The Rural Grocer's Guide to E-Commerce

K-STATE

Research and Extension

Rural Grocery Initiative

E-Commerce is Here to Stay

Online grocery sales have gradually gained momentum over the past decade. Since the COVID-19 pandemic, the adoption of e-commerce by shoppers and retailers has soared.

Grocery delivery and pickup sales in August 2019 equaled $1.2 billion; by June 2020, grocery delivery and pickup sales peaked at nearly $9 billion.[1] While the pandemic spurred quick adoption of online grocery shopping, experts believe the shift to online grocery is here to stay.[2]

Who Benefits?

Both customers and grocers benefit from e-commerce. For customers, it offers convenience and time savings. For grocers, it can mean incremental increases in sales and an opportunity to build brand loyalty. E-commerce can help rural grocery stores remain competitive by providing additional opportunities for customers to interact with the store. By offering SNAP online, grocers further expand their customer base.*

About This Guide

This guide was created with the rural grocer in mind. The purpose of this factsheet is to assist grocers in identifying the right e-commerce solution for their store. Rather than list every e-commerce provider, this document shares examples of several common options.

This guide describes technology needs, provides a set of questions to guide grocers in their decision making process, offers some best practices for success, and defines key e-commerce terminology.

*Only retailers that have been authorized by the USDA Food and Nutrition Service can accept SNAP/EBT payments online.

What is E-Commerce?

E-commerce can take many forms, and some are more technologically advanced than others. Grocers can use the following e-commerce formats to provide customers with an online shopping experience. Curbside pickup and/or delivery may be offered alongside any of these options.

Online shopping website: A platform that enables customers to purchase items directly from the grocery store's website and pay online using a credit, debit, or EBT card. This fact sheet focuses on this form of e-commerce.

Multi-vendor marketplace: An online platform that allows customers to purchase items from several different retailers.

Phone app: A downloadable application that customers can use to purchase items and/or download coupons. Apps can be used independently or in conjunction with online grocery websites.

Online form: A low-tech option that allows customers to send a list of items for purchase to grocery store employees. Payments are made in person when the grocery order is either picked up or delivered.

Key Terminology

Point of Sale (POS) System

Composed of both hardware and software, the POS system is the equipment that completes payment transactions.

Hardware: physical equipment that is found at the cash register. It includes monitors, scanners, card readers, etc.

Software: the application that processes transactions and manages pricing, customer information, and other operations of a grocery store. Examples of POS software include LOC, NCR ISS45, NCR ENCOR, ACS, and ECRS.

POS System Providers

The representatives that sell POS systems (both hardware and software), customize and/or develop software, and provide technical support. POS system providers play a key role in syncing POS systems and e-commerce platforms and often offer regular technical support and system maintenance to contracted customers. Not all POS systems are sold through a provider; however, this is the primary method. Examples of POS system providers in Kansas include North Country Business Products and Retail Data Systems (RDS).

E-Commerce Platform

A software application that allows a business to feature and/or sell products online. Examples of e-commerce platform providers include Fresh Op, Rosie, Shop Hero, and Always On Grocery.

Click & Pick, a.k.a. Buy Online, Pickup in Store (BOPIS)

Feature of some e-commerce platforms that allows customers to purchase items online and pick them up either curbside or in the store.

Is E-Commerce Right for My Store?

Time, cost, and customer preference are among the many factors to consider when deciding if e-commerce is right for your store. Start by asking yourself some fundamental questions about your store and community.

Ask yourself:

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- What are my long-term goals?
- What features do I want in an online store?
- What are the needs of my customers? What would they use / not use?
- How much capacity do I (or my staff) have to manage an online store?

When you're ready to take the plunge, do some research to learn what e-commerce options are available to you. Be sure to connect with your Point of Sale system provider to learn about their role in the process, and vet several e-commerce providers to find one that meets your needs. Your distributor may already work with a preferred e-commerce provider and can point you in the right direction.

Ask your Point of Sale system provider:

- What is the range of products and services you offer?
- What is the cost of your POS systems (both short- and long-term)?
- What e-commerce platform(s) do you recommend for my goals?
- How will my POS system work with an e-commerce platform? Will the online store update automatically, or will I need to update it manually?
- Can you customize my POS system (e.g. if I want to offer more payment options in the future, like SNAP Online or Double Up Food Bucks)?
- How much technical support will I get from you?

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- When can I expect upgrades?

Ask e-commerce providers:

- What is the cost of your platform? Is it a flat fee, or based on a percentage of sales? What are the short-term and long-term costs?
- Does your platform allow for curbside pickup and/or delivery?
- Will I have access to customer data?
- How much time will be required to manage the online store?
- How much technical support will I get from you?
- How will you assist me with branding?

Technology needed to create an online shopping website

Point of Sale (POS) systems play a major role in setting up an online shopping website. This is because the e-commerce platform and the brick-and-mortar store must communicate and share data through the POS system. Special software is written to make this communication possible.

Outdated POS hardware may not be compatible with new software. Without this compatibility, grocers are unable to offer an e-commerce option to their customers. Regular POS system upgrades are important to remain up to date. A good rule of thumb is to upgrade every seven years.

Grocers have two primary options for connecting their POS system with an e-commerce platform:

Option One

A grocer contracts with an e-commerce platform provider to create an online shopping website. The grocer then works with their POS system provider to integrate the online store with the brick-and-mortar store. With this method, additional software is written and installed so that the grocer's existing POS system can communicate with the online store. This is the most common option throughout the central United States.

Pro: Less expensive because it uses the grocer's existing POS system.

Con: Can be challenging to align prices, sales, and stock between brick-and-mortar and online store.

Option Two

A grocer purchases the POS system and e-commerce platform in a single package from the same vendor. Prices, sales, and available stock in the brick-and-mortar store are reflected automatically in the online store over the internet. The method is less common in the central United States. Vendors of this all-in-one package include LOC and QuickBooks.

Pro: Requires little maintenance by staff.

Con: Higher upfront cost, as the grocer will likely need to purchase a new POS system to use this option.

E-Commerce Best Practices

1. **Start now.** It is never too late to add an e-commerce option to your store and reap the benefits of meeting the customer where they're at, literally. Take your time and do your research; incorporating an e-commerce platform can take over a year to fully implement.

2. **Do your homework.** Talk to as many people as you can to learn about your options. Your grocery distributor is a good place to start because they've likely vetted several e-commerce providers already. Ask your POS system provider how e-commerce fits with their offerings. In addition, ask e-commerce providers how they can meet your needs. You can also test out a few online platforms of nearby grocery stores. See what you like or don't like about using those platforms as a customer.

3. **Pilot your system.** E-commerce is a process of trial and error. Before rolling it out to your entire customer base, have a group of customers test your new system for things like ease of use, accessibility, and price-item accuracy. Include a variety of clients to get a variety of perspectives, including those from less tech-savvy customers. Their feedback, alongside your continued work to improve the online system, will lead to a successful e-commerce platform and stronger customer loyalty.

4. **Synchronize your systems.** Ensure that your e-commerce platform displays items and prices that accurately reflect those in store. Establish a routine to regularly check for needed updates to match inventory and current in-store sales.

5. **Develop protocols.** Understand how your platform will handle age-specific items, such as alcohol, lottery tickets and cigarettes. Also consider how your platform will manage out of stock items and substitutions, gift cards, coupons, and returns.

> **Did you know?**
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> E-commerce platforms do not always include product photos. Distributors may have a supply of photos available for you to use, or you could purchase stock photos if necessary.

6. **Start small.** While your store is adjusting to the incorporation of e-commerce, consider offering a limited variety of items on your online platform and building upon that selection. This could look like offering 5 types of BBQ sauce online instead of the 10 types that can be found in-store.

7. **Plan ahead.** Select a POS system that will meet the needs of your customers long term. Programs like Double Up Food Bucks (DUFB) and the Supplemental Nutrition Assistance Program (SNAP) are becoming more widely accepted through e-commerce. Taking these programs into consideration when deciding on a POS system can equate to additional sales over time while also supporting the local community.

8. **Train employees.** Ensure that your staff are knowledgeable on the expectations and protocol pertaining to online sales for your store. Training your staff to handle procedures such as item substitution in the case that an ordered item is out of stock will lessen the potential for customer dissatisfaction.

9. **Be transparent.** As a novice in the world of e-commerce, expect to make mistakes. Customer loyalty is not built on perfection, but rather by acknowledging areas that could benefit from improvement. Show your appreciation for customer loyalty by incorporating customer feedback where you see fit.

10. **Advertise, advertise, advertise.** Advertisement and marketing are key in incorporating an e-commerce platform. Be confident in your ability to speak with customers about your store's new e-commerce option while explaining to them the benefits it offers to customers and grocers alike.

Conclusion

Shopping behaviors are changing, and e-commerce is here to stay. By providing customers with more ways to engage with the store, e-commerce helps rural grocers stay ahead of the game and build customer loyalty. Still, there are many factors to consider, like time, cost, and customer preferences. E-commerce can take many forms, and each option has specific technological requirements. Grocers should follow best practices to ensure success.

References

1. Brick Meets Click/Mercatus Grocery Shopping Survey. November 2020. Mercatus.

2. eGrocery Adoption: The New Reality for Grocery Shopper Behavior. (n.d.). Mercatus.

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