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Slout, Laurens M.

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Commentary: The Impact of Digitization on Grocery Retailing: Why Shopping Lists Might Be a Valuable Tool for Brick-and-Mortar Grocery Retailers

LAURENS M. SLOOT

See “Write or Type? How a Paper versus a Digital Shopping List Influences the Way Consumers Plan and Shop” by Huang and Yang, in *this issue*.

Retail is definitely in transition, and players such as Amazon, Alibaba, and Tencent have become dominant forces in the quickly expanding world of online retailing. These companies are transforming the buying process of all kinds of nonfood products and services such as books, music, consumer electronics, entertainment, and fashion. If asked which retail company will be the first to sell over \$1 trillion per year, I probably wouldn't guess that it would be the world's largest retailer, Walmart, but rather one of the online retailers such as Amazon.

But what about the single biggest retail market on the planet: grocery retailing? This market is still dominated by conventional players such as service supermarkets, hypermarkets, hard discounters, and convenience stores. The total market size of grocery retailing is estimated to be over \$8 trillion per year currently, that is, about 50 times as much as the total sales of Amazon in 2017.¹ And although retail is definitely in transition, the grocery retail market is still a market driven mainly by brick-and-mortar retail concepts. The estimated worldwide market share of online grocery retail was about 1.5%–2% in 2017 and is expected to double, toward 3%–4%, in 2020.² And it wouldn't be surprising if online grocery retailing doubled again to 6%–8% in 2025. Exciting? Yes. Disruptive? No, at least not in the short and medium term.

I still believe in a bright future for brick-and-mortar grocery stores. Why do I take the position of a “retail dinosaur”? Doesn't the fact that Amazon acquired Whole Foods in 2017 prove me wrong? Many industry experts, such as Darrell Rigby, who wrote a very interesting *Harvard Business Review* article about the Amazon–Whole Foods deal, see this acquisition as an important turning point for online grocery retail.³ Although this could be true, I see the deal more as Amazon

bowing to traditional grocery retailing. Amazon has been trying to get a stake in the grocery market since its launch of Amazon Fresh in 2007 and Amazon Pantry in 2010. But so far these initiatives haven't shaken up the grocery market. The introduction of Amazon Go is nice but is more an initiative showing that Amazon is starting to become an omnichannel retailer. I view the acquisition of Whole Foods by Amazon in the same light. What will happen, however, is that digital aspects will enter traditional grocery retailing and impact shopping experience and behavior.

WHY DIGITAL WILL BE IMPORTANT IN BRICK-AND-MORTAR STORES

Huang and Yang's article is about shopping lists and how handwritten and digitally written versions differ. It is a very relevant topic, as grocery shopping will primarily stay offline, at least within the next few decades. Thus, grocery retailers have to adapt to the fact that more and more shoppers will use digital devices in their stores, especially those who carry smartphones. One of Huang and Yang's interesting findings is that shoppers with digitally written shopping lists tend to shop more hedonically and impulsively than shoppers using handwritten lists. The question remains whether this effect will continue when digital shopping lists become mainstream. Still, this finding is certainly an opportunity for more hedonic-oriented grocery retailers to offer shoppers a seductive store atmosphere, such as Whole Foods and Wegmans (US), El Corte Inglés (Spain), and Sainsbury's (UK). In addition, grocery retailers might see the trend toward digitally written shopping lists as an opportunity to develop smart shopping apps. These apps might be helpful in writing the shopping lists, for example, by prestructuring the product

1. See <https://www.statista.com/statistics/754878/grocery-retail-worldwide-sales>.

2. See <https://www.statista.com/statistics/647443/sales-value-forecast-online-grocery-markets-worldwide>.

3. See <https://hbr.org/product/the-amazon-whole-foods-deal-means-every-other-retailers-three-year-plan-is-obsolete/H03QOS-PDF-ENG>.

categories or by using intelligent shopping list algorithms, but might also set the shopping list in the order of the store visited. In the Netherlands, market leader Albert Heijn (a subsidiary of Ahold-Delhaize) already provides such an app. These apps might also alert the shopper to new product offers or display promotions related to the shopping list. While helpful to shoppers, such apps also could provide retailers with valuable data about their customers' shopping habits. With these data, retailers may form new insights be provided with additional opportunities to influence the shopping process at home and in the store.

To conclude, I believe that traditional store retailing will remain strong in grocery retailing. However, traditional grocery retailing should incorporate more digital innovations in order to stay in touch with future shopping needs. Huang

and Yang's essay is a nice study on the effects of such digital innovations. However, we clearly need more studies on how these digital technologies in stores affect the shopping experience and shopping behavior. One of the main questions will be whether the observed differences in behavior will vanish when shoppers get used to digital shopping lists. Moreover, new technologies, such as artificial intelligence helping the consumer to make digital lists, may affect the next advancement in shopping behavior. Adoption of these technologies and the consequences for shoppers will be interesting topics for further investigation.

Laurens Slood (slood@efmi.nl) is a distinguished professor in retail marketing at the University of Groningen, and director of EFMI Business School (www.efmi.nl), Netherlands.