

Preparing for eGrocery Logistics Automation [Guide]

U.S. eGrocery sales grew by 54% in 2020 as the direct consequence of the COVID crisis.¹

Online food retailers that automated their processes have shown greater agility and ability to scale their logistics to capitalize on the increased demand.

In this guide, leading automated storage solutions manufacturer, Modula, shares seven steps eGrocery brands should take to prepare for logistics automation and position their business for growth.





How the Pandemic Impacted Online Food Retailers' Logistics

In 2020, U.S. eGrocery sales grew to \$95.8 billion – up 54% from the previous year, according to an eMarketer report in February 2021. Faced with a sharp increase in orders, many online food retailers experienced challenges in scaling their logistics to meet the demand while keeping operational costs at bay.

Studies have shown that such bottlenecks, if unresolved, directly affect customer loyalty and revenue.

Some of the key considerations that contribute to eGrocers' decision to automate their logistics are: \ominus

Trust Key in Online Food Purchasing Decisions

In 2020, consumers adopted online grocery shopping mainly for utilitarian reasons, such as caring for a newborn child or a sick relative.²

In 2021, as consumers grew accustomed to online grocery shopping, shopping decisions shifted from purely utilitarian motivations to prioritizing trust they'd built with their select retailers.³

Building trust requires consistent performance, including accurate delivery timeframes, stable costs and responding to the customers' evolving needs.

2. Concerns Over Storage Conditions Affect Online Sales of Perishable Foods

When it comes to product categories, online shoppers have shown preference for non-perishable foods over those that require refrigeration and special storage conditions, due to "spoilage concerns," a trend noted by the Nielsen Group back in 2015 in their report The Future of Grocery.⁴

Overcoming this prejudice requires efficient and specialized storage systems, along with consumer education.

3. Unoptimized Fulfillment Systems Consume Greater Chunks of Sales

In a 2021 report, McKinsey found that picking and other operational costs ranged from 11%-14% of total sales.⁵

The increasing number of SKUs and product categories required to service the new demands of on line customers has created a host of challenges for eGrocers with traditional storage and picking systems, including the need for greater storage space and labor requirements in a market suffering from shortages of both space and people.

The same report found that eGrocers with fully or partially automated storage and picking systems saw lower operational costs, therefore larger profit margins.



How Automation Resolves eGrocery Logistics Challenges

eGrocery logistics automation refers to either semi- or fully automated operations. Given its direct impact on product availability, accuracy and speed, most eGrocers begin their journey to greater efficiency by investing in automated storage and retrieval systems (AS/RS).

Modula is one of the world's leading suppliers of material handling equipment (MHE).

Our solutions can be implemented as **a single, semi-automated eGrocery automation solution** ideal for nano or scaled-down fulfillment centers, **or as part of an omnichannel solution** recommended for companies with large numbers of SKUs and complex categories.

Modula's Vertical Lift solution, for instance, can:

- Recover as much as 90% of floor space
- Increase picking speeds to over 300 lines per hour
- Improve picking accuracy by minimizing, if not eliminating, human error
- Support the cold chain with temperatures ranging from 35°F to 77°F (± 1°C) and with a maximum humidity of 50%

Modula products are designed with worker ergonomics and safety in mind. Our customers tell us that they significantly improve working environments for employers and operators alike.

Modula's Vertical Lift is available in a wide range of sizes and capacities

EXPLORE VERTICAL LIFT

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Preparing for eGrocery Logistics Automation [Checklist]

Define Your Performance Picking Goal

Set goals for the number of orders you want to fulfill within a target timeframe. In picking terms, this would be the number of lines per hour.

Your goals will determine the scope of your automation project, including the special requirements, budget, and types of automated solutions.

Identify the Operations That Should Be Automated

To identify what parts of your eGrocery operations would benefit from automation the most and, consequently, what types of solutions you'll need, compile a list of the specific pain points that are currently weighing down your operation.

By cross-referencing your current logistical pain points with your automation goals, you'll be able to prioritize your investment and select the types of solutions that would make the biggest impact on your bottom line. This will facilitate your solutions research and filtering process.

Determine the Automated System's Compatibility With Your WMS/ERP

The easier your automated system fits into your existing environment, the greater the cost-savings and efficiency during the implementation and launch processes.

Look for solutions that are compatible with your preferred warehouse management system (WMS) and enterprise resource planning (ERP), or systems that come with their own software that fits your nee



Assess the Available Space for the Automated Solution

One of the key benefits of upgrading to an automated storage solution is the ability to optimize the available space, particularly as the supply of warehousing space declines nationwide.

Based on your available space, Modula's experts will determine the best solution to meet your needs and calculate the exact gains in the available storage space.

Set a Budget for Automated System Implementation & Maintenance

Though there are upfront costs to consider, our automated storage solutions – for example – have shown remarkably quick returns on investment, typically ranging between six and 18 months.

Besides setup costs, be sure to draw up a budget for maintenance. These costs will vary based on the types of solutions you choose. If you are interested in Modula's Vertical Lift maintenance fees, our experts are happy to share insights!

Contact us.

Create a Preliminary Roll-out Plan

Identify your key stakeholders in the research, implementation and roll-out processes. Assigning clear roles can optimize productivity throughout the process and with your team's adoption of the new technologies.

Create milestones for your automation process, end-to-end, and break them down into mini action plans to further streamline this great transition for your business.



Talk to Experts

Finally, with a clear idea of your goals, resources and available options, interview and consult with automation experts who can help you hone your plan and begin the automation process.

Modula's experts are on hand to discuss your AS/RS requirements and provide personalized recommendations.



Contact Modula's experts

via website form

or

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