

The Impact of Online Grocery Shopping on Retail Competition and Profit Sharing

Clara Etcheverry

University of Pavia, Italie

claracamilleba.etccheverry01@universitadipavia.it

Céline Bonnet

Toulouse School of Economics, INRAE, France

celine.bonnet@tse-fr.eu

Abstract

The online distribution channel expands in many sectors, and the food industry is not left out. This paper analyzes the impact of e-commerce on French grocery shopping. Using purchase data, we develop a structural econometric model of demand and supply to estimate the effect of the emergence of online distribution channels on prices, profit, consumer surplus, and profit-sharing between retailers and manufacturers in the soft drink sector. We find that the introduction of e-commerce leads to market expansion and the effect on the retailers' profits depends on their drive strategy. The retailers which developed independent warehouses for the online distribution channel get higher market shares, retail margins, and profits. The retailers which develop the online services in the existing stores or adjoined warehouses get lower downstream margins, market shares, and profits with e-commerce. Despite lower profits, they decided to open an online distribution channel to avoid a larger loss in profits. Our results also suggest that the introduction of the online grocery channel is profitable to most manufacturers, due to an increase in wholesale margins. This increase with the introduction of e-commerce comes from the higher retailers' fear of risking a bargaining breakdown compared to accepting a concession to its trading partner.

Keywords: E-commerce, grocery, online shopping, bargaining, profit sharing

JEL Codes: L13, L63, L81