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Four Innovation Lessons from Global Grocery Leaders

Aron Bohlig, CEO of ComCap – The only ecommerce-focused investment bank M&A and capital formation in 14 countries over last nine years



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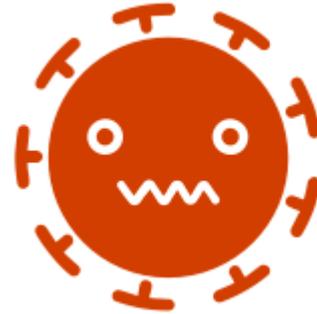
- Global investment banker, former CEO of European comparison shopping and affiliate network company, extensive M&A experience in the North America, Latin America, Japan, China, the ASEAN region, Western and Eastern Europe and Australia
- ComCap works with online and offline retailers, retail software providers, payments companies and professional services companies that focus on the digital retail ecosystem
 - We do strategic work and have an extensive set of research available at our website
 - We do strategic financings for tech companies, advise sellers and buyers
- Disclaimer: ComCap works with many of the companies shown in the presentation and may have a financial relationship with them

Why are eGrocery and Grocery technology so hot right now?

The New Realities



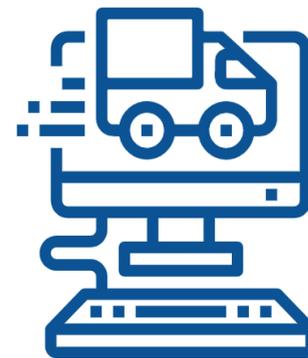
Changing millennial shopping habits / delivery as a weapon



COVID



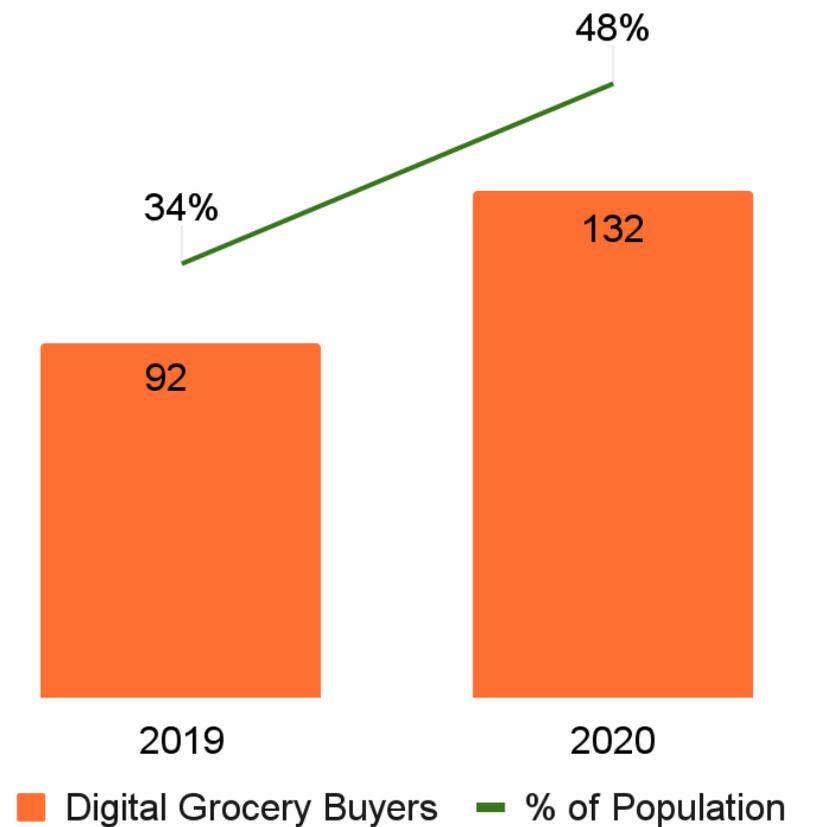
Strong technology adoption



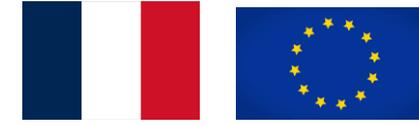
Faster Delivery

The Adaptation

US Digital Grocery Buyers (In Millions)*



Global Leaders - Initiatives to Drive Economies of Scale and Differentiation



Revenue

\$559bn
(2020)

\$132bn
(2020)

\$70bn
(2020)

€72bn
(2020)

~\$14bn
(2019)

Tech spending

\$12-14bn
(2021-23)

~\$3.5bn*
(2021)

~\$2.0bn*
(2021)

€1.5-1.7bn*
(2021)

NA

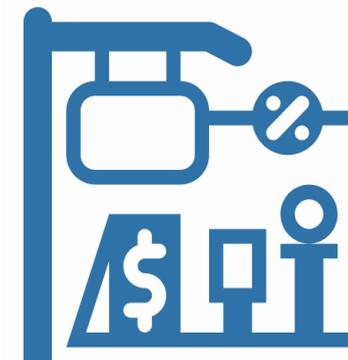
Key Initiatives



Expanding Digital Channel



Faster Logistics



In-house Ad Platforms



Sticky Loyalty Programs

Can grocery & CPG companies replicate the strategy of heavy tech investments by non-grocery retailers?

Recent Tech investments by Grocery retailers

Date	Name	HQ	Sector	Buyer / Investor	Amount (\$M)
Sep-21	Cajoo Technology	Paris, France	Grocery delivery	Carrefour SA	\$40
Jun-21	ART19, Inc. ⁽¹⁾	Oakland, CA	Ad-tech	Amazon	NA
Jun-21	DroneUp	Virginia Beach, VA	Robots / Drones	Walmart	NA
Jun-21	Pensa Systems ⁽²⁾	Austin, TX	AI-analytics	Couche-Tard	\$11
May-21	Legion Technologies ⁽³⁾	Redwood City, CA	Workforce management	Dollar General	\$50
Mar-21	Delvit Solutions ⁽¹⁾	Bengaluru, India	Store automation	Amazon	\$15
Feb-21	PaperG ⁽¹⁾	San Francisco, CA	Ad-tech	Walmart	NA
Feb-21	Databricks ⁽²⁾	San Francisco, CA	AI-analytics	Amazon	\$1,000
Jan-21	Innovation Associates	Johnson City, NY	Store automation	Walgreens	NA
Oct-20	Box Robotics ⁽¹⁾	Philadelphia, PA	Robots / Drones	Giant Eagle	NA
Jan-20	Dejbox ⁽¹⁾	Marcq-en-Baroeul, France	Workforce management	Carrefour SA	NA
Feb-19	Aspectiva ⁽¹⁾	Jerusalem, Israel	Customer engagement	Walmart	NA
May-18	Ocado Group ⁽¹⁾	Hatfield, UK	Logistics / Fulfilment	Kroger	NA

- Grocery companies have been making substantial technology investments
- The change have been largely been forced by the pandemic
- The next couple of years could see this trend accelerate and bring rapid growth for eGrocery

Select Tech Acquisitions by non-grocery retailers*

Date	Name	HQ	Sector	Buyer / Investor	Amount (\$M)
Aug-19	Celect	Boston, MA	AI-analytics	Nike	\$110
Mar-19	Dynamic Yield	Tel Aviv, Israel	AI-analytics	McDonald's	>\$300
Jan-19	Askuity	Toronto, Canada	AI-analytics	The Home Depot	NA
Nov-18	Qm Scientific	San Jose, CA	AI-analytics	Ulta Beauty	NA
Oct-18	daco SAS	Paris, France	AI-analytics	vente-privee.com	NA
Mar-18	Zodiac Inc.	Philadelphia, PA	AI-analytics	Nike	NA
Mar-18	Modiface Inc.	Toronto, Canada	Customer engagement	L'Oréal	NA
Mar-18	BevyUp	Seattle, WA	Customer engagement	Nordstrom	NA
Jul-15	OrderUp	Baltimore, MD	Logistics / Fulfilment	Groupon	\$89
Apr-15	Shoefitr	Pittsburgh, PA	AI-analytics	Amazon	NA
Mar-15	Endicia	Sunnyvale, CA	Logistics / Fulfilment	Stamps.com	\$215

- Similar rush of technology investments were observed in the non-grocery retail space (primarily fashion), prior to 2020
- While COVID has helped ecommerce take off 2020 onward, it did have its own growing momentum



Walmart: Leveraging the power of innovative divisions in order to elevate its hold on technological innovation

Losing market share to



- ✓ Strong ecommerce growth
- ✓ Still the #1 grocer
- ✓ Alternative profit centers

New consumer offerings

Technological Initiatives



Apr '20 - 2 Hour Delivery



Jun '20 - contact-free, 2% cash back - Loyalty



Sep' 20 - free 15-day trial



Jan' 21 - Retail Media - a new profit center



Automated Local Fulfillment Centers



Ecommerce Laboratories



Added new products on its marketplace



DEMATIC

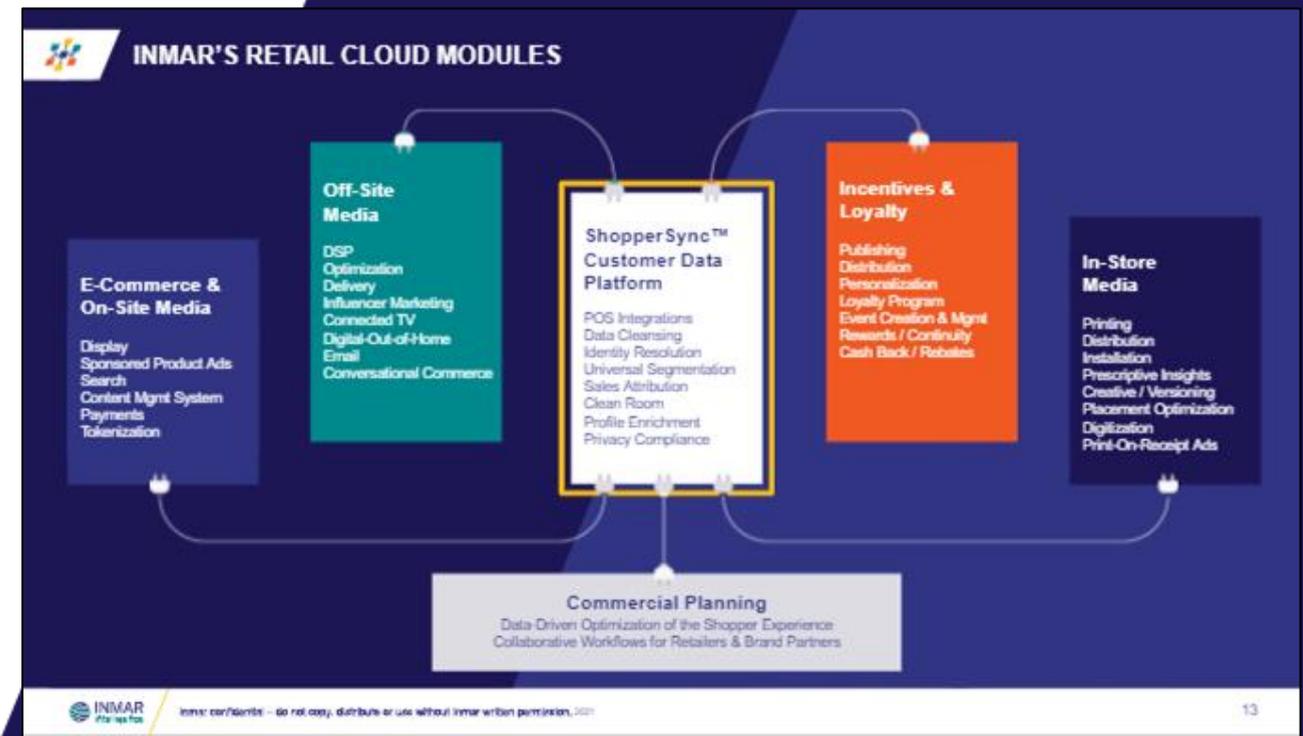


New Partnerships



2021 MEGA TREND - THE RISE OF RETAIL MEDIA NETWORKS IN GROCERY RETAIL

- Retail Media Networks are a great way to capture additional margin and provide new venues for CPGs to engage with consumers in a way that are consistent with the Grocery retailer's brand promise to consumers
- The technology and commercial models are quickly evolving but this slide highlights one of the major vendors approaches to the market
- ComCap's draft report on retail media networks can be found here (<http://comcapllc.com/research>) and Forrester's excellent new research report on the space can be found for free here: <https://www.inmar.com/>



COMMERCIAL MODEL ENABLES FLEXIBILITY AND SUPPORTS TRANSITION TO IN HOUSING WHERE DESIRED

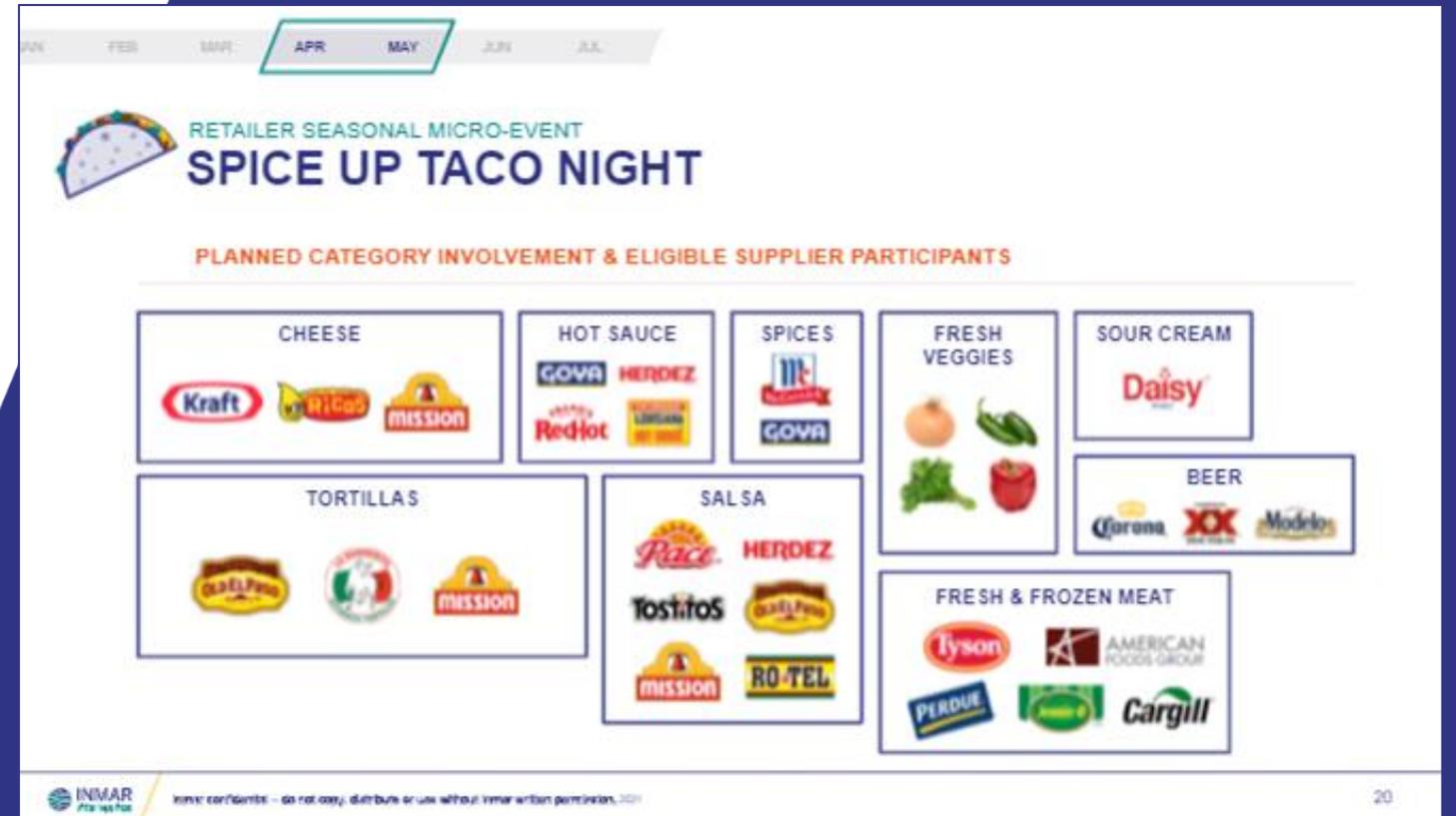
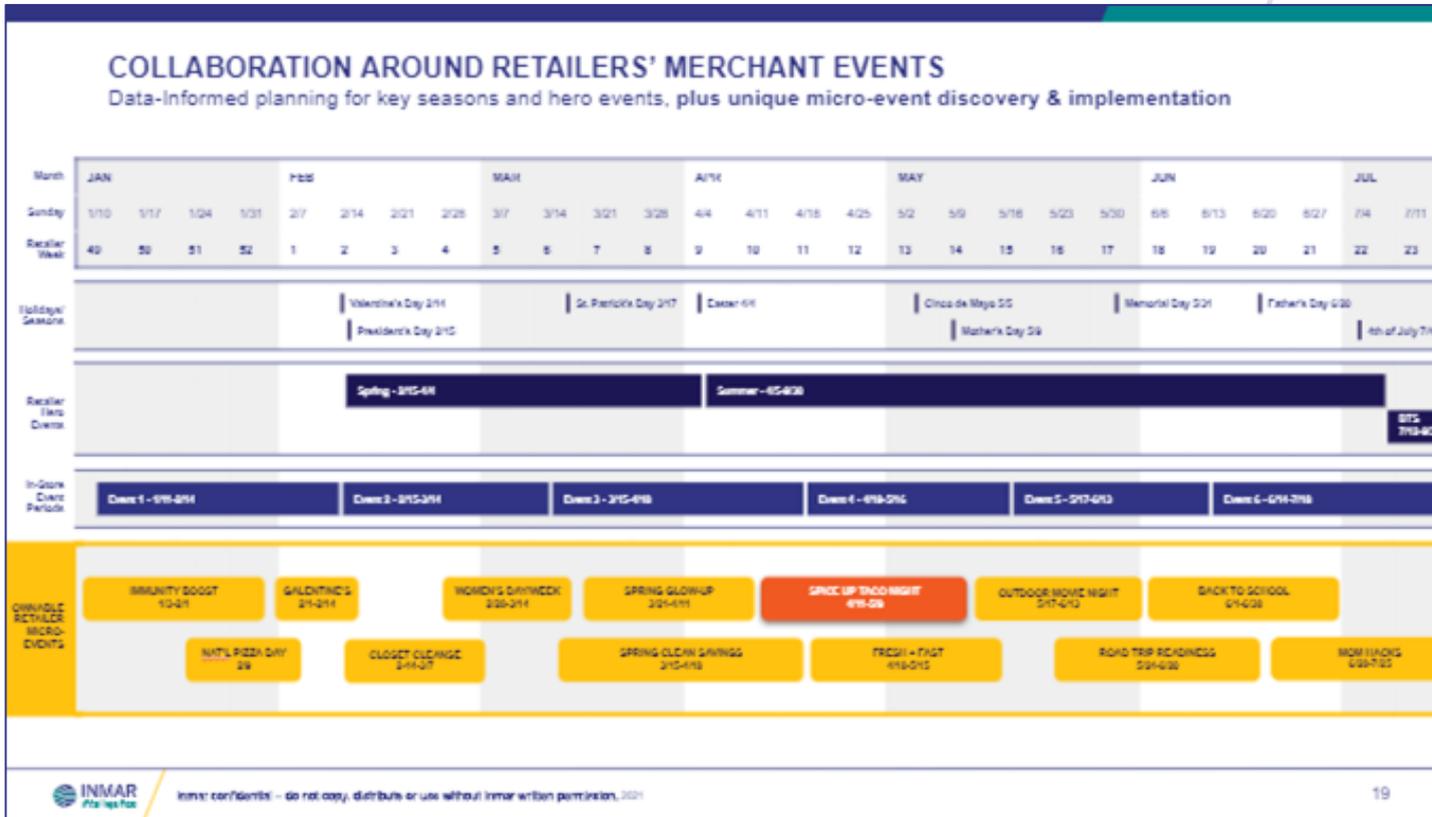
	FULL SERVICE MODE	HYBRID MODE	FULLY IN-HOUSED MODE	PRICING MODEL
SALES	INMAR intelligence	RETAILER + INMAR intelligence	RETAILER	Revenue Share: 10 - 40% (varies by product and volume)
OPERATIONS	INMAR intelligence	RETAILER + INMAR intelligence	RETAILER	Service Fee: 5 - 10% of Gross Billings (varies by product and volume)
TECHNOLOGY	INMAR intelligence	INMAR intelligence	INMAR intelligence	Technology Fee: 10 - 15% of Gross Billings (varies by product and volume)

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RMN NEXT STEPS - REDEFINITION OF MEDIA IN A GROCERY CONTEXT

- Grocers should implement solutions that are aimed at engaging with consumers in a consumption specific context
- If it's Cinco de Mayo, it's time for Impossible ground product and skinny margaritas, not meaningless run of network advertisements
- Next generation retail media networks will let grocers enable brands to capture attention at the moment of intent - outcompeting solutions from Amazon, Google and other stalwarts of the traditional digital media ecosystem





Digital strategic initiatives, are positioning Kroger for sustainable growth



Technology partnerships

Drones express



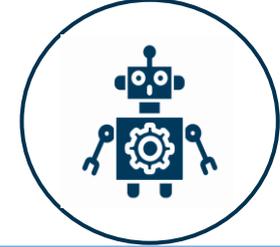
Expanding the eCommerce channel

- **FY20:** Digital sales growth of 116%; digital sales to double by 2023
- **FY21:** Expected capital expenditure of \$3.4b - \$3.6b
- Launched marketplace with Mirakl



Fulfillment capabilities and faster deliveries

- In 2021,
 - Opened Ocado powered customer fulfillment centers
 - Launched drone delivery (pilot testing)



In-Store Automation & loyalty program

- Piloting an AI enabled in-store “smart” shopping cart
- **1Q21:** Offered 258 billion personalized recommendations digitally
- Leveraging its 20-year old loyalty program to drive use of digital coupons



2,220+ Total pickup locations



128%+ growth orders per day in 2020



240+ Pickup locations added in 2020

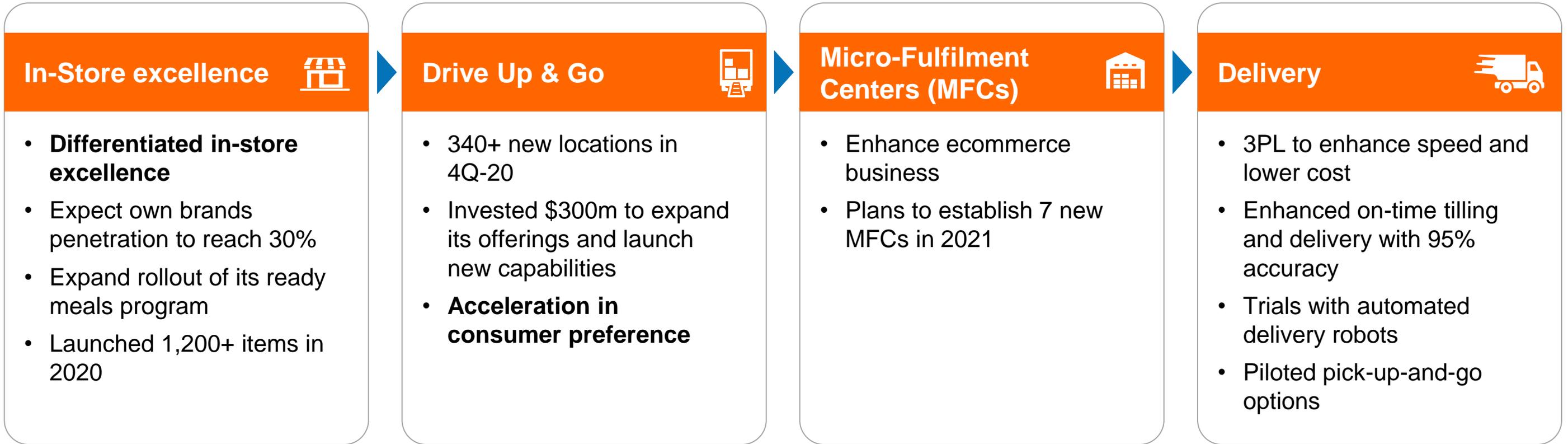


98%* customer retention rate

To expand with fresh food, accelerate with digital initiatives combined with focus on supply chain and last-mile delivery



Albertsons: Digital Initiatives is a key catalyst for growth



20+ grocery brands

Home delivery in 12 out of top 15 US markets

Of 2,278 stores, 1,420 have 'Drive Up & Go' facility

Grocery sector fund of \$50m with Greycroft

Compete in the growing *home delivery market* more effectively and aims to make ecommerce a competitive advantage

Logistics as a Weapon: Shifting volume to MFCs for cost/service advantage



Automated order-fulfillment at the store level

- Order picking, storage and dispensing
- Implemented at Walmart LFCs
- Greater efficiency, faster fulfillment and more availability

Automated customer fulfillment centers (CFC)

- AI-based 1,000+ robots deployed
- Objective of delivering “anything, anytime, anywhere”
- Targeting 20+ CFCs of 200k-300k sq. ft. each

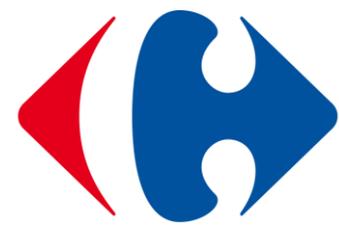
Deployed to fill online grocery orders

- To enhance in-stock commissions
- Reduced labour cost per order
- No compromise on breadth of assortment

Software-enabled curbside pickup & delivery

- AutoStore empowered by Swisslog's SynQ software and pick stations
- Flexible automation solutions for order fulfillment in e-grocery





Carrefour aims to be best in class in ecommerce, retail media and through an advanced in store technology platform

Carrefour



Technology Partnerships:

- Strong investment in in store technology stack with tech partner Pricer.com
- End-to-end software solution for online grocery fulfillment
- A voice-activated grocery shopping service
- Payment agreement with Global Payment

Relevant Partners



Carrefour Digitization based on Pricer's Solution*

A future-proof, reliable and scalable platform for retail digitalization



AUTOMATIC GEOLOCATION OF PRODUCTS
Product finding made easy

CLICK & COLLECT
30%* time-saving when picking e-commerce orders with Instant Flash and optimized route planning



WASTE MANAGEMENT
Reduce food waste by 30%* and save time

UNIQUE CUSTOMER EXPERIENCE
Access to additional information (NFC)



SIMPLIFIED INVENTORY MANAGEMENT
Improve your stores' stock data and simplify inventory checks

PRICE AUTOMATION
Execute dynamic pricing and meet today's complex omni-channel requirements

RAPID REPLENISHMENT
Save several seconds per item



Scaling eCommerce via its store network:

- 2,000+ new ecommerce pick-up stores
- Complimentary home delivery
- Faster delivery: drive pick-up point, delivery at home, express delivery and Uber Eats
- Investments in grocery delivery

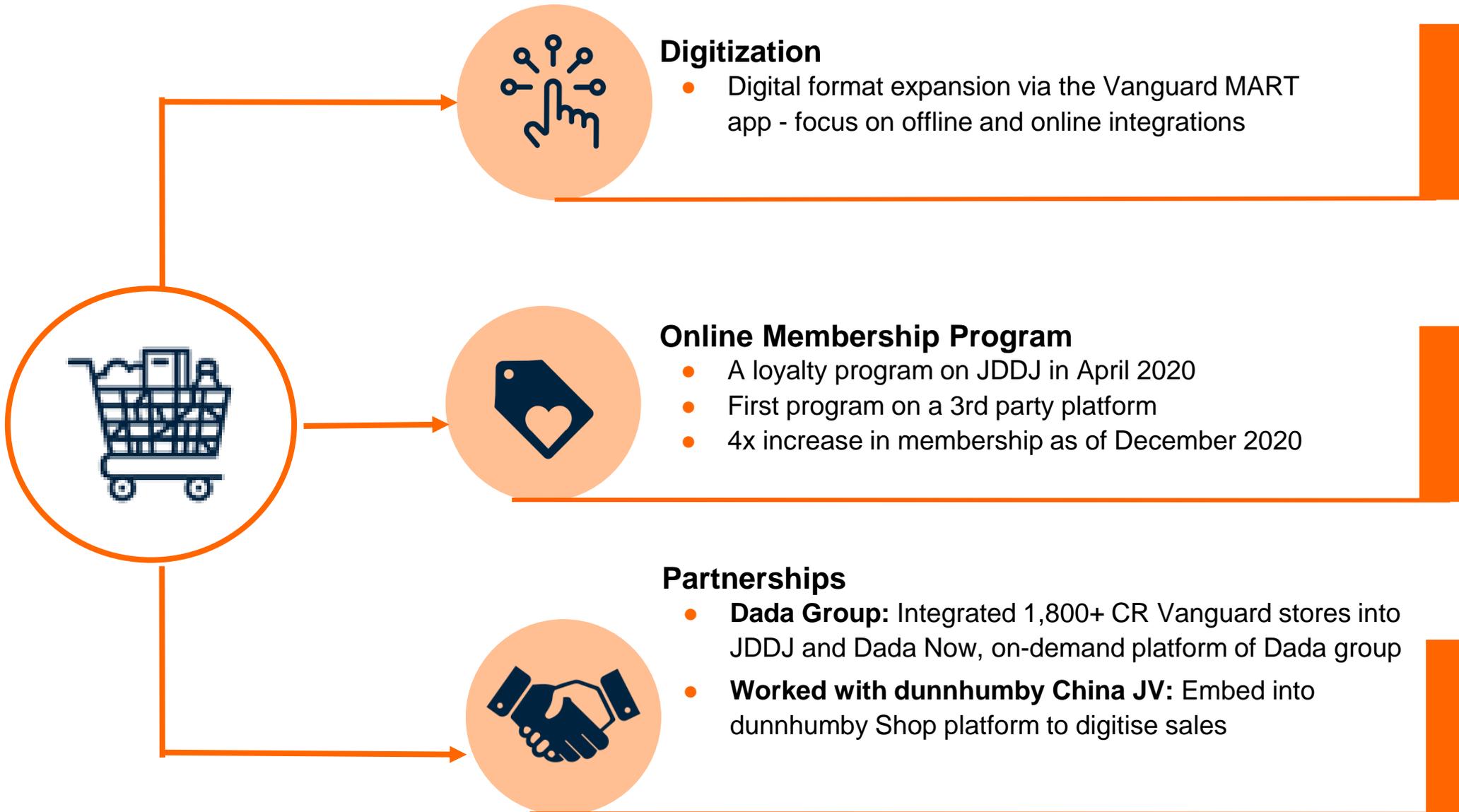


Retail Media Networks:

- Customer data platform providing access to 80m households
- More personalized CX for both, online and offline channels

Carrefour has one of the most advanced visions, in line with Chinese leaders and potentially a playbook for the USA

CR Vanguard: digital transformation and online & offline integration



3,200+ self-owned stores across China with 170,000+ employees



Topped the supermarkets brand in China in 2019



Sales growth on JDDJ's platform for last 3 years, with a 2.2x growth YoY in 2020

CR Vanguard plans to expand the Vanguard Mart app to 100+ stores by 2022

The growing conflict between online platforms and grocery retailers



New D2C Platforms



- **Leading online grocery delivery service platform in North America:**
 - Partnered with over 600 retailers to deliver from 55,000 stores across 5,500+ cities in North America
- **Leading direct to consumer brand:**
 - Displacing long standing retailer relationships and training consumers to shop through an app, not a retailer
- **Instacart Ads:**
 - Huge margin opportunity



Acquisitions



- **Dominates grocery retail with acquisition of hypermarket chain:**
 - strengthen its position in one of the fastest-growing segments of e-commerce



- **A cataclysmic event to acquire Whole Foods:**
 - raised the stakes for multibillion-dollar investments in digital grocery capabilities



Partnership

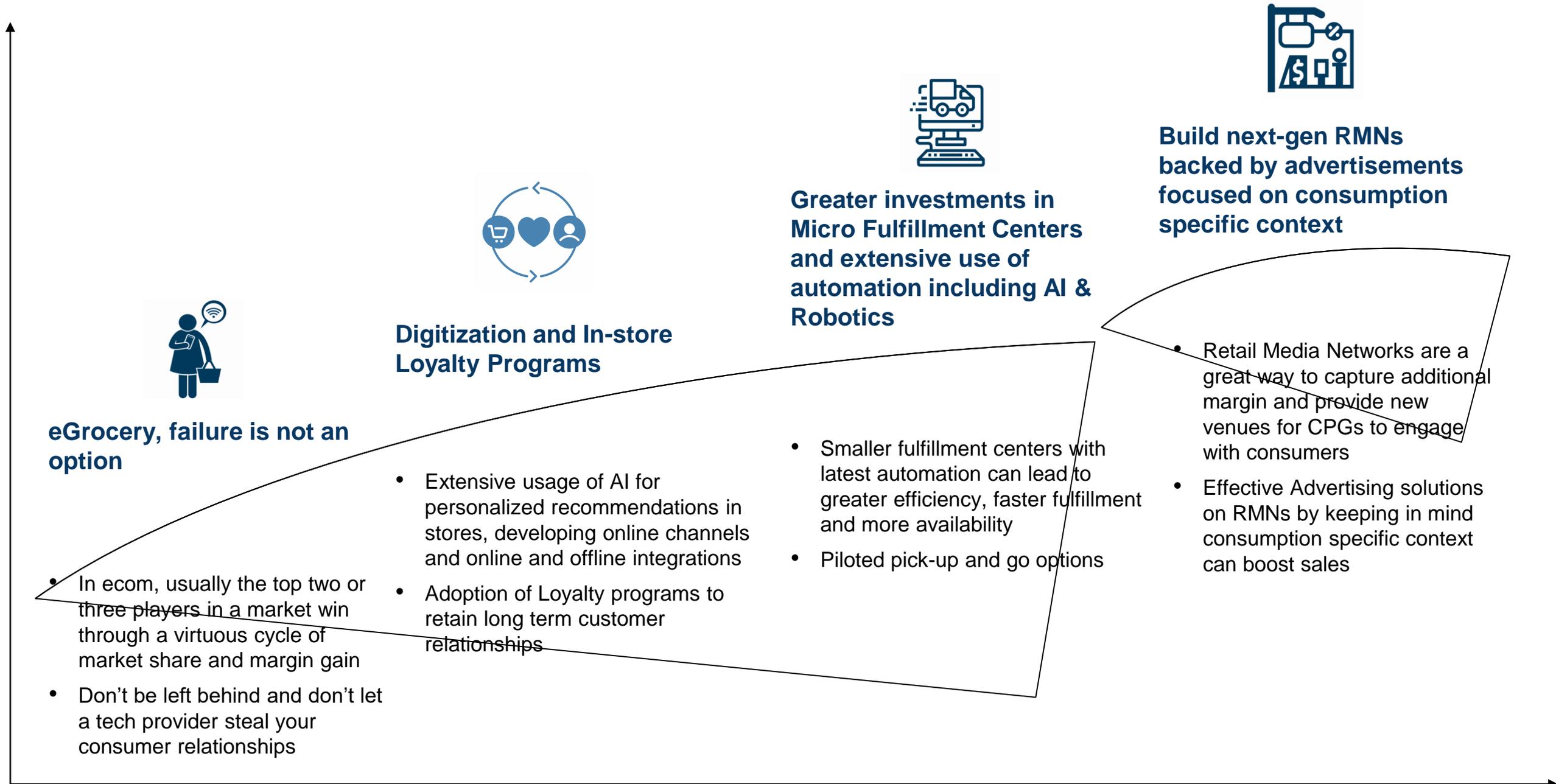


- **Ocado Smart Platform:**
 - proprietary end-to-end software systems with its physical fulfilment assets, enabling grocery retailers to capture and expand market share
- **Ocado Retail:**
 - A pure-play online grocery business, currently a 50:50 joint venture with M&S, a UK based food and retail group to serve UK households from Ocado.com



Four big moves to make now to create a virtuous cycle

Prediction for 2022-2023: AI & ML



Summary

Key highlights	Walmart 	Kroger	Albertsons 	Carrefour 	Vanguard* 華潤萬家 		
Description	One-stop shopping solution for everyday items	Leading multi - departmental store in the US	Leading food and drug retailer in the US	French supermarkets giant with strongholds in Europe and South America	Leading supermarket chain in China and Hong Kong		
Top Initiatives							
	<ul style="list-style-type: none"> ● 2 Hour Delivery ● Curbside pickup ● ~20-30K LFCs 	<ul style="list-style-type: none"> ● Automated customer fulfillment centers ● Delivery via drones 	<ul style="list-style-type: none"> ● Invested in automated MFCs ● Trials with delivery robots 	<ul style="list-style-type: none"> ● Use blockchain technology to track food ● Complimentary 1 hour express home delivery 			
	<ul style="list-style-type: none"> ● Online marketplace available to SMEs ● Converted 4 stores into ecommerce laboratories 		<ul style="list-style-type: none"> ● Invested \$300m+ to accelerate new digital capabilities 	<ul style="list-style-type: none"> ● 2,000+ new ecommerce order pickup stores 	<ul style="list-style-type: none"> ● Launched online loyalty program on JDDJ ● Developing online channels and online and offline integration 		
		<ul style="list-style-type: none"> ● Ghost kitchens ● Scan-and-pay initiative ● In-store automation 		<ul style="list-style-type: none"> ● Connecting existing store network to ecommerce channel 	<ul style="list-style-type: none"> ● 1800+ stores, are integrated into JDDJ 		
Strategic Partnerships	 		 		 	 	  

THANK YOU!

Four big moves to make now to create a virtuous cycle



eGrocery, failure is not an option

- In ecom, usually the top two or three players in a market win through a virtuous cycle of market share and margin gain
- Don't be left behind and don't let a tech provider steal your consumer relationships



Build next-gen in-house Retail Media Networks backed by advertisements focused on consumption specific context

- Retail Media Networks are a great way to capture additional margin and provide new venues for CPGs to engage with consumers
- Effective Advertising solutions on RMNs by keeping in mind consumption specific context can boost sales



Greater investments in Micro Fulfillment Centers and extensive use of automation including AI & Robotics

- Smaller fulfillment centers with latest automation can lead to greater efficiency, faster fulfillment and more availability
- Piloted pick-up and go options



Loyalty Programs and an Omni-channel experience combining in store tech, web/app based shopping

- Extensive usage of AI for personalized recommendations in stores, developing online channels and online and offline integrations
- Adoption of Loyalty programs to retain long term customer relationships