



**Customer Retention
and Growth in
Today's Competitive
Retail Grocery
Environment**

For retail grocers, the message is clear. Customers now have many different food purveyors to choose from for every option, whether they shop in-store, opt for direct-to-home delivery, or do something else. In this highly competitive market, customers expect fresh, high quality foods that never disappoint.

**Mary Shacklett
Transworld Data Analytics and Research**

Recently, on my way home, I stopped at a favorite high-end grocery store for produce.

It's one of my favorite stops, as the store is beautifully decorated. It makes you feel at home and, best of all, you can depend upon the quality of produce it carries – until now.

I purchased some organic strawberries, to find to my dismay the next morning that they had begun to mold and spoil.

It shook my confidence. Do I go back there again? Or try some place new?

As an industry analyst, I am usually the one asking questions like this of consumers and of companies – but today I was “the market” and I felt the unabridged pain. I'll think twice about going back to that store.

This is exactly the type of situation that food retailers want to avoid, given the fierce competition for consumer wallets. However, if too many customers have disappointing experiences because they buy produce that states on the package that it is good until a certain date—and then find the food spoiling in their refrigerators before the due date – it's not a good recipe for success.

What's the Risk of Losing a Customer?

Customer engagement consultancy Vision Critical¹ surveyed over 1,000 consumers and found that 42% of shoppers will abandon a store they shop at after two bad experiences. The value customers place on a grocery store is also directly related to the quality of the store's meats and produce. (Learn which grocery stores consumers prefer.)²

For retail grocers, the message is clear. Customers now have many different food purveyors to choose from for every option, whether they shop in-store, opt for direct-to-home delivery, or do something else. In this highly competitive market, customers expect fresh, high quality foods that never disappoint. They also expect a wider selection of foods than ever before.

42%

of shoppers will abandon a store they shop at after two bad experiences

Increased competition for the food wallet in a competitive marketplace has opened the door to new foods and food delivery options for retail brick and mortar grocers, and also for online retailers, specialty diet retailers³, and pre-made meal retailers like Instacart⁴ that are all in the food market.

¹ <https://www.visioncritical.com/blog/keep-customers-happy-infographic>

² <http://clark.com/shopping-retail/best-and-worst-supermarket-chains/>

³ <https://everydayseniorliving.com/7-ways-a-senior-grocery-delivery-service-can-improve-your-life/>

⁴ <https://www.instacart.com>

The competition has motivated traditional brick and mortar grocers to develop their own home delivery or order and pickup at store options that are now providing food delivery alternatives to traditional in-store shopping.

With the plethora of brick and mortar and online grocery retailers now going for the consumer food wallet, grocery retailers understand that growing their customer bases and satisfying customers are paramount; but it is equally important to retain the customers that retailers already have.

What do grocery retailers risk by losing a customer?

*It costs five times more to attract a new customer than it does to retain one.*⁵ The probability of selling to an existing customer is 60-70%; to a new customer, that probability drops to 5-20%. Existing customers are 50% more likely to try new products, and 31% are more likely to spend more than new customers.

What Leads to Customer Disappointment with Food Freshness?

If grocery retailers are to consistently delight and retain their customers, they have to provide a variety of high quality fresh foods, whether the shopper is in their store or buying from them online.

This can be a tall order in an industry that historically has accepted a 30% food waste rate⁶, but today's market demands it. The market demand is there because customers who are now accustomed to instant order fulfillment in the online shopping world now also expect a variety of fresh foods to be available to them at their grocery stores or to be directly delivered to them at home or in the grocer's parking lot. Food shopping trends confirm this. In 2018, trends research confirmed that more consumers were opting for foods that have never been frozen, or that came directly from the farm. Leading 2018 consumer food trends⁷ also revealed an increase in consumption of plant based diets, increases in customer direct-from-farm food purchases, and a focus on fresh foods and artisan foods from grocery stores.



In a nutshell, American consumers want fresh foods and produce at attractive price points and at uncompromised levels of quality.

In this environment, food freshness is a major consumer expectation that growers can't afford to ignore. To achieve consistent reputations for freshness, grocers must monitor their food supply chains and practices to ensure best freshness results.

⁵ <https://www.mycustomer.com/experience/loyalty/infographic-customer-acquisition-vs-retention-costs>

⁶ <http://www.fao.org/save-food/resources/keyfindings/en/>

⁷ <https://www.forbes.com/sites/phillempert/2017/12/13/10-food-trends-that-will-shape-2018>

Identifying the Supply Chain “Pressure Points”

The leading supply chain “pressure points” for food freshness, and for produce in particular, are:

Farm practices

Is the produce picked at the heat of day, when it is most vulnerable to fast spoilage, or at cooler early morning times? Once the produce is picked, is it left standing in the field, or is it immediately loaded onto carriers that transport it to destinations?



Distribution and shipping points

Are foods shipped, precooled and properly maintained at temperature and monitored by carriers and warehouses, or are they subject to delivery delays and environmental factors that accelerate aging that can lead to premature spoilage?

Retail grocery stores

Is produce promptly unloaded from carriers, inspected and properly stored before being available to consumers?

Direct-to home deliveries

Are temperature sensitive foods timely and properly maintained and delivered to customers who expect excellent product quality with expedient same day service?

Improving Supply Chain Performance

Managing your supply chain for food freshness and ensuring customer satisfaction are key elements for retaining your customers and growing your business.

To do this, retail grocers can take several proactive steps that ensure customer delight.

At the farm

Produce freshness can vary widely, depending upon the time of day that produce is picked and how long fruits and vegetables are left in the field before they are loaded, precooled, warehoused and ultimately transported to destinations.

Unfortunately, until recently, there was no way to tell which pallets in a single shipment of strawberries, for example, had been picked early in the day and promptly stored and/or refrigerated and which pallets of those same strawberries picked on the same

day had been left standing longer in the field, or were picked at hotter times of day that accelerated aging that led to premature spoilage at the grocery store or with the consumer.

Instead, it has been generally assumed that all pallets of strawberries (or other produce) in a single shipment have the same remaining shelf-life and are labeled with the same “best by” or “harvested on” date. Because of the variability in harvest conditions and handling, this often false assumption often creates waste that retailers must write off as losses, since some pallets have been subjected to adverse environmental factors that speed spoilage while others have not. This waste extends to customers, who pay for and receive produce that spoils in their homes, disappoints them and causes them to look for somewhere else to shop.

To reduce the risk of food loss and customer loss, retailers and their suppliers can use Internet of Things (IoT) temperature sensors and attach these sensors to individual pallets of produce at the farm, beginning at harvest.



The sensors monitor the environmental factors that can adversely affect food shelf life. Because the sensors transmit their data to a cloud-based system that assesses the data for freshness and that everyone can access, producers can gain real-time visibility into those pallets of produce most susceptible to waste, as can their ultimate retailers. The availability of real-time data enables all parties engaged in the food supply chain to take immediate action to prevent food waste.

Zest Labs, a company based in California, has developed a cloud-based freshness management solution called “Zest Fresh” for fresh foods⁸. Their solution provides granular visibility of freshness at the pallet level by utilizing a set of proprietary algorithms. The algorithms work in concert with artificial intelligence and predictive analytics in a cloud-based solution. The Zest Labs Intelligent Pallet Routing system issues a ZIPR™ Code for each individual pallet of produce. This code is a pallet freshness metric that tracks the dynamic remaining shelf-life of each individual pallet as it makes its way through the supply chain from farm to table. It enables producers, transporters, warehouses and retailers to expedite produce to nearby markets when pallet freshness cycles are short, and to ship to more distant markets when pallet freshness readings reveal that produce life cycles are longer.

During transport and distribution

Zest Fresh also utilizes technology to simplify data collection. It uses wireless IoT temperature sensors that are inserted into individual pallets of produce at harvest. Zest

⁸ <https://www.zestlabs.com/zest-fresh-for-produce/>

Fresh uses the sensor data to monitor and dynamically recalculate for food freshness throughout transport, storage at distribution points and ultimately, delivery to retail grocery outlets. The data collected by these sensors, coupled with the Zest Fresh software, can identify and alert on an adverse environmental change that could compromise freshness so timely intervention can be made, and also track each pallet's physical location, revealing any areas of vulnerability throughout the food supply chain where waste-accelerating circumstances are regularly occurring.

This continuous monitoring of foods for freshness enables retailers to work with suppliers and supply points where freshness is most likely to be compromised—and to proactively take action to improve freshness scores at those points.

This continuous monitoring of foods for freshness enables retailers to work with suppliers and supply points where freshness is most likely to be compromised—and to proactively take action to improve freshness scores at those points.

Variegated freshness measurements

Customers want broader varieties of foods to select from, whether they are shopping in stores or accepting home deliveries. In all cases, they expect what they purchase to be fresh, no matter what they buy.

This requires sensors and software that can differentiate freshness assessments based upon the type of produce that is being monitored. For example, the environmental factors that could adversely affect a pallet of peaches will be different from those that affect a pallet of blueberries. Zest Labs ZIPR Codes and software uniquely monitor freshness for each kind of produce and can span the wider varieties of foods that customers want to buy.

Last mile supply chain visibility

As more grocery retailers adopt one hour or two hour at home deliveries for customers, food freshness must also be tracked, traced and assured on the “last mile” of the supply chain—from store to home, or from distribution point to home.

Zest Labs' Zest Fresh can monitor for freshness and timeliness of delivery and can assure grocers that the food they sell in-store to customers, or ship to consumers at home, is fresh and of high quality. Covering this “last mile” of food to consumer is a critical element in the rapidly expanding home delivery market.



Guaranteeing Customer Delight

Recurly⁹, which specializes in revenue maximization, estimates that companies in the consumer goods industry are continuously at risk of losing 6.5% of their customers due to churn.¹⁰

At a time when the grocery industry is at an inflection point with customers demanding fresh, on-time produce in-store or at home, competition for food wallets is intensifying and customer growth, retention and churn are becoming greater challenges.

There are many elements that go into customer retention, churn and growth. Among them are having a wide variety of foods from which to choose from and delivering the foods on-time and in a state of absolute freshness and goodness.



Not every element that goes into a customer's buying decision can be anticipated or planned for—but consistently fresh, on-time deliveries of produce in-store or at home will go a long way toward ensuring that your customers stay with you—and recommend you to their friends. The best news of all is that there is now scalable technology that can help you deliver on your freshness and timeliness promises to customers—and that's great for business.

About Transworld Data Analytics and Research

For over 25 years, Transworld Data has delivered consulting, market research, analytics and product evaluations to companies and media outlets in a broad variety of industry sectors on six different continents.

Its president is Mary E. Shacklett mshacklett@twdtransworld.com, who joined Transworld with a background that includes positions as Vice President of Marketing and Technology at TCCU Inc., a financial services firm; Vice President of Software Development at Summit Information Systems, a commercial software house; and Vice President of Strategic Planning, Manufacturing and Technology at FSI International, a multi-national manufacturing company in the semiconductor industry.

In the food and beverage industry, Transworld Data specializes in IT technologies, industry trends, business process engineering, contracts, governance, vendor management and IT project management for projects in the areas of logistics, the supply chain and Internet of Things (IoT) technologies. Transworld Data's corporate telephone number is 360-956-9536.



⁹ <http://www.recurly.com/>

¹⁰ <https://info.recurly.com/research/subscriber-retention-benchmarks>