

The Power of In-Store Engagement



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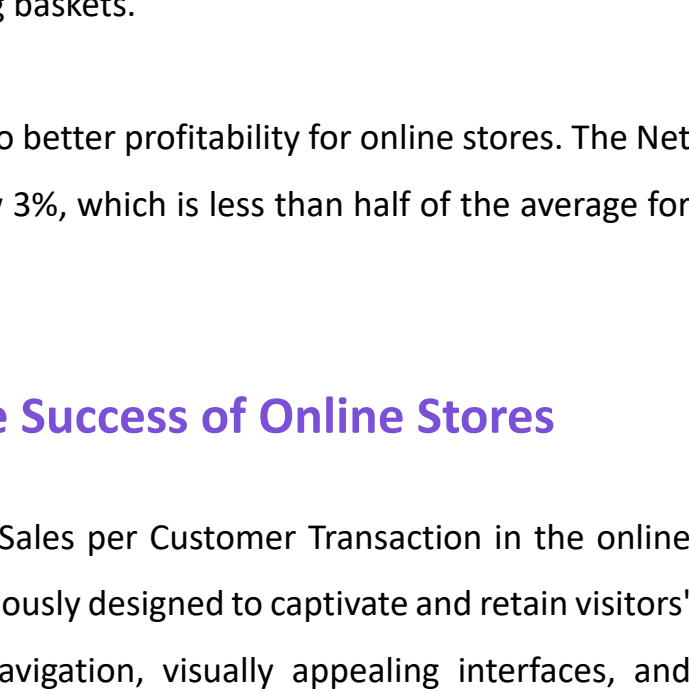
The retail industry faces significant challenges, including stagnant revenue and narrow profit margins. In this e-book, we address these challenges with a proven strategy.

Marketers have used customer engagement to drive customer loyalty and revenue across various categories. Through unbiased analysis, we provide valuable and practical insights for retailers aiming to improve their customer engagement and financial metrics.

The Choice: Price or Experience

In today's competitive retail landscape, many grocers focus primarily on price to attract customers. However, this intense price competition, coupled with the rise of online Direct-To-Consumer brands, has led to declining profit margins and fickle customers.

Retailers who focus on offering an engaging shopping experience are able to differentiate themselves from price-focused competitors, achieve higher sales per square foot, and improve their profit margin. The focus on customer experience allows retailers to create more fulfilling and memorable interactions with shoppers beyond mere transactions, resulting in emotional connections. By embracing an experience-led approach, retailers can elevate their brand and foster long-term customer relationships, setting themselves apart from the competition and building positive word-of-mouth influence.



Factor	Price-led Customers	Experience-led Customers
Motivation	Discounts and best prices	Enjoyable experience
Decision-Making	Price-driven	Consider overall experience
Loyalty	Switch for better deals	Word-of-mouth influencers
Engagement	Transactional relationship	Emotional connection with the brand
Exploration	Limited to discounted items	Open to discovering new products
Differentiation	Less likely to differentiate	Choose unique experience

The Challenge of E-commerce


According to research by the Food Marketing Institute, the average Sales per Customer Transaction for brick-and-mortar grocers is \$42.07, and for online grocers, it is \$113, which is 2.7 times higher.

Although physical and e-commerce operations have different cost structures, with online businesses investing more in consumer acquisition and traditional stores focusing on real estate and labor costs, these differences alone do not account for the 170% difference in the size of customers' shopping baskets.


The larger shopping basket translates into better profitability for online stores. The Net Profit After Taxes for Food Retailers is below 3%, which is less than half of the average for online grocery retailers.

The Role of Engagement in the Success of Online Stores

Engagement is crucial to driving higher Sales per Customer Transaction in the online retail environment. Online stores are meticulously designed to captivate and retain visitors' attention, engaging them with intuitive navigation, visually appealing interfaces, and compelling product information.

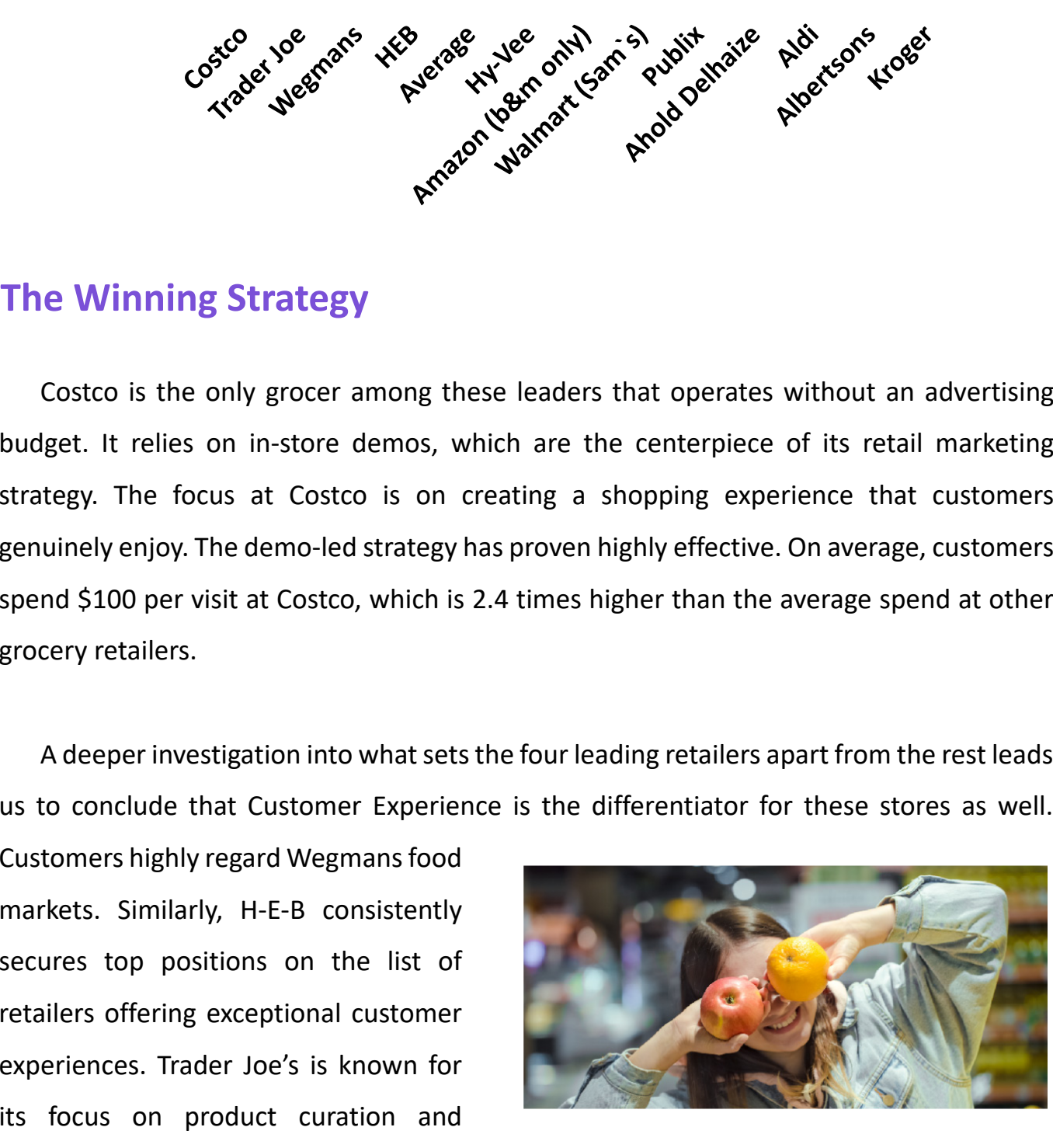


Online retailers have perfected cross-selling and upselling techniques to encourage consumers to explore and spend more. In contrast, traditional supermarkets often operate with a low-engagement retail marketing strategy focused primarily on low prices to increase store traffic. Furthermore, by automating processes that mimic online store delivery instead of utilizing consumers' desire for a social experience, supermarkets unintentionally lose out on their most powerful asset—social interaction.



Learning from the Top US Grocers

We looked at the 12 largest US grocery retailers based on their grocery revenue in 2021. We only considered grocery sales in physical stores for our analysis. Sales of drugs, fuel, and other non-food items in the stores were excluded.



Walmart, Kroger, and Costco take the top three positions based on sales revenue. The physical only stores of Amazon are ranked tenth.

Walmart is indisputably the largest grocery retailer in the country. Its significant revenue dominance, representing 35% of total US grocery sales, is not surprising given its extensive network of stores. Walmart accounts for 30% of all grocery stores in the country. Moreover, it benefits from operating in areas with limited competition.

Marketing Effectiveness and Operational Performance

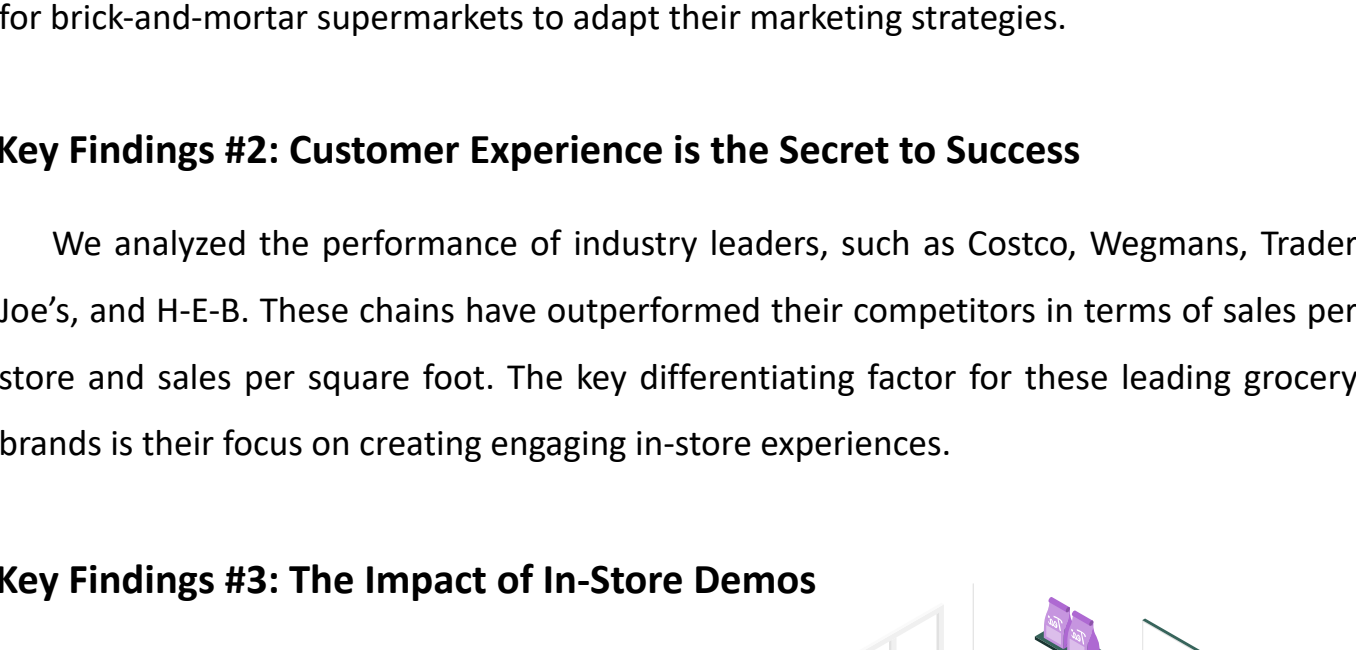
To gain a deeper understanding of their operational performance, it is crucial to compare these grocers based on average store revenue. Such a comparison would provide valuable insights into the efficacy of the marketing strategies at the store level.



Costco stands out with its remarkable performance in terms of sales per store, surpassing the average threefold. It's important to note that this comparison is not against average retailers but rather against the top 12 retailers in the country. This means that Costco's sales per store are three times higher than the average sales per store among the top 12 retailers.

Now, to ensure fairness in evaluating the marketing and operational performance across stores, it is essential to consider the size of the stores, as the store sizes of these retailers vary significantly. For instance, Kroger's average store size in 2021 was 123,750 square feet, while Aldi and Trader Joe's average store sizes were below 15,000 square feet.

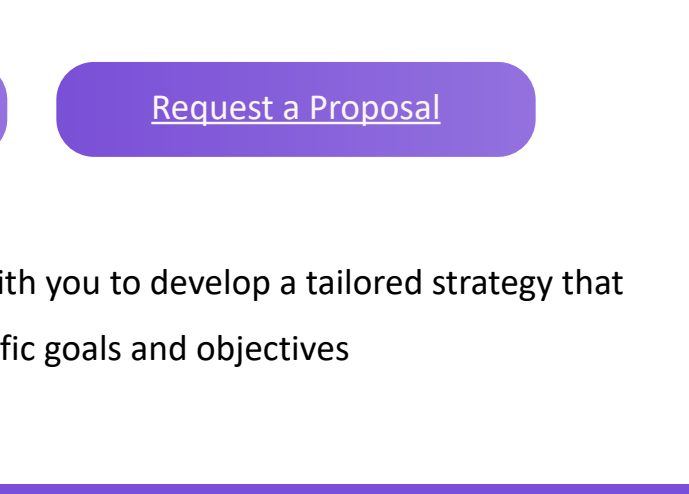
Even after normalizing the sales figures based on store size, Costco remains the clear winner.



The Winning Strategy

Costco is the only grocer among these leaders that operates without an advertising budget. It relies on in-store demos, which are the centerpiece of its retail marketing strategy. The focus at Costco is on creating a shopping experience that customers genuinely enjoy. The demo-led strategy has proven highly effective. On average, customers spend \$100 per visit at Costco, which is 2.4 times higher than the average spend at other grocery retailers.

A deeper investigation into what sets the four leading retailers apart from the rest leads us to conclude that Customer Experience is the differentiator for these stores as well. Customers highly regard Wegmans food markets. Similarly, H-E-B consistently secures top positions on the list of retailers offering exceptional customer experiences. Trader Joe's is known for its focus on product curation and leverages that to deliver an outstanding customer experience.



It's evident that the focus on Customer Experience plays a vital role in helping these leading retailers achieve excellent revenue numbers. By designing a vibrant and interactive environment that fosters discovery, learning, and entertainment, retailers can differentiate themselves from competitors. Creating an engaging customer experience in supermarkets is crucial. It transforms supermarkets into destinations rather than mere replenishment shopping locations, thereby significantly enhancing customer satisfaction, increasing visits, and driving overall sales.

The Power of In-store Demos

In-store demos have emerged as a powerful tool for engaging shoppers and driving sales. Demos enable social interaction facilitated by trained brand ambassadors, who actively engage shoppers in an immersive product consumption experience. The personal connection established during in-store demos creates a sense of curiosity, trust, and excitement, thereby motivating shoppers to explore beyond their initial purchase intentions.

Limitations of Sporadic Demo Events

Sporadic demo events fail to address the objectives of store buyers and category managers, who strive to accelerate inventory turnover rates to ensure business growth. A single demo event can generate a sharp increase in the sale of the product being sampled on a given day, but this alone is not enough to create a substantial impact on the supermarket's overall performance.

However, consistent and ongoing promotional activities can play a crucial role in increasing traffic in the store and creating a loyal customer base. By integrating regular demos into the marketing calendar of the store, supermarkets can create a shopping experience that increases consumer preference and repeat visits.

Measuring Customer Experience in Supermarkets

To evaluate the quality of the customer experience in supermarkets, it is essential to consider several operational metrics. Average spend per visit, average sales per square foot, and traffic volume offer valuable insights into a store's operational performance and the effectiveness of its engagement strategies. By analyzing these metrics, supermarkets can gauge their success in engaging customers and determine the impact of their marketing initiatives, including in-store demos.

Conclusion

Consistent and ongoing in-store demos can make each visit enjoyable, filled with discovery, learning, and entertainment for customers, leading to better financial performance for brick-and-mortar grocers. These experiential activities transform the supermarket into a destination customers look forward to visiting frequently, rather than considering it a mundane chore.

Summary of Key Research Findings

Key Findings #1: Higher Engagement Helps Increase Sales and Profits

Research indicates a significant difference in sales per customer transaction between online and in-store channels. Online retailers are successfully engaging customers to upsell and cross-sell. This highlights the importance of engagement in driving sales and the need for brick-and-mortar supermarkets to adapt their marketing strategies.

Key Findings #2: Customer Experience is the Secret to Success

We analyzed the performance of industry leaders, such as Costco, Wegmans, Trader Joe's, and H-E-B. These chains have outperformed their competitors in terms of sales per store and sales per square foot. The key differentiating factor for these leading grocery brands is their focus on creating engaging in-store experiences.

Key Findings #3: The Impact of In-Store Demos

In-store product demos have emerged as a powerful tool for engaging shoppers and driving sales. They create social interaction between brand ambassadors and shoppers, resulting in an engaging customer experience, higher customer satisfaction, and increased spending. Costco, the leading grocery retailer in terms of sales per store and sales per square foot, has demonstrated the success of an in-store demo-led marketing strategy.

[Click to estimate the demo's impact on your store's performance](#)

Successfully implementing a customer experience marketing strategy involves using appropriate tools and expertise to plan and execute in-store demo programs. If you are interested in implementing an in-store demo marketing strategy for your grocery store, we invite you to request a proposal from Grapevine Marketing Solutions.

[Show Me How it Works first](#)

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Our team of experts will work closely with you to develop a tailored strategy that aligns with your specific goals and objectives