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Helping Traditional Grocers Compete in Omnichannel



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Motivation / Background

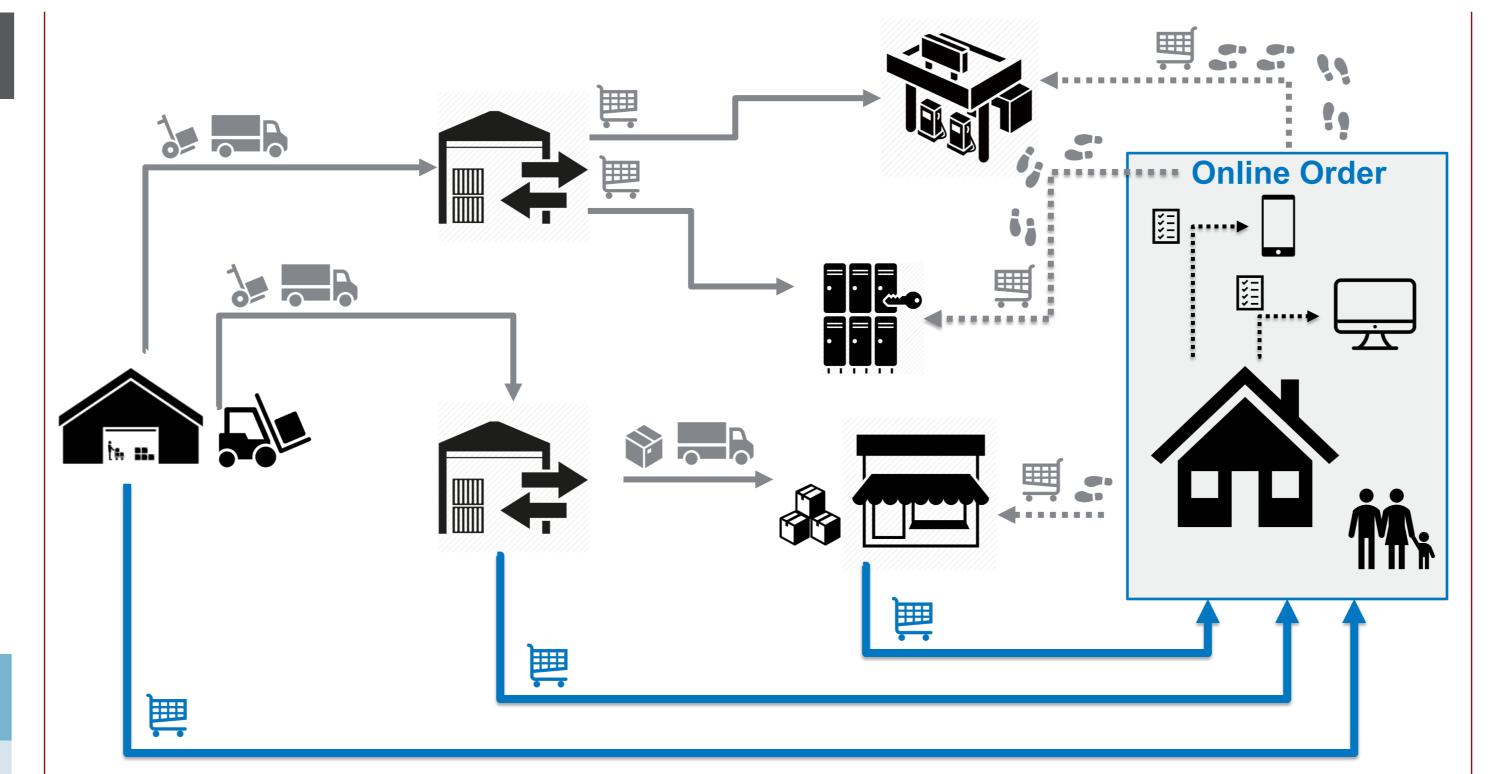
- The grocery industry will not be immune to the growing consumer adoption of digital shopping.
- · Channel choice is evolving as customer expectations outpace retailers' ability to deliver cross-channel experiences.
- For home deliveries, customers expect:
 - Fast and reliable service
 - No additional costs
 - Good quality of items delivered

	ONLINE GROCERY SALES*		PERCENT OF TOTAL GROCERY RETAIL
2016	\$20.5B		4.29%
2025 Conservative	\$44.6B		8.51%
2025 Moderate	\$72.6B		13.86%
2025 Aggressive		\$103.3B	19.72%

* Based on the 2017 report by The Nielsen Company and Food Marketing Institute: "The Digitally Engaged Food Shopper"

Driving Questions

- 1. What drives customers toward the home delivery channel?
- 2. Where are the critical US markets for home delivery?
- 3. Where should the client prepare online orders?



The Problem

- The current research focuses on understanding customer channel preferences in online grocery deliveries to better estimate home deliveries demand of grocery
- The client launched pick-up from store service in ~ 1000 locations
- They are looking to diversify channels by implementing home deliveries in a defined number of locations
- The objective is to maximize home deliveries sales by targeting key markets and customers

Relevant Literature

- The Nielsen Company and Food Marketing Institute, The Digitally Engaged Food Shopper, 2017
- Erik Brynjolfsson, Yu Jeffrey Hu and Mohammad S. Rahman, Competing in the Age of Omnichannel Retailing, 2013
- Kusum L. Ailawadi and Paul W. Farris, Managing Multi- and Omni-Channel Distribution: Metrics and Research Directions, 2017

Methodology

Channel Choice Building the Customer Profile for Online Grocery

Survey Discrete Choice Experiment

Site Location Heat Map of Critical Markets for Online Grocery

Key Obstacles in Channel Choice:

- Comparing transaction costs
- Measuring implicit thresholds for channel adoption
 - (lead-time, delivery-window, etc.)
- Inferring customer preferences from historical data

Expected Contribution

Predictive Model:

Site selection tool for rolling out home-delivery capabilities at retail stores across national network

Customer Preference Insights:

Identify key drivers of channel choice for Online Grocery

Omnichannel Strategy

Network Design Model:

Demand-Shaping:

Strategic framework for launching new sites for home delivery of online grocery

Tools to support a better demand estimation for retailers that introduce new distribution channels

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