

Harnessing the Untapped Potential of Mom-and-Pop Stores with Digital Commerce



A huge opportunity exists for consumer products manufacturers to sell directly to independent stores using digital commerce. This technology helps manufacturers cut costs, develop new sales models, and gain valuable market intelligence.

And by giving independent stores the tools, data, and support they need to grow their business, consumer products companies can build **profitable relationships that last.**



Realizing the Hidden – and Rising – Value of Independent Stores

As a consumer products manufacturer, you have many routes and channels to get products into customers' hands. You probably use wholesalers and distributors to reduce costs and complexity or may deal with large retailers using traditional electronic data interchange. Other potential routes to market now include marketplaces and direct to consumer, as shown in Figure 1.

You may use some of these routes to reach independent outlets or, more specifically, mom-and-pop stores.

UNDERSTANDING INDEPENDENT STORES

Mom-and-pop stores have some characteristics that make them unique. Typically, an independent store owner runs just one or two small outlets, often with the aid of family. They don't have a lot of time to manage technology; they're too busy trying to keep the lights on and shelves stocked.

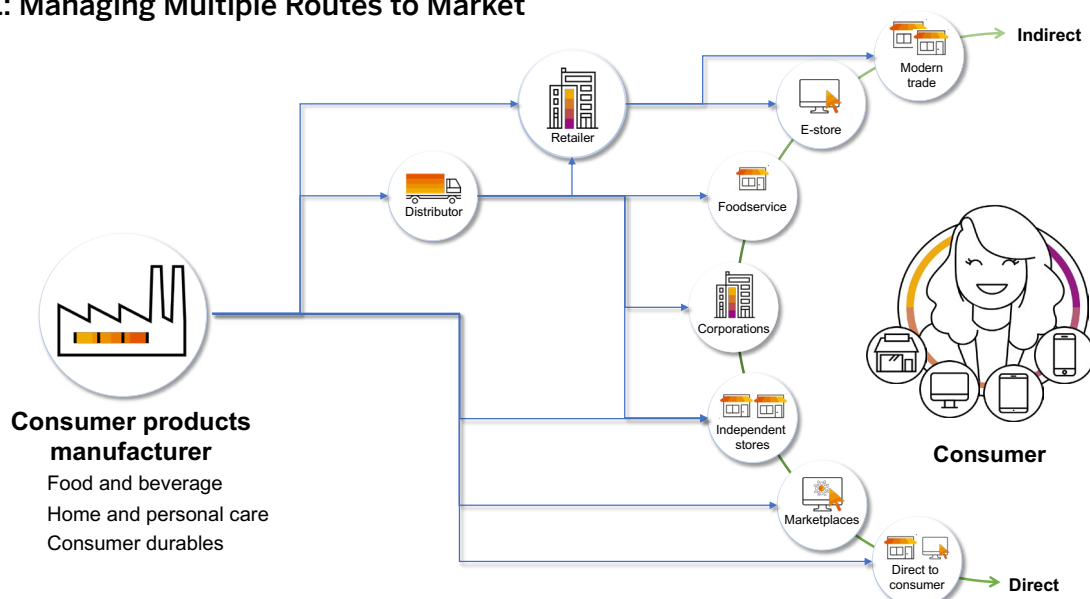
What's more, they often operate their business using their mobile phones, meaning any tools you offer them must be mobile friendly.

And as they try to balance working long hours with raising a family, mom-and-pop stores are hungry not just for tools that can make their life easier but also for insights and guidance on how they can grow their business.

These independent stores can account for a very significant market share, depending on geography and product category. Indeed, at SAP, we see some customers selling more than 70% of their products to independent stores. Accounting for tens of thousands of stores around the world, independent outlets comprise an almost trillion-dollar business that is expected to grow to US\$1.34 trillion in 2025, a 9% compound annual growth rate from 2021.¹

Though order volumes from mom-and-pop stores may be small, they are generally frequent and high margin, meaning customer lifetime value is high. Add to this the fact that you can talk directly with the decision-maker or owner, and the high potential of this sector is clear.

Figure 1: Managing Multiple Routes to Market



1. "Convenience, Mom and Pop Stores Global Market Report 2021: COVID-19 Impact and Recovery to 2030," The Business Research Company, September 2021.

Creating a Win-Win Proposition for Manufacturers and Mom-and-Pop Stores

OVERCOMING THE CHALLENGES OF SERVING INDEPENDENT STORES

Despite the value inherent in independent stores, some factors have until now deterred consumer products companies from pursuing this channel directly.

Fragmented distribution network: Distributing to these small, often one-off stores has traditionally been very complicated. A large consumer products company pursuing this market could have more than a million mom-and-pop customers, creating huge complexity without the right tools.

High cost of supporting multiple small stores: Consumer products companies typically need their own fleet to serve these outlets, incurring significant costs. Or they may use resellers that take the order and ship the goods, which can also be expensive.

Lack of intuitive online tools for customers: As we have seen, the tech hub of independent stores

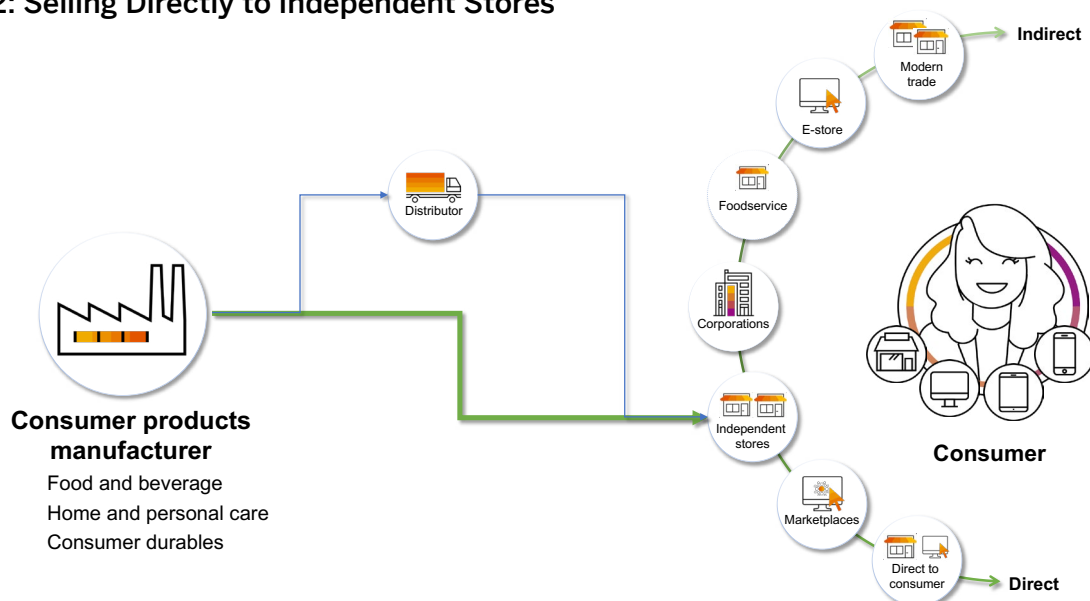
is often a mobile phone. But, to date, there has been a scarcity of tools that complement this approach. So, for example, it would previously have been very difficult to create an ordering system for numerous independent stores.

CUTTING COMPLEXITY AND OPENING UP NEW POSSIBILITIES WITH E-COMMERCE

Enter digital commerce technology, which helps consumer products companies connect different regional platforms to a core commerce engine to offer mom-and-pop stores intuitive, consumer-grade tools they can use to manage their business. Critically, these business-to-business (B2B) platforms let manufacturers embed applications on store owners' phones, meeting their needs where they are already doing business.

Using e-commerce cloud technology to go directly to stores streamlines processes and makes them more cost-effective. It also cuts out multiple middlemen, as shown in Figure 2, increasing margins.

Figure 2: Selling Directly to Independent Stores



Equally important, these solutions let consumer products companies use the extensive customer behavior data available to them to suggest innovative ways in which the smaller stores can grow their business.

And manufacturers, no longer reliant on retail partners to share intelligence, gain more data that helps them fine-tune their own product mix, create new business models, and increase profits.



LEARN MORE

Visit us [online](#) to find out how SAP® Commerce Cloud solutions can help prepare your business for a bright digital future with an agile, intelligent, and highly scalable cloud commerce platform built for innovation.



DISCOVER MORE IN OUR WEB SEMINAR

Listen to our [Web seminar](#), in which Javier Alberto Flores, a global consumer products customer experience advisor at SAP, and Paul do Forno, a managing director of commerce practice at Deloitte Digital, talk about how using B2B e-commerce to sell directly to independent stores can enable:

- Increased sales with higher margins
- A larger and more-diverse customer base
- Increased customer knowledge

SAP Customer Experience