DIGITAL CORE FOR GROCERY

Capgemini's transformation
story for Retail Grocers

Local.
Organic.
Delivered.

OVERVIEW

A quick glance at the fortunes of the retail grocery sector today reveals a sizeable 'hockey-stick' curve driven by the global pandemic. The underlying reasons behind this are varied, representing as they do both an acceleration of current industry trends and an inevitable response to unexpected changes in the landscape:

Evolving consumer demand

- National lockdowns unsurprisingly helped emphasize the convenience and greater safety associated with online shopping
- This at a time when consumers were already seeking out more interconnected, on-demand retail experiences
- In addition, shopper expectations are fixed firmly on personalized engagement, including promotions and recommendations tailored to the individual

Adapting the rules of fulfillment

- As with all retailers, grocers find themselves competing for precious last-mile distribution resources – and managing the quality of interaction throughout
- Offering greater choice and control over home delivery has proven a key battleground for brand differentiation

- All this while global supply chains have proven highly susceptible to localized disruptions
- Changes in adapting to more responsive delivery practices have hit hard on operating costs and margins

The key insight emerging from all these factors however is that there's certainly no going back. Shopper behavior has already solidified too quickly to allow a return to pre-pandemic normal. Instead the opportunity now is to champion such momentum, to find sustainable ways to continue the journey while also improving overall profitability.

Achieving this goal requires a commitment to transforming the very core of a grocer's digital infrastructure. As experience teaches, only by becoming truly data-driven can retailers foster the resilient innovation they need to better predict and influence trends, optimize efficiencies, and become customer-centric.
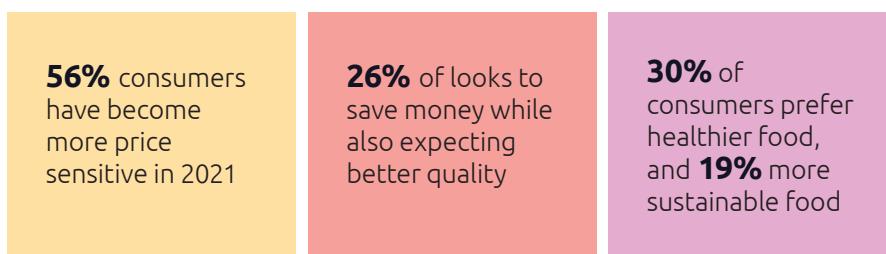
2020 A CATALYST FOR LONG-TERM CHANGE

When it comes to the adoption of connected commerce, grocery has long been seen as a 'laggard' in comparison to other retail segments. There is however a number of mitigating factors behind this apparent lack of progress. Especially when it comes to respecting customer preferences. Previous attempts to encourage greater online activity have enjoyed only limited success due primarily to consumers preferring traditional in-store shopping – and it took a global pandemic to fundamentally shift this mindset.

Since lockdowns were first introduced, online grocery orders exploded:

96% growth in users buying online and picking up in store	**64%** of shoppers have signaled their intent to continue with this behavior into the future	As a % of all orders, online went from **3%** in 2019 to a forecast of **22%** in 2025

This shift to digital channels is also accompanied by a number of wider considerations:

56% consumers have become more price sensitive in 2021	**26%** of looks to save money while also expecting better quality	**30%** of consumers prefer healthier food, and **19%** more sustainable food

These are important statistics* for an industry that occupies a distinctly unique position in society. Grocery shops provide access to nutrition and nourishment, the food staples underpinning any healthy diet. As a result, they perform an indispensible role for any local community. The challenge now, indeed the opportunity, is to develop that role in line with the demands of today's consumers. To maintain the status of an essential service in an increasingly digital world, while also remaining relevant in the face of rapid and constant change.

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*statistical references from:

• *Capgemini Research Institute, Capgemini*
• *Incisiv, Inc., Grocery Digital Maturity Benchmark, 2020*
• *"Industry Trends 2021, a view from SAP", Randy Evins*

WHY GROCERY NEEDS TO ADAPT

Grocers have faced some stark choices since the early months of 2020. Maintaining the movement of stock moving through to end customers meant urgent adaptions to fulfillment practices. Then there was the need to create and maintain safe working environments while offering consumers more/new home delivery options. Each of these developments introduced new costs, eroded margin, and in many cases have had a big impact on bottom lines.

The question now is how to make these temporary changes permanent in a way that's commercially viable? Finding the answer is becoming a key concern, especially when you consider recent Capgemini research that indicates just how enthralled consumers are with the online, connected commerce grocery buying experience – and how resistant they could be if asked to return to former habits.

Sitting still for the majority is therefore not an option. Change is inevitable, meaning grocers are being presented with a once-in-a-generation opportunity to build a renewable enterprise from the core out, with data-driven customer insights factored in from the very beginning.

Other key influences:

Changing customer choice
Customers have not just changed *how* they buy, but also *what* they buy, and even want to know how a product is produced and fulfilled – while still demanding the lowest possible price. A related trend is the demand for healthier and more sustainable products and practices, even if most retailers are still not able to capture data from their supply chains to provide this level of traceability.

Promotional limitations
Price changes and promotions are today still largely presumptive and based on tacit market knowledge, alongside reactive trend-watching and manual calculations. Grocers are therefore losing out to tech-enabled niche brands able to quickly respond to trends, offer innovative fulfillment and payment models, and build digital relationships directly with consumers.

From trend to table
While forecasting may have become a more dynamic process, the actual task of matching demand with supplier contracts is an increasingly complex calculation. Many factors are involved, including the delicate balancing act of 'least cost' versus 'least time delivery'. Plus there's the need for real-time visibility of store inventory, order status, and integration with 3rd party logistics firms to support manual or semi-automated pick-pack-ship in store.

Inspiring healthy

What role can grocers play in encouraging shoppers to lead fuller, healthier, and more productive lives? According to the recent report: 'Building Healthier Baskets to impact at scale', co-published by the Consumer Goods Forum and Capgemini, there are primarily four digital concepts proven to stimulate change:

1. Decoded: Making healthier decisions effortless through clear and consistent product categorization

2. Better Together: The social shopping platform powered by collective wellness expertise

3. Contextual Cart: The data-driven basket builder enabling individualized guidance

4. Simul-ate: The gamified shopping experience that promotes healthy habit formation

You can read more by accessing the full report here:
https://www.capgemini.com/resources/building-healthier-baskets-to-impact-at-scale/

Capgemini

Building healthier baskets
to impact at scale

Four digital concepts to activate and advance the goals of The Consumer Goods Forum's Collaboration for Healthier Lives Coalition of Action initiative

THE STRATEGIC PLAYS FOR SUSTAINABLE SUCCESS

Be truly customer-centric - Place customers at the center of every decision taken across the value chain to enable tailored assortments, pricing, promotions, and seamless connected commerce interactions.
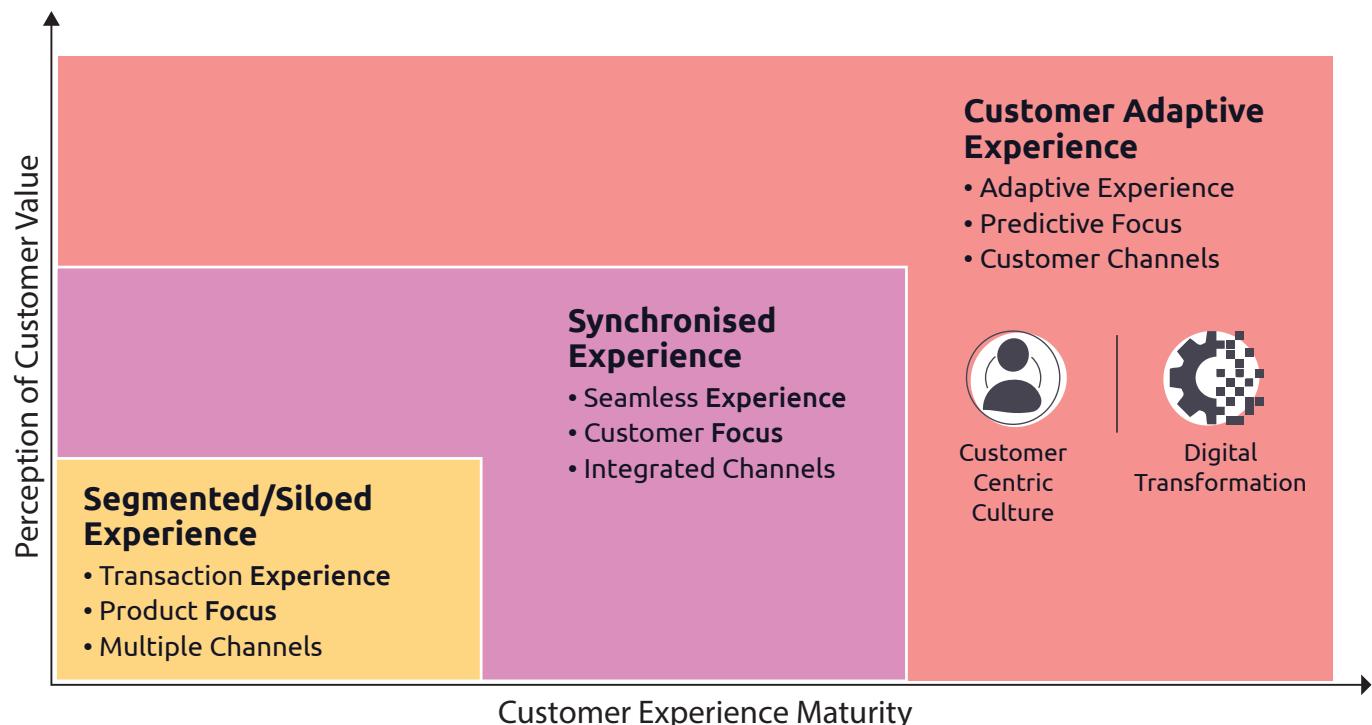
Serve the 'segment of one' - Build a reputation through digital capabilities and value-adding services for being able to quickly meet the unique needs of every single customer.

Implement digital supply networks – Move on from a 'chain' to a dynamic network of suppliers and stores able to enrich the consumer experience through a wider range of service offerings.

Redefine the store – Empower in-store teams to rapidly create innovative, personalized, high value touchpoints to drive customer loyalty and interactivity.

Develop new business models - Leverage deep insights around why customers buy to create more personalized engagement – meal plan recommendations etc. – to expand offerings beyond just selling individual products.

Customer Adaptive Experience
• Adaptive Experience
• Predictive Focus
• Customer Channels

Synchronised Experience
• Seamless **Experience**
• Customer **Focus**
• Integrated Channels

Segmented/Siloed Experience
• Transaction **Experience**
• Product **Focus**
• Multiple Channels

Customer Centric Culture

Digital Transformation

Perception of Customer Value (y-axis)

Customer Experience Maturity (x-axis)

HOW DO YOU GET THERE?

CREATING THE RENEWABLE RETAIL ENTERPRISE

At the highest level, the Renewable Retail Enterprise is driven by shopper needs. It's about exploiting the full potential of data being captured every second of every day. It's about turning this data into actionable intelligence that's available at every point of need. And it's about creating the real-time insights that grocers need to succeed in the fast-paced, ever-changing, and intensely competitive markets in which they operate.

CUSTOMER ADAPTIVE

This is the evolution to CX (Customer Experience) maturity, designed to put predictive hyper-personalized user experiences at the center of any activity – while also allowing for dynamic customization.

SUSTAINABLE INNOVATION

By rationalizing existing technology cores, grocers can create integrated architectures better able to smartly renew processes and services in line with ever-shifting customer demand.

RESILIENT AGILITY

The Renewable Retail Enterprise supports DevOps and modern delivery approaches for enabling rapid change while also protecting mission-critical apps running the business.

ENABLES INNOVATION AND DIFFERENTIATION

Move to the rapid creation of smart, interconnected products, services, and operations able to cut costs and time-to-market, boost productivity, and generate new revenue streams.
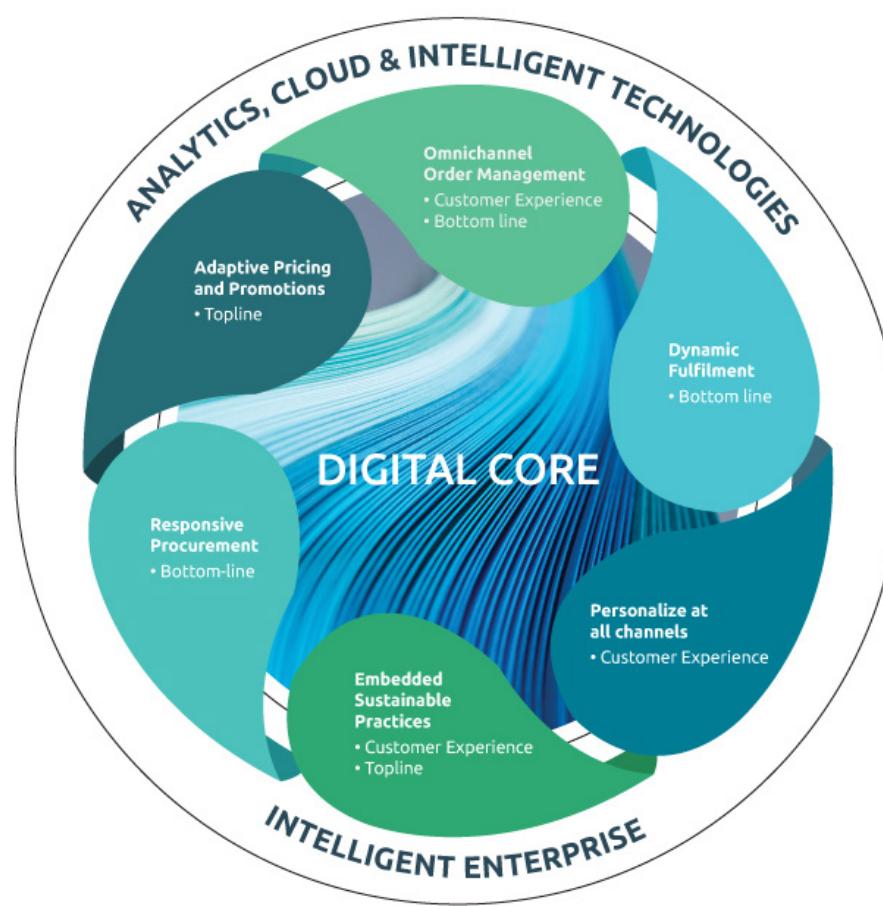
THE RENEWABLE RETAIL ENTERPRISE REVOLVES AROUND A CUSTOMER-CENTRIC DIGITAL CORE

With the digital core the proven power of SAP technologies, acting as a platform on which to run bespoke applications, evolves toward an integrated architecture – featuring fully interconnected legacy systems able to offer new innovative capabilities.

In addition, as a unified and deeply integrated architecture, digital core transforms the ubiquitous sharing of data across a grocer's extended business. As a result, real-time and predictive customer insight is available where and when it's able to deliver the biggest impact – rather than being locked in isolated pockets and silos.

Availability of real time and predictive customer insight to deliver the biggest impact.

THE BENEFITS OF TRANSFORMATION

DRIVING TOP-LINE GROWTH AND CX

Adaptive Pricing and Promo
Develop channel-specific dynamic pricing that factors in a vendor's determination of purchase prices, promotion planning in sync with tactical forecasts, and vendor settlement for sponsored promotions.

Personalize at all channels
Combine the analytical power of SAP Customer Activity Repository and SAP Cloud for Customer (C4C) platform and Commerce to deliver consistent, real-time and personalized experiences across all channels.

Embed Sustainable practices
Capture sustainability data from procurement, distribution and fulfillment processes at an order or item level. Expiration profile and article number range can then be configured to implement markdown on near expiry cases, and to automatically trigger replenishment.

IMPROVING THE BOTTOM-LINE

Omnichannel Order Management
Define business rules and setup predictive models for routing customer orders from any number of different channels.

Dynamic Fulfilment
Manage high volumes of In-store fulfillment orders (Click to Collect, Curbside, Ship from Store) using SAP S/4HANA® and 3rd party ISV solutions like ShopperKit, OneRail, and Fabric.

Responsive Procurement
Identify shifts in demand pattern using SAP F&R, and synchronize with supplier contracts in SAP S4 and SAP® Ariba® to utilize full supplier quotas for enhanced procurement efficiency.

CAPGEMINI – YOUR PARTNER FOR EMBRACING CHANGE

Any transformation of core, underlying systems and architecture brings with it potential risks – not least the fear of business disruption. That's why at Capgemini we set ourselves apart through unrivalled retail grocery expertise combined with our unique methodology and proven value drivers to help you proceed with confidence:

DEEP AND BROAD RETAIL GROCERY CAPABILITIES

Our retail-specific architecture includes solutions from 3rd party ISVs, as well as:

- RetailPath solution with integrated iCaptivate methodology and Digital Delivery Framework
- Grocery Industry Process Model
- Proven specialization based on SAP engagements with Grocery Retail clients such as Meijer, Dairy Farm and many more.

PRACTICAL INDUSTRY INSIGHTS AND SOLUTIONS

Future grocery operating model definition sets up a sound foundation for the Renewable Enterprise:

- RetailPath is a prebuilt SAP S4/HANA solution delivering best practice retail processes, accelerators, content, and components
- Addresses key issues of grocery industries – multiple product classifications, handling mixed packs in store, item/variant level inventory visibility, etc.

LEADING SAP PARTNER

Rated as a "Market Maker Partner", Capgemini enjoys a long-established, strategic partnership with SAP – and a history of co-innovation:

- "Leader" Gartner 2021 "Magic Quadrant for SAP S/4HANA® Application Services, Worldwide"
- #1 in SAP People certifications globally, and 560+ SAP S/4HANA® clients
- 22,000+ SAP professionals globally.

UNIQUE, PROVEN EXECUTION METHOD

- Transformation projects with 560+ SAP S/4HANA® Clients guide our results oriented execution method, which in turn allow us to deliver with speed, transparency and good governance
- Digital Core Transformation framework, by Capgemini Invent, clearly develops the case for change and roadmap to value.

Transformation projects with **560+** SAP S/4HANA® Clients guide our results oriented execution method, which in turn allow us to deliver with speed, transparency and good governance

About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of 290,000 team members in nearly 50 countries. With its strong 50 year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fuelled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2020 global revenues of €16 billion.

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