Surviving the Retail Revolution

Tom Dahlen
7/26/2019

Tom Dahlen has four decades of industry experience across a broad spectrum of supermarket titans. Among other roles, he has led the industry as CEO of Wild Oats Marketing; Chairman, CEO and President of Furr’s Supermarkets; Executive Vice President of Sales and Marketing for Ralph’s Grocery; and Executive Vice President of Food 4 Less. Currently, he serves as Chief Strategy Officer for Swiftly where he is continuing to push the boundaries of what is possible in retail.
It is no secret that today, more than ever, brick and mortar retail is at an inflection point. This includes the grocery industry, where one e-commerce powerhouse after another has expanded their reach into the pantries and refrigerators of American households to compete with traditional grocers. Whether it be Amazon’s purchase of Whole Foods, Walmart’s acquisition of Jet, the rise of Instacart, or the emergence of meal kits, one thing is certain: the race to become the omnichannel leader in grocery is at a fever pitch.

As a grocery industry executive with over 40 years of experience, I have held every title in the field—from box boy to CEO and Chairman of companies that included conventional, price, and specialty retail. Retail is changing at a faster pace today than I have ever seen in my career. The retail revolution is upon us, and the ability to adopt the right technologies to expand the brick and mortar footprint beyond the four walls of the store will separate the winners from the losers.

Throughout my time working with others in the industry, we have always focused on delivering memorable and differentiated customer experiences that grow loyalty to our brands while building profitable businesses. From growing ethnic supermarket chains such as Viva Market, to developing cost-conscious grocery concepts such as Food4Less, or defining loyalty for grocery when we created the Ralph’s Club Card, to capitalizing on the natural and organic trend that emerged in the early 2000s by creating brands like Wild Oats, the most successful moves I’ve seen retailers make come from being ahead of the industry trends. To survive the retail revolution, grocers must deliver a similarly differentiating and personalized experience today by adopting technology that can give customers convenient shopping trips.

Traditionally retailers have not prioritized capex investment in technology beyond the improvement of retail efficiencies. Now retailer IT investments also need to be more strategic and innovative, contributing to growth and value accretion rather than just efficiencies. Even with all the available options that retailers have today, the challenges of improving customer experience are still too significant for many to overcome. However retailers are finding themselves at a crossroads; they must adapt relentlessly, or else fail and die. Being a follower now means you’re that much further behind. To stay competitive, brick and mortar players need to out-innovate ecommerce.
powerhouses. For many traditional players, the question of how to defend against the industry’s biggest players is already one that they have to confront daily. To close the digital divide, these retailers must find the answer to one vital question: how does a grocer with shrinking margins and increasing competition properly invest in forward-looking technologies that both improve customer experience and stretch the boundaries of retail. Such an experience must combine the best features of the physical and digital worlds for brick and mortar retailers to win.

Today, customers demand that retailers deliver ever more convenient ways to shop. Amazon has capitalized on this with Subscribe and Save, which enables customers to receive a recurring order of their center-of-store purchases. Companies such as Swiftly, NCR, and others have built technologies that minimize checkout frustration for grocery shoppers. Modern retailers use digital tools to stay engaged with their customers even after leaving their stores. Retailers have to be prepared to help consumers cook and assemble high quality meals for their family. Grocers need to look at these technologies closely and come up with ways to integrate competitive solutions into their portfolio.

Finding the right digital tools is critical to delivering a better experience than what my competitors can offer. There are solutions like Swiftly that can help brick and mortar grocers jumpstart their digital capabilities without the need to invest in costly internal engineering efforts. Retailers should leverage technology partners to expand their boundaries into the virtual world.

Back in the mid-1990s we developed the Ralph’s Club Card, which would ultimately propel us to the forefront of supermarket loyalty. Ralph’s Club was a defining moment for retail; it was the first time that a supermarket had engaged in a personal relationship with the consumer. That bond is what made Ralph’s into an elite retailer—ranking #1 or #2 in every market and commanding a premium in our ultimate acquisition by Kroger. We knew the consumer because we had a direct relationship, and we leveraged this relationship to create offers that they wanted to buy.
Retailers need to be more focused on being strategic than being tactical while not losing sight of the importance of being a great food retailer. We tried very hard to be consumer-specific; we created programs like Baby Club and Pet Club as well as affinity programs. But now the boundaries have changed. Today, there are so many avenues through which to learn about consumers: Facebook, Twitter, Pinterest, the ageless club card, geo-fencing and studying customer habits and patterns. Consumer expectations for personalization and convenience have increased, and modern grocers need to be perfectly positioned in order to remain relevant as merchants. There are solutions which enable that experience by offering a hyper-personal shopping experience that occurs in real time -- from the moment the consumer begins to draft a grocery list at home to the final clicks of the in-store payment process. The result is an experience that maximizes convenience and places value at the tips of the customer's fingers.

In a poll conducted by Harris Poll, 88% of shoppers want faster checkout experiences. When customers choose their primary grocery store they no longer just look at quality, selection, and value, but they also think about convenience, especially as technology raises the bar for customer's expectations. Creating frictionless checkout experiences are critical to winning over customers. There are a number of technology companies that now offer self-scan checkout solutions, but many require costly Wi-Fi systems and dedicated hardware. Retailers should find partners like Swiftly that will help them deliver a convenient experience for their customers with minimal capital investment. According to the Food Marketing Institute, less than 5% of groceries were purchased online in 2017, which means that the grocery industry is still in a position to prevail over internet disrupters. The average US household still visits the grocery store 1.5 times per week -- not only because going to the store is the most cost-efficient way to procure food for a family, but because there is no replacement for the tactile grocery experience: finding the perfectly ripe peach, or selecting the perfect cut of meat from the butcher.

However, none of these preferences stop center-of-store items such as bottled water and dog food from shifting to online purchases. According to Nielson, 9% of Americans are ordering such products via subscription services. With Swiftly, consumers will be
able to enroll in such subscriptions services while in-store, enabling grocers to participate in the sale and the profits. The grocery game is all about maximizing working capital and freeing up cash in order to invest; with their subscription platform, Swiftly enables grocers to rightsize their stores and manage inventory more efficiently.

The food industry is in the midst of a revolution with digital technology at its forefront. Thanks to technological innovations like Swiftly, grocers can provide innovative consumer experiences without the need for costly custom solutions. In my opinion Swiftly offers the best and most holistic solution on the market.

We in the industry used to be able to define elite retail, but it would be difficult to pick out a list of companies that would fit that description today. If a retailer is going to survive the move to ecommerce, they need to focus on technologies that put them at the top of the consumer’s mind. Too many retailers today spend too much time looking back, when the real power lies in looking forward.

Grocers should be asking themselves how their customers can make subscription-based purchases through their own channels instead of through their e-commerce competitors. They should ask themselves how to offer the products consumers need, even if those products are not in-store. Breaking out of the retail footprint and maintaining the marketplace advantage is the next step in grocery. Adopting a solution like Swiftly is the most efficient and holistic method for a grocer to achieve these capabilities.