

## **Dansk Supermarked seeks a profitable e-commerce future**

According to Dansk Erhverv, in the summer of 2016, only 8% of consumers had bought groceries online within the last two months. When Kenneth Nielsen, head of e-commerce at Dansk Supermarked read this, he was satisfied. Denmark's largest retailer has yet to join the battle for online customers and it would seem, based on the low adoption levels of online grocery shopping, it is right not to rush infrastructure investment. Though, Kenneth admits it would be foolish to ignore developments completely and revealed the business has several initiatives in the pipeline: "We're always expanding our online product range and, for example, now have over 5,000 wine SKUs (stock keeping units) available at bilka.dk. For us to sell groceries online, though, we first need to address some key challenges."

These challenges, as Kenneth explained, are threefold and include overcoming cost, competitive as well as attitude barriers. "Firstly, from a labour perspective, online stores are expensive to run. Secondly, the prevalence of convenience stores like Netto means the concept of home delivery is less relevant to Danes compared to, for example, in France where the grocery industry is dominated by hypermarkets. Finally, as consumers have always enjoyed easy access to convenience stores they're not used to planning their food shopping, which is a prerequisite mindset for shopping online."

To make an e-commerce proposition worthwhile, Dansk Supermarked needs to find a profitable and scalable model. Kenneth highlighted that the imminent launch of Bilka2GO, however, is a step in the right direction. "Bilka2GO enables us to pick and pack groceries while avoiding 'expensive' delivery of the goods, by asking consumers to collect them instead. This system guarantees a better price and a larger range; items are also ready to pick up only a few hours after ordering." Advancement in technology will facilitate more and better profitable online solutions, according to Kenneth. Though, he admits "big investment" would be required to go from the current setup to "version 2.0," defined by "driverless cars, flexible robots, artificial intelligence and machine learning."

Customer needs will dictate what these future solutions look like and could be dependent on delivery times, flexibility and price; as well the priority of those factors for different consumers at certain times of the week, or even periods of their lives. This complexity also suggests solutions will be multifarious, and the market increasingly fragmented into many smaller stores, each with a distinctive competitive position. Kenneth isn't fazed, though, and acknowledges that Danes are tech savvy people and that the changes occurring are unstoppable. For example, a third of online purchases by Danes are already made overseas, as consumers seek out the best offers, quality and delivery times regardless of where products are shipped. To offer some protection against the growth in overseas competitors, in 2015 Dansk Supermarked bought online marketplace Wupti.com, as Kenneth explains: "Trust is still important and most customers prefer to buy from a Danish retailer if possible."

Wupti.com joins other online stores operated by Dansk Supermarked, including bilka.dk, føtex.dk and iposen, each anchored to various physical assets. Kenneth confirmed the business has no plans to merge these identities as they provide consumers with a "palette of convenience." He explained: "What's interesting is that the consumer relationship between online and physical stores has changed in recent

years. Where once people would seek advice in store before making purchases online to save money, now acquiring advice online is common due to the availability of unbiased recommendations. Consumers, once satisfied they've researched a category, then visit stores to buy their product." It's important, he noted, to maintain links between the different online and physical assets so consumers can connect the two: "Initially we only had bilka.dk but when we launched fØtex.dk, rather than cannibalising Bilka.dk's visitor numbers, it actually increased our overall online traffic, as the different formats appeal to different people."

Regarding logistics, Kenneth explained that Dansk Supermarked's e-commerce operation doesn't impinge on store deliveries. All products either imported or manufactured by the business are still handled by its own logistics setup and sent to stores on pallets. Customer orders from external partners are sent in cartons by dropship, directly to consumers from the manufacturer. To ensure efficiencies, Kenneth highlighted a strong focus on utilising already available resources: "While marketing lies with the individual brands and brings together the competencies in one place, we have e-commerce specialists working across different areas including marketing as well as purchasing where those skills are required for items sold exclusively online."

Although wary of overseas competition gaining a share of its customer base, Dansk Supermarked's isn't too worried about losing out on talent to international firms. Kenneth notes how the current team currently consist of a mixture of Danish and international profiles and generally, in most areas, attracting people isn't a problem. The demand in Denmark for e-commerce competencies, however, is already greater than supply and therefore Kenneth expects the business to concentrate more on overseas talent acquisition soon. And while the firm currently manages various international websites for retailer Netto, selling abroad remains a much longer-term plan for Dansk Supermarked as it aims to focus on refining its model in Denmark while exploring further acquisition and investment opportunities.

Kenneth concluded: "In five years we expect to be a much bigger organisation, utilising several new technologies and providing the customer with more and better services, as well as a larger range of online products."