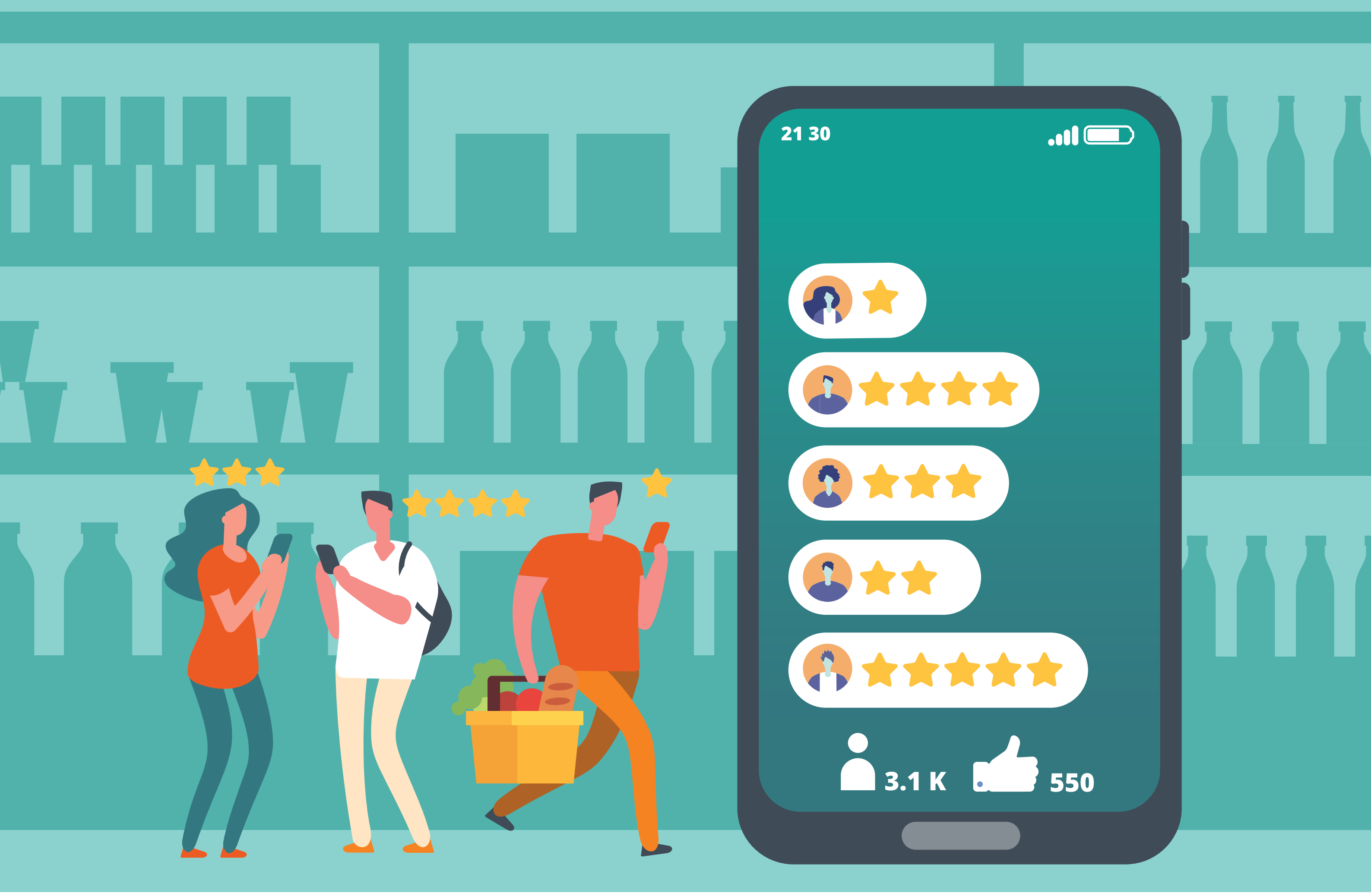
GROCERY CX

Driving loyalty in a disloyal market



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In association with dunnhumby

AT A GLANCE

The concept of good customer experience is nothing new and cannot be judged on just one factor, such as exemplary customer service or a smooth user journey online. Customer experience, or CX, is more expansive, with the *Harvard Business Review* neatly defining it in 2010 as the "sum-totality of how customers engage with your company and brand, not just in a snapshot in time, but throughout the entire arc of being a customer".

Although that was nine years ago, the definition still stands. And for grocers the pressure to deliver is acute – people shop more frequently at supermarkets than any other retail business, and competition is incredibly fierce. On top of that, omnichannel grocery shopping means there are more ways than ever for customers to engage with a retailer and experience either good, satisfactory or bad CX. From easily parking in the supermarket car park to finding every item on a shopping list or receiving a food delivery at a specified time with no substitutions – these all factor into how customers perceive a retailer. And intertwined into CX is loyalty and a customer's likelihood to choose one grocer over another.

To better understand what customers want from a food shopping experience, Retail Week partnered with dunnhumby to conduct an exclusive survey of 2,000 UK consumers about their in-store and online retail grocery experiences.

The report identifies the top criteria for customer satisfaction, how each major retailer is measuring up and the key actions retailers must take if they are to improve their customer experience both online and offline. We then, crucially, examine how all this feeds into growing market share in the most competitive of retail markets.

CONTENTS

METHODOLOGY

In March 2019, we surveyed 2,000 UK consumers with an equal split across gender and in-store and online grocery shoppers. Consumers were asked how important different factors were to them when it comes to the in-store or online shopping experience. They then ranked how well their usual grocer(s) delivers on these using a scale of one to 10, with the highest being 'does this well'. Unless indicated, the rankings in this report are based on combining the volume of respondents who scored retailers with a nine or a 10.

RETAIL WEEK CONNECT: GROCERY CX

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DUNNHUMBY

VIEWPOINT

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Grocery retailers can employ a wide range of tactics to remain competitive in today's turbulent market. However, resources are finite and it's important to know where to prioritise investment.

During 30 years of partnering with retailers and brands across the globe to help them become 'Customer-First', we have observed that the companies that truly understand the wants and needs of their Customers – and focus on meeting these needs – are those that succeed in generating sustainable growth. This study reveals what is most important for UK grocery shoppers and how well they think their usual store performs in these areas.

The findings highlight the importance of getting the basics right: Customers expect freshness, a good range of products and value for money as standard. A strong online offering is also critical, as Customers increasingly shop both in store and online and expect a convenient, personalised experience across all touchpoints.

Customers reported feeling 'most loyal to' M&S and Waitrose in store, while Ocado and Tesco generated the strongest feelings of loyalty for the online shopping experience they provide.

The survey also indicated some distinctions between emotional and behavioural loyalty. Respondents rated 'shopping with a retailer that offers a loyalty scheme' as being more important than 'feeling loyal' towards a retailer.

Two-thirds of respondents with a Tesco Clubcard claimed they would be more likely to shop in store with Tesco. While grocery loyalty programmes have been around for years, they may be more important than ever in the marketplace of today. The key is developing a loyalty offering that Customers value.

It's clear that data is now integral to understanding and meeting Customers' needs. Smarter application of data can help retailers put the Customer at the centre of their decision-making, improving the online and in-store experience and creating deeper connections with shoppers.

Becoming more Customer-centric isn't quick or easy; it's a transformation that requires the buy-in and support of everyone in the organisation. However, retailers with a solid Customer-First strategy will be better positioned against competitors in the long run by delivering what their Customers want.

In dunnhumby, we capitalise 'Customer'. This shows the emphasis we place on the Customer and being Customer-First, always.

> **"Becoming more Customer-centric is a transformation that requires the buy-in and support of everyone in the organisation"**

SURVEY SNAPSHOT

IN STORE

A BIG WEEKLY SHOP (1-2 PER WEEK) **WAS THE MOST POPULAR FREQUENCY OF IN-STORE SHOPPING FOR RESPONDENTS, FOLLOWED BY LESS OFTEN THAN ONCE A WEEK**

5 MOST IMPORTANT EXPERIENCES OF IN-STORE GROCERY SHOPPING

1. GOOD VALUE FOR MONEY
2. BEST PRICES
3. REALLY FRESH PRODUCE
4. A CLEAN STORE
5. ALWAYS HAS ITEMS IN STOCK

5 LEAST IMPORTANT EXPERIENCES OF IN-STORE GROCERY SHOPPING

1. BABY CHANGE
2. MONEY EXCHANGE
3. COFFEE SHOP
4. CLICK-AND-COLLECT
5. HELP WITH LARGE OR HEAVY ITEMS

HOW DO RESPONDENTS LIKE TO CHECK OUT WHEN IN STORE?

39%

VALUE READILY AVAILABLE MANNED CHECKOUTS

23%

RANK THE AVAILABILITY OF SELF-SCAN CHECKOUTS AS IMPORTANT TO THEM

IN STORE

GROCERS COMMANDING THE MOST

LOYALTY*

M&S	72%
WAITROSE	70%
ICELAND	69%
MORRISONS	61%
SAINSBURY'S	61%

SATISFACTION**

ALDI	45%
M&S	45%
LIDL	45%
ASDA	44%
WAITROSE	43%

*This ranking was calculated by combining the percentage of respondents who feel 'quite loyal' or 'very loyal' to the grocer

**This ranking was calculated by combining the volume of respondents who rated the retailer with nine or 10 (very satisfied)

ONLINE

PRICE PERCEPTION OF ONLINE RETAILERS

ICELAND — ASDA — WAITROSE — M&S

VERY CHEAP ← → VERY EXPENSIVE

1

TESCO TOPS THE BIG FOUR FOR THE MOST ONLINE SHOPPERS WHO FEEL VERY LOYAL TOWARDS IT

5 MOST IMPORTANT EXPERIENCES OF ONLINE GROCERY SHOPPING

1. DELIVERY IS ON TIME
2. GOOD VALUE FOR MONEY
3. DELIVERY CHOICES TO SUIT ME
4. ALWAYS HAS ITEMS IN STOCK
5. REALLY FRESH PRODUCE

5 LEAST IMPORTANT EXPERIENCES OF ONLINE GROCERY SHOPPING

1. ONLINE CHAT
2. EDITORIAL CONTENT
3. PRODUCT PROVENANCE
4. COMMUNICATES WELL
5. ATTRACTIVE WEBSITE

CHAPTER 1:

IN-STORE EXPERIENCE

What customers want from grocery stores

Grocery is known as the most intensely competitive retail sector of them all; barely a year goes by without talk of a hyped-up price war. And no wonder, given our survey results, which show value for money (63%) and best prices (58%) are the most important factors when it comes to shopping in store.

Notably, a grocer having the best promotions is ranked 10th, suggesting that consumers value everyday low prices over things like multi-buy deals, and are reluctant to buy more than they need.

Consumers view value as going hand-in-glove with low prices, with a third of survey respondents saying that a grocer offering a good range of basic own-brand products is important to them.

However, a valued own-label offering may not be enough to stop shoppers switching to discounters, which our research shows rank well for price, value and quality.

TOP 10 GROCERS RANKED ON 10 MOST IMPORTANT FACTORS OF IN-STORE EXPERIENCE

TOP 10 MOST IMPORTANT FACTORS

	1	2	3	4	5	6	7	8	9	10
1. GOOD VALUE FOR MONEY	Lidl	Aldi	Asda	Morrisons	Iceland	Tesco	Sainsbury's	M&S	Waitrose	Co-op
2. BEST PRICES	Aldi	Lidl	Iceland	Asda	Tesco	Morrisons	Sainsbury's	M&S	Waitrose	Co-op
3. REALLY FRESH PRODUCE	M&S / Waitrose	Morrisons	Aldi	Lidl	Sainsbury's	Tesco / Co-op / Asda	Iceland	–	–	–
4. A CLEAN STORE	M&S	Aldi	Waitrose	Sainsbury's	Asda	Morrisons	Lidl	Iceland	Tesco	Co-op
5. ALWAYS HAS ITEMS IN STOCK	Aldi	Sainsbury's	Morrisons	Asda	Tesco	Waitrose	M&S	Lidl	Iceland	Co-op
6. GUARANTEES GOOD PRODUCT QUALITY	Waitrose	M&S	Aldi	Asda	Co-op	Tesco	Morrisons	Sainsbury's	Iceland	Lidl
7. CONVENIENT LOCATION	Co-op	Lidl	Tesco	Sainsbury's	Waitrose	Asda	Aldi	Morrisons	Iceland	M&S
8. MAKES IT EASY TO FIND WHAT I NEED	Aldi	Sainsbury's	Asda / Co-op	Morrisons	Tesco / Lidl	Waitrose	M&S	Iceland	–	–
9. OFFERS CONVENIENT PARKING	Aldi / Asda	Morrisons	Lidl	Tesco	Sainsbury's	Waitrose	Iceland	M&S	Co-op	–
10. HAS BEST PROMOTIONS	Aldi	Lidl	Asda	Tesco	Iceland	Morrisons	Sainsbury's	M&S	Waitrose	Co-op

HOW WELL DOES ALDI MEET EXPECTATIONS?

1. BEST PRICES AND CUSTOMER SATISFACTION
2. VALUE FOR MONEY
3. PRODUCT QUALITY

Lessons from Germany

For lessons on how the big four can compete against German discount retailers outside the realm of price and value, we can look to Germany itself.

Supermarket retailers Rewe and Edeka, which combined hold a majority share of the non-discounter market, are opting to change their own-label ranges as part of a strategy that focuses on customer convenience over price.

A 2018 Kantar report on Germany's food sector outlines that Rewe and Edeka are launching more shopper-centric ranges, such as free-from, gluten-free and lactose-free. The report states that retailers have realised that "the speed at which they can deliver a shopper-centric private-label range is ultimately a more powerful strategy than the one that focused on price in the past".

The pair are also upgrading their value ranges to standard-tier, much as Tesco has done by replacing its Everyday Value label with Farms brands. Tesco says 84% of its customers now buy these entry-level products, which include the Farms brands across fruit, veg, meat and poultry, Eastman's Deli Foods, HW Nevill's baked goods and Creamfields dairy products.

Chief executive Dave Lewis says the number of SKUs available in the 'Exclusively at Tesco' ranges "will increase a little bit" in the coming years, but suggests the focus will be on improving the "distribution and availability" of those ranges, "given their success".

Getting the basics right

Other important factors for the in-store experience are grocers stocking fresh products (56%), having clean stores (54%), maintaining good stock levels (50%) and being in a convenient location (48%).

Although not making the top 10 in terms of importance, respondents value the good availability of both readily manned checkouts (39%) and self-scan checkouts (23%). This suggests it is important for retailers to offer both, as shoppers might prefer self-checkout on some trips but value manned checkouts for bigger shops.

When it comes to the least important factors for in-store experience, click-and-collect (12%), offering money exchange (10%) and having a coffee shop (9%) are all in the bottom five. These findings point to making better use of space to offer customers what they do want: more choice and better checkout options.

Ranked as being of middling importance when shopping with a regular supermarket are that it offers a loyalty reward card (30%), is a retailer respondents feel loyal to (26%) and offers locally sourced products (23%).

Sustainability issues such as 'has an eco-friendly commitment' are also ranked as being of medium importance, highlighting the unpredictable level of consumer interest in these topics.

> While the big four have made big strides to close the gap with the discounters, perceptions on both value and price perhaps have not yet fully filtered through

Impact of reward schemes

When questioned about the importance of loyalty towards a retailer, respondents rate 'shopping with a retailer that offers a loyalty scheme' as higher in value than 'feeling loyal', which is not surprising – particularly as consumer price sensitivity continues to grow.

Large-scale schemes, such as Tesco Clubcard and Sainsbury's Nectar, appear to have an impact when it comes to driving custom into stores.

Of the respondents who hold a Clubcard, 66% say they are 'slightly more likely' or 'much more likely' to shop in store with Tesco. For Sainbury's, the figure is 60% for the Nectar card, while 66% of respondents with Co-op membership say the prospect of collecting points and receiving money off is enough to increase their likelihood of shopping with the retailer. The latter's unique benefit of giving 1% of what loyalty card holders spend back to the community surrounding the customer's store offers an additional feelgood factor.

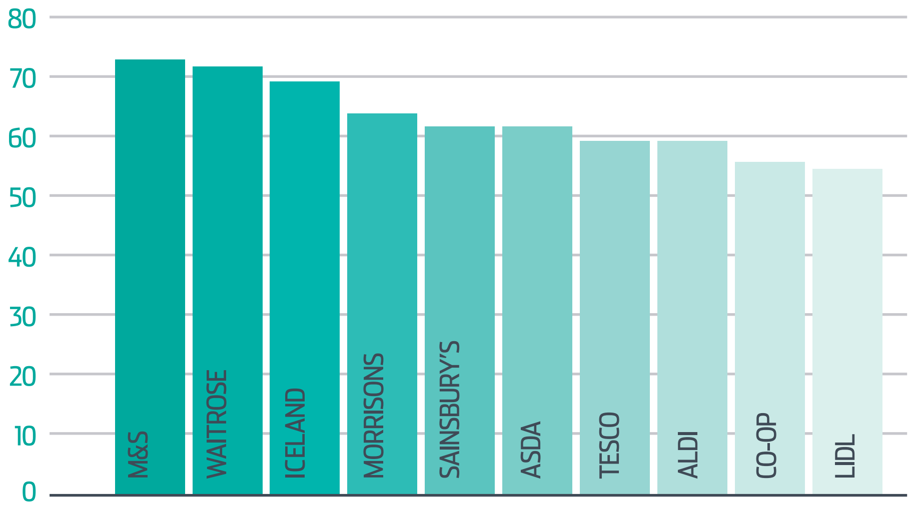
The example of Marks & Spencer, however, reveals that there is more to loyalty than sharing customer data in exchange for offers, vouchers and rewards. Respondents with the upmarket retailer's Sparks card are only 36% more likely to shop with M&S.

However, when asked how loyal they feel towards their usual retailer(s), 72% say they feel 'quite loyal' or 'very loyal' to Marks & Spencer – the highest percentage of all the retailers included in the survey.

Digging deeper into the data, when respondents are asked how they rate M&S for customer service, product choice, product availability and an experience that feels personal, the retailer comes out first or second in its peer group when the scores of 'good' and 'very good' are combined.

At the bottom end of the scale is Lidl, with respondents feeling least loyal to the discounter (55%). When asked the same questions about customer service and stock, respondents rank Lidl as the weakest on delivering these experiences to a good level, which could explain the lack of loyalty felt towards the discounter.

PERCENTAGE OF CONSUMERS WHO FEEL LOYAL TO EACH RETAILER IN STORE



Affluence linked to loyalty

The fact that M&S garners the most loyalty among consumers suggests that more affluent customers are the most loyal as they are not shopping around for bargains – and the survey data reinforces this outcome. M&S was rated highest for customer loyalty, despite it scoring low on best prices.

While M&S tops the loyalty ranking, Lidl follows the reverse pattern by taking the second spot to Aldi on offering the best prices while bottoming out the table on loyalty.

Of the big four, respondents vote for Asda as the most affordable and Sainsbury's as the least. The latter is also ranked in the same tier as M&S for 'value for money' and 'best prices'. This suggests that Sainsbury's potentially has more work to do when it comes to value.

While the big four have made big strides to close the gap with the discounters, perceptions on both value and price perhaps have not yet fully filtered through.

ACTION POINTS

DAVID CLEMENTS, GLOBAL RETAIL DIRECTOR, DUNNHUMBY

1. Delivering a great in-store experience means getting the basics right every day – value for money, product choice, fresh food and always having items in stock.

2. Value for money is important to Customers. Investing in your private-label offer and quality at 'good, better, best' tiers is a key strategy. In addition, invest smartly in low prices and the right promotions across most price-sensitive categories and products.

3. Increasing numbers of Customers are shopping for groceries both in store and online – online may represent 7% of a retailer's total sales, but over 30% of their Customers. Making both the local store experience and the local delivery experience consistent, convenient and seamless to switch between is increasingly important.

4. Obsess about listening to, measuring and acting on your Customers' perceptions, feedback and behaviour throughout your business. Putting Customer needs first and systematically improving them will always drive the right outcomes.

CHAPTER 2:

ONLINE EXPERIENCE

What makes or breaks ecommerce loyalty?

TOP 8 GROCERS RANKED ON 10 MOST IMPORTANT FACTORS OF ONLINE EXPERIENCE

TOP 10 MOST IMPORTANT FACTORS

	1	2	3	4	5	6	7	8
1. DELIVERY IS ON TIME	Ocado	Waitrose	Asda	Tesco	Iceland	Morrisons	Sainsbury's	M&S
2. GOOD VALUE FOR MONEY	Asda	Iceland	Tesco	Morrisons	Ocado	Waitrose	Sainsbury's	M&S
2. DELIVERY CHOICES TO SUIT ME	Ocado	Tesco	Asda	Waitrose	Iceland	Morrisons	Sainsbury's	M&S
3. ALWAYS HAS ITEMS IN STOCK	Waitrose	Ocado	Iceland	Morrisons	Sainsbury's	Tesco	Asda	M&S
4. PRODUCTS ARE REALLY FRESH	Ocado	Waitrose	Asda / Tesco	Morrisons	M&S	Iceland	Sainsbury's	–
5. GOOD PRODUCT QUALITY	Ocado	Waitrose	M&S	Iceland	Morrisons	Asda	Sainsbury's	Tesco
6. MAKES FEW SUBSTITUTIONS	Waitrose	Ocado	Tesco	Morrisons	Iceland	Sainsbury's	Asda	M&S
7. BEST PRICES	Iceland	Asda	Tesco	Morrisons	Waitrose	M&S	Ocado	Sainsbury's
8. CUSTOMER SERVICE	Ocado	Waitrose	Tesco	Asda	Morrisons	Sainsbury's	Iceland	M&S
9. RELEVANT SUBSTITUTIONS	Ocado	Waitrose	Tesco	Iceland	Morrisons	Asda	Sainsbury's	M&S
10. WEBSITE IS WELL LAID OUT	Ocado	Asda	Iceland	Tesco	Waitrose	Morrisons	Sainsbury's	M&S
10. HELPFUL DELIVERY STAFF	Ocado	Waitrose	Tesco	Asda	Morrisons	Sainsbury's	Iceland	M&S

With online grocery shopping accounting for just 7% of total sales in 2018, according to Mintel, retailers need to expand customer volumes to justify the high costs of running an ecommerce operation.

The secret to delivering good CX will not surprise retailers. Survey respondents indicate that the most important aspects of the online shop are ensuring delivery is on time (62%), offering good value for money (59%) and having a wide range of delivery choices (59%).

Stock availability is also essential, with online grocers delivering products that are really fresh (58%) and making as few substitutions as possible (56%) rated highly.

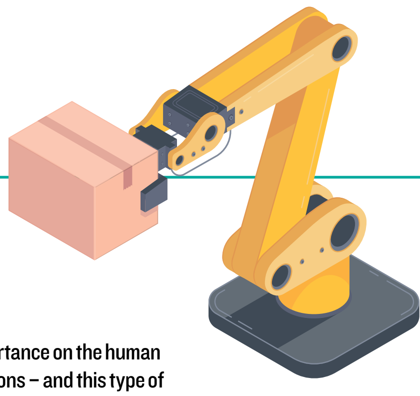
This contrasts with value and price being the most important drivers of the in-store experience, with offering the best prices (54%) only the seventh most popular answer.

As with the in-store survey, respondents rated sustainability issues as being of medium importance, with 'gives me an option for no plastic bags' gathering 42% of votes, followed by 'offers locally sourced products' (35%).

One thing that is clear when comparing in-store perceptions of customer experience with online is that the latter achieves higher levels of satisfaction.

When customers are asked how happy they are with the in-store customer experience of each bricks-and-mortar grocer, Aldi is the highest ranked physical retailer, with 45% on the satisfaction scale. Yet, on the online side, the highest ranked retailer is Ocado with 61%.

Ocado, which comes out top across most of the top-rated categories, is prospering because of its strong scores in delivery choices that suit consumers (71%), ensuring deliveries are on time and having helpful delivery personnel (both 66%). It also excels when it comes to fulfilment – something other retailers will need to invest time and energy into improving if they are to step out of the online grocer's shadow.



OCADO SMART PLATFORM

HOW TECH ENABLES GOOD CX

Ocado has ploughed investment into its fulfilment operations, with its innovative approach setting the bar for online grocery standards the world over. Its success is yet another example of how convenience and precision are the ultimate prizes.

International retailers, from Kroger in the US to Coles in Australia, have chosen to partner with Ocado to run their fulfilment operations. At the heart of the business sit its customer fulfilment centres (CFCs) – some of the most advanced in the UK.

The CFCs function as a grid system with hundreds of robots moving around at four metres every second, passing within 5mm of each other to pick orders as quickly and efficiently as possible. Its innovative approach to developing a system such as this means that Ocado has a 95% success rate at delivering within a chosen one-hour slot. A record like this ensures customer satisfaction and, therefore, loyalty.

Deliveries turning up on time is the most important factor to the consumers surveyed, with 40% of respondents saying that this aspect of online grocery shopping is very important to them – the highest proportion of any aspect for online. Unsurprisingly, even more Ocado shoppers think this aspect of the journey is very important, with 49% listing it as such.

Ocado also places importance on the human side of its fulfilment operations – and this type of interaction is still key to many consumers.

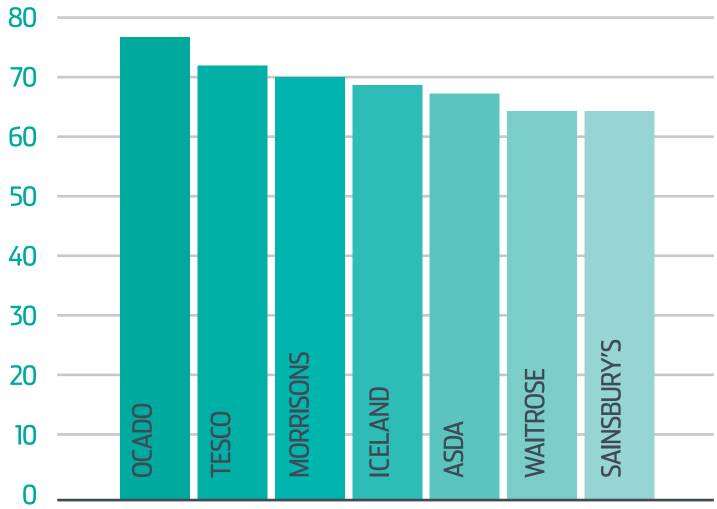
Tim Wade, co-founder of customer experience consultancy CX Lab, sees the delivery driver's role as being imperative to customer satisfaction.

"They [the driver] have become the biggest interaction with the brand – some are great, but it's inconsistent," he says. "There should be a continued focus on the people element of the experience."

Retail Week finds that 31% of online shoppers think having helpful delivery personal is critical. Again, this rises to 40% for Ocado customers, suggesting that they particularly value the relationship and reliability.

The next challenge for the online grocer is to retain its base of 720,000 customers as it moves towards replacing Waitrose products with Marks & Spencer groceries in 2020.

PERCENTAGE OF CONSUMERS WHO FEEL LOYAL TO EACH RETAILER ONLINE



CLICK FOR LOYALTY

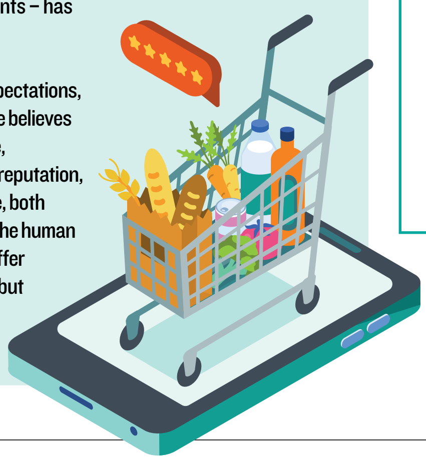
WHAT INFLUENCES LIKELIHOOD TO SHOP?

When it comes to loyalty schemes, there is a much clearer correlation between the online shopper's opinion of how well the grocer delivers on rewards and their likelihood of shopping with them, compared with their in-store counterparts. For example, Tesco ranks highest for both its Clubcard and on the scale of consumers being likely or more likely to shop there. Sainsbury's is positioned second for both and Waitrose comes fifth.

Having won back customers and rebuilt trust in Tesco's business, securing long-term loyalty in a highly competitive market appears high on chief executive Dave Lewis' agenda – and Tesco's Clubcard is likely to play a central part. Lewis has already overseen a number of changes to the scheme, including creating a more digitised offer through a new app and a contactless card that allows customers to save time when claiming or redeeming points in store.

Recent news reports suggested that Tesco would seek to leverage the Clubcard to create an Amazon Prime-style ecosystem for its shoppers, incentivising grocery customers to migrate to its banking, insurance and mobile phone businesses. Lewis says Clubcard activity – shoppers claiming or redeeming loyalty points – has increased 34% over the past year alone.

In terms of how well online grocers are meeting expectations, Ocado and Tesco rank first and second. CX Lab's Wade believes this is owing to consistency, which is everything online, something both grocers understand. "Whether this is reputation, or they are doing something better with the experience, both grocers are consistent at getting the basics right and the human interaction seems pretty good," he says. "They don't offer anything drastically different from the other retailers, but they deliver it more consistently."



ACTION POINTS

EUNICE WONG, GLOBAL ECOMMERCE SECTOR DIRECTOR, DUNNHUMBY

1. Most online grocery buyers are in fact omnichannel shoppers and expect a frictionless experience that saves time and is personalised throughout the entire journey. They are generally more loyal to the retailer and three to four times more profitable.

2. To make changes to their shopping behaviour, Customers need to realise the benefits of online, as grocery is a highly habitual category. The first three purchases online are crucial in converting a trialist to become a loyalist, and retailers need to focus on this rather than one-time acquisition.

3. Customers are disloyal when there is a convenience gap, such as product unavailability, poor substitution, time it takes to check out or delivery options.

4. The convenience gap can be closed by using advanced Customer insights and predictive analytics to delight: small things such as prepopulating regular offline baskets at online login and recommending highly relevant complementary, substitutable and new products.

CHAPTER 3:

TAKING CX UP A LEVEL

Future trends for keeping customers happy

This report aims to take the temperature of a sample of UK grocery shoppers to find out what is most important to them. Consumers indicate that value and price are essential, alongside the quality of products and the convenience of buying or receiving deliveries.

Reducing friction from a customer's experience with a retailer is the sweet spot in which many emerging technologies claim to reside. Smarter use of customer data is one way grocers can make it easier for shoppers to find value and experience a deeper personal service.

The survey shows that larger rewards schemes, such as Tesco Clubcard and Sainsbury's Nectar, have the ability to affect a customer's likelihood to shop with a retailer. So, how can retailers optimise this?

The Starbucks Rewards programme is a good example of one underpinned by big data analytics and artificial intelligence. The coffee chain's rewards programme has 16.3 million active users, who consent for it to collect data on their preferences and consumption patterns.

In return, consumers collect points that are redeemable against in-store purchases, as well as highly personalised offers, discounts and recommendations for new products that change according to the weather, day of the week and location.

The company holds a global net promoter score of 77 (compared with Apple's 72), and it is likely the rewards programme has played an active part in driving up that score, so its customers have demonstrated their levels of satisfaction.

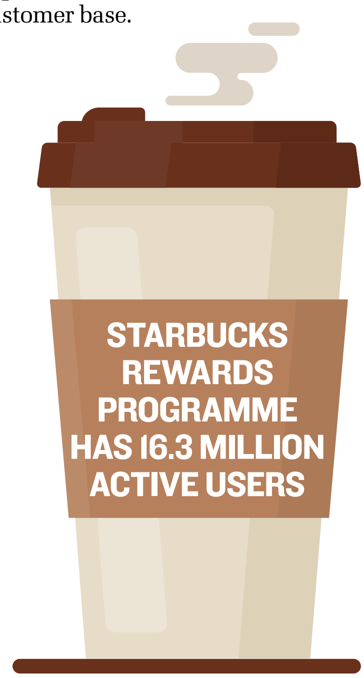
For a retailer, the flipside of collecting customer data on shopping habits is to better understand demand on a store-by-store or fulfilment-centre basis. Since good product availability is a factor in the customer loyalty nexus for bricks-and-mortar retailers (see chapter 1), and online shoppers dislike substitutions, smarter inventory control is one way to improve customer experience.

Same-day delivery

When it comes to improvements in online delivery, ecommerce giant Amazon may once again disrupt the UK retail market.

Although the market share of its fresh food arm, AmazonFresh, is yet to be individually named in Kantar Worldpanel grocery data, the company is hinting at plans for same-day delivery for fresh items.

And if AmazonFresh also meets other important CX factors, such as value for money, freshness, good product availability and few or relevant substitutions, then it could leave the incumbent players with expensive infrastructure and a declining customer base.



Retail Week deputy editor Luke Tugby says: "The big four will never be able to compete with Amazon on fulfilment, so they should aim to invest in areas where they can win, such as their own-brand propositions.

"Tesco has done a fantastic job at revamping its own-label goods in terms of branding, quality and value for money. That gives shoppers a tangible reason to shop with them above other rivals – even Amazon."

In-store tech

Technology can also reshape the physical shopping environment in favour of a better, faster, more seamless shopping experience.

Retailers such as Tesco and Sainsbury's are already piloting scan-and-go apps, while Amazon is securing London sites for its checkout-free Amazon Go supermarket.

Another technology with potential to become part of the future store is an AI-powered customer assistant that can prepare a basket of ambient goods by gathering items from a warehouse and then delivering to the customer's car or home. The customer would then be free to stroll through fresh produce to select their own fruit, vegetables, meat, poultry and fish. But these items would be displayed very differently to how they are today.

Key to this would be technologies such as Infarm, which is already being used in Germany to grow vegetables and herbs in store within small greenhouses in the fresh produce aisles. Cutting down on transportation and refrigeration costs, Infarm technology ensures that produce is as fresh as it can get without the customer actually growing it at home.

Although factors on the experiential side of in-store shopping are 'nice-to-haves', according to our survey, the use of electronic shelf labels for promotions and push notifications about deals will appeal particularly to younger consumers, who are used to tech helping them to be savvier, smarter shoppers.

The way retailers communicate with customers will also shift. A notable finding from this survey is that 47% of respondents who shop at Ocado have received information from the retailer through its app, compared with 20% of respondents who shop online with Sainsbury's. Nearly a third had received postal communication from the big four stalwarts, which is no bad thing – as long as that direct mail is welcome.

Customers are already exposed to sophisticated and personalised marketing from retailers in other sectors. Indeed, fashion retailers Boohoo and Asos provide significant learnings in terms of creating online communities and using social media. To follow these examples, food retailers need to take CX seriously and deliver on it well.

ACTION POINTS

DAVID CIANCIO, SENIOR CUSTOMER STRATEGIST, DUNNHUMBY

1. Use big data even if you don't have loyalty data. Customer data science has evolved to uncover game-changing insights even from electronic transactional data alone.

2. Declutter the in-store experience: in a typical store in any typical month, a Customer must sort through 14,000 items on some type of offer, 5,000 products on display and 300-plus innovations (with confusing benefits and differences). Offer fewer, more effective promotions and reduce product selection to a more Customer-sensible range, without sacrificing choice or revenues, using Customer data science.

3. Help Customers choose by personally curating the products and promotions that matter to them individually (based on the gift of their shopping data). Deliver sorted lists of promotions and product lists based on personal preferences.

4. Think of loyalty propositions not as a 'programme', but rather as a 'conversation' – a two-way dialogue with listening valued more than a B2C marketing push.

5 ACTIONS TO TAKE NOW: CX SORTED

Put the customer first

It sounds obvious, but customers will only experience good CX if it matches with their wants and needs. Ensure that new product launches, services, offers and promotions speak to consumer needs now, not how they felt a year ago. And remember when you're adopting a customer-centric approach to focus communication efforts on explaining the benefits for the customer, not how well you, as a grocer, are delivering it.

Play to your strengths

As the survey illuminates, customers will respond to price, value or quality – and there is room for all three as shoppers increasingly buy part of their groceries in one store and top up in another, depending on occasion and budget. While the higher-end retailers and the discounters have clear propositions on price and value, the middle-tier supermarkets need to let customers know what they stand for and then consistently deliver on it. In the online world, Ocado is a good example of developing a strength and capitalising on it.

Dig into data

The answers to a lot of questions retailers have about their customers lie in data – whether that is stored on loyalty cards or through profiling inventory patterns store by store, or region by region in the case of online fulfilment centres. Don't assume that customers will behave in a certain way. By better predicting demand, you can ensure shoppers are never let down with out-of-stock signs and substitutions. And, when it comes to rewards, the economic uncertainty of Brexit gives retailers a chance to show customers they understand by offering highly personalised offers that will save them money.

The human element

Findings from both the in-store and online surveys show that customers value contact with staff, whether that is at the till, offering advice or delivering to their door. The quality of interactions is what sets retailers apart as tech begins to take care of the transactional aspect of shopping, leaving an opportunity for staff to elevate a customer's experience from good to great.

Make online work

When it comes to grocery ecommerce, customers are clearly saying they expect all the basics of in-store shopping, such as good product choice, quality and freshness, but the order must be delivered on time, at a time that suits them and in its entirety. Supermarkets should begin thinking now about how they can improve existing customer satisfaction levels, as well as how to compete when consumers expect same-day deliveries.

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