

FEATURE

GrocerKey Aims to Unlock Online Ordering and Delivery for the Small Independent

by Terrie Ellerbee/associate editor

Jeremy Neren is young and smart and looks to be, in his own words, “a champion for the local grocer.” The company he founded, GrocerKey, may very well be a giant slayer.

At the very least, GrocerKey provides a field-leveling opportunity for small grocery retailers looking to give their shoppers a seamless omnichannel experience.

“Our goal is really to equip independent retailers with the technology so that they’re not losing sales to some of these pure-play online providers,” Neren tells *The Shelby Report*. “They’re given the resources to do similar things to these bigger players like Amazon.”

It also helps retailers with operational issues around online shopping and delivery.

As for the cost, GrocerKey provides the resources upfront at no charge, which Neren says makes it risk-free. GrocerKey’s success depends on the retailer’s.

“We’re transaction based, so we take a percentage of the transaction moving forward,” Neren says. “We attach ourselves to that retailer as a partner, meaning we help them build it, otherwise we’re not going to make any money. It really demonstrates that we believe in the future of this and we believe in the product we’re handing off to them, that it’s going to help bring in sales for them.”

Woodman’s helps GrocerKey liftoff

Neren built his first business 10 years ago, just after he finished up his education at the University of Wisconsin in Madison. College students could count on Munchie Delivery to bring them food they had conveniently ordered online. Neren started that business in his apartment and made deliveries with a used women’s bicycle.

Ten years later, the entrepreneur has scaled up considerably. GrocerKey teamed up with Woodman’s, a well-known grocery company based in nearby Janesville, Wisconsin. The employee-owned retailer now in its 97th year has been a good proving ground for GrocerKey, which officially launched in November 2014. Woodman’s stores are huge; the one GrocerKey operates out of is 250,000 s.f. and carries 70,000 products.

“Woodman’s is a very cost-conscious retailer, so they wanted to see a solution where they were charged ongoing, and there needed to be some proof in the pudding in order for them to pay for it,” Neren says. “They didn’t have to shell out a bunch of cash up front.”

The nine-store Roth’s Fresh Market chain in Salem, Oregon, also is on board, and GrocerKey is working with several other grocery companies as well.

Pay-as-you-go model

Each relationship between GrocerKey and a retailer is unique. The company provides delivery services for Woodman’s using a hub-and-spoke model, for example.

“We technically only operate out of one store in Madison, but we have three, meaning we service the whole area with delivery, but only operate out of one store to facilitate the delivery,” Neren says. “That saves money.”

GrocerKey will have a similar hub-and-spoke arrangement with Roth’s Fresh Market, but in this case, it won’t provide the delivery service.

“It’s going to look different for every retailer in terms of how much money they have to invest in it. That’s one



of the key variables we have to plug in to ascertain what’s the best strategy for them,” Neren says. “Pay-as-you-go obviously is superior to paying for everything upfront, and then on top of that it incentivizes us as a partner to really provide all the resources we can to help them.”

GrocerKey also can help retailers develop other revenue streams.

“We share with retailers all of the documents and strategy as to how they can pursue, for example, local daycares and small businesses and win their business for online ordering,” Neren says. “Our head sales guy actually did some work with a local grocery store in the Twin Cities and helped them build a \$4 million business within a year just strictly on a B2B strategy.”

Another appealing aspect of the GrocerKey model is that it provides the tools to help do battle in the online space, but the service is stamped with

the retailer’s brand.

“That is a big differentiator and that’s something that we’re firm on, just from an intuitive standpoint. It’s their customer, not ours,” Neren says. “We think that builds more of a sustainable relationship, where it’s a true partnership between a technology provider and the store. We provide the technology and the focus on the backend systems that are going to help them make this work, and they focus on serving the customer. I think it’s an important distinction.”

High efficiency = lower labor costs

According to Neren, 20,000 grocery stores don’t yet offer e-commerce services. Some use the very labor intensive and highly inefficient pen, pad and telephone. The roughly 27 percent of grocery stores in the U.S. that currently don’t offer online services intend to start doing so in the next three years.

“It’s a bit of a land grab, honestly,” Neren says, but GrocerKey wants to differentiate itself by giving stores the know-how so that they are empowered to provide the services themselves.

“That might start with offering online ordering and just pick up, because you eliminate a lot of the upfront expenses. You don’t have to

invest in trucks and insurance and gas and labor resources to deliver the product, so it’s a nice way to stick your foot in the water,” Neren says.

“We’re really trying to automate those processes and decrease labor costs wherever possible. We have backend technology that helps make them more efficient. It helps them set up a pick-pack, so that their shopper is walking the store in the most efficient manner possible,” he says. “There are driver dispatching tools, so if you have five orders to deliver, it tells you the appropriate route to take.”

The tools also include automated customer alerts to let them know when their order is ready, and if an item on the order is out of stock, it prompts them to make a substitution within a specified amount of time.

Learnings from Webvan, Simon Delivers

The burgeoning company has quite a pedigree when it comes to team members and advisors. Among them is Gary Dahl, who was VP of distribution at Webvan, an online grocery ordering and delivery service that went bankrupt in 2001. It often is singled out as one of the most notorious failures of the dot-com bubble.

“We really value his feedback. They did things on a massive level. I mean, they raised a half-billion dollars, so part of what made them the most epic failure of all time is just the fact that they created enormous opportunity for themselves at the outset,” Neren says. “What’s

interesting about talking to folks like that is you can learn a lot by hearing what didn’t work. It teaches you where not to go, so it eliminates missteps.”

GrocerKey VP and Head of Digital Merchandising Steven Lauder previously was a VP with Simon Delivers, which Neren describes as a “localized Webvan.” The online grocer that was founded in 1999 operated in Neren’s home state of Minnesota in the Twin Cities area. That company also probably was ahead of its time and suspended operations in July 2008.

Neither of those companies ever actually went away. Webvan is “part of the amazon.com family,” as anyone who types “webvan.com” into a search engine can plainly see.

St. Cloud, Minnesota-based Coborn’s bought Simons Delivers in August 2008, and today it is the successful Coborn’s Delivers, which, according to reporting by NBC Affiliate KARE in Minneapolis-St. Paul, picks, packs and places nearly 5,000 grocery totes on 45 delivery trucks every day.

Heidi Chapnick is a strategic advisor for GrocerKey as well. Her 25-year background in the industry includes seven years as head of e-commerce for Peapod. The Skokie, Illinois-based company is now owned by Dutch retailer Royal Ahold. It delivers in 24 U.S. markets from Stop &



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Shop, Giant Food Stores (Giant-Carlisle) and Giant Food (Giant-Landover) stores.

A high-touch service

Seven chains will be using GrocerKey's services by April. Neren says the company's goal is to be in 50 physical stores by then.

"We'll come close to hitting that number. We might even surpass that," he says. "There's still a lot of time before then, and we have The NGA Show and a lot of ongoing discussions with chains before that time."

GrocerKey is in talks with several wholesalers that serve the independent grocer. Commerce, California-based Unified Grocers is already on board.

GrocerKey has its own in-house sales efforts, too, and is seeking other avenues to let independents know what it offers. Neren recently spent time with representatives of Retail Data Systems, a point-of-sale company that's been in business since 1950, to educate them about GrocerKey's offerings.

"They work with roughly 4,000 stores, and so that's a very nice strategic connection, because they have boots on the ground, 120 sales reps nationwide and they're in touch with independent grocers every day," Neren says. "In many instances, these are deeply embedded relationships, where they know everyone in the store and they've been working with these stores for decades."

The GrocerKey founder says the company has now honed its product, which he says could "scale to infinity from a technology standpoint," and is comfortable enough with it to move on to the next step.

"Now the issue becomes more 'how do we develop our implementation team so that we can serve these retailers the way we want to,' because we really do intend to be high-touch with them in terms of helping them set up a strategy and operational procedures that are specific to their store," he says. "It would be different for every retailer, but we want this to be in thousands of stores in the next couple of years. We're headed on that path and making really good headway to get there."

"We are very passionate about e-commerce grocery, and truly enjoy discussing how to make this a profitable extension of independent grocers' brick-and-mortar stores," Neren says.



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