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Managing Growth: Dynamics of Social Commerce for E-Food Retailers in Germany

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Abstract

This study examines the opportunities and risks of social commerce in German online grocery retail by integrating E-Commerce and social media. Semi-structured interviews were conducted with experts from the fields of E-Commerce and online grocery retail, and transcription and qualitative content analysis were performed using established methods. The results indicate promising opportunities for S-Commerce, including the promotion of impulse purchases, improved customer loyalty, and increased likelihood of purchase. However, challenges also exist, such as data protection and security risks, technical implementation and integration, as well as significant resource usage. The results allow for differentiation between opportunities and risks that can be actively managed to a powerful, limited, or low degree.

Introduction

The rapid development in Electronic Commerce (E-Commerce) and the growing significance of social media have propelled the rise of Social Commerce (S-Commerce) (Algharabat & Rana, 2021). The convergence of E-Commerce and S-Commerce has become a significant factor in modern trade, facilitating the establishment of closer customer relationships, increasing revenue, fostering loyalty (Busalim & Hussin, 2016), and enhancing brand awareness (Attar et al., 2022). Moreover, it can improve purchasing decisions (Baethge et al., 2016) and enhance the online experience for buyers (Algharabat & Rana, 2021). S-Commerce is understood as a sales model in social media characterised by direct purchasing and payment options and the associated transactional connection (Alamäki & Korpela, 2021). The S-Commerce market is projected to reach 1.24 trillion euros by 2025 (Forbes, 2022), with acceleration due to the COVID-19 pandemic (Beyondata, 2022). According to Handelsblatt (2022), the German online grocery market is predicted to generate sales of up to €12.4 billion by 2027. Despite its significant practical growth potential, there is a lack of comprehensive frameworks and systematic overviews in the research literature concerning S-Commerce, particularly focusing on opportunities and risks from a corporate perspective in the online

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grocery market (Baethge et al., 2016). Following the calls of Beathge et al. (2016) and Esmaeli & Hashemi (2019), the present study aims to fill this gap. Therefore, this work aids not only researchers but also practitioners in optimising the potentials of S-Commerce and adapting to the continually evolving digital commerce landscape. Through qualitative research, the study addresses the following research question: What opportunities and risks can be expected for German companies in the online grocery industry through the implementation of S-Commerce?

Due to the complexity of the industry, a brief overview of its specificities will be provided. Online grocery retailers face specific challenges when it comes to delivering groceries, especially in terms of maintaining cold chains and handling perishable items. This requires complex logistics and increases costs compared to other products (Maurer, 2014). Online shops provide convenient 24/7 access, but challenges arise due to delivery costs and limited range (Ramus & Nielsen, 2005; Falcoianu, 2012). Pricing varies, and some shops charge delivery fees (Nitsche et al., 2016). Online shops excel in customisation and providing comprehensive information (Falcoianu, 2012). The assortment strategy, including breadth and depth, influences the purchasing process (Anderson & Swaminathan, 2011). Hesitations in online grocery shopping are often due to trust issues (Falcoianu, 2012).

Methods

To obtain new insights, especially in research literature, a semi-structured interview is used as the data collection instrument. The interview guidance follows a predetermined guideline (Döring & Bortz, 2016). The selection of experts for the interviews is done meticulously, considering both in-house sales experts and external specialists in the fields of E-Commerce and the online grocery sector. Conversation transcripts adhere to the transcription system of Dresing & Pehl (2019). In line with the research objective of conducting a comprehensive investigation of the expected opportunities and risks of social commerce in a relatively under-researched sector-specific context, a content analysis methodology is employed. Using qualitative content analysis following Mayring's methodology, the collected data are divided into summarisation, explication, and structuring phases (Mayring & Fenzl, 2022). Due to the research objective, the procedural model of summary content analysis is applied, facilitating a reduction of data to essential content (Mayring, 1991). The aim of this method is to reduce the collected data in such a way that the essential content is retained, while still reflecting the original material. Within the framework of inductive category formation, main categories with 21 subcategories are identified. These subcategories primarily focus on opportunities and risks concerning the research question, emerging for German online grocery retailers from the utilisation of S-Commerce.

Results and Discussion

The following presents the main findings, which will later be incorporated into the critical discussion. Following Schreyögg and Koch (indirectly and directly influenceable), the results are divided into powerful manageable, limited manageable, and low manageable opportunities and risks for German online grocery retailers in S-Commerce (Schreyögg & Koch, 2020).

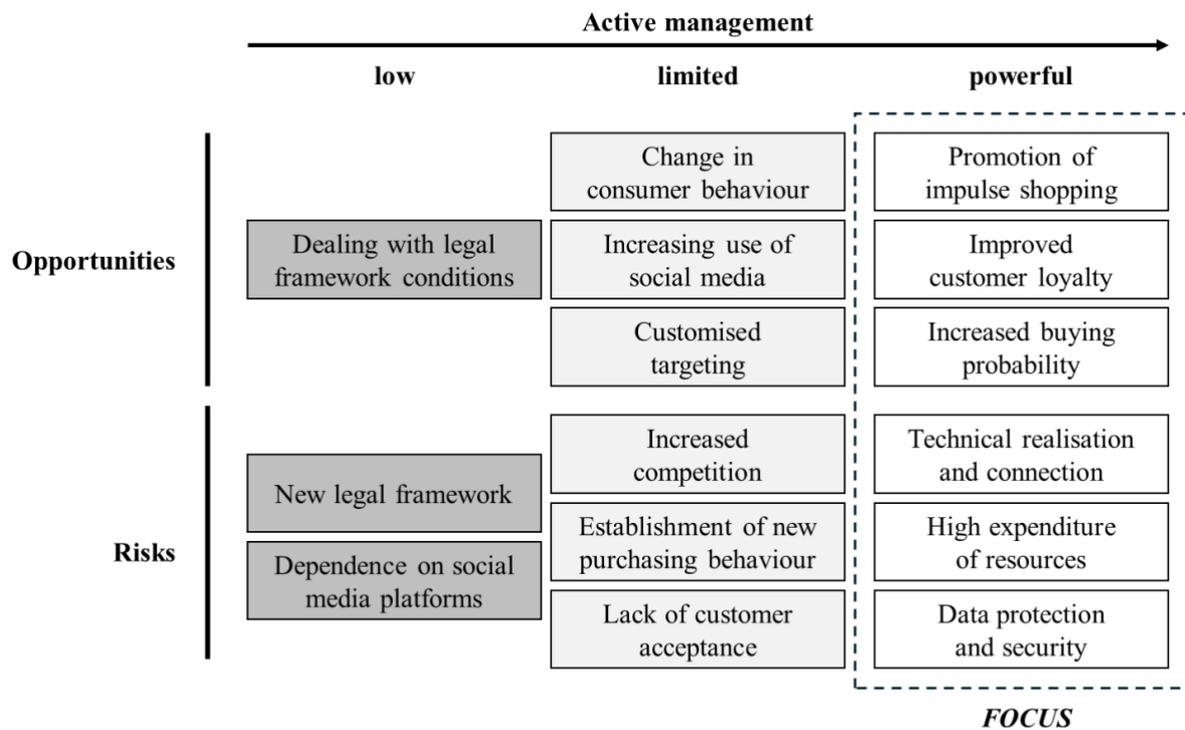
Within the framework of expert interviews, powerful manageable opportunities are identified in the form of promoting impulse purchases, improved customer loyalty, and an increased likelihood of purchase. The analysis revealed that the possibility of conducting transactions directly from social media behavior could be perceived as convenient and might increase the likelihood of purchase. Factors such as the rapid dissemination of content through social media,

live videos, and reviews are mentioned as promoting impulse purchases. Experts see a central opportunity in increasing customer loyalty through effective customer management and building trust. The combination of the social aspect and brand presence appears to foster trust and enables the promotion and distribution of private labels or smaller brands. Direct interaction with customers through communication technologies like messengers and direct messages could strengthen customer trust and create proximity. Additionally, experts emphasise the use of S-Commerce for better product and service perception, potentially achieved through support from partners and social interaction on platforms. The increased likelihood of purchase through S-Commerce is emphasised multiple times in the interviews. Speed and simplicity on social media platforms in the food sector seem to promote successful transactions. Visibility and persuasiveness, especially in influencer marketing, play another important role, with repeated product exposure increasing desire and purchase likelihood. The seamless integration of transactions into social networks contributes to efficiency.

Regarding powerful manageable risks, the following factors are identified through expert interviews: Technical implementation and integration with social media platforms are considered risks in S-Commerce. An inconsistent user journey, especially when advertised aspects do not align with the actual experience, could have a negative impact, according to the experts. Dealing with technical issues in the S-Commerce system poses a risk, especially for less technically savvy companies, as integrating E-Commerce platforms with social media also requires technical know-how. The technical prerequisites for seamless integration are lacking, particularly on platforms like Instagram, where the purchasing process is constrained. Furthermore, the presentation of features such as delivery time slots and payment methods also present challenges. The integration's complexity necessitates strategic considerations, as a negative first impression can discourage potential customers.

The efficiency of the shopping and customer journey is crucial in retaining customers in the long term. Many experts identify high resource investment as a powerful, manageable risk associated with S-Commerce. In particular, curation efforts and resources for maintaining everyday products are of high relevance. Social customer interactions require entrepreneurial investments, whether through personnel resources or automated approaches like artificial intelligence. According to experts, meeting the demands of modern consumers for fast delivery, competitive pricing, and convenience requires a delicate balance between customer expectations and cost efficiency. The experts also identified data privacy and security as significant and manageable risks for online grocery retailers in S-Commerce. It is important to address consumer concerns about security and data privacy to maintain trust. Since S-Commerce is based on data-driven approaches and requires responsible handling of sensitive customer data, protecting customer information is crucial for the experts, especially in Germany.

The analysis of expert interviews also reveals limited manageable opportunities and risks. Online grocery retailers have only a conditional influence on existing market developments, as these aspects are also driven by external influences. Limited manageable opportunities include changes in customer buying behaviour, increased use of social media, and precise targeting. Conversely, limited manageable risks include potential growth in competition, the establishment of new buying behaviours, and a lack of customer acceptance. Low manageable opportunities and risks are minimally to scarcely influenced by companies in the grocery retail sector, as they are heavily dependent on external influences. Legal frameworks were named as both an opportunity and a risk by the experts and fall into the low manageable category due to the lack of control.



Source: own visualisation of the findings in accordance with the structure of Schreyögg and Koch (2020)

Figure 1. Opportunities and Risks of Active Management in Consumer Behavior and Social Media Marketing

Active, powerful, and manageable opportunities are at the heart of the discussion on the opportunities and risks of implementing S-Commerce in online grocery retailing for German companies. The aspect of promoting impulse purchases is addressed in both current research trends and expert interviews. Abdelsalam, Alias, and Husain emphasise that selling in an environment where customers discuss similar products can promote impulse purchases (Abdelsalam et al., 2020). However, experts highlight that impulse purchases might lead to higher return rates, especially in online grocery retail, potentially resulting in revenue loss and cancellation issues, which is unfavorable in a low-margin industry like online grocery retail. Improved customer loyalty through faster communication with customers via social media tools such as Messenger or Direct Messages is emphasised by experts. While a positive relationship between S-Commerce and long-term customer loyalty is already noted in the literature, it is questionable whether this applies in the context of online grocery retail, where customers are more price-sensitive and less attentive to the trading company (Cakici & Tekeli, 2022). Competition is high in the German food sector due to the diverse alternatives offered by products traded in this industry. This makes price sensitivity a key factor in the willingness to switch providers (Cakici & Tekeli, 2022).

Experts suggest that S-Commerce can increase the likelihood of purchase due to its speed and simplicity. Studies confirming greater purchasing power in social media support this notion (McClure & Seock, 2020). The seamless integration of transactions into social media platforms is crucial for enhancing the likelihood of purchase.

Regarding the risks identified by experts in S-Commerce for German online grocery retailers, which can be actively managed, technical implementation and integration stand out. In addition to the necessary technical expertise that a company must have, strategic considerations for

designing the interface due to the complexity of integrating E-Commerce into social media pose a significant challenge. This aspect is vaguely addressed in literature. A smooth user experience and information collection require a detailed examination to ensure that the interface meets user expectations. Especially concerning online grocery retail, technical integration into social media platforms is challenging due to the external checkout process. The checkout process, such as the delivery window, including address details, and additional booking options like resource efficient delivery or payment options, cannot currently be reflected in German social media. It is essential to monitor current developments and incorporate the latest technical capabilities of S-Commerce. This may necessitate collaboration with experienced software developers with the objective of ensuring a seamless and effective user experience, thereby reducing the probability of unfavorable customer perceptions. While literature mainly illuminates costs for consumers (Makudzaa et al., 2022), the interviewed experts specifically identify a significant resource investment in S-Commerce for online grocery retail, especially in the personnel area for maintaining social customer interactions. While there is potential to use artificial intelligence for automation, questions arise about whether customers accept such automated interactions and whether AI can handle the complex requirements of this industry. The implementation of automated solutions for specific aspects of social customer engagement, utilising artificial intelligence or chatbots, could potentially reduce the number of personnel required to maintain these interactions. Considering the industry, online grocery retailers should evaluate whether the costs and efforts of selling solely through social media platforms are worthwhile, despite the potential revenue growth through S-Commerce. Experts consider this approach highly risky. Dynamic environments and dependence on social media platforms, considered low-manageable in this study, play a significant role.

Data privacy and security are important factors in building customer trust. This is supported by studies (Mutambik et al., 2023). Neglecting these aspects can lead to customer losses and significant reputation damage. Especially in Germany, data privacy is of high importance according to the interviewed experts. Although short-term benefits may be enticing, long-term damage to online grocery retailers and the industry could occur. The security of customer data should have top priority, along with avoiding data disclosure to third parties. Another challenge is maintaining the protection of customer data and security during online shopping via S-Commerce while preserving the authenticity of online retailers in social media apps. In order to enhance consumer trust, retailers could implement robust data encryption protocols, conduct regular security audits, and provide clear privacy policies. Furthermore, the acquisition of pertinent certifications or adherence to industry standards for data security could serve as evidence of their commitment to the protection of customer information. The proactive addressing of privacy concerns can facilitate the establishment of consumer trust and credibility, thereby reducing the risk of reputational damage.

Conclusion

The present study provides an analysis of the opportunities and risks of S-Commerce in the context of the German online grocery retail. Integrating E-Commerce and social media presents numerous opportunities and challenges for the industry. The results suggest that the S-Commerce approach offers promising opportunities such as promoting impulse purchases, improving customer loyalty, and increasing the likelihood of purchase. Retailers can use social media for targeted marketing, collaborating with influencers and creating engaging content to promote impulse purchases and enhance customer loyalty. Additionally, personalised marketing campaigns based on customer data analytics can further drive sales and revenue

growth. However, it is crucial to consider data privacy and security risks, technical implementation and integration challenges, and a high resource investment. The investigation allows differentiation between powerful manageable factors that can be actively managed and those less manageable factors. Moreover, the online grocery industry presents unique challenges, notably in managing cold chains and perishable items, leading to complex logistics and increased costs. Despite the convenience of 24/7 access, challenges such as delivery costs and limited range persist. Pricing variations, customisation, and comprehensive information are strengths of online shops. Assortment strategies, including breadth and depth, influence the purchasing process, while building trust is crucial to overcoming hesitations in online grocery shopping. Overall, it is advisable for online grocery retailers to pursue a balanced strategy, optimising powerful manageable factors, adapting flexibly to limited manageable factors, and simultaneously keeping an eye on developments in low-manageable factors. Continuous adaptation to new technologies and customer requirements will be crucial for success in S-Commerce.

In order to achieve a successful S-Commerce project in the online grocery industry, it is of the utmost importance to adhere to a methodical approach. This necessitates the implementation of a phased strategy, which includes comprehensive market research, meticulous pilot testing, strategic optimisation and a commitment to continuous improvement. The findings of the research were used to derive a best practice approach for a process model comprising four key phases. Phase 1: Conduct comprehensive market research to gain an understanding of the current landscape of S-Commerce in the online grocery sector. It is necessary to analyse competitor strategies, market trends and consumer preferences in relation to the adoption of S-Commerce. It is also necessary to identify the specific technological challenges and solutions relevant to the adoption of S-Commerce. These include data interoperability and payment processing. Phase 2: Select a pilot project to test S-Commerce initiatives, focusing on a specific product category or target audience segment. The implementation of S-Commerce solutions on social media platforms with limited functionality will facilitate the testing of technical integration and usability. It is recommended that feedback be gathered from early adopters and that the S-Commerce implementation be improved based on the insights gained from this feedback and performance metrics. Phase 3: Based on the findings of the pilot phase, refine the S-Commerce strategy, address any technical issues, and optimise the user experience. The implementation should be gradually expanded by extending the range of products offered through S-Commerce and targeting a wider audience. It is recommended that investment be made in staff training and education with a view to enabling them to manage the technical aspects of S-Commerce integration and to ensure seamless operations. Phase 4: Implement robust monitoring mechanisms to track key performance indicators (KPIs) such as conversion rates, customer satisfaction, and revenue generated through S-Commerce. It is essential to continuously gather customer feedback and to adapt the S-Commerce strategy in response to evolving market dynamics and consumer preferences. It is of the utmost importance to remain abreast of the latest technological developments and industry trends in order to identify potential opportunities for growth and to maintain a competitive edge in the rapidly evolving S-Commerce landscape.

Future research should concentrate on the thematic analysis of customer perceptions and preferences in relation to S-Commerce in online grocery. In other words, the consumer perspective should be given greater consideration, as this aspect was not as extensively discussed in the expert interviews. Furthermore, a more detailed analysis should be conducted of the competitive landscape and the market and consumer dynamics regarding the introduction of S-Commerce. The analysis of competitors' strategies and current market trends could facilitate the introduction of S-Commerce. Moreover, future research should employ

quantitative research methodologies to investigate correlations such as purchase frequency and customer loyalty in relation to the S-Commerce offering. This objective could be achieved through an expanded discussion that provides more detailed insights into the ways in which various stakeholders are affected by the adoption of S-Commerce practices. Furthermore, the integration of E-Commerce and social media platforms may be examined in order to ascertain the effects on supplier relationships, distribution channels, and supply chain logistics. A more in-depth examination of the consequences of S-Commerce on consumers, suppliers, and other pertinent stakeholders would enhance the analysis and facilitate a more comprehensive comprehension of the ecosystem dynamics. Furthermore, the study could be enhanced by a more detailed examination of data privacy and security considerations in S-Commerce, with a particular focus on the German market context. The illustration of real-world implications for online grocery retailers would be enhanced by the inclusion of specific examples or case studies of data privacy breaches or security vulnerabilities in social commerce platforms. This would underscore the significance of robust data protection measures. As a future perspective for further studies, it would be beneficial to explore the broader societal implications of S-Commerce adoption in the online grocery retail sector. This could include investigating the impact on employment patterns, economic dynamics, and environmental sustainability. It remains to be seen how the S-Commerce trend will establish itself in the German market, and further research is recommended to gain a more profound understanding of the industry.

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