

# The Rise of Online Grocery Shopping: Which Brands Will Benefit?

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# The Rise of Online Grocery Shopping: Which Brands Will Benefit?

## **Abstract**

Grocery e-commerce is on the rise in many countries of the world. Anecdotal evidence as well as industry sources point to large differences in brands' ability to secure a portion of the online pie. From a managerial viewpoint, the key question is what drives these differences, and how brand managers can make sure to be on the winning end. We derive how a brand's total (online plus offline) sales change as the fraction of groceries sold online goes up, and show that it critically depends on two indices: (i) the brand's online index (BOI) and (ii) the category's online index (COI). While the former indicates how the brand's relative position within the category will evolve, the latter indicates how the category's overall CPG share will contribute to (or hamper) brand sales as the online CPG channel grows. We then identify brand and category factors that drive these indices. Our empirical setting is China, one of the most important countries fueling the worldwide online grocery trend. We estimate our model on 448 brands in 60 product categories, using 2011-2015 data. Our analyses show that BOI not only increases with higher levels of online availability and lower online to offline price ratios,

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