



# Grocery's *digital dilemma*

Maximizing grocers' profitability of  
fast-growing digital channels



**Grocers face a paradox: Fast-growing digital channels are also the least profitable.**

**With digital playing an integral role in the future of the industry, grocers must innovate—they must find ways to improve margins and capitalize on the growth opportunity of digital channels.**

Unfortunately, the path to profitability is hardly straight-forward. Legacy systems, processes, capabilities, and technologies are intended to serve traditional, in-person shoppers. Grocers face a host of challenges in adapting their business to serve digital consumers, the products they want, at the precise moment they need them.

So, how can organizations evolve to capture the lost profits of digital and reposition new channels as growth engines? In this article we explore five fundamental principles grocers can embrace to create a successful, sustainable, and scalable digital grocery offer.



## Grocery's digital dilemma

Over the next **5 years**, eComm is projected to be the *fastest-growing grocery* sector with a CAGR of **9.1%**<sup>1</sup>...

...but by 2025 grocers will lose **\$14M** in margin for every **\$1B** in digital sales<sup>2</sup> due to *underdeveloped digital grocery capabilities*

Less than **7%** of global grocery sales volume is transacted digitally<sup>3</sup>...

...but growth is asymmetric. Leaders and digital entrants dominate the market.

1 IDG

2 [Grocery Doppio](#)

3 IDG

# Overcoming execution challenges to access grocery's major growth opportunity

Digital grocery may currently be a detriment to margins, but it is an imperative for growth.

For the past several years, Capgemini's annual consumer trends research, [What matters to today's consumer](#), revealed that shoppers spread their purchases across physical and online channels. In 2024, that trend continues to shift in favor of digital shopping when it comes to grocery, with 51% of shoppers saying that they purchase the bulk of groceries through an in-store visit and supplement with small online orders as needed, versus 56% who said the same a year earlier.

Our research also indicates that friction within the digital experience may be part of the reason why consumers are not completing more of their shopping online. For example, our latest research revealed that fast delivery is a major sticking point for grocery shoppers. Consumers across all shopper demographics said they would be willing to pay 6% of their total order cost for two-hour delivery in November 2023, up from an average of 4% of the total order cost in November 2022.

Consumers' willingness to pay for delivery—and, indeed, pay more as compared to a year ago—underscores the idea that shoppers value the convenience of digital offers. So why aren't they utilizing the option more often?

The answer may have less to do with their preferences and more to do with the quality or availability of current services from grocers. Perhaps more importantly, most grocers struggle to offer more advanced services and remain competitive. After all, for most organizations, a 6% delivery fee would not cover the real cost of delivery to shoppers.

## Embracing the challenge of digital grocery

For some grocers, tepid enthusiasm on the part of consumers for digital shopping may be welcome news. In fact, most established organizations would prefer to rely on the traditional, proven in-store model. But that view can be short-sighted.

The bottom line is that shoppers are gravitating towards digital channels. Grocers who get the online experience right are likely to experience outsized growth, claiming a bigger part of the market, and potentially even outpacing the average digital sector growth rate.

On the other hand, ground lost to the early digital leaders will be increasingly difficult to recover in the future. This underscores the need to act with urgency even if growth forecasts imply the digital transition timeline will take place over the next 3-5 years.



# The key to digital growth: Fulfilling the customer promise

Grocers cannot afford to ignore the digital trend—but they also cannot afford to operate digital channels in a sub-optimal way.

Digital growth depends on successful delivery of the customer promise, which rests equally on two pillars: availability and fulfillment.

## The promise of **availability:**

Ordered items are in stock, or will be in stock at the time and place of fulfillment

## The promise of **fulfillment:**

The chosen fulfillment method has capacity available at the required time

For grocers, the promise of availability is universal. All companies must ensure that accurate availability information is provided to customers at the time of purchase.

When it comes to fulfillment, the equation tends to be more variable. Customers have different preferences and priorities as it relates to immediacy or cost, as well as where and how they collect or receive their order.

To create a successful digital offer, all systems and capabilities must work in service to the customer promise and balance the need for both accurate availability and optimal fulfillment. An effective order management system, in particular, is essential to enabling a customer-centric journey.

**\$23B**

digital sales were lost in 2022 due to unavailable or unsubstituted items<sup>4</sup>

## Taking a holistic approach to fulfillment

Grocers need to think holistically about digital fulfillment, uniting different areas of the business such as store operations, supply chain, and even traditional in-store experience elements to create a cohesive solution as opposed to operating in silos. There's no longer a distinction between an online customer or in-store customer—almost every customer is an omnichannel shopper.

Take, for example, the intersection of supply chain and customer experience. By better leveraging consumer data insights such as picking substitutions, basket abandonments, digital dwell time, and other indicators, grocers can develop enhanced supply chain efficiency both in-store and upstream, better inform and leverage trade promotions and supplier funding, and personalize marketing efforts based on specific shopper data.

This holistic approach ensures that the marketing strategies align with supply chain capabilities, as well as consumer preferences and in-store and last-mile operations, ultimately enhancing end-to-end customer satisfaction and overall profitability.

<sup>4</sup> Incisiv: [Increasing Online Profitability Through Strategic Fulfillment](#)

# The journey to intelligent grocery fulfillment

Enabling a profitable digital grocery solution requires a comprehensive strategy that integrates data and advanced technologies, including AI and generative AI (GenAI), to streamline operations and enable a customer-centric approach throughout the entire shopper journey. Here we offer five recommendations to guide the development of a successful, sustainable, and scalable digital grocery capability.

## 1. Develop a customer-centric strategy

When creating a digital offer, grocers must accept that they cannot be everything to everyone. Instead, they must determine the optimal selection of services and capabilities that will appeal to their priority customers.

To that end, every digital offer should start with a vision of who the key customer is and what their needs, motivations, and priorities are. These factors will influence the type of fulfillment offer and enabling services, such as last-mile logistics (from quick to next day), that the grocer should develop.

## 2. Refine existing systems to enhance the experience and optimize operations

The majority of grocers struggle to deliver a profitable digital offer because they are using legacy or store-specific systems that were not designed for digital fulfillment. While many organizations have relied on augmentation and adaptation, often in conjunction with point solutions, to create a functioning digital offer, the result is difficult to optimize and rarely enables the company to operate profitably. This is especially true for grocers that had to rapidly implement digital fulfillment during the Covid-19 pandemic and have only minimally converted the solution to enhance profitability since that time.

The reality is that if grocers want to access the revenue opportunity of digital, they will need to commit to a completely new way of operating. This will require new strategic investments, in the form of systems and digital solutions, including those powered by AI and

GenAI, that will help companies deliver on both sides of the customer promise—availability and fulfillment.

Given that many organizations have fallen into the trap of investing in point solutions, which tend to deepen silos between different aspects of the business, grocers must ensure that new investments address critical needs and also align with their overall strategy.

## 3. Prioritize investments that will maximize profitability

Given the razor-thin, if not eroding, margins of digital offers, it is important for grocers to evaluate their current systems and pinpoint areas for optimal investment that will drive long-term growth and sustainability.

To that end, grocers should prioritize developing capabilities that will most clearly and significantly impact profitability.

For example, addressing personalization limitations may appear to be a tangible first step. However, the execution often falls short because companies lack the data maturity to scale initiatives. Consequently, the impact on sales is often marginal.

On the other hand, incorrect availability data has far-reaching implications: it can severely disrupt order fulfillment, leading to costly substitutions; drive up food waste, which can negatively impact profitability and sustainability targets; and adversely affect replenishment calculations and buying decisions further up the supply chain. If grocers have to choose between improving personalization or availability, the latter is a more tangible and often far more impactful area of investment.




## 4. Develop a flexible fulfillment infrastructure and network

When it comes to digital order fulfillment, customers have a universal need for speed, convenience, and affordability. However, the weighting of each of those factors varies from shopper to shopper.

**43%** of consumers say that delivery and fulfillment are the most important factors when shopping for groceries

To develop a digital offer that is appealing to customers and profitable for the business, grocers need to understand the weighting for all three attributes and balance them accordingly.

Another important consideration during this process is last-mile delivery. Again, grocers have numerous options for how to fulfill this part of the journey, whether it is through internal delivery services, third-party partnerships, high-tech solutions like drones or robots, or click-and-collect services. What grocers need to keep in mind is that last-mile isn't just a cost to be optimized, but a key determinant of customer satisfaction with their journey and a critical factor in their decision to return.

 Shopper category	 Key behavior	 Where to focus
Weekly digital bulk shopper	Uses digital to stock the cupboards and buy some fresh staples, which get topped up with small (non-digital) store visits during the week	<p><b>Speed:</b> Not a key factor</p> <p><b>Convenience:</b> Wants to quickly order a similar basket every week; substitutions or occasional unavailability are of minimal concern</p> <p><b>Cost:</b> Opts for cheapest slots available, uses a delivery pass</p>
Distress shopper	Making/planning a meal and doesn't have a key ingredient(s)	<p><b>Speed:</b> Wants fast delivery that arrives within the booked slot</p> <p><b>Convenience:</b> Needs certainty of specific product availability</p> <p><b>Cost:</b> May be willing to pay extra for urgent delivery, or may prefer click-and-collect if the order would be available ASAP</p>
Mission shopper	Plans specific meals and orders ingredients to fulfill needs	<p><b>Speed:</b> Not a key factor</p> <p><b>Convenience:</b> Needs to know ordered items will arrive or will be sensibly substituted. Interested in inspiration and advice in the journey.</p> <p><b>Cost:</b> Likely more dependent on store demographic</p>

## 5. Build data maturity to achieve high-precision availability and fulfillment

Since many grocers base decisions on historical data or generic profiles, as opposed to real-time, personalized insights, they are unable to achieve a truly responsive customer experience. Moreover, many retailers grapple with multiple, disconnected data sources, leading to uncertainty about the accuracy of decision-making. It is critical to integrate and synchronize these disparate sources to enable a more precise understanding of availability and fulfillment and enable the organization to adapt over time.

Improved data maturity, along with AI and GenAI-enabled solutions, will support personalization of the experience and curation of offers. Data, analytics and intelligent tools can also help organizations optimize potentially limited resources such as available products or fulfillment options, based on the customer's ability or willingness to be flexible. In so doing, grocers can gain valuable insights that enable cost reduction and margin enhancement at every stage of the journey.





# Capgemini's Consumer-Centric Grocery Fulfillment

Consumer-Centric Grocery Fulfillment is a new offer from Capgemini that aims to help grocers leverage advanced data capabilities and transformative technologies to create profitable and sustainable digital grocery offers. We help companies develop and implement a customer-first strategy, as well as underlying data-led capabilities, to recapture lost profit and position digital as a growth engine.

## Benefits of Capgemini's Consumer-Centric Grocery Fulfillment

Consumer-Centric Grocery Fulfillment helps organizations build the capabilities they need to cost-effectively respond to customer expectations and profitably operate and scale a digital capability.

**Our end-to-end offering targets three critical areas of digital fulfillment:**

Consumer-centric strategy	Margin impact and opportunity analysis	Fulfillment architecture roadmap and development
Examine processes and technologies in tandem to synchronize business objectives with customer expectations and optimize the organization's capacity to deliver.	Identify the key cost drivers and value levers to effectively target the most relevant opportunities for grocers to profitably operate and scale their digital businesses.	Develop and scale a fulfillment architecture and approach that prioritizes both customer value and business profitability.

Our offer is supported by a rich and deep partner network. From established tech players to start-ups, we help companies identify and engage the optimal market solutions, including advanced AI and GenAI-enabled tools, for their specific needs. Together, we help grocers build a flexible and highly adaptable digital fulfillment capability that helps them capture the market needs of today while also enabling them to respond to future trends.

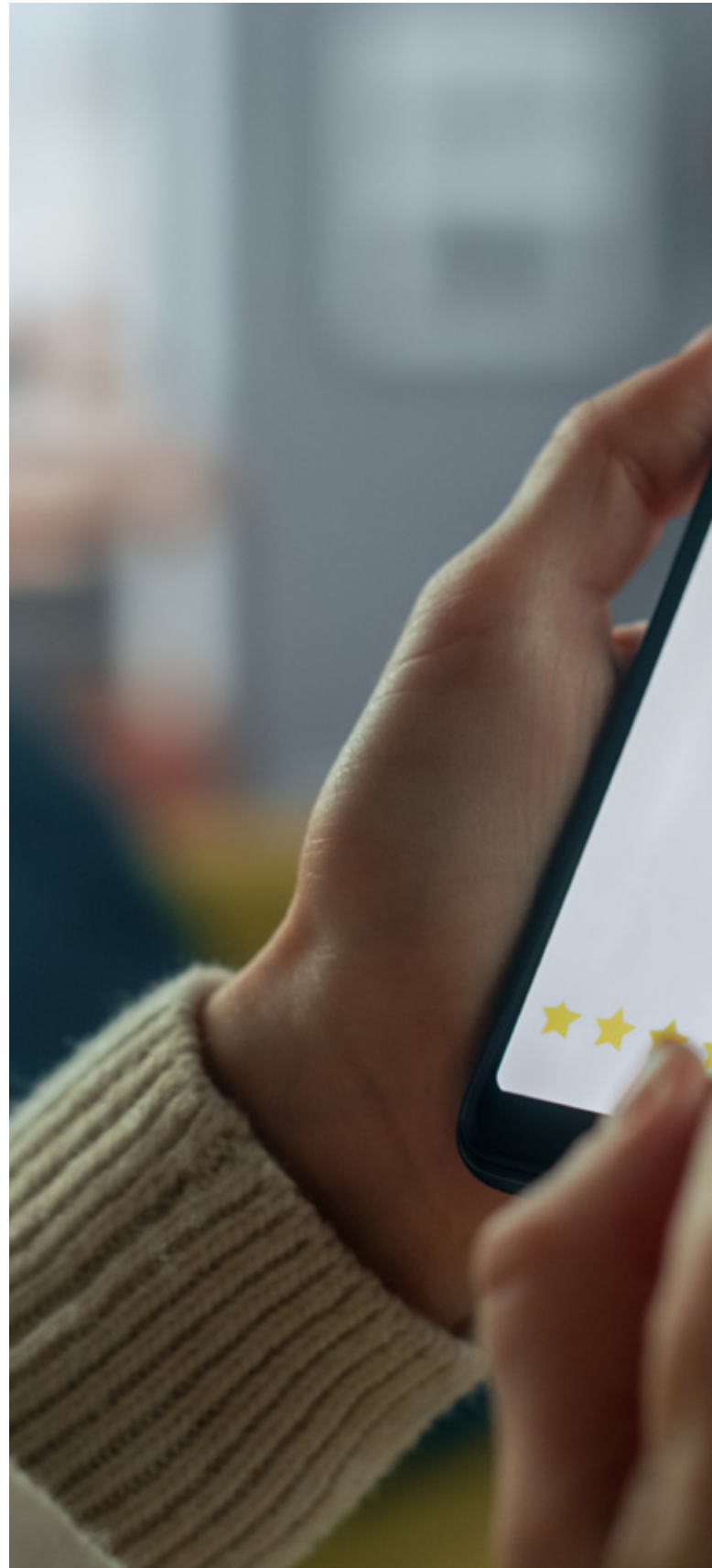
**Our offer is designed to provide the following benefits:**

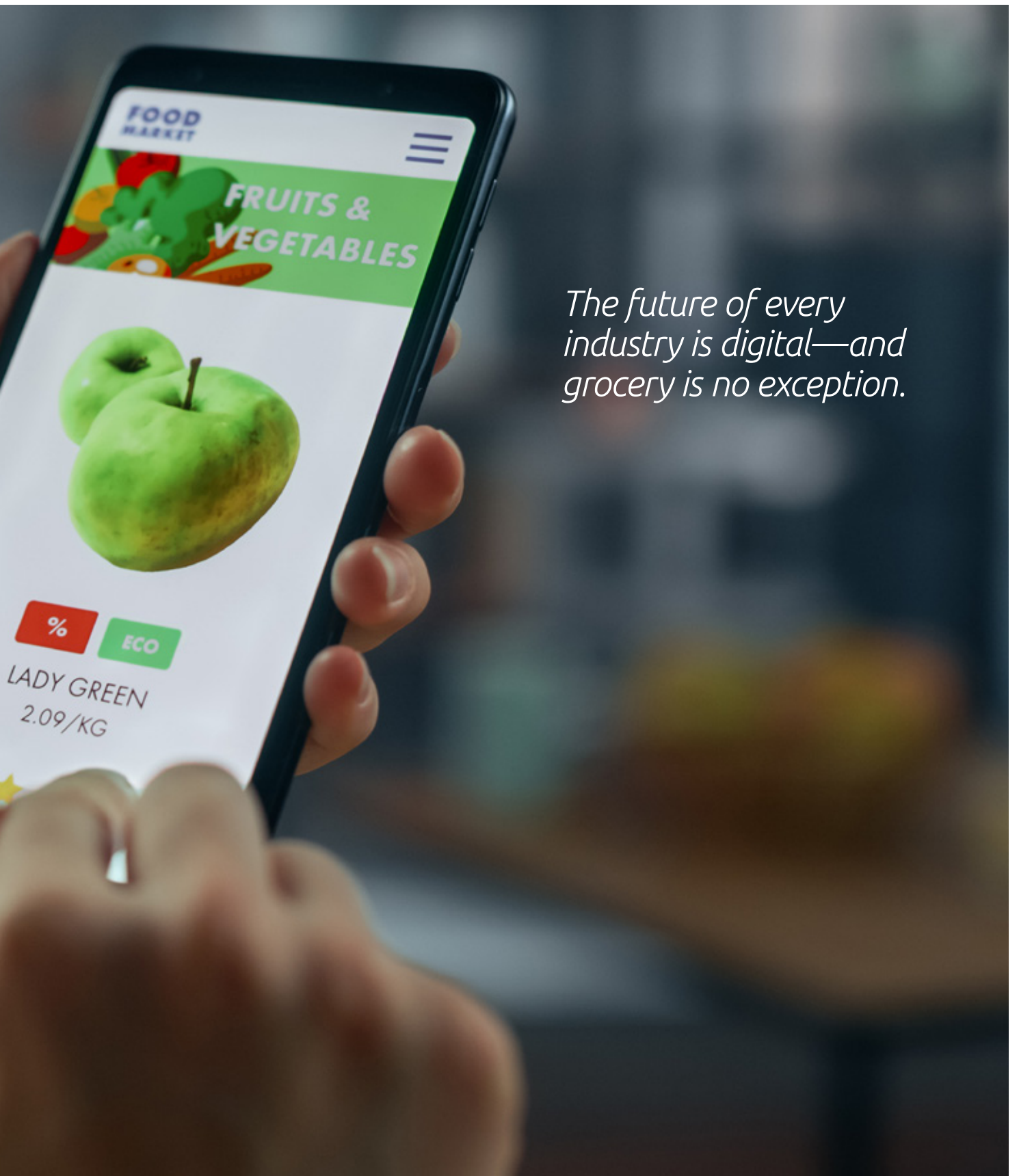
- Enhance profitability of digital grocery channels through a comprehensive strategy, next-gen data and AI capabilities, and strategic technology investments
- Build loyalty and relevance by integrating the in-store and digital experiences, including grocer-owned channels and those of partners
- Improve the end-to-end customer experience through relevant services that align to customer priorities and preferences
- Enable new services, such as launching new channels, engaging new marketplaces or social platforms, or offering new fulfillment capabilities, through a flexible and adaptable technology architecture
- Achieve better visibility through advanced data and AI capabilities, helping grocers reduce substitutions, out-of-stock items, and cart abandonment through optimized surfacing and utilization of inventory

## Positioning digital as grocery's growth engine

For grocers to remain relevant to today's consumers, they must embrace the shift to new channels and support consumers' desires to move between channels with ease. To remain competitive, they must innovate, finding new ways to enhance margins while satisfying customers.

To unlock the potential of digital and transform it into a lucrative growth engine, grocers must embrace the idea of Consumer-Centric Grocery Fulfillment, leaning into the next-gen data capabilities and positively disruptive technologies that enable a successful, sustainable, and scalable digital grocery offering.





*The future of every industry is digital—and grocery is no exception.*

## About Capgemini

Capgemini is a global business and technology transformation partner, helping organizations to accelerate their dual transition to a digital and sustainable world, while creating tangible impact for enterprises and society. It is a responsible and diverse group of 340,000 team members in more than 50 countries. With its strong over 55-year heritage, Capgemini is trusted by its clients to unlock the value of technology to address the entire breadth of their business needs. It delivers end-to-end services and solutions leveraging strengths from strategy and design to engineering, all fueled by its market leading capabilities in AI, cloud and data, combined with its deep industry expertise and partner ecosystem. The Group reported 2023 global revenues of €22.5 billion.

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