

# Moving from Respond to Reimagine: Leading Customer Engagement in the Next Normal





## Radical Change in Retail



The pace of change among incumbent retailers in the consumer goods industry has historically been painfully slow. Despite many aisle reinvention projects, 'stores of the future,' in-store theatre, and shopper marketing programs, executional change has been measured in small increments: one additional facing, one incremental display, one shelf added to a category, or one more household adopting click and collect.

COVID-19 has clearly changed this dynamic. Retailers had to quickly **respond** to shopper behavior disruption and manufacturer supply realities with significant changes in-store, online and in fulfillment. Whole departments, such as Deli, were upended to address health and safety concerns with prepared foods, while store layouts were shifted to manage shopper flow and distancing requirements. Space and inventory holding power were quickly re-wired to meet radical shifts in demand overall and for specific products (e.g., paper and cleaning products), as well as ramp up for different fulfillment models such as click and collect.

Many manufacturers and retailers benefitted from these rapid changes, particularly shifts in consumption back to the home, consolidation of shopping trips, and re-prioritization of consumer needs that spiked demand for safe, convenient, and high-value brands and products.

We are quickly moving past the **respond** phase and do not believe the recent past provides a complete picture of the future.

The COVID-19 accelerant is now ushering in an unprecedented **reimagine** phase across the retail landscape, bringing changes within the next six to twelve months that historically would take five to ten years to develop. This presents both massive opportunity and risk for manufacturers. Shifts in consumption and shopping behaviors will drive continued change at retail and elevate the importance of influencing shopping behavior across an evolving, complex purchase journey.

More than ever, manufacturers need to be proactive to create customer planning engagement or risk having outcomes determined for them. Winners will influence customer planning conversations by using new insights to reimagine the category vision, growth drivers and brand roles. Our ongoing dialogue with consumers, shoppers, and retailers reveals four key areas of focus to **reimagine** the growth vision for each category:



## 1 Consumption Occasions

### Respond

Safety and spending concerns quickly shift consumption from foodservice back to retail.

Categories across the store benefit from the rapid increase in at-home eating as consumers stockpile and quarantine.



### Reimagine

Eating occasions shift back to away-from-home / foodservice as work opens up and consumers order in, pick up and eat out. 60% of consumers say they're comfortable dining out again as restaurants reopen.

Foodservice operators have swiftly evolved their operating models to overcome safety concerns, successfully drawing sales away from retail. Chipotle prepared for a surge in digital ordering (+70% since April) by investing in drive-thru lanes, pick-up shelves and, their loyalty program to retain new digital buyers.

Implication: In the face of renewed foodservice consumption, trading partners must identify ways to bolster the retail/at-home offer. Each category and brand must continually evolve their offer and value equation to maintain share-of-stomach gains from the respond stage.

For example, Deli is critical to meet demand for fresh, convenient, and great-tasting foods, but must shift from open, self-serve bars to a safer packaged assortment to compete with away-from-home options.

## 2 Category Growth Drivers

### Respond

Shoppers reprioritize what matters: safety, accessibility, value, and familiarity. This shapes what they buy and how they shop for food and household products.



### Reimagine

Shopper selection needs evolve in the Next Normal with renewed emphasis on convenience, better-for-you, sustainability, and variety.

Retailers will press advantage of their private brands. With 1 in 2 consumers being cautious about their spending, private-label brands' year-over-year growth for May outpaced national brands.

Implication: Re-orient category growth drivers and brand roles to address evolving consumer and shopper needs. Manufacturers need deep insight into why consumers are changing behaviors to identify what will 'stick' during the reimagine phase and how to deliver value to different tiers within a category.

Brands that played premium roles will need to demonstrate how they address a broader demand landscape and meet the needs of consumers making changes due to financial impacts of COVID shutdowns.



### 3 Assortment & Shelving

#### Respond

Grocery ecommerce sales increase significantly.

Shoppers choose stores where they can buy all essential household items in one efficient and rigorously planned trip, resulting in a decrease in store visits but much greater value associated with winning each trip.



#### Reimagine

Assortment and shelving plans change from design for “store shopping only” to design for combination of use cases: shopping for me, shopping for someone else, fulfillment for purchase made online and picked up at store, or shipped directly to home.

Walmart’s multibillion-dollar investment in Click & Collect led to 74% jump in Q1 online sales as shoppers stocked up on essentials across categories.

Shelving and assortment must reflect not only at-shelf purchase but also holding power for ecommerce fulfillment.

Implication: As shoppers make more planned trips, brands must be top-of-mind, prioritizing physical availability and visibility both in-store and online. Manufacturers need to build omni-channel shelving guidelines and partner with retailers to influence category strategy at shelf (share of space, brand blocks, shelf position) and online to both influence and deliver on demand. This requires factoring in holding power and optimal mix to meet the needs of a range of fulfillment options and incorporating strategies to influence shoppers at the point of purchase.

For example, as online sales in the Vitamins, Minerals, and Supplements category grew 15% vs. last year, manufacturers like Olly are helping retailers like Target use their .com business to compete for sales against a proliferation of direct-to-consumer players. In parallel, manufacturers are leveraging their growth online to ensure right availability, holding power, and brand blocks in-store to support other fulfillment models.

### 4 Omnichannel Buying & Fulfillment

#### Respond

Safety concerns, limited availability and constraints on hours / mobility drove many shoppers to purchase via ecommerce and fulfill via delivery or pick-up to avoid visiting stores

Many shoppers try ecommerce for the first time in the early stages of the crisis.



#### Reimagine

More consumers utilize grocery ecommerce and a full range of fulfillment models (delivery, click and collect), potentially embedding behaviors.

Many consumers disappointed with an ecommerce experience still fraught with pain points: delivery issues, product substitutions, and inability to select items (e.g., produce). There is a desire to return to stores for select trip missions and embrace omni shopping behavior.

Implication: Provide a seamless omnichannel shopping experience for those who are interacting with retailers and brands across more touchpoints. Retailers need to provide operating models that delight and deliver on shopper demands before expanding service offerings. Manufacturers need to apply new insight through the various paths to purchase and identify implications for driving demand at the point of purchase to plan with retailers.

Follow the lead of manufacturers who are already providing visibility to total omni behavior to develop optimal online programs and physical retail recommendations that reflect online needs and in-store fulfillment.

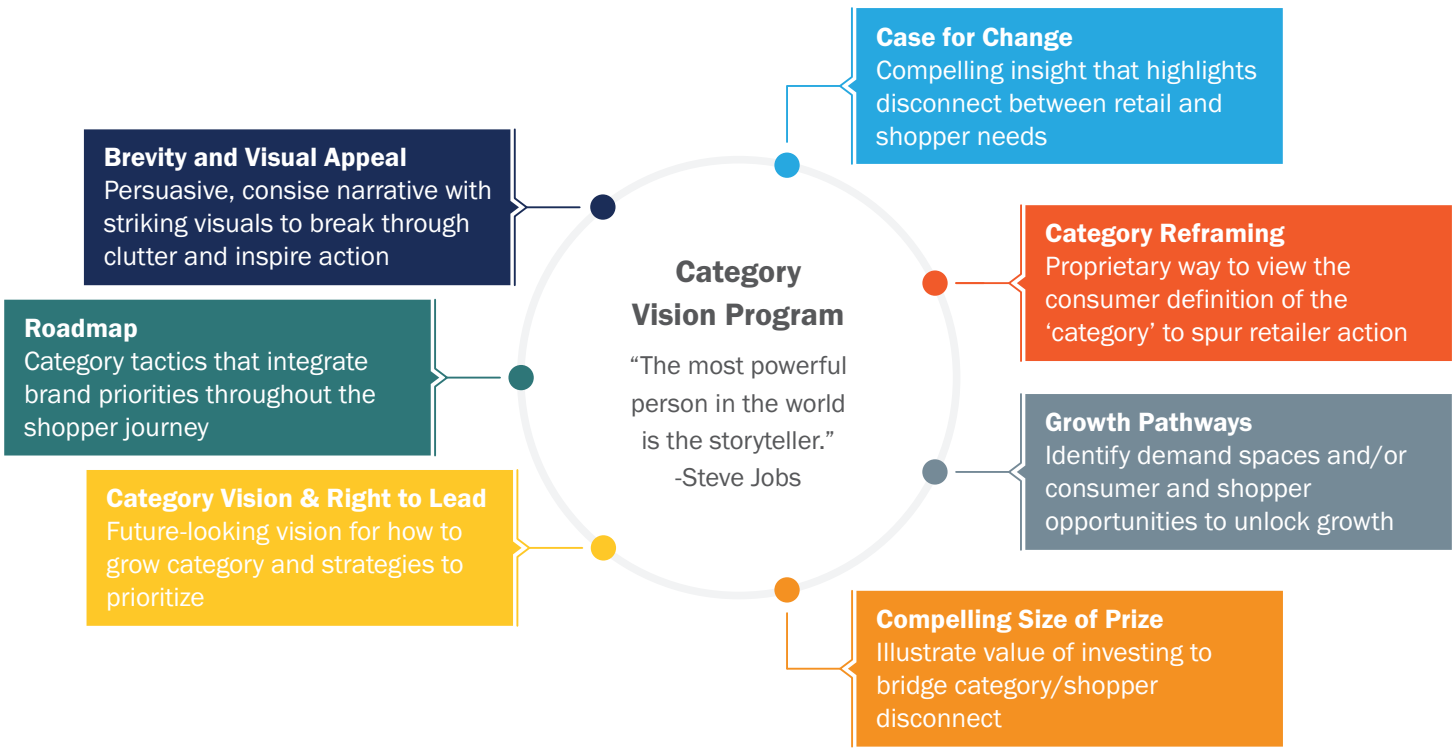


# Reimagining the Next Normal of Customer Planning

Winning manufacturers have a vision for creating category value grounded in a new insight foundation, using a forward-looking lens to understand where shopper behavior and decision criteria are headed.

Value comes from translating this insight into a category vision program that reimagines solutions for the four aspects outlined above and is communicated through a persuasive selling narrative that can be adapted to key customers and channels.

Seurat recommends the framework below to create the vision, narrative, and program to increase customer engagement during this pivotal window of shopper and retailer change.



Reach out to the Seurat Group at [info@seuratgroup.com](mailto:info@seuratgroup.com) for additional thoughts on building an insight foundation and category vision to capture long-term growth through the reimagine phase and beyond.