
PUSHING THE BUTTON ON MACHINE-LED COMMERCE IN FMCG



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Salmon
SHAPING FUTURE COMMERCE





Image credit: Samsung

Introduction

For many years, we've been speculating about the future of commerce. From devices that scan waste to packaging that changes colour as food nears its shelf-life, many changes have been mooted. The ubiquitous wifi-connected fridge has kept the Las Vegas Consumer Electronics Show in brisk trade in recent years, despite few households actually seeming to own any.

Yet retail has certainly changed over the last 20 years, influenced chiefly by web and mobile. Digital tools are pushing the boundaries of what offline shopping really involves for the typical family. Unsurprisingly, online and offline, Amazon is at the frontier. And whilst it's advancing our expectations of convenience to new levels, we see a more dramatic phenomenon on the horizon that's set to redefine retail through ever smarter, connected devices.

Hopes for greater convenience raised? Or Dash?

Amazon has a deserved reputation for digital innovation, and as it begins to enter the grocery market, it continues to innovate and push the boundaries of technology and imagination. Its Dash button is a great example. Simply tap a branded button, and your chosen product arrives the next day.

For many consumers, Dash is an experiment, not a practical, problem-solving device. There is a lack of brand diversity, and a practical limitation: how many buttons can one family use?

Amazon likely knows that Dash is an imperfect device. But it also recognises that grocery shopping is a drain on our time. It appreciates that consumers want new ways to make repeat orders

quickly. In our view, there is a better way, one that advances repeat purchasing to a more automated and satisfactory outcome.

Enter Programmatic Commerce

Programmatic Commerce is a term coined by Salmon to describe the phenomenon of connected devices making purchase decisions on behalf of consenting consumers, with these smart devices learning their users' preferences and patterns. Think of it as automated purchasing.

We're already seeing the Internet of Things bring connected devices into the home. Your thermostat can talk to your lightbulbs, so when you leave the house, those devices respond appropriately.

As we get more used to sharing this kind of lifestyle data, automated purchasing starts to make a lot of sense.

What's more, programmatic offers huge opportunities to improve, streamline and support consumers when grocery shopping. The fact that 55% of online FMCG shoppers* use the same shopping list from one purchase to the next points to the powerful potential for programmatic purchasing.

According to Kantar*, there is growing evidence that the loyalty of online grocery shoppers over store shoppers is greater than that of the average offline shopper, with customers spending three times more per trip online than offline. By way of an intrinsic lock-in relationship, Programmatic Commerce will inevitably heighten this brand loyalty.

*Kantar Worldpanel, Sept 2016: The Future of E-Commerce in FMCG.



Grocery gets ever more personal

The UK has one of the most advanced online grocery markets in the world, operating the third largest ecommerce share of grocery globally according to Kantar*, with double-digit percentage growth too.

It's ideally placed to move towards a programmatic future. Loyalty schemes are a good example of potential for transformation. These programmes provide clues as to each individual's purchasing patterns, allowing for accurate predictions.

For some consumers, loyalty and remarketing can feel intrusive. Retailers need to find the right balance between aiding a purchase and being omnipresent. There's a secondary risk too: if the consumer doesn't like brand suggestions, they may begin to doubt their relationship with the store.

A grocery retailer carries an incredible amount of data about a customer, and has a wealth of information on the products they buy. More importantly, grocery buyers tend to have dependable purchasing patterns. So the grocery retailer has a key advantage over all other sectors: it can show people things it knows they like.

This technique is used by the UK's leading online players, where every customer sees a personalised list of favourites. Retailers display a product that someone may have forgotten to buy, based on the fact they've bought it before.

This personalisation is reinforced by schemes such as Delivery Passes which promote regular, continuous ordering patterns; ordering patterns which are more complete and easier to understand and predict.

The missing component is a connected device to drive this brand-consumer relationship closer. As well as Amazon Dash, Tesco and Waitrose have trialled IFTTT and Hiku, respectively. These integrations and devices are designed to make grocery shopping convenient and accessible, but there isn't yet a compelling customer experience in this space.

*Kantar Worldpanel, Sept 2016: The Future of E-Commerce in FMCG



Ready for Change?

For retailers to benefit from Programmatic Commerce, they need to build on personalisation and loyalty with a programmatic element. Can we get to a stage where machines do our grocery shopping for us?

This question raises a key consideration. Programmatic Commerce is an evolving capability, rather than an overnight revolution. Whilst a few pioneering gadget seekers will opt for a kitchen filled with sensors, the change will be more subtle for the rest of us.

The predictable parts of our shopping list are easiest to tackle first. Programmatic techniques will prompt customers for what they need, when they need it. Over time, we'll move from predictive algorithms to sensors or devices around the home. Consumers may use a constantly connected smart-device that can capture shopping needs as they occur.

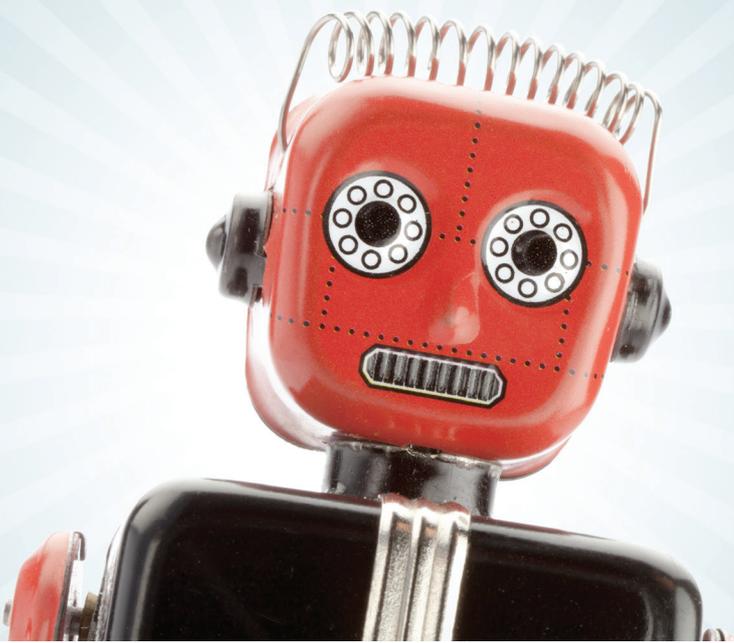
The customer also needs to be prepared to play a new role in the transaction. Rather than building a weekly list, they will be reviewing programmatically generated suggestions. Change takes time to bed in, but Salmon's research suggests that customers are ready to consider this kind of service. Our UK consumer report indicates that 46% of 25-34 year olds are ready now; 57% of all age groups will be ready within 1-2 years.

Some consumers may be concerned that retailers could exploit programmatic ordering. They may be wary of purchasing more than they need, or paying more than they did the week before. But this would not be in a retailer's interest. Retailers want to develop long-term loyalty, and avoid upsetting customers who will inevitably vote with their feet.

A programmatic approach centred on helping customers is likely to be rewarded with a more complete share of basket, and increased long-term loyalty.

The coming age of Programmatic Commerce introduces a new battleground for retailers: data. Retailers need to learn and evolve, based on how customers react to suggestions, and they must have the capacity to take in more data as new devices and sensors emerge. The retailer that pairs the best programmatic capability with the best service to its customers will inevitably come out on top.

There are also many other benefits for retailers apart from more satisfied customers. The fulfilment race is competitive and expensive, and while programmatic is unlikely to change that, it will ease some of the pain points. If a retailer can predict ordering patterns, it can also plan stock, resources and staffing. Rather than forecasts based on category trends, sales projections, and the supply chain crystal ball, it could be forecasting based on an aggregation of millions of individual customer shopping forecasts.



So is this a programmatic future?

You could argue that this type of outline is not truly Programmatic Commerce. It's not completely automated, after all. Humans still play their part. But that's the reality of grocery shopping: food choices are often driven by impulse and desire. Programmatic Commerce simply targets the more mundane, repetitive side of shopping, and that convenience will ensure its success.

Salmon urges retailers and smart device manufacturers to get familiar with the concept of Programmatic Commerce. Industry experts are citing it as the next big thing in digital, with most UK consumers ready to embrace it within 2 years.

We have conducted extensive research into UK consumers' attitudes to the coming programmatic age. Our paper highlights likely impacts for brands, retailers and smart device manufacturers. Download it at Salmon.com.

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About the author



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Tim brings a strong combination of strategic vision with a realistic grasp of practicalities, helping grocery customers to exploit limitless potential and gain optimum value from ecommerce. He joined Salmon after 13 years at Sainsbury's, where his contribution was instrumental in taking the UK's second largest grocer retailer's online presence from an ambitious start-up to its current position.

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