

How Albert Heijn Applied the Omni-Channel Strategy: A Case Study

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Abstract

This study aims to develop the Omni-channel strategy for the supermarket stores. We used Albert Heijn, a leading supermarket chain in the Netherlands, as the research case in the study. Currently, AH has set three goals for the Omni-channel services: more customers, more choices and more places. However, there are still some improvements to be made and ideas that can be given. Therefore, this study provides three ideas suggested to AH, including E-bike delivery, live cooking and cash payment at the self-scan cashiers. E-bike delivery can lower the minimal order value and delivery costs. Live cooking can allow customers to eat in stores. Cash payment at the self-scan cashiers can provide the option of cash payments, which satisfies more customers.

Keywords

Omni-Channel, Multi-Channel, E-Bike Delivery, Live Cooking, Cash Payment

1. Introduction

Due to the advent of information technology, retail business models have been changed in this decade [1]. Most retailers tend to search for the Omni-channel strategy to provide their customers with a seamless shopping experience [2]. This is an integrated approach that allows customers to use channels or touch points interchangeably on any device or in the physical place [3] [4]. Verhoef, Kannan and Inman [5] argued that Omni-channel retailing changes consumer behaviour to go through channels in the search and buying process. For example, consumers can search in one channel and buy in another channel [6]. Thus, an Omni-channel customer may expect a shopping experience that goes beyond

the average store and extend the services to other channels like smartphones, tablets or computers [7]. Through the Omni-channel services, retailers can allow customers to engage in and interact with their brand, products and services [8].

Therefore, to understand the Omni-channel strategy for retailers, this study used a Dutch supermarket chain, Albert Heijn (AH), as a research case. AH is a leading supermarket chain in the Netherlands both off and online. This company is ahead of its competition and has established a very profitable Omni-channel strategy [9]. Thus, the objective of this study is to explore the Omni-channel strategy of AH in the supermarket. The rest of the study is organized as follows. Firstly, we introduce the background of AH, and then discuss the current retailing strategy of AH. In the conclusion, we provide some ideas for the Omni-channel. The implications and suggestions are discussed.

2. About Albert Heijn

AH is a Dutch supermarket chain and this company also is a key player in the Dutch consumer market due to the nine-hundred-sixty-six stores and great customer loyalty. Not only in the Netherlands, AH also has thirty-nine stores in Belgium and fifteen in Germany. The company mission is to inspire customers daily and the vision is to provide customers to have a seamless shopping experience [10].

The company was founded by Albert Heijn senior in a small town called Oostzaan, he took over his father's local grocery store in 1887 and eight years later he opened up another store in Prumer end and a central warehouse in Zaandam. Later the company started to produce self-made products and quickly expanded to 107 stores in the Netherlands by 1927 [11]. Nowadays, AH has a market share of 35.3 percent in 2017, which counts for the biggest share in the supermarkets of the Netherlands [12], as shown in **Figure 1**.

AH has reached this success due to its continual attempts to adapt to new trends and developments. A large loyal customer group was obtained due to the geographical scatter in the Netherlands, the loyalty programs, the sublime customer service and the good social reputation. In 2016, AH won the "Best social reputation index", the online reputation of big supermarket chains in the Netherlands [13]. In the Netherlands around 1.6 million people do its groceries online and sixty percent of these people did this at Ah.nl in 2016 [14].

The possible reason is that AH has gained the large group on loyal customers through the rewarding loyalty programs which include a card named the "Bonus card" which gives customers personalized discounts. The bonus card can be scanned after every purchase in both the physical and online stores and then registers the products that are purchased. Through this way, AH can analyse the data and create personalized discounts of using the information of frequently bought products. The bonus card is connected to customer email and send notifications including the weekly discounts on the favourite products. It also provides customers with ideas for products they like and give them a good offer in order to stimulate them to buy these products [15].

Market share Dutch Supermarkets

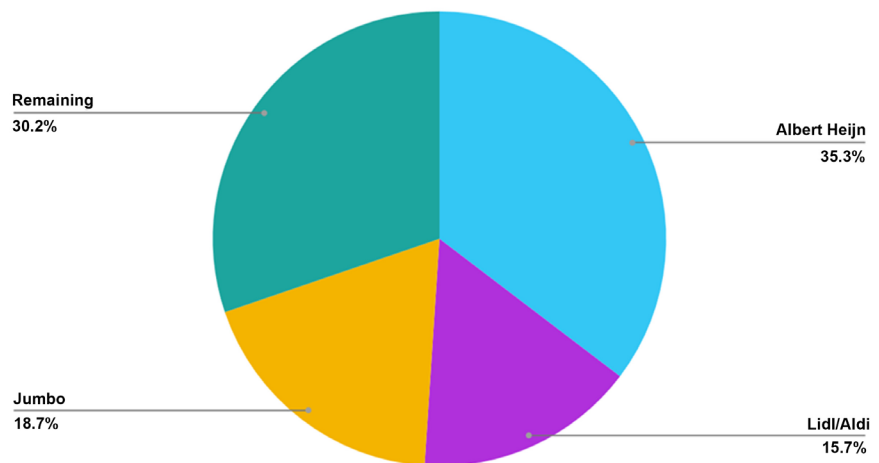


Figure 1. Market share of supermarkets in the Netherlands.

3. Current Multi-Channel Strategy of AH

Currently, AH has created multiple channels which customers can use interchangeably in order to interact with the company which makes them a real Omni-channel retailer. In this part, we will give an insight in which channels AH has, how they use these channels and what the customer's benefits are.

AH starts as a simple grocery store but now develops into the biggest supermarket chain and achieve this they have created the following channels, including the physical stores, the online stores, magazines and the mobile apps.

3.1. Physical Stores

Due to the fact that seventy-eight percent of customer purchases were made in the physical stores, physical stores still count as the company's main source of profit [16]. AH has always made sure to offer a wide range of products for its customers but has added some additional features to customers for the offline shopping. For example, AH provides all customers with free in-store WIFI, and places efficient and time-saving self-scanners in the physical stores. All physical stores of AH also serve as pick-up points for online order and post.

3.2. Online Stores

In 1997, AH first launched the online store (*i.e.*, Ah.nl) on which customers can order the products and have them delivered at home. Nowadays, Ah.nl has a lot more functions that customers can enjoy for their own benefits. Once on Ah.nl, a customer can log in with his or her bonus card to see the weekly bonus items, make grocery lists, order the products, look up recipes and gain all the information about every product AH has to offer. Customers can search for recipes using various different key words like "all recipes with potato" or search on occasion or the available time they have to create a recipe. Customers can also see all products you need for the recipe, the price and product information and then

easily add them to the shopping list with one click. The products can be delivered at home or can be picked up at the desired physical store and customers can even let AH send a text message to them when the order is ready to be picked up [17].

3.3. Magazine

Another channel that AH used to interact with its customers is through its own monthly magazine named “Allerhande”. In 1954, the magazine got released in a newspaper shape but has now made many transformations [10]. The magazine which includes recipes, tips and discounts can be picked up in any AH stores but is also available online on the website, as an app called the “Allerhande koken-app” and has its own social media channels on Youtube, Instagram and Pintrest [10]. The Allerhande provides customers with over 16.000 recipes online and even has a separate section for children in which they explain how to make easy recipes using animations to make it more fun. In physical stores, customers not only pick up the magazine for free, but they also take home some recipe cards which provides recipes which can be made under fifteen minutes only. Besides all that, the Allerhande also teamed up with a cook studio where people can follow a “Allerhand-cook workshop” in order to create the most amazing recipes and get additional tips from a professional chef [15].

3.4. Mobile Apps

Moving on the last channel, the “Appie” app. The Appie app connects the customer with other channels, thus AH offer the mobile services through various functions, as shown in **Figure 2**. First of all, the Appie app allows customers to log in with the bonus card in order to see their personal and overall discounts. Where customers used to need their physical bonus card in order to get the discounts, they can now open the code in the app and show it to the cashier. Second, the Appie app is also connected to the Allerhande magazine as customers can see all the recipes the magazine has to offer in the app as well. Third, customers with the app can connect to the WIFI for free and can even see a road-map of the store with a route that leads to the product they need. So once a customer is in the store but cannot find the product on the shopping list, he or she just open the app and it will create a route using WIFI in store to find where the product is. Besides that, a customer can use the app to scan the products he or she desires to buy. He or she only has to scan the QR code of the total shopping list in order to pay for the products easily and fast. Finally, on the app a customer can see everything that is on the website and that also includes that the customer can order through the app.

4. The Omni-Channel Strategy of AH

By analysing the data retrieved from more than 10,000 bonus cards, AH understands that Omni-channel customers are more loyal and spend more money

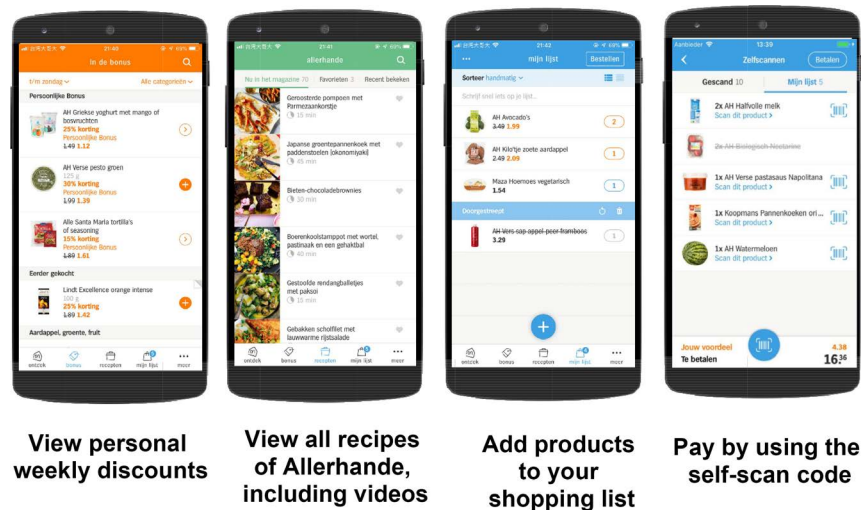


Figure 2. The functions of mobile apps for AH.

[17]. That is why AH establishes itself as the leading supermarket online and uses the following set of unique strengths to execute the Omni-channel strategy:

- Having strong online brands in a dense market.
- Providing an easy and inspirational online shopping experience.
- Providing a broad range of high-quality products.
- Serving customers anytime, anywhere and anyhow.
- Providing the operational excellence in online (fresh) food.

AH offers to access for its customers 24 hours a day and strives to use truly Omni-channel services. The company's strategy to becoming accessible anytime, anywhere and anyhow is met by the following goal points: the first point is extensive supermarket hours, the second point is 80 percent of the Dutch households should live in a 2.5 km radius of an AH store, and the third point is home delivery is made 6 days a week from 07:00 h until 21:00 h (ordering before noon is delivery next morning and ordering before midnight is delivery next afternoon).

Not only being accessible 24 hours is important to AH, but also providing their customers with the best online technology is of high value to them in order to become a strong online brand. AH strives to optimize its online presence through providing customers with functions like; A shared shopping list for multiple devices, memorizing the shopping list, personal offers based on profile and creating the optimal store route for the shopping list [17]. AH intends to make grocery shopping faster and easier for all customers.

Thus, AH seeks to achieve three goals, namely more customers, more places and more choices [17]. The first goal is to gain more customers is executed through increasing the market share and market growth, the online food market in the Netherlands grew with more than 35 percent in 2017 and 25 percent of the Dutch households occasionally order their groceries online [18]. This provides great opportunities for AH as an online supermarket.

The second goal, "gaining more places", is performed by favourably position-

ing AH stores for geographical expansion and increasing its coverage for home delivery and more widely expanded in Belgium.

The third goal, “more choices”, strives to be achieved by continuing to expand the quality, value, ranges and choices for customers and partners [17]. AH is engaged in doing this strategy through providing a seamless Omni-channel experience and to make sure the channels are a full integration on any device.

Overall, AH’s Omni-channel strategy has proven to be successful and its efforts caused for significantly increases in turnover, sales and customers, as shown in **Figure 3**. Even though AH has produced great results and are very ahead of their competitors in the Netherlands, there are still points to improve and features to add.

In order to gain more profit in the future, AH can improve the Omni-channel strategy and optimize it by adapting to new trends and developments [19]. Therefore, three ideas are created which can be advised to AH, including E-bike delivery, live cooking and cash payment at the self-scan cashiers.

As for now, AH delivers the customer products by van and requests a minimum order value of 70 euro’s (2500 NTD) excluding delivery costs that vary between 2.50 - 8.95 euro depending on the size of the order and the desired time of delivery [20]. This method could exclude a lot of potential customers who are not able to afford the minimum order value or who simply do not require that much groceries at once. Besides that, delivery by van is unfavourable for the environment as it releases a lot of CO₂.

In order to target more customers to the stores, AH could start delivering by E-bikes (electric bikes that work on electricity and pedalling). In the Netherlands, the main way of transportation is biking which makes sure that there are biking lanes everywhere, so bikers can reach every household easily and fast. That is why it is often faster to bike a shorter distance than drive by car, due to less traffic and traffic lights. By doing so, AH could lower their minimum order value and delivery costs since it will eliminate fuel costs and is overall cheaper because the E-bike deliveries can be done by teenagers, which means that AH will pay lower wages. Another positive factor of implementing E-bikes as a delivery system is that it is better for the environment and reduces CO₂ emission. AH has two options for implementing this idea into its company. They can purchase company bikes and use its own personnel in order to make the delivery, or they can partner up with a Dutch delivery company like *Thuisbezorgd* or *Deliveroo*. Purchasing its own bikes might be the more expensive option since E-bikes are quite pricy, but this way they do not have to depend on the partner’s performance, reputation or available locations. By partnering up with a delivery service like *Thuisbezorgd* or *Deliveroo*, AH will not have to purchase its own E-bikes and implement the change faster and easier since they will not have to put much resources in the E-bikes.

Another idea that could help attract customers is to provide live cooking in the physical stores. AH offers a wide range of fresh products and meals, for example meal sets that customers only have to heat up or cook in order to eat.

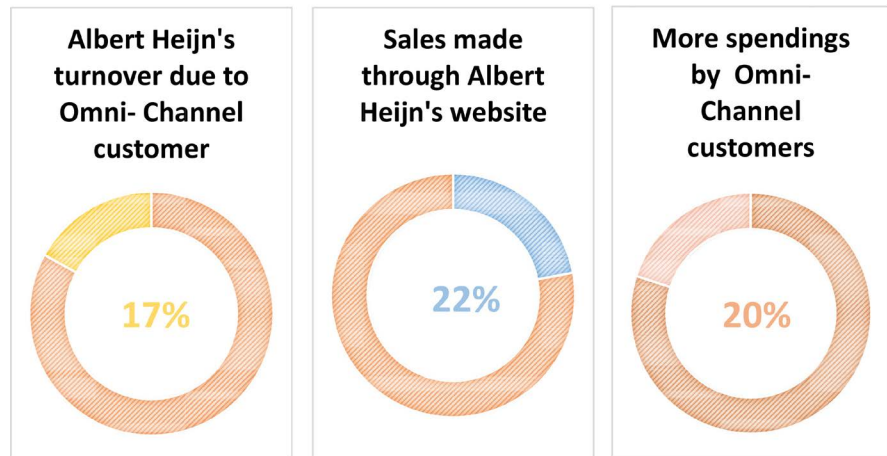


Figure 3. Results of omni channel strategy 2017.

AH could use these meal sets and provide a live cooking service in stores so that people who would like to have a quick meal can eat it at the store instead of needing to go home to prepare it.

The last idea that will be made is that AH could start providing customers with the option to pay in cash at the self-scan cashiers. Up until now, customers can only pay by card at this service and in order to pay with cash they need to go to the original cashiers. Even though most customers pay their shopping by card in the Netherlands, there are still customers (mostly older generation) who pay by cash. In order to more people in the Omni-channel target audience are included, AH needs to provide them with this option.

5. Conclusions

To conclude, AH is a key player in the Dutch supermarket industry due to its continual attempts to adapt to new trends and developments. The retailer provides its customers with high quality products, good customer services and extensive loyalty programs which make sure for a large group of loyal customers. AH develops itself into a true Omni-channel retailer which provides its services through four channels; the physical stores, the online stores, magazines and the mobile apps. All these channels are connected to each other and can be used interchangeably in order to make purchases, gain products and brand information, look up recipes and get personalized discounts.

In order to execute the Omni-channel strategy, AH used its unique set of strengths which are: Having strong online brands in a dense market; Providing an easy and inspirational online shopping experience; Providing a broad range of high-quality products; Serving customers anytime, anywhere and anyhow, and Providing the operational excellence in online (fresh) food [17]. AH makes sure through live up to those strengths by always being available for their customers 24 hours a day through extensive opening and delivery hours and they make sure that every Dutch household lives within a 2.5 km radius from an AH store. Besides that, AH tends to provide its customers with the best technology

which allows them to use its channels optimally. Furthermore, AH has set three goals for the Omni-channel services: more customers, more choices and more places. For achieving these goals, AH adopts the strategies through favourably positioning its stores for geographical expansion and increasing the quality, value, ranges and choices for customers and partners.

The Omni-channel strategy of AH has proven to be very successful and its profits now make up for seventeen percent of the company's turnover. However, there are still some improvements to be made and ideas that can be given. In order to lower the minimal order value and delivery costs, AH could start by implementing E-bike deliveries which is, besides the points mentioned before, good for the environment as well. Another advice is that AH should provide the option of cash payments at the self-scan cashiers, in order to satisfy more customers. Lastly, the company could start offering live cooking which allows customers to eat in stores. Therefore, the contribution of the study is two-fold. First, we extended the Omni-channel strategy in the context of the supermarket stores. Second, we identified the important factors to successfully implement the Omni-channel strategy.

Along with the important findings, this study may contain two limitations. First, this study conducted a thought-out case study to explore the Omni-channel strategy of AH in the Netherlands. The improvement ideas we proposed need further to interview with the managers of AH, or examine that through an empirical research. Second, the Omni-channel services can provide a seamless shopping experience for consumers. However, integrating all channels is not easy for retailers. The more channels the retailer provided, the more integration efforts need to be undertaken [21]. Thus, the assessment of integration costs and profits is a critical issue for implementing the Omni-channel.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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