
The future of grocery: Retailers need to ‘think different’

There are interesting times ahead for grocery sector and for many retailers a revamp of stores and offerings will be necessary, says Bank of Ireland’s head of Retail and Convenience Sector Owen Clifford.

While the big weekly shop trend imposed by lockdown benefits larger grocery players, convenience stores will need to pivot to meet the needs of a growing remote working community.

That’s the view of Owen Clifford, head of Retail Sector, Bank of Ireland, commenting on the latest trends in grocery and retail shopping.

As Ireland emerged in a phased manner from lockdown and wallets began to open in earnest, the impact of Covid-19 on the retail sector was varied. Ultimately the big winners were large grocery chains while smaller retail players faced a myriad of challenges.

The latest figures from Kantar show take-home grocery sales in the Republic of Ireland increased by 24.7pc in the 12 weeks to 14 June 2020, encompassing the entire lockdown period. This additional spend adds up to €628.7m on grocery items, but some retailers will still be feeling the impact of a decline in other categories like deli or in-store dining.

Meanwhile, recent [CSO figures](#) indicate an almost 30pc jump in retail sales in May when compared with April as restrictions eased. This is understood to be the largest monthly increase on record, following a near 36pc collapse in April as the Covid-19 crisis had a chilling effect on the sector.

Who sells wins



“Grocery retailers are continuing to deliver a strong trading performance with annual sales increases of more than 20pc being reported nationwide,” Clifford told *ThinkBusiness*.

“The less frequent/big weekly shop trend still continues with consumers, driven by health and safety concerns, visiting stores less often but spending more when in-store. This type of shopping behaviour favours the larger grocery operators and they have increased market share in H1 2020.

“An interesting dynamic will emerge in the coming months with the larger operators seeking to retain market share and the convenience operators seeking to win it back. I would expect the convenience operators to pivot back towards grocery from being purely food-to-go/coffee-to-go focused and present themselves as a more accessible, top-up option with a particular focus on the increased number of customers now working remotely.”

A focus on wellness and healthy propositions

The likely tension that will arise from grocery chains retaining market share versus convenience players encroaching through groceries will mean retailers of all sizes will have to think outside the box to keep shoppers engaged.

“Unquestionably, the consumer will be seeking a value proposition as economic uncertainty lingers linked to Covid-19. Tesco has sought price reductions from suppliers to deliver its ‘Everyday low pricing strategy’ which will see it use fewer promotions in-store. This strategy is particularly relevant to their UK operation which has come under increased pressure from Aldi and Lidl’s increased store footprint.

“The ‘value’ message will be key for all Irish grocery and convenience retailers in the coming months. It will be interesting to see if all focus on a purely price-led model. I believe that a more rounded approach is now required. Covid-19 has reminded us all of the importance of health, wellness and community. Irish shoppers will certainly be more mindful of their sense of value to the community and the planet in their purchase decisions in the future.

“Aspects such as product authenticity, product traceability, healthiness and impact on the environment will all feed into our shopping preferences. It is incumbent on retailers to make the Irish consumer aware of their efforts/bona fides in this regard – active communication and engagement will be required. Competitive pricing will be important but the consumer will also expect more from their retailers,” said Clifford.

Time for a revamp

As every successful retailer knows, the key to retail is detail and stringent margin and cost disciplines will be critical in a post-lockdown Ireland. However, it will also be a time to invest in their offerings and consider a store revamp to attract footfall.

“Grocery and convenience retail, in comparison with many other sectors, has always been a high volume, lower margin-focused model,” explained Clifford. “Cost management and margin preservation will be key elements for independent grocery retailers in a post Covid-19 world; those operating under the Supervalu, Centra, Eurospar, Londis and purely independent banners.

“A store revamp can support both cost savings and margin preservation whilst also preserving customer engagement. An increased volume of revamp activity is expected during the remainder of the year linked to Covid19 based restrictions in H1 2020. Detailed analysis pre and post revamp will be an imperative to ensure that the maximum return on investment is delivered via sales mix improvement, margin preservation/growth and cost saving.

“A robust investment plan draws on feedback from existing and targeted customers, employees,

suppliers – it’s a holistic, interactive process ensuring that the retailer remains engaged with the customer and the wider community.”

The digital future of grocery

The Covid-19 crisis has changed the world of business beyond recognition, leading to a rise in home working, an emphasis on digital and crucially what people expect and are willing to pay for.

“Increased collaboration/partnership agreements between grocery retailers and producers/restaurants/food-service operators is also expected as retailers seek to provide a healthy/nutrition focused differentiation point for the Irish consumer.

“Market activity amongst leading wholesalers/retail groups will therefore continue through brand extension/acquisition as they seek to also capture increased consumer data/insights and to drive internal efficiencies.”

The elephant in the room is obviously online grocery shopping and the onset of Covid-19 challenged existing infrastructure. Post-Covid, if online is here to stay then a robust offering is needed.

“The future of online grocery will also be under the spotlight in the coming months,” explained Clifford. “The existing platforms were unable to deal with the unprecedented volumes during the Covid-19 lock-down leading to some consumer disengagement with the channel.

“However, the current low levels (under 5pc of total grocery sales) conducted via online demonstrate that a real growth opportunity is available if a frictionless, efficient, reliable service can be delivered.

“Again, it will be interesting to see if further partnership models develop via Ocado, Buymie, Deliveroo, Just-Eat or internal ‘dark stores’. The cost of picking and delivery linked to the online channel remains a deterrent to retailers.

“They will continue to develop and promote more advanced click and collect options for the consumer as it presents a more cost-effective model for their business.

“Overall, very interesting times ahead in the Irish grocery and convenience sector,” Clifford

concluded.

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