



How to Profit from Click & Collect Grocery Lockers

Why grocery retailers are looking again at grocery lockers to reduce costs and capture online demand

Click & collect grocery lockers offer

huge advantages for grocery retailers

Why? Easier to manage, reduced staff costs, less infrastructure needed, and it brings customers to the stores in case they need to buy a few extra items.

With inflation and energy prices increasing, the business case for home delivery is coming under strain. The UK has historically been a home delivery e-grocery market, but with customers increasingly looking for cheaper options, click & collect could well attract current home delivery customers as well as new customers.

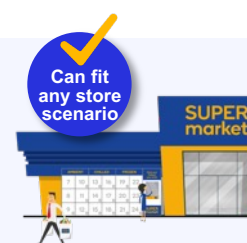
However, not all click & collect solutions are born equal. There are multiple ways of managing click & collect: in-person handover (including drive-thru) or self-service via a locker-style solution.

Most click & collect e-grocery solutions in the UK involve store staff handing over the bags to the customer, in the store or directly to their car. It is rare to find self-service grocery lockers on offer by UK grocery retailers. This is puzzling, as it

offers massive advantages for both customers and retailers.

According to our insights, one of the countries with the highest store-labour costs, Sweden, has the highest penetration of such solutions in the world (and around 50% of all last mile is done via click & collect). We believe they have adopted grocery lockers for multiple reasons, including reduced last-mile costs, higher customer satisfaction due to the speed of pickups, and a resulting uptick in revenue. In addition, compared to other click & collect options, one grocery retailer reported an 86% reduction in staff costs compared to in-store pickup or with a drive-thru solution.

In this whitepaper, we present three ways grocery retailers can offer self-service click & collect at speed and scale. In addition, we have added an appendix with operational tips and tricks.



	Home Delivery	In-store pick-up	Drive-thru	Grocery Lockers
Space required	Extra storage space for orders needed	Extra storage space for orders needed	Extra storage space for orders needed	No extra storage space needed
Labour needed	Staff required to drive trucks	Staff required for pick-up point and to fetch orders	Staff required for pick-up point and to fetch orders	Order loading only
Demand spikes	No control over demand spikes	No control over demand spikes	No control over demand spikes	Demand can be easily managed
Accessibility	Early-to-late	Store Hours	Store Hours	24/7/365
Best for	Perfect for city centers or where there is high density of demand	Perfect for large stores where storage space isn't limited	Perfect for stores with ample parking space and access for cars	Perfect as a stand-alone solution, on or off site, or as an extension to other solutions

Why self-service grocery lockers?

Self-service grocery lockers provide multiple benefits to both customer and retailer.

For the customer:



1. Convenience of when to pickup

Customers can pick up their orders when they want, even when the store is closed.



2. Convenience of speed

On average, customers spend 1 minute (or less) to pickup their order from a grocery locker. This is the fastest click & collection option available.



3. Convenience of channel

Customers often want to have multiple choices of how they pick up or have their order delivered. Pickup via a grocery locker is, for many UK retailers, a completely new channel.

For the retailer:



1. Customer satisfaction

More choice and a speedier pickup solution. Customers love it!



2. Cost savings

On average, grocery retailers spend around 1 minute fulfilling a grocery locker order. This pales in comparison with the staff cost, logistics and complexity of fulfilling a home-delivery order.



3. Revenue increase: existing customers

Grocery locker solutions provide additional flexibility, minimising the chances of missing out on orders from existing customers if a home delivery or other form of click & collect option wasn't available to them.



4. Revenue increase: new customers

A grocery locker can be placed almost anywhere: nearby or far away from a store. This helps to market the service and extend the geographic reach of the e-grocery offer, thus potentially capturing new customers.

What locker strategies are available?

There are three ways to use grocery lockers: fixed at-store, fixed at a convenient location, or on wheels, to be placed anywhere.





#1 At-store

This is the most common locker method – place a locker in or near an existing store.

But in or out?

A key question grocery retailers have is whether to place a grocery locker inside or outside of the store. Most will want to place it in consideration of footfall in relation to the store. You will want to capture customers that pop into the store to buy a few more things, but it should be balanced with keeping the locker in a convenient location for people who drive up.

According to our experience, outside is by far the preferred choice for grocery retailers, to maximise the convenience for their customers who want the minimum travel distance between their car and the locker. In addition it enlarges the sales area of the store

This way customers don't have to find a parking spot and can just drive up, pick up and load their car with minimal fuss. For people with small children, it means that they don't even have to get their kids out of the car. People buy online because of convenience so its important that pickup is easy too.

Conversely, placing it near the entrance, or even inside the store, means it can be placed close to promotional displays or other marketing. Having it inside the store is rare, but it could draw customers to a specific areas for a particular reason.

Promoting easier pickups for car-bound customers

Some retailers choose to place the locker at the back of the car-park, as far away from the store as possible to minimise friction for pickup traffic.

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This very much depends on the store setup as well as how the parking is organised. But by separating the locker from the store means it will minimise overlap between store-bound shoppers, and it will reduce the potential for pickup traffic blocking store shoppers.

However, the further the locker is from the store, the less likely those shoppers will enter the store for extra items. Additionally, it makes it slightly less efficient if a store worker needs to go to the locker, for example for an age-check, its additional time needed.

How does this concept perform in relation to the 4 key retail objectives?



1. Customer satisfaction

- Additional choice for your customers
- Locker may become preferred choice
- More reliable and consistent experience compared to home delivery



2. Cost savings

- Removes costs of home delivery
- Leverages existing store and retailer estate
- Leverage existing staff to process orders
- Uses less staff time per order than other click & collect methods



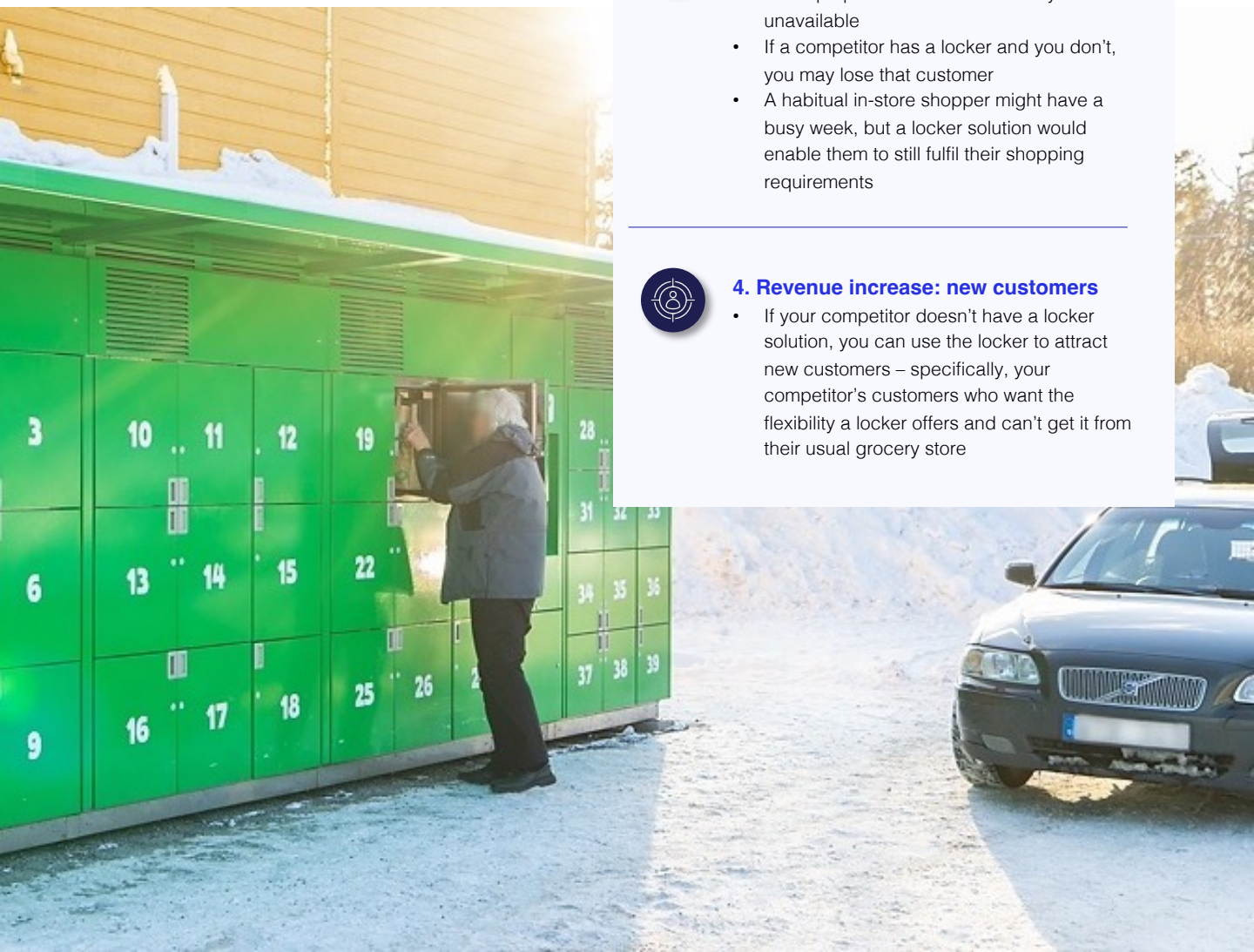
3. Revenue increase: existing customers

- Lockers offer customers a convenient backup option when home delivery is unavailable
- If a competitor has a locker and you don't, you may lose that customer
- A habitual in-store shopper might have a busy week, but a locker solution would enable them to still fulfil their shopping requirements



4. Revenue increase: new customers

- If your competitor doesn't have a locker solution, you can use the locker to attract new customers – specifically, your competitor's customers who want the flexibility a locker offers and can't get it from their usual grocery store





#2 Location,

location, location

We don't associate parcel lockers with post-offices, so we don't have to have a grocery locker tied to a store.

From petrol stations to car parks to public transport hubs, a grocery locker can be placed in many locations to maximise the convenience. Placing them along common commuter routes can really drive CO₂ efficiency savings by eliminating the need for additional driving to and from the pickup location.

This helps not just in the convenience but also from a branding perspective, as people will see the lockers and thus drive customer awareness. Flags or marketing signs can be placed around the locker to remind people driving by of the new option too. The list of potential locations is almost infinite. Essentially, anywhere people go on a regular basis so you can 'kill two birds with one stone'. Petrol stations are a common option, but they could be placed at schools, gyms, car parks, leisure centres, public transport hubs, etc. There is almost no limit to where they could be placed.

How does this concept perform in relation to the 4 key retail objectives?



1. Customer satisfaction

- Can be more convenient than an at-store locker
- Another choice for your customers
- Locker may become preferred choice
- More reliable and consistent experience compared to home delivery



2. Cost savings

- Removes costs of home delivery
- A cheaper solution than home delivery



3. Revenue increase: existing customers

- Increased convenience for customers
- Some customers would switch to this, and some might use it as backup
- When a customer chooses this option, it doesn't just represent a lost basket averted – it represents a more profitable channel and a reduction in last-mile costs!

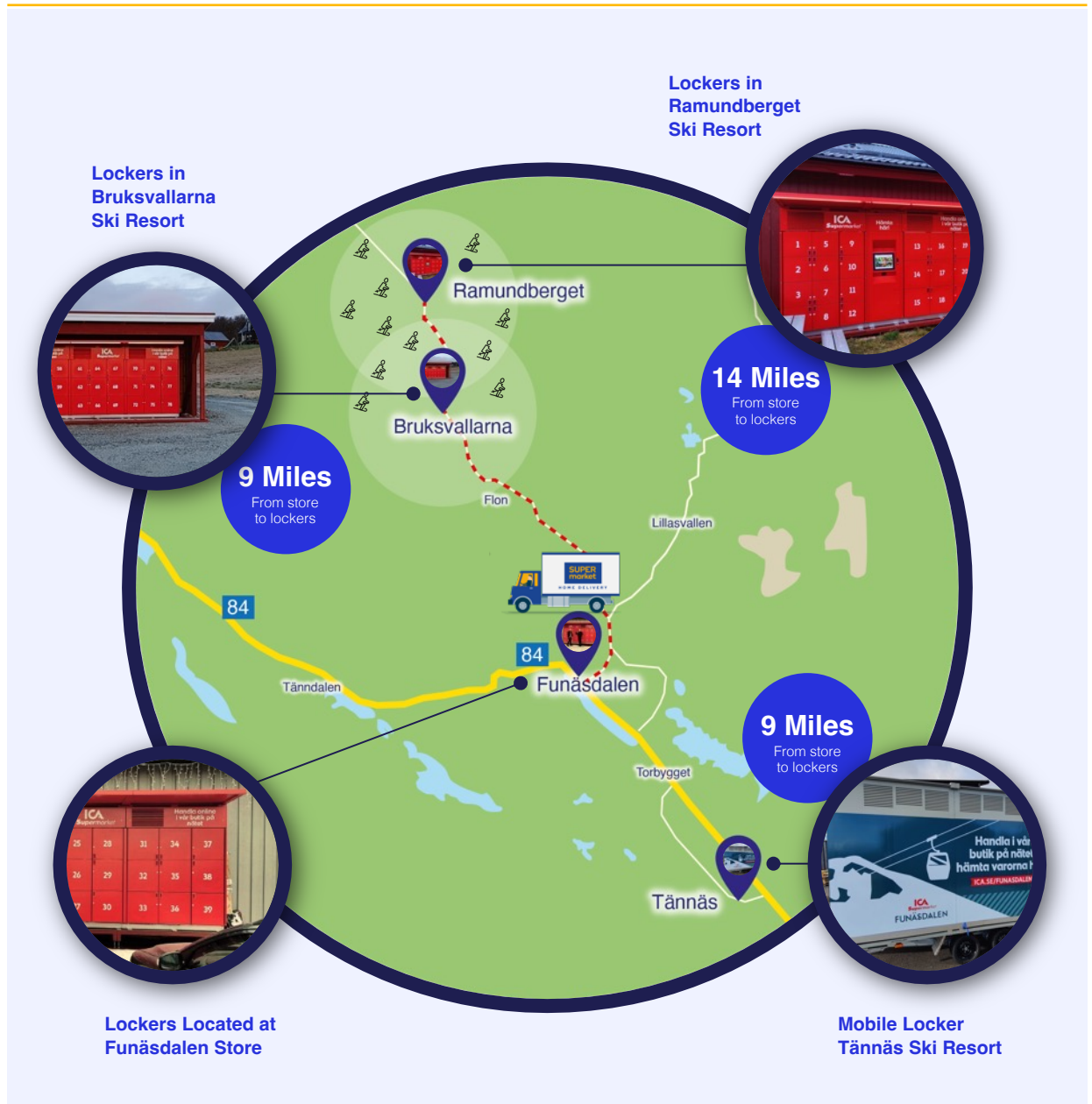


4. Revenue increase: new customers

- The locker can be branded
- Tells customers that you are 'there for them' and speaks to them every time they pass by
- As it increases the geographic coverage, you can serve new customers
- Opportunity to convert new customers 'giving it a try' into loyal customers

Example:

Swedish grocery retailer has used grocery lockers to extend their online coverage



Grocery retailer ICA has a store in the town of Funäsdalen in Sweden which is in the middle of a popular mountain area with both summer and winter resorts. They have placed grocery lockers in three base station villages so their online customers can pick up their orders without having to travel the additional distance to the store itself. In addition they have added a fixed locker at the store to make at-store pickups faster and easier for store staff and customers.

#3 Lockers on wheels, going mobile!

A new innovative locker concept developed by StrongPoint with our Nordic locker customers, the mobile grocery locker.

There are multiple uses for a mobile grocery locker, including:

- Capturing seasonal demand, e.g., in a popular tourist destination
- To test latent demand and replace with fixed lockers if there is a requirement
- Placed at festivals or short-term events
- To continue to provide a grocery service during store replenishment or temporary shutdowns
- In locations where home delivery is unsuitable and there are no stores nearby
- Placed alongside popular commuter routes where a fixed-locker solution is unsuitable

The list of options is almost endless!

StrongPoint's mobile grocery lockers just need a power source. A 4G router is included and provides the same level of temperature control and safety as fixed lockers.



How do mobile lockers stack up against the 4 key retail objectives:



1. Customer convenience

- Provides customers with extreme flexibility and convenience
- Provides an e-grocery offer almost anywhere
- Can be used temporarily for seasonal usage



2. Cost savings

- A mobile locker setup costs a fraction of the costs of home delivery
- Mobile lockers give the greatest customer flexibility while being more profitable compared to home delivery or in-store pickup sales



3. Revenue increase: existing customers

- Customer is at a festival/special event? They can still order your product.
- Your store is temporarily closed? Your customers can still order your product.



4. Revenue increase: new customers

- A mobile locker at a special event or seasonal location will provide marketing and branding exposure

Examples:

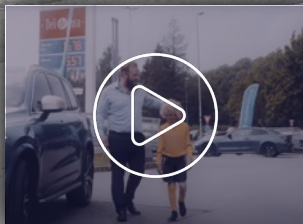
Mobile grocery locker placed next to a popular harbour to serve summer tourists

Could be placed anywhere

As seen on national TV in Norway!



Petrol stations or other locations by busy roads make convenient spots for commuters and families going about their daily business. **Watch the video.**



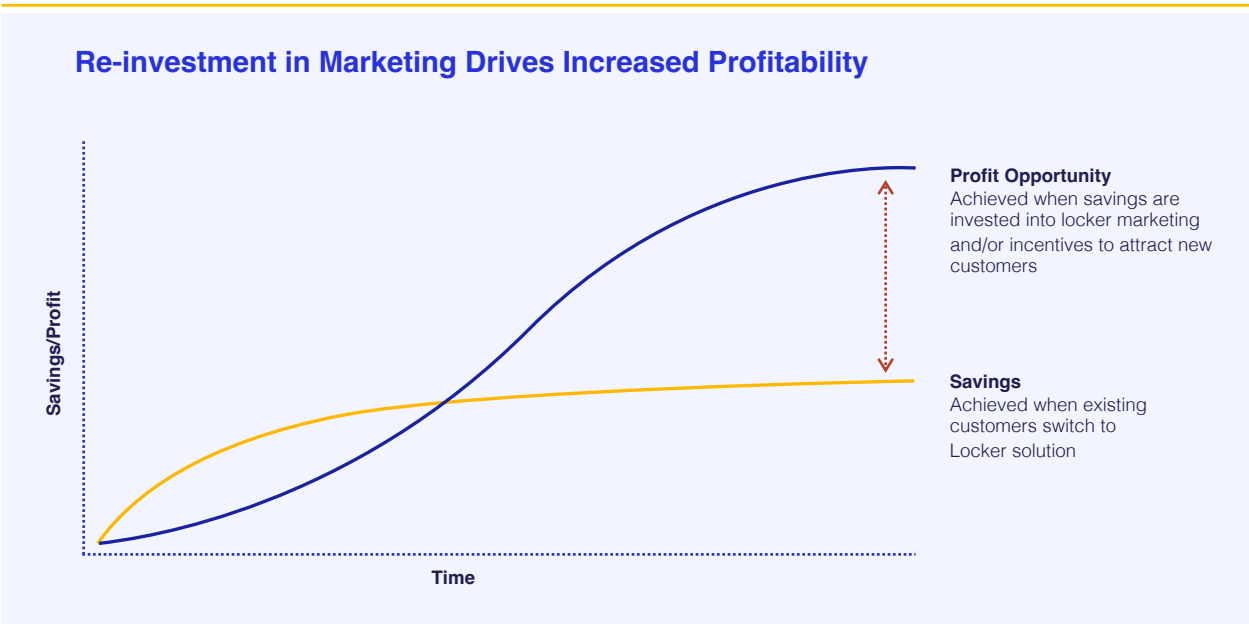
Adoption drives savings

Lockers drive efficiency savings, so the question is: What to do with those savings?

We would argue that the best strategy is to temporarily invest those efficiency savings into marketing channels to drive more customers towards using the locker. Why? Because adoption drives savings in the long term.

Grocery retailers have the option to pocket 100% of efficiency savings. But if you re-invest a portion of the savings into marketing efforts to drive adoption, in the long run, the financial reward is far greater.

This is massively impacted by the scale of the locker coverage. Just a handful of lockers is going to result in some gains, but when a retailer has 100s, that's when the impact becomes really significant.



Reducing

environmental impact

Placing grocery lockers alongside busy commuter routes can really help reduce CO₂ emissions, as it means cutting out an additional trip by car to and from the pickup location.

If the average drive to the supermarket is approximately 6 miles, it would amount to around 67kg of CO₂ emission-savings per family, per year!



Conclusion:





When it comes to click & collect, not all solutions are born equal.

With the current economic turmoil hitting UK household incomes hard, they are looking at ways to reduce their expenses.

Offering a click & collect service could well mean keeping an e-grocery customer that is scrutinising the cost of their home delivery luxury. And for those looking to start to get their groceries online, a click & collect solution is a far more affordable way to become an e-grocery customer.

The best way to please existing and new customers is to provide them with the best click & collect experience possible. We believe a self-service option that takes just 1 minute to pick up is by far the most attractive option for customers. The fastest possible service for customers and reduced costs for the grocery retailer also means the retailer can pass on some of the savings to the customer. Who would say no to that?!



	#1 At-store Lockers	#2 Off-site Lockers	#3 Mobile Lockers
 Customer convenience	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓
 Cost savings	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓
 Revenue increase: existing customers	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓
 Revenue increase: new customers	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓

Lockers can be **more convenient** than home delivery – **how?**

Many would presume that home delivery is the most convenient option. Many would also presume that you need to have tight pickup windows to maximise the ROI of a locker. **This is not true.**

Home delivery can be inconvenient, as customers need to be at home for the entirety of the delivery window. But that is less convenient than if the pickup window at a locker is just as long – or even longer.

That might sound like an increase in the return on investment of a locker, but that is still less than the alternative additional costs of home delivery – depending on how its organised.

Home delivery can be more efficient in certain areas, for example if you have a significant drop-off density. But a locker at a store is something only a grocery retailer can provide and creates an additional competitive advantage against online-only players who are forced to do only home deliveries.

Longer Pickup Slot Windows

Convenient for the shopper, less profitable for the retailer.

Whilst less profitable, offering longer pickup slot windows will initially entice shoppers to trial this option. Then slots can be reduced gradually over time.

Short Pickup Slot Windows

Profitable for the retailers, but reduced convenience for the customer.

Whilst offering high levels of throughput, this reduces convenience for customers and may affect uptake.

Optimize Pickup Slot Windows

Find what works for your store and your customers.

	Store Pickup	Store Lockers	Non-Store Lockers	Mobile Lockers	Home Delivery
Location convenience	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓
Time convenience	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓
Cost convenience	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓

Lockerology: **real world** **insight** from the field

Here are some tips & tricks from
Nordic-based grocery retailers who have
been using grocery lockers for many years.



Lockerology:

Tips and tricks from the field

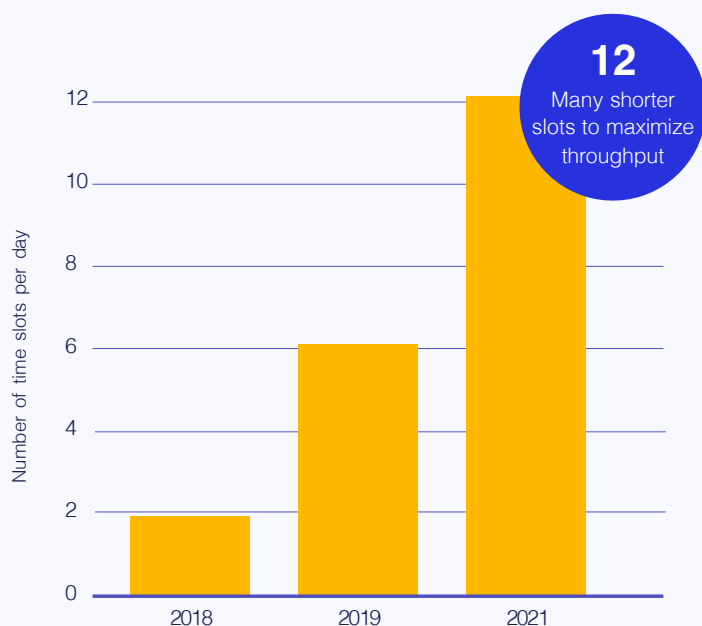
Slot management & pickup windows

Changes to slot management have been one of the biggest drivers of efficiency gains.

In 2016, our customers were averaging 2 slots per day. By 2019, this had increased to around 6. However, in 2021 we saw a massive leap in slots, with customers increasing slots to 12 (and some even more) to maximise locker throughput.

This increase in demand means an increase in customers and faster ROI.

Evolution of time slots



How to handle oversized items

Set up a customer collection alert so staff can manually deliver larger items such as diaper bags or multi-pack loo rolls. In this situation, the customer also receives an automated alert/SMS explaining this when they come to pick up their order. This is also why locating the locker near the store can be beneficial.

An alternative is to exclude specific oversized items from your online store or inform customers when choosing their delivery method of choice that specific items they ordered will not be available for locker pickup.

Lockerology:

How to create an ultra-fast pickup zone

There are multiple ways to organise the locker pickup zone – here are 3 common examples

Drive-up style

The lockers are placed on the side of the store, alongside pre-existing parking spaces reserved for pickups.



Drive-thru style

The lockers are placed alongside the store, but designated parking allows a constant flow of customers – similar to airport drop-off areas.



In-store style

The lockers are placed inside the store and combined with special reserved parking spots for pickup customers

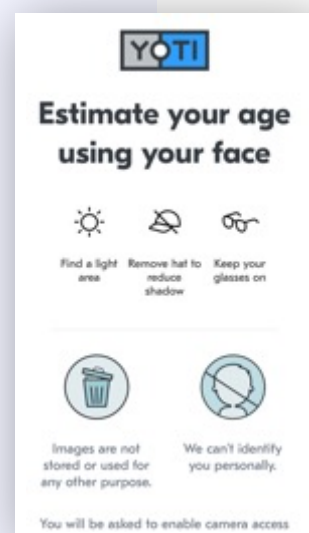


Lockerology:

Age-controlled items? No problem!

With lockers, picking up age-controlled items such as alcohol is no problem with the help of cutting-edge age-verification technology from our partner Yoti. In the UK, this solution is still under regulatory approval, but the technology is ready to be rolled out instantly in StrongPoint's lockers.

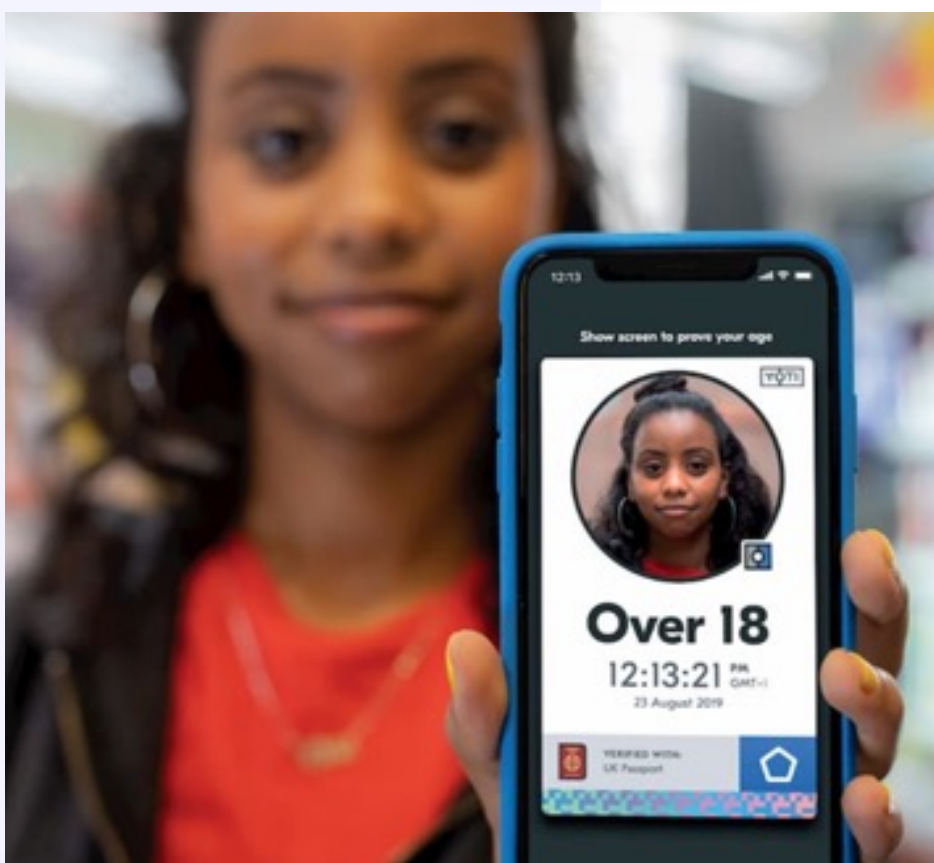
All you have to do is look into the camera of your smartphone or on the scanner at the locker terminal and instantly have your age verified.



Technology can automate age controls, saving time and money for self-service pickup



Try it for yourself on your phone...



...or click [here](#) to try it on your computer



Case studies

WILLY:S

Translation: HOW ONLINE GROCERIES BECAME PROFITABLE

Dagens Industri is the biggest daily business newspaper in Sweden. Willys aspires to lead and develop the discount segment of food retail and boasts that it provides “Sweden’s cheapest bag of groceries”.



“[StrongPoint’s] lockers have been a prerequisite for Willys to achieve profitability within click and collect.”

Thomas Evertsson, CEO of Willys, Sweden’s leading discount grocery chain

COOP

Coop Sverige is one of Sweden’s leading grocery chains, with approximately 800 stores across the country. Coop invested early in e-commerce, and in 2019 it decided to improve customer experience by expanding their mix of customer delivery options.



“The biggest advantage is of course the high customer satisfaction – with just a relatively small operating effort on our part. But the lockers also give us the opportunity to place them in locations where otherwise collection would not have been possible, based on store format and conditions.”

Niklas Zeitlin, Head of Online Operations at Coop Sverige

ICA

ICA Group is the largest grocery retail chain in Sweden and the market leader of online grocery shopping. Their store in Lilla Edet installed a StrongPoint grocery locker during the Covid pandemic to relieve the pressure on store staff for click-and-collect e-grocery pickups.



“With StrongPoint’s Click & Collect Lockers placed just outside the store, we managed to double our capacity for pickups per time slot and save between 500K and 1,000K SEK (£40,000–£80,000) compared to building another room.”

Patrik Johansson, Store Manager of ICA Lilla Edet

Read more customer case studies on our website





StrongPoint provides an end-to-end e-grocery fulfilment platform purpose-built for grocery retailers.



Picking Solutions

- Automated Fulfilment
- In-store Order Picking
- Dark Store Order Picking
- Q-Commerce Order Picking



Last Mile Solutions

- Fixed Grocery Lockers
- Mobile Grocery Lockers
- Drive-thru Pickup
- In-store Pickup
- Home Delivery



Cloud-Based Platform

to manage the entire process



StrongPoint

Profit from our experience

Click **here** for more info

