

From Grocery-Shops to Grocery-Stops

Many recent changes in the Finnish society and in its socio-cultural environment have made it meaningful to grocery-shops start implementing a change, creating an alternative way for consumers to buy their everyday groceries. Online grocery market is above all a new service to meet customers new demands, but can be seen also as a possibility to change things better, from curing loneliness of the elderly people to reducing emissions of the traffic.

“The Only Thing That Is Constant Is Change”.

-Heraclitus-

Socio-cultural factors that impact upon an organization's formal and informal subsystem and their components as well as the products/service it offers and the markets it serves are one part of the PEST mnemonic; Political, Economic, Technological and Social factors. (Senior, B. Swailes, S. 2010.)

Socio-cultural factors are more relevant to consumer businesses or a B2B business close to the consumer-end of the supply chain. Especially changes in the lifestyles and standards of living sets new demands for the grocery-related businesses.

LähiTapiola reported 30.9.2014 on their website of a survey they had commissioned from Taloustutkimus. As an overview of the results it was quite alarming how 35% of Finnish households informed that their purchasing power had weakened during the past year. According to the survey every other says they pay more attention to food prices.

Current financial recession has changed also the working culture. People (those who still have their jobs) are often overloaded by the work and extremely busy. On the other hand, they value even more little free time they might have. Intelligibly, they are not willing to spend that

precious time just to buy their groceries.

Attitudes to work have also changed. Working habits and -hours are more flexible because of the IT-revolution. Work is not tied to the fixed office hours, and may be done remotely, for example at home. According to a survey commissioned by FICORA (Finnish Communications Regulatory Authority), 89% of Finns have an internet connection at their home (FICORA, 2014).

Mobile devices (such as tablets and smart phones) have increased the amount of time consumers spend on the Internet over the last years. Online-business potential grows accordingly. According to eBay statistics 80% of respondents across all countries stated that they were looking to spend more online (Dusto, 2014).

New technology-innovations, especially mobile are driving digital commerce growth. Chinese online grocery retailer Yihaodian, (of which Wal-Mart Stores Inc. owns a 51% stake), for example, expects to transact more than half of its sales via mobile devices within the next two years. (Dusto, A. 2014.)

These changes in consumer buying patterns can be seen as a new, growing market potential and as a triggers for a change. “Multi-channeling requires major changes in the trading business”, says Aalto University's Arhi Kivilahti, who has researched online grocery trading in the UK. For example Tesco has invested ten years for the online grocery markets (Savolainen, J. 2013).



FIG 1. Sources: Screen shots from retailer's webportals.

At the moment there are three big online grocery retailers in Finland: Ruoka.net, Kauppahalli24.fi and HOK-elanto's Alepa Kauppakassi (service provided by Foodie).

At the moment most interested of buying groceries online are busy career-oriented people and families with children. The most rapidly growing customer potential, though, can be found amongst elderly people and people with disabilities,

CEO of Kauppahalli24.fi, Hanna-Kaisa Risku says. (Toivio, T. 2013.)

On an interview by Helsingin Sanomat (29th September 2014) Risku praises how sales have grown up to 2,5-3 times from the last year. Even though, Finland is far behind UK, France and Holland. For example, in UK online-grocery -business has 5% share of the total amount spent on groceries, in Finland equivalent share is only 0,5% (Laita, S. 2014).

According to the Tilastokeskus's population structure statistics, there were people of 65 years of age or older 1 056 547 at

the end of year 2013 in Finland. Their share of the total population was 19,4%. As life expectancy continues to rise (See Fig 2.) it increases demand for services such as on-line-grocery shops.

In the future elderly people will have good computer-skills and they are used to use the internet on an everyday basis, but they may not be capable to carry heavy grocery-bags anymore. There are other, indirect benefits too:

Thanks to the online-shopping, a nurse can spend that time going to the grocery shop would take, with the patient instead, Storekeeper, Jyri Stenberg, reminds. (Toivio, T. 2013.)

This may help, on its own behalf, to reduce the loneliness of elderly people.

Population projection

FIG 2.

| | Unit | 2020 | 2030 | 2040 | 2050 | 2060 |
|-------------|-------|-------|-------|-------|-------|-------|
| Population | 1 000 | 5 631 | 5 848 | 5 985 | 6 096 | 6 228 |
| 0-14 years | % | 16,6 | 16,0 | 15,4 | 15,4 | 15,2 |
| 15-64 years | % | 60,8 | 58,4 | 58,4 | 57,7 | 56,6 |
| 65- years | % | 22,6 | 25,6 | 26,2 | 26,9 | 28,2 |

Source: Statistics Finland, Demographic statistics

Willingness and ability to move to the cities and growth centres is also something that is not an option for all citizens. Finland is also a country with long distances.

Ruoka.net awaits sales to develop especially on those remote-areas where grocery-shops have been closed, but also care for the elderly is something we must take into consideration, Stenberg emphasizes. (Toivio, T. 2013.)

Grocery shops in Finland are all owned by private sector. There are two "Big Ones" who dominate the Finnish grocery trade, S-group and K-group. S-group is owned by its customers, sc. co-op members. Group's purpose is 'to produce services and benefits for its members'.

Grocery trade is practised nationwide by the Prisma, S-market and Sale chains as well as the Alepa chain in the metropolitan area. In addition, the ABC service station market shops sell grocery goods nationwide and the ABC-Deli units in the metropolitan area. At the end of 2012, the supermarket chains consisted of ca 880 outlets, 108 ABC service stations and 16 ABC-Deli shops. (S-Group, 2014.)

K-group is owned by Kesko, a listed trading sector company. While it has closed down several Anttila-department stores, it clearly believes in online-retailing: K-food retailers, with whom Kesko Food applies the efficient chain business model, are responsible for customer satisfaction at more than 900 K-food stores in Finland. Kesko Food's business is rapidly expanding in Russia and in online retailing. Kesko Food subsidiary is the leading wholesaler in the Finnish HoReCa sector. (Kesko, 2014.)

These two groups have already a lion's share of the market. But, as Heraclitus once said: "The Only Thing That Is Constant Is Change".

Obviously, it is impossible to keep up with the world's developments unless one

is ready constantly to change, learn and renew one's own practices. This can be done by organizational development. Cummings and Worley (2009, p.1) define:

Organizational development is a systematic application and transfer of behavioural science knowledge to the planned development, improvement and reinforcement of the strategies, structures and processes that lead to organizational effectiveness.

Need for implementing a change by organizational development (OD) amongst these giants originates from the needs of customers and clients.

Therefore, in order to maintain their market share and to improve their services further, they need to know what and how their customers want to buy their groceries. This information is collected by researches and inquiries. Data of the customers consuming and shopping habits is also gathered by the loyal-customer cards.

There are certain changes in customers' behavior and certain economic and technological factors that impact upon the services and markets these groups serve.

For example, with the new technology the world has become smaller and reduced travelling costs help people travel more than ever before. Passenger volumes have increased throughout the early part of the year as a result of strong progress in international travel. Domestic air travel has also started to pick up incrementally. (Finavia, 2014.)

This trend was something that S-group took into account when Alepa Kauppakassi opened 15th September a collection point for the groceries bought online to the Helsinki-Vantaa airport. "It is the first in the Nordic countries", Vantaan Sanomat reported on 10.9.2014. Similar ones can be found only in Melbourne and in Gatwick, HOK Elanto's online shop Development Manager Jukka Ranua says. (VS, 2014.)



FIG 3. Grocery collection point at the Helsinki-Vantaa Airport. (Photo: Virve Nyssönen)

The idea is to serve people returning from a trip. They can order groceries beforehand with their tablets/laptops and then just collect them just as they collect their luggages. Collecting point is chilled and it's open 6 days a week, almost around the clock.

New collection point saves customers time and effort when all the grocery-items they need are already waiting for them at the airport, Ranua says. (VS, 2014.)

This is definitely a service people will appreciate after returning from a long, exhausting flight to a home with an empty refrigerator. This kind of a rapid reaction and adaption to the new demands of customer and to the changes in socio-cultural environment would be much more difficult to implement in public sector organizations. Public sector tends to be more bureaucratic and mechanically structured. Multiple authoritative decision makers and conflicting interest makes OD application hard, or even impossible. OD

needs managements support and collaboration, as it involves the whole organization. Bureaucratic norms, rules and strict behavior-roles would cause problems while trying to implement an organizational development in any organization, public or private. As Senior (2010, p. 114) describes:

Dynamic, changeable environments require organic structures in organization. These organic organizations are good at technical, structural and social change.

Instigating and implementing this kind of a new service (change) requires new operation methods in all these areas. After setting the vision, collecting all the data, and collaboratively discussing about the results, is time to formulate an action plan. At this point several questions still need an answer. Such as: How to arrange logistics? What kind of investments are needed? Maybe the change doesn't work as planned as people

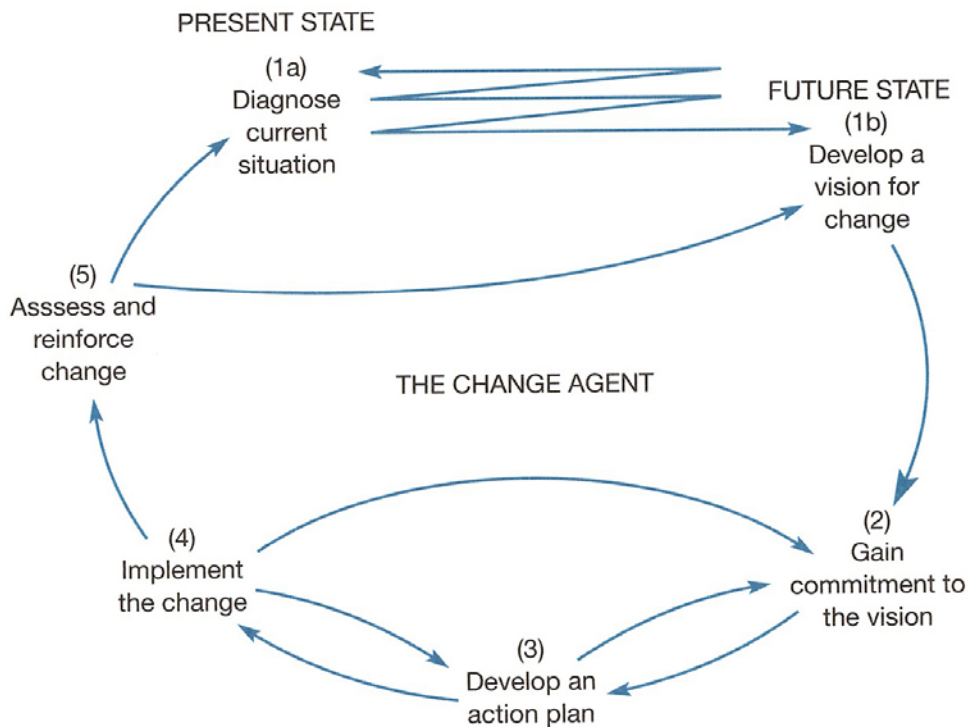


FIG 4. The OD model for change.

Source: Senior, B. and Swailes S. (2010) *Organizational Change* (4th edn), Harlow: Pearson Education Limited, 2010, p. 328.

and their needs tend to be unpredictable.

Maybe they just don't want someone else to choose their vegetables? Or maybe the whole vision needs to be developed along the way. Constant evaluation and assessment is needed to adapt to a changing situation (see Fig.4).

More succinctly, change is not linear, but a 'continuous process of confrontation, identification, evaluation and action' (Senior, 2010).

Organizational development is like a living organism, constantly changing its form. This doesn't fit easily on public sectors way of function.

Some of the issues triggering the change from grocery shops to grocery stops (or at least for innovating these alternative ways for shopping groceries) are related to consumers' attitudes and opinions, for example concern for the environment.

Awareness of environmental issues has been raised along with the news of climate

change and global warming. At the same time customers are more and more aware of the sustainability issues and demand open and fair actions throughout the supply chain, as well as ethically and sustainably produced food.

Commitment to Sustainability can be seen as a tool for vision and strategy. In this case it means as well economic, environmental and social sustainability. Sustainability is equally important for financial performance as it is for building trust amongst business partners, workers, and customers. For example, recycling services provided in connection with stores make customers' daily life easier. Providing these services is also a clear success factor to the stores.

So, vice versa, if it helps in reaching financial profitability - it's an excellent strategy to make a commitment to sustainability. Kesko reporting on their recycling policies:

In 2013, there were about 220 eco points at K-food stores for recycling consumer packaging (fibre, glass, metal). Many eco points also received waste paper and discarded clothing. (Kesko, 2014.)

The Dow Jones Sustainability Indices (DJSI, 2014) are the most respected worldwide sustainability indices. According to Kesko, it has been included in them since 2003.

'The "Our responsible working principles" guidelines bind all Kesko employees in our eight operating countries to act in accordance with shared values and responsible operating practices. Our responsibility programme requires us to achieve the objectives we have set.'

Matti Halmesmäki, Kesko's President and CEO says. (Kesko, 2014.)

S-Group declaring their responsibility principles on s-kanava.net:

'The commonly agreed responsibility principles that guide the work have been formulated on the basis of S- Group's values. Strategic indicators relating to responsibility ensure that we share the same goals. S-Group's every business area and chain applies the responsibility programme, and the results are monitored with indicators. The programmes continuously follow up on key figures pertaining to energy efficiency, reduction in the amount of waste and packaging materials as well as sales of eco-labelled products.'

(S-Group, 2014.)

Both of the companies assure how responsible they are and how their whole organizations are committed to sustainability. But is it really so? Does every part-time cashier person share the goals and act according to the them?

OD-change requires commitment, involvement across the organization and constant evaluation of the process.

As mentioned before, Finland is a country with long distances. Trips to the grocery markets are often done by a car, maybe several times a week. Especially when buying food and supplies for a family with children. Amounts of grocery bags can then rise above the tolerance which is reasonable (or even possible) carry using public transportation. In this scenario there are two environment harmful factors: private cars and plastic bags. Could online-grocery retailing help reducing the carbon footprint? According to Hanna-Kaisa Risku (Laita, S. 2014) it sure can:

'Families could give up their cars if they are used just to get groceries.'

Fact is that if buying groceries online would become a spreading, escalating phenomenon, it could reduce traffic and its emissions. Of course, only if deliveries are done using optimized routes.

Maybe housing companies could have their own, chilled pick-points where residents could collect their groceries? Maybe there could even be re-usable (design) bags that customers could rent or buy to use the service? They could leave them at the pick-point and get them back full again. This would prominently reduce the plastic bag waste. Or, maybe disposable plastic bags could just be banned as in California, as Helsingin Sanomat reported on 2th of October 2014. Of course, this would oblige some political and legislative changes in Finland.

But that's a completely another story.

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