

► Transforming Stationary Retail

How to revolutionize retail
strategy and network design with
a data-driven approach



INSIGHTS

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Grocery e-commerce has experienced an approximately 40 percent growth rate over the last two years and will be vital for retailers' survival¹

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A stationary retailer will suffer an immediate 6 percent loss of sales if an online grocery retailer enters the same market area, highlighting the urgency to adapt in order to stay competitive

//03

Even small declines in sales can lead to negative EBIT and thus to the closure of individual stationary retail stores




Transformation in grocery retail — facilitating crucial change

Grocery retail is undergoing major changes: the COVID-19 pandemic has turned the industry upside down, digitalization is advancing unstoppably, competitive pressure is growing, and the recent rise in inflation as well as macroeconomic factors bring significant challenges. Reliable predictions about what the grocery retail world will look like in the future are difficult to make. It is essential to reduce complexity and provide a data-based identification and evaluation of strategic (transformation) measures. In-depth knowledge of the consumer goods industry is required to implement concrete measures and provide valuable results to ensure the profitability of individual stationary retail stores.



The grocery retail industry is currently facing one of its greatest challenges of all times. The traditional concept with a pure physical network of stores is outdated and too inflexible to counteract the wide variety of risks and external factors. Various trends in the industry and society are putting additional pressure on stationary retail.

Changing consumer behavior and the current challenging external influencing factors need to be closely examined, as the customer experience and customer journey will be the success factors of the future. Porsche Consulting has conducted a grocery retail study analyzing key customer trends and implications for the grocery retail industry.* The aim of the study was to analyze customers' current purchasing behavior and to reflect trends and personal attitudes toward growing grocery e-commerce.



The traditional concept with a pure physical network of stores is outdated and too inflexible to counteract the wide variety of risks and external factors.

In addition, an initial general assessment was conducted prior to the study to complement the customer survey, highlighting several megatrends affecting grocery retail, such as:

- ▶ **urbanization, where more and more people live in growing cities and have a wide range of shopping options in a high-density competitive stationary retail market;**
- ▶ **inflation, where prices are rising sharply and price-sensitive customers spend less;**
- ▶ **global supply chain and logistics issues, where customers are angered and face empty shelves. Some everyday necessities or ingredients cannot be produced or delivered, and uncertainty in the market is growing.**

In addition, grocery retail faces a war for talent due to a shortage of skilled store staff. Stationary stores are associated with high fixed costs such as real estate, infrastructure, utilities, and operating costs for equipment and machinery, and with additional personnel costs. Each of these makes a varied contribution based on the type of store.

All these current crises and challenges as well as the resulting changes in customer behavior will be analyzed in the following. Furthermore, the grocery retail market in Germany and the underlying retail formats are examined, and current ambitions and developments in the field of digitalization as well as e-commerce are highlighted.

* The study was conducted in October 2022 in Germany via an online panel. Participants were all between 18–65 years with a total survey of 3,000 subjects.



Understanding customer preferences and creating the shopping experiences of the future

Customer needs and preferences are constantly changing and transforming the business model. The COVID-19 pandemic and the current environmental crisis have played an important role and strongly contributed to this shift. Ongoing internal adaptation to new trends is therefore essential. Consequently, companies need to respond flexibly and dynamically to their changing customer base and external factors. This requires both quick short-term action that adapts to current trends and long-term strategic measures to properly position the company for the future and retain customer loyalty. It is therefore crucial to understand the factors and criteria that are important to customers. Hereby the ongoing digitalization of grocery e-commerce has the potential of counteracting these impactful factors (aka inflation). These topics and trends are examined beforehand in detail and will be then analyzed by the following Porsche Consulting study.



HIGH COMPETITION IN THE GERMAN GROCERY MARKET

New retail models are emerging from innovative technologies and opportunities. Digitalization opens and enables undiscovered potential and is advancing at a fast rate: from automation, virtual reality, and self-check-out registers up to completely sensor- and camera-controlled cashierless stores. Due to low barriers to enter the market for sourcing and reselling groceries, many new players and start-ups are shaking up the grocery retail market. Vendors deliver groceries just-in-time to customers regardless of their location, and hence geographic restrictions are eliminated with the help of in-house or partner logistic networks. For established grocery retailers, this means a double

disadvantage: not only are the new market entrants taking away customers and turnover of groceries, but online customers are also visiting their physical stores less frequently and therefore buying fewer non-food items such as clothes and textiles, which usually have a particularly high profit margin. To keep up with increasing competition, traditional grocery retailers must redesign their value chain. There are numerous grocery retail formats operating in the market (see Figure 1). In addition, the Porsche Consulting grocery retail study analyzed the preference of shopping location formats by various factors such as income or geographical distance to grocery store.



Fig. 1. Overview of grocery players in Germany (selection).

Hence, the intensity of competition in grocery retailing, especially in Germany, is higher than ever before. Many grocery retailers are hoping for a new boom phase to secure more market share after the COVID-19 ups and downs in the market-place.² However, the holistic extent of all trends in stationary retail for the next few years can hardly be estimated without in-depth analyses. The food industry is therefore facing enormous challenges and new pressures.

Some grocery retailers in Germany have already reacted and are striving to set up the right concept for the future. With deep customer insights and data analyses as well as various retail formats implemented and tested, attempts are being made to adapt to trends and meet current and future customer needs. Multi-channel approaches have been tested, which include simultaneously existent formats such as supermarkets, discounters, corner or convenience stores, and also e-commerce and even completely autonomous store solutions.

Nevertheless, complexity and multi-dimensionality of influencing factors make the setup of reliable business development forecasts difficult. Current internal corporate analyses hardly meet the full requirements of top management in terms of completeness, complexity, and flexibility. The information base is therefore often insufficient to enable valid strategic decision-making as to which future formats, concepts, and investments are the right ones for the company. Retailers need suitable answers and strategies to prepare themselves optimally and differentiate from growing competition, securing sustainable revenue.

CUSTOMERS ARE BECOMING MORE DEMANDING

Demographic change is omnipresent and a permanent influencing factor. The emerging Generation Z, a very environmentally conscious and tech-savvy generation, will make up a third of the world's population in ten years. Their shopping and consumer behavior differs fundamentally in many facets from previous generations.³

One difference and paradigm shift in consumer behavior is driven by the increasing importance of ESG criteria (Environment, Social, Governance). Whereas a cost-benefit calculation used to be at the forefront of purchasing decisions, soft factors such as health, hygiene, and safety have now been added. While price still plays an essential role and remains a key purchasing criterion, the COVID-19 pandemic has made these soft factors more important than ever before. The current environmental crisis is leading to stricter consumer expectations of companies too, including their entire supply chain and stakeholders, regarding sustainability, pollution, and decarbonization efforts in terms of carbon reduction.

Customers are much better informed through digital media and have enormous information transparency, which makes them more powerful in their purchasing decisions and enables them to differentiate their choices and compare between retailers. Younger generations are becoming increasingly aware of their own responsibility and view product quality as a holistic criterion, including ecological and ethical aspects. As a result, customers are more conscious when it comes to choosing their own stores, channels, brands, and products to fulfill their purchases. Accordingly, retail is challenged more than ever to meet the future demands of society and to take greater account of socially and ecologically relevant issues in business decisions.⁴

CUSTOMERS ARE LOOKING AT THE PRICE BEFORE ANYTHING ELSE

The pandemic is barely over, and the German grocery retail sector is now experiencing the strongest decline in sales since 1994. The underlying reason is the currently high inflation with enormously increased prices, forcing end consumers to be more restrained and cost-conscious in their expenditures than before. High costs are depressing consumer sentiments and reducing willingness to pay.⁵



Sales decreased by approx. 9 percent

(Germany, June 2022, year-on-year, price-adjusted)

For 36 percent of customers, the price is the most important criterion when making a purchase decision. Consumer cost-cutting measures are particularly noticeable for everyday items such as groceries and drugstore products. On average, 8 percent fewer meat and sausage products, fresh fruit, and vegetables as well as baked goods were purchased from January to May 2022. Not only are consumers price-sensitive and buying less, but they are also increasingly turning solely to special offers or low-priced private label products. The share of sales accounted for by private label products rose by almost 35 percent.⁶ The degree of price sensitivity can also be seen in the results of the study, where, among other things, the frequency and preference for different grocery retail formats are analyzed.

Price adjustments can lead to even greater customer decline and loss of confidence. Therefore, one big inflation-related challenge for grocery retailers is to calculate new prices that are both consumer-friendly and consistent with their own target margins. However, pricing power and passing on the increased cost of groceries to customers is not easy to accomplish. As a result, contribution

margin is falling and the profitability of individual stores is under pressure. Implementing counteracting cost-cutting measures is not simple in times of increased customer expectations and demands on food products and services as well as rising wages. Moreover, there is no relief in sight, as procurement and energy costs will not fall in the foreseeable future either and are stagnating at a high price level.⁷ In these uncertain times, retailers' adaptability and agility will be essential to meet the challenges of the upcoming years.

GROCERY SHOPPING OF THE FUTURE IS DIGITAL

In addition to price and quality, convenience and experience are playing an increasingly important role for today's customer needs. Selling groceries via online channels is all on trend. After record years due to the COVID-19 pandemic, grocery retail sales in Germany rose from €132 billion (2019) to €149 billion (2021)⁸ and e-food sales in Germany totaled 7 billion euros in 2020⁷ (approx. 5% of total retail sales in 2020).

Grocery e-commerce sales increased by 36 percent


(Germany, 2021)¹¹



Food e-commerce has seen rapid growth rates. Daily consumer goods such as groceries, drugstore products, and pet supplies achieved a 36 percent increase in sales in 2021 compared to the previous year. One-third of Germans find grocery shopping

in stationary retail stores unpleasant and stressful and therefore occasionally buy groceries online, while 8 percent do so mostly or exclusively. One trend is evident: the more inhabitants a city has, the more people buy their groceries mostly or exclusively online. In large cities with more than 500,000 inhabitants, the figure already accounts for 14 percent.⁹

On the one hand, there is a clear e-commerce trend that will continue to grow in the upcoming years. On the other hand, the very high density of grocery stores in Germany and consumer skepticism about delivery, quality, and freshness of goods has slowed down e-commerce to some extent. But digitalization offers enormous opportunities compared to traditional shopping and is gradually initiating a structural change. Online tools can provide customers with in-depth product information on quality, ingredients, origin, and production/processing. Recipes or suggestions for preparation methods can be easily looked up. Personalized discount options and coupons can be sent to the customer individually. All of this is more easily implemented digitally than at the stationary point-of-sale.¹⁰



Digitalization offers enormous opportunities compared to traditional shopping and is gradually initiating a structural change.

Experts predict that e-commerce will be the norm in 2030 and that omnichannel systems will dominate. The frequency of customer visits to physical stores will decline in the long term. Stationary retail will not lose its value and will remain important, but its role will change. Local stationary stores will increasingly serve customers for larger or special purchases as well as for an individual shopping experience and ambience. The reasons for this include increased construction costs and the need for more flexibility than current stationary stores can offer.¹¹

Customers want to combine different shopping channels. From the customer's point of view, it is not about excluding a channel entirely, but rather about simultaneous connection and use of different channels for multiple shopping purposes. In addition, omnichannel customers generally spend more money than others, have a higher purchase frequency, and greater brand loyalty. In grocery retailing in Germany, conventional retail thinking still often applies in management, where e-commerce is only considered marginally or even classified as disruptive and distracting. However, the growth rates and demand for e-commerce are enormous, and the trend is upward. Predatory competition can arise when new players appear in the catchment area of traditional stationary retail.^{12,13} The current cost inflation and higher price sensitivity of customers have further reduced the previously thin margins of stationary retail stores and any further sales reduction through e-commerce is thus much more critical at present than in other phases.



Grocery retail study: online grocery market on the rise

Stationary grocery retailers are facing numerous challenges. The trends and developments outlined above will fundamentally reform the entire grocery retail landscape. To examine the content and further analyze the impact of the e-commerce trend, Porsche Consulting conducted a grocery retail study. The study examines the German grocery market with a particular focus on trends about online grocery delivery and its impacts on stationary retail stores.



In general, people still often buy their groceries in stationary retail stores, but the online trend and especially the interest in online groceries is increasing. Additionally, the study concluded that grocery discounters are still Germans' favorite place to buy groceries, closely followed by conventional supermarkets. Product prices and one's own living situation still play a significant role in selecting a retailer. If the net household income is higher than €5,000, the choice of buying from conventional or organic supermarkets is around ten percentage points higher (see Figure 2). Examining the role of distance between home and the grocery store in the format choice revealed no significant correlation with preference for a particular shopping site selection or online grocery delivery.

Preferred shopping locations

The point-in-time evaluation shows that discounters are the most frequently visited shopping locations, almost regardless of income and distance to grocery store. Higher-priced retailers such as supermarkets, in particular organic supermarkets and e-commerce players, show a clear trend dependent on income. Looking at previous years, the discounters have experienced a tremendous boom, also due to the significant increase in the cost of living and product prices. Aspects such as inflation and increased price sensitivity of consumers are contributing to this situation.

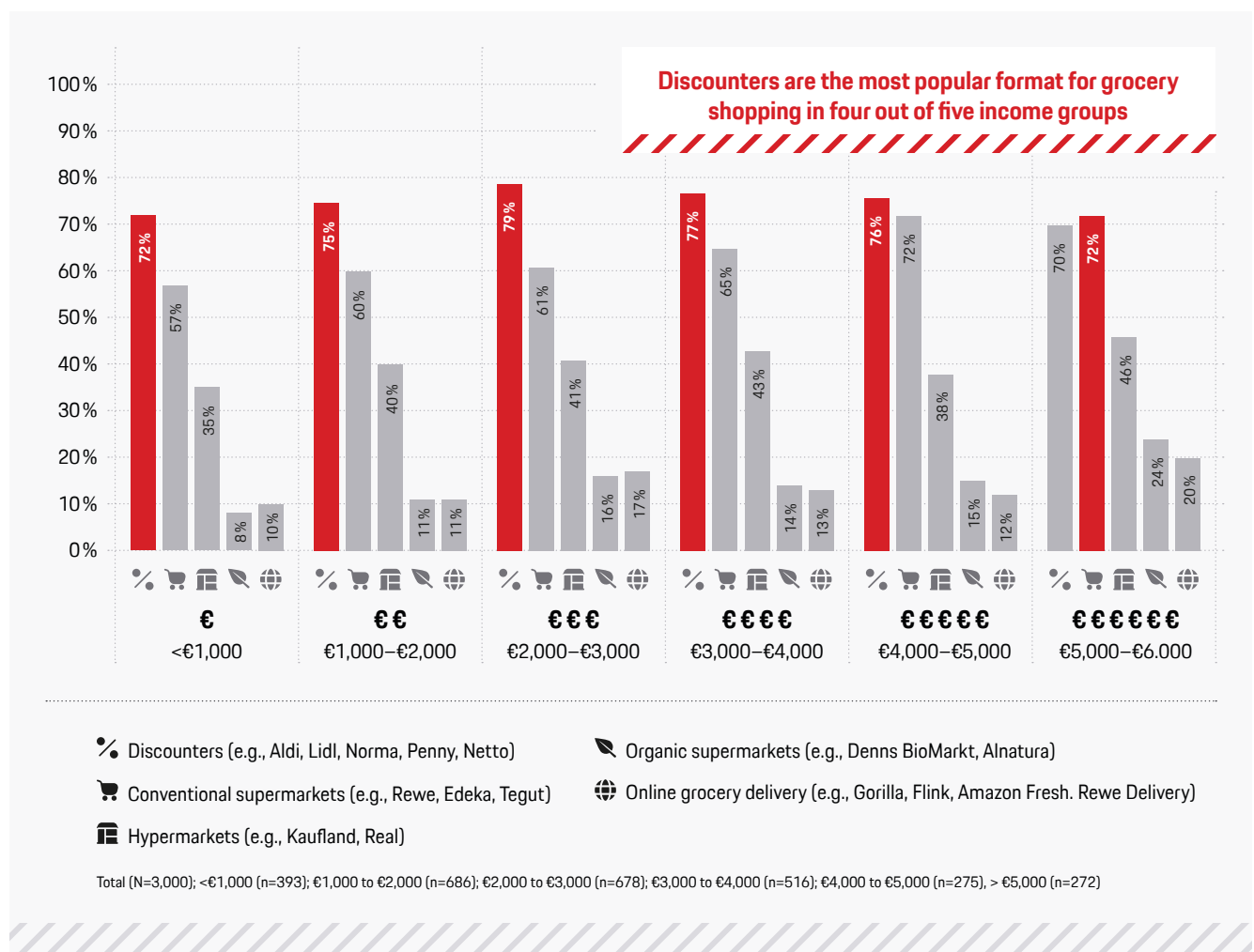


Fig. 2. Shopping site selection by income (N=3,000 (total)).

The breakdown according to the different retail formats reveals customer preferences. Among these discounters, Lidl leads just ahead of Aldi, while Penny and Norma are far behind. Among the supermarkets, Rewe and Edeka are well ahead of all the others. The Schwarz Group with Kaufland also leads in the Hypermarkets segment, and among organic food retailers, Alnatura and Denns Bio-Market are almost on an equal level (see Figure 3).

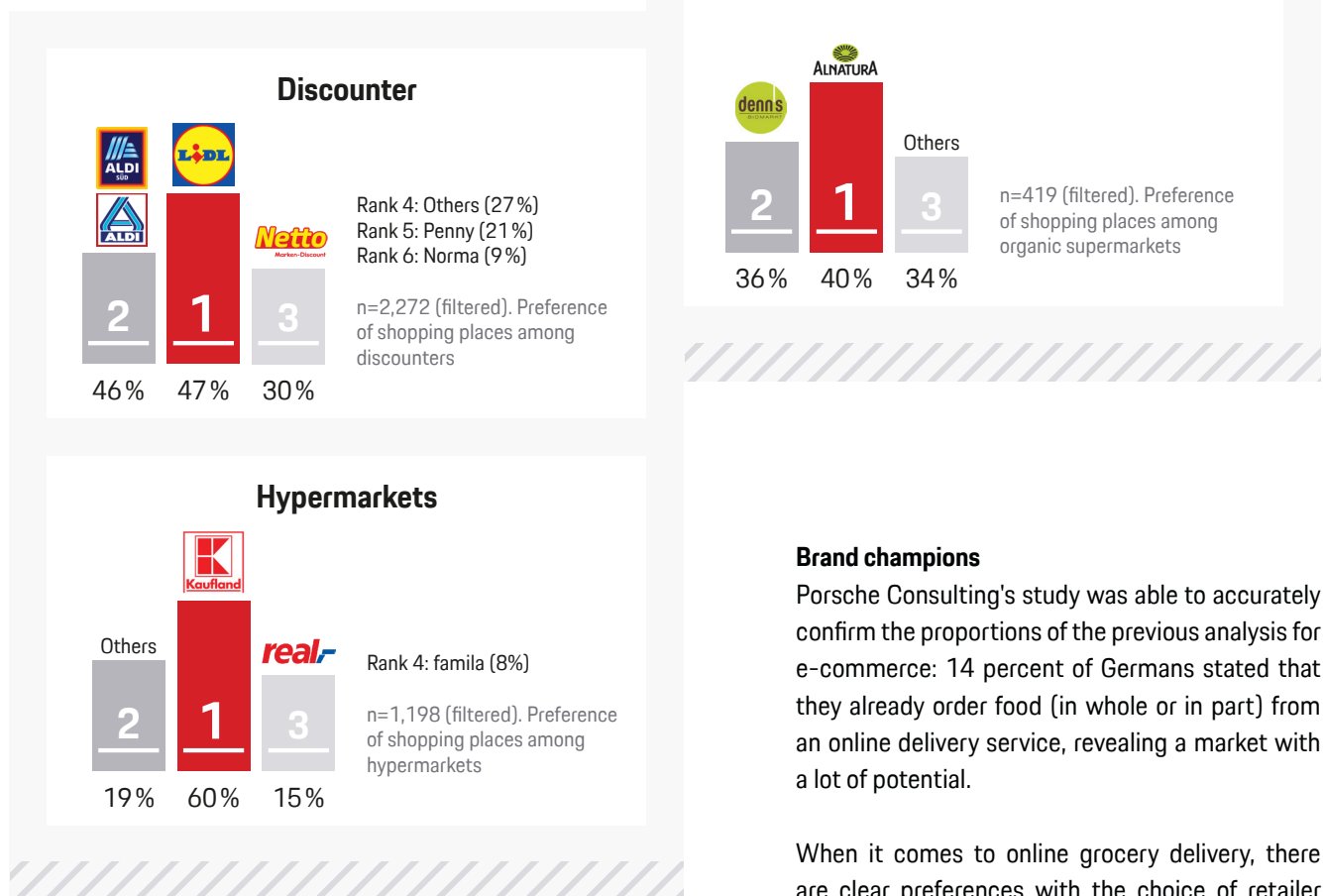


Fig. 3. Most-used shopping place for groceries.

Brand champions

Porsche Consulting's study was able to accurately confirm the proportions of the previous analysis for e-commerce: 14 percent of Germans stated that they already order food (in whole or in part) from an online delivery service, revealing a market with a lot of potential.

When it comes to online grocery delivery, there are clear preferences with the choice of retailer for people who buy groceries online. Rewe with its in-house delivery service and Amazon lead the ranking and people are trying out new formats like Gorillas (see Figure 4). Despite the just-in-time market share now being quite fragmented with many players, the recent acquisition of Gorillas by rival Getir shows the clear potential threat to bigger traditional established players as e-commerce players jointly strive for more market power.

Online grocery delivery

Many suppliers are competing for growing market share, with Rewe and Amazon in the lead. At present, smaller providers are mainly active in larger cities and have not yet expanded into many other regions for their delivery area, which offers a high untouched potential for further scaling.

If people are already shopping online, then they will mostly take advantage of the full service with delivery to their doorstep. Ordering groceries online and having them delivered is by far preferred by 68 percent of respondents, while only 18 percent of respondents order online and pick up in a store (click & collect), 14 percent indicated no preference and abstained. This means that the personal

visit to a store disappears altogether, which could lead to a risk for stationary grocery retailers who are currently dependent on additional high-margin in-store non-food sales.

On the other hand, 86 percent of all Germans have stated that they do not buy groceries online. There can be various reasons for this. However, of the remaining customers who do not currently order groceries online, approximately half (52 percent for answer options 4+5+6) are fundamentally more open and positive about online grocery shopping and can imagine themselves doing so (see Figure 5). This will significantly impact and change stationary retail stores.

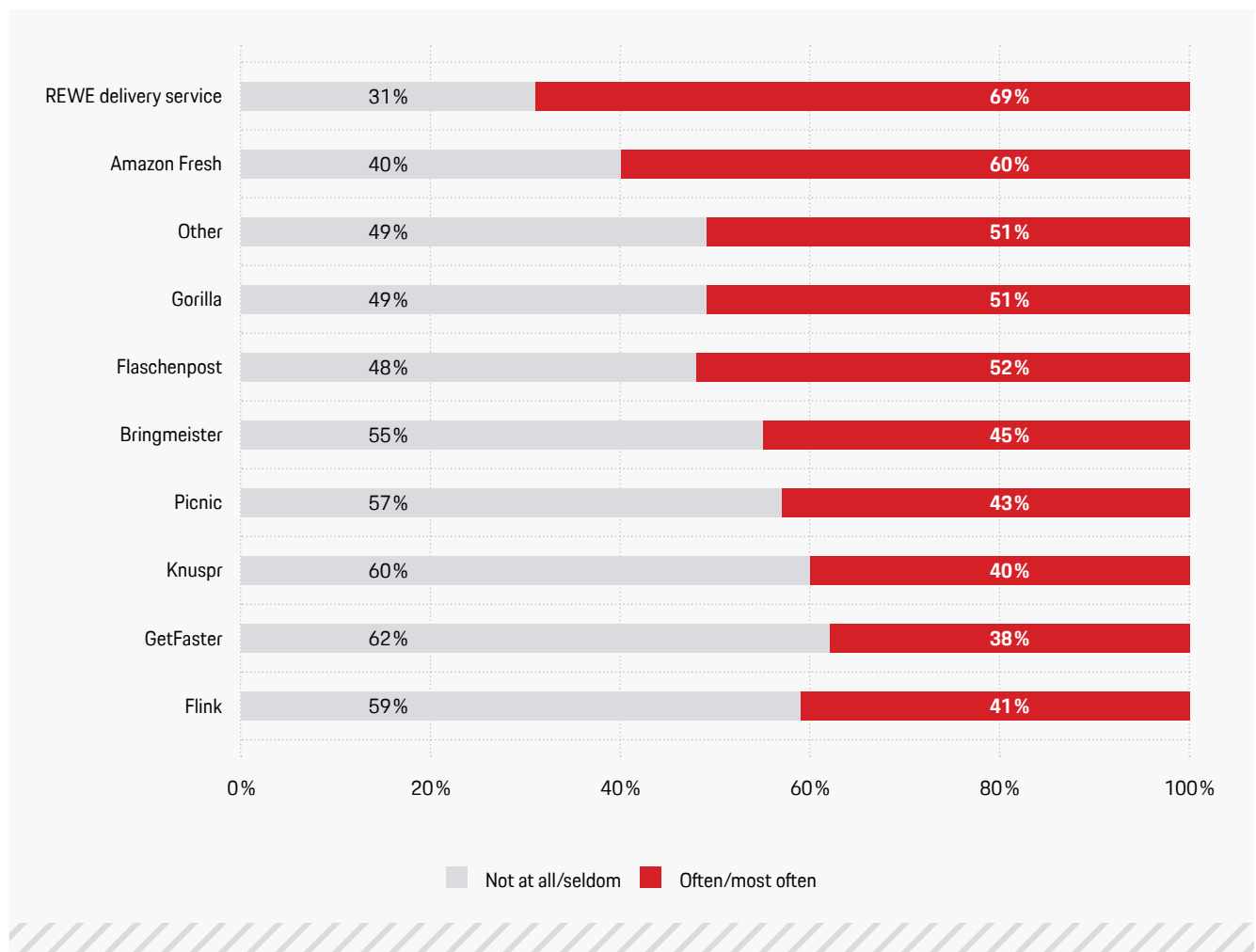


Fig. 4. Preferences for online grocery delivery service providers (n = 404 (filtered)).

Readiness for grocery e-commerce

Most not-yet-active grocery e-commerce customers in Germany can imagine ordering groceries online in the future.

If the scenario were to be assumed that this unexploited group of people in e-commerce would order groceries online or had the opportunity to do so, the majority would even spend up to 60 percent of their monthly grocery spending on an on-line delivery service (see Figure 6).

Willingness to purchase groceries online

Given the low margin threshold and the fierce price war in grocery retailing in Germany, a 20–40 percent sales shift of some regular customers to e-commerce players would **have a major negative impact on the overall EBIT of stationary grocery stores**.

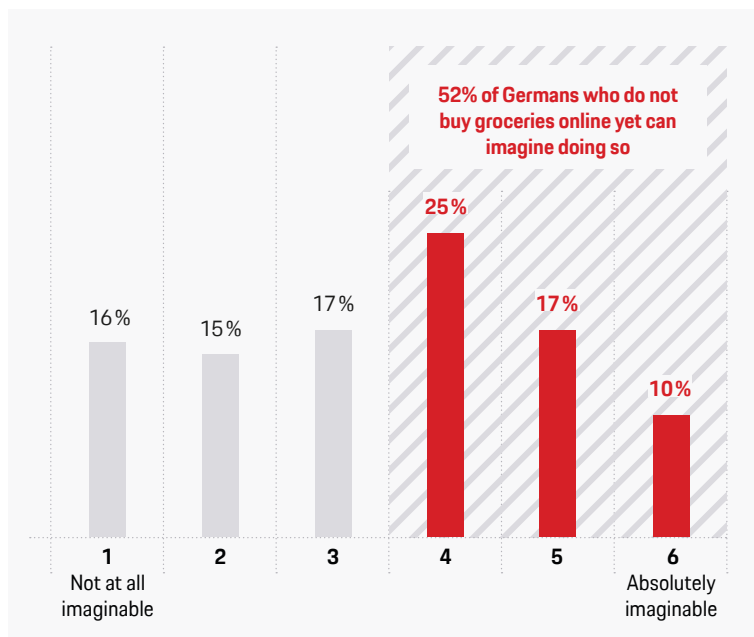


Fig. 5. Reflections on potential online grocery orders from people who have not made online purchases so far (n = 2,596 (filtered)).

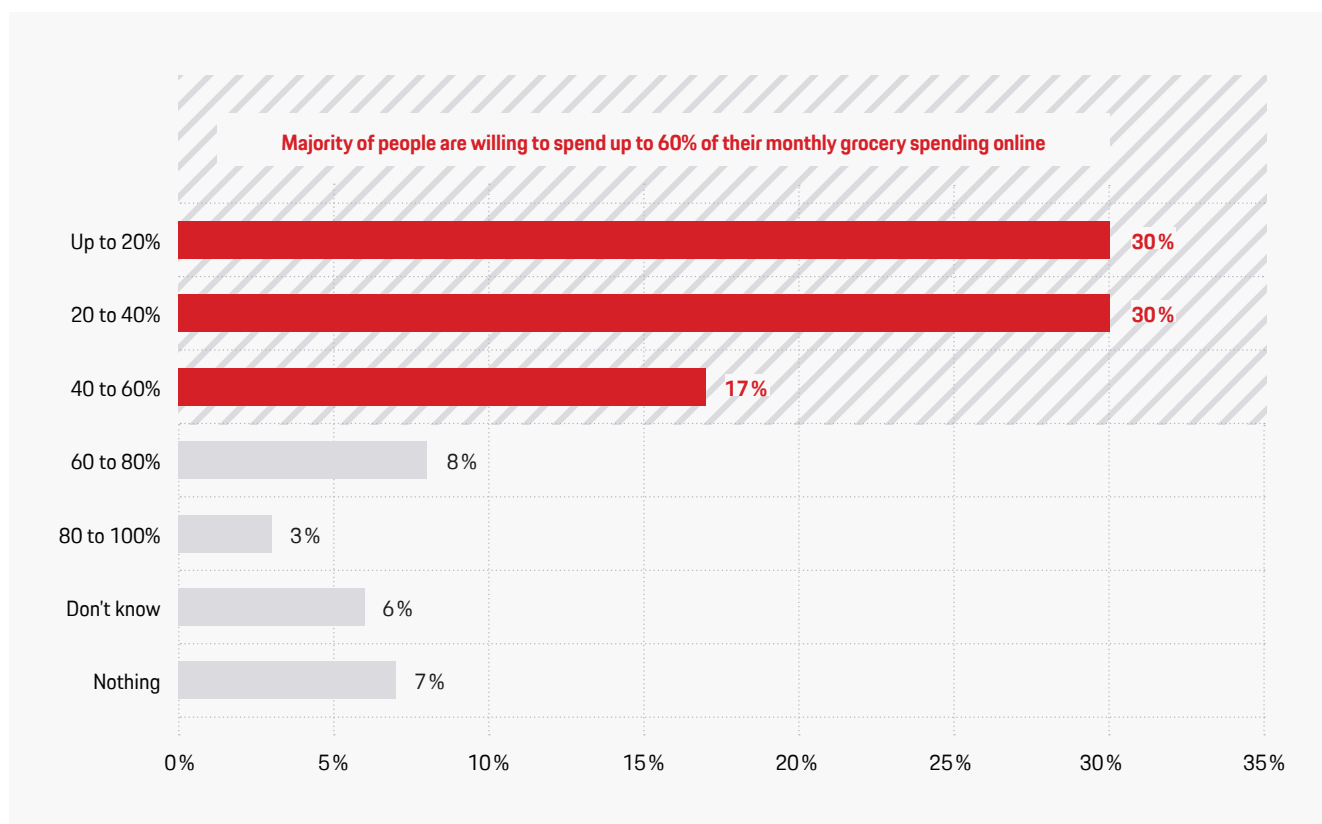


Fig. 6. Probable monthly spending on online grocery deliveries by people who have not yet made online purchases but can imagine doing so (n = 1,327 (filtered)).

There are several reasons why these people have not yet taken advantage of online delivery offers for groceries. Delivery fees still are the number one reason of not buying online but can be adjusted to eliminate the barrier for customers to switch to online grocery shopping. Another common reason is that people want to see or touch the products personally. Online grocery providers cannot offer the same product experience and personal (pre)selection as stationary retailers, thus providing a lasting reason for customers to buy from them. Another reason for the non-use of grocery e-commerce to date is simply the lack of supply and services in the region. More than 27 percent of these people are outside the

delivery area of an online grocery delivery company. There is an actual need for online shopping but no service provider available. If this geographical area were to be opened by the entry of an online grocer, there would no longer be any hurdles for the group of people interested in online grocery delivery to use the services and switch to e-commerce (see Figure 7).

Obstacles for online delivery services

While e-commerce cannot replace all aspects of stationary retail, others, such as delivery fees, can be easily changed and would no longer be a barrier to potential new customers.

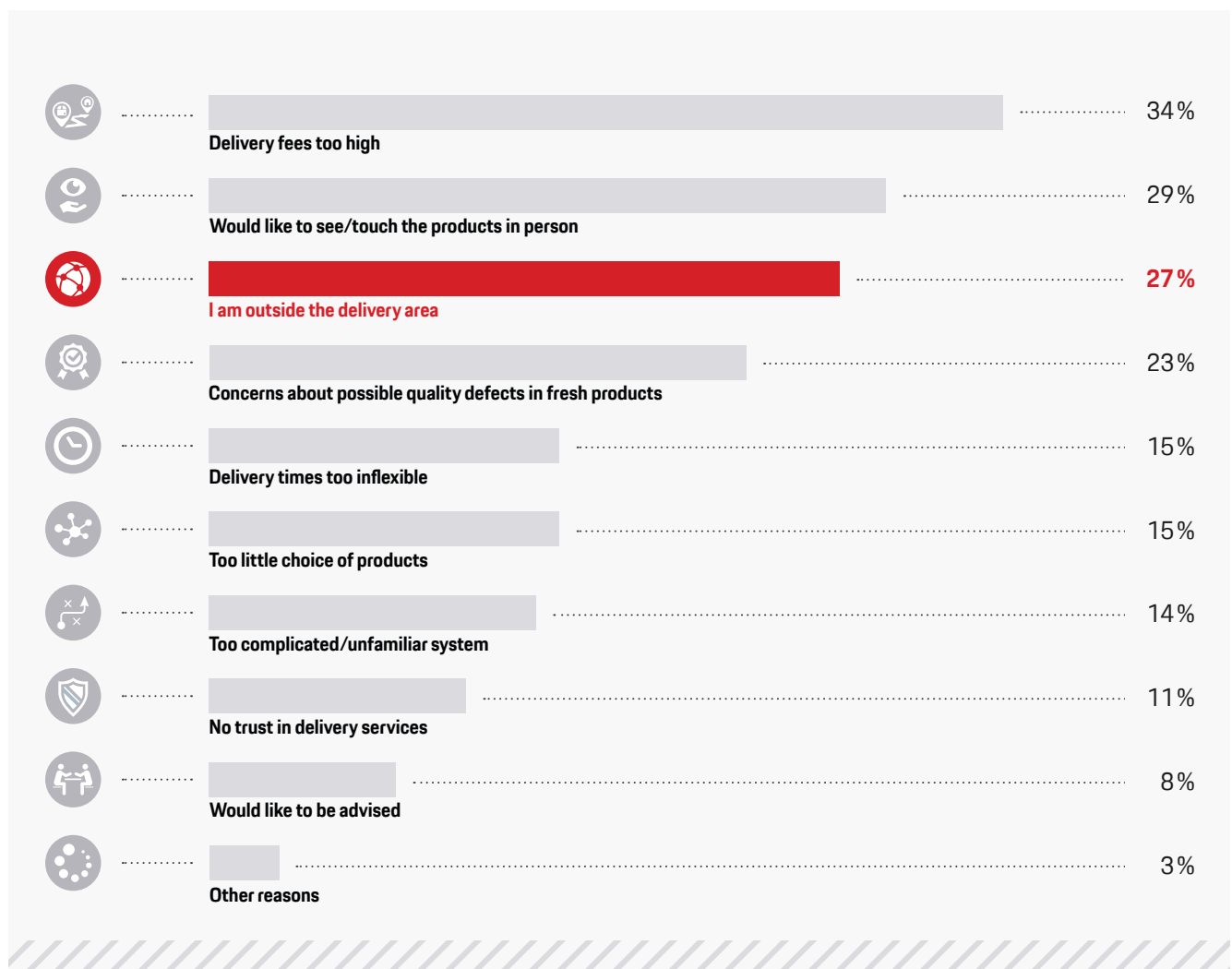


Fig. 7. Reasons why people have not used online grocery delivery services so far (n = 1,327 (filtered)).

The potential monthly spending on online groceries of this group of people waiting for an online grocery delivery service represents about 6 percent of the actual spending on groceries in stationary retail. Therefore, a stationary retailer can expect an immediate loss of sales of 6 percent (calculation based on Porsche Consulting consumer study) just because an online grocery retailer enters the same market area.

Grocery retailers must adapt to online shipping behavior and customer preferences to avoid losing sales potential that leads to declining EBIT. If the growth of e-commerce continues at such a rapid pace, many retailers will have financial difficulties in generating positive earnings contributions in the

future. Individual entire revenue segments in stationary grocery retailing may disappear due to the loss of customers. Therefore, the aim must be to serve and fulfill customer needs for online delivery in the best possible way. Almost half of Germans attach great importance to no delivery fee and minimum order value. The variety and selection of products in the portfolio should not be neglected, either (see Figure 8).

Important qualities of online grocery services

Many of these aspects can be influenced by an online grocer itself to successfully expand in the market and attract new customers.

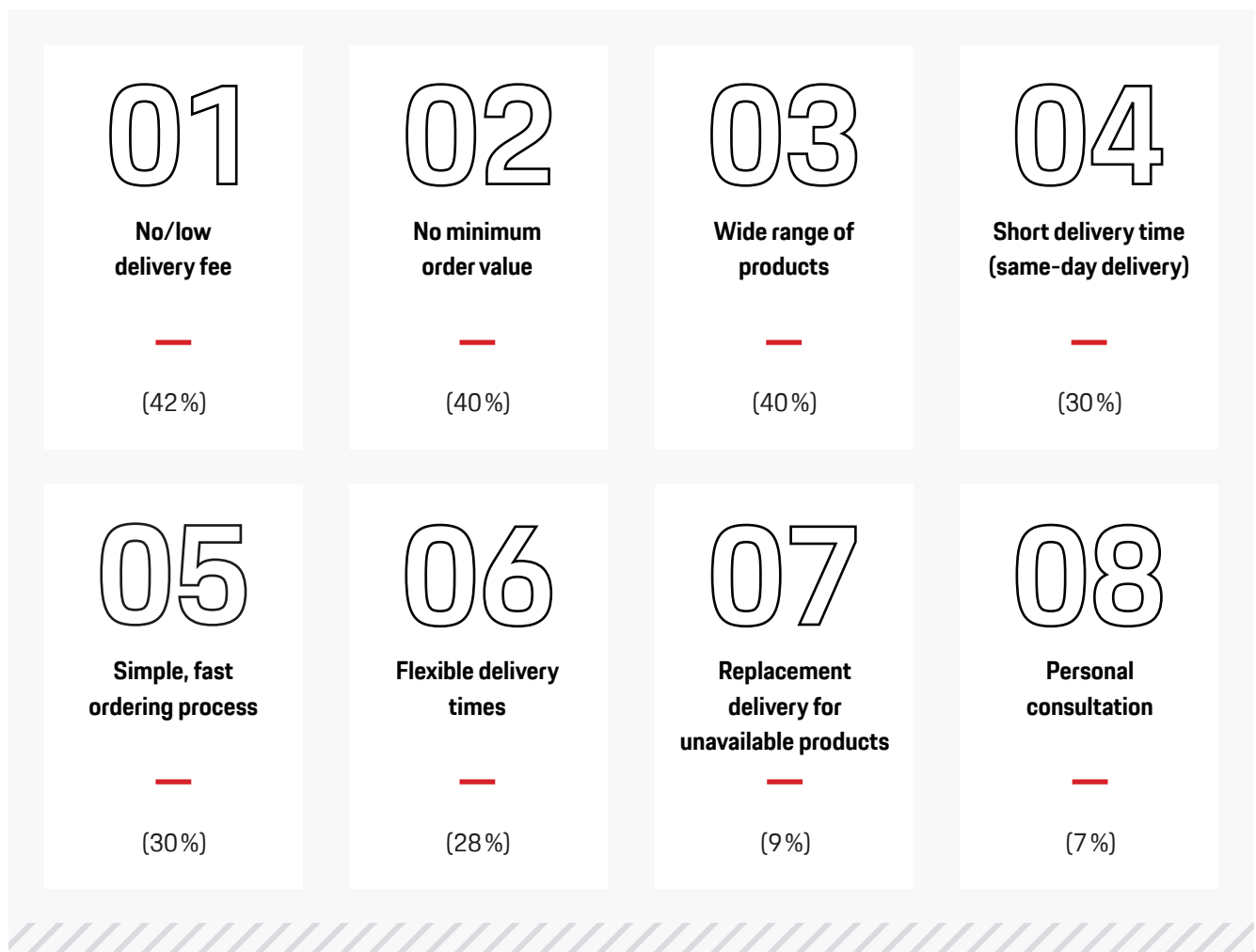


Fig. 8. Most important aspects for customers in online grocery delivery (N = 3,000 (total)).

STAYING AHEAD IS ESSENTIAL

The Porsche Consulting study shows that big changes are coming to grocery retail. The e-commerce trend in grocery retail is still in its infancy, but there is great interest among consumers to start buying groceries online in the future. On the one hand, many companies and especially new players are establishing themselves in this area. On the other hand, stationary retailers face the challenge of managing the omnichannel format with rising e-commerce, addressing the right strategic investment issues, and handling last-mile logistics. Change is rarely easy, especially when multiple (global) trends and crises occur and need to be managed simultaneously, and the outlook is uncertain. Still, grocery retailers need to rethink their store networks. Many trends (external and internal) will have an impact on sales and must be identified, their influencing factors determined and mapped, and the quantitative impact on the business development of an individual store calculated. Stationary store structures will thus become more obsolete, and individual stores will no longer be profitable and require new adjustments. Traditional, established retailers need to drive their digital

transformation and leverage new technologies and opportunities for their business. Well-founded, data-based future scenarios must be developed to be able to undertake important business decisions as management. Successfully managing the digital transformation of retail requires the use of a method that processes and analyzes the data and complexity and derives actionable countermeasures. Possible solutions how to deal with the manifold challenges will be presented in the following chapter. The future trends identified in the study, such as increasing e-commerce in grocery retailing, and their direct financial impact on the EBIT of individual stationary stores and product groups can be assessed. Thus, a comprehensive approach is provided to break down potentially occurring externalities and visually depict correlations and derive appropriate countermeasures.



Excursion: using the insights from data-driven retail transformation (DDRT)

To keep up with the online grocery trend highlighted in the study and to continue to offer customers various new attractive formats in the future, a comprehensive analysis and strategy are required. The DDRT framework enables the successful creation of an omnichannel strategy with simulations of the EBIT development of grocery retail (stores) considering future influencing factors like e-commerce, ideal store network as well as areas of actions or countermeasures based on this data. Retail companies and individual dealers are supported in re-aligning their strategy to future trends.



To stay competitive and face the manifold challenges, grocery retailers must stay ahead and actively drive change. The data-driven retail transformation framework provides a solution, as its simulation tool helps to make grocery retailing future-ready in four steps. The DDRT framework has already proven its worth in various industries, such as the automotive industry, where dealers are facing difficult times, as in the grocery retail industry. Here, future trends like e-mobility, online sales, digital products, etc. will negatively impact the contribution margin and thus endanger individual

business areas and the overall profitability of stationary dealers.

The overall objective of the method is the data-based identification and evaluation of strategic (transformation) measures. With the tool, the impact of trends on retailing can be simulated by quantifying their effect on the contribution margin accounting down to individual stationary retail stores. This gives decision makers a holistic view of the future profitability of individual stores by simulating multiple scenarios and different trends.

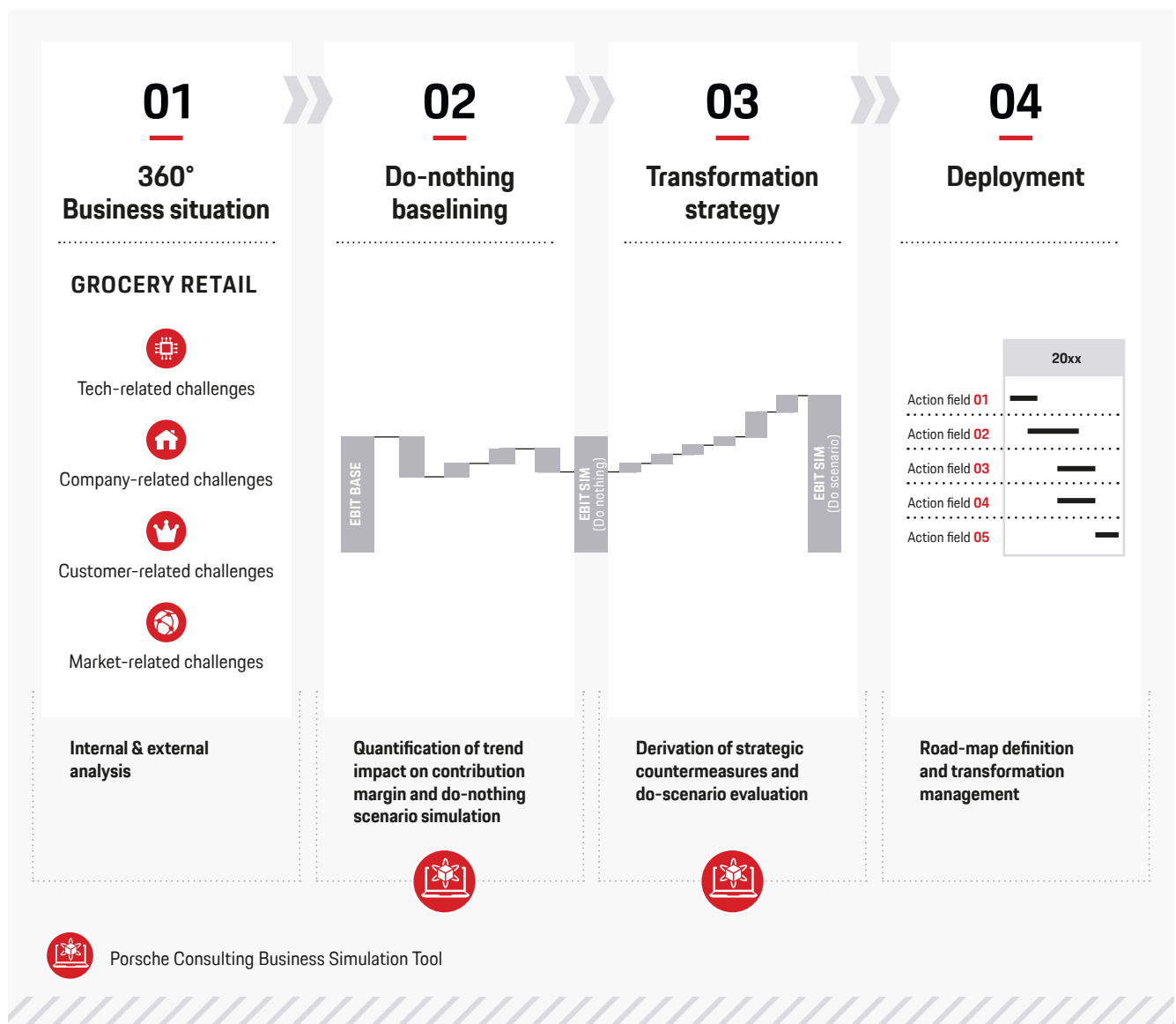


Fig. 9. Data-driven retail transformation is divided into four steps.



Step 1

Assessing the business situation

To gain a comprehensive understanding of the business situation, an internal and external analysis is conducted. The internal analysis focuses first on existing strategic initiatives, which are examined for information on the company's future strategy, including overall corporate and departmental strategy as well as current strategic actions. A store assessment is then conducted. This assessment focuses on the strategic fit of the locations and store performance in terms of internal strengths and weaknesses. Criteria such as location, ownership (land and building) or lease agreements, sales, service hours, EBIT, and geographical market area are evaluated.

The external analysis examines and identifies overarching trends that will pose challenges to the grocery retail industry. These trends are broken down into technology-related, company-related, customer-related, and market-related categories. From these trends, influencing factors are derived, which are then quantified in concrete premises and integrated into the simulation.



Step 2

Quantifying the impact of market developments on the business

The results of the internal and external analysis are transferred to the baseline for a "do-nothing" simulation. This indicates the worst-case scenario, assuming that all or some of the identified trends will occur in the years to come and that companies will not take any action against them. For each influencing factor, individual impact chains are derived that affect the result of the contribution margin. The influencing factors are linked to the various positions of contribution margin accounting.

IN BRIEF: How the simulation tool works

The simulation tool remodels contribution margin accounting (CMA). The influencing factors can be added to the model according to the desired level of complexity and the intensity of influence can be easily adapted in the scenario manager. Changes within the influencing factors can be directly seen in the respective CMA positions.

For example, inflation and rising energy prices will increase the cost for frozen food products and hence affect the contribution margin of the whole store appropriate to its share in sales volume. The tool allows for scenario comparisons by easily changing either individual or multiple factors via adjustable regulators. As a result, the effects of the adjustment are calculated and visualized in real-time.





Step 3

Deriving the transformation strategy

Based on the analyses and the “do-nothing” simulation, various possible customer-specific measures, and concepts for closing the EBIT gap are identified. As part of the overall corporate strategy, a strategic target picture is derived with individually defined strategic levers and transformation measures. Strategic levers are quantifiable and have a direct impact on the contribution margin. The levers increase the top line (sales) or the bottom line (net profit). Transformation measures are not quantifiable in terms of a direct impact on the contribution margin but are essential and have an overall impact on the company’s success.

All strategic levers and transformation measures can be fully or only partially implemented to close the EBIT gap. A corresponding “do-scenario” with the selected countermeasures simulates the cumulated effect of the earnings contributions on EBIT and on the respective business areas.



Step 4

Managing the transformation

Selected measures are implemented, and the transformation is supported. An end-to-end transformation management approach ensures sustainable strategy implementation. Additionally, a governance model is established for efficient project management. This includes clearly defined roles for a successfully constituted project team, multiple sprints, and steering committees to ensure efficiency as well as status tracking and reporting tools to create transparency over the project. A dedicated transformation road map with time horizons for each measure and milestone is defined in a project timeline to ensure seamless transformation.



Making the grocery retail transformation a success

Sustaining turbulent times with rising complexity can be challenging for retail businesses. When this complexity is further fueled by increasing competition, changes in fundamentals, mega trends, new technologies, and — especially in grocery retailing — with outdated store network strategies, it is essential to have methodologies and tools that can provide transparency and show the way into the future.



Furthermore, when end-consumer demands and preferences change during these situations, it can be critical to the survival and profitability of retail stores to take this into account. In grocery retail, rising inflation, change in favored criteria, and digital transformation driven by e-commerce adoption can result in additional efforts being needed to address. The study showed that more than half of the German population is willing to buy groceries online, and that a stationary retailer will suffer an immediate loss of sales of 6 percent if an online

grocery retailer enters the same market area, simply because people are willing to buy online but unfortunately cannot be served with an online delivery service yet. Evidently, this transformation is taking place and if a retailer does not adapt, they could be left behind without knowing what's behind the lack of performance. Refining a business model through data and establishing an effective ideal network design within grocery retail is vital and possible when approached the right way.

CREATING THE PATH TO SUCCESS:

- 01** It is essential to assess the organization internally and externally to identify major influencing factors and their impact on the individual business areas.
- 02** Stationary retailers must review the market and competitive landscape to identify new sources of profit within the core business, but also in new business areas.
- 03** Stationary retailers may not just focus on individual measures but need to incorporate them into the overarching strategic approach, including course corrections and adjustments along the way.

CRITICAL AND HOLISTIC DECISION-MAKING IS HARD BUT HAVING THE RIGHT RESOURCES IS AN ADVANTAGE THAT CAN BE LEVERAGED TO STAY AHEAD AND MANAGE RISKS ACCORDINGLY.

IN BRIEF

- 01** Applying a holistic and data-driven approach to manage change and rising complexity must be a top priority in grocery retailing.
- 02** Online grocery shopping is increasingly accepted and demanded by society. Integrating online channels into the retail landscape is essential to win the competitive race.
- 03** Finding the perfect interplay between physical and digital commerce formats reflecting both financial goals and customer preferences is crucial: 14 percent prefer online grocery shopping and 52 percent are not ordering online yet but can imagine doing so in future.
- 04** The ideal channel and format network can be simulated to estimate the impact of future influences as well as countermeasures along the contribution margin calculation.
- 05** Tightly interlinking strategy work with overall business KPIs is key to navigate through dynamic environments, improve resilience, and grow sustainably.

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Appendix

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