannel shoppers.** Just as behaviors and motivations vary across the ecommerce adoption spectrum, they also vary across categories. It is important to understand macro-trends, then quickly drill into the specific behavior of shoppers of your brands and categories. It is with this knowledge that brands will be able to develop and refine customer-centric plans with confidence and speed.

Power your omnichannel strategies with 84.51° Solutions

Your omnichannel challenge	How can we help
Build brand loyalty online now or risk being locked out of the shopping list forever as habits become ingrained.	Stay top of mind as shoppers build baskets on Kroger.com with **KPM Always-On Product Listing Ads.** Activate across all **Targeted Onsite Ad** placements to find shoppers in discovery mode online or in store.
Know what's working and who's buying what in-store vs. online leveraging rich, first-party data.	**84.51° Stratum** is powered by first-party data from nearly 60 million households with over two billion brick and mortar and digital transactions annually. Bring insights to life and better identify performance, profiling and shopper behavior. **Modality Insights** provide new segmentations — high, medium or low online engagement — to better understand ecommerce adoption.
See how consumers are building their baskets.	**Clickstream Insights** show you how consumers shop online along the path to purchase, including what's driving sales.
Know if ecommerce shopping drives incremental sales or shoppers trading off with in-store spending.	Our new **E-comm Incrementality Measurement** measures true ecommerce incrementality for brands and compares to CPG benchmarks.
Stop the leaky bucket by retaining and rewarding your best customers, as well as acquiring new or lapsed users.	Our **Best Customer Communication** events such as **LCMs, MyMags** and **MyMag Extras** provide relevant, personalized offers that can be used across modalities to drive engagement, retention and incrementality in addition to avoiding trade-downs.
Learn about how pickup substitutes impact your business.	The new **Pickup Substitution Impact** analysis identifies most commonly substituted items for your product groups and provides insights about how those events impact post-sub behavior to help you build customer-centric pickup strategies.
Promote your new products to gain awareness, trial and customer acquisition.	**New at Kroger** uses sales and customer metrics to acquire new households who have the propensity to buy your new products at Kroger.
A majority of sales — regardless of modality — are influenced by digital activity.	Strategically reach must-win households with **KPM's Segmentations,** including purchase-based, ecommerce habits and demographic.
Connect the "why" and the "buy."	Understand consumer perceptions and motivations among verified purchasers with **Real-Time Insights.**

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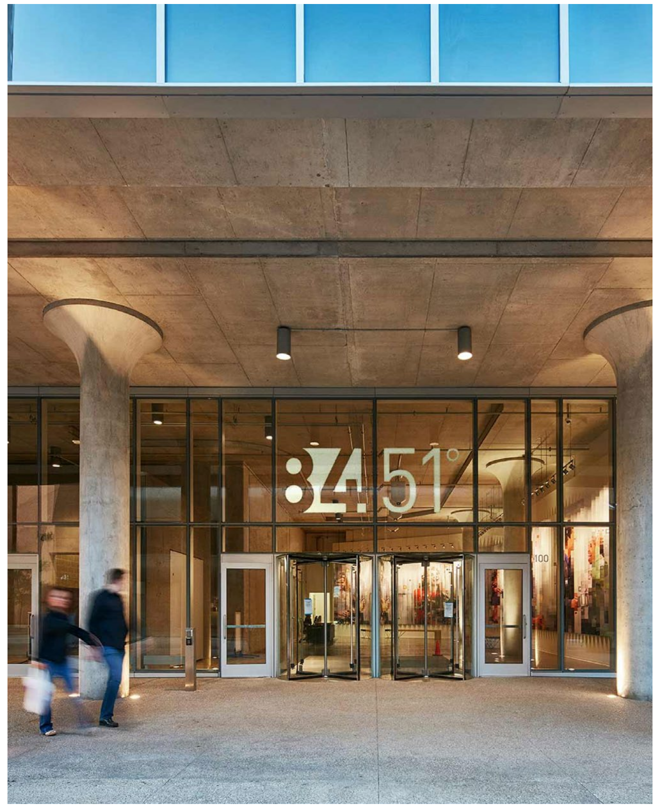
About us

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

Powered by cutting-edge science, we leverage first-party retail data from nearly one of two U.S. households and more than two billion transactions to fuel a more customer-centric journey utilizing 84.51° Insights, 84.51° Loyalty Marketing and our retail media advertising solution, Kroger Precision Marketing. Find out how 84.51° can help grow your business at Insights@8451.com



METHODOLOGY & SOURCES

84.51° Insights Omnichannel Study January and May 2022 — Quantitative study using the 84.51° Real-Time Insights solution. Each study included 400 omnichannel consumers who shopped at one of Kroger's 25+ banner stores.

84.51° Stratum — Our platform with first-party transaction data from nearly 60 million households over the past four years. Analysis is based on shopper behavior from July 2019 – May 2022.

84.51° Clickstream Insights provides views into shopping behavior via Kroger's digital properties (web and app) to understanding how digital baskets are built.

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