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CORONAVIRUS DIARY PART II

Retailers, in their own words about what's happening now.

By Jay Jacobowitz

Editor's Note: In June, we published Part I of this series of retailer interviews about the response to the pandemic. Here, we follow up as of early October, and sincerely thank those independents who generously shared their thoughts and observations with us. JJ Edited excerpts:

Home Delivery:

New England Retailer: Delivery logistics are challenging. We have our own van. But, who is driving? It comes down to being in the distribution business. Do you pull somebody out of produce? There isn't enough margin to justify delivery. During the height of the fear, we were delivering all day, 20-30 orders per day. Now it's one or two orders a day.

Northeast Retailer: We've stopped deliveries, because people don't really want it. We have enough trouble keeping the shelves stocked the way it is.

New England Retailer: In the last four weeks we launched our own delivery service, through our ecommerce platform. We only serve the four towns surrounding our two locations, with plans to expand later. Our third-party delivery provider is limited to the greater [metro] area. There was an initial start-up fee of a couple thousand dollars, then a fee of 12% of sales. We hope to shift to our own delivery exclusively, due to better margins.

Mid-Atlantic Retailer: We avoided the delivery aspect for liability issues, having to have staff out there delivering. Our insurance guy advised against it, so we expanded to curbside.

Southeast Retailer: We have had some people asking about delivery, but you have insurance issues. That's enough to scare me, having employees driving for the business. We had an experience when an employee delivered to a customer who claimed he was hitting on her. There are also personnel issues with delivery. We are glad to send by UPS or USPS, which is perfectly reliable and without the liability issues. One old-time customer wishes we would deliver.

Midwest Retailer: [Third party platform] electronically takes our product file out. Because they get the whole file, we still have to have disclaimers that not all items are available, and you have to tell us if you will accept substitutions. Delivery is a very tiny percentage of total sales. It took off during the 14 day trial, then the delivery fee kicked in, so demand stopped. [The third party platform] is also partnered with [another third-party delivery service] that didn't have all the zip codes, or a liquor license.

E-Commerce Online:

Northeast Retailer: People who didn't know how to use Amazon now know how to use Amazon. There are days the roads are packed with Amazon trucks, and those drivers are all lost. At home, we get our neighbors' deliveries. We're still trying to get the POS together, and maybe then we'll do deliveries, and go online with at least our private label vitamins.

Northwest Retailer: We have one website page, with ten text lines to enter what you want. We haven't uploaded our product file. We get two to three online orders a day. We have no delivery. We still focus on the store experience. I have asked around a lot and, prior to covid, I had not found any store doing more than 3% of their total business online. And that's with years of time and hundreds of thousands of dollars invested. I can do so many things for that type of effort and money to grow my business 3%.

Curbside Pickup:

Northeast Retailer: Within a couple of weeks of the March shutdown, we got a form up on our website, and a payment method. Customers basically go over the blank form and type in what they want. Then we set up a smartphone app, and alternate phone numbers, so we would get the calls on our cell phones. We could communicate back and forth by text, for substitutes, out-of-stocks, etc. We opened the order form daily until 2:00 p.m., then would close it, because there was not enough staff to take care of the 20 or so orders per day.

Our online sales of supplements for curbside pickup grew initially, but since May, our supplement sales are down about 1.5%. We're thinking some customers have switched to online. Overall year-to-date we are up a little bit, and down a little bit overall since May. We hope once people feel comfortable, they will shop in-store.

New England Retailer: Curbside is still pretty robust. Mostly elderly, nervous people that don't want to go into a store. But those products that they receive at curbside have been touched by multiple people. They're not sanitized. Fear is driving everything.

Northeast Retailer: Curbside is fine for anyone who knows what they want, but impulse items, sale items, and end caps, are all lost.

Northwest Retailer: We have offered everything for everyone, and are willing to do whatever it takes. Curbside, and we've always done mail order, but not online. We'll send product anywhere, every day. People call in by phone and pay, then we take the order out to their car. It is not really online. They can put an order together online through our store email, info@, but it is fastest to call us with your order. We are not charging for curbside pickup. We do charge for postage to ship. We are not Amazon; we still support the local schools, the youth of America. Curbside is not as large a business as it used to be in February, March and April.

Northeast Retailer: Curbside was a learning curve for everyone, customers included. One got upset if you touched their trunk, another if you didn't open their trunk. So we started asking questions, when we come out, would you like us to...

Midwest Retailer: As people became less afraid, as more information became available, the demand for online, curbside, or delivery faded. We do wear masks in-store, and do social distance, but never did any special hours. Customers understand we are a smaller business. Walmart—how do they do it and maintain margins?

Northeast Retailer: We have been getting around 25 curbside orders a day, April through June, and continuing now. We have about an 80/20 split favoring curbside vs. mostly local covid-based shipping. Employees put it in the customer's trunk. We took one of our parking spaces and dedicated it to curbside pickup; call when you arrive. We spent \$1,200 on a permanent bollard to block off that space, and we think there will be an increase as we move into fall and winter, since we have a vulnerable older population. The virus hit our customer base hard, with many uncomfortable shopping in-store, and they are the core of our business. But overall, at its peak online orders of all types were never more than 10% of total sales.

New England Retailer: By April, we had to come up with a way to handle people who needed options besides shopping in-store. We offered curbside, old-school, call or email, no online presence for that type of shopping. In April and May, curbside was hard to keep up with large orders, 40 or 50 per day at one store, 20-25 in our other store. We had a 48-hour turnaround, to process. That has continued. We have a regular curbside customer. I don't know if they are afraid to come in the store, or just enjoy the curbside service. It is so labor intensive the way we are doing it. We had three people doing in-store shopping, and one dedicated curbside delivery person. It was nuts. It is harder to do the grocery shopping, we don't have a store set up to just go and shop, work around customers. And it is more difficult now that customers are coming in-store. We need to do something, because if the winter takes a turn for the worse. It takes up a lot of space to store those orders. We're just not set up. It cuts into what you can have in your walk-in freezer and refrigerator, and back room.

Maybe you need to treat curbside like a department of your store, with someone in charge, and grow it that way. Keep it very personal, not outsource your brand [to a third party platform]. It is definitely a different service now, it's more about convenience, versus before when it was a lifeline, that they were afraid to leave their homes. Now they are coming into shop, but also using curbside. When you make the psychological switch from lifeline to convenience for curbside service, do you charge for that? Our curbside order sizes vary from \$50 to \$700. We have very little UPS shipping.

Mail Order:

New England Retailer: We're adding on a shipping option soon. If you live outside the area, or customers who have moved due to pandemic, and who order by phone now. But we are trying to route that business through the ecommerce platform. UPS pickups are zero to two per day now, very small, but we are hoping as it becomes more accessible, and we promote more, it will grow.

Northeast Retailer: As the store quieted down with the lockdown, we pivoted to curbside and UPS with free shipping above \$99, no perishables. Because most covid-based orders are local, it usually arrives next day anyway. Because we already have a robust mail-order business in-house, we committed early to shipping UPS, which picks up five times a day. Our picking and packing lines were already set up, including office, computer system modifications, and employee teams. We accept email orders, and have a dedicated phone line. Our point-of-sale system keeps a key-tag of the customer's shopping history. It's tied to a rewards program, \$5 rebate on every \$200 in purchases. We have many committed shoppers who want to support us. Some email photos of the products they want. Our staff has become personal shoppers. But this is now part of our business model. Pivoting and being flexible and adaptable has been a plus. As long as you have good connections with your customers. We have 14,000 email addresses. Our nutritionist now works remotely from home. We keep her calendar, and she does telephone consults.

The In-Store Experience:

Mid-Atlantic Retailer: We were faster than supermarkets to institute senior hours, masks, and sanitizers, and were faster to restrict shopper numbers, before state laws came into effect. We're generally not as crowded as [the local supermarket chain], so people felt safer here, appreciated what we had done, and are changing their shopping habits because of it. Our biggest department increases are meat and seafood, followed by produce, and all refrigerated products. All food-based, bakery, gourmet. Supplements and body care lagged. Our CBD sales really plummeted.

Omni-Channel:

New England Retailer: The world has gone crazy, no one's thinking logically anymore: click and collect, technology. More than ever we believe in the power of local grocery shopping, and this pandemic is the ultimate test. I think we've proven they want to shop in stores. When they were in fear, they went online. But as fear subsided, people poked their heads out of their gofer hole, effectively saying "I want to be part of society." And food shopping is part of society. You can't be walled off. You need to touch and feel meat, and smile at your neighbor. Initially, we saw a dramatic decrease in trips, and all went online for pickup or delivery, but now shoppers are coming back in store.

April through June, we saw a 500% increase of ordering online for delivery or pickup. Then there was a precipitous drop after easing of the restrictions. But the experience online wasn't great. Customers were complaining, they had problems. Grocery shopping is habitual, repetitive, part of a daily routine. What we found, the online experience can't hold a candle to the in-store experience. There is this romantic idea people have about delivery; that they are standing on their doorstep, with a magical hand-off of hot, cold, and frozen foods from a pristine store and delivery person. That never happens. It is dramatically more complicated. It is the psychology of it that attracts people, but the reality is different.

New England Retailer: In March we had the option to order by phone for curbside pickup, with each of those orders taking 20 to 30 minutes to process. Since mid-April, we've had a robust online store. We were 100% curbside through June. Our POS system has a customized back end platform, with a shopping cart, which we had already paid for, so we could tap into it almost immediately. In a matter of weeks, we had all 16,000 SKUs online that syncs directly with inventory. So if we have 12 on the shelf, we can sell 12 online. There are some discrepancies if someone buys the last one on the shelf. Our promotional sales are instantly online.

We would like to do the website aesthetically differently. MAP (Minimum Advertised Price)* pricing has not been a problem, since we honor MAP pricing across the board, and follow the national deals, so we're not interfering with MAP. One exception is if we discontinue a product, which might go below MAP for a limited time. April through the end of June, were curbside pickup only, with website and phone orders. Then we added a third-party delivery site, which one of our stores was synched up with for a couple of years before pandemic, with a more limited selection than current e-commerce platform we have now. Ten to 15% of our sales are curbside and delivery now.

Online and E-Commerce Platforms:

New England Retailer: We have an app, “[Our Store] to Go,” from our POS provider. The customer has a shopping cart, associated with whichever store of ours they want to shop. But it is not a white label app anymore, no longer exclusively branded to our store. The experience is not fabulous, none of them are. The POS folks make a lot of promises, but the user experience can be [bad]. It is only as good as the resources the provider puts into it. You don’t have real product shopping, and the live inventory isn’t working a lot of the time. There is a disconnect between the customer’s desire for a seamless experience and the reality. They try it a few times, and then say, “I’m going grocery shopping.” Customers have written numerous times, saying, “I like shopping in your store better than online shopping,” although they want online ordering to work.

New England Retailer: Cost to do the web-cart was several thousand dollars. When we turned it on, the inventory automatically came on line, which was a blessing and curse. Shoppers wouldn’t understand our shorthand product descriptions, like [private label] VITE C 1000, for example, so we had to go through all SKUs and make sure names were accurate, then upload every single photo. We’re still working through adding descriptions and ingredients. A half-dozen people have spent countless hours. We launched after we had the top-sellers done.

Northeast Retailer: Online? We’re not doing it. Since we are aggressive with our promotional activity, we can’t observe MAP online, which means we’d have to say, “Call for pricing,” which is cumbersome, and won’t work. What does selling online really do for the retailer? Nothing. You can’t sell online for the price you sell in-store. Plus the online inventory is always going to be different than the in-store inventory.

New England Retailer: We’ve been very resistant to putting the product online. It’s important to give it the right amount of attention it requires. With the right person in place, you can’t just take someone who started last week, and is now an Instacart shopper. You need someone who knows the product line. That is where the frustration comes in, to correct the customer’s request. We were thinking about putting product online to avoid confusion. Customers think they know the brand names of the products they want, but not really. If you do it that way, it takes a higher-level employee than you want to dedicate to that job. You either need to go into it all the way, to add to our offerings, or it is just a little side thing you do when things are not going well. Dabbling in the middle is a difficult spot to be in. We get the orders every morning. I look at the orders, and I know what the customers mean. Other less experienced employees are like, “This isn’t anything we have.” So those customers are not satisfied with the end result. It has to be treated like a department of your store. But, once you do that, there are a lot of fees associated with that. Some third party is managing that platform, or you are doing it yourself.

One other struggle is, do you put everything in your product line online? Or do you cherry pick groceries, perishables, just the top sellers? Your regular customers are going to want everything you have. That’s my biggest concern. In the beginning of the lockdowns, customers would email us their order. We would call and tell them, “Here’s what’s out of stock. Do you want a substitute?” And we’d get their credit card number. Then when demand ballooned, we would just pick the orders, and we just didn’t fill any out-of-stocks. This didn’t go over as well, because they had got used to us calling, but that could take 45 minutes, so there’s just not time for that.

I didn’t even think about the point-of-sale file abbreviations of product descriptions. Then it becomes a job you have to manage. Your success is just out there, once you start. Part of what makes your business successful is your curated assortment. Putting it online makes it easy for even your local competition to see what you are selling, and at what price. And all the MAP limits; we tend to slide under that, [offline] I can run whatever I want to on Garden of Life, for example.

The Workforce:

New England Retailer: Workforce is better than it was six months ago. Unemployment was so low, now there are more people looking for jobs, so much better than hiring was last year. Service industry workers will be looking for the jobs we can provide.

Northeast Retailer: For employee safety, we had team A and team B, with separated shifts. And, we are not engaging with and educating customers as much as we did before the mask orders, and the shifting rules.

Supply Chain, Logistics, and Sales Impact

Northeast Retailer: After the initial spike in sales, when you couldn't get product, we wouldn't bring in just anybody's elderberry, so that business went to stores that didn't care as much, or to online.

Northwest Retailer: Our main focus in our store is the immune system, so we were prepared with products like zinc, which initially sold out. Our business is doing well because we are managing it well. We didn't freak out and start buying grosses, but now we are as well stocked as you will see because we are aggressive. We still insist on purchasing only high quality supplements and food.

New England Retailer: We generally focus on niche items, but now we also focused on pandemic fresh items that we hadn't carried before, like oats, flour, and milk that were not typical for our vitamin and HABA assortment. We didn't have a problem with where to put all the new inventory, because we were simultaneously hit with out-of-stocks, plus we discontinued low sellers, and other products that people had been buying before the lockdown, when they were out and about. So we were adding staple home goods, and less lifestyle products, like snack bars, which you don't need if you are not going to work. We tapped into as many grocery deals as possible, including brands available in [the large] natural grocery chains, just to have items on the shelf when we couldn't get our regular top-sellers. Consumers are fairly brand agnostic, so will buy whatever milk we could get. Shoppers have moved away from HABA and lifestyle products: bags, baskets, earrings, scarves, things that are harder to sell online, that you can't see in person. People are not going out, not buying as many home goods or clothing during the height of pandemic. We used to sell a lot of makeup, perfume and lipstick, but not now when they're not going out.

Northeast Retailer: Our café was hardest hit. Grab and go salads, wraps, juices. You can't drink your smoothie as you shop anymore, due to having to wear masks. But, we've kept foodservice open through the pandemic. Hot food like soups and chili are down, since we took away the tables and chairs at first. Then as we opened back up, put some tables back, but many fewer due to spacing, usage has been very low. We thought grab and go would go big, but shoppers weren't interested.

Northeast Retailer: We have a full-service beauty salon in-store, and with Phase II reopening rules; reduced capacity, PPE, and cleaning, still, customers have not come back. We use an organic hair-coloring system, no ammonias. The objective is to use store products, and we've partnered with these beauty brands.

Northeast Retailer: A supplement company CEO told me FDM [Food, Drug and Mass market retail channels] is the winner, with people going to one place per week to shop, where they buy everything. So, if they could find our brands in those stores, or a substitute, they'd buy it there, or go online. We are not a one-stop shop, so we lost out when people cut down their shopping trips. Plus, younger shoppers are more likely than our older customers to shop the local supermarket chain, and to go online.

Northeast Retailer: With out-of-stocks, on elderberry for example, customers didn't really care which ones they bought, they just stockpiled. The "gummy" business is a ridiculous bandwagon, totally over-SKU'd; vitamin C, D, zinc, anything you can put in there. Multiple vitamins are not rebounding, with sales fading after the March/April surge. The immune products like elderberry and zinc are all doing fine and are back in stock.

But, there was a long period where our top vitamin brand was 60% out-of-stock. So, we pivoted to our top-selling immune SKUs. But, we're still 30% to 40% out-of-stock. Bottles and caps are still hard to source. Distributors are still having struggles. On an \$8,000 order, we're getting \$3,000 shipped, and nobody there knows what happened. Pasta and rice that are available in mass market are still out-of-stock on our orders. Our hand wipes are still low inventory, but the local supermarket chain has end caps of hand sanitizers and masks in their private label brand.

Back to School, Reopening, and Population Shift

Northeast Retailer: Business is slowly crawling back, because we are in a rural town, with no hospital, offices, and no downtown. So everyone is staying home, working from home. The kids are alternating student groups Monday and Tuesday, then Thursday and Friday, with virtual on Wednesday. So, the parents have to stay home, too.

New England Retailer: We were surprised and thrilled how quickly our sales returned to healthy levels after we reopened our stores. People told us they loved shopping in our store in person, and we got lots of social media comments. People do love going into wonderful natural food stores, and having conversations on nutrition. While we

still don't have very in-depth conversations due to social distancing, leading shoppers over to the immune section and pointing out a couple of favorites is a so much richer experience than online.

The state is trying to forestall a second wave. We are doubling down on immune health, cold and flu. People are nervous about the election, and want to make sure they are healthy for whatever comes. We are watching the dollars, stocking products that are affordable and accessible for every price point. Out-of-stocks will continue from major suppliers, so we're looking to replace those with other brands.

Northwest Retailer: Our state is going back full-time elementary [early October]. Our area has been interesting. There's been a massive influx people fleeing the bigger states and cities. Our state has had the best rebound of any of the states. Business is good. It's not a lot of fun, and is a lot of stress. I'm very thankful I live and work here. We have never enforced masks, and we had no state or city ordinances enforcing masks. If you want to wear it, great, if not, great. We get complaints from maskers, and praise from non-maskers. Business is up, and most complainers will come back eventually. We are really the only kind of business doing everything we're doing. We've had a 33% increase in September sales, probably because of warm fall weather, and a lot of people moving here.

Midwest Retailer: It has been nice to get back to our mission of helping people, because customers are not shopping seven different stores. Our newsletter gets into the homes. And we're selling the basics and staples. Our teams are re-engaged because they can re-establish the relationships with customers face-to-face. We're going to spread out the holiday season, so people feel safe, and we don't generate crowds in the store.

*** MAP, or Minimum Advertised Price, protects brand manufacturers from third-party online sellers advertising below a certain price. It is legal according to U.S. antitrust law, because it does not dictate the actual price the retailer can sell the product for, only what price it advertises.**

End of Coronavirus Diary Part II