

# Chapter 3

## Digitalisation as a Strategic Opportunity and Co-Creation Value With Users: Evidence From Italian Grocery Smaller Retailing Firms

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### ABSTRACT

*This work focuses attention on the area of the smaller grocery retailers and their digitalisation strategy. The information will be acquired through in-depth interviews with two smaller grocery retailers that have implemented a social media marketing activity by joining an online cashback website. This information help to understand the underlying reasons and the results that entrepreneurs have achieved and which they expect to achieve through use of the Web. An additional analysis will also be conducted via implementation of a questionnaire to be filled out by consumer customers of the two smaller retailers in order to obtain data about the reasons, expectations and results gained by the same in terms of satisfaction and greater value achieved.*

### INTRODUCTION

Over recent years, internet has witnessed an enormous expansion and had an impact on everyone's daily life. There is a myriad of uses that can be made of internet, from use for work to use for leisure during free time.

In addition, there has also been an exponential development of computerised technologies. But not only, there has also seen the birth of what is known as e-commerce, that is, online commerce. This kind

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of instrument also offers the chance to purchase directly online from the retailer's website, which in turn has given rise to the need to define the most effective marketing levers to be used in this type of context (Shobeiri, Mazaheri & Laroche, 2015).

Grocery Business enterprises driven by social changes, including those of greater economic wellbeing, the diffusion of the consumer society, and the evolution of consumers, are now aware that they have to offer something more to customers, something over and above the mere material distribution function of the products (Sbrana & Gandolfo, 2007).

It must be noted that grocery retail sector sees the presence of larger dominating companies possessing great financial and managerial resources that in certain cases assume global operability based on the advantages linked to reduced prices, extremely vast and deep assortments, and the ability to insinuate themselves into and occupy a relevant part of the purchaser's mind thanks to the elevated image and reputation of the company and its brands linked to the massive advertising support employed (Toma, 2014; Sbrana & Gandolfo, 2007; Tajjeddini, Elg & Trueman, 2013). On the other hand, the retail industry has a large number of smaller retailers with a limited employment of personnel, a lack of financial resources that leads to higher prices, small assortments with little depth, and inadequate spaces for presenting the goods. Nevertheless, it must be noted that in addition to these circumstances that are anything but positive, the business setup of the smaller retailers, given the presence of the central entrepreneur-manager figure in performing the business tasks, makes them: a) flexible; b) rapid at adapting to change; c) creative and able to identify opportunities and areas for generating value for the target market (Qureshi & Kratzer, 2011; Atanassova & Clark, 2015; Kajalo & Lindblom, 2015).

Additionally, the issue of digitalisation has also involved the distribution sector and in a significant manner, the retailing business. This has all led to the creation of important market opportunities and new purchasing processes (Hagberg, Sundstrom, & Egels-Zandén, 2016). Internet interconnection has created new opportunities for businesses, but also new difficulties. The customers now have the chance to share their purchase experiences beyond their close circle of friends and relations, with the possibility of changing the opinions of other users in a positive, but at times also a negative manner for the companies involved.

Furthermore, numerous firms in Italy have started to operate through virtual sales channels, also by setting up websites in the retail trade sector. According to the data of Netcomm and the Politenico of Milan, in 2016 e-commerce in Italy averaged 20 billion euro, while the grocery expenditure, defined as supermarket sales by the Observatory, grew about 30% to reach 188 million, equal to approximately 0.9% of the e-commerce purchases.

Within the context, the smaller grocery retailers are faced with the task of having to cope with growing competition. This work takes two Italian smaller retailer firms in the grocery sector into consideration that introduced a new type of digitalisation strategy to investigate how they acquire new clients and the customer response in terms of loyalty.

This chapter first of all examines the literature concerning three different areas of interest: a) the characteristics of Smaller Retailers and the specificity of their marketing activities; b) the Web 2.0 tools and the digitalisation of the Retailing sector; c) the co-creation of values and the role of the networks and of word of mouth Marketing. Secondly the aim of this work is to interpret the results of a questionnaire to be filled out by consumer customers of the two smaller retailers in order to obtain data about the reasons, expectations and results gained by the same in terms of satisfaction and greater value achieved by means of their new use of digital tools.

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