



HOW



WE

EAT

FEATURE STORY – PAGE 8

Sam's Club On Bringing The Digital Shift To Warehouse Stores

NEWS & TRENDS – PAGE 12

Whole Foods debuts online-order focused "dark stores" around the United States

H O W



W E

E A T





WHAT'S INSIDE _____ **4**

An overview of how the COVID-19 pandemic is leading grocers and consumers to embrace digital technology like never before

FEATURE STORY _____ **8**

An interview with Eddie Garcia, senior vice president and chief product officer at Sam's Club, on how the warehouse chain is employing product scanning apps and other digital services to make shopping more convenient and safe for its members

NEWS & TRENDS _____ **12**

The latest news from around the food economy, including PepsiCo's use of the direct-to-consumer model to deliver its products to customers

ABOUT _____ **17**

Information on [PYMNTS.com](https://www.pymnts.com)

WHAT'S INSIDE



Restaurants have closed en masse during the past three months, and supermarket trips have become stressful as customers observe social distancing rules and pick through bare shelves.

Many are therefore turning to digital technologies to stay safe while purchasing groceries and related items, and these new shopping habits could cause lasting changes that will have profound impacts across the food economy.

Recent analyses reveal just how significant these purchasing shifts are. PYMNTS [research](#) found that the share of U.S. consumers who went online to shop for groceries increased nearly 400 percent from early March to late May, when 13.2 percent reported doing so. A large share of these consumers cited exposure risks as the main reason to shop online (40.2 percent), while 36.3 percent pointed to greater convenience or speed. These latter considerations may prove to be even more compelling as consumers begin to tire of large supermarket crowds, long lines and social distancing rules.

AROUND THE FOOD ECONOMY

One of the most dramatic manifestations of food shopping's digital shift is the rise of mobile grocery ordering through retail giants like Whole Foods as well as third-party services such as Instacart. This trend is [spurring](#) the creation of dark stores,

facilities designed solely for the preparation, packaging and distribution of mobile grocery orders. Such stores have been likened to ghost kitchens, which serve the growing number of mobile meal orders without physical storefronts. Whole Foods has opened six dark stores across the country, and Stop & Shop and Kroger are looking to make similar moves.

Amazon, Target and Walmart were already well-positioned to adapt to this new digital reality, as they all had robust mobile and online ordering operations long before the pandemic hit. Smaller independent grocers have been forced to scramble to ramp up their digital services as the grocery market migrates online, however. Midwestern food wholesaler Winkler Wholesale Grocers is supporting these smaller players by [adding](#) online ordering to the services it offers more than 400 independent grocers in Illinois, Indiana, Michigan, Missouri and Ohio. The company is also helping the stores set up online ordering, curbside pickup and delivery programs.

Stocking products and keeping them on store shelves are persistent challenges facing all grocery stores. This could further fuel the direct-to-consumer (D2C) model, which enables merchants to sell directly to their customers via eCommerce channels and thus avoid potentially complicated and strained retail distribution chains. The D2C trend was gaining momentum before the pandemic, but it has even become appealing to larger merchants that have traditionally relied on supply chains to provide consumers with access to products. Food and beverage conglomerate PepsiCo is [getting](#) into the D2C game with two new

websites, Snacks.com and PantryShop.com, for example. Consumers can use the sites to place direct orders for Pepsi products such as Cheetos, Gatorade and Sun Chips.

For more on these stories and other recent headlines, read the Tracker's News and Trends section (p. 12).

WHY SAM'S CLUB CUSTOMERS ARE JOINING THE DIGITAL SHOPPING CLUB

Large membership-based warehouse chains have long been known for offering their customers good deals on bulk products, as well as stripped-down, utilitarian

shopping experiences. Change is also order of the day for these retail giants, as more and more consumers migrate online to do their shopping amid the pandemic – and demand safety when they do so in stores. Sam's Club has been working on staying ahead of the curve by offering products and services over digital channels, such as app-based product scanners. For this month's Feature Story (p. 8), PYMNTS interviewed Eddie Garcia, the company's senior vice president and chief product officer, about how mobile is helping provide customers with seamless and safe shopping experiences.



FIVE FAST FACTS

\$6.6B

Value of U.S. online grocery sales in May



54%

Share of consumers who reported cooking at home more often during the pandemic



28,000%

Increase in grocery delivery platforms' social media engagement from March to May



100

Approximate number of Frito-Lay products available on PepsiCo's new D2C website, Snacks.com



6

Number of Whole Foods dark stores, as of mid-May



A close-up photograph of a person's hands holding a silver smartphone. The phone is held horizontally, and the person's fingers are positioned as if they are about to tap the screen. The background is a wooden cutting board with several fresh vegetables, including red tomatoes and green bell peppers, which are slightly out of focus. The overall lighting is warm and natural, suggesting an indoor kitchen setting. The text 'FEATURE STORY' is overlaid in the lower half of the image.

**FEATURE
STORY**

Sam's Club On Bringing The **Digital Shift** To Warehouse Stores

The supermarket has become a vital institution in recent months, as it is one of the few types of businesses deemed essential and allowed to stay open through the thick of the pandemic. This has meant that store operators have had to rapidly implement new health and safety rules to minimize transmission risks among workers and customers — especially the most vulnerable.

These realities are casting a new light on some of grocery stores' recent innovations, such as Stop and Shop's handheld product scanners and Target's mobile ordering and curbside pickup services, which have delivered greater efficiency and convenience for employees and customers alike. The COVID-19 era has given these technologies the potential to not only reduce frictions in the shopping experience but also make it much safer.

Sam's Club has been a notable player in the digital innovation arena. The membership-based warehouse store chain has long prioritized digital innovation, both in its customer-facing and internal operations. One of the centerpieces of this effort

is the company's Scan & Go app, which was introduced in 2016. The tool allows customers to scan UPC barcodes on products as they shop and show their digital receipts to employees before exiting.

The app has surged in popularity since the pandemic for a number of reasons. It allows customers to hasten shopping trips, maintain proper distancing with other customers and employees and avoid the potentially most crowded part of the shopping experience: the checkout line. Use of the Scan & Go app has increased nearly fivefold since March, Eddie Garcia, senior vice president and chief product officer at Sam's Club, told PYMNTS in a recent interview.

"We've seen a strong uptick in member adoption during the pandemic because it gives them the ability to pay for items right from their phones and skip the checkout line. It completely removes the friction and uncertainty of waiting in a checkout line right now," he said.

The app is just one aspect of a multipronged digital strategy that grocers such as Sam's Club are embracing to help customers

safely and efficiently shop during the pandemic and its aftermath.

TECHNOLOGIES TO AID AT-RISK SHOPPERS

The pandemic has triggered a digital shift across the economy over the past few months. Not everyone is prepared to go digital overnight and alter entrenched shopping and lifestyle habits, however. Senior citizens may face a formidable learning curve, for example, but they are also among the most vulnerable to the virus and should take advantage of these new digital tools.

Sam's Club has adapted its existing technology platforms to accommodate seniors and other at-risk groups. Its concierge service allows such customers to provide grocery lists to store employees, who then use a specially configured Scan & Go app to fulfill and bring their orders to their vehicles.

"We were able to build the associate-facing app that powers our concierge experience in just six days because we built it on top of our already existing Scan & Go platform. That's the cool thing about technology – if you invest in building platforms the right way, you can accelerate innovation," Garcia said.

He noted that nearly 132,700 concierge transactions had been completed as of early June.

The company is also enhancing the mobile device workers use on the floor. An emergency app allows them to quickly report confirmed COVID-19 cases and another app enables them to count how many customers are in-store at any given time to comply with capacity restrictions.

A PROVING GROUND FOR INNOVATION

There is another important aspect of the new reality in which consumers are living: Millions have discovered online grocery shopping and many may gladly put braving stores aisles and checkout lines behind them for good.

Sam's Club has seen orders through its website and apps increase significantly, with eCommerce revenues up 40 percent in Q1



2020. These online orders may be poised to grow even more substantially, however. The company began rolling out curbside pickup to all of its nearly 600 stores in June after a pilot program at 16 locations.

“During the pandemic, the way our members want to shop, how they want to check out and their expectations around safety and service is different than it’s ever been,” Garcia said. “Members are putting a lot of focus on having control over their shopping experiences, so we had to quickly react and provide them more choices to shop how they want.”

A tremendous amount of work goes into making mobile grocery apps and other digital services function well and seamlessly. Implementing such programs is nearly impossible to do quickly without already having robust technology pipelines and infrastructures in place — and this reality extends to unforeseen disruptive events.

Garcia explained that Sam’s Club pilots new digital services at a special facility in Dallas called Sam’s Club Now that “allows [the company] to test and try new things in a test club environment with real members.”

“Almost every new innovation we roll out — including the concierge app — is first tested at Sam’s Club Now so we can listen to our members, engage with their feedback and then iterate the technology to make it the best product possible,” he said.

TOWARD THE FUTURE

The pandemic has exposed digital divides across the economy. Some businesses already had robust digital channels in place and others have had to improvise to survive. The crisis has, in this sense, underscored the importance of having technological systems that are resilient, agile and able to respond to any unanticipated disruptive events.

“The current crisis has taught us that constant innovation is key to being prepared for the ... challenges that come our way. The work we were already doing with tech, and the deployment of new tools at Sam’s Club allowed us to move quickly,” Garcia said.

This is important both to keep operations running in the future and to meet changing consumer demands and expectations. Ample studies, including PYMNTS research, indicate that many of the digital shopping habits adopted during the pandemic are likely to outlast it.

“I anticipate technology will continue to be important to our members because they are hyperfocused on speed and safety right now and I don’t think that will go away. Retail was already going through an evolution pre-COVID-19, but the pandemic has accelerated change and pushed retailers to adapt, pivot and innovate.”

This means that innovations taking place at Sam’s Club stores and among its customers could just be the early stage of sweeping digital transformations that will continue for months and years to come.



**NEWS &
TRENDS**

Changing digital and culinary habits

ONLINE GROCERY ORDERING SURGES DURING PANDEMIC

Most supermarkets have been deemed essential and were thus allowed to stay open during pandemic-related shutdowns, but several studies have shown that consumers are flocking to online platforms for their grocery purchases even as other brick-and-mortar stores reopen. A recent [report](#) found that online grocery sales in the U.S. totaled \$6.6 billion in May – a more than fivefold increase from August 2019. There has also been strong month-to-month growth, as such sales increased 24 percent from April to May.

PYMNTS [research](#) confirmed extreme growth in online grocery shopping: The overall share of U.S. consumers using digital platforms for grocery purchases hit 13.2 percent in late May – a sizable increase from the 3.5 percent recorded in early March. This shift to digital channels has been less pronounced than it has been in other areas, such as the restaurant and retail sectors. One possible reason for this is that most grocery stores have been permitted to stay open throughout the pandemic, while others have been subject to closures.

INSTACART LEADS THE THIRD-PARTY ONLINE GROCERY SHOPPING PACK

The growing market for online grocery ordering has generated fierce competition among both established retail giants and newer technology platforms such as third-party grocery delivery service Instacart. A recent New York Times [analysis](#) revealed that Instacart has experienced a more than 400 percent sales volume increase from the same period in 2019. The company has surged past market incumbents Peapod and FreshDirect, which may be due to Instacart's partnerships with a wide range of grocery outlets, according to the analysis.

Retail behemoths Amazon, Target and Walmart already had robust online and mobile ordering operations before the pandemic and have also experienced dramatic sales growth since its onset. Walmart is king when it comes overall market share, however, representing 50 percent of all online grocery sales in late April.

COOKING AT HOME UP MORE THAN 50 PERCENT DURING PANDEMIC

Consumers are putting their grocery purchases to good use by spending more time in the kitchen during the pandemic, according to a recent [survey](#), and many say the experience is broadening their culinary horizons. The survey found that 54 percent of consumers are cooking and baking more during the pandemic, 50 percent have

discovered new brands and products and 51 percent expect their new cooking habits will last beyond the pandemic. The trend does not necessarily translate into consumers only eating salads and nutritious items, however: 39 percent are eating healthier foods, but 40 percent reported eating more “indulgent” fare.

New technology solutions

A GROWING NUMBER OF GROCERY STORES ARE GOING ‘DARK’

The increasing popularity of mobile order-ahead and delivery services has given rise to ghost kitchens, facilities that service multiple food purveyors without physical storefronts. A similar trend is now [taking](#) hold in the supermarket industry as consumers turn to mobile and online ordering to procure their groceries. Amazon appears to be leading the pack. The retail heavyweight initially rolled out one Whole Foods “dark store” location in the early days of the pandemic and has since expanded to six, with facilities in Baltimore, Chicago, New York and San Francisco. Dark stores can help workers avoid some of the safety concerns that stem from crowding in stores that are open to the public. Other grocery companies, such as Stop & Shop and Kroger, are [planning](#) their own dark facilities, demonstrating that the trend could very well endure beyond the pandemic.



40%

OF CONSUMERS
SAY THEY'VE BEEN
EATING MORE
"INDULGENT"
FOOD DURING THE
PANDEMIC.

SMART & FINAL ROLLS OUT TECHNOLOGY-ENHANCED CHECKOUT LINES

Connected technology is doing more than allowing consumers to get their groceries without leaving their homes – it is also helping them stay safe when they shop in stores. Grocery chain Smart & Final is [employing](#) a computerized system to limit crowding by using physical gates that control when customers can approach registers, for example. The gates also feature screens that remind consumers about pandemic-related safety guidelines.



Smart & Final is one of several stores to roll out technologies meant to ease compliance with safety rules, which otherwise can create distractions for employees and lead to tensions with customers. Grocery chain Kroger is employing sensor-based technology it already uses to monitor and control checkout lines to keep store capacity under 50 percent, for example.

DIGITAL PLATFORMS BRING ONLINE ORDERING TO INDEPENDENT GROCERS

Digital grocery shopping is not the sole turf of Amazon and other retail and technology giants in large urban markets. Smaller independent stores have been ramping up online services, too, often with the help of third-party technology providers. Winkler Wholesale Grocers is [assisting](#) the more than 400 independent grocers it supplies in

parts of Illinois, Indiana, Michigan, Missouri and Ohio in setting up online ordering operations. It is also partnering with grocery-focused eCommerce platform ShopHero to allow independent stores to offer online and mobile ordering, curbside pickup and delivery services.

Josh Winkler, CEO and president of Winkler Wholesale Grocers, explained that the collaboration aims to help its grocer partners satisfy growing customer demand for online ordering. ShopHero's offering also enables grocers to manage their websites as they see fit and tailor their delivery or pickup services to their individual operations.

Innovating the D2C model

PEPSICO MOVES INTO D2C MARKET

The direct-to-consumer (D2C) model has been a boon for small merchants, allowing them to use online platforms to sell directly to customers without competing for shelf space at retail outlets. Even larger brands are moving toward D2C channels to keep their products stocked and ready to ship amid the pandemic, including food and beverage corporation PepsiCo. The company has [launched](#) two websites, Snacks.com and PantryShop.com, that enable consumers to order products like Cheetos, Gatorade, Ruffles and Sun Chips without leveraging intermediary services.

Some observers believe PepsiCo's move [represents](#) an important trend for the grocery industry: disrupting traditional supply chains and providing brands with vital customer data sources. PepsiCo executives believe direct input from customers purchasing various products or product packages will allow the company to determine what consumers want and to tweak its messaging and offerings to match their demands.

D2C FARM SALES HELP CONSUMERS SHOP LOCAL

The D2C trend is also [helping](#) small-scale farmers offer their fruits, vegetables and other products directly to customers. Smaller farms are filling some of the voids

left by their larger counterparts, which have been [strained](#) by pandemic-induced labor shortages and supply chain challenges.

Several small growers selling directly to consumers and businesses are also offering online ordering and pickup options to help customers comply with social distancing guidelines. There is evidence to suggest that these approaches are paying off, too. Idaho-based Kraay's Market and Garden received its largest single order ever during the pandemic, for example, totaling \$1,900. The largest single order it reported prior to the outbreak totaled about \$600.

RESTAURANT WHOLESALERS SEEK TO SELL DIRECTLY TO CONSUMERS

Pandemic-related restaurant closures have hurt owners and workers as well as consumers looking to dine out. The wholesalers that supply eateries with ingredients and other necessary products have also felt these closures' impacts. Some wholesalers have thus [turned](#) to the D2C model to fill the gap and meet surging demand for grocery deliveries.

Delta Produce in Washington, D.C., has begun selling products directly to consumers via its website to make up for lost restaurant business, for example. It is also partnering with Choco Market, which usually connects restaurants and suppliers, to offer consumers next-day delivery options for everything from food products to cleaning supplies.



PYMNTS.com

ABOUT

[PYMNTS.com](https://pymnts.com) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe to this report, please email us at feedback@pymnts.com.



DISCLAIMER

The How We Eat Tracker® may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS.COM: MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED "AS IS" AND ON AN "AS AVAILABLE" BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS.COM SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS.COM RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS.COM SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS.COM HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATION'S ARE PROVIDED BY PYMNTS.COM AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS.COM is the property of PYMNTS.COM and cannot be reproduced without its prior written permission.

The Next-Gen AP Automation Tracker® is a registered trademark of What's Next Media & Analytics, LLC ("PYMNTS.com")