2017 FMI & GMA Supply Chain Benchmarking Survey

DRAFT

BCG
The Boston Consulting Group

FMI
FOOD MARKETING INSTITUTE

GMA
The Association of Food, Beverage and Consumer Products Companies
Your presenters

Elfrun von Koeller
Principal at The Boston Consulting Group

Michael Ryba
Director at The Boston Consulting Group
History: 20+ years of GMA supply chain benchmarking …

- Inaugural Supply Chain survey (1993)
- Supply chain survey (2005)
- Supply chain survey (2008)
- First GMA / BCG supply chain study (2010)
- 2015 reports

The Boston Consulting Group
...and for first time, the GMA benchmarking is combined with the FMI benchmarking

GMA Study

~70 SC executive interviewees

~35 survey participants

FMI Study

~20 SC executive interviewees

17 survey participants

[Logos of various companies]
What is this group feeling/experiencing ...
What type of organization do you represent?

- Grocery manufacturer: 67%
- Retailer: 6%
- Service provider (including logistics): 28%
- Distributor: 0%

Live audience polling result
What is your company's annual US revenue?

- **>$15B** 42%
- **$10–15B** 4% 
- **$5–10B** 21%
- **$1–5B** 4%
- **<$1B** 29%
How have your finished goods supply chain costs changed over the past two years?

- **Decreased significantly**: 0%
- **Decreased somewhat**: 4%
- **Stable**: 16%
- **Increased somewhat**: 48%
- **Increased significantly**: 32%

Retailers/suppliers: rate your own performance

The Boston Consulting Group
How have your finished goods supply chain costs changed over the past two years?

- Decreased significantly: 0%
- Decreased somewhat: 4%
- Stable: 16%
- Increased somewhat: 48%
- Increased significantly: 32%

Retailers/suppliers: rate your own performance

The Boston Consulting Group
## Top industry trends we are seeing

<table>
<thead>
<tr>
<th>Top manufacturer trends</th>
<th>Top retailer trends</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth</strong></td>
<td><strong>Focus on enabling profitable growth</strong></td>
</tr>
<tr>
<td>Growth driven by small format channels – leading to SC complexity</td>
<td></td>
</tr>
<tr>
<td><strong>Service</strong></td>
<td><strong>Stores with highest service levels also managing inventory well</strong></td>
</tr>
<tr>
<td>Service levels rebounded from 2014</td>
<td></td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td><strong>Highest costs in temp. controlled, especially frozen</strong></td>
</tr>
<tr>
<td>Rising costs in temperature controlled since 2014</td>
<td></td>
</tr>
<tr>
<td><strong>Priorities</strong></td>
<td><strong>Continued need to improve planning with CPGs</strong></td>
</tr>
<tr>
<td>Network redesign is priority for 80% of companies</td>
<td></td>
</tr>
</tbody>
</table>
What is your top supply chain priority right now?

- **Growth**: 0%
- **Logistics costs**: 100%
- **Forecasting/demand planning**: 100%
- **Customer service/OSA**: 100%
- **SC Complexity**: 100%
- **E-commerce**: 100%

Live audience polling result
Cost, growth and service / OSA the three biggest priorities across trade partners

### Top manufacturer priorities

<table>
<thead>
<tr>
<th>Priority</th>
<th>Interviewees who rated as top 3 concern (%)</th>
</tr>
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<tbody>
<tr>
<td>Logistics costs</td>
<td>47%</td>
</tr>
<tr>
<td>Customer service</td>
<td>47%</td>
</tr>
<tr>
<td>Capacity for growth</td>
<td>37%</td>
</tr>
</tbody>
</table>

### Top retailer priorities

<table>
<thead>
<tr>
<th>Priority</th>
<th>Interviewees who rated as top 3 concern (%)</th>
</tr>
</thead>
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<tr>
<td>Profitable growth</td>
<td>63%</td>
</tr>
<tr>
<td>Logistics costs</td>
<td>56%</td>
</tr>
<tr>
<td>On-shelf availability</td>
<td>38%</td>
</tr>
</tbody>
</table>

Manufacturers and retailers both starting to prioritize e-commerce


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Costs and growth significant issues for both manufacturers and retailers

Complex CPG market ...
- CPGs making aggressive moves in face of minimal volume growth
- Rise in alternative channels; e-commerce growth

...feeding into an equally complex retail market
- Grocers making aggressive investments to win price battles
- E-commerce growth and alternative methods of buying
- Shoppers demanding more, specialized products to meet their needs
- Increase in labor, benefits costs force retailers to find SC efficiencies elsewhere

Manufacturers and retailers also prioritizing e-commerce, but differ in their approaches

Manufacturers investing more time and effort into e-commerce...

Willing to experiment with different models...
- Valuing the longer term benefits and growth versus short term profitability

...this experimentation is enabled by their continued investment in capabilities ...
- E.g. Hiring E-commerce talent, new SKUs

...these superior capabilities enhance collaboration capacity with main players

...while retailers taking more of a wait and see approach

Retailers unsure of overall trajectory of e-commerce...
- E-commerce is here to stay, but skeptical of total growth

...leading to safe experimentation with minimally disruptive changes ...

...and a wait and see approach to understanding the future
- Avoiding quick but "permanent" decisions

Source: 2017 FMI Supply Chain Benchmark Survey, Expert interviews, BCG Analysis
Three distinct groups of companies in the way they are facing e-commerce SC challenges ... 

E-commerce penetration in company’s portfolio versus e-commerce supply chain capabilities

1. E-commerce skeptics
2. "Wait and see players"
3. E-commerce leaders

Low penetration

High penetration

Low capabilities
Relative e-commerce capabilities
High capabilities

- 14%
- 52%
- 34%

1. Calculated as weighted average of e-commerce penetration by product type and company’s product portfolio
2. Based on survey and interview responses on e-commerce capabilities

Source: IRI, Euromonitor, 2017 GMA Supply Chain Logistics Benchmarking Survey; BCG Analysis
Two key gaps set CPG e-commerce leaders apart

Percentage of companies implementing supply chain initiatives to address e-commerce challenges

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Leaders group</th>
<th>&quot;Wait and see&quot; group</th>
</tr>
</thead>
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<td>Redesigned metrics / core processes for e-comm.?</td>
<td>90%</td>
<td>13%</td>
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<td>Devoted FTEs to e-comm.</td>
<td>100%</td>
<td>25%</td>
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<td>Hired managers with e-comm. expertise?</td>
<td>70%</td>
<td>44%</td>
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<tr>
<td>Ability to track omnichannel online sales?</td>
<td>90%</td>
<td>56%</td>
</tr>
<tr>
<td>Customized SKUs for e-commerce?</td>
<td>80%</td>
<td>44%</td>
</tr>
<tr>
<td>Adjusted min. order/inventory requirements for e-tailers?</td>
<td>80%</td>
<td>50%</td>
</tr>
<tr>
<td>Preferred partner with Amazon?</td>
<td>70%</td>
<td>63%</td>
</tr>
<tr>
<td>Invested in warehousing robotics or predictive algorithms?</td>
<td>30%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Note: players in "e-commerce skeptics" group have not implement any initiatives or did not provide information given low e-commerce development.

Source: 2017 GMA Supply Chain Logistics Benchmarking Survey, BCG Analysis
Retailers are taking more of a "wait and see" approach to moving forward.

8 out of 17 (47%) offer e-commerce services …

... but still very few employees dedicated …

... and only 2 with separate e-comm SC

E-commerce still in early stages for food retailers

Source: 2017 FMI Supply Chain Logistics Benchmarking Survey
Retailers have less urgency to ramp up e-comm. capabilities due to lower growth outlook

Retailers relatively bearish about overall growth prospects... ...presenting lower outlook than industry experts for e-commerce

Retail participants expect growth of eCommerce to slow... and hint at possible lower penetration of e-commerce in grocery industry than expected (<5%)... ...but survey participants predominately regional retailers, which may not lead e-commerce growth

Source: 2017 FMI Supply Chain Benchmark Survey, Expert interviews, BCG Analysis

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E2E Supply Chain costs show higher logistics costs for manufacturers, mainly due to freight.

Cost / Case Breakdown

Total costs / case broken out by key logistics cost bucket

Median Cost/case

$1.56

$1.14

1. Cost / case for total logistics costs, inclusive of all temperature modes
2. Retailer logistics costs do not include in-store logistics costs due to lack of data from respondents

Source: 2017 FMI/GMA Supply Chain Logistics Benchmarking Survey
CPG costs and service levels have rebounded from 2014, but still below 2012

**Manufacturer logistics cost/case**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median logistics cost/case ($)</td>
<td>1.39</td>
<td>1.69</td>
<td>1.73</td>
</tr>
<tr>
<td>Refrigerated</td>
<td>1.84</td>
<td>1.76</td>
<td>1.84</td>
</tr>
<tr>
<td>Ambient</td>
<td>1.42</td>
<td>1.41</td>
<td>1.31</td>
</tr>
</tbody>
</table>

- Frozen: +3% (+0.05)
- Refrigerated: +4% (+0.08)
- Ambient: -7% (-0.10)

**Manufacturer service levels**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median (%)</td>
<td>98.3</td>
<td>97.2</td>
<td>98.2</td>
</tr>
<tr>
<td>Case fill rate</td>
<td>90.5</td>
<td>85.3</td>
<td>89.8</td>
</tr>
</tbody>
</table>

Source: 2017 FMI Supply Chain Logistics Benchmarking Survey
Retailers with significantly higher costs in temperature controlled

**Retailer logistics cost/case**

<table>
<thead>
<tr>
<th>Temperature</th>
<th>Cost per case ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frozen</td>
<td>1.45</td>
</tr>
<tr>
<td>Refrigerated</td>
<td>1.12</td>
</tr>
<tr>
<td>Ambient</td>
<td>0.87</td>
</tr>
</tbody>
</table>

**Retailer customer service levels**

<table>
<thead>
<tr>
<th>Service Level</th>
<th>Median (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor On-time deliveries</td>
<td>90.0</td>
</tr>
<tr>
<td>Store Order Fill Rate</td>
<td>96.0</td>
</tr>
<tr>
<td>OSA</td>
<td>96.0</td>
</tr>
</tbody>
</table>

1. % of cases, to original order  2. % of deliveries to original order date
Note: Includes data for all participants in each edition. Total is an average across all temperature mode inputs.
Source: 2013, 2015, and 2017 GMA Supply Chain Logistics Benchmarking Survey; 2017 FMI Supply Chain Benchmarking Survey
Deep dive: CPG and retailers measured the same service rate for on-time delivery

Opportunity to improve collaboration to improve on time service

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Manufacturers and retailers both miss target service levels

<table>
<thead>
<tr>
<th>Manufacturer target versus actual</th>
<th>Retailer target versus actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Case Fill Rate</strong></td>
<td><strong>On time deliveries to stores</strong></td>
</tr>
<tr>
<td>Participants (%)</td>
<td><strong>Order fill rate</strong></td>
</tr>
<tr>
<td>100%</td>
<td><strong>Most common delivery frequency</strong></td>
</tr>
<tr>
<td>96%</td>
<td>92%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>OT RAD</strong></td>
<td><strong>Better than target</strong></td>
</tr>
<tr>
<td>Participants (%)</td>
<td></td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>76%</td>
<td>71%</td>
</tr>
<tr>
<td>25%</td>
<td>47%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>OT SAT</strong></td>
<td><strong>Same as target</strong></td>
</tr>
<tr>
<td>Participants (%)</td>
<td></td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>54%</td>
<td>7%</td>
</tr>
<tr>
<td>25%</td>
<td>7%</td>
</tr>
<tr>
<td>0%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: 2017 FMI Supply Chain Logistics Benchmarking Survey
Why is your company missing targets?

- **Forecasting**: 26%
- **Driver shortage**: 22%
- **Targets too high**: 17%
- **Capacity constraints**: 17%
- **Lead times**: 13%
- **Other**: 4%
Manufacturers holding slightly more inventory than retailers

Total Inventory Breakdown

Inventory breakdown by stage in the supply chain

1. Days inventory inclusive of all temperature modes
2. Median days inventory by location for retailers includes median of retailers that responded by each temperature mode

Source: 2017 FMI / GMA Supply Chain Logistics Benchmarking Survey
Looking forward, supply chains are at point of continued experimentation in face of unknowns

- Drive for efficiency
- Data availability
- Desire for collaboration
- E-commerce uncertainty
- Talent availability

Supply chain executives must create a 3-year roadmap to aggressively tackle top priorities

A. Given complex set of demands, narrow down to 2-3 priorities to address
   • Taking advantage of the current favorable environment …
   • … but having in mind likely challenges down the road

B. Identify key initiatives to tackle current gaps at three levels:
   • Performance table stakes
   • End-to-end integration
   • Forward looking innovation

C. Put in place a 3 year plan to implement each initiative
   • Involving all relevant parties in the organization

Source: 2017 GMA Supply Chain Logistics Benchmarking Interviews, Expert interviews, BCG Analysis
Does your company do long-term strategic planning for the supply chain organization?

- Yes: 91%
- No: 9%
Unused slides
CPG Deep dive: CPG Freight costs improved overall, but worse in temperature controlled

**Freight cost/case**

YoY evolution among repeat benchmarking participants

- **Temperature Controlled**
  - 2014 vs. 2012: 60%
  - 2016 vs. 2014: 40%

- **Ambient**
  - 2014 vs. 2012: 78%
  - 2016 vs. 2014: 82%

**Note:** includes '12 – ‘14 evolution for 3 time participants only. 1. Total freight costs includes replenishment and customer freight, including fuel costs. 2. Temperature controlled counts both Frozen and Refrigerated data points. 3. Assumes fuel cost = 20% of freight, 13% of total based on average from 2015 GMA Supply Chain Logistics Benchmarking survey.

Source: 2013, 2015, and 2017 GMA Supply Chain Logistics Benchmarking Survey
Investment depends on online penetration of the category

E-commerce penetration in company's portfolio vs. e-commerce supply chain capabilities

Portfolio Penetration (%)\(^1\)

High Penetration

Low Penetration

Unprepared vs. peers (19%)

Players at high risk of losing market share in growing e-commerce market

In-line with peers (47%)

In-line with peers (47%)

Extra prepared vs. peers (34%)

1. Calculated as weighted average of e-commerce penetration by product type and company's product portfolio 2. Based on survey and interview responses on e-commerce capabilities

Source: IRI, Euromonitor, 2017 GMA Supply Chain Logistics Benchmarking Survey; BCG Analysis
US grocery e-commerce market valued at ~$20B, although penetration is still low

US e-commerce grocery market valued at ~$20B and set for high growth ...

US grocery sales¹ ($B)

<table>
<thead>
<tr>
<th>Year</th>
<th>Online</th>
<th>Offline</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>20</td>
<td>50</td>
<td>5%</td>
</tr>
<tr>
<td>2020</td>
<td>75</td>
<td>102</td>
<td>~54%</td>
</tr>
</tbody>
</table>

Contribution to Growth²

2015 online grocery penetration³ (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>8%</td>
</tr>
<tr>
<td>South Korea</td>
<td>6%</td>
</tr>
<tr>
<td>France</td>
<td>6%</td>
</tr>
<tr>
<td>USA</td>
<td>2%</td>
</tr>
<tr>
<td>China</td>
<td>1%</td>
</tr>
<tr>
<td>Germany</td>
<td>1%</td>
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</table>

¹ Includes Food & Beverage and Health & Beauty ² Total retail market growth projected at 2.8% CAGR ³ Online grocery penetration is calculated as e-commerce grocery/total grocery. Online grocery includes food and non-alcoholic beverage sales, including canned goods, produce, etc. Does not include restaurant sales.

Source: Forrester, Euromonitor, IRI, Mintel, BCG Analysis
How would you classify your organization's approach to e-commerce?

Live audience polling result

- **Wait & See**: 40%
- **Leader**: 33%
- **Skeptic**: 27%
Leaders in CPG are more experimental, developing capabilities and building credibility

Willing to experiment with different models …

- Valuing the longer term benefits and growth versus short term lower profitability
- Staying flexible and nimble to adapt quickly

… this experimentation is enabled by their continued investment in capabilities …

- Hiring E-commerce talent, customizing SKUs, adjusting minimum order/inventory sizes, etc.

… these superior capabilities enhance their collaboration capacity with main players

- Closely collaborating with their traditional B&M partners and becoming preferred suppliers to major e-commerce pure players

Note: The methodology used to evaluate a company’s level supply chain sophistication to face e-commerce challenges takes into account two main inputs: A. Set of supply chain initiatives implemented, identified through an online survey. B. Company interviews used to contextualize survey results and gauge level of supply chain sophistication and readiness to face e-commerce challenges.
Source: 2017 GMA Supply Chain Logistics Benchmarking Survey, BCG Analysis
Two key gaps set CPG e-commerce leaders apart

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Note: players in "e-commerce skeptics" group have not implement any initiatives or did not provide information given low e-commerce development

Source: 2017 GMA Supply Chain Logistics Benchmarking Survey, BCG Analysis
However, retail players taking a slower approach to understanding e-commerce trend

Retailers **unsure of overall trajectory of e-commerce**…
- All retail SC executives understand that e-commerce is here to stay
- But many are skeptical of total growth, especially within their individual markets

…leading to **safe experimentation with minimally disruptive changes** …
- Few dedicated e-commerce employees
- Only two respondents with dedicated e-commerce supply chain organization

…and a **wait and see approach** to understanding where they need to be in the future
- Currently integrating e-commerce into their supply chains until they understand the need for change in the future
- Avoiding quick but "permanent" decisions (e.g. once service is implemented, difficult to take away)

Note: The methodology used to evaluate a company’s level supply chain sophistication to face e-commerce challenges takes into account two main inputs: A. Set of supply chain initiatives implemented, identified through an online survey. B. Company interviews used to contextualize survey results and gauge level of supply chain sophistication and readiness to face e-commerce challenges.

Source: 2017 GMA Supply Chain Logistics Benchmarking Survey, BCG Analysis
What do you expect to be overall penetration of e-commerce in the market in 5 years?

- <2%: 27%
- 2%–4%: 23%
- 4%–6%: 18%
- 6%–10%: 18%
- >10%: 14%

Live audience polling result
However, opportunity to take advantage of large average basket size and UPT\(^2\)

- Median basket size of online: \(~4\times\) brick and mortar...

<table>
<thead>
<tr>
<th>Size of basket ($)</th>
<th>Brick &amp; Mortar(^1)</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>32</td>
<td>125</td>
</tr>
<tr>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

... presents opportunity to take advantage of high spend

- Customers spend $125 on average when purchasing groceries online
- Median units per transaction (UPT) is 36 units online
- Potential for retailers to take advantage of high spend by increasing number of orders
  - Median of 7 orders/year
- Opportunity for B2B transactions for retailers and wholesalers
  - Average basket >200E in Europe

---

1. FMI Supermarket Facts
2. UPT = Units per transaction
Source: 2017 FMI Supply Chain Logistics Benchmarking Survey

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E-commerce creates a number of questions for manufacturers across the value chain …

1. **Demand planning**
   - Can manufacturers have more visibility over end consumer demand?
   - Can retailers better understand consumer shopping habits?

2. **Warehouse operations**
   - How can manufacturers and retailers optimize warehouse operations for e-commerce models?

3. **Packaging**
   - What type of features and technologies should manufacturers invest in?
   - Can retailers work with CPGs to optimize packaging for e-commerce model?

4. **Inventory management**
   - Do e-commerce models shift inventory levels along the supply chain?
   - What are the implications for high versus low-frequency SKUs?

5. **Transportation**
   - How can manufacturers and retailers deal with increased network complexity?
   - What is the appropriate network strategy to balance costs, quality and agility?
   - What is the best model to deal with last-mile-delivery in D2C models?

Source: BCG Analysis

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Prioritization of Supply Chain initiatives

1. Align on models to serve
   - Align as a company on e-commerce strategy and models to serve
   - Understand the specific supply chain dynamics of the different retail models
   - Assess the level of disruption of each of the models

2. Identify most pressing challenges
   - Evaluate the distinct set of challenges posed by each model and partner
   - Focus on addressing the most critical challenges across all relevant models

3. Prioritize initiatives for critical challenges
   - Self-assess most significant weaknesses across all desired retail models
   - Prioritize Supply chain initiatives in order to address these challenges

Source: BCG Analysis
Identify most pressing SC challenges for CPGs and prioritize initiatives to address them

<table>
<thead>
<tr>
<th>Supply Chain Function</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1. Lack of e-commerce capabilities</td>
</tr>
<tr>
<td></td>
<td>2. Fast evolution of business models</td>
</tr>
<tr>
<td></td>
<td>3. Master data/systems management</td>
</tr>
<tr>
<td>Demand Planning</td>
<td>4. Demand data availability/accuracy</td>
</tr>
<tr>
<td>Warehouse Operations</td>
<td>5. Smaller order quantities</td>
</tr>
<tr>
<td>SKU &amp; Packaging</td>
<td>6. Packaging unfit for e-commerce</td>
</tr>
<tr>
<td>Inventory Management</td>
<td>7. SKU proliferation</td>
</tr>
<tr>
<td>Transportation</td>
<td>8. Inventory data visibility</td>
</tr>
<tr>
<td></td>
<td>9. Increasing stock outs</td>
</tr>
<tr>
<td></td>
<td>10. Fast response times required</td>
</tr>
<tr>
<td></td>
<td>11. Last mile delivery required</td>
</tr>
</tbody>
</table>

Source: BCG analysis
# Four ways for traditional models to succeed in growing US online grocery market

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Examples</th>
</tr>
</thead>
</table>
| **Embrace diversity** | - Understand diversity of competitive offerings, product characteristics, geographical markets, supply chain strengths and store footprints  
  - Develop varied operating models  
    - For picking: store picking (third party or in-house), dark store, regional warehouse  
    - Delivery: third party or in-house  
  ||
| **Invest in capabilities & talent** | - Diversity of formats: mass, hypermarkets, supermarkets, smaller grocery formats, online  
  - Diversity of online operating model:  
    - Delivery model: C&C, home delivery  
    - Fulfillment model: dedicated central warehouses, dark stores, in store picking  
  ||
| **Think fast, react often** | - Stay ahead of supply chain changes:  
  - Ensure product availability is competitive  
  - Design inventory placement strategically  
  - Route orders to the best node  
  - Leverage analytics, automation, and delivery solutions where possible  
  - Varying stocking strategies  
  - Modifying interaction with partners  
  - Switching between different channels  
  ||
| **Acknowledge store format change** | - Development of Ocado Smart Platform, a complete end-to-end grocery e-commerce fulfillment solution  
  - 3 tranches of online retail covered: the online shop, the fulfillment & last-mile delivery (home delivery, pick-up, courier)  
  - Locally-driven strategies with central support  
  - E.g. diversity of “drive” formats (classic drives, master drives)  
  - Cross selling project: implantation of various store concepts around “drive” areas  
  - Just Walk Out Shopping: enter store using the Amazon Go app, take the products and go  
  - The technology detects when products are taken from/returned to shelves, keeping track of them in a virtual cart which is charged on the Amazon account  |

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-Dimension Examples
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-Route orders to the best node
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-Varying stocking strategies
-Modifying interaction with partners
-Switching between different channels

-Think fast, react often
-Understand that consumer preferences will drive highly evolving online market
-Be agile and nimble in order to respond quickly to market changes
-Varying stocking strategies
-Modifying interaction with partners
-Switching between different channels

-Acknowledge store format change
-Address consumer expectations for new store and shopping experience
-Leverage technology to transform and simplify store operations
-Revisit supply chain metrics and processes

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-Diversity of online operating model:  
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