Asia Pacific Coca-Cola RETAILING RESEARCH COUNCIL

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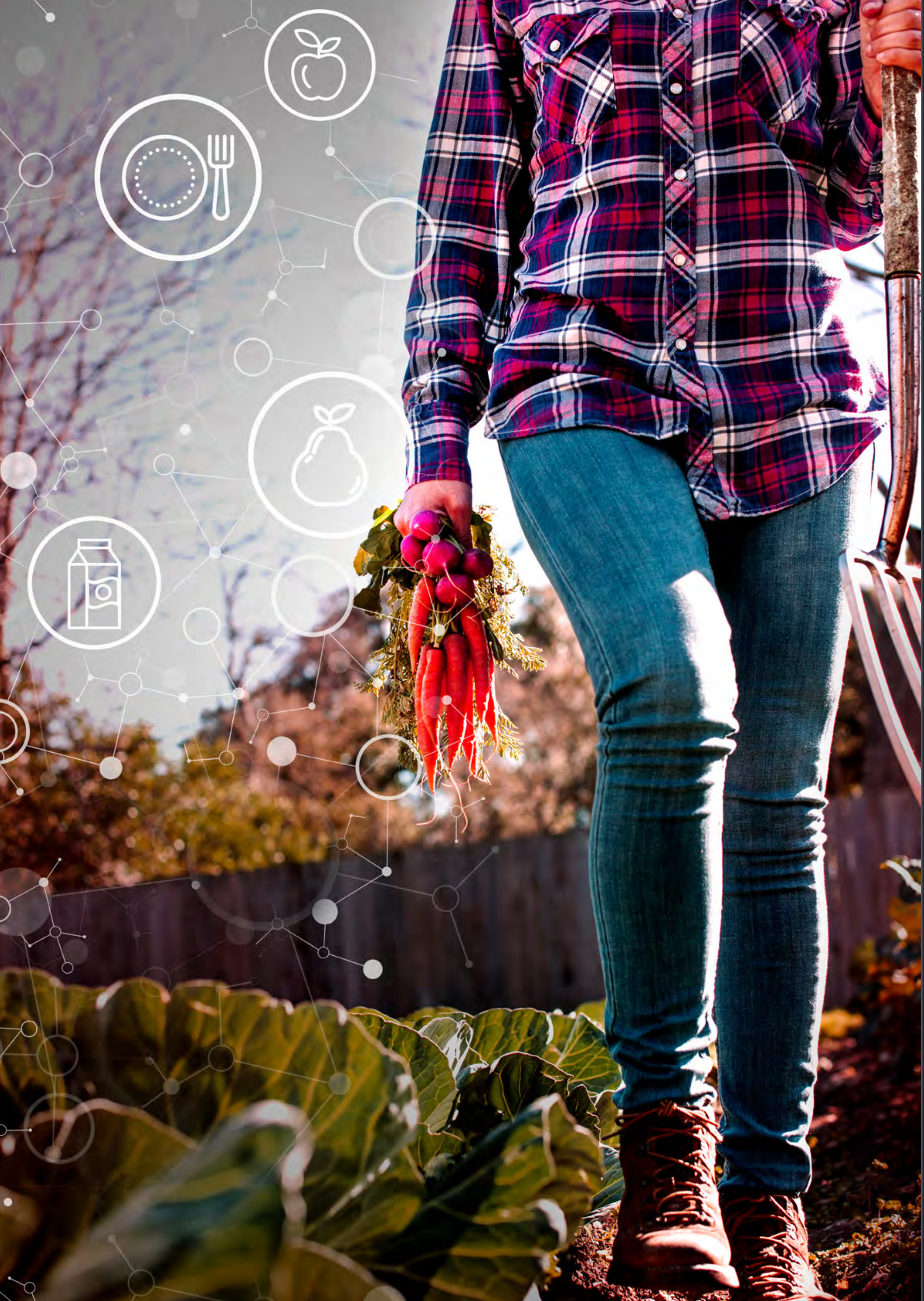
The Online Fresh Foods Opportunity in Asia Pacific

Delivering a fresh digital experience

Contents



The Online Fresh Foods Opportunity in Asia Pacific

Fresh food shopping and associated meal preparation is an important part of consumers' lives in APAC. These consumers are a sizeable opportunity for companies offering new ways to buy fresh. To date, concerns about freshness, quality and fulfillment dissuade most shoppers from considering online channels. However, new omnichannel propositions, seamlessly bridging the online and offline experience, can convince busy Asia Pacific shoppers to use digital solutions to shop for fresh food.

The potential size of the prize is large and new companies are already targeting the online opportunity.

Facts:

Consumers' spend a significant amount on fresh produce and meat. Nearly 50% of consumer expenditure on food, groceries and personal care is spent on fresh food

They are increasingly **embracing digital channels** for transactions, including shopping for non-fresh goods. For instance, **49 percent of shoppers** we surveyed are happy to buy dry goods both online and at a store

Online fresh buying is nascent, but our research shows this market has potential to grow in the near future. For instance: **23% of shoppers already buy fresh equally online and in-store**

However, at the moment, only 6% of shoppers primarily buy fresh food through online channels

The barrier? Currently, shoppers lack the right experience and ecosystem to buy fresh online – especially when it comes to trusted quality and convenient payment and delivery. **Nearly 50% of shoppers would be comfortable buying fresh online** if the retailer offers freshness and quality assurance

What do retailers need to do next?

- Create fresh foods ecosystem that seamlessly connects online and offline shopper transactions and interactions
- Determine a differentiated value proposition and tailor activities
- Deliver solutions to the increasingly busy APAC shopper, recognizing that food remains an important part of everyday life

Executive Summary

Fresh food: The online potential in APAC

APAC's market for fresh food is huge and growing—consumer expenditure is expected to grow from US$2tn today to US$2.6tn by 2019. Fresh food comprise a significant proportion of the consumer basket at nearly 50% of all consumer expenditure on food, groceries and personal care[1]. At the same time, while adoption of fresh food eCommerce is low, APAC's consumers are already embracing digital channels to carry out their day-to-day transactions.

88% of APAC shoppers are transacting online – e.g., paying bills, booking travel, and banking. Online shopping is increasingly popular as urbanization and women in workforce increase. Shoppers are busier, work longer hours and face increased traffic congestion. When they do decide to shop online, their enthusiasm for the experience grows; the average shopping basket expands by 66% between the first and third online order[2].

An important trend in APAC is that shoppers are increasingly gravitating to mobile. APAC's shoppers are therefore "multi-channel ready" in both developed and emerging markets. Among online shoppers, 98% of Shanghai's shoppers use a smartphone and 69% use tablets. Smartphone use outstrips PCs in Jakarta, Shanghai, Delhi, Wuhan and Bangkok.

Overall, APAC's online shoppers are overwhelmingly active online, with 99% regularly checking email, social media or stock prices, for example. Nearly nine out of ten respondents we surveyed (88%) carry out transactions online, such as banking, paying bills and booking travel.

When it comes to grocery shopping, behavior does vary by country. In major Chinese urban areas like Shanghai and Wuhan, the online grocery shopping ecosystem is better developed and nearly four out of ten shoppers already shop online. Other markets such as Manila and Jakarta are just beginning to see online grocery services entering the market, and are still hampered by relatively low penetration of internet access and credit cards; in addition, there is a strong cultural preference for using shopping time to bond with family.

When it comes fresh food, there is still a gap; only 6% of APAC shoppers buy exclusively online. Despite this, an appealing online fresh food offering is likely to find a receptive audience among APAC's busy and digitally savvy shoppers. That's especially true for the key demographic of more educated, affluent shoppers. But tapping this potential will mean addressing a number of key challenges.

The challenge: Bridging the gap between shopper expectations and current offerings

Shoppers already buying groceries both online and in-store draw a clear distinction between fresh and dry goods. While 49% are happy to buy dry goods both online and at a store, only 23% shop across channels for fresh food. Only 6% buy fresh food solely through online channels - and most of this occurs in select cities in China and India – where the digital shopping ecosystems are relatively developed. Across all markets, the primary challenges for many shoppers is freshness and quality. Over half the shoppers who shop for other goods online say that they simply don't trust that online shopping will deliver the freshness and quality they demand. The high frequency of fresh shopping occasions also discourages online orders; delivery is relatively inconvenient and charges add up.

What do shoppers say they want from online fresh? Almost half of shoppers would buy if they had a commitment from the retailer on the quality and freshness of products and a favorable fulfillment ecosystem. For example, shoppers might want visibility to the "backstage grocery picker" selecting the fresh food for delivery to the online shopper. This would help foster a sense of control and assurance in the shopper.

On the supply side, retailers do not have a concrete, near-term plan to extend and establish strong digital fresh capabilities. Retail sees investments in supply chain, fulfillment and a significant online store presence as expensive and unviable today. However they are making small strides and do recognize the importance of a comprehensive and consistent approach if online fresh proves to be a viable option.

Imperatives for success: Understanding shoppers and their needs

What do the shoppers really want from fresh buying? As we think through a solution to improve the current fresh buying experience, it is essential to not only understand the functional needs from an online fresh buying perspective, but also to delve into the underlying emotions and motivations of different types of fresh food shoppers. Retailers can use these motivations to develop new, differentiated offers, services and experiences that will resonate and appeal most strongly with consumers.

In our examination of APAC fresh food shoppers, we discovered four key attitudes:

1. "I provide food as an act of love":

The responsibility of taking care of the food and nutritional needs of immediate family or dependents is not seen as a chore. In fact, users derive joy, pride and value from providing healthy, nutritious food that loved ones enjoy eating.

2. "Shopping is a desired excursion":

Our research subjects said physical trips to their vendor were not simply tasks, but filled unexpected and important psychological and social needs.

3. "I know it better":

Shoppers often think that professional grocery pickers who select the food on their behalf are not qualified enough or mainly think about their own benefits, first.

4. "I want assurance and protection":

Shoppers need to trust that grocery retailers will not sell fake or poor-quality goods. In addition, shoppers are concerned about the provenance and traceability of their food.

The relative ranking of these parameters led to four illustrative shopper personas – archetypes with distinct needs and characteristics. Retailers looking to grow their online fresh food presence with new offerings will need to consider the distinctive needs and preferences of these shoppers as offerings evolve.

These shopper archetypes are:

- The Perfectionist
- The Influencer
- The Family-Centric User
- The Loving Supporter

The archetypes have distinct needs for fresh food shopping, leading to different ideal experiences for each. The Perfectionist might want the chance to feel special with privileged access. Influencers would prefer the opportunity to learn more about what they are buying, as well as the chance to share their views and knowledge with others. The Family-Centric User seeks advice on healthy choices and guarantees of the highest quality. The Loving Supporter wants ways to make sharing food with loved ones a special experience.

Rather than responding to these needs with a typical e-commerce site, grocery retailers need to think carefully about creating a service that bridges the digital and physical worlds.

The writing on the wall is that the shopping offering – online and offline – needs to evolve with shoppers to meet the changes in their lives, and should provide access to products, services and information that traditional fresh food vendors cannot provide.

Opportunities: How can companies win the digital shopper?

Meeting the needs of today's shopper means thinking beyond the boundaries of online or offline retail as both have distinctive advantages. The solution should therefore span both the digital and physical worlds, providing a service that changes as the user goes through life events, and gives the user access to products and services that typical fresh food vendors in Asia cannot provide. It would need a fair degree of standardization as food offerings in APAC typically require scale for sustainability; at the same time it would need to be flexible to meet the distinct needs of various shopper archetypes.

In a seamless shopping ecosystem the retailer will move away from only being involved in commerce and transactions; instead, they will need to create a long-lasting relationship with the shopper by becoming trusted advisors. Examples of services that move beyond transactions include: providing a platform to share fresh buying experience and 'feel special', providing meal recipe options and providing notifications to shopper when frequently purchased items are running low.

What are the keys to delivering this seamless shopping experience? Here are four imperatives to achieve seamless fresh buying - and therefore change the consumers' deep-rooted behaviors and perceptions.

1. Know the shopper, anywhere and everywhere

Be able to track buying patterns and life changes to intimately know their food and consumer products needs. Knowing the shopper at scale includes knowing that a shopper archetype e.g. Family-Centric Mom prefers to shop for fresh tomatoes an average of every three days.

It is also about knowing how much each shopper archetype is worth, understanding their minimum expectations and giving them avenues to connect with retail, to satisfy existing need gaps.

2. Build off existing trust and form a partnership

You've invested in the relationship; now use it to create a trusted online experience. It is important to build off existing trust to be a partner in caring for the consumer's family, every day. For instance, provide the Family Centric Mom who frequently shops for tomatoes the ability to track freshness. Trust is a key influencer for selling fresh food. Or, taking it one step further, use digital tools to suggest tomato based meal options.

Building off existing trust also includes establishing partnership and trust with key stakeholders An example would be to give our tomato shopper a platform to share her successful shopping experience – or a delightful meal she prepared using the tomatoes.

3. Optimize social

Give shoppers a place to learn, teach and share experiences, knowledge and insights. In the "old world", social interaction meant face-to-face contact; in the "new world", consumers build virtual social networks spanning multiple markets and touchpoints – with far greater reach.

An example would be digital tools that suggest and assist in selecting ingredients based on the family's nutritional needs.

4. Create a fully powered information superhighway

Provide access to timely information or, even better, anticipate information needs of shoppers and deliver shopping solutions to them before they even know they need it. Consumers are asking for information on nutrition, suggestions as to recipes, insights on the provenance of their food. Digital channels are superior conduits for all of this. E.g. Digital tools can help suggest and assist in selecting ingredients based on nutritional needs of family.

New digital tools play a key role, from online shopping lists that all family members can access and add to mobile apps that alert shoppers about offers on their favorite products. Digital can help shoppers feel part of a community that spans their online and in-store experiences.

The key decision for Retailers is to decide how they will participate in building a seamless shopping ecosystem (or even if they will) – and that decision will vary depending on their unique business environment.

Executing success: The capabilities companies need

So, what does a retailer need to do to deliver a successful seamless shopping experience? Executing a successful living service requires moving beyond a focus on transactions to shopper delight, integrating traditional back stage and front stage capabilities, and creating a flexible value chain that can support the seamless fresh experience.

Today, more than ever, consumer imperatives determine how retailers need to reframe their business model and operations. There are four key questions they need to answer:

1. How can we train talent that: (a) interacts with shoppers and can influence the brand image/ service recognition. (e.g., the delivery person) and, (b) works at the back end, while being both effective and efficient— (e.g., the in-store grocery picker)?

2. How can we orchestrate mobile and website capabilities, social media, and external web content to create and continually support the desired shopper experience? For example the mobile app should provide personalized promotions and act as a source of information

3. What analytics capabilities do we need to build across various touch points (e.g. consumer insights, supply chain analytics, marketing vs. revenue analytics, product assortment)? An example is capabilities that allow the website to recognize the shopper and provide access to special privileges based on shopping patterns

4. What supply chain capabilities do we need to build to guarantee freshness and quality, provide traceability to win the trust of the shopper? How can these be supported by chosen delivery models - click-and-collect and click and-deliver, as well as in-store? For example, not only should the delivery person deliver on time, but there should also be tracking mechanisms to guarantee the quality and integrity of fresh food, and processes/ systems to enable the customer to feel in control of delivery/ payment.

Indeed, there is some urgency in developing a seamless online and offline presence. Although it is still early days, traditional retailers might take inspiration from digital born startups that require no real estate or infrastructure and few hard assets. Some of these competitors are able to turn around an order in an hour and deliver it for free – in some cases by simply using the traditional store as a warehouse. New measurements and KPIs will be necessary in this hybrid physical/digital world.

Chapter 1:

The potential size of the prize: The online shopping opportunity for fresh foods

Discriminating buyers

The Asia Pacific region is a huge and growing market for fresh foods—shopper expenditure is expected to grow from US$2tn today to US$2.6tn by 2019. As a percent of overall expenditure, fresh foods constitute 50% of spending relating to food, groceries and personal care. In terms of volumes, consumers in Asia Pacific account for about three-fourths of global vegetable volumes[3] and about two-thirds of fruit volumes. Our research indicates that fresh food shopping, and associated meal preparation, are an important part of consumers' life in APAC.

Shoppers are already digital

According to a recent study 60% of APAC shoppers are willing to use digital retailing options and more than 50% are willing to buy groceries online[4]. For companies looking to increase their digital offerings, the size of the prize is large indeed.

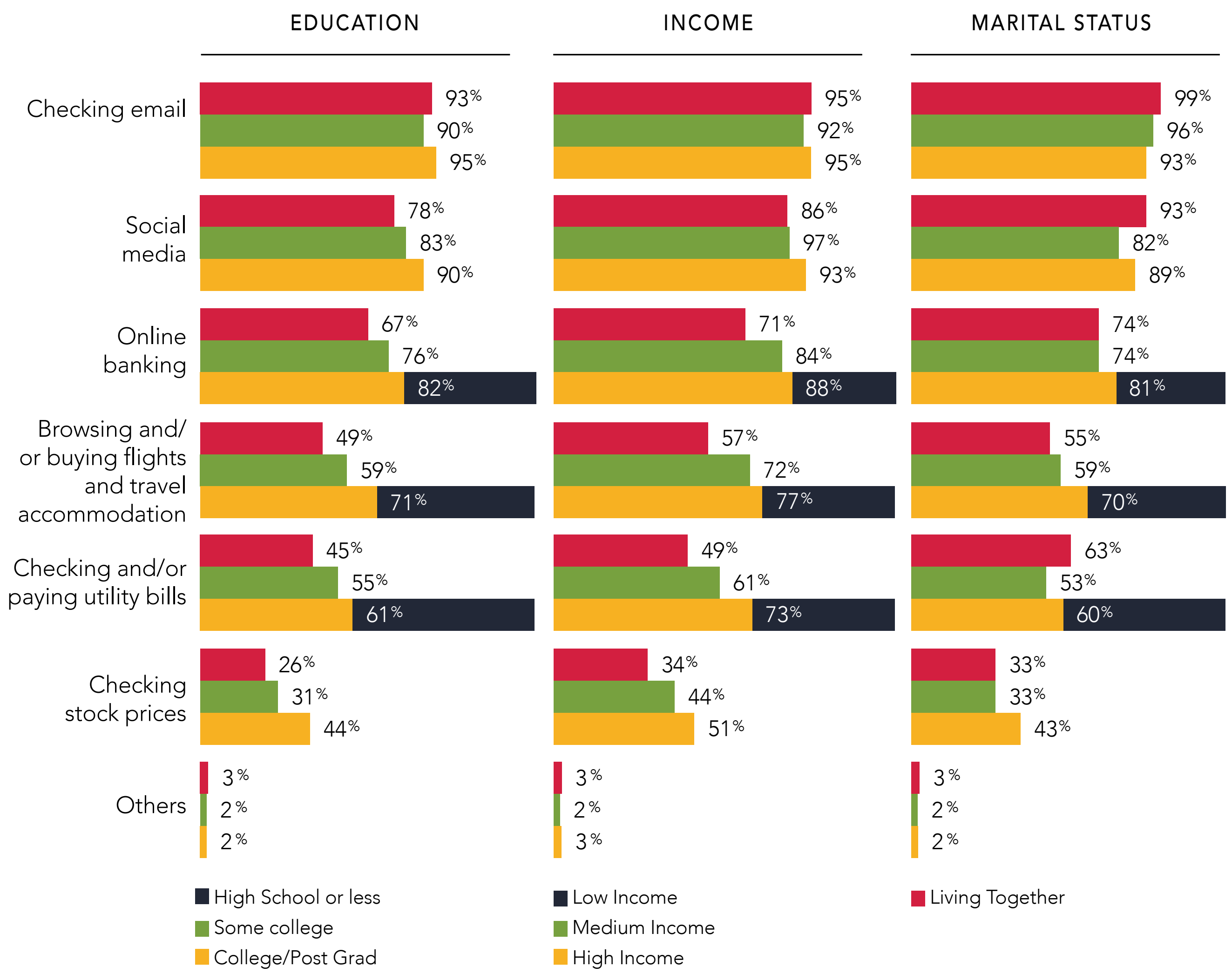
Why so popular? Experts point to two social developments: (1) increasing urbanization and (2) changing family structure, with a growing number of women entering the workforce. By 2018, more than half of Asia-Pacific's population is expected to live in urban areas[5]. Traffic congestion and long working hours have already grown and shoppers are now less willing to waste precious hours of the day fighting lines to fulfill their basic shopping needs. The time available for fresh shopping and meal preparation is further reduced as more and more women enter the workforce. In parts of Asia especially in East Asia and the Pacific, female labor force participation rate in 2014 was 53% - above the global average of nearly 50%[6].

Consumers are perceptive and discriminating. What thrives in this environment are concepts that reduce the time spent on shopping. As an example, let's look at CPG product sales from convenience stores. What we see is that the share of CPG sales from convenience stores - especially in key markets such as China, India, Indonesia[7] - is growing. In a recent survey, 63% of consumers in China stated they would shift >1/2 of their purchases to a retailer offering a subscription program, demonstrating demand for a program that would help them "get back" time during their day. The goal is no longer "mastery of household chores"; rather, consumers are willing to seek help from others - especially those they trust to provide "solutions" in their day-to-day lives. In this scheme of things, fresh food continues to occupy an important part of consumers' busy lives – any "solution" that makes fresh buying and associated meal preparation "easy" and reliable has great potential.

Do You Use Any Of Your Devices For The Following Things?

Higher income and more educated individuals are more likely to transact online

Figure 1



Source: CCRRCA - Fresh Food Digital Strategy Research

With digital technology providing this assistance, it is therefore no surprise that APAC houses a significant number of increasingly digital consumers. They are accustomed to and adept in the online world. Ninety-two percent of APAC shoppers we surveyed, for example, use PCs and laptops, and 90% use smart phones. Chinese shoppers, in particular, are not just digital, but omnichannel, with the highest device usage among both developed and emerging markets in APAC. Ninety-eight of shoppers in Shanghai use smart phones, and 69% use tablets (higher than the general APAC usage rate of 55%). This is a population that also disproportionately favors mobility. Smartphone usage outstrips (or at least equals) PCs in areas such as Jakarta, Shanghai, Wuhan, Delhi and Bangkok—frequently by a significant margin.

APAC consumers are not just online; they are transacting online. Ninety-nine percent of shoppers are regularly online, checking email, social media or financial information, and 88% are making transactions online such as banking, paying bills or booking travel.

Digital usage varies across the region, of course. In Shanghai and Wuhan, where the online ecosystem is better developed, 97% and 94%

of the population, respectively, are already engaging in online purchasing. In other markets, obstacles - frequently cultural - stand in the way of more immediate take-up. In Tokyo, for example, only 72% of shoppers engage in online purchasing, primarily because of the importance of freshness and quality—something which, for the moment, they see occurring only as a result of a physical shopping trip. In places like Manila, online grocery options are opening up, but barriers such as low internet and credit card penetration slow adoption of digital transactions.

Finally, the data shows that digitization varies by both income and education. As shown in the accompanying figure 1, highly educated and higher-income populations are more inclined to conduct online banking, pay utility bills or purchase flights and travel accommodations.

However, in a somewhat surprising twist, the research showed that age does not have a direct correlation with fresh food buying.

Taking advantage of the opportunity

Traditional Brick & Mortar retailers such as Future Group, Tesco and Charoen Pokphand are gradually expanding their online presence to seize the digital commerce opportunity.

This market is still in the early stages of evolution, but new online grocery players are aggressively targeting this opportunity. For example, Big Basket started operations in India in 2011, recognizing the lack of online competition in grocery retail. Targeting the busy, tech-savvy urban consumer that seeks value and convenience from the comfort of home, Big Basket sought to:

- Improve the range of products to attract more traffic to its site.
- Focus on demand-based optimal sourcing—including direct partnerships with producers/ manufacturers to control quality/ time to reach shoppers. For example, one-third of products are sourced directly from farmers.
- Invest in improving fulfillment. Due to the perishable nature of its products, it invested in cold storage at every stage in the value chain—procurement, processing and delivery.
- Improve last-mile delivery—the ability to deliver to the consumer on a shorter time frame after the time an order is placed. The consumer has the option to choose from four time slots. Each vehicle delivers up to nine orders in one slot
- Invest in technology—for example, to improve supply chain, distribution, consumer analytics, improve marketplace interface in line with consumer requirements.

Big Basket started making operating profits in Bangalore, its first city of operations, and is using what it learned there to scale up across the country. Thus far, it has expanded operations to cities such as Mumbai, Delhi and Hyderabad, with plans to expand to two or three additional cities each quarter.

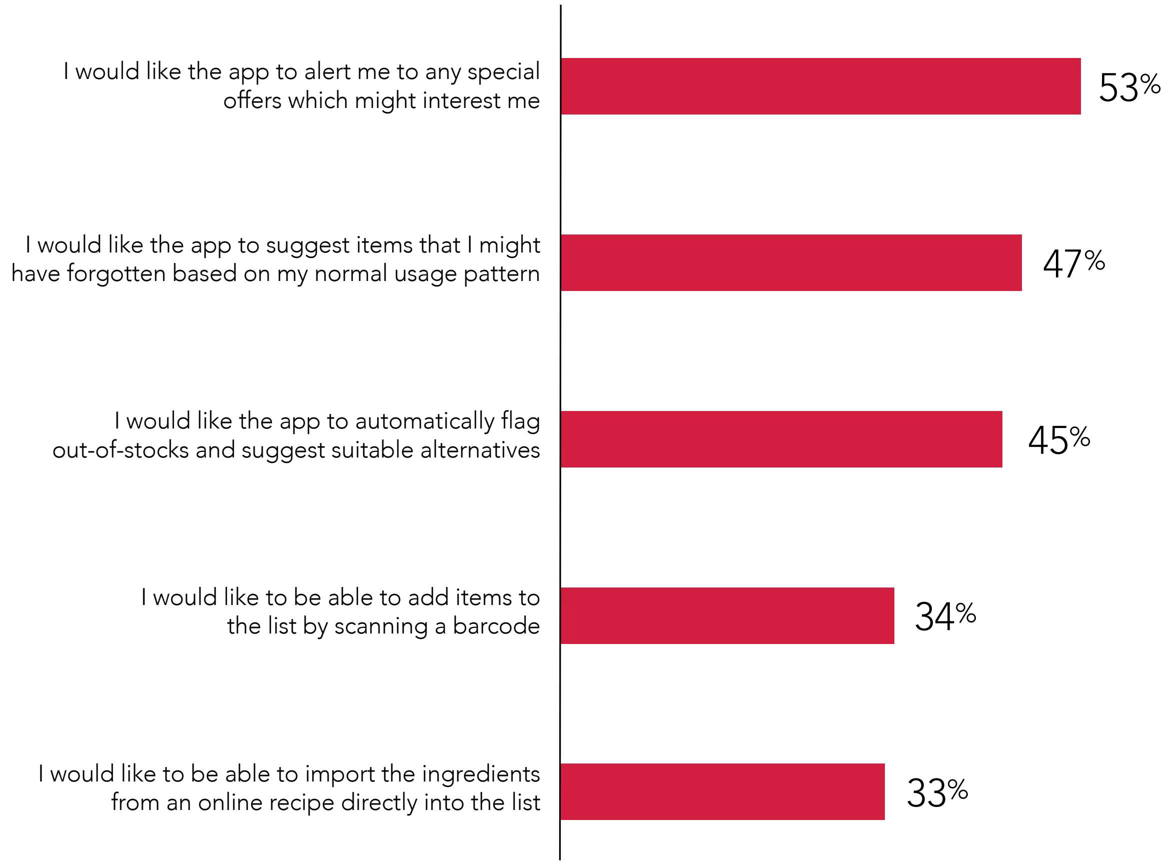
This rate of growth is enabled by venture funds and investors who are attracted to the disruptive potential of fresh food eCommerce[8].

Another example[9] is Amazon's KiranaNow, which has taken a different approach by leveraging existing *kirana* which are neighborhood mom & pop stores in India to provide instant and convenient access to consumers for groceries. Kirana remain a large and critical part of the Indian retail landscape. Thus, instead of relying on online-only, Amazon is working on developing a win-win relationship with the kirana stores as it aims to also empower them with modern tools and technology to better manage their operations.[10]

It is still very early to assess the long-term success of these various formats. However, these examples demonstrate that new, primarily digital competitors have, in some areas, a built-in competitive advantage over traditional retailers. The newer players are backed by investors that see big growth potential – and are willing to fund years of negative-margin growth. Because these companies lack the near-term profit imperative, they may be able to offer free delivery options or prices that physical retailers would find difficult to match. Even more insidiously, many of these digital companies are international or have global ambitions; retailers accustomed to a traditionally local market need to be watchful of cross-border, non-traditional competitors.

If you were to use a retailer's app to build a shopping list what functionality would you like to have? (Check all that apply)

Figure 2

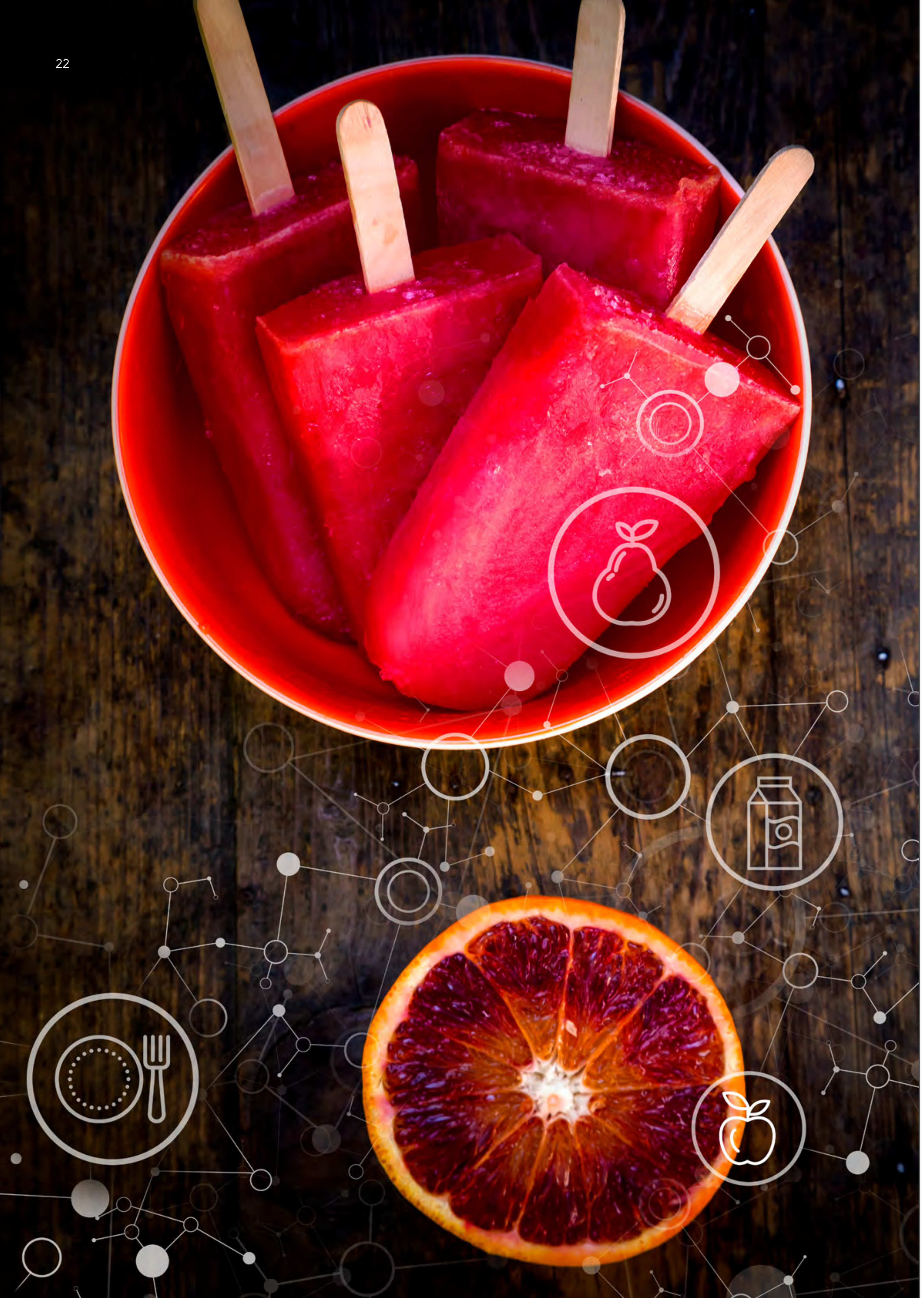


While food remains at the heart of Asian cuisine, the time to buy and prepare food has reduced - consumers are therefore seeking help with this everyday activity

Food is an important part of consumers' lives...

"I only have one life to live, and making sure I have good food and good things in my life is important to me."

... But in their busy lives they are seeking "automatic" solutions



Chapter 2:

The challenge: The gap between consumer demands and current offerings

Online grocery retailers seeking to expand their offerings into fresh food are hitting a wall: Although shoppers are increasingly digital, and they are willing to purchase dry goods online, they are reluctant to purchase fresh foods in this manner. (See figure 3.) Fully 70% of shoppers make fresh food purchases primarily at a physical store, while 23% use both channels. Only 6% purchase primarily through digital channels. Compare this to dry goods, where 9% purchase primarily through online channels, and almost half of shoppers use both online and offline channels.

How do you usually buy the following items?

Figure 3

	Primarily at a store	Primarily via smartphone	Primarily via tablet	Primarily via PC or laptop	Equally in-store and online methods	I do not purchase these items
FRESH	70%	2%	1%	3%	23%	0%
DRY	70%	2%	2%	5%	49%	0%
		Digital			Consumer Evolution to Omnichannel	

Base: All respondents(n=2899)
Source: CCRRCA - Fresh Food Digital Strategy Research

While they are reluctant to shop online for perishable products – but are interested in shelf-stable categories

Opportunity: There is increasing desire to shop online, especially for easy-to-store dry items. Also indicates potential gap - what consumers want from fresh online vs. what is currently available

Figure 4

FRESH FOOD	In-Store	Digital Channel
Vegetables	92%	3%
Fruit	89%	3%
Bakery	87%	5%
Meat (beef, poultry, pork, chicken)	87%	3%
Fish	86%	3%
Diary (e.g. milk, cheese, yogurt, etc.)	83%	6%
Ready to Eat products (Deli meat, salad, sandwiches)	83%	5%

DRY FOOD	In-Store	Digital Channel
Rice, noodles, potatoes, etc.	85%	5%
Beverages	75%	8%
Canned or bottled foods	69%	10%
Boxed foods (like dry cereal or pasta)	68%	12%
Healthcare (OTC drugs, plasters, braces, etc.)	68%	10%
Supermarket non-food items (paper goods, laundry items, etc.)	65%	13%
Personal care (soap, shampoo, toothpaste, cosmetics, etc.)	58%	14%
Baby food	40%	13%
Baby diapers	33%	19%

Base: All respondents(n=2899)
Source: CCRRCA - Fresh Food Digital Strategy Research

What's the sticking point?

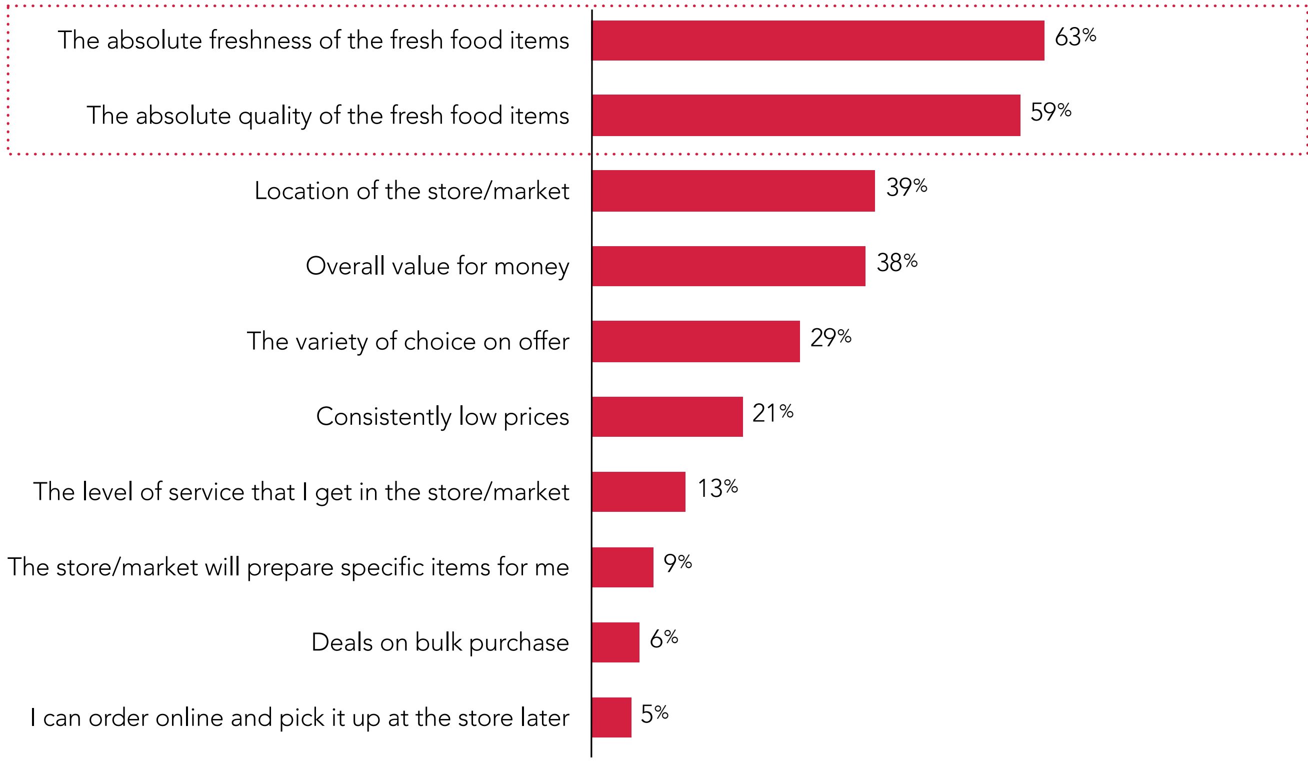
In part it is a matter of trust. Shoppers prefer to see, touch and smell their fresh food purchase to ensure the quality and freshness. We can see from the accompanying figure that this is less important in dry foods and non-foods items.

As the accompanying chart demonstrates (figure 5), 63% of shoppers consider the absolute freshness of food items in making a decision where to purchase, and an almost equal number (59%) consider the quality of the food. Even considerations such as value for money or consistently low prices take a back seat to considerations of freshness and quality.

Another research question reinforces this finding. Why do shoppers do so little spending on fresh food items online? As shown in Figure 6, shoppers are skeptical of freshness and quality through online shopping, and are uncomfortable with the idea of someone else picking fresh produce for them. Delivery waiting times also figure into the relatively negative perceptions of online buying for fresh food items.

Key Factors That Determine Where You Purchase Fresh Food Items? (Select Top Three)

Figure 5



Base: Respondents who purchase IN STORE(n=2899)
Source: CCRRCA - Fresh Food Digital Strategy Research

Overcoming this perception of online purchasing of fresh food items will require countering these preconceptions about freshness and quality while simultaneously offering additional value propositions—ease of purchase, avoidance of crowds and queues, etc.—that a supermarket, wet market or hypermarket experience cannot match.

Asked to name the top three things that would make shoppers feel more comfortable purchasing fresh food online, some interesting patterns emerged. 53% said that free delivery would be an important selling point; and 50% want the grocer to guarantee the absolute freshness and quality of the product. 45% of shoppers want the prices to be the same or cheaper than they are at the store and 43% want to be able to send products back if they are not fully satisfied.

Finally, delivery is also a stumbling block. Fresh food spoils faster and must be bought more frequently; the high frequency of fresh food shopping may discourage online orders, which will likely take longer to arrive vs. physically walking into the store to buy. Delivery is inconvenient for many people and as delivery charges add up, online purchasing may appear to be less of a value. (See figure 6.)

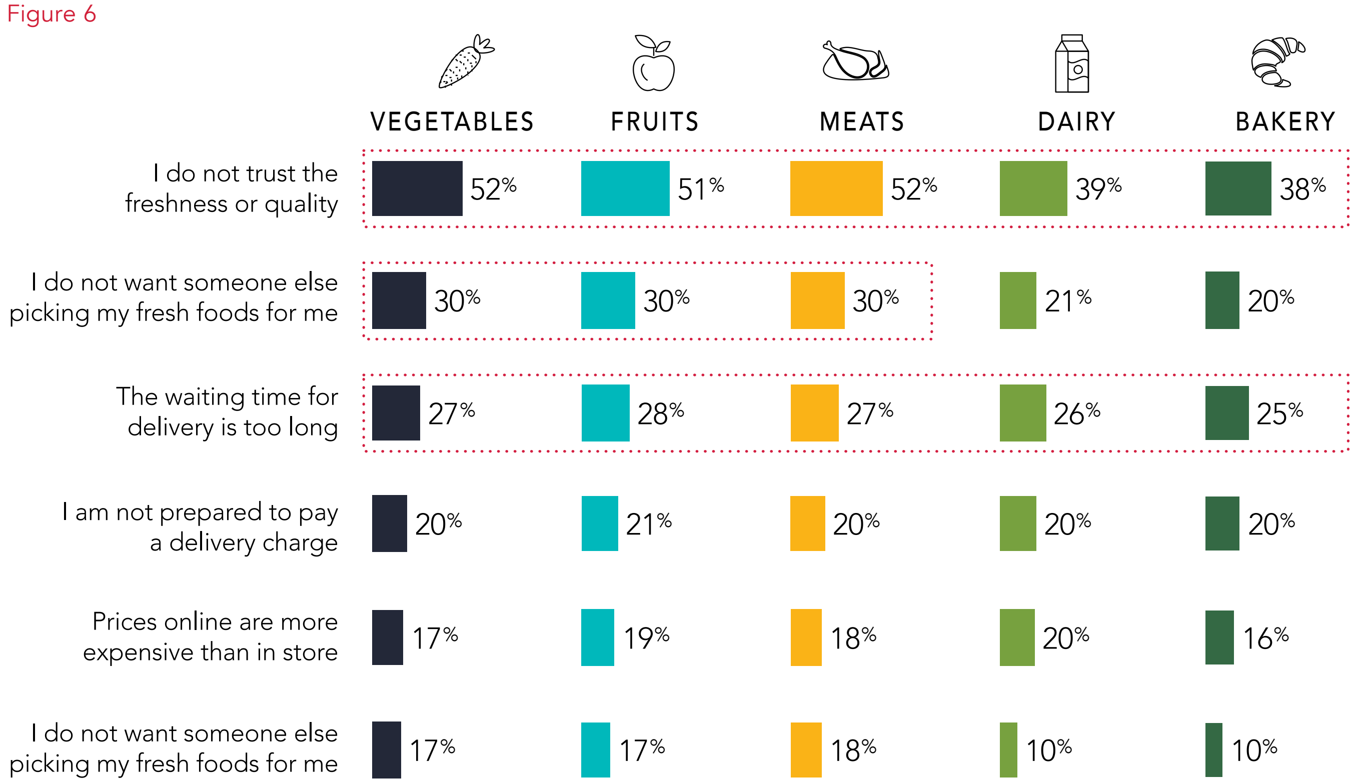
Geographic and demographic differences

Our research also uncovered some differences across countries in the APAC region when it comes to online shopping for fresh food. APAC is a relatively heterogeneous market, with shoppers having their own way of defining and approaching fresh food purchases. In Japan, for example, shoppers prefer home delivery and do not see any difference between in-store shopping and the "click–and-collect" model (i.e. ordering online and picking up at the store).

Earlier You Said You Primarily Buy Fresh Food In Store.

Please Indicate The Reasons Why You Do So Little Spending On These Fresh Food Items Online

Figure 6



Base: Respondents who purchase IN STORE - Base may vary depending on the item purchased by the Respondent

Chinese shoppers exhibit a high level of trust in imported products while Japanese shoppers are less inclined to trust the quality of imported products. Australia's population density is low, leading to longer delivery times and barriers to adoption. In general, web grocers have targeted densely populated cities in countries such as China, India, Singapore and Indonesia. Demographics also play a role – though not necessarily in the ways one might expect. Interestingly, different generation clusters exhibit similar channel preferences across categories – though for different reasons. Millennials are open to experimenting, are seeking convenience and also want to accomplish more with whatever time they have.

Baby Boomers, on the other hand, generally have more money to spend. These peculiar characteristics give marketers and retailers a unique opportunity to engage different generation clusters with targeted campaigns. For, example, Millennials would likely enjoy opportunities to generate and amplify the impact of word-of-mouth advocacy—often using social media platforms. Baby Boomers, on the other hand, pay attention to online shopping, advertising and customer service.

Married couples with good educational backgrounds and from higher income groups tend to have less time to go shopping at a physical store and may want to spend available time on recreational and entertainment activities. They are also in a better position to purchase high-end goods. With a favorable value proposition, this segment could be comfortable adopting online channels for fresh food purchases.

As we think through the solution, we need to keep in mind stated barriers to online fresh across different markets

Earlier you said you primarily buy fresh food in store. Please indicate the reasons why you do so little spending on these fresh food items online (select all that apply)

Figure 7

	Total	Tokyo	Singapore	Melbourne	Jakarta	Manila	Shanghai	Wuhan	Delhi	Bangkok
I do not trust the freshness or quality	51%	42%	53%	41%	58%	51%	51%	52%	53%	53%
I do not want someone else picking my fresh foods for me	30%	21%	33%	48%	21%	39%	22%	27%	25%	32%
The waiting time for delivery is too long	28%	21%	14%	13%	40%	27%	37%	45%	26%	31%
I am not prepared to pay a delivery charge	21%	11%	27%	**41%**	14%	15%	14%	20%	28%	18%
Prices online are more expensive than in store	19%	17%	21%	14%	18%	28%	9%	11%	31%	21%
There is no retailer that offers this fresh food item online	17%	1%	12%	5%	26%	**38%**	9%	8%	22%	21%
The range online is much smaller than in store	16%	6%	15%	12%	16%	23%	10%	9%	22%	26%
There is no one at home to receive the delivery	15%	**20%**	**22%**	17%	13%	13%	7%	8%	12%	**20%**
It is hard to get the right quantities	15%	14%	18%	13%	15%	19%	6%	7%	21%	16%
There is a lack of product information	13%	5%	12%	10%	**22%**	13%	6%	6%	**22%**	17%
I could not use my preferred payment options	8%	2%	4%	5%	9%	13%	4%	4%	12%	**16%**
It was too hard to use the website or app	7%	1%	6%	1%	13%	9%	3%	4%	9%	**15%**
The website did not accept coupons	6%	1%	6%	4%	8%	7%	6%	4%	8%	**13%**
There was no click and collect option	6%	1%	4%	4%	8%	8%	4%	6%	13%	9%
I do not have access to this technology so I can't buy online	5%	2%	4%	3%	7%	6%	5%	3%	7%	10%

On the supply side, there is limited capability today and no concrete plan in near future - thus, establishing a digital fresh supply chain remains challenging

Supply Chain Challenges

Figure 8

Standard items and those that can be purchased in bulk less frequently are often good candidates for online purchasing. Products with a steady consumption rate and long shelf life are also easily adapted to online shopping. Such items can also be good entry categories as retailers conduct pilots for an ongoing subscription model.

As we think through the solution for enhancing the fresh food buying experience, there are market specific differences in Asia that need to acknowledged. As shown in the figure above (figure 7) stated barriers to online fresh varies across markets. Take Melbourne, for example, where shoppers do not buy fresh online given that the additional delivery charge wipes out the potential value-add.

On the other hand, in cities such as Tokyo, Singapore and Bangkok they do not buy fresh online, as there is no one at home to receive delivery. In Jakarta shoppers felt there was lack of product information online and in Manila shoppers are not able to buy online as the shopping ecosystem for fresh appears to be less developed.

Additionally, the ways people shop differs by market, as do the meaning of fresh and quality.

In China, nearly 60% of respondents buy vegetables daily or several times a day vs. the APAC average of 35%. In Manila, nearly 54% of respondents said they buy bakery items daily or several times a day vs. the APAC average of 20%. Similarly in Delhi, nearly 80% of respondents mentioned that they buy dairy daily or several times a day vs. the APAC average of 19%. While supermarkets are the go-to store type generally across all of Asia Pacific, Tokyo and Melbourne shoppers represent the largest percentage of supermarket participation across categories.

Despite these differences, we also acknowledge there are striking commonalities across Asia Pacific. Urbanization is on the rise and the urban population in APAC will account for 50% of the global urban population by 2018. In addition to this, incomes are on the rise - by 2025, APAC will account for a significant 45% of the global GDP[11]. Consumers across the region are getting busier and therefore there is a universal demand for convenience. These new, busy consumers are getting digital and are increasingly getting comfortable transacting online.

At the same time, food remains an important part of the Asian cuisine.

Supply chain challenges

In addition to consumer reluctance to buy fresh online, companies face supply chain challenges. As shown in figure 8, there are significant gaps in company capabilities. One important issue is a kind of vicious cycle: Because online fresh sales, account for less than 10% of sales, even for the most successful retailers, companies are hesitant to make supply chain investments. This lack of investment, in turn, makes it impossible for retailers to be able to satisfy consumer needs and, thus, increase sales.

Specific supply chain challenges include:

- Supply chain capabilities are still store-based, and designed to cater to in-store shoppers; supply chain maturity and readiness to serve the different needs of digital fresh shoppers remains low.
- The last-mile cold chain is largely absent. Product deliveries are often made using non-chilled bags, and delivered on the back of motorbikes, subjecting the produce to spoilage and food safety concerns.

In general, although companies have a willingness to explore digital fresh sales today, they lack a concentrated effort and the necessary tools. While, most have a digital fresh point of view, they plan to implement their strategy only in a two- to five-year timeframe[12].

Chapter 3:

Imperatives for Success: Understanding Shoppers and Their Needs

Let us now understand this APAC consumer in detail - who they are, why they shop and how they buy.

Answering these questions requires a more in-depth and intimate look at typical shoppers of fresh food – across not only online and offline channels, but also their lifestyles.

All shoppers are created equal, but they do not all have the same needs and desires. To better understand these diverse Asia Pacific needs, we interviewed representative shoppers in New Delhi, Shanghai, Jakarta and Melbourne. Insights from these interviews can be used to develop new, differentiated offers, services and experiences that will resonate and appeal most strongly to these different shopper archetypes.

Motivations – Why do I shop for fresh food?

The motivations of these shoppers may surprise you. Here are four of them, based on our interviews:

"I provide food as an act of love":

- For many shoppers, the responsibility of taking care of the food and nutritional needs of family members or dependents is not seen as negative or laborious. In fact, people derive joy and value from the shopping experience. They have pride in providing healthy, nutritious food that loved ones enjoy eating. People use fresh food to communicate a message of love.

"Shopping is a desired excursion":

- Our research participants said that as seen today, physical trips to their grocer were not just tasks, but also filled important psychological and social needs such as:
  - Moments of self-reflection
  - Quality time
  - Community

"I know it better":

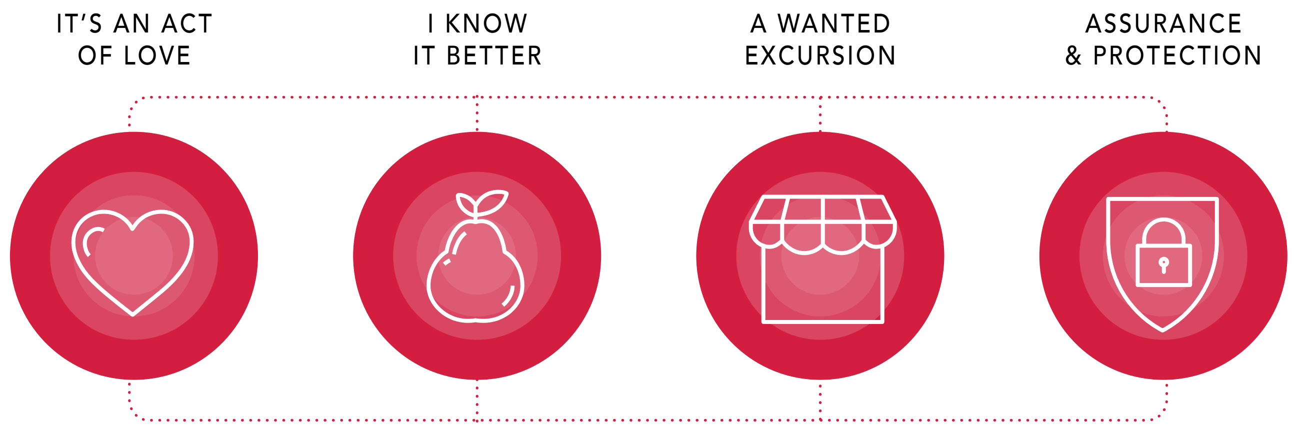
- Picking fresh food is often a personal matter requiring judgment and highly individual context. Users apply many different personal criteria that vary by the occasion, from quality judgments to what's needed for a particular recipe or meal. Our research highlighted that users sometimes lack the trust in those who pick the food on their behalf and feel the 'pickers' are not qualified enough or mainly prioritize the retailer's interests. Currently, shoppers like to be in control of fresh buying because they think 'I know what is best'

"I want assurance and protection":

- Fresh food in general is often brandless, which accentuates the importance of the grocer's brand. Grocery retailers are seen as the party whose duty it is to protect customers from poor quality goods.

Core user insights: fresh food shopping is:

Figure 9



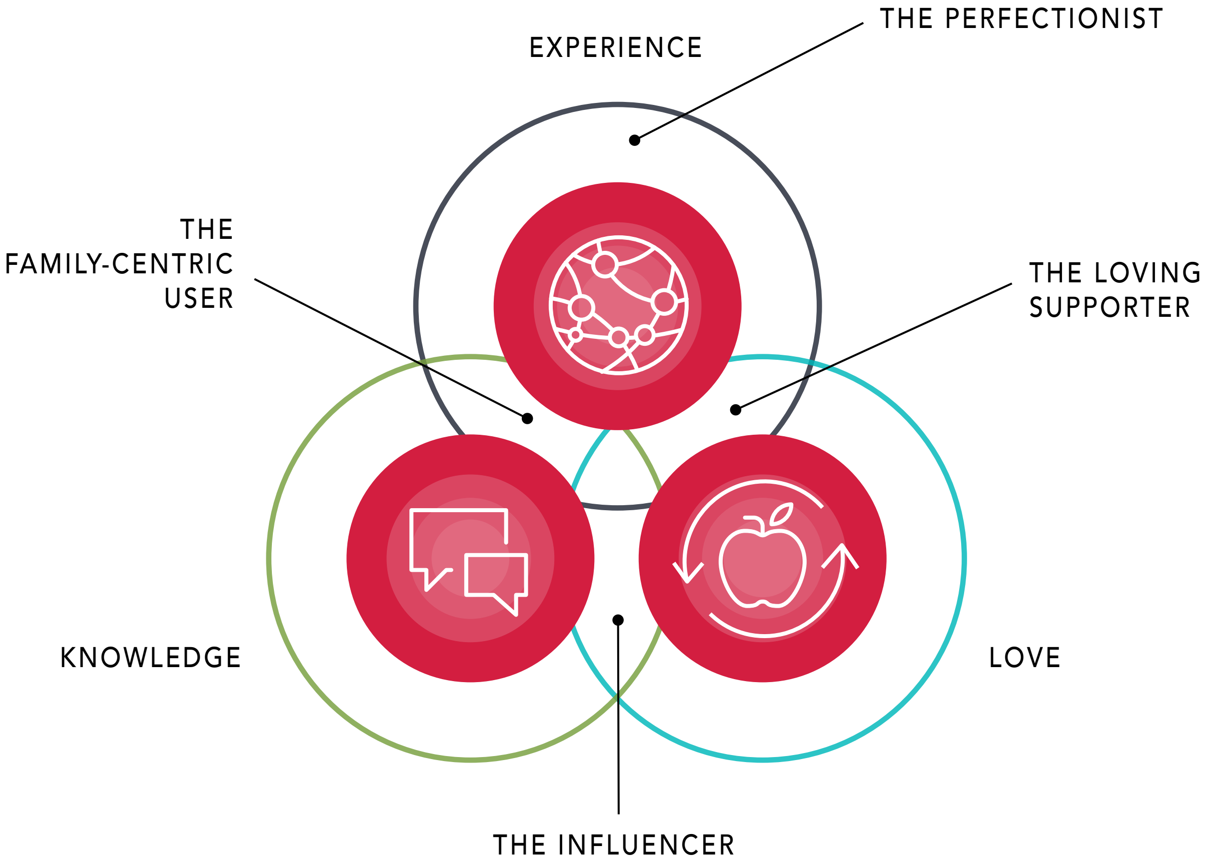
Different shopping personas

Through our research, we discovered four archetypes or personas of shoppers. Although these archetypes are not exhaustive, retailers looking to grow their online fresh food presence with new offerings will need to consider the distinctive needs and preferences of these shoppers as offerings evolve. These personas are: the Perfectionist; the Influencer; the Family-Centric User; and the Loving Supporter.

As shown in the accompanying figure, these personas can be identified across the spectrums of knowledge, experience and love (figure 10):

The opportunities

Figure 10



The Perfectionist:

These types of shoppers are often attracted by packaging and aesthetics. They may even brag about their latest purchases. If a brand attracts their attention, they often do not need to deeply investigate the quality because the brand itself connotes quality. Such shoppers may also rely on domestic helpers, a situation which also needs to be considered. While these helpers shop out of duty, they also like the shopping experience because it's a time of freedom.

How can grocers appeal to these kinds of shoppers? Perhaps by offering a platform that makes them feel special when it comes to customer service, or offering privileges during the whole customer journey: browsing, access to special products, and expedited checkout. This type of shopper holds some special power because they are more likely to share their experiences of feeling special and being offered personalized service.

The Influencer:

These shoppers make informed decisions and can inspire others to do the same. They are keen to spread the word about stores or products and can be an advocate for a brand if they believe in its values, influencing other potential customers who are looking to them for ideas. As one interviewee from Australia put it, "We don't only take into account the source of the food, but also if it's priced correctly. When too cheap it may mean that they don't pay the producer enough."

These shoppers need a service that is a source of information and knowledge. They see shopping as a learning journey, but also want to generate and share knowledge within a larger platform. They need a place where they can talk to people that are interested in their preferences and ideologies.

The Family-Centric User

This type of shopper represents a large proportion of the users we surveyed. They are extremely family-centric and want to ensure their families are eating quality food. Although this user's experience with digital solutions and e-commerce may be limited, they are open to trying things that are suggested to them, including new services from brands.

This user is loyal and dedicated, and want their loyalty recognized. Retailers need to reward such users with added services such as:

- Guidance on healthy living such as healthy alternatives for classic food recipes
- Guarantees of quality and integrity of fresh food
- The ability to remember their activity and offer follow-on services that make them feel valued
- Rewards for loyalty such as guaranteed stock, or notifications when frequently purchased items are running low.

The Loving Supporter

These users seek a service that helps them bond with their loved ones. They don't mind spending more time to find a fulfilling experience and good quality. Attainment of food must be part of an experience that helps them bond with their loved ones—a new exotic fruit they can enjoy with loved ones, or an experience that might also be shared with them.

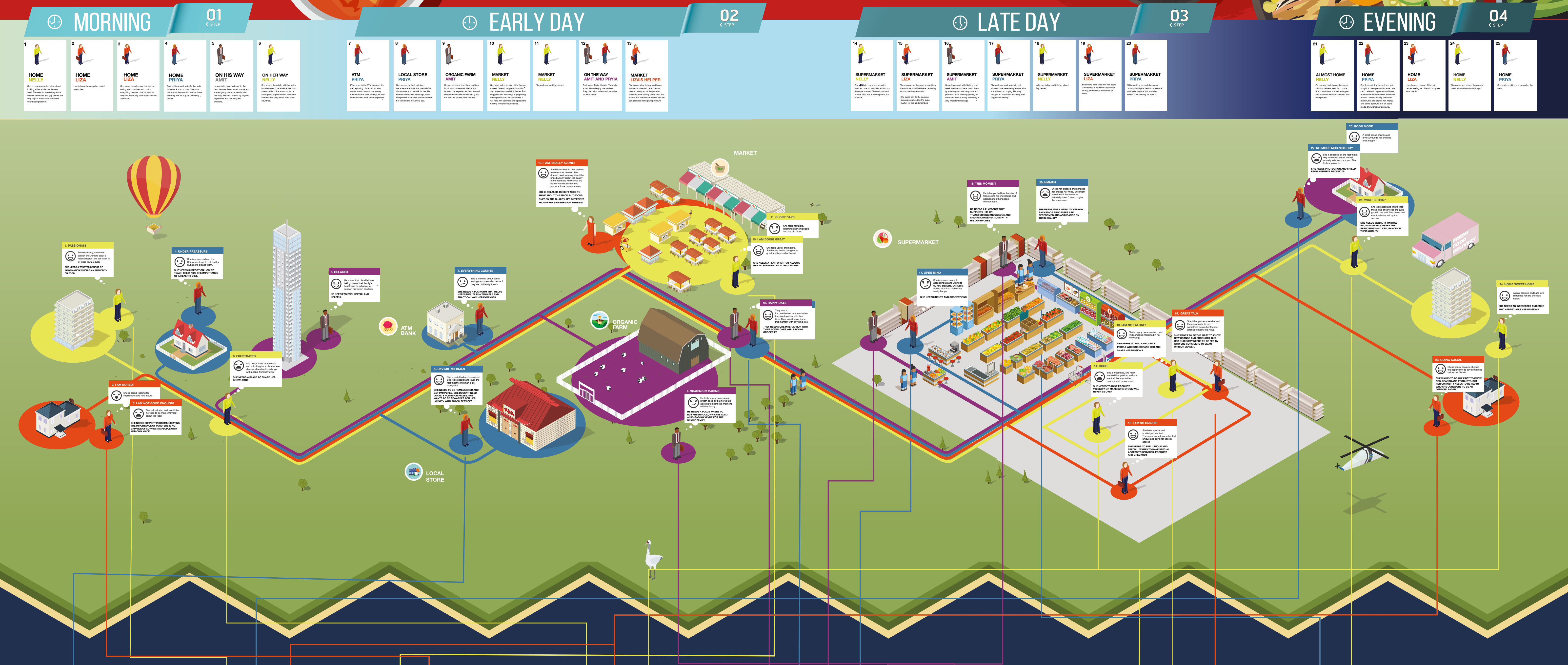
This role might also be filled by domestic help who have spent a great deal of time with the family and thus have become integrated into the ongoing life of the family.

In figure 11, we showcase an illustrative journey map of these shopper archetypes. It includes an illustration of their need states and gaps in their current path to purchase.

Figure 11

FRESH FOOD

DIGITAL SHOPPER JOURNEY MAP



OPPORTUNITIES FOR FRESH FOOD AND DIGITAL

HOW MIGHT WE SYSTEMATICALLY REWARD ATTITUDINAL LOYALTY (NOT POINTS DRIVEN) TO DRIVE CUSTOMER RESPECT AND LOYALTY?

HOW MIGHT A RETAILER LEVERAGE USERS' NATURAL TRUST TO BECOME A TRUSTED AUTHORITY FOR CONSUMERS TO LEARN ABOUT AND PROCURE FRESH FOOD?

HOW MIGHT WE ENCOURAGE AND REWARD THE SHARING OF KNOWLEDGE AND ETHICS BETWEEN PRODUCER AND CONSUMER, AND AMONG CONSUMERS THEMSELVES, THROUGH DIGITAL CHANNELS?

HOW MIGHT WE LEVERAGE THE COMMUNITY OF LIKE-MINDED DIGITAL SHOPPERS TO ENCOURAGE EACH OTHER IN FRESH FOOD PURCHASES?

HOW MIGHT WE HELP SHOPPERS BOND WITH THEIR LOVED ONES THROUGH ONLINE FRESH FOOD SHOPPING?

HOW MIGHT WE LEVERAGE DIGITAL TO BE A GATEWAY TO A MORE HOLISTIC FRESH FOOD RELATED EXPERIENCE FOR CUSTOMERS, BEYOND COMMERCE AND TRANSACTIONS?

HOW MIGHT FRESH FOOD SUITED TO CONSUMERS PREFERENCES, AND THE AVAILABILITY OF SUCH FOOD BE MADE TRANSPARENT TO CUSTOMERS AS THEY PLAN A TRIP TO A PHYSICAL STORE?

HOW MIGHT WE LEVERAGE DIGITAL TO ALLOW CUSTOMERS TO HAVE A SENSE OF CONTROL OF THE "BACKSTAGE" FRESH FOOD PROCESSING UPFRONT?

Customers who have proved their loyalty could receive stock availability notifications on frequently purchased items and have the option to reserve those products.

Digital communities that share knowledge, and inspire with photos, video and personal stories. Think Pinterest, Trip Advisor and Airbnb.

Create customer advocates, e.g. "Lie Busters" who listen to clients, and serves to provide 'stamps of approvals' to emphasise the supermarket's role as the shield against harmful products.

A service experience that links family and friends across all channels of the service.
Be the platform that facilitates learning moments with kids with interactive displays, or screens on shopping carts with "kid-mode" so they can participate in the shopping, as a way to gamify the experience, and create "edu-tainment".

Allow users to post recipes, advice and recommendations. Promote ratings and reviews to facilitate interaction between users, and reward active and highly rated users with badges and exposure.

Meet up groups: organised community activities to drive community and social groups

Push notifications when approaching a product frequently purchased by a friend/family member or based on previously pirchases patterns. If user picks the item, the system sends feedback to friend.

A seamless omnichannel experience and augmented reality that strengthens the experience between retailer and customer.

Transform conventional eCommerce shopping experiences, into journeys inspired by gamification, or content-driven experiences which use recipes and recommendations to drive the population of the shopping basket.

A living service that proactively suggests what to buy, based on her purchasing patterns (she will not be frustrated because the suggestion is also based on the stock availability).

Empower users to rate food pickers, and give them a choice of which picker will choose their food.

Customise the criteria for 'quality' based on customers purchasing patterns and indicated preferences.

Ethical Traceability platform to facilitate an apparent proximity between the urban and the rural. Allow users to support producers.

FOOD FOR THOUGHT

Chapter 4:

Opportunities: How Can Companies Win the Shopper through Seamless Shopping?

As we have seen, from one perspective, the typical consumer experience with regard to fresh food shopping is incongruous: (1) shoppers spend a great deal of money annually on fresh meat and produce; (2) shoppers are increasingly embracing digital channels for transactions, including shopping for non-fresh goods; but (3) digital is lagging in its ability to influence the fresh food shopping experience.

What explains this discrepancy?

To understand where current experience misses the mark, we understood that fresh food shopping to an APAC shopper is beyond a simple transaction – it is an act of love and a wanted excursion, where shoppers think they "know it better" – and expect retail to provide them the assurance of quality and freshness of fresh food (figure 11).

Another key part of the necessary response to this situation is that this is not an either/or proposition but rather a "both/and" proposition. Unlike other situations, the need here is not to move shoppers away from a physical experience to a digital one, but rather to combine digital and physical experiences in a seamless offering for shoppers.

Delivering a successful fresh food experience lies in moving from a focus on selling food to a focus on providing everyday solutions. This is especially true for the everyday occasions where fresh plays a critical role – for instance meal preparation or planning for the nutritional needs of the family.

Today's grocery retailers have the unique opportunity to capitalize on growing digital adoption and combine it with their existing physical infrastructure to provide a high-quality, personalized living service that seamlessly bridges the online and offline. Such a service could learn the details of a shopper's activities and needs—and even changes in life situations—tailoring advice, information and products to fit those changes. In a mass market environment, this may not mean one-to-one experiences across consumer touchpoints, but clusters of "informed" physical offerings, supplemented by a more high-touch approach on digital channels.

Our survey results decisively support that the time to capitalize on this opportunity is now. Our research indicates fresh food shoppers are willing to shop online if they are guaranteed freshness, easy returns and free delivery— with offers that would bridge the online and offline experiences. Asked to name the top things that would make them feel most comfortable purchasing fresh food online, shoppers indicated attributes that would provide a sense of mutual investment in the experience with the grocery retailer:

- 53% named free delivery
- 50% wanted the retailer to guarantee the freshness of the products.
- 50% wanted the grocer to offer an absolute guarantee of the quality of the products.
- 43% wanted to be able to check the items delivered and return them if not completely satisfied.
- 45% wanted prices that were the same or even cheaper than those found at the physical store.

Shoppers want and expect a fluid shopping interaction— to be able to link home, mobile and in-store shopping experiences. For example[13]:

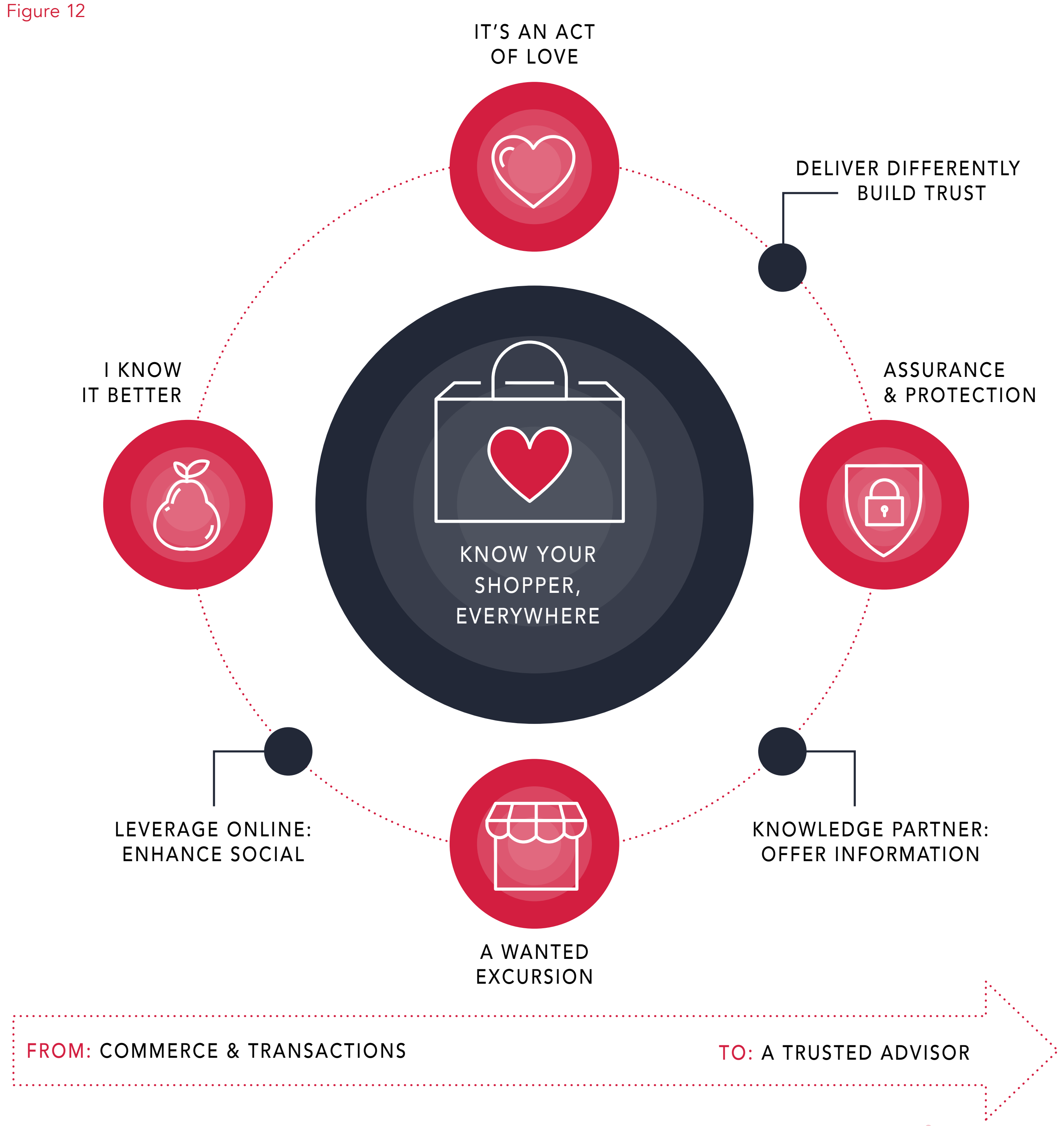
- 49% said that being able to check product availability prior to going to the store would most improve their experience – an 81% increase from last year's results.
- 47% want to receive digital real-time promotions.
- 37% want to be able to use shopping list/ item locators/ navigators to facilitate the ease of shopping.

Our research also indicated mobile to be a key component of the value proposition. Forty percent of users have used smartphones more frequently to find what they want. And 27% expect to purchase more using their phones in the future[14].

If Retailers decide to focus on digital, imperative is: Seamless Shopping - What does this mean?

Seamless shopping: remove barriers to seamless fresh food buying by changing perceptions and behaviors of consumers.

Figure 12



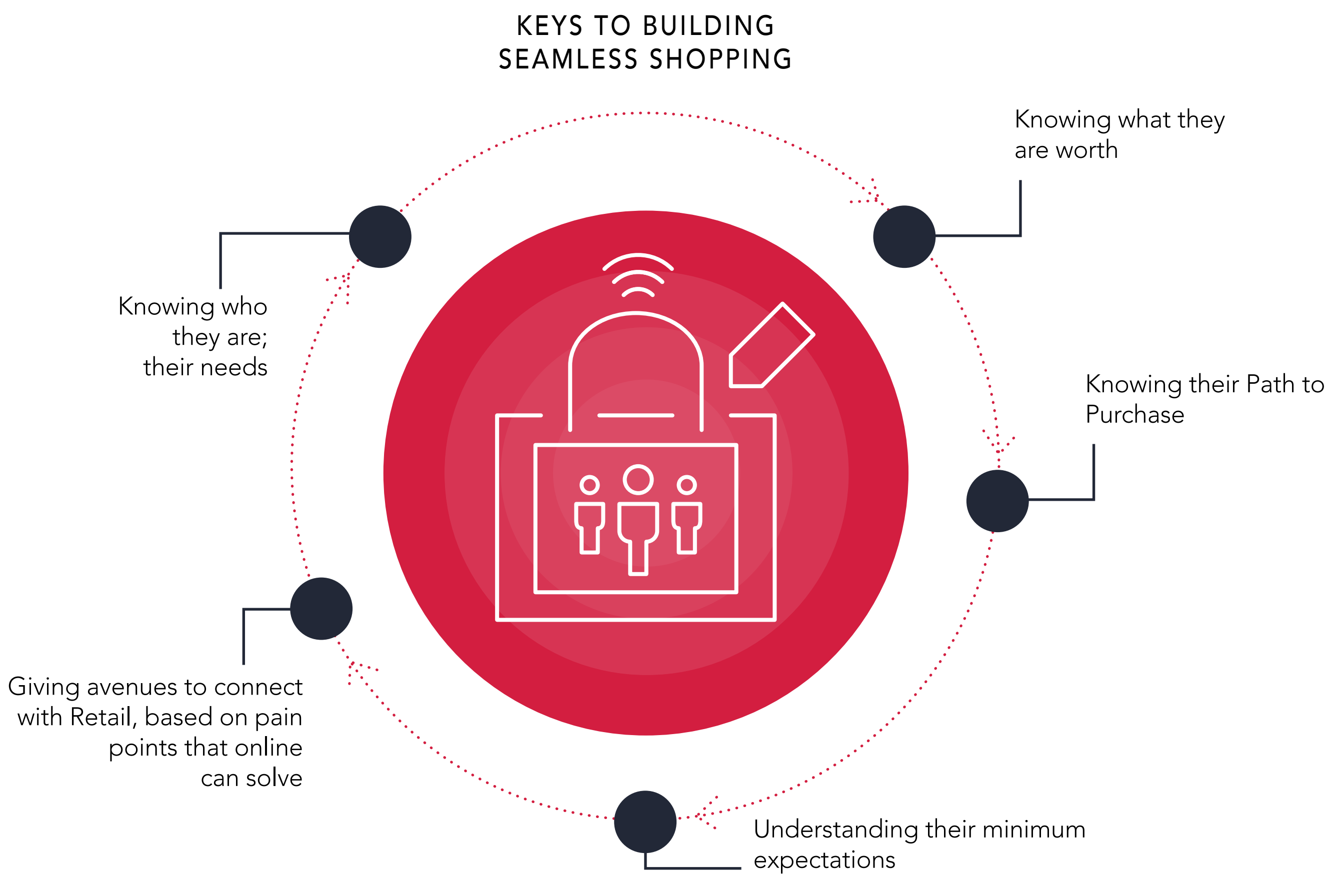
Seamless shopping: What does it mean?

Seamless shopping requires building an extended, digital ecosystem that wins shoppers' hearts and minds. Based on insights from our research, particularly the consumer journey map (figure 11), we believe eventually it will result in the retailer moving away from being a storefront that offers commerce and transactions, to becoming trusted advisors helping shoppers live their everyday lives. We have identified four imperatives for delivering on this seamless experience (see figure):

Know your Shopper, Everywhere

Single view of the Ecosystem

Figure 13



1. Know your shopper, anywhere and everywhere.

Understand your shopper's path to purchase and build a single view of their shopping ecosystem and define where you will win. This includes various phases (see figure 13). First, you need to understand the shopper and their needs at an intimate level - and, then, assessing the potential size for each of the relevant shopper archetypes. Next, you need to understand their path to purchase, and minimum expectations for a seamless fresh buying experience. The net result of this process is to help the retailer identify what shopper archetype(s) to target, how and when, through digital intervention

2. Build off existing loyalty to become a trusted advisor:

Although building trust can mean different things to the various shopper archetypes – it is a critical component for all the shoppers involved in buying of fresh. Our research found that shoppers already trust physical retail. Therefore physical retailers are at an advantage where they can build off this existing trust to create an ecosystem where they turn into trusted advisors.

Shoppers are looking for a digital fresh experience that goes beyond commerce and transaction, and grocery retailers can use digital technologies and capabilities to build trust by enhancing interactions with different stakeholders, that shoppers trust including:

- Friends and family
- Suppliers
- Other trusted influencers

A critical component of building trust is laying a solid foundation for supply chain and fulfillment. Speed and quality of delivery must match or exceed expectations as it governs fresh food shopping trips and digital can play a strong role here by building better supply chain visibility.

3. Leverage digital capabilities to enhance the social experience:

Our research highlighted that shoppers currently enjoy the social experience while buying fresh in-store. How can this be replicated or enhanced online? Digital engagement can be utilized to supplement face-to-face interaction at physical retail locations. Consider ways that digital can enable richer engagement and seamlessly bridge the online and offline worlds. Digital tools can be used for:

- Offering advice and recommendations
- Enabling the sharing of experiences from shopper to shopper
- Engaging as part of a community

4. Create a fully powered information path-to-purchase:

Retailers have the opportunity to use digital tools to surprise and delight shoppers by providing access to fresh buying and associated meal preparation, in ways shoppers had not imagined before. Retailers can use digital tools to provide access to timely information or, even better, anticipate information needs of shoppers and deliver it to them before they even know they need it. Particularly, retailers can leverage digital to: (a) provide information on traceability or provenance of products (b) provide visibility on in-stock or delivery progress (c) proactively deliver solutions based on shoppers' shopping patterns.

Providing visibility into the supply chain can go a long way in establishing trust and assuring shoppers about quality and freshness of fresh food. Retailers should not only consider the "traditional front end" activities i.e., product display, placement and in-store promotions, but also understand that typical "backstage" activities are actually front end in this new model. Some instances include (a) providing visibility to the source of raw materials (b) providing visibility into methods of transportation and storage to preserve freshness and (c) establishing mechanisms to ensure traceability and provenance of products

In the increasingly busy life of the APAC shopper, it is important to deliver solutions to fulfill this very critical component of their life, i.e., picking of fresh food and associated meal preparation. Retailers have the opportunity to optimize this through digital intervention. Some examples include (a) providing in-store visibility of products before the trip to store (b) offering menu options for meal preparation; proactively suggesting and helping order ingredients (c) developing shopping lists based on personal preferences or consumption pattern (d) providing nutritional data of products; or taking it one step further by providing ways to calculate nutritional needs of family and helping with associated fresh buying and meal preparation.

Every retailer faces a unique set of circumstances. These will vary based onstore location, geographic scope of operations, consumer segment and product assortment. Before building capabilities for a seamless ecosystem, retailers need to make an assessment of their positioning and decide whether this is even advisable. If it is, then they need to decide what parts of the value chain they will participate in (refer to figure 15).

Once this decision is made retailers need to communicate their sum of choices i.e. their positioning in this physical/digital world to their customers. This is a critical component to building a trusted brand.

Leverage Online: Enhance Social

What does it mean?

Figure 14

	Digital Channel	In-Store	Enhanced Experience via. Digital (Examples)
ADVICE/ RECOMMENDATIONS	✓ ✓	✓	Can we use digital to suggest recipes based on in-store shopping patters?
FACE-TO-FACE INTERACTION		✓ ✓	Can a digital smart assistant/ advisor enhance in-store interaction?
PART OF A COMMUNITY	✓	✓	Can we leverage digital to encourage and reward knowledge sharing between fresh food chain, shoppers and their communities?
SHARING YOUR EXPERIENCE	✓ ✓		Can we send notifications to shopper, based on experience, feedback from family/peers, or insight into frequently purchased products while approaching the aisle?

Before building capabilities for a seamless ecosystem, retailers need to make an assessment of their positioning

Based on this, decide what part of the value chain to participate in this seamless ecosystem?

Figure 15

KNOW THE SIZE OF THE OPPORTUNITY	KNOW YOUR SHOPPER	KNOW YOURSELF
Size the (a) the fresh food market potential and (b) the digital engagement and commerce opportunity	• Knowing what they are worth • Knowing who they are; their needs • Knowing their Path to Purchase • Giving avenues to connect with Retail basis pain points that online can solve • Understanding their minimum expectations	Know your strengths - determine the right way to enter the market; (a) through select products categories (b) strategic partnerships to bring in the expertise needed (digital marketing to logistics/ transportation) (c) building a seamless and robust end-to-end experience

Chapter 5:

Executing for Success: What Capabilities Do Retailers Need to Build a Seamless Shopping Ecosystem?

Delivering a seamless online/ offline experience can seem overwhelming. How can retailers best accomplish this? There are two sides to the equation. First, grocery retailers must build a strong foundation, redefining their operating model and value chain and further developing their supply chain and analytics capabilities. This foundation supports the creation of a "living service" for fresh foods, integrating different consumer touchpoints and moving beyond transactions to drive shopper delight.

How to execute?

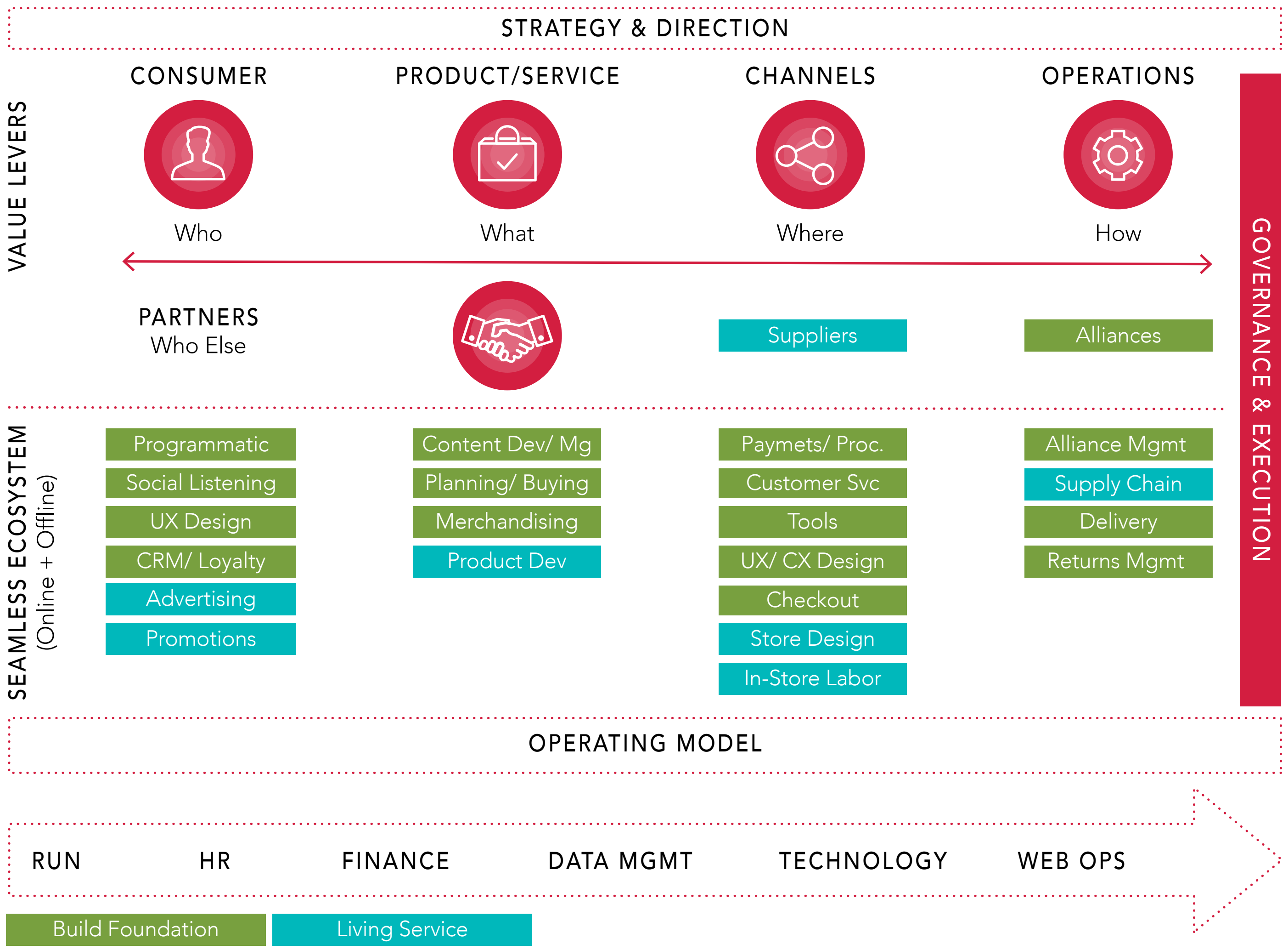
To optimize the shopping experience, retailers need to look at five key value levers (see figure 16):

1. The consumer/ shopper
2. The product or service
3. The channels being used to sell and buy
4. The operations behind the scene
5. The providers/stakeholders with whom they can potentially partner

For each value lever, orient to two questions: (1) How do we fix and establish a solid foundation (i.e., website, mobile channel, payments and delivery)? (2) How do we go beyond the basic foundation to create a living service for buying fresh—i.e., move beyond transactions and commerce to drive customer delight?

Figure 16

RETAIL VIEW:
Seamless Ecosystem



Let's look at each value lever in turn.

1. The Consumer

At the consumer level, fixing the foundation means focusing on the consumer experience - actions such as leveraging social media to improve engagement, and developing mobile apps to send alerts on special deals based on an intimate knowledge of the customer's buying patterns. Analytics capabilities must also be enhanced, enabling capabilities such as real-time social listening and continually updated shopper analytics.

Beyond those foundational basics, creating a living service might involve:

- Enhancing customer relationship management by leveraging digital, offering capabilities such as 24-7 service and instantaneous response
- Developing mobile shopping lists that family members can contribute to, and making loyalty programs and redemptions easier to use
- Providing tailored recipes, advice/ recommendations, and easier, flexible delivery schedule
- Coordinating website, social media, external web content, and in-store interactions to deliver the desired consumer experience
- Capitalizing on robust analytics to react nimbly to changing and anticipated customer preferences

These avenues showcase ways by which digital channels have the ability to influence branding.

2. The Product or Service

When it comes to delivering a product or service, fixing the foundation involves activities such as leveraging analytics to arrive at an ideal digital fresh product-service combination for each retailer. For instance, analytics has the potential to assess which categories of fresh have the demand to support scaling-up and selling online, as well as understanding the minimum consumer expectation around this.

A focus on the supply chain is also crucial, outlining and improving range and formulating online vs. offline offerings. Creating a living service requires a more intense focus on the customer experience:

- Leveraging digital to improve visibility to product instore before a shopping trip
- Proactively suggesting non-product content such as recipes
- Sending reminders on items based on past shopping patterns
- Creating advanced demand sensing capabilities to forecast shopping lists based on consumer profiles

3. Buying Channels

When it comes to the shopping and delivery channels themselves, fixing the foundation for most retailers means two things. First: a focus on the customer experience—designing an effective user interface as well as design of the overall omnichannel experience, based on deep consumer understanding. An example of omnichannel experience is building the capability to place an order online and locate a nearby store where the shopper can quickly examine if the quality/freshness meets the desired criteria and seamlessly checkout.

Second: leveraging the supply chain, partnering with other parties to deliver on the promises made, e.g., easy delivery

Creating a living service will require training talent in new ways—enhancing customer interactions to influence brands both online and offline. A more intense focus on supply chain will also be necessary to provide end-to-end visibility from order management to delivery. Finally, new and more innovative approaches to the customer experience will also be necessary—for example, testing new ways to sell online using advanced technologies such as gamification.

4. Operations

An operations model that supports a seamless shopping experience must be measured by metrics that go beyond "delivery". Grocery retailers have long excelled at getting fresh food to the customer in the store. Integrating the online and offline experience relies on much more – including integration with the consumer's day-to-day living.

This refreshed approach to operations starts with fixing some of the foundations shoppers have come to expect. For example:

- Enhancing the customer experience by developing a seamless payment interface with cash at the center
- Improving supply chain analytics and adopting a test-and-learn approach. E.g., Use analytics to assess supplier partners' consistency in delivering desired levels of quality/freshness. Assess the tools' ability to forecast supplier consistency "real-time" and be ready to make any modifications based on this "test-and-learn" approach
- "Preserving fresh" by positioning inventory close to the point of delivery
- Supporting easy return procedures
- Offering flexible delivery slots and rescheduling options
- Commanding operations from a centralized point, i.e., control tower that provides visibility of 'fresh' from procurement to final delivery
- Developing and training grocery pickers

These refreshed basics will lay the foundation for creating a living operations service that includes:

- Systems to provide quality/freshness certification
- Supply chain visibility to consumer
- Digital enhancements to improve traceability
- Redesigned integration of click and collect, click and deliver

5. Partners

Collaboration with partners is one of the most integral value levers for executing success. Fixing the foundation when it comes to third parties and partners includes partnering to build websites, apps and eCommerce presence, as well as creating and managing alliances for seamless payment. Partnerships can also be necessary in the areas of analytics, supply chain and fulfillment.

Retailers may not be able to build and execute on all fronts as not all of these will justify the return on investment; nor are all of these areas "core" to retail. As a result, partnerships and alliances will become critical in areas where it is cost-prohibitive or simply inefficient for retailers to develop these capabilities in-house - and where they need to ramp-up quickly, to meet the desired level of consumer expectations around some of the must haves, i.e., quality, freshness and delivery time.

As retailers think through their living service eCommerce capabilities for fresh food, an important question to answer is this: What is the incremental opportunity in creating a living service for digital fresh? Depending on the attractiveness of this opportunity, retailers can consider moving beyond those foundation offerings to create a living service. This involves leveraging digital to engage with the broader ecosystem, especially with the local communities, i.e., suppliers, farms and other components that form part of the fresh food value chain.

Delivering a Seamless Ecosystem

To deliver on this definition of a seamless experience, retailers must first establish what shopper journeys they will target. Next step is to re-imagine the components of the value chain (see figure below). Suppliers, for example, are no longer just the providers of raw materials or wholesale goods. They become a key component of shared responsibility for assuring the quality of food.

Delivering a Seamless Ecosystem, forming a partnership with customers

Figure 17

From	To
SUPPLIERS Source of raw materials	Key part of the entire supply chain, sharing responsibility and providing visibility for top quality, sustainable practices and nutrition
GROCERY PICKERS Fast, precise labor	Front-line marketing – concerned, trustworthy, highly-trained to pick the best
PAYMENT An additional, necessary, sometimes frustrating step	Flexible, trusted; multiple options for multiple needs
DELIVERY Inconvenient, pricey or unreliable; focus on efficiency	Your delivery person is a trusted partner, bringing you what you need and carrying feedback to the retailer; personal and in-person
CUSTOMER SERVICE Remote, automated service	Immediate, multiple touchpoints, super-charged with social tools

The value of grocery pickers in the store expands to more than just the speed and precision of their work. They become a key marketing channel on the front line, trusted to make sure consumers always get the best products. A delivery person becomes a trusted partner, bringing shoppers what they need and carrying feedback to the retailer.

A critical element to the execution of a seamless ecosystem is using the right tools at the right time and for the right purpose (see figure 17). To enhance the customer experience, social media becomes a platform for shoppers to share experiences, engage in the learning journey, and deliver feedback to their retail partners. Retailers invest in training talent to shift store labor from efficient executor to the shopper's partner in delivering nutritious food to loved ones. The retailer's website transforms from a static source of information to a customer experience portal, rewarding shoppers' loyalty, providing access to special privileges, and divulging an unprecedented level of transparency.

Deciding what components to participate in?

Should retailers participate in all components that we listed above and invest in building a seamless shopping experience?

The answer is: Not necessarily. We acknowledge that it is not easy to earn profitable returns by delivering small quantities of fresh on a frequent basis, especially given how the APAC shopper currently buys fresh food.

However, a retailer needs to decide which part(s) of the seamless shopping experience they will focus on (see figure 18). Some areas to consider are:

- Drive consumer engagement through social media tools and iBeacons
- Build own online shopping site or partner with existing retailers or market places
- Focus only on delivery/fulfillment, leveraging physical store assets – by partnering with existing eCommerce grocery retailers
- Disseminate information such as product availability at physical retail before shopping trips or provide back-end visibility
- Leverage online to generate insights on shopper behavior - and then build intuitive capabilities to predict their needs and proactively deliver shopper solutions
- Use digital tools to build loyalty

Some retailers may not find it feasible to build any component that involves digital shopping or integrating online vs. offline. For instance, Wegmans, a North America supermarket chain has decided not to participate at all in building an online ecosystem; instead, they are focusing on their differentiated products and in-store environment.

In this seamless ecosystem, it is critical for retailers to decide where they will play.

This is especially key as it is difficult to earn money delivering the small lots of fresh foods that are the norm for these high-frequency purchases.

Once the retailers decide where to participate in this physical/digital ecosystem, they need to clearly communicate their positioning to their customers. Eventually this will help them build a trusted brand for fresh food sold from their storefront.

Figure 18

OR DECIDE NOT TO PARTICIPATE AT ALL

e.g. Wegmans in North America

Conclusion

Online fresh food is a significant opportunity that retailers cannot ignore. The digital ecosystem in APAC is stronger than ever before and consumers are embracing a digital way of life. Some businesses have recognized the blurring line between the digital and physical worlds. Though it is still early days, investments in online grocery are on the rise and many new online grocery businesses are springing up and growing quickly across APAC. There is still a lot of ground to cover in providing shoppers what they truly want. In order to do so, retailers need to go beyond the regular transaction and commerce and focus on providing quality living service that seamlessly bridges the online and offline experiences.

Thus, the imperative is to focus on not just building a foundation for online shopping, but also partnering and interacting with the external ecosystem to deliver services for a seamless shopping experience. Immediate areas to address include supply chain, last mile delivery, talent and easy returns. In addition analytics is the key component to gather actionable insights can help in ensuring that the consumer always gets what s(he) wants. Overall retailers have the opportunity to harness the power of digital to make the life of the Asian consumer simpler, easier and personalized.

KEYS TO BUILD SUCCESSFUL SEAMLESS ECOSYSTEM:

Fix the foundation, e.g., Fulfillment

Move more and more back-end to front-end

1 Consumers spend a lot on fresh food – and although early, significant spend already transacting online

2 However, most consumers currently prefer to shop in physical stores for fresh food

3 We took a closer look at them to understand their needs – and where the current experience misses the mark

4 What is fresh food shopping?

- IT'S AN ACT OF LOVE
- I KNOW IT BETTER
- A WANTED EXCURSION
- ASSURANCE & PROTECTION

5 What is the expectation from the fresh food experience? There are gaps in current journey: i.e., Consumer personas and their journey

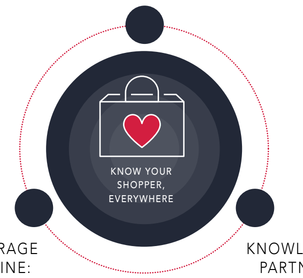
CONSUMERS VIEW

What do they want from Fresh?

6 Overall, digital has opportunity to enhance Fresh Food shopping i.e., moving from online and offline transactions to integrated meal solutions...through Seamless Shopping

i.e. Create a living service by going beyond a typical e-commerce site - provide a service that seamlessly bridges both online and offline. It will have a fair degree of standardization as food offerings in APAC typically need to achieve scale; at the same time will be flexible to meet distinct needs of shopper archetypes

7 What is Seamless Shopping?



FROM: COMMERCE & TRANSACTIONS → TO: A TRUSTED ADVISOR

8 Retailers need to make an assessment to decide how they will participate in building the seamless shopping ecosystem - or even if they will

KNOW THE SIZE OF THE OPPORTUNITY

Size the (a) the fresh food market potential and (b) the digital engagement and commerce opportunity

KNOW YOUR SHOPPER

- Knowing what they are worth
- Knowing who they are; their needs
- Knowing their Path to Purchase
- Giving avenues to connect with Retail basis pain points that online can solve
- Understanding their minimum expectations

KNOW YOURSELF

Know your strengths - determine the right way to enter the market; (a) through select products categories (b) strategic partnerships to bring in the expertise needed (digital marketing to logistics/ transportation) (c) building a seamless and robust end-to-end experience

RETAIL VIEW

What does it mean for (Seamless) Shopping?

9 If they wish to go ahead, it is imperative to utilize right tools to:
(a) Build a solid foundation
(b) Create a living service

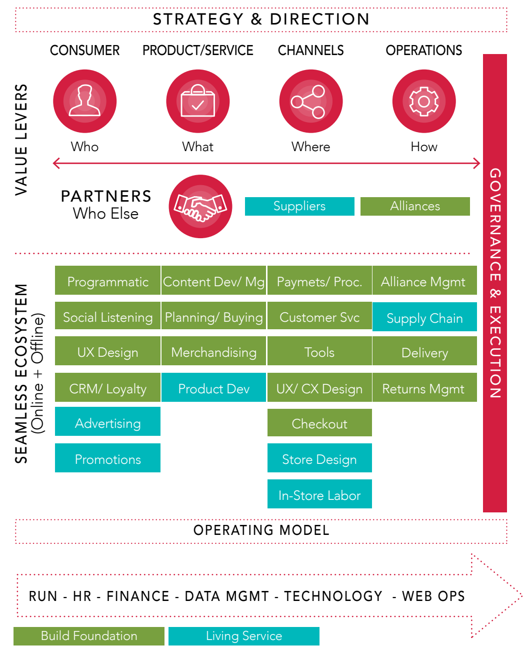
SEAMLESS SHOPPING:
What capabilities must a retailer enhance to enable a seamless shopping experience?

1. Fix the basics e.g. website, mobile app, payment, delivery etc
2. Create a living service for buying fresh; bring back stage to front stage, moving beyond transactions and commerce to driving consumer delight

BUILD A SEAMLESS ECOSYSTEM
Utilize the right tools (i.e. digital, physical store, people) for right purpose

10 How to build an integrated ecosystem? Through digital intervention in the following value levers that drive retail business

RETAIL VIEW:
Seamless Ecosystem



11 Finally, it is critical for each retailer to decide what areas of the seamless experience is critical to their business

- **BUILD LOYALTY THROUGH DIGITAL**
- **ONLINE SHOPPING FULL** Own platform or via partnerships with retail/market place
- **CONSUMER ENGAGEMENT** e.g. via social, mobile, beacons, etc.
- **PARTS OF ONLINE SHOPPING VALUE CHAIN** e.g. delivery/fulfillment
- **LEVERAGE ONLINE DATA FOR BETTER SHOPPER**
- **DISSEMINATE INFORMATION** e.g. product availability, back end visibility

OR DECIDE NOT TO PARTICIPATE AT ALL
e.g. Wegmans in North America

RETAIL VIEW

What capabilities does retail need to build seamless shopping?

Methodology

The key objective of the research was to understand how Asian grocery retailers can leverage digital to improve sales of fresh food.

Categories considered in fresh foods are fruits, vegetables, meat (beef, poultry and pork), fish, dairy (e.g. milk, cheese, yoghurt, etc.), ready to eat (deli meat, salad, sandwiches) and bakery.

The methodology included three key pieces of research:

1. Quantitative Primary Research: We conducted a quantitative shopper survey to understand typical shopping patterns, basic factors affecting purchase and online behavior regarding fresh food. The survey helped in outlining the key themes around fresh food that needed further investigation. We also focused on identifying the key profiles that can provide greater insights. 2899 respondents across 9 APAC cities participated in the survey.

2. Consumer Persona Development: We conducted qualitative user research to understand the shopper journeys and sample personas. This research investigated the relationship users have with fresh food in order to discover the drivers and values that influence their decisions. Based on these drivers, we uncovered a set of key personas and their journeys.

We used the key themes derived from the quantitative survey as a guide for the user research. The user research was conducted with 18 subjects across 4 countries (Australia, India, China and Indonesia).

3. Expert Interviews - Supply Chain Executives: Based on the output of the online survey and user research, we formulated hypotheses for the key supply chain capabilities that are crucial to meet shoppers' needs. We validated these hypotheses with expert opinions from retail supply chain leads. These revealed the supply chain implications for the retailers to embark on a digital journey. There were 6 discussions across APAC to understand the supply chain implications of going digital.

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14. Accenture Adaptive Retailing 2016. Results are from a global consumer set representing both developed and emerging markets

Coca-Cola Retailing Research Council, Asia Pacific

Since 1978 the members of the Coca-Cola Retailing Research Councils (CCRRC) have sought to serve their industry by identifying and studying topics that shape the future for grocery retailers in their respective markets. The success of each CCRRC comes from the vision and commitment of its diverse members, comprised of individuals from companies, large and small, who demonstrate leadership and vision while maintaining day-to-day responsibility for running their businesses.

THE 16 MEMBERS OF THE COCA-COLA RETAILING RESEARCH COUNCIL FOR ASIA PACIFIC DEDICATED THEIR TIME ON BEHALF OF ALL THE ACTORS IN A GROCERY INDUSTRY SPANNING 48 DIFFERENT COUNTRIES.

Name	Company	Location
Mark Batenic	IGA	China & Australia
Rakesh Biyani	Big Bazaar	India
Tanin Buranamanit	CP All	Thailand
Jasper Cheung	Amazon	Japan
Victor Chia	Dairy Farm	Singapore
Piper Chiu	Simple Mart	Taiwan
Philippe Giard	AS Watsons	Hong Kong
Cenk Gurol	Aeon Group	Japan
Meshvara Kanjaya	Ranch Market	Indonesia
Gerry Lee	NTUC Fairprice	Singapore
Peter Love	Metcash	Australia
Liu Junling	111.com	China
Hoa Nguyen	Saigon Co-op	Vietnam
Victor Paterno	7-11	Philippines
Hans Prawira	Alfamart	Indonesia
Paul Ritchie	Tesco	Malaysia

Asia Pacific Region

There are 4.4 billion people in the 48 countries of the Asia Pacific region. Whilst the population across the region is growing at a current average of 1% per annum, the population of eCommerce shoppers is estimated to be more than 800 million growing at an annual rate of around 10%.

Accenture

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