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## **DIGITAL DISTRIBUTION SYSTEMS - A CHALLENGE FOR FOOD RETAILERS**

**Introduction.** Modern retail companies are increasingly looking for approaches to renew and modernize their business models. One of these approaches boils down to taking advantage of digital transformation. Evolving consumer attitudes, expectations and behaviour, technological advances, accelerated by the Covid -19 pandemic, are driving the digital transformation of the grocery business. In the present work, the main objective is to examine and interpret conceptual and applied aspects of digital distribution systems and, on this basis, to formulate corresponding conclusions and generalizations about the challenges facing the market distribution of food products. The purpose thus set presupposes the following exposition.

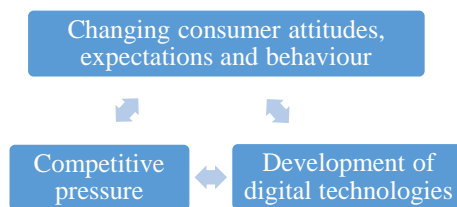
**Results and its discussion.** In its essence, the presentation of a conceptual model of a digital grocery system is a prerequisite for a better understanding of the digital transformation of the grocery business. A special research focus is the digital transformation initiatives of grocery retail companies. In this direction, the use of inductive research and content analysis is relevant. In specialist theory and practice, there is evidence that brick-and-mortar companies, online companies as well as new start-ups are making major investments in all aspects of the digital grocery system – the online shopping experience for the digital consumer, digital store operations, mechanisms for pickup and delivery and advanced analytics and digital marketing capabilities. Retailers also link their investments with alternatives to create and maintain increased customer loyalty, revenue and ultimately increase profit margins.

The digital transformation of the grocery retail business requires a creative approach to distribution, to its goals, tasks and activities. The process of forming a new type of market gives rise to a change in the theoretical assumptions about distribution systems. Along with the two systems of distribution - "distribution management" and "physical distribution", a new system is formed - "digital distribution" or "online distribution". Its differentiation is presupposed by the emergence and practical applicability of digital technologies, including in the food retail business.

As more significant characteristics of the digital food distribution system, the following stand [1]:

- arranging online distribution;
- quantitative and qualitative characterization of foodstuffs;
- analysing competition in the grocery retail sector and its development in an online environment;
- evaluating the possibilities of receiving, storing and transmitting information based on digital technologies and other derivatives regarding the food retail business;
- design, selection and construction of digital distribution channels and their integration with physical distribution;
- creation of digital communication channels;
- fulfilment of consumer orders for the purchase of food products;
- management and regulation of stock, warehouse and transport operations;
- carrying out digital marketing by reaching existing and potential consumers through digital communication;
- servicing and maintaining the digital distribution network;
- analysing the activity of the digital distribution channels, reporting and evaluating the obtained business results for the service;
- computer service of information and cash flows, integration of commercial, banking, financial, stock exchange, management, information systems for the purpose of servicing cash transactions, use of electronic money and electronic signature;
- training and systematic qualification of personnel at all levels of the digital distribution channel.

Digital technologies are transforming the grocery retail environment and distribution options, including online, by providing consumers with choices when ordering and acquiring these goods in new ways. In this process, the influence of consumer preferences, their disposable income and time constraints should be taken into account. In the era of merging offline and online options, consumers can order and purchase food both in physical stores and online. According to Deloitte, in a number of countries with high and middle income per capita, retailers with transnational business are digitizing the process of ordering and paying for food products. In this way, they achieve synchronization between the acquired retail experience in physical stores and online transactions [2]. Digital technologies provide an intuitive, easy and efficient online grocery shopping process. In this process, users can use digital touch screens to place their order. In this, the following key determinants of the digital transformation in the food retail business can be defined: see Fig. 1.



**Fig. 1.** Determinants of the digital transformation of the grocery retail business

**Source:** [https://www2.deloitte.com/content/dam/Deloitte/za/Documents/consumer-business/ZA\\_RetailTrans\\_ConsumerBusiness\\_101515.pdf](https://www2.deloitte.com/content/dam/Deloitte/za/Documents/consumer-business/ZA_RetailTrans_ConsumerBusiness_101515.pdf)

In the digital transformation of the grocery retail business, it is especially important to take into account the change in consumer behavior. This change is leading to an expression of preference for online shopping. This type of shopping is driven by factors such as: price, speed, convenience, technological advances, use of cloud computing, application of mobility systems and large database analyses.

A significant component of user satisfaction is a seamless and convenient mobile shopping application. The implementation of a certain type of mobile application should provide online ordering of groceries, separated into separate commodity categories, as well as options for pre-scheduling deliveries. Therefore, the digital transformation of any food chain should start with the digital consumer and the demands he makes.

In this way, the digital distribution system becomes the new challenge in managing the distribution and distribution of food products. As a rule, in the Internet environment, the process of determining existing competitors, as well as the overall scale of competition, becomes difficult. On the other hand, there are virtually unlimited opportunities to enter new markets. The market shares of the individual retail companies offering food products should be measured in the market space of the Internet, which is independent of the physical market.

In the specialized literature, the following advantages of the use of digital distribution channels are presented, which are also valid in the direction of the market distribution of food products [3]:

- an opportunity for market growth of sales in a forecast plan, which can be realized at the expense of an increase in Internet users and an increase in electronic purchase volumes;
- reaching the products to a large number of users without geographical restrictions;
- achieving better segmentation of the relevant market;
- higher speed of information exchange;
- the possibility of quality standardized contact with users and providing feedback;
- communicating with consumers at a relatively lower cost than conventional channels;
- opportunity for each enterprise to enter the global market with its product;
- using non-traditional marketing approaches;
- implementation of a continuous volume of information - a channel without time restrictions, without limited working hours;
- low barriers to start an electronic channel;
- possibility of achieving higher profitability compared to other alternative channels.

Along with the highlighted advantages in the practice of digital distribution channels, there are also disadvantages, among which are distinguished [3]: problems with the accessibility of a larger part of users; security issues for participants in the digital distribution channel; communication problems; payment difficulties, etc.

**Conclusion.** The emergence and functioning of digital food distribution channels is an expression of the ongoing changes in supply and demand patterns. These changes are presupposed by the dynamic development of high technologies, in the speed and possibilities of processing and voluminous market information. Thus, digital distribution channels become a new opportunity to reach the goods, services and ideas to the potential users in the unlimited Internet space.

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