Università Ca'Foscari Venezia

Master's Degree

in Management

Final Thesis

Differences in shopper's purchasing path between offline and online channels: how purchasing habits have changed in recent years analysing the MARS case study

Supervisor

Ch. Prof. Tiziano Vescovi

Graduand

Giacomo
Amistani

**Matricolation
number**

887970

INDEX

Chapter 5. Introduction of E-Commerce: new actionable levers and shopper touchpoints

Conclusions

Introduction

The personal goal that I gave myself when I started writing and thinking about this thesis, was to try to go deeper regarding an enormously debated topic in the field of marketing. That is basically, how are changing and evolving in time the Consumer habits when it comes to making a purchase.

Strictly related to this topic, in light of the digital revolution we faced in the past few years, I will try to investigate how far the digital revolution has gone.

Will technology overturn all the paradigms we have become accustomed to in terms of purchases and consumption within a few years?

This paper is intended to be an analysis of how the shopper's habits, conventions and buying patterns have changed and will change in the coming years, due to, but not only, to the advent of the digital revolution.

I will start from an overview of the Retail business segment in history, then going through the classic logic that stands behind the supermarket, and arriving at the end to analyse which are the new trends that are guiding the strategic choices.

This work intends to analyse all these aspects both for Brands and Retailers.

Last but not least, there will be an in-depth study related to the relaunching and restyling of the Whiskas brand that the MARS company has decided to launch in the Italian market: we will therefore see in a direct manner and applied to a real case, the different dynamics that we have previously analysed from a theoretical point of view.

The central question of the whole thesis will be the one concerning the changes in the shopping habits of the shoppers, whether they are determined by external changes or coming from internal factors.

In developing a plot that can help us give answers to this question, I will largely use data, numbers and experiences developed over the last year within the multinational company MARS, where I have been working for about a year so far.

With this objective in mind, we will try to follow a workflow that first gives us a very clear context of what the characteristics of the Italian grocery retail market are, going then to see how the classic pre-digital shopper purchase path is made up, arriving then to understand how it is changing and how it will change in the near future.

We will see later in the continuation of the work that perhaps the best answer to these questions lies in the middle. In other words, at the moment, the best approach that can be taken in this area is hybridization. Technology and digitization have pushed us far forward, but still, our habits linked to the more traditional and classic physical world make us understand that there is still a long way to go before experiencing the so-called 'Digital Revolution'.

It will be very interesting to analyse all the exogenous and endogenous forces and factors that are driving this important change in consumer behaviour.

We can consider it as a multifactorial event, which depends, in part, on changes in the society in which we live, which then go on to influence purchasing habits, but also on the changes of the shoppers themselves, who are evolving habits and needs towards the purchasing methods they use.

A central and disruptive aspect that will accompany all this work, concerns the advent of digital technologies in the everyday life of shoppers, which have enabled them to come into contact with a whole new way of shopping, which has inevitably influenced his or her purchasing habits.

We will try to decode and make sense of these changes, also wondering what the future prospects might be in this regard.

Lately in the paper, we will go into detail to analyse what was the strategy that MARS decided to adopt in response to these changes in the market, linked as we said to endogenous and exogenous changes in the market.

Starting from the dynamics I experienced directly in the field during my work experience so far, I would like to make a more detailed analysis of how the shopper and his buying habits are changing in response to two factors:

- External: changes in technologies, retailer offerings and society;

- Internal: changes in the shopper's purchasing needs.

The digital revolution has changed many of the assumptions on which the retail world has been based in recent decades. Some observers, given the scale of the phenomenon, have gone so far as to speak of a true 'Retail Apocalypse'.

At first glance, one would therefore say that traditional retail is in a very critical condition, attributing the advent of the digital revolution as the main disruptive factor. However, at the same time, online retail giants have decided to take the opposite route by opening physical shops.

So, in this elaboration, we will try to understand and investigate, which are the real trends related to the offline and online Retail Grocery Industry in Italy.

Will be interesting to try to figure out what will be the possible future scenario regarding the interconnection between physical retailers and online stores.

As we know, in fact, more and more the customer experience nowadays is approaching big changes with the advent of e-commerce, and brands must adapt their offer to these changes.

After this first quick introduction, the question to be asked at this point is:

Why should the so-called Digital Pure Players, deprived of the inefficiencies associated with the management of physical stores, backtrack by entering in physical retail, considered by all to be in enormous decline?

Apparently, it would be no sense to make a step back in the physical world, but, as we will see afterwards, the successful scenario will be in the middle, the so-called omnichannel scenario.

In this direction, a 2017 survey of 43,000 shoppers of a multichannel retailer, reported in Harvard Business Review, found that 73% of the study participants were omnichannel customers, i.e. they used multiple channels during their purchase journey (Sopadjieva, Dholakia and Benjamin 2017).

Furthermore, this retailer's omnichannel customers were found to be more valuable customers in several respects.

Consistent with this study, a 2018 eMarketer study reported that while only 7% of all US shoppers were omni channel, this group contributed 27% of total US retail sales (eMarketer Criteo, "Global Commerce Review: United States, Q1 2018").[1]

It will be a complex scenario, difficult for companies to implement and manage; however, if they want to continue to excel in a highly competitive scenario put in serious difficulty by inflation, they must make an organisational and strategic effort in this direction.

In these initial pages, lies a large part of the work that I am going to present in the following pages, to clarify first of all the retail panorama in Italy, linked to the advent of digital, investigating the various possibilities of evolution and the most interesting facets to investigate.

---

[1] Global Commerce Review Americas, Q2 2018.

CHAPTER 1. BRICK AND CLICK SCENARIO: HOW IT WILL EVOLVE AND SURVIVE

1.1 The raise of Brick and Click stores in the Grocery Retail Industry

Historically, customers used to shop at brick-and-mortar stores with the assistance of salespeople to find the items they wanted or required information in a certain environment. This is traditionally linked to the physical experience that these stores offer them.

As we know in the last few years, customers' attention has been drawn to various purchasing channels as a result of the development of technology and mobile gadgets. Customers now have the option to browse through many stores online and obtain information, opinions, and a wide selection of goods thanks to e-commerce. Online stores coexist with physical ones and have changed how consumers shop now, despite some experts' predictions to the contrary (Galino & Moreno 2014). According to Mosquera, Olarte Pascual, and Juaneda Ayensa (2017), customers entered a multichannel environment using various channels to shop. Then, some of the main actors in the grocery retail industry, such as retailers and brands, try to adopt an omni channel strategy in order to obfuscate the distinctions between the various channels and provide customers with a seamless experience (Heitz-Spahn, 2013). Customers frequently switch between channels, retailers, and devices for a variety of factors they value, including brand perception, ambiance, price, stock availability, convenience, and personalization (Agnihotri 2015; Cap Gemini 2017; Kibo 2017; UPS 2015; Willmott 2014; Zimmerman 2012). Retailers must now, if they want to be anymore the first choice of their customers, understand how they switch between channels and combine them to create a unique experience that allow them to boost sales, keep customers, and maintain their loyalty (Sands et al., 2016). A completely new manner of purchasing is being raising by the mixing of bricks (the physical store) and clicks (the online environment).

Since numbers tell us that a connected shopper spends on average 30% more than an unconnected shopper, brands across diverse purchasing channels must provide a seamless experience with the aim of getting this extra sales (PSFK Labs; Cisco 2016).[2]

---

[2] Marmol, Mage, and Vicenc Fernandez. "Trigger Factors in Brick and Click Shopping." Intangible Capital, vol. 15, no. 1, 3 May 2019, p. 57

Although customers still browse around to find the greatest bargain (Rajamma, Paswan, & Ganesh, 2007), they are increasingly changing where they shop, how they shop, and even why they shop (Nelson & Leon, 2012). The process for purchasing varies greatly depending on whether they are made online or in physical stores (Brynjolfsson, Hu, & Rahman, 2013).

In the past, people only shopped in actual businesses and in specific cities or locations. Customers could only purchase through them, hence business dealings relied on face-to-face interactions between individuals (Kim, Ferrin, & Rao, 2008). Customers began to shop online from their computers as a result of the growth of the internet (Sands et al., 2016).[3]

Multichannel shopping has evolved into a trip that customers pick and that needs to be mapped in order to be understood as a result of the growth of mobile technologies and social media (Wolny & Charoensuksai, 2014). As a result, new shopping practices have developed, such as web rooming (Edwards, 2014), in which customers research products online before visiting a brick-and-mortar store for a final assessment and purchase, and show rooming (Fulgoni, 2014), in which customers visit retailers' stores to "touch and feel" a product but ultimately make their purchase online.

These are two perfect example of what we intend for omni channel customer experience, offering the possibility to start the path to purchase offline concluding it online and viceversa. Utilizing multiple online and offline channels at once is essentially what multichannel purchasing entails.

According to Juaneda-Ayensa, Mosquera, and Sierra (2016), it suggests a separation between the two ecosystems.

In the context of the multichannel retailing era, the use of customer-supportive technology and applications in physical retail stores has increased, improving both the shopping experience and store ambiance (Lazaris et al., 2015). However, multichannel fails to integrate many shopping channels and appears disconnected. It also offers a variety of shopping channels but is more concerned with the process than the client (Burke, 2002). Multichannel refers to the fact that customers can choose from a variety of shopping channels when making a purchase, but businesses also employ various channel-specific strategies (Lazaris & Vrechopoulos, 2013). For instance, a customer cannot return a voucher that was received through an internet channel at a physical business.

---

[3] Marmol, Mage, and Vicenc Fernandez. "Trigger Factors in Brick and Click Shopping." Intangible Capital, vol. 15, no. 1, 3 May 2019, p. 57

A new method of shopping has emerged as a result of the growth of new technologies and the accessibility of those tools to consumers. Companies are concentrating their strategies to coordinate them in a way that it offers the possibility of interacting in all channels for a single purchase, offering a shopping process without boundaries between the different channels. With the rise of technology and on-the-go devices, customers are always more looking for a seamless experience among channels.

We will go deeper in detail later on, taking a look into how brands can create an efficient omni channel strategy, also using as a case study, the one related to MARS, the multinational company in which I am currently working.

1.2 How brick and click shapes the new consumer habits: moving through omni channel experience

Several academics have written about the purchasing process, including Howard & Shethe (1969), Ajzen (2011), Kollat et al. (1970), and Schiffman & Wisenblit (1995). One of the most widely used theories, the EKB Model (Kollat et al., 1970) served as the foundation for a number of changes and novel concepts.

In line with this approach, a client identifies a need, seeks information, weighs their options, chooses, and then assesses their purchase (Kollat et al., 1970).

Along all these decisional period, taking place before the final purchase, both offline and online methods can be used for information research and alternative assessment. External factors, such as brand marketing initiatives, peer and family attitudes, and word-of-mouth, can influence a customer's choice in both situations (Khan et al., 2015).

According to Kim and Forsythe (2007), online channel loyalty has been found to lean more toward products that fall within the "search category" than the "experience category." [4]

---

[4] Marmol, Mage, and Vicenc Fernandez. "Trigger Factors in Brick and Click Shopping." Intangible Capital, vol. 15, no. 1, 3 May 2019, p. 57

Similar to how transactions can be done in-person or online, this fact makes it challenging to influence the decision a customer makes about a product or service. Customers can start their information search at a physical brick-and-mortar store and finish their transaction there, as they traditionally have done. A new shopping scenario emerged with the development of technology; it was now possible to begin and conclude the process online, or to begin the procedure physically and end it electronically, or vice versa.

In addition, the growing use of mobile devices creates a brand-new method of shopping (Gao & Yang, 2016).

We categorize the route that a customer takes to complete a transaction as follows based on where they begin their information search and where they make their purchase, seeing how the advent of other forms of retailing, affect consumers' purchase:

• The conventional shopping route: start at brick-and-mortar stores and finish there.

• Desktop route: begin online from a desktop or tablet at home, and complete the transaction there.

• The showrooming approach involves beginning the buying process in a physical store where the customer obtains information and concluding it online from a desktop or tablet with the same brand or at a rival retailer (Gensler, Neslin, & Verhoef, 2017).

• The so-called reverse show rooming purchase path has emerged in an effort to stop customers from switching brands. In this path, retailers encourage brick-and-mortar customers to research their products online using mobile apps, increasing the likelihood of keeping the sale (Parise, Guinan, & Kafka, 2016).

• Web rooming path: Prior to making a final decision and making a purchase, the client conducts product research online at home (Edwards, 2014).

• BOPS route (Bell, Gallino, and Moreno, 2014): The customer purchases online and picks up in-person, it stands in fact for Buy Online Purchase in Shop.

• Mobile-only path: The consumer begins and completes the transaction on a mobile device (Beck & Rygl, 2015).

Each of these shopping routes calls for the utilization of a single channel at a time and the actual transfer of goods.

As previously discussed, show rooming is when a customer visits a physical store to gather information before visiting one or more website to make a purchase at the better condition for him, that can regard price, convenience or comfort (Verhoef et al., 2015).

Another circumstance is when a consumer uses a mobile device to seek up information while in a store and then completes the transaction there. This circumstance is known as "instant web rooming".

As a result, two additional pathways should be added to the list above:

• The instant showrooming approach involves starting the purchasing process in a physical store and finishing it online from a mobile device inside the same physical store;

• An instant web rooming path occurs when a consumer uses his mobile device while in the store to search up information online and then makes a purchase there.

These various shopping paths can be categorized in one of two ways. There are three different approaches available to retailers: Multichannel strategy, which refers to the integration of various channels, unconnected, in the consumer decision-making process, and omni channel strategy, which offers the customer a seamless experience by integrating online and offline channels, are the three types of marketing strategies: single channel strategy, where the brand or retailer has only one shopping channel where to offer their products or services, whether physical or on the web, the aforementioned approaches can alternatively be viewed from the customer's perspective as single channels (conventional brick-and-mortar physical stores, online shopping, and mobile alone), multichannel (showrooming and webrooming), and omni channel (immediate showrooming, immediacy in webrooming, and immediacy in showrooming).

The rise of the web channel, quick adoption of new technologies, Simone and Sabbadin's [5] list of four omnichannel retailing drivers

[5] Iglesias-Pradas, Santiago, and Emiliano Acquila-Natale. "The Future of E-Commerce: Overview and Prospects of Multichannel and Omnichannel Retail." Journal of Theoretical and Applied Electronic Commerce Research, vol. 18, no. 1, 17 Mar. 2023

A list of six omni channel retailing challenges is provided, including channel integration (which can present opportunities but also risks when implemented), changes to channel management (changes to the functional and operational management of the various channels), technology (investment in technologies associated with operational changes), the need for customer-centric approaches to provide seamless shopping experiences, and the use of mobile devices and customer demand.

1.3 The 4 Phases of The Retail Industry

Location, location, and location have historically been the three laws of retailing since it is how it started. These were bazaars or trading posts in the agrarian economy, such as those along the Silk Road or in the United States, where there were trading posts from the east to the west coast. Bazaars evolved into retail malls. The location was crucial.

Convenience replaced location advantage after competition was able to level it. For example, how can you make it simple for customers to shop by accepting credit cards in addition to cash or writing?[6]

Following the equalization of convenience, retailing shifted its focus to customer experience, and eventually, as we will further investigate, retailing's future will be with value-added services. So, during time we shifted from simple merchandise sellers, to retailers that are able to create profit from the so called Value Added Services.

Retailing has changed at each inflection point itself to endure and perhaps flourish. Retailers may no longer exist, yet retailing is still alive and well.

The focus of retailing needs to shift from selling goods to providing value-added services, if possible, as much personalized as possible in response to the need of every single potential consumer. Additionally, it needs to switch from a low-tech to a high-tech stance to improve the consumer experience in terms of merchandising and atmosphere.

Second, selling products, whether through self-service or through sales representatives, has always been the main goal of commerce. The location of the goods, the point of sale, and the experience all fairly low tech. Although it needs to be high tech, it is currently high touch.

Additionally, the emphasis must change from the sale of goods to the provision of more value-added services.

The services that clients are prepared to pay for are considered value-added services. Value-added services come in a variety of forms, some of which are more profitable than the products themselves.

How can we do that? One example can be the one related to the loyalty initiatives:

---

[6] Sheth, Jagdish N. "Future of Brick and Mortar Retailing: How Will It Survive and Thrive?" Journal of Strategic Marketing, vol. 29, no. 7, 26 July 2021, pp. 598–607

- Smart loyalty programs could be one strategy; brick and mortar stores can invest in what I refer to as clever loyalty programs. We all have a number of useless loyalty cards. There isn't any reliable historical data mining at any supermarket or department shop. The next best thing each consumer should be provided to loyalty program members can be predicted by history for retailers. The majority of shops have historical data, but no analytics are used to target customers specifically.
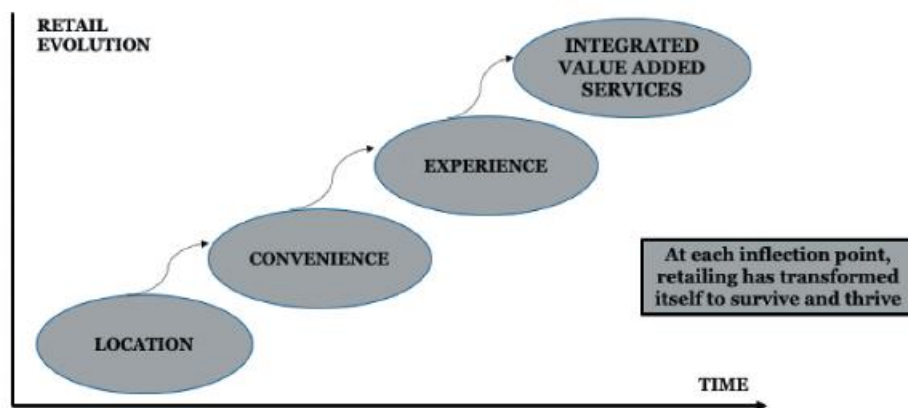
Figure 1.1: The evolution of Retail during time

Moving forward in this analysis of how retailing approaches have been changing from when internet have been introduced in our daily life, I decide to take as a point of reference to give structure to this chapter, is the one given by McKinsey. In the article 'The Future of Retail Grocery in a Digital World – Asia Consumer and Retail Practice', we can see how the authors decided to divide the progress of the Retail Industry, into four phases, in order to better understand how we have arrived to the actual phase called 'Beyond the Retail 4.0':[7]

---

[7] Desai, Parag, et al. Retail 4.0: The Future of Retail Grocery in a Digital World – Asia Consumer and Retail Practice.

Retail 1.0

It is conventionally made to coincide with the birth of self-service outlets, which represented a major innovation compared to the traditional shops known until then, where the owner and manager served the customer, relying above all on the human relationship that was created over time between manager and customer.

The innovation of self-service is conventionally attributed to Piggly Wiggly[8], who in 1916 opened the first of his innovative stores in Memphis, Tennessee. In reality, however, it would be more correct to trace the origins of this evolution to the model of the department store, which in turn succeeded the so-called passages: the shopping malls that had spread throughout Europe in the 19th century.

This shift to free service meant fixed and well-indicated prices, shelves on which the goods were displayed in special containers. Uniformed employees, the beginning of the detachment and disintermediation of the buying experience, thus the end of the social relationship with the seller; but it also meant the beginning of packaging and branding, setting aside for the first time the retailer's selling skills.

Other peculiar characteristics of this period are the ones, related to: the display of enormous quantities of goods to impress the buyer by instilling a sense of abundance; awareness of the principle that sales must be maximised to obtain economies of scale; the most aggressive pricing policy compared to the competition; the possibility for the customer to browse freely in the points of sale without any obligation - explicit or implicit - to purchase; the possibility of returning the goods if not satisfied.

All these initial changes, that allowed the retail system to make a big step change in the future, define the first phase, the so-called 'Retail 1.0'.

---

[8] Clarence Saunders: The Piggly Wiggly Man, Freeman, Mike. Tennessee Historical Quarterly; Nashville Vol. 51, Fasc. 3, (Fall 1992): 161

Retail 2.0

This period is instead sanctioned, in our chronological scheme, by the introduction of the concept of everything under one roof, which corresponded with the birth of the first shopping centres.

The model was born in the USA, with the first futuristic and pioneering attempts in the early twentieth century. However, we had to wait until the fifties to see it prosper, thanks to the development of domestic refrigeration - which facilitates the conservation of large quantities of food and therefore the concentration of purchases in a few periodic times and thanks to the diffusion of private motorization which allowed the transport of large quantities of goods.

These places have represented and in some cases continue to represent a nerve centre for the communities that gravitate around them.
The great concentration of activities under one roof has meant that these have also been places of aggregation in which to spend time with friends and family, without the obligation and constraint of dedicating oneself to activities or expenses.

In Italy, the first two examples of shopping and leisure centres were the one in Verona, called 'La Grande Mela' and in Florence, called 'I Gigli'.

Retail 3.0

This period was marked by the global diffusion of the internet and the advent of electronic commerce, which took place progressively until the mid-nineties.

In 1994, Jeff Bezos founded Amazon, with the ambition of bringing his creation to become the largest bookstore in the world, just as the Amazon River is the largest in the world. From the outset, he proposed two innovations that marked the evolution and success of the portal and definitively marked the difference from the competing physical stores (traditional bookshops).

First of all, Amazon introduces the possibility for all users to write their own reviews, understanding before many others the importance that the opinion of other readers/consumers has on purchasing decisions, as we know today, word of mouth is one of the biggest drivers in sales.

Secondly, it started developing the now very famous recommendation engine, which employs sophisticated technologies to offer users a series of products that they are likely to appreciate based on their tastes.[9]

This second aspect will then become fundamental for online retailers, in an attempt to segment their offers as much as possible, personalising them according to the user's tastes.

We can definitely say that this phase has been marked by the rise of Amazon, which is today one of the biggest retailers in the world.

---

[9] Desai, Parag, et al. Retail 4.0: The Future of Retail Grocery in a Digital World – Asia Consumer and Retail Practice.

Retail 4.0

We arrive here, to the latest phase of these four steps, the so-called 'Multichannel or Omni-channel' retailing. It had as its main feature and was distinguished by the acceleration that digital technologies have had in recent years.

We are talking here about the future of Retail, both digital and offline. Although some trends will remain the same, we can underline seven trends to watch out for in the future that will probably reshape the scenario, even of the brick and mortar retailers:

- Continued rise of e-grocery 'attackers'
- Thinking differently about the box
- Increasing importance of digital marketing, social media and location-based service
- The sophistication of personalization and CRM
- Advances in self-checkout and digital wallet
- Digital Dashboards: shop floor customer service
- Phenomenon of dynamic pricing

1.3 Future of Retail: Beyond The Retail 4.0

For introducing this part of the chapter, we will analyse the second repositioning dimension: the transition from low-tech to high-tech. If in the previous paragraph, we have seen that Value Added Services was one lever that move in the time the innovations in retailer industry, here we will talk more in detail regarding technologies.

Consumers are increasingly using virtual stores to make purchases. They frequently prefer virtual over real-world experiences. Virtual reality is now highly feasible in stores. At the store level, digital technology is now more accessible than ever before, making it possible to forge emotional connections with customers that are stronger than those we ever had with salespeople in a physical store.

At the store level, sales associates and inventory are the two most important components of retailing.

The three pillars of successful retailing are sales staff, display placement, and merchandise layout. How can the retail industry's three pillars of merchandise, environment, and salespeople be made intelligent?

As we know, these changes are multifactorial, in the sense that there may be more than one factor contributing to the advent of new behaviours, both on the consumer and the retailer side.

How can retailers perceive this result?

- Smart checkouts are the first tactic. No one has time to stand in line. An illustration would be Amazon Go. Everything at Amazon Go is cashless, and there are no servers present. If you need assistance, someone might be there to provide it. Self-service checkout counters are still available in some grocery stores and department stores nowadays. I believe that smart checkout is crucial because it is simple.

  Shoppers dislike friction while they are purchasing anything. They are stressed out and short on time. I believe that technology can help a good brick and click retailer improve the customer experience and make doing business simpler.

- Robotic helpers are one other high-tech advancement. The time will soon arrive when robots will greet visitors. You don't need a person to meet you at Walmart.

Home Depot-style DIY retailer Lowe's has experimented with robot helpers that arrive and direct you to the shelf area and point out the specific item rather than simply the Isle where it is located. To make it simpler to shop in a self-service atmosphere, the majority of stores today feature a kiosk with a computer when you go in so you can find out which items are in which aisle in their spacious warehouse-like space. It will become much more amiable and simple thanks to robots. Additionally, talking to a robot is frequently more effective than speaking to a real person. With the advent of Siri and Alexa, speech recognition technology has reached a point where humans can converse verbally with machines.

Let's take a detailed look at each of these seven trends, highlighted by McKinsey&Company in 'Retail 4.0. The Future of Retail Grocery in a Digital World'[10] that will help us create a clearer vision of what we can expect in the future from the evolution of the retail scenario, taking into account new technologies and changes in the consumer's path to purchase.
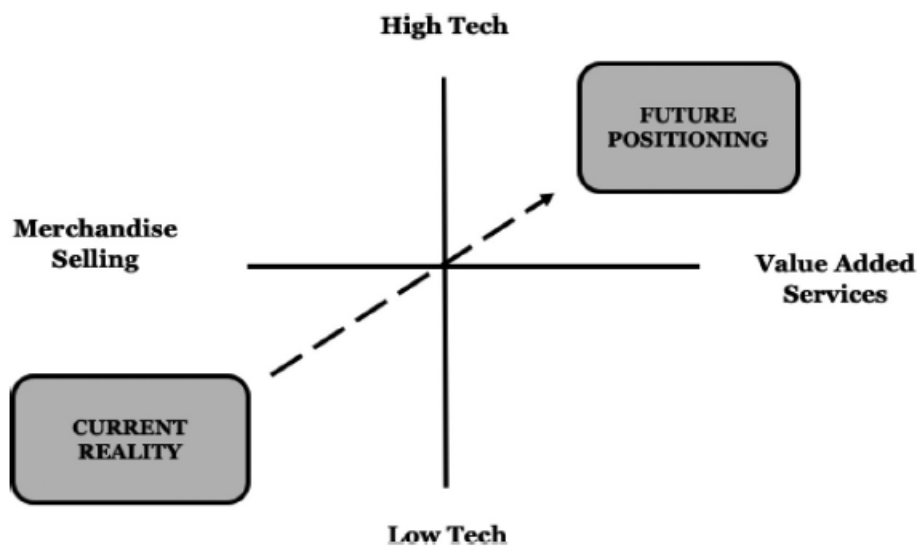

Figure 1.2: Possible future repositioning of Brick and Mortar retailers

---

[10] Desai, Parag, et al. Retail 4.0: The Future of Retail Grocery in a Digital World – Asia Consumer and Retail Practice.

The first one is: CONTINUED RISE OF E-GROCERY 'ATTACKERS'

The belief, which provides a false sense of security, is that e-grocery will always remain specialised and that no one will be successful in delivery or that the last mile is expensive. In order to generate revenue through services such as home delivery, click-and-collect, drive-through and centralised lockers, it is necessary to radically redesign and break down the online grocery shop into its constituent elements.

For example, Quidsi, a New Jersey-based e-commerce company acquired by Amazon, has profitably divided up the grocery aisle to produce online products that have outperformed categories such as Diapers.com and Soap.com, markets that were previously the domain of the supermarket.

Of course, the total utilisation of warehouses and customer penetration in densely populated areas are crucial for electronic success.

In other words, we do not expect the model to be successful in all regions or countries. Traditional grocery shops that do not adapt may be forced to compete in the convenience store/food service sector, offering products with the lowest margins in the market, as e-grocery competitors become more adept at their game with virtual shops, low prices and efficient delivery models.

The second one is: THINKING DIFFERENTLY ABOUT THE BOX

Faced with the threat posed by e-grocery opponents, brick-and-mortar grocers are redefining themselves.

They are blurring the boundaries between online and offline commerce in an attempt to connect customers by introducing shopping opportunities outside the traditional brick-and-mortar shops. Some companies are even developing ongoing subscriptions for customers, instead of just offering one-off purchases.

All this could spell the end of the big retailers as we know them. We believe that all successful physical supermarkets or hypermarkets will at least have to offer an engaging shopping experience.

Prices, selection and convenience will not be enough in the future. The expectation of shoppers is entertainment.

Innovative delivery methods such as drive-thru pick-ups and drop boxes, where customers can order products online and pick them up without leaving the car, continue to spread.

Virtual shops integrated into physical ones (the 'endless aisle') or micro-stores opening on street corners are examples of the future of grocery retail in a digital world.

The bargain retailer Home Plus, jointly controlled by Tesco and Samsung, offers a virtual grocery shop on the walls of metro stations in Korea. To access the 'shop', passengers on the underground can scan product codes with their smartphones. In the US, Walmart is experimenting with converting its shops from potential brick-and-mortar albatrosses to product delivery centres that offer new value to online shoppers.

Walmart offers same-day delivery from Walmart shops for a select range of online purchases, including groceries, electronics, household items, toys and video games, through a service called Walmart to Go.

This type of convergence of online and in-store shopping facilitates the relationship between retailer and customer.

However, not all online and physical integrations result in increased revenues. The drive-thru grocery shop model is less profitable than traditional shops in France, where however, it is becoming increasingly popular and accounts for 2.6% of the country's grocery retail sector. [11]

This is mainly due to the few items available and the fact that the order preparation process takes a lot of time and money.

The third one is: INCREASING IMPORTANCE OF DIGITAL MARKETING, SOCIAL MEDIA, AND LOCATION-BASED SERVICES

---

[11] Desai, Parag, et al. Retail 4.0: The Future of Retail Grocery in a Digital World – Asia Consumer and Retail Practice.

E-commerce is only a small part of digital. Larger grocery shops are engaging in a two-way conversation with their consumers, rather than speaking negatively to them, as demonstrated by Whole Foods' use of Twitter for customer service.

A Twitter campaign was started by Seiyu, a Japanese company owned by Walmart, to allow people to vote and recommend products whose prices they felt should be reduced. In the end, the company decided to reduce the costs of 100 of the most popular items nationwide for four weeks.

Social media platforms can be used to find user-generated product ideas. New product creation can be crowd-sourced through Facebook, Twitter and blogs.

As a result, online brands change and take on personality, rather than being hermetic concepts with fixed ideals.

The fourth one is: SOPHISTICATION OF PERSONALIZATION AND CRM

Discounts and promotions have shifted from static announcements in flyers to personalised communications sent to specific individuals through a variety of methods, including print and mobile applications.

Three events have led to the acceleration of this trend:

First, marketers are improving their understanding of their customers and expanding their data analysis capabilities.

Second, shoppers are more eager than ever to interact with shops through cutting-edge loyalty programmes, location-based services and mobile applications. For instance, REAL hypermarkets in Germany offer their loyal customers the possibility to view online coupons on their smartphones while shopping.

Third, the emergence of 'social shopping' opportunities on websites such as Facebook, Groupon and LivingSocial has irrevocably changed the way customers interact with coupons. All these changes will persist in the next few years.

The fifth is: ADVANCES IN SELF CHECK OUT AND DIGITAL WALLET

Retailers are coming up with quicker ways to process consumer checkouts, saving both the customers' time and their own operating costs.

Using NFC technology, or mobile wallets, mobile-based payment systems are getting close to The Future of Retail Food on a Digital World critical scale. Near-field communications, or NFC, enable two wireless devices to exchange data while they are in close contact.

Customers who have this technology activated on their smartphones can make purchases using just their phone instead of a credit card. The way that mobile technology is used in the retail sector has the potential to change the way that people purchase in physical locations.

For instance, Sainsbury's is testing its Smartphone Scan & Go service with 800 UK consumers. These shoppers may use a smartphone app to scan products as they buy and then pay at the register without having to empty their cart or trolley. Several cutting-edge self-checkout systems are also being tested by Starbucks, Walmart, and Target.

Equally to this, several stores are doing away with the cash register and the inevitable customer checkout line ups. To reduce capital expenditures (iPads cost about one-fifth as much as a cash register) and improve customer service, fashion retailer Urban Outfitters has announced that it will do away with the traditional cash register in favour of sales associates carrying iPod touches and iPads on a swivel. The modification will enable sales representatives to move about the store while maintaining access to a point-of-purchase.

Given that customers may view the screen and submit their own data thanks to the iPad's flexible design, it might also enable the shop to gather more consumer data.

The sixth is: Digital Dashboard, Shop floor and customer service

Giving salespeople mobile devices like iPads and iPod touch has other significant advantages. It can give every shop floor employee access to real-time, very detailed product information in addition to enhancing the checkout experience for customers.

Data from the head office can be beamed into every handheld in the network to link with the stores, enabling quick response to market patterns, information on market pressure, information on product recalls, and even specifics on price point demands from rivals. Workers can swiftly respond to a variety of client questions since they have access to product descriptions, customer feedback, and brochures.

Also, mobile devices can boost managers' access to performance data, including everything from inventory measurements to employee performance can lengthen the period of time they can spend on the shop floor as opposed to being confined to a computer in the backroom.

Early this year, Woolworths provided iPads to every store manager in Australia so they could perform administrative activities like stock management and back-end reporting using the Google App Engine platform. One app, "Tap for Support," enables managers to submit a support request to Woolworth headquarters for various forms of maintenance assistance with only one click (or tap) to J.C. Penney (where a salesperson can display a larger selection of jewellery).

Finally, the use of mobile devices has made it possible to train employees through the watching of quick films and in-person guidance. These films might cover topics like sales tactics, planogram resets, and market differentiators as well as features and advantages of the product.

A survey is administered after the training to ensure that the material was absorbed and to get real-time feedback from the participants.

The seventh is: DYNAMIC PRICING

Showrooming, as the term suggests, is the practice of customers visiting physical businesses to view and touch products.

Purchasing a product at a physical store just to find it cheaper online is the way of the future of retail grocery in a digital age. When Amazon gave a discount to anyone who checked a price in-store and then made a purchase on Amazon, this trend created a splash on the global retail stage. Businesses are now reacting to this by adjusting their own in-store prices to match those found online. To better match supply and demand and to produce time-limited flash sales, they are pushing the limits of their analytic skills by changing the pricing on the same day. Future developments in electronic shelf labelling.

Retailers like Guess, a leader in lifestyle clothes, and Puma, where customers can create their own shoes, are just two examples of those that are increasingly allowing employees and customers to use tablets within the store.

As platforms are more reasonably priced for retailers, this technology might make real-time pricing even more possible.

But, at the moment, dynamic pricing is being applied to delivery costs, with Ocado, a U.K. online grocer, adjusting its delivery fees in accordance with a customer's profile and preferred delivery time.

Since retail system is a very dynamic and high innovated sector of industries, we know that's what we have just seen, it is not all; in fact, other trends characterised the current phase of retail, known as Retail 4.0, is characterised by the use of digital technologies and data analytics to personalise the shopping experience.

There are several emerging trends that suggest that the future of retail will go beyond Retail 4.0. Linked to these major trends, there are also new technologies rising up. Here are some potential disrupting phenomena that could even foster and emphasise the future developments in the retail industry:

1. Augmented Reality and Virtual Reality: Augmented reality and virtual reality technologies are expected to become increasingly important in the retail industry, enabling retailers to create immersive shopping experiences and virtual showrooms that allow customers to see and interact with products in new ways.

2. Robotics and Automation: Retailers are increasingly using robotics and automation to streamline operations and improve efficiency, from automated warehouses and delivery systems to robotic assistants and checkout systems.

3. Sustainability and Conscious Consumerism: Consumers are becoming more conscious of the environmental and social impact of their purchases, and retailers are responding by prioritising sustainability and ethical practices. This trend is likely to continue in the future, with retailers adopting more sustainable and responsible practices throughout their supply chains.

4. Subscription Services: Subscription services, which offer customers regular deliveries of products or services, are becoming increasingly popular in the retail industry. This trend is expected to continue in the future, with retailers developing new and innovative subscription-based business models.

5. Omni channel Integration: The integration of online and offline channels is already a key feature of Retail 4.0, but the future of retail is likely to see even greater integration of channels, with retailers offering seamless shopping experiences across multiple touchpoints. Overall, the future of retail is likely to be characterised by continued innovation and disruption, as retailers seek to meet the changing needs and expectations of consumers.

While Retail 4.0 has laid the foundation for a more personalised and digital retail experience, the future of retail is likely to go beyond this, with new technologies and business models shaping the industry in new and unexpected ways.

The emergence of smart cities and the continued evolution of omni-channel, digital and social media marketing strategies hold promise for retailers seeking to operate in an ever more dynamic and connected environment.

CHAPTER 2. FOCUS ON GROCERY RETAIL IN ITALY: HISTORICAL INSIGHTS AND CURRENT SITUATION

2.1 Retail in the Italian Market: How It Is Structured and It Evolved in Recent Years

In this chapter we will analyse in detail the situation in Italy, that we are living in, related to the grocery retail system. We will briefly go through some general references regarding the distinctive features of the country, moving then to the actual situation in 2023, and concluding with some hypotheses for future trends in the market.

Food-based retail, often identified with the word grocery, to recall its origins in grocery products, has been and continues to be the most industrialised component of retail, the one most closely identified with the commercial revolution that has since affected the rest of the sector.[12]

It is a revolution that has been based on a strong standardisation of service aimed at reducing customer procurement costs as much as possible.

Since these are widely consumed goods, repurchased with high frequency and characterised by a high level of popularity, and thus also products that do not require a high level of information transmitted to final shoppers. The costs of the distribution phase have been reduced in time not only by industrialising the processes but also by transforming them to transfer part of the burden onto the customer:

- free service has effectively provided the consumer with a warehouse where he can pick up his shopping list;
- the availability of parking spaces has made it possible to use the car and thus concentrate purchases, then transporting them directly home;
- more recently, it is the consumer himself who reads the barcodes of what he has in the trolley (self-scanning) and makes the payment (self-checkout).

Said otherwise, the free service model that dominates the sector has redefined the tasks between retailer and customer, transferring to the latter part of the activities that were traditionally carried out by the retailer.

---

[12] Goić, Marcel, et al. "Drivers of Customer Satisfaction in the Grocery Retail Industry: A Longitudinal Analysis across Store Formats." Journal of Retailing and Consumer Services, vol. 60, May 2021.

This initial introduction, will help us to create a clearer context among the readers, regarding the state of the art in Italy in 2023; we need to create a context that will then help readers to better understand the differences and the big changes that are starting to be present in the shopper's behaviour in these last year, related also to the peculiar characteristics of the Italian market.

To start our detailed reflection regarding the business sector of grocery retail, we need to look at some more general demographic data; this will help us to understand the dimensions of what we are talking about in relation to the high degree of complexity compared to other countries in EU.

Italy, in fact, is intermediate in size and number of inhabitants compared to the other four European countries taken as a benchmark. Also in terms of population density, it is between the UK and Germany on the one hand and France and Spain on the other.

There are significant differences in population density and distances between urban settlements between the north and the centre on the one hand and the south on the other.

The large-scale retail sector is highly fragmented into some 200 chains, almost all of them organised distribution chains and operating in 1-3 regions.

This point is really important to consider; one of the principal characteristics of the grocery retail system in Italy is that, is highly fragmented in the territory in comparison with the situation in other countries.

The numbers below will give us the measure of the phenomena; it is immediately clear that a situation like this brings to all the players in this business sector, a lot of complexity and critics to manage, both from the side of retailers and suppliers.

To reach a 75% share, 9 groups are needed, 6 of them DO, consisting of a total of more than 60 independent companies.[13]

General Information regarding Italian market:

- Population: 59.55 million
- Territory: 301,340 square km
- Population density: 206 sq/km

[13] Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.

- Number of towns above 500,00 inhabitants: 6
- Number of towns between 200,00-500,00 inhabitants: 9

Food consumption related to the size of market:

- Total market: 250,396 million € (2019)
- Total market at home: 119,341 million € (2019)
- Consumption at home per inhabitant: 2,004 €[14]
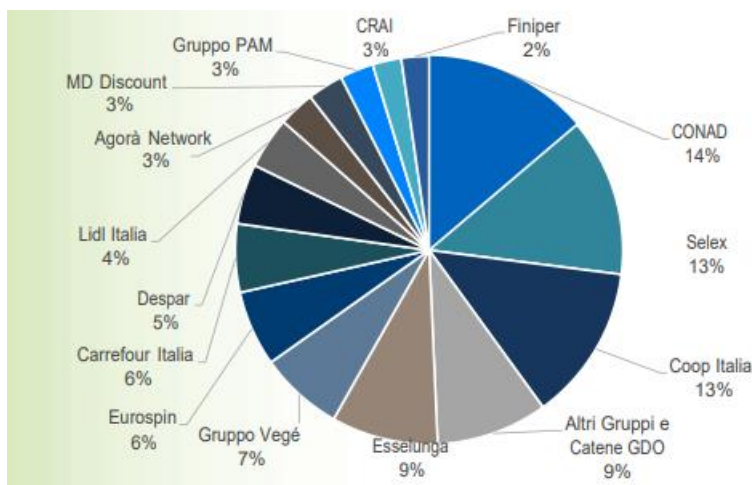
Figure 2.1: Market shares of the main GDO food retailers 2021

After this quick introduction, in which we tried to put focus on some important information that could help us to understand how the business is integrated into the country, we will now see more in detail other characteristics, like the different types of 'retailers' we can find in Italy and the evolution in the years of the market.

Overall, if we look at the Retail system in general, the Italian is one of the largest in Europe, and it has a long and rich history dating back to the Middle Ages.

The Italian retail market is characterised by a diverse range of retailers, including small independent shops, large chain stores, hypermarkets and online platforms.

---

[14] Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.

These distinct types of retailers provide an insight into the unique and diverse retail landscape in Italy.

Beyond the general five types of retailer system we can see are present in Italy, one more feature of our country is the one related to:

- ✓ Strong focus on high quality products and customer service;
- ✓ High tradition on family-owned business;
- ✓ A diverse mix of traditional and modern retail formats.

As we were previously saying, Italy has intermediate territorial characteristics compared to the other 4 EU countries, but above all, it has an extremely fragmented large-scale retail trade both in terms of centres of purchase (Coop, Conad, Despar, Crai, etc.) and especially of companies (Coop Lombardia, Crai Tirreno, Megamark …) active on the territory.

The latter number around 200 autonomously; many of these cover only 3/4 regions with their own network of shops only 3/4 regions and the smallest even just one region.[15]

Introducing then, the concept of e-grocery, Italy has a level of evolution of e-grocery similar to that of Germany and Spain and very far from the evolutionary levels of France and the United Kingdom; of the approximately 200 retail chains in Italy, only 70 chains are active with their own e-grocery services.

As a benchmark, it should be remembered that in the United Kingdom, the GDO chains have a 96% market share and are all active with their own e-grocery services. [16]

As far as the large-scale retail trade is concerned, at the territorial level there are profound differences: in the North West 24 chains are active in the online sales, in the North East 19, and only 14/15 in both the Centre and the South.

If one looks at the retail sector from the point of view of groups in terms of territorial coverage there are similar situations, but this is not the case.

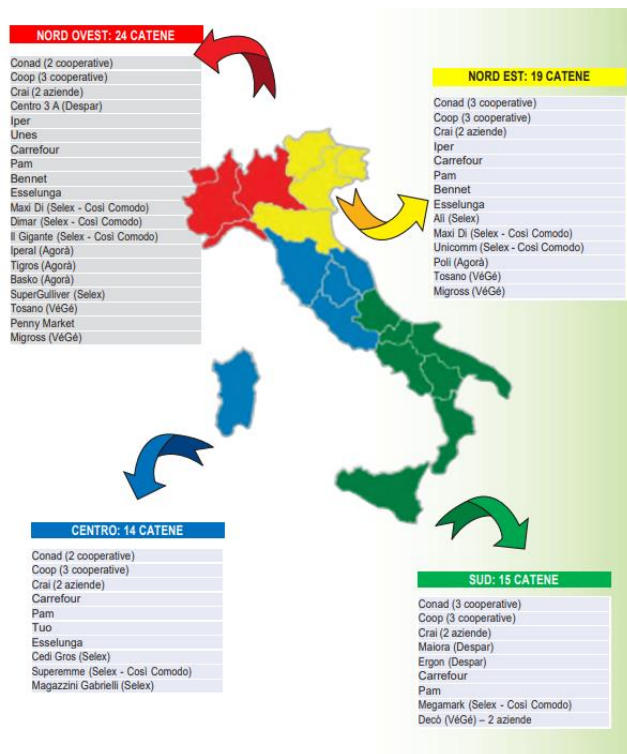
[15] Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.
[16] Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.

Above all, the North West has developed the most important in terms of turnover and market share achieved have developed (first and foremost Esselunga, which has been active in e-grocery for more than 20 years) and some other realities of organised distribution of the central Conad, Coop, Selex and Agorà that are smaller but well developed in e-grocery services; these include for example Mercatò (Dimar-Selex), Iperal, Tigros, Finiper.

The situation in other areas of the country is much less evolved, with some very important companies (e.g. Despar Aspiag in the North East) that do not do e-grocery or companies belonging to organised distribution, especially Coop, Conad, Selex and Despar that develop very low e-grocery turnovers or even do not provide online services; among the latter, we would like to point out, especially the companies belonging to the consortia Crai, VéGé, D.IT, C3.

The competitive picture is completed by a large group of pure players (with a 20% market share) and a group of third parties, for now numerically small, but growing. These also operate mainly in the North West, to a lesser extent in the North East and the Centre and even less in the South.[17]

NORD OVEST: 24 CATENE

Conad (2 cooperative)
Coop (3 cooperative)
Crai (2 aziende)
Centro 3 A (Despar)
Iper
Unes
Carrefour
Pam
Bennet
Esselunga
Maxi Di (Selex - Così Comodo)
Dimar (Selex - Così Comodo)
Il Gigante (Selex - Così Comodo)
Iperal (Agorà)
Tigros (Agorà)
Basko (Agorà)
SuperGulliver (Selex)
Tosano (VéGé)
Penny Market
Migross (VéGé)

NORD EST: 19 CATENE

Conad (3 cooperative)
Coop (3 cooperative)
Crai (2 aziende)
Iper
Carrefour
Pam
Bennet
Esselunga
Alì (Selex)
Maxi Di (Selex - Così Comodo)
Unicomm (Selex - Così Comodo)
Poli (Agorà)
Tosano (VéGé)
Migross (VéGé)

CENTRO: 14 CATENE

Conad (2 cooperative)
Coop (3 cooperative)
Crai (2 aziende)
Carrefour
Pam
Tuo
Esselunga
Cedi Gros (Selex)
Superemme (Selex - Così Comodo)
Magazzini Gabrielli (Selex)

SUD: 15 CATENE

Conad (3 cooperative)
Coop (3 cooperative)
Crai (2 aziende)
Maiora (Despar)
Ergon (Despar)
Carrefour
Pam
Megamark (Selex - Così Comodo)
Decò (VéGé) – 2 aziende

[17] Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.

Figure 2.2: Geographical overview of the main retailer region by region

The competitive framework of e-grocery within the retail sector is characterised by significant differences between companies.

This essentially stems from the combination of three factors:

- The size of the turnover developed with e-grocery services and the level of know-how achieved; the latter is transformed into greater efficiency of all service delivery processes and, therefore, in greater profitability of the service;
- greater know-how is very often the consequence of the years of operational experience accumulated by the company;
- The characteristics of the company and, in particular, its absolute size (i.e. the turnover of the network of shops) and its level of management unity.

From this second point of view, the level of management unity, the scenario is complex: large-scale distribution companies (Esselunga, PAM, Carrefour, Finiper, etc.) are companies with direct and unitary control of both distribution centres and points of sale and with a sales policy determined by the choices of a single decision-making centre.

Differently from organised distribution companies (Coop, Conad, Selex, Despar, Agorà, Crai, etc.) that are defined as peripheral companies with a third level consisting of the DO companies with three levels of decision-making. Two examples are: CONAD, the leading retailer in terms of overall market share, as well as CRAI, one other important retailer in terms of overall market share, are of particular note;

One other aspect to consider, is the territorial area in which the chain operates; there is no doubt, in fact, that the companies operating in the North West area, compared to those operating in all other areas, have been able to rely on a greater predisposition of demand for e-grocery services as a function of various social and economic factors and lifestyles. The reason behind this premature development have to be searched in the fact that biggest retailers are based in this part of Italy, such as Esselunga, and also on the presence of two among the most developed city like Milano and Torino.

In this second part of the paragraph, a possible future scenarios are developed following these three main drivers and starting from the framework described in the previous pages. Given the socio-economic framework and its differences by territorial area, the possible scenarios in the grocery retail system is a combined function of 3 determinants:

A. dimensional increase of the e-grocery market;

B. activism of the large-scale retail trade, detected in countering the development of pure players and third parties, both for the standard home delivery service and quick home delivery;

C. C. evolution on the market of quick delivery services, a service currently embryonic phase in Italy and whose development will depend as much on the actual demand on actual demand (which cannot be clearly estimated today) as well as on the evolution of the offer, both in terms of the number of active players and the speed of evolution and the territorial coverage of the market.

2.2. From Brick and Mortar to Brick and Click Scenario

Brick and Mortar stores refer to physical retail locations that customers can visit to purchase products or services. These stores have a physical presence in the form of a building, which customers can enter to browse and purchase items.

Brick and Mortar stores have been a traditional form of retail for many years, and they are still popular today despite the rise of online shopping.

One of the advantages of Brick and Mortar stores is that they provide a tactile shopping experience, allowing customers to physically touch and try out products before purchasing them. Additionally, many people enjoy the social aspect of shopping in physical stores, as it allows them to interact with other customers and sales staff.

However, brick-and-mortar stores also have some disadvantages. They often have higher overhead costs, including rent, utilities, and staffing, which can result in higher prices for customers as a consequence of the higher cost for the retailer. Additionally, physical stores may have limited inventory compared to online retailers, and customers may need to visit multiple stores to find the products they are looking for.

Overall, brick-and-mortar stores continue to be an important part of the retail industry, but they must compete with the convenience and lower prices offered by online retailers.

Advantages of classic Brick and Mortar store:

- Offers the possibility of having a more immersive sensory experience compared to all other sales channels, and above all compared to the online one. The shopper has the opportunity to come into physical contact with the product to carefully evaluate all its characteristics, such as ingredients, nutritional values, and aesthetic appearance, before proceeding with a possible purchase;
- For the older generation, the physical supermarket is still seen as a quasi-institutional place, a place of one's life, where, as in other physical places, everyday actions take place, and where life is experienced in a more genuine way than the detachment and depersonalisation associated with digital shopping.

Disadvantages of classic Brick and Mortar stores:

- Lower quality customer experience in the shop: It may be the case that retailers are unable, for various reasons, to offer a satisfactory shopping experience to shoppers, such as stock shortages, limited assortment, inflexible opening hours, queues at the checkout when there is a need to pay.
- But also poor store management from an organisational point of view, which leads to a lack of clarity e.g. in active promotions or the management of expiring products.

All these aspects, added together, with the added discomfort and stress resulting from the inconvenience of having to physically go to the shop, can lead to less satisfaction in the offline shopping experience than that which takes place via the sites of online retailers.

- Time consumption related to changes in time management: As we will see in detail later in chapter six, time management as a valuable resource has become a central point in the dynamics of modern-day life. One disadvantage that we can evince from the offline shopping experience is the much higher time consumption compared to the time needed to complete the same purchase online.[18]

Nowadays, with the frenetic rhythms that society imposes on us, saving time to have more time to spend with family, and friends or devote to one's own physical well-being is a lever that is greatly increasing the numbers of online retail in terms of the influx of users and turnover.

- Limited assortment in the physical stores: The last aspect we focus on, to analyse what are currently the disadvantages of the offline shopping experience, concerns the assortment, and in particular the fact that, as the physical store is a physical space, it is by nature limited.

---

[18] Sheth, Jagdish N. "Future of Brick and Mortar Retailing: How Will It Survive and Thrive?" Journal of Strategic Marketing, vol. 29, no. 7, 26 July 2021, pp. 598–607

It is therefore clear that since there are different store formats, not in all and not always, you can find what you are looking for. On the other hand, the issue is different in the online path to purchase, where you can search directly from your smartphone or PC for the products you want, without having to physically move between the different points of sale, thus saving a lot of time and money.

Many successful retailers have found ways to integrate their physical and online presence, offering customers the best of both worlds: we are talking here about the latest evolution of these retailers, which is called Brick and Click Retailers.

Brick and Click stores, also known as Omni-Channel retailers, are businesses that have both a physical brick-and-mortar presence and an online e-commerce platform. They combine the benefits of traditional brick-and-mortar stores with the convenience and accessibility of online shopping.

One of the advantages of brick-and-click stores, as we were saying before, is that they offer customers multiple ways to shop, providing a seamless shopping experience.

The emergence of brick and click retailers represents a significant development in the retail industry, as these businesses have, in some cases, successfully integrated both physical and online platforms to create an improved offer to shoppers.

Customers can browse products online, make purchases, and have them shipped directly to their homes, or they can choose to visit a physical store to see the products in person before making a purchase.

Additionally, brick-and-click stores can offer in-store pickup options for online purchases, allowing customers to save on shipping costs and receive their items quickly.

Brick-and-click stores also have the advantage of being able to track customer behaviour across multiple channels, providing valuable insights into shopping patterns and preferences. This data can be used to improve the customer experience, personalise marketing efforts, and optimise inventory management.

However, they do not have only advantages; brick-and-click stores, in fact, face some challenges, such as maintaining consistent branding and customer experience across all channels.

They must also invest in technology and infrastructure to support their online platforms, which can be costly.

Overall, brick-and-click stores are becoming increasingly popular as consumers seek a more flexible and convenient shopping experience. By leveraging the strengths of both brick-and-mortar and online retail, these businesses can provide customers with a seamless shopping experience that meets their needs and preferences.

2.3 Actual scenario in the market and future view

So far, we have always referred indistinctly regarding the grocery retail industry in Italy, as if all the retailers follow the same logic in terms of assortment, price strategy and in-store way of working; but now, we need to introduce a distinction, to better understand how the situation is evolving across this industry in 2023, in Italy.

We can, furthermore, distinguish inside the retail grocery industry, two different 'channels' from which final shoppers can make their purchase, and these are Grocery intended like the classical supermarkets one and hard discounters.

Grocery channels can be thought of as the classical and most common channels. We can find here the biggest retailers in the Italian market such as Conad, Esselunga, Carrefour, Pam, Coop and many others. They are the ones we have been used to calling the 'Brick and Click', since they are evolving their offer to the shoppers, from the purely offline system to also the online one. They are the main characters of the retail grocery market in Italy, having the highest market share and consequently the highest turnover.

Hard discounters are a store format characterised by convenience; they were created to respond to a need for savings on the part of consumers. But how do they manage to distinguish themselves from players in the grocery channel? Hard discount are characterised by:

- a very low presence of branded references, with instead a large space for private labels or at least less famous brands that try to gain space with very aggressive pricing policies;
- little attention to the point of sale, usually very standard and without distinctive features, that allow them to save money for managing the point of sales, having more freedom of push on the price;
- large space to very large formats, the so-called bulk, which offer very strong convenience to the customer. To be able to offer such formats, it is clear that the assortment is less varied than that of the grocery players, as shelf space is not infinite;

These are, briefly, the main characteristics of the discount channel players, which have enabled them to respond very effectively to the recent crises and shoppers' need for savings.

Given the importance of this trend, I decided to make a clear distinction between the two channels; not only because, today the importance of HD is growing fast and fast, making traditional retailers lose profitability. But also because the grocery players are trying to evolve their offer to the shoppers, in order to not lose share of market and appeal to their clients.

So, having said that, let's ask ourselves the origin of this trend, we are living in:

1. Which are the main causes?
2. Why is this trend present in the market?

To answer this question, we should take a closer look at the global economic scenario that we are living in from 2020 onwards.

Covid-19 Epidemic:

As we all know, in the year 2020, the entire world was swept by a Covid pandemic that disrupted many paradigms that until then were thought to be valid forever.

In our analysis, the pandemic has certainly had a huge influence, on the one hand with the forced closure of people's homes due to the various lockdowns, which has led the online channel with domicile shopping to a sudden and partly unexpected growth.

On the other, it triggered a series of economic phenomena on a global scale, which we will look at in detail later, such as inflation, supply chain crises, etc., all of which have the covid-19 pandemic as their common origin;

COVID-19 impact on retail: Key drivers

Store closures and restrictions
- 'Essential' vs 'non-essential' retail
- Travel-related retail

Retailer online strength and responsiveness
- Existing online sales and delivery capability
- Quick response to new opportunities, particularly online

Consumer 'stay-at-home' focus
- Online shopping and delivery
- In-home consumption vs eating out
- Travel restrictions

Retailer product category mix
- Food and drink
- Home improvement
- Household goods
- Home-based health and beauty
- Home-based leisure and entertainment

- Apparel and accessories
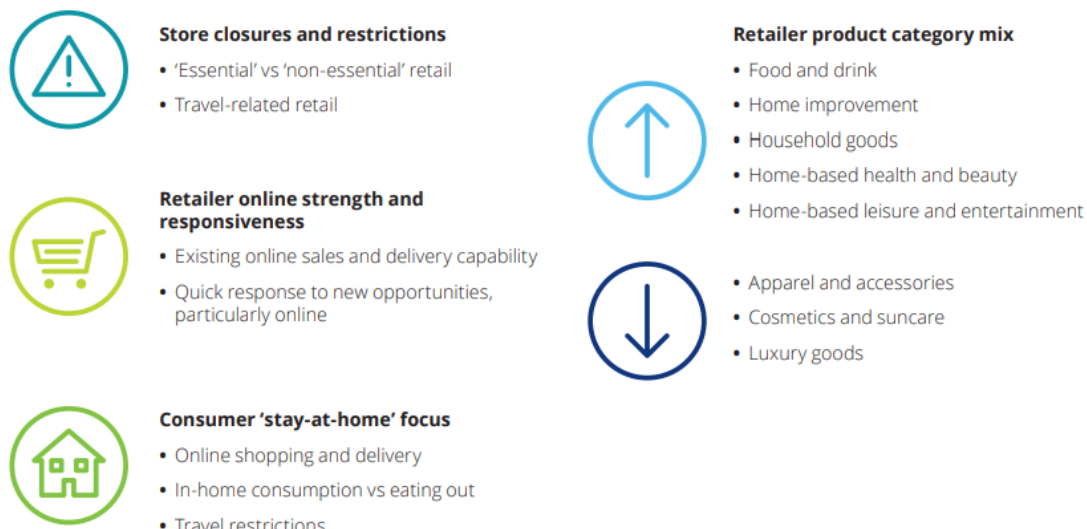- Cosmetics and suncare
- Luxury goods

Figure 2.3: Covid -19 impact on retail, the key drivers

Crisis on supply chain:

As we said in the previous point, linked to the worldwide outbreak of the covid 19 pandemic, there was a very complex and delicate phenomenon to manage, for the different market players, of the crisis in supply chains.[19]

Nowadays, thanks to and because of globalisation, the world is totally interconnected, at many different levels and in many different ways.

Concerning the retail sector, and in particular grocery retail, we know how in order to provide a wide and complete assortment all year round, supply chains start from very distant countries, such as China or the USA.

It is therefore clear to understand how, as companies closed down, and governments decided on long lockdowns for their populations, the supply sector also found itself in difficulty, often leading to delays in deliveries or even cancelling them, causing companies to lose sales and customers.

This is strictly connected with the shortcut in raw materials, that we are still facing nowadays, and that is adding more and more complexity to the supply chain global system;

Raising inflation as a direct consequence, among others, of all the phenomena we previously described, we have a general increase in prices of all commodities.

The world, and in particular in Europe, we are facing an unprecedented rise in inflation. Due to the increase in raw material prices, caused by all the factors we are listing, final prices to consumers have risen sharply as a result.

This is due to the fact that all market players, i.e. suppliers and retailers, have seen cost items increase within their profit and loss accounts;

Invasion of Ukraine from Russia:

Last episode in order of time, last year, in 2022, Russia invaded Ukraine. In addition to the drama of the situation for the country involved and all its citizens, this war has also brought economic damage, particularly to the European Union.

---

[19] Wang, Yiru, et al. "COVID-19 and Retail Grocery Management: Insights from a Broad-Based Consumer Survey." IEEE Engineering Management Review, vol. 48, no. 3, 2020.

In fact, the huge quantities of fossil raw materials that Russia exports to other European countries are well known; due to various war sanctions imposed on the latter, however, there has been a sharp drop in the supply of Gas and Methane to the European Continent, which has caused a shortage of supply, causing prices to rise sharply, as demand has remained the same or even increased.

The increase in energy prices in general led to a chain of price increases in all production stages, right up to the end consumer, who, through inflation, received the heaviest increases; Raise of the HD channel, the so-called LAR (Limited Assortment Retailers): This brings us to the last point of this analysis, the double-digit growth of the discount channel in recent years. Because of all the previous concomitants over the last five years, more and more consumers are doing what is called 'channel shifting', that is, they are going to try to satisfy their needs by shopping in a different sales channel. As we have said before, the Hard Discount store format is based on low prices, not branded products, the biggest format is related to the biggest saving of money.

Having ascertained that the growth of HD is inexorable and ever-increasing, we will then look at what the traditional channel players are doing to try to stem this growth and make up for lost ground.

Considering all these factors, it came obviously to the mind of shoppers, to try to find an alternative in order to contrast this crisis, trying to save as much money as possible.

So, what are the 'Grocery retailers' doing in order to contrast the rise of discounts?

1.   Brick and Click approach: As we have pointed out before, more and more, since the advent of covid, online shopping has started its run and continues to grow at a good pace. In doing so, and also because of the strong presence of players such as Amazon, it becomes necessary for classic players such as Esselunga, Carrefour, Coop etc to be present with the home shopping service.

Thus having a 'Brick and Click' approach that can meet the needs of as many shoppers as possible, trying to avoid them moving to other physical channels, or even online. It is no longer possible, therefore, to be present online, at least with a minimum assortment to offer shoppers.

Some successful examples are Esselunga at home, or Carrefour online. Platforms where there is a good amount of traffic, and where especially certain specific product categories are highly purchased. Think for example of all those bulky, heavy references for which one wants to stock up. Paying for home delivery can be a good compromise;

2.   Omnichannel mindset: Another fundamental aspect that can help traditional players in the grocery channel not to lose too much ground is to use an omnichannel approach; what does this mean? it means, trying as much as possible to be present and aligned at 360 degrees with activation campaigns, both in the physical store and online and in all external communication channels.

By doing so, we are more likely to reach shoppers across multiple touchpoints along their purchase journey. An explanatory example can be for example that given by an in-store promotional campaign, dedicated for example to Halloween with a dedicated prize competition, which is then faithfully replicated online too, with the same dynamics and the same prizes.

In fact, the catchment area that we can target with activation expands and also extends to those who shop online;

3. Dedicated low-priced product line to combat HD: maintaining their traditional offer with a very big assortment, but also creating some dedicated basket of products with low prices.

Retailers have always dedicated a line of products, the so-called private labels with their own brand, to customers seeking greater convenience. We will therefore have a large part of the assortment dedicated to branded products of the brand in which they are sold; such as Esselunga, Selex, Coop etc.

To add to this already present offer convenient for shoppers, a novelty has also been added. That is a line of products dedicated to discount prices, in particular currently offered by Carrefour, which can compete with discount prices trying to combat the inflation rising.

So, let us briefly summarise the most important points of this chapter:

The characteristics of the market in Italy, regarding the grocery retail sector, are closely related to the country's scenario, also from a geographical point of view: a very fragmented sector, numerous retailers operating in a fragmented manner throughout the country;

Advancement and progression of online sales, also concerning what we have seen above, linked to an increase in connectivity and the entry of digital shoppers in the age group with greater purchasing power;

Very fast growth and development of the Hard Discount channel, which offers greater convenience to the shopper, at the price of a smaller assortment and a less discerning shopping experience. At the same time, it is becoming possible for classic grocery retailers to find a viable alternative in order not to lose a large number of shoppers.

CHAPTER 3. METHODOLOGY AND RESEARCH QUESTION

3.1 Personal Stimuli

From a personal point of view, the stimulus that prompted me to tackle this thesis work is related to my internship experience, which I carried out during my second year of studies, in the MARS company.

Before this experience, I was unfamiliar with the dynamics behind Fast Moving Consumer Goods companies, but once I arrived at the company, I was fascinated by both the operational and management aspects of this company.

During my internship, I had the opportunity to work with both the Sales and Marketing teams in the e-commerce department. Entering into the dynamics of a world that has been constantly evolving and developing over the last five years has allowed me to enrich my experience and become curious about various topics related to the digital world, which I then decided to propose as my thesis to conclude my studies.

I found it extremely interesting and stimulating, to delve into a topic like this, also because it intersects perfectly with the course of study I have been on for the past two years: the search for the perfect target for marketing campaigns, online sales via smartphone or PC, the different activations in an attempt to maximise Kpi's such as Click Through Rate and Conversion Rate.

These are all aspects that I have been able to find and tackle in my internship, having already seen them in various courses of study I have taken.

Regarding the company belief I found in MARS, I immediately agreed and felt part of their mission, not only business but also social.

That is, to create a better world tomorrow, you have to start to improve your business today. We will see later on, which are the five principles that the family MARS want to pursue in every action that took place in their business, and that they believe are the main lever that can enable us to achieve this result.

I particularly agreed with the principle of Mutuality, that is, to create a mutual relationship of trust with all stakeholders, both economically and humanly, to grow together. So this means, not only working for your own private return and interest, but also for all your external stakeholders, bringing them mutual advantages, to improve the world where all are living.

3.2 The Research Question: How P2P Has Changed From Offline To Online

The subject of online shopping, in all its different forms, is now a topic that has been studied and explored in depth by the most diverse business journals and is one of the most topical issues in the retail sector. At the dawn of the Internet, the first pioneers of online shopping, back in the early 2000s, had the intuition to offer shoppers this new frontier as well. But we can safely say that after several attempts with alternating fortunes, it was Amazon, who definitely launched online shopping as a global trend, at least in the West.

The question I posed to myself, therefore, to embark on this thesis research is as follows:

Given these new circumstances, with the introduction of several online players, how has the shopper's purchase path changed in response?

Is the Italian shopper persona ready for digital commerce? And the market?

Closely related to this theme, we can and must also remember how Italy is always a country with special characteristics compared to the rest of Europe.

It is therefore really interesting to try to extract as many elements as possible, in an attempt to understand how close this 'Digital Apocalypse' will actually be? Are we all really going in the direction of online shopping?

Will the traditional channel of the physical store resist? How will he try to reinvent himself?

In the following chapters, we will try to answer all these questions, also using and taking cues from the direct experience that I had in MARS in the team dedicated to e-commerce, which gave me the chance to be really in close contact with these themes.

3.3 Data and Approach

As regards the data support and the scientific approach that was used in this work, I tried to base myself on company data and sources, taking as reference the numbers that within MARS I was able to see in the presentations and projects related to this topic.

I, therefore, believe that thanks to the possibility that I have had access to these sources, the work I have done in this area is of absolute value and recognition.

The e-grocery models and sub models referred to throughout the study are summarised in the diagram below. From the point of view of the retailer (the type of player with multiple service types), there are two models divided into eight sub-models. We will go into more detail also in Chapter 6, trying to enumerate for each kind of player that compose this model, one real example.
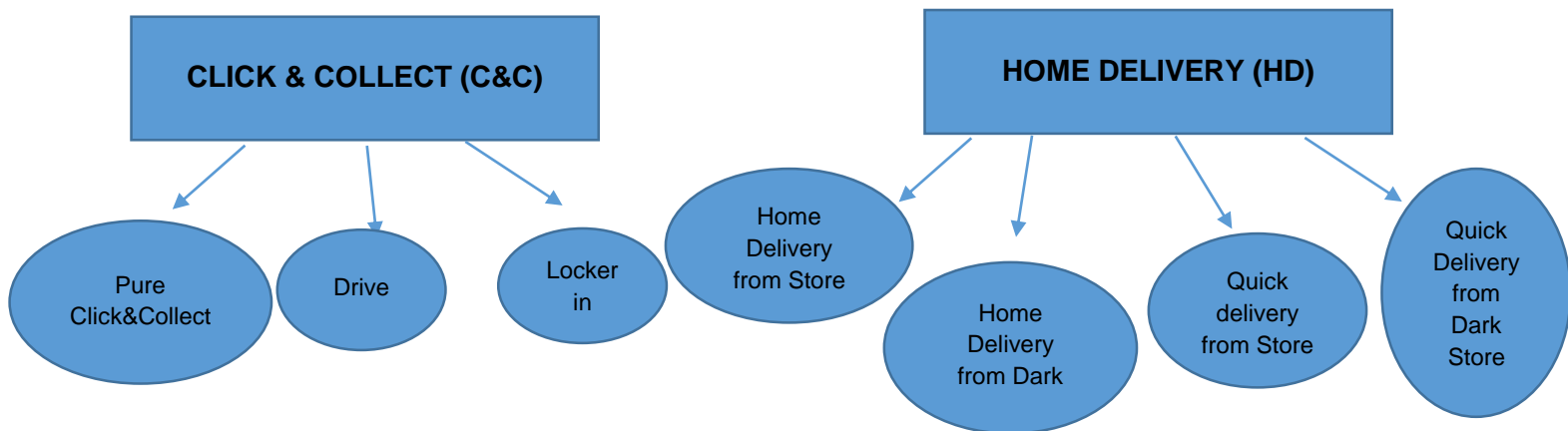
The models are characterised by differences in customer experience and in the processes and costs they generate.

The e-grocery models and sub models referred to throughout the study are summarised in the diagram below. From the point of view of the retailer (the type of player with multiple service types), there are two models divided into eight sub-models.

The models are characterised by differences in customer experience and in the processes and costs they generate.

One of the sub-models (locker extra store) is intermediate because for the customer it is similar to the Click&Collect, while from the point of view of the costs incurred by the retailer (or other types of operators), it is similar to home delivery.[20]

---

[20] Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.

CLICK & COLLECT (C&C)

- Pure Click&Collect
- Drive
- Locker in

HOME DELIVERY (HD)

- Home Delivery from Store
- Home Delivery from Dark
- Quick delivery from Store
- Quick Delivery from Dark Store

MAIN CHARACTERISTICS OF THE TWO SYSTEMS ARE:

- All the typical processes of the retailer
- Picking
- Stocking and handling
- The cycle of payment

- All the typical processes of the retailer
- Picking
- Stocking and handling
- Home Delivery
- The cycle of payment

Figure 3.1: Model explanation of different types of Delivery Services offered by retailers in Italy

This model will help us in further work to understand how best to orient ourselves among the different types of players currently present within the grocery retail market in Italy.

As we can see from the graph, cost allocation and customer experience are two of the various drivers driving retailers' operational and management choices.

If, on the one hand, there is an attempt to optimise the costs incurred as much as possible, on the other hand, there is the need to protect the consumer as much as possible, offering a complete and satisfying shopping experience.

The approach that we will keep in this thesis is twofold, as is evident from the diagram above, we will then analyse both retailers and brands, focusing on the economic aspects of cost, but above all on the shopping experience they offer their end consumers.

CHAPTER 4. OFFLINE PURCHASE PATH: PURCHASING HABITS AND MODALITIES. DEEP DIVE ON PET FOOD CATEGORY

4.1 The Offline Path to Purchase: funnel of marketing

As we have previously done with the Retail industry, also in this section of my dissertation I would like to start the chapter by taking a step back from where we are today; talking about the concept of the path to purchase, first from a point of view more distant from where we are today and then arriving at the current situation.

To do that, I will introduce here the concept of the offline path to purchase; it refers to the journey that consumers take to make a purchase in a physical store, without using online channels during it, from the beginning till the end.[21]

Traditionally, it has been defined as funnel of marketing, since it started considering all potential customers of a determined products in a determined geographical and then, moving closely to the final act of buying the product, it restricted a lot the effective final sales.

To better define this course, I like to use the definition of the article written by the authors Srinivasan, S., Rutz, O.J. & Pauwels, K. in which they divided the funnel in three fundamental stages:

- learning (cognitive);

- feeling (affective);

- behaviour (conative).[22]

This framework, defined as funnel of marketing, it includes all the steps a customer goes through from becoming aware of an existing product to making a purchase at a physical store location. The literature, used to organize it dividing the journey into different steps:

The first one, in the offline path to purchase, is awareness.

This involves a customer becoming aware of a product or brand through various marketing and advertising efforts such as TV commercials, billboards, print ads, and in-store displays.

Once a customer is aware of the product or brand, the next step is defined as "consideration".

---

[21] Srinivasan, S., Rutz, O.J. & Pauwels, K. Paths to and off purchase: quantifying the impact of traditional marketing and online consumer activity. J. of the Acad. Mark. Sci. 44, 440–453 (2016)

[22] Srinivasan, S., Rutz, O.J. & Pauwels, K. Paths to and off purchase: quantifying the impact of traditional marketing and online consumer activity. J. of the Acad. Mark. Sci. 44, 440–453 (2016)

The customer may begin to research the product, compare it to other products, and seek recommendations from friends or family.

After the customer has considered the product and made a decision to purchase, the next step is to locate the product in a physical store. This may involve checking inventory online, using a store locator tool, or simply walking into a nearby store.

Once the customer has located the product, they may interact with a sales associate to learn more about the product, ask questions, and get help with their purchase decision. They may also try out the product in-store before making a purchase.

Finally, the customer will make their purchase and complete the transaction at the checkout counter. They may also be presented with opportunities for add-on purchases or loyalty program subscriptions.

These steps below, are defined as the traditional ones, referring to the funnel of marketing, but as we will see later on, other variables have entered during the journey in which the shoppers go through when making a purchase: the touchpoints.

One interesting point of discussion related to this, will be how the conventional marketing mix like price, promotion, distribution and offline advertising will then interact with the new internet media that are evolving so far.[23]

The marketing literature has begun to examine consumer activity indicators' effectiveness, although most frequently in a stand-alone manner without taking into account the impact of traditional media (Li and Kannan 2014; Onishi and Manchanda 2012; Wiesel et al. 2011).

Additionally, these studies frequently focus on either product category with significant levels of consumer participation (such as automobiles, accommodation, or furniture) or product categories that allow for online consumption (such as music, movies, books, or newspapers). Both of these variables may exaggerate the impact of customer behaviour on the decision-making process for less exciting consumer and commercial goods, like typically low engagement and offline consumables, such as FMCG.

---

[23] Srinivasan, S., Rutz, O.J. & Pauwels, K. Paths to and off purchase: quantifying the impact of traditional marketing and online consumer activity. J. of the Acad. Mark. Sci. 44, 440–453 (2016)

As previously anticipated, we will see that the online and social media advertising will be a disruptive innovation related to the classical 4Ps that have been always considered as the Marketing Mix framework to then develop their marketing strategies.[24]

According to several researchers (Lewis and Bridger 2000; Capon and Hulbert 2000), the modern customer is different: demanding, individualistic, involved, autonomous, better informed, and more critical. The growing consumer power and sophistication as a result of widespread access to affordable personal computing power and online global commercial firms, networks, databases, communities, or marketplaces is one reason driving the transition. These changes have increased the demand on marketers to move away from mass marketing strategies and toward ones that allow for personalization, interactivity, and real, direct communication with customers. These strategies enable marketers to increase communication with their target audiences while also identifying the ever-evolving demands of their customers, acting swiftly in the face of rivalry, and precisely and early predicting market trends.[25]

The offline path to purchase and online path to purchase, as we have said, refers to the customer journey of making a purchase in a physical store or through online channels, respectively. While both paths have similarities, there are also several key differences, that we will illustrate lately; overall, both offline and online paths to purchase have their unique advantages and challenges. Retailers must be able to intercept to both paths and provide customers with a seamless and positive experience at every touchpoint to build customer loyalty and drive sales, also in light of the massive changes that are taking places in the consumer behaviour.

After having introduced one other topic we will further develop later on, it is now the moment to move through one other important pillar of my work: the pet food category inside the FMCG industry.

---

[24] Constantinides, E. "The Marketing Mix Revisited: Towards the 21st Century Marketing." Journal of Marketing Management, vol. 22, no. 3-4, Apr. 2006, pp. 407–438

[25] Constantinides, E. "The Marketing Mix Revisited: Towards the 21st Century Marketing." Journal of Marketing Management, vol. 22, no. 3-4, Apr. 2006, pp. 407–438

This link is useful in order then to see how the company in which I had the chance to do my internship, MARS, decided to structure its online strategy inside this category. I choose to enter more in detail with this partition of the FMCG mainly because two reason: the first one is, as I said before, more than 60% of the turnover in MARS is made of pet food sales, having then a big relevance in the life of the company; the second one is because of its growing importance as a category inside the FMCG Industry.

The pet food category in the grocery Italian market is a significant and growing segment. Pet food products are widely available in grocery stores across Italy, with both national and international brands competing for market share.

Some key aspects I would like to underline related to this category are:

-       Growing fast category: as the numbers suggest, in the last few years and in particular after the Covid pandemic, the number of pet adoptions increased a lot, + 1 Million of adoption after Covid; and as a consequence of that phenomenon, the pet food category started to improve its importance. More and more retailers started to watch with more and more interest in this category, also improving the number of references available on the shelves. And what about the Brand in this scenario? The two main players in this category, MARS and Nestlè, started to improve their effort taking advantage of the good momentum of the category. So, we started to see how these two companies, but not only, released a lot of new references, following the latest trends in the market, such as sustainability and freshness of ingredients.

Lately, we will see how the online scenario will influence all these different changes that are affecting the pet food category.

-    Let's see more in detail about the competitive scenario in the category. As we have said, it is a category with a lot of interest, since it is growing a lot and fast in the last few years. To be even more clear in the analysis, we will see which are the segment that composed the total of the category:

1.   Wet food: this is the biggest partition in terms of variety, both for dogs and cats; regarding the players that dominate it, we can see a difference between the dog wet and cat wet. MARS is a leader in the market of dog wet food, with the brand Cesar, which has more or less the 30% of the quota. Instead, regarding cat wet food, the leader is Nestlè, with the brand Purina and the highest market share. In both the partitions, we can see that the Private Label and all the other brands such as Monge, Morando, Affinity and Vitakraft are growing year after year, trying to get more and more market share.

2.   Dry food: dry food is another very large partition of the category; it has, in value terms, the highest number of turnovers compared to the other partitions, also due to the fact that it has a higher price point. The main players in the partition are Nestlé, both in dog and cat with the Friskies and Purina brands; subsequently, Monge and Morando are also present with several references. MARS is currently present in this partition with lower market shares and two specific brands, Pedigree for dogs and Whiskas for cats.

3.   Care&Treats: the last partition that makes up the pet food category is that of care and treats, i.e. both complement the main meal; it consists of premium snacks, and functional snacks related to animal health. To get an overview of the players that make up the C&T sub-category, let us divide it by dog and cat:

In the cat partition, we have the preponderance of MARS, Nestlé and Vitakraft; while in the dog, the players are the same, with the addition also of MONGE and MORANDO, two Italian companies specialized in the pet food production.

These are the three main important partitions, and we see how the competition is growing and growing in all of them, taking for granted that MARS and Nestlè are the two market leaders that have the capacity of driving the growth of the category.

Differences between online and offline channels?

Where is the convenience? What are the shoppers searching for and what kind of offer do they expect from retailers?

To give even more details regarding the importance that the category is going to have in the future of the retail market, according to a 2020 report by Statista, the Italian pet food market was valued at approximately 2.75 billion euros in 2019, with a projected growth rate of 1.8% from 2020 to 2024. The report also stated that dry pet food is the most popular category, followed by wet food and treats.[26]

In terms of distribution channels, grocery stores are a major source of pet food products in Italy. Both large supermarket chains and smaller independent grocers stock a variety of pet food products, with a particular focus on dry pet food. Some grocery stores also offer their own private-label pet food brands.

Online channels are also becoming increasingly popular for purchasing pet food products in Italy. Large e-commerce platforms such as Amazon and specialised online pet stores offer a wide range of pet food products, including premium and specialised brands that may not be available in physical grocery stores.

Overall, the pet food category in the grocery Italian market is a significant and competitive segment, with opportunities for growth and expansion.

Retailers must be able to cater to customer demand for a variety of products, including premium and specialised brands, and provide a seamless shopping experience across both offline and online channels.

Let's see now in more detail, how MARS, the Company in which I had the possibility to do my internship, is approaching these radical changes that are involving the Grocery Retail market in Italy.

4.2 How the funnel of marketing evolved during years: the new hybrid P2P

The customer journey is the journey that people more or less consciously take when acting as buyers of a good or service, from first contact with a brand to the decision to buy.
It can also be described as the path along which a consumer approaches the final purchase of a given good or service, interacting with the various brand touch points.

---

[26] "Italy: E-Commerce Food Grocery Market Value 2015-2021." Statista.

An important point to make is that in today's digital customer scenario, not all brand touchpoints are controllable and settable by the brand itself.

There is a range of nuances between brand-owned channels, such as a website or a blog; channels for which the brand pays, i.e. paid channels such as a commercial, a press ad or a banner; and finally the so-called earned channels, i.e. all brand-related material that is created and generated by customers, such as reviews and reviews.

This scenario nowadays makes it much more complex and articulated for the brand to manage all contact points towards its future potential customers and the outside world in general.

Talking about what has been universally recognised as the most authoritative of the shopper's purchase paths, we come to mention Rucker's funnel of marketing; according to his theories the customer would typically go through 4 phases during his purchase path, and the repeat purchase (repurchase) would then be the main indicator of a successful relationship with him and his loyalty.
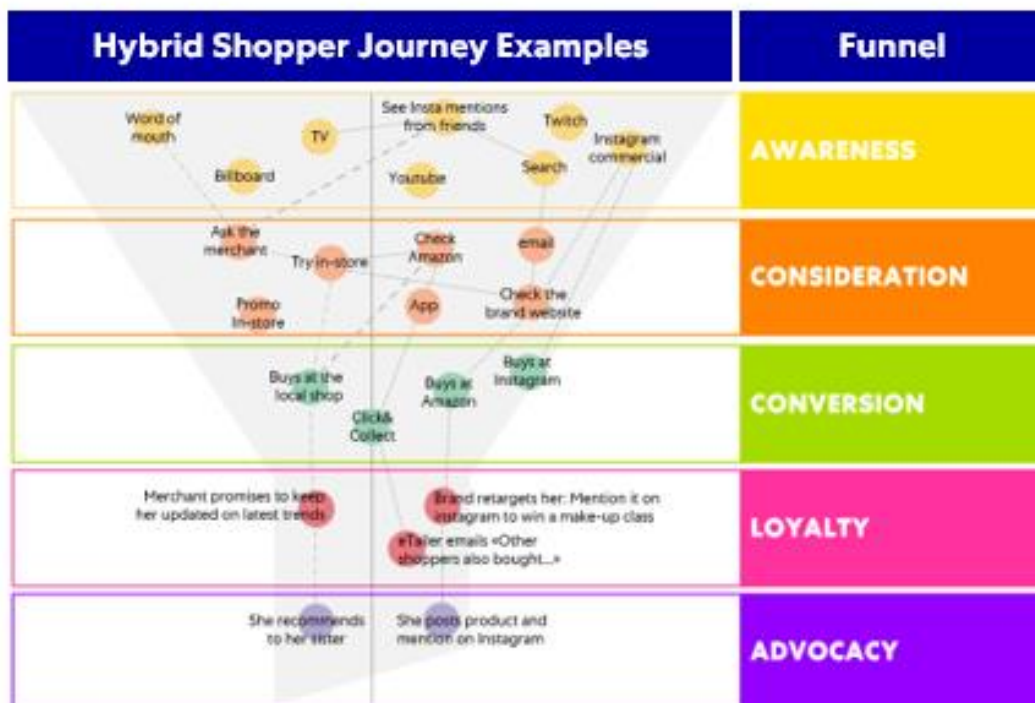

Figure 4.1: Funnel of Marketing of hybrid shopper journey

The path thus marked, by these stages, is traditionally referred to as the customer funnel: the number of potential customer decreases, progressively as they move from one stage to the next. This paradigm is not changing from the classical funnel of marketing, what will totally change is the possibility for the shopper to find more and new touchpoints with the Brand along the journey.[27]

There must be a consequentiality in the steps taken by the customer; similarly, the brands taken into consideration by each person also decreases progressively with each step.

As we said before, the company can influence the purchase path through the touchpoints where it comes into contact with the shopper; in the path defined by the 'four steps', what most influences the purchase decision along the various stages of the customer journey is manifested in the touchpoints controlled by the companies, thanks to marketing activities. Such as TV commercials in the awareness phase or sales personnel in the "act" phase.

We need here to make one more distinction, regarding the media activity that a company can take in place during its marketing campaign; in fact, there are three different types of 'tools' related to media that a company can use in order to improve its touchpoints with potential customers:

- Owned media: The majority of medical practices already have websites, brochures, mailers, and blogs as part of their media arsenal. These are resources that the practice manager has control over and that can be put to good use in fostering enduring connections with current and prospective patients.

- Paid media: Paid media is advertising—paying for the promotion of a business's goods or services. On the bright side, advertising provides scale, control, and immediate results. However, if done poorly, it could just add to the chaos and end up costing practices money for little gain.

---

[27] Constantinides, E. "The Marketing Mix Revisited: Towards the 21st Century Marketing." Journal of Marketing Management, vol. 22, no. 3-4, Apr. 2006, pp. 407–438

- Earned media: Public relations includes earned media. Gaining visibility in news segments, feature pieces, and by lined articles is achieved through press releases, media alerts, and connections with the media. But also likes, comments and reviews made by shoppers. This can raise the brand awareness and credibility by establishing companies as thought leaders in their respective fields. [28]
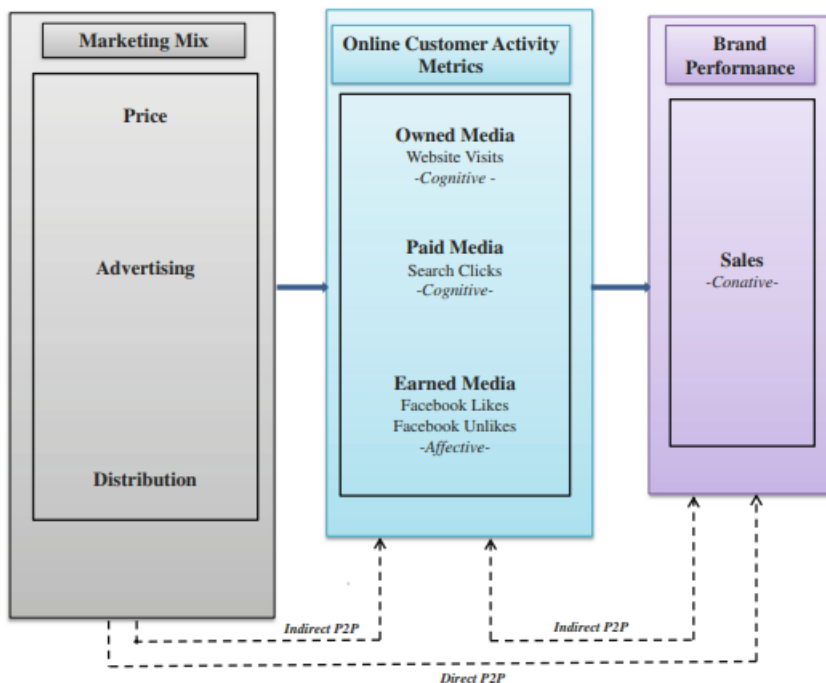

Figure 4.2: How the Media Activity are integrated with the traditional Marketing Mix

Among all, we have already pointed out, however, the digital world in which we live has supplanted several logics in the relationship between customers and brands.

Indeed, in the pre-connectivity era, the individual customer formed an opinion about a brand on his own, or at most compared himself internally with an inner circle of acquaintances.

In the digital era in which we live today, on the other hand, the community exerts a strong influence from the very beginning of the shopper's purchase journey, to the point that many purchasing initiatives are now 'natively' digital.

---

[28] Abdow, Michelle. All Things Media: Paid, Earned, Owned and Shared. External Marketing, 1 Jan. 2020.

In the pre-digital era, brand loyalty was mainly defined in terms of customer retention and repurchase rate. Instead, in the digital age people are increasingly oriented towards documenting and sharing their experiences online, therefore brand loyalty is no longer demonstrated only by repurchasing the product and/or service, but also by recommending it to other people, the ones who call advocacy.

It goes without saying that a high rate of advocacy among customers can lead to significant positive effects on the brand.

In light of everything we have said so far, the customer journey must no longer be described with the '4A' model but with a new model; which this time is expressed with the '5A', i.e.:

- AWARE: in this first phase, customers encounter a wide range of brands through past experiences, marketing communications and/or other people's suggestions.

This is the first stage of the journey; advertising is one of the most important levers that a brand can activate in this first phase, even if, as previously mentioned, the influence of the group is an equally important factor

- APPEAL: this phase is particularly critical for those companies that operate in very competitive sectors, with many companies on the market that sell commodities (for example consumer goods which tend to be undifferentiated products).

The brand, in order to be able to win the competition, must exercise a greater attraction to stand out from the competitors. Some customers react more than others to the attractiveness of the brand.

- ASK: The ask phase is complicated by the increasingly present integration between the digital (online) and physical (offline) worlds and by the multiplication of channels through which it is possible to collect information.

In an era of connectivity, this phase appears to be particularly frenetic and can give rise to a collective decision which can lead to the act of purchase or even directly to advocacy, as occurs for those products and services for which people weave their praise despite never having actually bought them

- ACT: If potential customers at this point in their buying journey are persuaded by the information gathered so far, they will decide to take action.

However, it does not end here, in fact, we must remember at this stage that after purchasing products or services from a certain brand, customers interact with them on a deeper level: through consumption, use and after-sales services.

It is therefore a question here of a 360-degree experience with the brand, which must be positive in order to be able to lead the customer to buy again by generating positive word of mouth.

- ADVOCATE: Over time, customers can develop a certain sense of brand loyalty, which is reflected in retention, repurchase and potentially in recommending the product or service to others. The Advocate phase assumes considerable importance in the digital age, given the much greater breadth than before of the audience that each individual can reach with his recommendations. Advocacy occurs when a customer spontaneously recommends a brand he appreciates to others, sharing his positive experience online, in such a way as to also influence the purchasing path of others.[29]

Figure 4.3: Example of all the touchpoints of the omni channel journey

To conclude this part of my dissertation related to changes, I would like to underline some of the trends that are to take into consideration related to the market and to how the shoppers are evolving due to external and internal changes.

Which are the last trend in the market related to the hybrid path to purchase?

---

[29] Constantinides, E. "The Marketing Mix Revisited: Towards the 21st Century Marketing." Journal of Marketing Management, vol. 22, no. 3-4, Apr. 2006, pp. 407–438

First aspect we need to take into consideration is the Personalization of the offer to the shopper; this aspect will be more and more crucial in the future, due to different aspects. As we have seen before, shoppers have multiple touchpoints with multiple brands every second of their life. We are living in a hyper-connected society, and time is a scarce resource.

It is becoming more and more difficult to get the attention of shoppers, and it is in just a few moments that brands have to catch their interest. So, the more we are able to segment our offer and find the right target to send it, the more will be the chances to get the attention of our potential customers, to start with them in the purchasing funnel.

The second aspect, I would like to emphasise, is the one related to the Content Optimization we offer to our shoppers throughout our online platforms; for example, if we think of Amazon, which is the biggest player right now in Italy for the online shopper, we have already seen before how much is important to offer a well prepared and complete customer experience to our shoppers in term of content, both written and regarding images.

This is mainly relevant for two aspects:

- Improve the customer satisfaction in the experience of the shopper, that will likely come back to purchase our products in this manner;
- It helps our references to improve their position in the search ranking, better answering to the search algorithm and the engine search optimization.

So, in general, if we want to leave a mark on the online battlefield, we absolutely need to make a step change in this direction, offering the best possible offer to our shoppers.

The last point, as we have already underlined, regards the Integration of offline and online activations.

Indeed, with the aim of being able to reach the largest number of shoppers, and do it with the highest possible return on investment (ROI), integrating online and offline marketing and activation campaigns is one of the main levers to continue to maintain high shopper awareness of our brands.

A clear example could be the one related to both advertising and promotional campaigns linked to 'Back to School', i.e. the period between the beginning and mid-September, that is really crucial for retailers in order to maximise their turnover, since it is a 'stocking' period, in which people come back to their life after summer holidays and spend a lot of money in the supermarkets.

In fact, in this period it is used to launch strong promotional and advertising campaigns, in various product categories, including chocolate.

Acting simultaneously, both online and offline, can help us to target our marketing campaigns in the future, working on the data obtained, to improve their efficiency more and more.

4.3 MARS: Tomorrow starts with how we do business today

MARS has been a family business for over 100 years, and is proud to be so. It is this independence that gives us the freedom to think in terms of generations, not quarters so that we can invest in the long-term future of our business, our people and the planet, always guided by our steadfast Principles.

Among the multiple worldwide known brand that MARS owned, we can list M&M's, Bounty, Twix, Skittles, Snickers and others related to the chocolate and candy category. In the last few years, at least in the Italian market, the company is more focused on pushing higher its brand of pet food; also here, MARS can count on some of the most recognized brands in the category such as Pedigree, Sheba, Whiskas and Catisfactions just to mention the most important ones.[30]

In MARS, are convinced that their independence as a family business allows them to prioritize long-term investments for the benefit of all stakeholders, including future generations. This approach is summarized in the slogan launched by the family that stated 'the world we want tomorrow starts with how we do business today'. Our boldest ambitions go hand in hand with actions taken in the present together with our more than 115,000 Associates in 80 countries around the world.

Some of our current initiatives to build a better future in the world:

Investing $1 billion over the next few years to become sustainable within a generation;

Active engagement to improve the well-being of families around the world by exploiting and sharing our research to create a better world for pets.[31]

Every day we are getting closer to the world we want tomorrow through our ongoing commitment to action today.

---

[30] Mars. "Global Petcare, Food, Mars Wrigley and Edge Brands | Mars, Incorporated." Mars.com, 2022
[31] Mars. "Global Petcare, Food, Mars Wrigley and Edge Brands | Mars, Incorporated." Mars.com, 2022

The Five Principles are the foundation of the way we do business today and every day. With 115,000 Mars Associates active in 80 countries around the world, clear direction and sound moral principles are essential. The long-term future of our business and the planet depends on the contributions we make and the courageous actions we take.

That is why we seize every opportunity to make a positive impact in this ever-changing world, using the guiding philosophy that has always set us apart: The Five Principles.

We place The Five Principles at the heart of every decision we make.

This means that:

We guarantee our total commitment to Quality of Work and Contribution to Society.

We embrace our Commitment (as people and as a company) to act now.

We base decisions on the Mutuality of Benefit for all stakeholders.

We harness the power of Efficiency to use resources in a way that achieves maximum results.

We enjoy the Financial Freedom that allows us to make our own personal decisions, free from the motivations of others.

We know that what we do is only worthwhile to the extent that we choose the right way to do it. Our actions must help us build a better world for future generations.

CHAPTER 5. E-COMMERCE: NEW ACTIONABLE LEVERS AND SHOPPERS TOUCHPOINTS

5.1 How E-commerce entered in the Retail sector

For decades, location and assortment have been the two pivotal elements in the retail world, driving its success or failure.[32]

It was assumed that the priority was to get the best locations and that, with an assortment in line with a well-defined target group, the rest would more or less follow.

This view might have made sense in a market that had not yet experienced the fragmentation, turbulent changes, and competitive pressure that is the new standard in the digital age.

That said, it would be a serious mistake to assume that the closure of a large number of brick-and-mortar retail shops indicates the end of brick-and-mortar, i.e. physical stores. If anything, it demonstrates the end of a model that has remained virtually unchanged over the decades and is proving its inadequacy for the conditions that define the digital age.

Over the last two decades, the spread of the internet and smartphones, with the mass use of social media, has overturned the canons according to which companies in all sectors - retail included - had built their entire customer offering system over the previous fifty years. This was not a technological revolution within the retail sector; if anything, the technological revolution created the conditions for subversion of power relations, assigning the customer-consumer a leading role in dictating the new ways, times and contents of the offer.

The central point is that thanks to the innovations in the technological field that have affected us all, people have changed at a much faster rate than companies have changed, throwing onto the scene the so-called digital natives, better equipped to request adequate responses in term of customer satisfactions from companies.

As a result of digital changes and the advent of pure digital players on the market scene, the customer experience has gained total preponderance, and expectations have evolved.

As the fragmentation of contact points and opportunities to access products and services has increased, the difficulties for companies to manage the consumer experience consistently and effectively at different stages have also grown exponentially.

This is why, in today's context, and increasingly so in the future, the customer experience is a top priority for retailers and brands.

---

[32] Amit, Raphael, and Christoph Zott. "Value Creation in E-Business." Strategic Management Journal, vol. 22, no. 6/7, 2001, pp. 493–520.

We must not forget that the multiplication of touchpoints has not been matched by a proportional increase in the time people devote to consumption: time was and is a scarce resource.

In short, companies today have to deal with an audience that is more fragmented, and more critical but at the same time less attentive and less willing to give the little time it has available.

What is needed, therefore, is an omni channel approach, in which customer data is shared as much as possible and content integrated, to offer a personal, engaging and therefore meaningful experience.

It goes without saying, that Location and Assortment, can no longer be the priority, if, through e-commerce, we can have a virtually unlimited depth of options to choose from and have our purchases delivered in a few days, if not a few hours.

As we have pointed out so far, the advent of technology and internet has had very strong effects on the retail sector. First by changing the customers' habits and purchasing methods, to arrive at a different relationship with the brands.

To give more strengths to these hypothesis, some numbers will help us even more to shape the change we are experiencing, structuring our theses in this regard.

A key point to highlight is the immediacy of the change, already today the majority of shoppers can be defined as 'Digitally connected'.

To support this, the numbers tell us that:

The daily average in Italy of hours spent online is almost 6 hours a day. All this time spent connected to the network allows the shopper to experience numerous touchpoints, which the company must be able to manage in an attempt not to lose the opportunity to sell its products to end customers;

78 million phone connections have been registered last year in Italy, as we can see digital life is no more our future, but our present;[33]

88% of shoppers now follow an omni channel purchasing path (P2P), this means that if we do not want to lose during the P2P potential customers, we have to offer an omni channel experience with our brand;

---

[33] "Italy: E-Commerce Food&Grocery Market Value 2015-2021." Statista, www.statista.com/statistics/761489/market-value-of-the-online-grocery-sector-in-italy/.

80% geographical coverage offered by online retail sites ensures that 8 out of 10 Italians are geographically covered and have the opportunity to take advantage of online shopping.[34]

Figure 5.1: Data regarding Digital Environment in Italy

From these data below, we can clearly understand how E-commerce is the present of retailing, since the vast majority of shoppers in Italy are already digital, even if they do not convert the final purchase online, at least one part of their P2P has an online touchpoint.

In particular, food and grocery are the most dynamic partition online growing faster than other classical channels, but still having a low penetration rate; some other data, tell us that 63% of the population in Italy last year bought at least one consumer good online.

At the same time, we know that year on year, the business online is growing double digits; in particular, the food and grocery in 2022 grow by 17%.[35]

---

[34] "Italy: E-Commerce Food&Grocery Market Value 2015-2021." Statista.

[35] "Three E-Commerce Trends That Will Change Retail in 2023." Euromonitor, 28 Feb. 2023.

Food&Grocery is the most dynamic partition online
growing faster but still low penetration rate

63%
bought at least one consumer good online

+37% +23%
+39% +19%
+84% +47%
+38% +18%
+17% +10%

2017 2018 2019 2020 2021 2022

4,7bn€
dCom Food&Gro

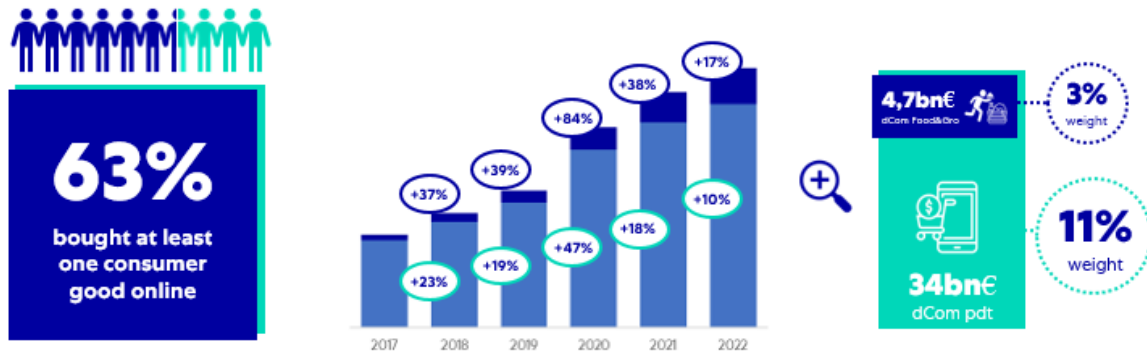**3%**
weight

34bn€
dCom pdt

11%
weight

Figure 5.2: Food & Grocery data, no stop growing partition

Some more numbers related to the E-grocery market, and the trend that this sector is having in the last few years:

- Market value: 4,025 million € (2021)
- % of total food consumption at home 3,4% (2021)
- Trend 2021/2020: +64%;
- Trend 2020/2019: +130%.[36]

In Italy, the market share of e-grocery in food consumption at home (3.4%) is slightly higher than in Spain (2.8%) and Germany (2.6%) and growing strongly in the year of the pandemic (+130%) but also in 2021 (+64%).[37]
The business is currently dominated overall by retailers, but with third parties playing a larger role than in other markets.

---

[36] Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.
[37] Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.

The fragmentation of the retail sector, the fact that only 70 chains out of about 200 have activated e-grocery services and the fact that individual retailers, even within the same group, have developed these services at very different speeds and with very different territorial coverage, leads to very different situations in the territories, both in terms of the share of strategic groups (where retailers are passive, pure players and, above all, third parties have larger shares) and of shares of individual retailers

To conclude this introductory and more numerical part about how e-commerce and the world of online connections have now become part of our everyday lives, let's look at other numbers that bring us even more aware of how it is now imperative for companies to be present in the online world, to offer the shopper an all-round shopping experience.

Let us analyse in detail, the four items we see expressed in the chart below:

More and more digital natives are entering the market with purchasing and spending power; in fact, the numbers tell us that year after year they are increasing by 1% due to generational turnover. This is a critical piece of data, that makes us realise what is the urgency in responding to the increasingly digital needs of an audience that is getting younger year by year.

A progressive change in the balance of time management in everyday life. More and more leisure time is gaining in importance and centrality, due to life rhythms that are becoming more frenetic than ever before. From this point of view, having the possibility of saving time on shopping, doing your shopping directly from home, is a very important lever that makes us understand how online shopping is central these days. In fact, let us remember that shopping online also means having the possibility of stocking up more, and not having to physically bring the groceries home. Thus, alongside time-saving in the immediate term, there is also time-saving in the long term.

Another very important aspect to consider, and related not only to the whole grocery sector but especially to the pet food category, is the strong growth there has been since 2020 in pet adoptions. In fact, during and after the pandemic, there was an increase in pet adoptions of about 1 million.[38] This regards closely the business of our company case scenario, MARS, in which Pet food revenues are growing faster and faster in the last few years;

---

[38] Desai, Parag, et al. Retail 4.0: The Future of Retail Grocery in a Digital World – Asia Consumer and Retail Practice.

This factor, of course, affected the demand for pet food, which made both MARS and the other players in the market grow. This growth has also projected itself into digital, as the type of products that belong to the pet category lend themselves particularly favourably to an online purchase, as they are products that:

- have a long shelf life and can therefore be purchased in big packs;
- are particularly bulky and heavy, making them convenient to transport home;
- savings can easily be obtained by purchasing very large convenience formats.

The last very influential trend for our analysis, as we have already pointed out, is the unprecedented growth in inflation over the last two years. To efficiently respond to this trend, shoppers are moving to different channels with respect to the traditional ones, such as Hard Discounters and E-commerce. Why are they shifting their habit of purchase? Basically, they are searching for convenience and trying to save money.

The assortment that is present on these types of platforms and channels, is largely favourable for them to save money since it is characterised by:

Bulk packs;

Usually less quantity of branded items, in favour the Private Label, which means convenience.

Digital Commerce is ALSO the future…
Italy is among the top five market with greatest potential

New generations entering the market
Digital native share is growing 1% YoY due to generational turnover

A different lifebalance
Time is key and dCom means convenience

Pet adoptions increasing
+1M HHs adopted a pet during pandemic

Inflation rising
Bulk buys as a way to save money

Top 10 Markets with Greatest E-Commerce Potential

Rank	Country	Total E-Com Value Potential (USD mn)
1	China	42,982.6
2	USA	7,329.5
3	Japan	3,003.9
4	India	2,952.9
5	Italy	2,398.6
6	Germany	2,393.6
7	South Korea	1,955.2
8	Brazil	1,780.6
9	France	1,699.2
10	Mexico	1,545.8

Source: Euromonitor International's E-Commerce Readiness Model

Online will more than double to **21,5%** of total US gro sales by 2025

Online retail sales worldwide **+50%** exp growth 2025 vs 2021

MARS Source: ISTAT | Euromonitor | Statista 22

Figure 5.4: How is the Digital Commerce evolving? Why?

DCommerce is composed by different channels
with different performances and potential

dCommerce is an environment where different channels operates with different operational models

MARS

PP (PUREPLAYERS) GENERALIST
Large assortment beyond pet. Only online.

MARKETPLACE
Anybody can sell to consumers, small or big business.

PP (PUREPLAYERS) SPECIALIST
Large pet assortment. Only online.

B&C (BRICK&CLICK) SPECIALIST
Offline specialist selling online with varied delivery methods

B&C (BRICK&CLICK) GENERALIST
Offline generalist selling online with varied delivery method

QUICK COMMERCE
Reduced assortment, only online, ultrafast delivery.

D2C (DIRECT TO CONSUMER)
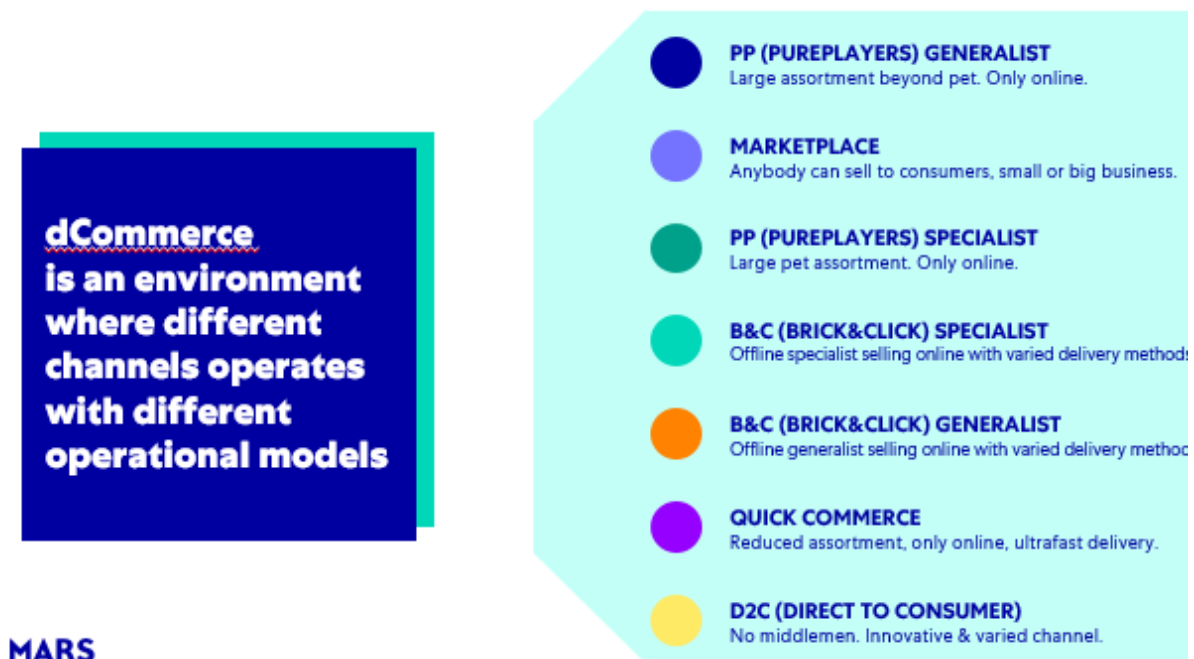No middlemen. Innovative & varied channel.

Figure 5.5: Scenario of Players Operating in Digital Commerce

The scenario that is gradually developing within online retail is very varied and complex; there are in fact several players operating in different 'channels' using different operational and management models.

As we can see from the chart, different players have evolved in relation to the needs and requirements of customers; however, the pole stars that have enabled the development of these different players have been:

- Assortment, i.e. the breadth of assortment offered to the end customer

- Urgency, i.e. the speed with which one wants and is able to get the product to the end customer.

From the intersection of these two key drivers, we see how different nuances of possible players position themselves in the online market in an attempt to meet the needs of an increasingly digital-oriented customer base.

Of course, these are not the only two main features we can underline, to create a discriminant between the different players in the digital commerce scenario, but are the most relevant that answer the customer's real needs, which are:

searching for something particular in the assortment I cannot find in an offline store, trying also to save money buying bulk products;

On the other hand, getting something as quick as possible to my house, responding to a sense of urgency that otherwise cannot be accomplished by doing shopping in a 'normal' offline store.

Going into more detail, let us analyse what are the peculiarities of each player, for each sub-segment of the online channel, which as we have said stems from the players' ability to satisfy two customer needs; namely: urgency and breadth of assortment.
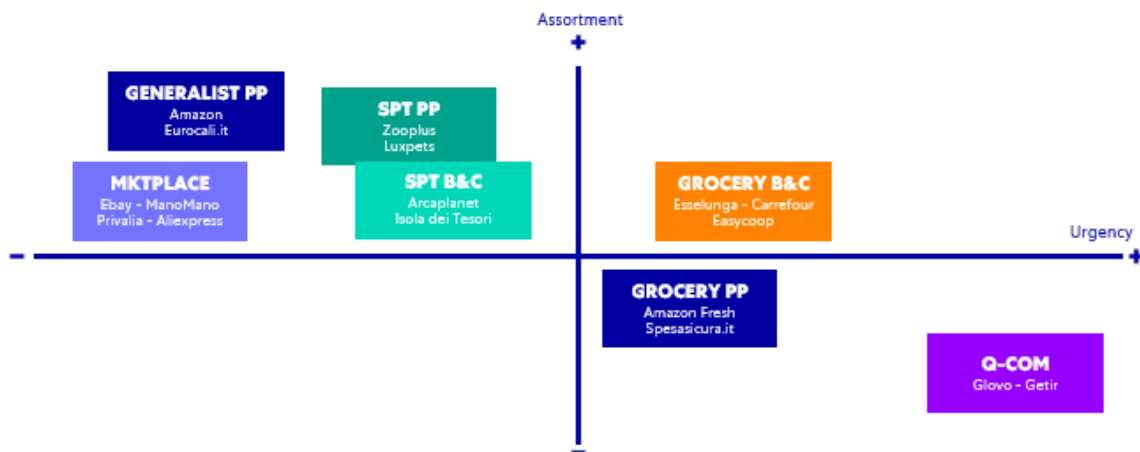

Figure 5.6: Different Classification of Online Players

As the chart above shows, the landscape of players operating within the online world is very diverse, with different channels within it, operating with different models.

Figure 5.7: Main Online players present in Italy

Let us, in order, highlight the peculiarities and characteristics of each of them that are nowadays present in the Italian market:

- Pure player generalist (PP): this is Amazon; it is a player that was born online and operates only online (in fact, it is also moving towards physical retail, trying to innovate the sector a lot, entering it with check-out-free and highly robotized shops).

They have the widest assortment of all the players on the online scene, and urgency in the delivery of the product to the customer is not the primary driver of their operating model, in light of the fact that usually the 'typical' shopper on this platform, stocks up extensively and has a non-weekly purchase frequency, can therefore organise their stock in advance, without finding themselves in an emergency situation and therefore time pressure;
Marketplace: we refer here mainly to eBay and Ali Express, the platform best known for being the 'base' of buying and selling between sellers and buyers.

There is no limitation to the size and importance of the seller, anyone can use the platform to sell to end consumers; other examples are Amazon, which in part also functions as a Marketplace, and Facebook Marketplace.

Their strategic positioning with respect to assortment and urgency is very similar to that of Pure Player Specialists, although they have a more limited assortment, they maintain a relative urgency in delivery to the end customer;

- Pure Player Specialists (PP): these are those sites that are dedicated to, and therefore specialise in a single product category. We see in the chart how reference is made to the Pet category, being the most relevant to Mars' business. These players maintain the characteristics of Pure Players Online, such as first-class assortment breadth and non-urgency in product delivery. Examples are Zooplus and Luxpets;[39]

- Brick and Click Specialist (B&C): Let us therefore, abandon the Pure Player part, i.e. players born and designed with an operating model dedicated entirely to the online world, to analyse the so-called 'Brick&Click'. What are they exactly? They are players that were born offline, i.e. as physical retailers, but in recent years have decided to expand their offerings also online.

  As is well understood, we are moving towards players that have a less extensive assortment than their predecessors, because it usually corresponds to the assortment in the physical store.

In contrast to the previous pure players, however, here we are moving more and more towards a greater speed of delivery, to respond to a more frequent purchase by the customer, who is unlikely to stock a large amount, but rather is moving in the direction of weekly shopping;

---

[39] Müller-Lankenau, Claas, et al. "Multi-Channel Strategies: Capturing and Exploring Diversity in the European Retail Grocery Industry." International Journal of Electronic Commerce, vol. 10, no. 2, 2005, pp. 85–122.

- Brick and Click Generalist (B&C): Here, we are talking about those players who were originally born offline, and who develop almost all their business through physical retail, but who in recent years, since Amazon started online shopping, and following the Covid pandemic in 2020, have also opened an online site where the shopper can usually find all the products he would find in the corresponding physical store.

The most active examples in Italy to date are Esselunga, Carrefour and Easycoop. Even for these players, the assortment is less extensive than for PP and the speed of delivery is usually one or two days, much faster than for PP. It responds here to a more weekly shopping frequency on the part of the shopper.

PLAYER	MARKET SHARE E-GROCERY	HOME DELIVERY COVERAGE	CLICK & COLLECT SERVICES	DRIVE SERVICES COVERAGE
ESSELUNGA	At national level	Present in 44 provinces and surrounding territories. The service is also present in 8 provinces of tourist localities	Present in 27 provinces also with locker service	
CARREFOUR	At national level	capitals, hinterlands and other major cities in 37 provinces	Present in 40 provinces	
COOP	At national level	capitals, hinterlands and other major cities in 40 provinces	Present in 45 provinces and surrounding territories	Present in 13 provinces
CONAD	At national level	capitals, hinterlands and other major cities in 36 provinces	Main present in 49 provinces	
GRUPPO SELEX	At national level	capitals, hinterlands and other major cities in 25 provinces		Main present in 21 provinces

Figure 5.8: Main retail players present both offline and online[40]

The top 5 Italian retail groups that belongs to Brick and Click category (retailers active in e-grocery with the largest market shares in offline) have fairly similar service levels similar:

- territorial coverage covers between 25 to 45 (none of the retailers is present in all 96 Italian provinces);

- almost all retailers serve capital cities and sometimes the hinterland and other major cities with home delivery; only Esselunga serves the entire provinces; and

provinces;

- all are operational with home delivery, while click & collect and drive are alternatives.

In addition to these main groups, there are also individual retailers who, although often operating in just a few provinces, have achieved excellent service levels and market shares: PAM, Bennet and Finiper in several areas; Iperal and Tigros in the North West; Tosano, Alì and Poli in the North East; Cedi Gros in the Centre; Maiora, Ergon and Decò in the South.

- Quick Commerce: This brings us to a type of player that has relatively recently entered the online grocery sector: quick commerce.

What do we mean by quick commerce? Always using their ability to offer a wide assortment and speed of delivery (urgency) as main drivers, we are talking about players who are the exact opposite of Amazon; i.e. home delivery platforms, born with very high efficiency and speed of delivery, which have structured their assortment offer in such a way as to satisfy the urgent needs of the customer.

The assortment is usually very limited and tries to cover all consumer occasions with best-seller products; delivery is very fast, sometimes between 15 and 30 minutes, precisely to meet the shopper's urgent needs;

[40] Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.

PLAYER	STRATEGIC GROUP	SERVICES	ACTUAL SITUATION IN ITALY
GLOVO	Third Parties/ Pure Player	Quick Delivery	It is present in all the biggest city in Italy; already developing partnership for delivery with retailers (Crf or Esselunga) or from their dark stores
DELIVEROO	Third Parties / Pure Player	Quick Delivery	It Is present in some of the biggest cities in Italy, and is already working for partnership with retailers
GORILLAS	Pure Player	Quick Delivery	The situation in 2022 was not clear, they closed some of their operations in Italy
MACAI	Pure Player	Quick Delivery	It is operative from May 2021 serving cities like Milan, Turin, Modena and Brescia

GETIR	Pure Player	Quick Delivery	Operative in Italy from October 2021. It serves Milan from the dark store. It is the leader in Europe in Quick Delivery, operating since 2015

Figure 6.9: Main online Players present in Italy concerning Quick Commerce

- Direct to Consumer (D2C): direct to consumer, is the possibility for a supplier in this case, so we are talking about a special feature compared to what we have seen so far, to have a direct sales channel with the end customer; without any kind of intermediary.

  Having the company's own website would allow a direct relationship with the final shopper, without having to be subject to the retailer's constraints, both in terms of commercial conditions (discounts, prices, assortment, etc.) and also in terms of the choice of assortment for new launches or the removal of products that do not perform well on the online site compared to other sales channels.

In summary, having a proprietary D2C would allow the brand to optimally manage the relationship with the end customer, be able to independently study the dynamics of price, and assortment and offer to tailor to its customers who use the online channel to purchase the brand's products.

In order to extremely sum up this paragraph, we have seen three main topics:

1. Which are the dominants trend in the market related to the advent of e-commerce;

2. How is the situation in Italy if we are talking about online players in the grocery retail market;

3. Some numbers and indexes can help us to understand where the shoppers are moving and how their habits are evolving.

5.2 Focus On the Different Actionable Levers Offline: Partnership, Extra Visibility, Promotion and Innovation

Given the current situation in which consumers have shifted to online shopping, MARS can position itself as a leader in e-commerce through various strategies. To do so, it is needed to implement innovative techniques and strategies.

Let's now go and investigate together what are the levers that MARS can operate to achieve the best result in terms of performance, relationship with customers and with the final shoppers who buy our products.

To do this, let's quickly take a step back, asking ourselves what levers are activated and on which we work, to be successful in the offline world; from these, we will then start to see what are the differences and possibly the similarities with the online channel.

So, what are the levers of the offline world that we can activate to be able to improve the performance of all the company's KPIs, generating a greater profit and a higher % of earnings?

Also with the help of the chart, we see that these are different dimensions on which we can work, consequently building from the bottom up, to achieve excellent results in terms of economic performance.

Starting from the base, let's see how two key aspects work on our partnerships with customers and product distribution in stores. Let's start by briefly analysing each of them:

-        Partnerships: what do we mean when we talk about partnerships? Here, it is a question of working together with customers to find the best solutions, mutually, to grow both the category and the margins of Mars and the customer.

We, therefore, work in a mutual and collaborative way, in an attempt to establish relationships and agreements, both commercial and assortment-wise, which on the one hand allow the category to grow, increasing the retailer's profits, and allowing Mars to grow by being a preponderant part of the category.

-        Distribution: distribution is one of the key drivers of the growth of a company like Mars, which is part of the fast-moving consumer goods; if we think about it, the first lever that really makes the difference between selling or not selling the product is the fact that the product itself is on the shelf.

If we agree with the customer about the presence of the product on the shelf, investing money in the so-called listing fees, but then we don't really make sure that the product is on the shelf, we are losing potential sales and therefore all the positive aspects that are generated by the sale of products.

Let's then move on to another category of levers, the second one, that allows us to increase sales and improve performance:

- Category Projects: these are agreements that are made with retailers, in an attempt to improve and streamline the shelf positioning of Mars references, but not only, to make the entire category in question grow speaking.

Usually, this lever is activated when there is a good relationship, therefore a positive partnership with the customer. They are not easy to implement, and the strong impact of competition must always be taken into account.

- Perfect Store: what is the Perfect Store? It is our 'picture of success' that we would like to replicate in every shop in which we are present. So, different dimensions guide our work inside the shop, in the way in which we want to improve sales to our final shoppers.

Of course, this perfect store is an 'ideal' situation that is not always possible to replicate inside the store, but working on the previous levers, such as category projects, partnerships and distribution, the percentage of success related to this lever, can improve.

- Extra visibility: The extra display is as traditional a lever in the offline channel as it is fundamental to be able to increase sales at the point of sale of certain categories, particularly those linked to impulse buying, as is the case with chocolate and snacks in general.

How to work with it at the point of sale? First of all, by contracting and working to be present with the product at all the points of interruption that can interrupt the shopper's purchasing process, making certain products that are not usual in their consumption and purchase appear before their eyes; secondly, by trying to be present with the promotional islands, the over-the-counter displays and the forecourts, i.e. all the extra displays to which the customer is exposed, either as he or she walks through the aisles and corridors or at check-out.

In this way, by working on this lever, we can succeed in increasing the number of times the consumer buys our product, and increasing the number of point-of-sale rotations.

The third dimension we want to work on to improve our result is made of these different levers:

- Pricing Advertising: Other levers that can be activated in an attempt to improve our performance, in this case economic, of our KPIs include pricing. That is, all those actions related to the price dimension on which to intervene to improve efficiency with both customers and end shoppers.

Regarding advertising instead, as we know, it is another possible lever that we can activate to promote and improve awareness of our products among potential shoppers.

There can be different types of advertising, such as spots on TV, online videos on social platforms, online sponsored advertisements on generalist websites, printed flyers and billboards.

In short, with targeted marketing investments, we can, through the leverage of advertising, reach different potential customers to attract their attention to our products.

- Activations Promotions: Activations and promotions are two levers, which enable us to get more impulse buying from consumers. On the one hand, through in-store activations, we can be present in high-flow areas with dedicated displays and time-limited promotions.

By doing so, we intercept many more shoppers who might not have seen us on the shelf and would not have looked for our references. Obviously, these activities cost us some investment to sustain in return for a return in terms of rotation and increase in sales at least proportional to the investment made.

As far as promotions are concerned, they are also a tool and a lever to increase sales possibilities by using a strategy of price cuts, discounts or promotions linked to possible prize competitions. The tool that is certainly most widely used and consolidated over time is that of the flyer, where all products on promotion are indicated, for each promotional period that is agreed upon.

There may then be the possibility of having special events during the year, dedicated to certain categories in particular, or events such as Easter and Christmas

The last, and most futuristic lever, is the one regarding Test and Learn Activations and Innovation:

- Test and Learn: We are talking here about a series of hypothetical activities and actions to be implemented together with the customer in order to try out activities that have not yet been tried out, or which may present novelties.

Such as the integration of online and offline, or special activities dedicated to specific periods of the year, and then analysing the data and results, to understand where and how to improve in the management of future activities, to create greater mutual value, both for the customer and for MARS.

- Innovation: The word itself says it all: innovation. With regard to this sector, there are many possibilities to act on innovation to keep up with the market and the evolution of the shopper's purchasing behaviour.

We can identify both product innovations, i.e. linked to the continuous development of product lines; this can be pursued by expanding the product portfolio with novelties in terms of taste, not by launching products from scratch, or by launching product variants that do not exist on the market.

An example could be the launch of M&M's with a different flavour from the existing ones, without changing anything in the 'nature' of the product, or the launch of Mars ice cream, a completely new product that did not exist before, not even in another flavour.

But innovation could be not only of products but also related to the action we bring in the point of sales; for example, innovating the 'activation' activity or bringing new materials within the expo.

So, there are different possibilities to be innovative, and all of them have to be studied and investigated, to understand which is the one that fits better for each client.

Figure 5.12: Dcom levers, how MARS approached the Digital Commerce

5.3 D-com Capability Framework: How The Levers Have Been Applied on Online Shopping

Now, after having explored the different levers that can be activated to increase performance in the offline world, let's move on to analysing those that can instead be activated in the online world.

We will see that there will be more similarities than differences, thus giving us a vision of online retail that is not so futuristic and totally disruptive, but rather has many aspects in common with the world of physical retail.

Internally, in Mars, the strategy that has been adopted is that of working intentionally, on the different levels of this pyramid, obviously starting from the bottom, and then gradually reaching higher and higher, tightening the circle and working more specifically on some aspects.

The strategy that Mars decided to take, has been summarised in this pyramid, which we will furthermore analyse in detail, to make more clearness on the Mars approach in the Digital world.

Figure 5.13: The D-com Pyramid, levers and Priorities in MARS online strategy

We will now go deeper inside each one of these levels, trying to underline which are the main aspects to focus on, the benefits that working on these levers will give us and finally also taking into account the similarities and differences among the online and offline world:

1.   BE AVAILABLE: As we were saying before, also in E-commerce it is fundamental to create and work with the client mutually, in order to find the best solution in terms of agreement that can favourably improve the client but also our sales.

Here, we can work on two different levers: one is the Category partnership and Data and the other is the Core Range Listings; we have already talked about these two aspects related to the offline scenario, here there are some differences related to the peculiar characteristics of the online channel, such as a slightly different assortment in some retailer website, with respect to the offline assortment, to not create cannibalization between the two channels.

Overall, the levers in which we have to work are really similar, and we can summarise them using these main takeaways:

-       Understanding Customer's Dcom knowledge and availability to partner with;

-       Identifying a common goal to drive together through a defined roadmap;

-       Data sharing is crucial for post evaluation and continuous improvement.

Regarding the specific part of the lever related to the Core Range Listing we are talking about the strategy of finding an agreement with the client in terms of having the best sellers listed online, trying to leverage the fact that they are already well-known from customers, so can benefit from this aspect.

2.   BE EASY TO FIND: this level of the pyramid is really crucial, since it can give us an important boost and lead us to achieve wonderful results; the two main levers we can work on in this level are Shopper Led Navigation and 4-star Content Optimization. But, what are we talking about? Let's analyse in detail each of them:

-       Shopper Led Navigation: We are talking here about a fundamental enabler, to win the online battle with competitors.

If we take a step back again, comparing the offline behaviour of the shopper in the store, we said that the clarity and organisation of the shelf is very important (Perfect Store), to ensure that the shopper finds it easily and speed within the category, what you are looking for and even if you have difficulty, in the physical point of sale there are the employees to ask to find the products; if instead we put ourselves in the shoes of the online shopper, what are the ways in which he searches for products online? Is it the same on all platforms?

This is the so-called 'Search', i.e. the search and navigability box within the retailer's online site.

As mentioned, search plays a key role in two directions: on the one hand, it facilitates the shopper's online purchasing journey as much as possible, making the search for the desired products as simple and immediate as possible, and on the other hand, it is important to invest in search, as a supplier company, as we know how the first results are the ones most exposed and seen by shoppers, therefore with a higher percentage of purchase probability.

It is therefore a lever that must be activated through investments and content optimization, on the one hand to facilitate the shopper's online purchasing process and on the other to be present among the first results on online retailer sites, thus increasing the chance of being seen by shoppers, and consequently bought.

- 4star content Optimization: We now come to another fundamental pillar, another very important lever that we can activate, in an attempt to increase the online conversion of our products: namely the optimization of the content on our online product pages.

How can we do this and what real benefits can activate this lever bring to us? Going in order, let us start by asking why it is so important to have optimised online content.

Essentially for two reasons, on the one hand, to improve and make the shopper's shopping experience as effective as possible, and on the other to meet the quality requirements and standards demanded by retailers' sites.

This lever is therefore activated in an attempt to increase conversion by offering a complete shopping experience, giving the shopper all the information he or she is looking for about the products and also going in the direction of improving the relationship between the shopper and the online platform, thanks to better content.

But what content are we talking about? It consists of five elements: product images, product title, ingredients, additional information and any other multimedia content to enrich the brand and/or product story.
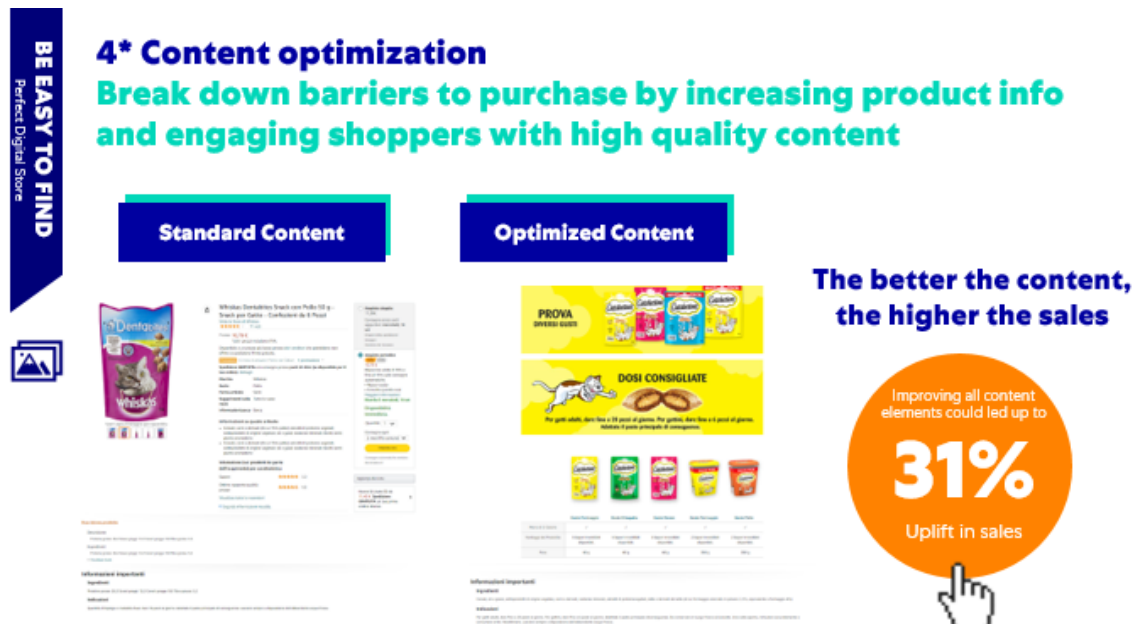

Figure 5.14: Differences between optimised and not optimised Content in Amazon

Data shows that optimising content, making it easy for shoppers to understand and improve their experience during the path to purchase, can help us achieve sales growth of up to 31% compared to a situation where content is not optimised.

So what are the important things to take into account regarding content leverage?

- content optimisation is crucial to driving purchase conversion and brand consideration

- having incomplete content, lacking the key information that the shopper is looking for can be a huge barrier to purchase

- content optimisation, as we have said, responds to both the shopper's needs and the algorithms of retailers' sites, improving search results.

3. ACCELERATE DEMAND: Having seen the basics, the main levers we can activate to be present online and then to improve the shopper's customer experience, let us now see how we can further increase sales, what tools we can use to increase online penetration: we are referring here to the Price&Promo and 360 Media Activation. Let's analyse each of them more in detail:

- Price&Promo: As is the case in the offline world, in all the different channels, online too we have the possibility of activating our portfolio at certain times through promotions; it is important to consider here, that the dynamics of the online world are different from the offline world, as there is a greater need to test and learn, to understand together with the customer which tools work best for a given platform.

While in the offline world, the mechanisms are the more classic ones, linked to flyers, shelf promotions and displays in high-flow promo areas, in the online world the tools that work most effectively can differ from platform to platform.

We see from the chart below, that there are different promotions we can leverage on; it is crucial to analyse and investigate the data and the result of each of them, to which is the best one that better fits the specific retail platform online.

To summarise, what are the key objectives to be pursued by activating the Price&Promotions lever?

- Increase the purchase penetration of our portfolio references

- Increase sell-out, therefore final sales to shoppers, consequently increasing sell-in to the customer

- Being able to further stimulate impulse purchases, especially in the chocolate category where most purchases are made because the product is seen on promotion or in extra displays

Figure 5.15: Examples of different campaigns online

- 360 Media Activations: What do we mean here by 360 Media Activations? Basically, the ability as a company to be present at all touchpoints with our shoppers, through all available channels, both online and offline.

In order to get this result, it is needed a total alignment between offline and online agreements with the clients; an ideal situation that can be also difficult to be reached, in which the shopper is hit by the same information in all the touchpoints he has with the brand.

So, doing this, there is more possibility that he can see the promotions and consequently buy our products.

Which are the main takeaways we want to get from this lever?

- Increase the brand awareness in the mind of the customer proposing an omnichannel approach: be consistent and coherent in the proposal to the shopper

- Boost our visibility in the shoppers' mind: cover every possible moment of connection between the shopper and the brand

- Exploit the potential of the big event and of the seasonal moment like Christmas, Halloween and Easter: proposition consistency will help us to boost even more these moments

4.   FUTURE PROOF: Regarding future proofs, we are talking about a still unexplored world that can bring many advantages if the investment is correct, while in the case of wrong strategic choices, it will lead to very high research and development costs.

But what exactly are we talking about? The direction is that of personalization, or rather of looking for more and more tools, applications, and software that allow us as suppliers and as retailers to offer a shopping experience as close as possible to the real needs of the shopper.

How can we do it? The answers are the widest and most varied, starting from technologies such as AI and optical viewers, up to talking about the Multiverse.

The research and development that is moving to try to offer the most personalized shopping experiences possible to shoppers require a lot of time and many resources, both in money and personnel.

The field is open and all the major consumer goods companies are dedicating teams to reach shoppers even a second before competitors with new and engaging technologies, in an attempt to always acquire new ones without losing those already loyal.

5.4 Whiskas Relaunch: 360 Degree Marketing Strategy

5.4.1   The Whiskas Brand: love is made of purple

Whiskas is a historic, iconic and highly recognised consumer brand within the cat food category retained by the MARS company.

This brand can count on decades of experience and continuous research and development, which has led its products to be among the best on the consumer market, leading MARS to excel in sales in this category.

Whiskas, responding to the need for variety and in an attempt to satisfy the tastes of our feline friends, offers several product lines, covering all the cat's consumption moments, namely:

- the kibble: i.e. dry food, ideal for a classic and nutritious meal;

- wet food pouches: these can either serve as a complete meal or enrich the main meal consisting of dry kibbles;

- complementary food: such as sticks, snacks and cat milk that serve as a reward and prize for our cat.

Whiskas® is synonymous with a complete, quality diet, the result of research by Mars and the Waltham® Centre for Pet Nutrition, the world's leading authority on pet nutrition and care, which aims to determine the ideal diet to guarantee the correct mix of nutrients for our cats every day to keep them in good health during the different stages of their lives.

Precisely to meet this need, Whiskas® offers a wide range of products that allow us to take care of our cats with complete and balanced food. Whiskas® references guarantee an adequate, quality diet that provides all essential nutrients in the right proportion and quantity. And that is why cats recognise the difference.

Whiskas® offers dry and wet food in a wide assortment of recipes and flavours to transform the meal into a moment full of taste and well-being! In addition, the Whiskas® range offers irresistible treats specially designed to pamper our cats without running the risk of unbalancing their diet.

Among the brand's certainly best-known products is Pranzetti.

Figure 5.16: The new Pranzetti Pack

Over the years, this product has increased its fame and popularity also thanks to targeted advertising campaigns, especially on TV, where thanks to its unmistakable purple colour coding and catchy name, it has managed to carve out a large space for itself within the category.

5.4.2 The Whiskas Relaunch: how was structured

Having given an overview of the Whiskas brand, let us go more specifically to see what this relaunch in early 2023 was all about.

We know how the brand industry is being asked on several fronts, both by consumers and retailers, to come up with innovation, research and development in products and new curiosity among shoppers, which can lead them to be constantly stimulated to look for novelty on supermarket shelves.

Partly for these reasons and partly out of a need dictated by improvements in certain economic KPIs, Whiskas has also undergone a revolution that has affected all levels of the brand.

Let's look in detail at the changes that this brand has undergone in recent months.

Which have been the dimensions that have been touched in this relaunch?

- Brand Identity: the brand identity has been updated, in the direction of quality and freshness of ingredients. Another very important element that has been included in sustainability; in fact, the commitment that the brand will put in the coming years in an attempt to offer products that respect the environment and are sustainable throughout the production chain is reiterated and emphasised. The very ambitious goal that the brand has set itself is to reach 85% of our factories in Europe using renewable energy and we are working to reach 100% by 2025.

- Graphic changes in the design: The logo design was revamped, as was the design of all packs, which were made more attractive, more shopper-readable and with a cleaner line. As we can also see from the photo, the packaging material has also been changed. There has been a switch from plastic to paper wrapping; in the direction of communicating to the shopper the brand's commitment to a more sustainable and environmentally friendly production chain.

- Pack weight and grammage: Another important aspect at the basis of this relaunch was that it was linked to the weight of the pack and consequently the weight of the packs dedicated to cats. In fact, in the specific case under examination of the lunch reference, we have gone from 100 g to 85 g. Where does this decision come from? From the fact that some studies carried out by the MARS research quarter have shown that the right portion for cats to be full and not leave food in the bowls is 85g and not 100.

It was therefore decided to reduce the weight of the packs, through the so-called phenomenon of shrink inflation, that is, that mechanism by which the weights of the packs are reduced, keeping the selling price the same or, in some cases, even increasing it.

- Recipes: The last aspect in which we tried to work to relaunch the Whiskas brand concerned the recipes with which the various product lines are made; given the increasing importance that the healthy, organic and natural trend is having, the recipes of the products have also been updated and revised with this in mind. The different product lines have all linked to sustainability, naturalness and attention to sustainability. To give more variety to the shoppers, have been launched completely new products that were not present in the range before, so the portfolio, after this renovation, will have this structure, trying to cover the different flavours and occasions of consumption. NUOVA RANGE

5.4.3 The strategy behind the biggest relaunch of the brand in the last decades

After having seen in detail the different areas that have been involved in the Whiskas brand relaunch project, let's see what actions have been taken to support this relaunch, which has been put into practice, from an omni channel perspective.

First, starting step by step, let's see the three areas that we will specifically address in the continuation of the chapter.

In-store and distribution support;

Media and Online Support;

Promotional leverage.

Let's now examine in detail each of these three strategic levers that have been implemented with the aim of best supporting this great relaunch.

1.   IN-STORE AND DISTRIBUTION SUPPORT: Distribution was the first key lever worked on to push sales of the new Whiskas products.

We know that in large-scale organised distribution, it is essential to be present with as many distribution outlets in the market as possible to improve one's KPI.

To do this, you have to make sure that you bring home a great deal of work from a logistical point of view, to have a range of new products on the shelf, replacing the old ones. The re-launch of a brand can only discharge its strength and novelty to the ground when all organisational and logistical aspects are finalised positively.

Another aspect that was implemented concerns the in-store marketing part. That is all those actions, through branded material, can be implemented to make the renovation known to the shopper.

2.   MEDIA AND ONLINE SUPPORT: Another key aspect, which can make the difference between the success and failure of such a large brand relaunch, is media and online advertising support.

For Whiskas, it was decided to relaunch major advertising campaigns on generalist TV and, at the same time, on the YouTube platform to hit that part of the younger, digitally connected shoppers. The campaigns will be live for a few weeks, with a large marketing investment behind them in creating the most appropriate commercial possible, in an attempt to correctly communicate the new brand identity and purpose of Whiskas.

Alongside these advertising marketing initiatives, a targeted personalised marketing campaign was also launched via the Catalina platform.
How does this platform work? It allows us, through the use of numerous consumer master data, to target an offer to hit a specific customer base in the best possible way and with the highest possible ROI.

By doing so, we can maximise the investment in discounts and we are able, through an omni -channel campaign, to hit both physical and digital shoppers. The combination of these two marketing actions, together with the fact that the brand is already well known, will create a lot of engagement among shoppers and help us to get sales off the ground.

3.   PROMOTIONAL OMNICHANNEL LEVERS: promotional levers, are, in order of importance, the last ace up the sleeve to be able to further increase sales and thus fully support the relaunch of the brand.

In fact, after having ensured that the product is permanently at the point of sale with logistical and organisational actions aimed at ensuring adequate product availability for all retailers involved, and after having supported from the media point of view

5.4.4 Final consideration on the Whiskas Relaunch Strategy

At the end of this chapter dedicated to the relaunch and renewal of the Whiskas brand, I would like to highlight some aspects that I consider to be very central to the omni channel strategy that a brand must be able to undertake to best maximise its investments in advertising and activations.

As we have already emphasised above, from an omni channel perspective, it is increasingly important for brands to find the right balance and compromise in offline and online investments to be able to maximise the economic return.

The relaunch of the Whiskas brand is a clear example of this.

The weight of the offline channel is still prevalent, especially in Italy and above all for all the economic, social and geographical reasons we have already discussed.

Therefore, the first lever to be maximised to bring this relaunch to full power is that of distribution. And so it was, after about 4 months from the launch of the new references more than 99% of distribution was taken, reaching the highest possible number of shoppers in the offline channel.

As a second point, we have online and media support; Simultaneously with the work done offline in an attempt to maximise distribution, work was also done online and in the media (advertising) to give strength and visibility, and thus awareness, to the new product line.

 The online presence of MARS, especially in the main pure player operating in Italy, i.e. Amazon made it possible not only to sell products but also to generate awareness of the new product line through advertising campaigns, claims and word of mouth thanks to users' reviews.

This additional aspect, the integration of the online channel with the offline channel, is evidence of how MARS is trying to create an omni channel shopping experience for its shoppers. Having the ability to give visibility online, we know that it can also bring turnover offline, crossing the purchase path of an omni channel shopper, who inquires via Amazon and then buys in a classic physical store.

The last lever which was activated to support the relaunch of the brand, is that of both online and offline promotions.

It was therefore decided to agree with customers, both physical and virtual, on promotion periods with discounts for shoppers, to increase the possibility of trial products and encourage shelf rotation. How was this done? In the physical channel, dedicated promotional spaces were agreed upon within stores with hostess days and impactful promotional islands to attract the attention of new and old shoppers loyal to the Whiskas brand. While online, banner adverts were placed in the home of the different retailing platforms, to capture the shopper's attention, again working on price-cutting.

So, various modalities and different approaches, to achieve a single result: awareness and visibility in the eyes of the shoppers, to improve the performance of the Whiskas brand.

Conclusion

In the conclusions of my paper, I would like to begin by emphasising once again, what is the complexity but at the same time the fascination that the topic I have dealt with brings with it; as already mentioned at the beginning, I was pleasantly surprised and involved, in discovering what are the mechanisms behind the Fast Moving Consumer Goods sector.

It is, in fact, a highly strategic sector for the country and connected in a double thread with social-economic issues such as inflation, rising prices of raw materials and finally the socio-economic well-being of the population.

For these reasons, I find the work I have done very inspirational and interesting, in an attempt to shed more light on some of the aspects that lie behind very complex dynamics related to consumer behaviour and the evolutions that the market has been experiencing in recent years.

In light of all that we have seen and explored so far, it is clear that the shopper's purchasing path is changing very quickly and sometimes even in a way that is difficult to predict.

If we pick up for a moment, what was the main question and which has been a bit of a hinge around the whole project I did, we can now realise why, the world of e-commerce in the grocery retail sector has not yet exploded definitively.

The characteristics of food-based retail also explain why e-commerce has found it so difficult to spread in this sector.

Although, at first glance, it might appear to be an ideal terrain for e-commerce, since the goods are well-known and, at least for consumer packaged goods, do not need to be inspected before purchase, margins are low and the products have a low volume/weight/value ratio and therefore have high logistics costs.

Transferring from the customer, who today the picking, assembly and transport stages to the company's employees involves a reversal of the route taken to date and a very significant increase in the internal costs of the distributor.

Changing the scenario comes with the ongoing pandemic. The need to reduce opportunities for interaction relaunches e-commerce and does so particularly in the FMCG sector, which offers products that cannot be done without and whose purchase cannot be postponed.

Distribution companies, with few exceptions, find themselves in difficulty and look for solutions that allow them, often via third parties, to offer at least limited domiciliation. They do this by having to accept very high costs and realising that the portion of customers experiencing online purchasing continues to grow and that many of them are likely to use the Net even after the pandemic.

Thus began a generalised process of adaptation, conducted in very different and therefore very complex ways, which makes e-grocery today and in the medium term a central and in the medium term a central issue for all large retailers.

This is certainly due to the advent of technology and consequently the digitalisation that has overwhelmed the retail sector, but also to exogenous changes that have been affecting the entire world economy in recent years, such as the pandemic, inflation at very high rates caused by very fragile geopolitical balances, which have inevitably led to increases in the value of raw materials and consequently a widespread increase in inflation.

We have examined the changes that society has experienced and is continuing to experience in recent years, we have therefore gone through the endogenous and exogenous changes of the shopper, trying to understand more deeply how the different brands can move and what actions they can take to find to maintain or possibly increase their competitive advantage.

It is clear, therefore, that companies, if they want to be able to maintain their competitiveness in such a changing and difficult environment, must take structural action in an attempt to meet the shopper's needs more and more, hitting him during his path to purchase, in the best possible way.

In trying to understand what should be the correct strategy to use, I brought as a case study, that of the MARS company, where I had the opportunity to do an internship and where I came into contact with the dynamics related to the world of digital retail, and especially with Amazon.

We have previously spoken of the so-called touchpoints; that is to say, all the contact points with the brand, which the consumer can and does have during his path to purchase, i.e. during the purchase funnel.

As the purchasing path has evolved, so too has the modality with which companies must be able to intercept the shopper during his purchase journey, which we have seen to be hybrid, or rather integrated between the classic offline world and the online world.

Businesses invest considerably to entice customers to visit their websites through advertising links as the Internet advances to become the dominant advertising medium. So, having underlined the importance for Retailers and Brands, to be strongly present in the online eco-system, the most effective way to do it is through Advertisement.

These campaigns, are considered manageable in terms of cost, and can help, both players and brands, to keep shoppers linked to them; once we complete correctly our marketing campaigns, in terms of segmentation, targeting and personalization, we can hopefully extract a positive ROI from our campaigns.

The two most popular online advertising formats are search advertisements (sponsored links that are displayed on search engine results pages) and display advertisements (digital graphics that link to the advertiser's website and are embedded in Web content pages) (Interactive Advertising Bureau and PricewaterhouseCoopers 2012).

Business analytics of how to assess the efficacy of these various formats of online advertisements (ads) has been attracting constant academic and industrial interest thanks to the development of information technology, which makes enormous amounts of individual-level online clickstream data available.

The impact of each type's conversion on sales is of particular interest to marketing scholars and practitioners a specific style of online advertisement, what is the likelihood that the individual consumer would go on to buy something (or take other actions, like registering or subscribing) after clicking on the ad?

The percentage of advertisement clicks that directly result in purchases among all advertisement clicks of the same type is known as the conversion rate and is the most widely used indicator of conversion effects. This straightforward statistic offers a logical evaluation of advertising performance.

Unfortunately, it entirely ignores the benefits of all earlier advertisement clicks while overemphasizing the effect of the "last click," which naturally leads to skewed estimations. The "last click" is the advertisement click that comes right before purchase.

To study the effects of websites on conversion, increasingly sophisticated models have been established in the literature (Moe and Fader 2004, Manchanda et al. 2006, for example) Visits and advertisement clicks.

Moreover, the proliferation in the last few years of the online purchase channel, combined with competing advertising outlets across online and offline channels, creates opportunities but also an increasingly complex problem for firms.

Retailers, need now to balance advertising across traditional media (i.e. television, print) with online techniques such as search and display advertising (banner ads) to propel purchases across both physical and online stores.

While marketing campaigns are often put in place to drive sales to the native channel (e.g., e-mail campaigns aim to drive online sales; Ansari, Mela and Neslin 2008), it is natural to consider the impact that advertising will have across channels. For example, online advertising may have an impact on offline sales, the so-called, 'cross-effect' as well as an 'own effect'. This raised questions related to what portion of the sales impact will be native and what will be cross-channel.

- Own channel advertising effect: how can we define the 'own' channel ad effects? We are talking here about that advertising campaign that will then produce sales only in one channel, either Offline or Online.

- Cross-channel advertising effect: as far as the cross-channel advertising effect is concerned, these are advertising investments that produce sales effects, not only in a specific channel, be it physical or online, but in both and consequently also in the nuances that exist in between.[41]

---

[41] Timoumi, Ahmed, et al. "Cross-Channel Effects of Omnichannel Retail Marketing Strategies: A Review of Extant Data-Driven Research." Journal of Retailing, vol. 98, no. 1, Feb. 2022,

It will then be interesting to investigate how and with which mechanisms an advertisement managed online is connected with sales made offline, and vice versa.
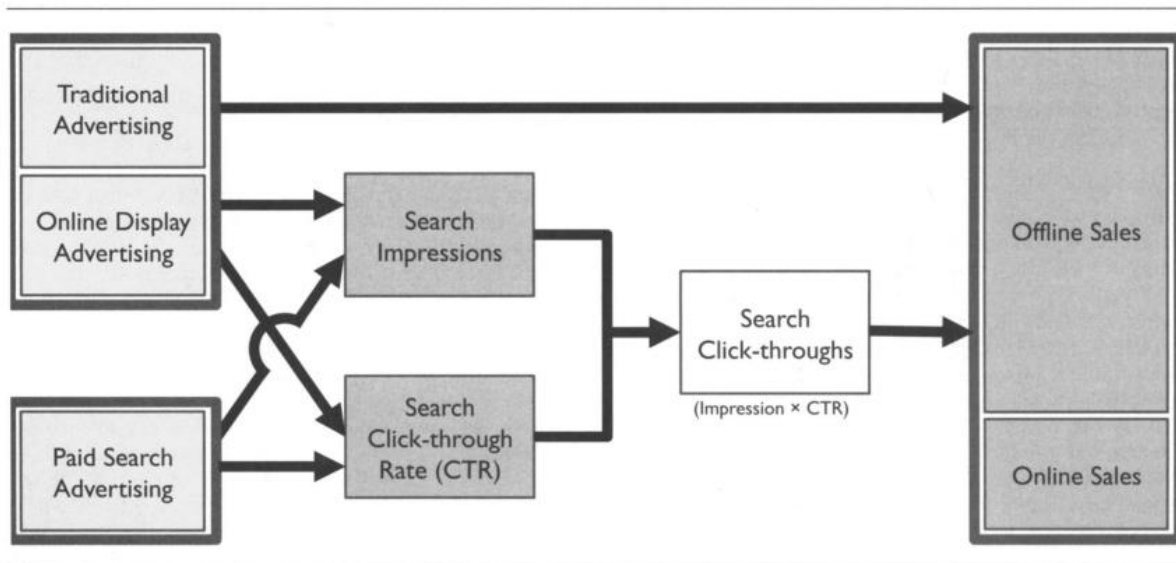

Figure: Cross channel Advertising Effect on Sales: Online Advertising affect also Offline Sales

For the specific retailer studied, we find that advertising cross effects are large, particularly from online advertising to offline sales.

Most importantly, the comparable magnitudes between cross and own effects suggest that firms must consider cross effects in evaluating advertising ROI as well as aligning expenditures per channel with goals. Overall, our findings suggest that online advertising, which is often thought of as strictly an online tool, can effectively grow the offline channel.

This point will be one of the most studied in the upcoming years and lies inside a lot of interesting other points of discussion to develop in the future. Which will be the right amount of investment to dedicate to the online channel? Which will be instead the amount to invest in the offline one?

In terms of cost and advertising investment, it is super interesting to study which are the relative impact and ROI in the two different channels.

To me, and in light of what we have said in all this work, at the moment the best and most efficient solution is related to the Omni-channel scenario.

So, brands and retailers, need to concentrate and develop their efforts both in the Offline and the Online environment, to maximize the touchpoints with their shoppers, since, as we know, the Digital Era in Italy, is still not exploding as we all expect, at least in the Grocery Market Retail.

References

Müller-Lankenau, Claas, et al. "Multi-Channel Strategies: Capturing and Exploring Diversity in the European Retail Grocery Industry." International Journal of Electronic Commerce, vol. 10, no. 2, 2005, pp. 85–122.

Pennance, F. G., and B. S. Yamey. "Competition in the Retail Grocery Trade 1850-1939." Economica, vol. 22, no. 88, Nov. 1955, p. 303.

Belavina, Elena, et al. "Online Grocery Retail: Revenue Models and Environmental Impact." Management Science, vol. 63, no. 6, June 2017, pp. 1781–1799.

Amit, Raphael, and Christoph Zott. "Value Creation in E-Business." Strategic Management Journal, vol. 22, no. 6/7, 2001, pp. 493–520.

Cao, Lanlan. "Business Model Transformation in Moving to a Cross-Channel Retail Strategy: A Case Study." International Journal of Electronic Commerce, vol. 18, no. 4, 2014, pp. 69–95.

"Italy: E-Commerce Food&Grocery Market Value 2015-2021." Statista, www.statista.com/statistics/761489/market-value-of-the-online-grocery-sector-in-italy/.

Desai, Parag, et al. Retail 4.0: The Future of Retail Grocery in a Digital World – Asia Consumer and Retail Practice.

Zhuang, Youlong, and Albert L. Lederer. "An Instrument for Measuring the Business Benefits of E-Commerce Retailing." International Journal of Electronic Commerce, vol. 7, no. 3, 2003, pp. 65–99.

Khan, Lina M. "THE SEPARATION of PLATFORMS and COMMERCE." Columbia Law Review, vol. 119, no. 4, 2019, pp. 973–1098.

Tamburrino, Pina. "Digitalizzazione Del Retail in Italia: Dati E Trend Di Crescita." Osservatorio Mondo Retail, 28 Apr. 2020.

Boi, Andrea, et al. E-Grocery: La Crescita Dell'e-Commerce Nella Grande Distribuzione Italiana, Ebinter, 10 May 2022.

"Il Report Sul Settore Grocery in Europa Rivela Le Principali Priorità per Il 2021." Salesforce, www.salesforce.com/it/blog/2021/05/report-settore-grocery-europa.html.

"Incrementare Le Vendite – Catalina per Le Marche." Www.catalinamarketing.it, www.catalinamarketing.it/catalina-per-le-marche/incrementa-le-tue-vendite.

Simionato, Giulia. "Spesa Online: Caratteristiche, Vantaggi E Un Caso Di Successo Italiano." EcommerceMAG, 12 Jan. 2020.

Timoumi, Ahmed, et al. "Cross-Channel Effects of Omnichannel Retail Marketing Strategies: A Review of Extant Data-Driven Research." Journal of Retailing, vol. 98, no. 1, Feb. 2022

Wang, Yiru, et al. "COVID-19 and Retail Grocery Management: Insights from a Broad-Based Consumer Survey." IEEE Engineering Management Review, vol. 48, no. 3, 2020.

Goić, Marcel, et al. "Drivers of Customer Satisfaction in the Grocery Retail Industry: A Longitudinal Analysis across Store Formats." Journal of Retailing and Consumer Services, vol. 60, May 2021, p. 102505.

De Silva Kanakaratne, Maheshan, et al. "The Influence of National Culture and Industry Structure on Grocery Retail Customer Loyalty." Journal of Retailing and Consumer Services, vol. 54, May 2020, p. 102013.

Future fantasies: a social change perspective of retailing in the 21st century. University of South Carolina, Division of Marketing, Columbia, SC 29208, USA

Clarence Saunders: The Piggly Wiggly Man, Freeman, Mike.Tennessee Historical Quarterly; Nashville Vol. 51, Fasc. 3, (Fall 1992): 161

Chain stores in America, 1859-1962, Godfrey Montague Lebhar, WC Shaw, Chain Store Publishing Corporation, 1963

"Retail 4.0: Il Futuro Del Mercato Della Distribuzione." MGS Consulenti, 30 Apr. 2020,

Mars. "Global Petcare, Food, Mars Wrigley and Edge Brands | Mars, Incorporated." Mars.com, 2022

"Three E-Commerce Trends That Will Change Retail in 2023." Euromonitor, 28 Feb. 2023, www.euromonitor.com/article/three-e-commerce-trends-that-will-change-retail-in-2023.

Future fantasies: a social change perspective of retailing in the 21st century. University of South Carolina, Division of Marketing, Columbia, SC 29208, USA

Global Commerce Review Americas, Q2 2018.

Scheidel, Walter. Ancient Economy. Google Books, Edinburgh University Press, 7 Aug. 2019

Clarence Saunders: The Piggly Wiggly Man, Freeman, Mike.Tennessee Historical Quarterly; Nashville Vol. 51, Fasc. 3, (Fall 1992): 161

Srinivasan, S., Rutz, O.J. & Pauwels, K. Paths to and off purchase: quantifying the impact of traditional marketing and online consumer activity. J. of the Acad. Mark. Sci. 44, 440–453 (2016)

Constantinides, E. "The Marketing Mix Revisited: Towards the 21st Century Marketing." Journal of Marketing Management, vol. 22, no. 3-4, Apr. 2006, pp. 407–438

Abdow, Michelle. All Things Media: Paid, Earned, Owned and Shared. External Marketing, 1 Jan. 2020.

Sheth, Jagdish N. "Future of Brick and Mortar Retailing: How Will It Survive and Thrive?" Journal of Strategic Marketing, vol. 29, no. 7, 26 July 2021, pp. 598–607

Marmol, Mage, and Vicenc Fernandez. "Trigger Factors in Brick and Click

Shopping." Intangible Capital, vol. 15, no. 1, 3 May 2019, p. 57

Luo, Lan, and Jiong Sun. "New Product Design under Channel Acceptance: Brick-And-Mortar,

Online-Exclusive, or Brick-And-Click." Production and Operations Management, vol. 25, no.

12, 4 Aug. 2016

Iglesias-Pradas, Santiago, and Emiliano Acquila-Natale. "The Future of E-Commerce: Overview
and Prospects of Multichannel and Omnichannel Retail." Journal of Theoretical and Applied
Electronic Commerce Research, vol. 18, no. 1, 17 Mar. 2023

Sheth, Jagdish N. "Future of Brick and Mortar Retailing: How Will It Survive and
Thrive?" Journal of Strategic Marketing, vol. 29, no. 7, 26 July 2021, pp. 598–607