

Adapting to Change: The Digital Transformation of Retail

Navigating the Future of Grocery Retail

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1. Motivation for presentation

2. Grocery retail is on the same boat with retail challenges

3. Convergence across phygital retail is prevalent

4. All these challenges dictate digital transformation initiatives

5. Digital or Transformation what is more important ?

6. How to make holistic changes going forward

The Journey of Modern Retail - From Department Stores to Digital Retail



Retail 1.0

Department Stores

The first era, where centralized, large-format stores offered a broad selection of products and became community hubs.



Retail 2.0

Big-Box Revolution

The expansion of scale and convenience, with chains competing on price and variety to attract a cost-conscious consumer.



Retail 3.0

E-commerce Era

The digital shift, allowing consumers to shop anytime and compare prices, introducing global competition and convenience.



Retail 4.0

The "Phygital" Convergence

Today, we see a merging of physical and digital retail environments, with technology making shopping experiences seamless across all platforms.

8 trends impacting European grocery retail in 2024

1

Cost and Margin Pressure

70% of surveyed CEOs named addressing cost and margin pressure as top priority.

2

Return of polarization

1 in 5 consumers in Europe intend to splurge on groceries over the next 3 months, while 45% continues to look for ways to save money

3

Food to go: A wrestling match for share of stomachs

x2.5 faster growth expected in aways-from-home food (~8%) vs overall grocery (~3%)

4

Sustainability: Progress made, still a long way to go

29% of top 10 retailers have achieved Scope 1 and Scope 3 targets for 2025: however, none of them report progress on Scope 3 Targets

5

Online: Liberation from offline

37% of online shoppers in the UK go to different stores online than offline

6

Retail media: Click here to boost the bottom line

20 out of the top 30 European grocers already have an established retail media business

7

Conversational commerce: The next wave of Analytics

6 promising GenAI use cases can unlock 10-20% of the value of advanced analytics and AI

8

Talent: Making retail a career again

29,4% increase in retail vacancies, up from 1,7% in 2019 to 2,2% in 2023

Aside of point 3 all other trends are similar across all the retail world

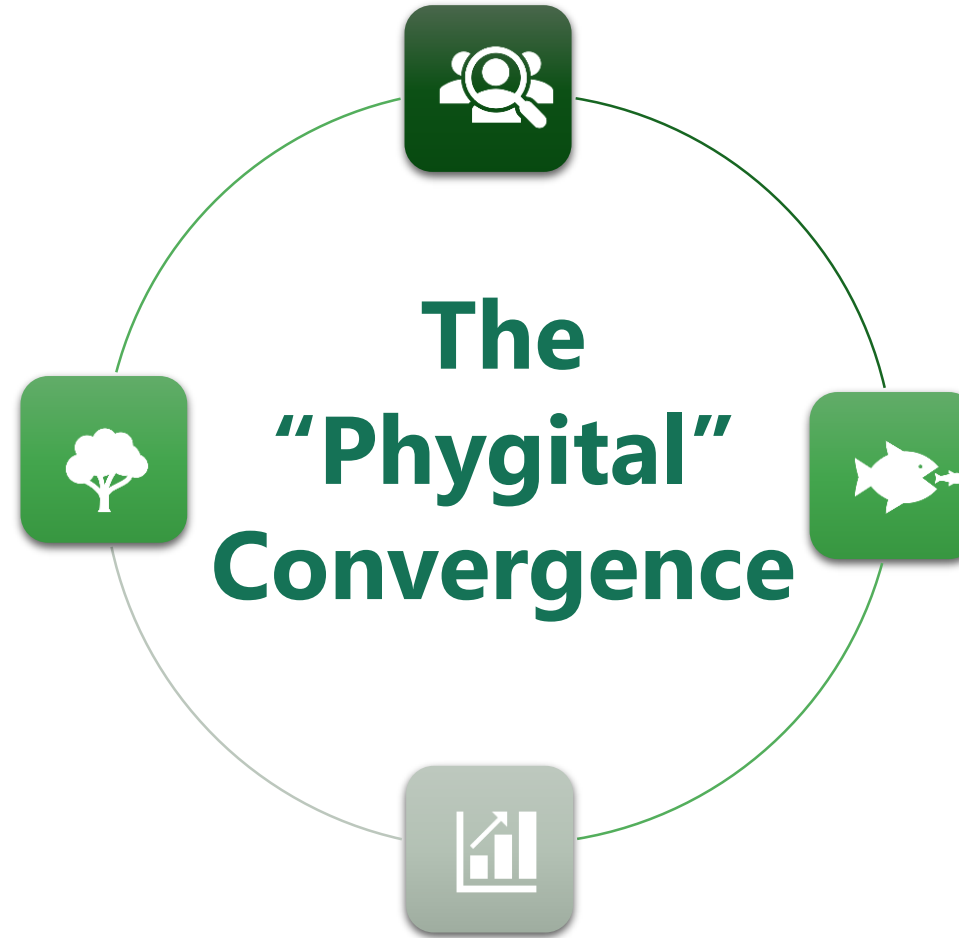
Phygital: The next convergence in retailing

Changing Consumer Expectations:

Younger consumers have embraced online grocery shopping, and older shoppers are now following, increasingly confident with digital purchases. Today's customers expect a seamless blend of online and in-store options, with fast service, and flexible payment choices. Personalization is also essential, from tailored discounts to easy access to customer support

Sustainability Demands:

With mounting pressure from consumers for eco-friendly shopping, eGrocery has the potential to be a catalyst for sustainability, by optimizing packaging to minimize waste, and the use of electric vehicles



Competitive Threat from eGrocery:

The rise of eGrocery, fueled by players like Instacart, has impacted consumer habits. Market projections could reach over 25% of total grocery sales in leading markets by 2030, but the party is driven by the mass retailers – Walmart, tesco etc.

Profitability Pressure in Digital Models:

Quick commerce and ultra-fast delivery models, while popular, come with high operational costs in logistics and last-mile delivery, threatening margins. Studies project that profitability per transaction could decrease by 80% for traditional grocers who adapt to digital channels.

Digital Transformation is an enabler

Omni-Channel Integration

Seamlessly blending physical and digital experiences to meet consumer demand for flexible shopping options.

Click-and-Collect: Available at major grocers, allowing customers to order online and pick up in-store.

Home Delivery Partnerships: Traditional grocers partnering with quick-commerce players (e.g., REWE and Flink) to compete with pure online platforms.

Data-Driven Personalization

Using big data, AI, and machine learning to analyze consumer behavior and create tailored shopping experiences.

Personalized Promotions: Grocers like Sainsbury's leverage loyalty programs and digital channels to deliver targeted offers, increasing customer engagement and retention.

Sustainable Operations

Integrating sustainability from supply chains to packaging.

Eco-Friendly Packaging: Adopting reusable, recyclable, or biodegradable materials to reduce waste.

Energy Efficiency: Optimizing logistics and warehousing through automation to minimize environmental impact.

Automation and Robotics

Streamlining operational processes to reduce costs and improve efficiency.

Automated Warehousing and Inventory Management: Amazon and Walmart are leaders in robotics-enhanced fulfillment, enabling faster and more accurate service.

Self-Checkout and Cashier-Free Stores: Amazon Go's "Just Walk Out" technology removes checkout lines, enhancing customer experience and operational efficiency.

Digital transformation starts from big players but span across



Seamless Checkout / Platform Aggregator



Amazon has pioneered “Just Walk Out” technology, using sensors and AI to eliminate checkouts. Additionally, with Amazon Fresh, it offers existing customers grocery delivery – an easy extension of their business



Omni-Channel Fulfillment



Walmart has integrated its physical stores with its online platform, offering same-day pick-up and local delivery to bridge the gap between convenience and availability.



Quick Commerce Collaboration



To compete in the quick commerce space, REWE partnered with Flink for ultra-fast delivery, allowing them to reach customers within 10 minutes in urban centers, with Flink’s agile delivery infrastructure.



Mobile Scan & Go



Sainsbury’s app allows customers to scan products as they shop and pay through the app, streamlining the checkout process and reducing in-store friction. Impact: Enhances customer experience and minimizes staff needed for traditional checkouts.

Greek based solutions fuel digital transformation



Supply Chain Management

Logistics, Warehouse Automations, Inventory Planning, Store Replenishment, Machine Learning Stock Forecast.



Human Capital Management

Payroll, Shift Scheduling, Digital Employee Card, Talent Management, Employee Self-service, Performance Management, Employee Satisfaction Surveys, Recruit.



Loyalty & CX Management

Loyalty management, Campaign Management, Customer Insights, Customer Experience, Analytics.



eProcurement and eAuctions

Purchase Requisitions (PR), Request for Information (RFI), Request for Quotation (RFQ), Request for Proposal (RFP), eTenders, Supply Relationship management (SRM), eAuctions.

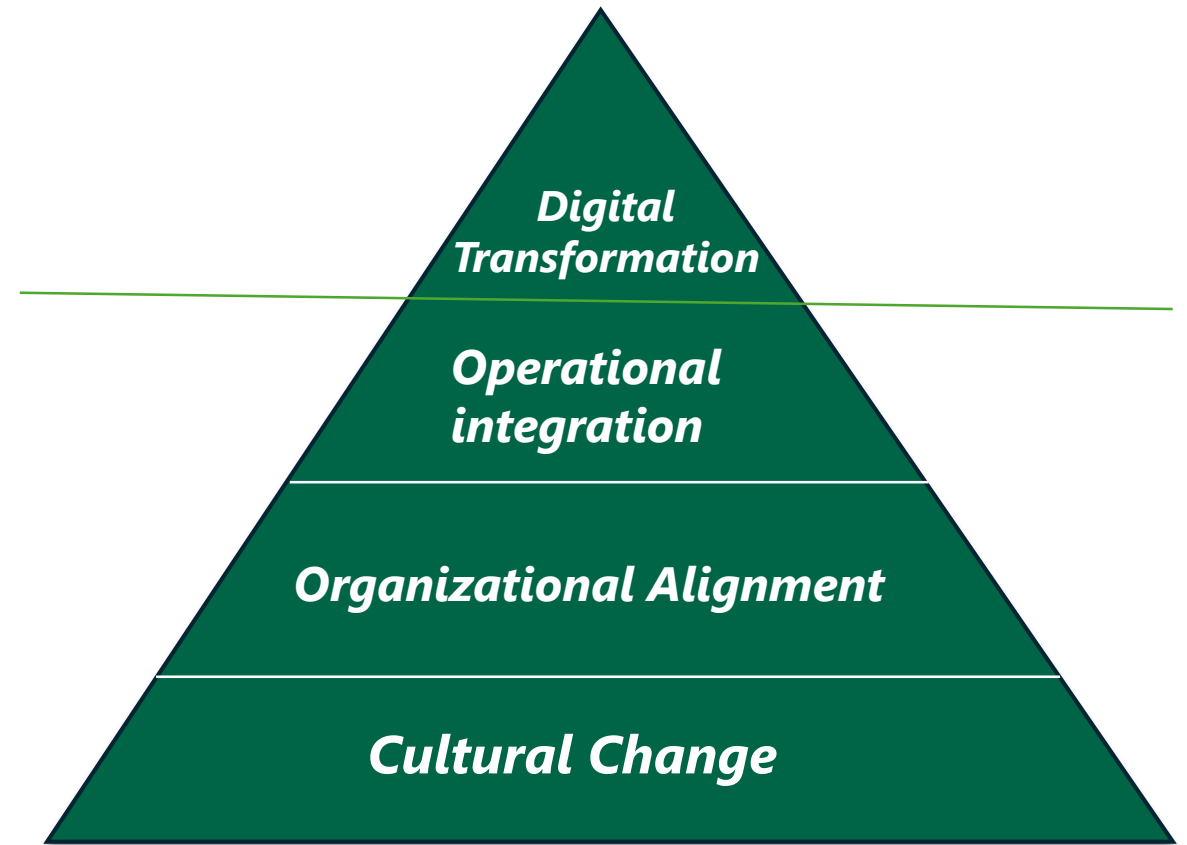


ESG Platform

IROs, Stakeholders, Double Materiality, Value Chain Assessment, Time Horizons, ESRS Datapoints, Interoperability with other standards, EU Taxonomy, Sustainability Statement, Auditing.

Digital or Transformation: part of a wider hierarchy

Digital transformation is essential but not sufficient on its own to drive sustainable success in retail. 1 in 3 digital transformations fail because companies do not align their digital initiatives with a broader, more holistic transformation agenda that addresses organizational, cultural, and operational integration



The Barriers to Successful Transformation

Lack of Commitment and Clear Governance:

Without top-down commitment and structured governance, transformations risk losing focus and momentum. Transformation needs to be championed by leadership and anchored with clear accountability

Inadequate Planning and KPIs:

Transformations are like construction projects, they need blueprints, detailed mapping of weekly achievements, follow up and ruthless project management.

Lack of Ownership and Accountability:

A successful transformation requires ownership at every level. Lack of accountability can result in unclear roles, minimal oversight, and missed milestones.



Cultural Resistance to Change:

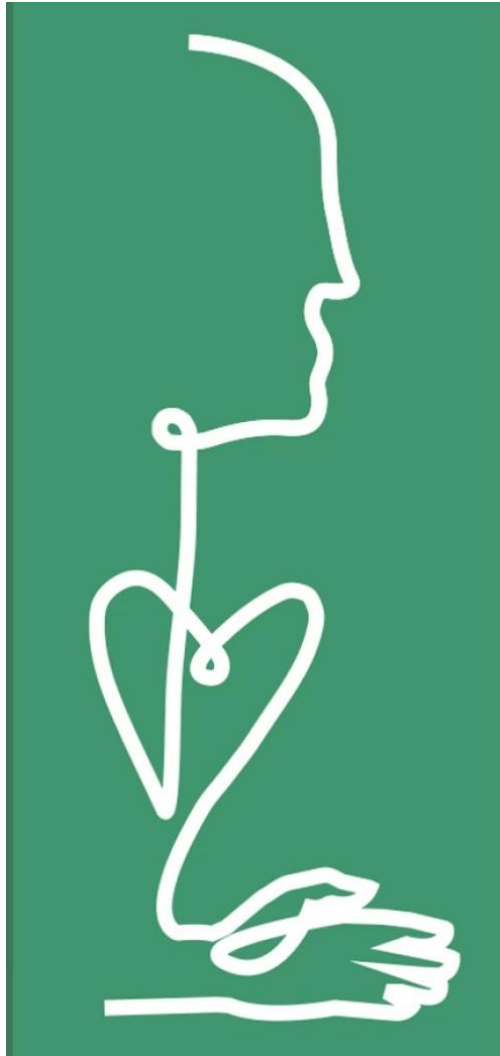
A transformation can't succeed if employees are not on board. Without an inspiring purpose, employees may resist change, leading to low adoption rates and inconsistent execution.

Misalignment Between IT Investment and Business Value:

Investing in technology without aligning it to business objectives can reduce ROI. It's essential that tech projects are driven by business needs to create value and enhance customer experience.

It is also important to get friendly with the constant increase to IT opex

The 'Head, Heart, and Hands' of Transformation (BCG model)



To achieve transformation that resonates across the organization, retailers need a balanced approach that aligns strategy, culture, and execution. The 'Head, Heart, and Hands' model offers a roadmap for tackling each dimension holistically

→ **The Head - Vision and Strategy:** Define a clear, growth-oriented vision that connects digital transformation initiatives with long-term goals. This vision should align with customer needs, competitive positioning, and core business objectives

→ **The Heart - Inspire and Empower:** Create an inspiring purpose that resonates with employees, motivating them to adopt new ways of working and contribute to transformative change. A culture that embraces innovation and adaptability is essential for sustained success

→ **The Hands - Execute and Innovate:** To bring transformation to life, companies need agile execution methods and empowered teams equipped to make decisions and adapt quickly. This includes investing in the right tools, building cross-functional teams, and focusing on continuous improvement.

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