

What FreshDirect's chief merchandising officer foresees for online grocery in 2021

Article

There's no doubt that grocery shopping habits have changed over the past year, with more consumers trying online options for the first time. This year, US online grocery

sales will **surpass** \$100 billion, to make up 12.4% of the country's ecommerce sales.

We recently spoke with Scott Crawford, chief merchandising officer at FreshDirect, about this change in consumer behavior and other trends that he and his team are observing.

Tell us about your role.

I oversee the merchandising team, as well as the supply chain, the customer service team, and the forecasting team, which forecasts [the success of] the products we're buying, and how much and when we should be buying them.

So, you're looking at a lot of data and analytics to figure out what consumers are—and will be—buying.

We look at historical and current purchasing patterns, then we figure out what the future will be as far as the buy side of the products. Grocery shopping in general is pretty static: You buy the same 30-something items every week. Our opportunity as the merchandising team is to get that 31st or 32nd item in the basket. That's what we spend most of our time on.

We've certainly seen a shift to online grocery shopping across all demographics since the pandemic began. What have you seen on your end?

Last year, we saw a tsunami of demand. I remember a meeting in February 2020 where a couple of my supply chain colleagues said, "Something's happening that we've never seen before. We're selling stuff we normally don't sell [much of], at rates we've never seen."

Around that time, we started seeing people stock up on canned goods. We also saw dry pasta sales spike. Typically, the model that we support is around the fresh foods network. Normally, a brick-and-mortar grocery store is about 60% nonperishable and 40% perishable. Our model is just the opposite: We're 60% perishable and 40% nonperishable. So, in the early stages [of the pandemic], it wasn't so much that online [grocery shopping] spiked, but that the same customers were buying different things from us.

I remember looking at baskets [pre-pandemic] and seeing a customer buy 2 pounds of chicken, a head of broccoli, and a can of something from the pantry. And that was their habit every week, every two weeks. Then all of a sudden, these COVID-19 orders started coming in, and it would be four times the amount of all those items.

Sounds like basket sizes changed a lot last year.

Yes, we saw the kind of cart I was describing around March or April of last year. By May or June, cart size was elevated, and [we saw more items from] the pantry or the dry side of the store. And between then and now, orders have begun to normalize, back toward fresh food.

People have realized that it's pretty easy to cook at home. Through the years, we'd increasingly seen people eat out, but the pandemic pushed them back into their homes. They've had to grocery shop more, and some of that behavior will stick.

Did any other shopping behaviors stand out?

People are becoming a little more indulgent, after being afraid to indulge at all. And I think a little bit of that is economics. Let's say you go to a restaurant and buy a \$100 bottle of wine. You can probably buy that same bottle from us for roughly a third of the price. So, consumers are seeing value.

What are your predictions for 2021 and where the grocery space is headed?

This isn't profound by any means, but we'll continue to see people adapting to online grocery, though not at the rates they were in 2020.

We'll continue to see people try to find the service that fits their needs. And we're going to loan some customers out of our world, too. Some who have tried our service will, for whatever reason, want to try something else. There's going to be a lot of horse-trading, but at the end of the day, the online pie has gotten bigger.

There's a whole other side to that: Say you're 12 to 14 years old and you've watched your parents or grandparents order groceries online for a couple of years. By 2022 or 2023, that may be the only way you know how to get groceries. I'm old enough to remember going to a butcher market, where my grandfather and I would buy steaks. My kids think a butcher market means Whole Foods. So, online grocery habits will start shaping family habits. And that in itself is the evolution.