

The impact of digital innovations on grocery retail performance

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Abstract

This paper addresses the question how digital innovation in retailing impacts firms' bottom line performance. The retail industry is shaped by digitalization since the previous decade that covers significantly more areas than just e-commerce. Despite this influence, digital retail innovation is still an underresearched area in academic publications. We collected digital innovation, firm performance and other company related data from various sources for 36 European and US-based grocery retailers for 2007-2017 and estimated a dynamic panel regression model to analyze the causal effect of digital innovation on retail performance. Results indicate that digital innovations are having a one-year lagged positive effect on the profitability of the retailers. Additionally, this effect proved to be temporary, indicating that a continuous stream of digital innovations is needed to sustain a long-run outstanding performance.

Keywords: *digitalization; grocery retailing; profitability*

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