# Replenium

The Future of Shopping is Not Shopping

THE PREDOMINANCE OF ESSENTIAL SHOPPING ON AUTOPILOT

The third generation of ecommerce is upon us. The first two generations provided shoppers differing capabilities in digital and mobile shopping. Innovations such as click and collect, home delivery, omnichannel advertising and promotions, omnichannel assortments, plus many other innovations have gone from market excitement to commonality. The emerging ecommerce model is destined to leapfrog current ecommerce offerings and capabilities by using auto-replenishment technologies to advance and optimize the path to purchase.

The company leading in this shopper journey transformation is Replenium, founded by ex-Amazon CPG, grocery, and technology executives, with a clear vision of tomorrow's ecommerce shopping rituals and regimens. Replenium's Auto-Replenishment Platform uses machine learning algorithms and customer tools to seamlessly integrate with retailers' ecommerce systems and provide exponential repeat sales potential.
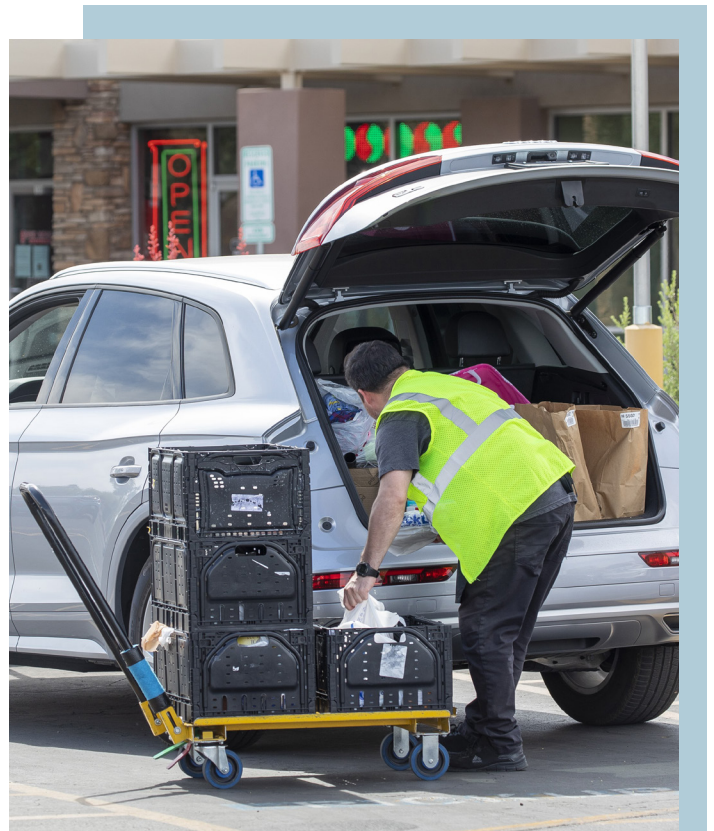
Evolving Shopper Sophistication

Shoppers have learned how to engage digitally and continue to increase and evolve their online sophistication. The explosion in mobile apps, voice activated shopping, and subscription capabilities have become part of daily shopping. Traditional ecommerce-based essentials shopping has become normalized and both retailers and CPG manufacturers must implement ways to harvest the go-forward realities of omnichannel shopping.

In a September 2020 research study by The Dialogic Group, 3,500 shoppers were surveyed on their perceptions of go-forward essentials including food and beverage ecommerce shopping:

- 78% of today's shoppers use their mobile devices to plan their ongoing ecommerce shopping

- This percentage is expected to increase to nearly 100% by 2025

"Table stakes" ecommerce features, according to the surveyed shoppers are: simple sign-up, easy site navigation, increased personalization, transparent pricing, clear product availability, and seamless checkout. These same shoppers stated that less than 30% of current retail ecommerce offerings meet these basic "table stakes" requirements.

61% of the shoppers surveyed indicated that subscription services have emerged as a differentiator. Additionally, this capability has simplified their shopping experience on everyday items, allowing them to focus on shopping for other special items.

Furthermore, most of the respondents indicated that subscription-based shopping is a value-added service they plan to continue to use. And they want to see expanded subscription services in the food and beverage category. Shoppers were asked, "Would you use a capability that automatically provided you with everyday basics? A capability that made everyday shopping like getting automatic prescriptions, vitamin/supplement, and basic household refills – only applied to food and beverage items?" The answer was an overwhelming (78%) "yes", if they could control replenishment cycles based on evolving consumption.

Subscription Model Rundown

The three most common subscription models in place today provide a variety of value and benefit to the customer:

SIMPLE SUBSCRIPTION FOR SAVINGS AND PREDICTABILITY

In this subscription model, shoppers make their subscription decision based on the simple desire to save time and money. The most well-known example of this type of subscription is Amazon Subscribe and Save™.

SUBSCRIBE TO ACCESS NEW PRODUCTS AND INNOVATIONS

This subscription model is a discovery-based shopping experience and provides shoppers with a curated assortment of different items from which to choose. Often, the surprise element is the driving force behind this type of subscription sign up. Solid examples of this model include Birchbox™ and Blue Apron™.

SUBSCRIBE TO GAIN EXCLUSIVE ACCESS TO PRODUCTS AND/OR SERVICES

With this subscription model, shoppers virtually "join a club" and participate in VIP perks, specialized merchandise, new releases, etc. Companies like NatureBox™ and Thrive Market™ are key players in this subscription model.

Overall, subscription models are expected to continue to develop and gain momentum, according to an analysis by Acosta. Each model appeals to different shopper segments and continues to advance in their respective capabilities to encourage shoppers to both sign and engage on a regular basis. Although each model has its own economics, the commerce industry can expect consolidation as well as vertical integration going forward.

How Will the Winners and Losers Shake Out?

Not surprisingly, the consumer will ultimately determine which subscription offerings will have the most success. The difference between the winners and losers in each of these subscription models will center on delivering ongoing great offerings and seamless experiences.

Shoppers demand seamless shopping – 24/7, anyway, anytime, anywhere. The hybrid physical/digital store will continue its evolution to offer easier and improved shopper experiences, personalized promotions and offers, and localized assortments - all innovations designed to both retain and increase value to shoppers. Fortunately, retailers can leverage an advanced auto-replenishment model to fulfill all these requirements.

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The Move Beyond Subscriptions: Auto-Replenishment

Subscription based retailing is right in the center of improving and differentiating the shopping experience. Food and beverage shopping is undergoing a step-change in how consumers shop. And the core of that change will come from advanced auto-replenishment commerce solutions like Replenium's Auto-Replenishment Platform, designed to deliver the capability destined to remove the drudgery of everyday shopping by putting the shopping experience for essential items on "autopilot." Although Amazon has led the current generation auto-replenishment with its Subscribe and Save™ capability, Replenium stands to close this gap over the next five years for other retailers. This is especially timely as most retailers are challenged by poorly designed user experiences and competing with Amazon's cost advantage.

The success of Subscribe and Save has been and continues to be huge in American Retailing. In 2020 almost 40% of Amazon's CPG ecommerce business is transacted under its replenishment banners, which has increased from $7.2B in 2018 to approximately $18B+ by the end of 2020. Growth projections forecast Amazon's CPG ecommerce replenishment business to eclipse $30B in 2022[1]. Simply stated, these product volumes point to shoppers who are locked-in for longer commerce cycles, and therefore make recapture by other retailers very difficult.

To further enhance the future market dominance of auto-replenishment commerce, technologies to both monitor and manage home consumption is evolving. Companies like, GE™, LG Electronics™, SAMSUNG™, and Whirlpool™ are well into the journey to make kitchens and homes "smart." Amazon's Dash Replenishment

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1   Projection based on Ideoclick CPG data, Amazon earnings data, and public market data.

Services initiative is a gigantic and bold move in this direction as well. This next generation of appliances and tools are destined to reshape food and beverage purchasing. Smart refrigerators and pantries will notify the consumer automatically when additional items are needed in the home. A new generation of auto-replenishment applications software will keep the many appliances and household areas "stocked-up" with virtually no human intervention.

The foundational platforms for long-term auto-replenishment are being deployed today by retailers as a strategic integration to their ecommerce capability set to provide a seamless shopping experience. Replenium is at the forefront of this offering. As an ex-Amazon late-stage start-up, Replenium helps both small and large US food and beverage retailers with their fully integrated Auto-Replenishment Platform.

The power of Replenium, the first capability of this kind in today's market, is not just the software to manage and deliver end-to-end auto-replenishment, it also provides data science capabilities which are critical for the auto-personalization of the overall shopping experience.

How Replenium Works:
The Customer Experience

With Replenium's Auto-Replenishment Platform, shoppers engage with a retailer's ecommerce platform under a normal ecommerce purchase process and are seamlessly offered multiple opportunities to add replenishable items to their "auto-replenishment" program. A recommended auto-replenishment cycle is suggested, and the shopper has the option to modify as desired. Once completed, going forward, auto-replenishment takes place with the selected item(s) each being automatically replenished on the chosen cycles, harmonized and integrated within customers' orders.

The recommendations for the items' replenishment cycles within Replenium's Auto-Replenishment Platform derives from consumption benchmarking of over 70M baskets. After implementation, with each retailer's shopper specific auto-replenishment transaction, the application "learns" the optimum auto-replenishment assortment personalized for the given shopper.

From the Dialogic Group research, shoppers were asked to indicate the potential impact of the personalized auto-replenishment capability to them. The results are:

- They believe this capability will make them more loyal to a given banner – easier to shop, helping them save time and money, and personalized to their needs and their family's needs

- With this capability, they plan to spend more on each shopping trip. They felt that auto-replenishment (when personalized to them and their families) would logically expand to more than the basics of everyday living. Basket size growth is estimated to increase a minimum of 5% a year as additional items are added to the shoppers' auto-replenishment lists.

And with increased basket sizes comes higher overall spend levels and retailer profitability. When compiling the research, it became quite clear that an auto-replenishment capability would drive increased shopper engagement, spend levels, and loyalty. The annual average spend increase with data-science enabled auto-replenishment like Replenium's solution is $320 per year, per shopper.

Providing shoppers with the option to select their preferred items for auto-replenishment motivates brand manufacturer participation in the program. Through Replenium's brand manufacturer network, retailers can receive funding for the cost of Replenium's Auto-Replenishment Platform, which accelerates the ROI to instant.

	Kraft Light Mayo	$3.49
1	22 OZ	$3.49/ea
	☑ Replenish every 8 Weeks ⌄ Save 10%!	

	Kraft Macaroni & Cheese Dinner	$2.18
2	7.25 OZ	$1.09/ea
	☑ Replenish every 2 Weeks ⌄ Save 10%!	

	Dannon Vanilla Yogurt	$3.29
1	32 OZ	$3.29/ea
	☑ Replenish every 1 Week ⌄ Save 10%!	

As we close this insight paper, we encourage retailers to consider the following three questions as they plan 2021 and beyond:

1

Where does the auto-replenishment capability sit within your efforts to offer great customer experiences?

2

Based on the successes industry ecommerce leaders are experiencing with current subscription models and their stated strategies to further evolve replenishment capabilities, what will you do to compete as your shoppers consider and choose auto-replenishment as a daily shopping option?

3

What financial impact would having more predictable customer retention and purchasing patterns, supported by manufacturers, have on your business?

Beginning to answer these three questions enables the strategic decision of evolving your competitive position in an increasingly complex retail landscape.

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The science and capabilities behind next generation shopping.

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