INNOVATION AS CATALYST TO DESIGN A BUSINESS MODEL FOR AN ONLINE START-UP CONVENIENCE GROCER

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ABSTRACT

Business model innovation is a catalyst for creating competitive advantage. During the mid-1900s the lack of good refrigeration led to daily deliveries by the milkman, but improvement in packaging, affordability of refrigeration, and theft made the milkman obsolete. Although the milkman is no longer with us, its business model, through innovation could be reinvented as an online convenience grocer who delivers at the doorstep. A qualitative research design was employed to investigate the possibilities of this innovation. Results showed that there is a market for an online convenience grocer. Businesses are increasingly using technology to offer their products and services. Customers are willing to pay for deliveries because they see the value in the service. Deliveries create a competitive advantage. The biggest hurdle for the implementation of this business model is crime; other concerns are the inspection of the quality of goods before purchasing, packaging, and times of delivery because of availability of customers.

Keywords: Business model, Innovation, Technology.

INTRODUCTION

During the early to mid-1900s, there was a lack of good refrigeration, which led to fresh milk going off quickly. This brought about a need for daily deliveries of fresh milk (Tahmncioglu, 2007). As refrigerators became more affordable and improvements in packaging made the lifespan of milk longer, the demand for daily deliveries diminished. Theft compounded the diminishing demand because people would steal the products left outside by the milkman (Tahmncioglu, 2007). Additionally, the cost of milk in a basket of goods amounted for a small cost and could not justify the cost of delivery (Tahmncioglu, 2007). Although the milkman is no longer with us in South Africa, its business model, through innovation, could be reinvented as an online convenience grocer who delivers at the doorstep.

Background to the Research Problem

The South African National Small Business Amendment Act 26 of 2003, defines small businesses, as those employing between 21 and 50 employees. The upper limit for turnover in a small business varies from \$ 55 000 to \$ 1700 000 (National Small Business Amendment Act, 2004).

Not only SMMEs, but all businesses (Prahald & Oosterveld, 1999; Teece, 2010; Wirtz, Pistoia et al., 2016; Bogers et al., 2017; Viswanadham, 2018), need to stay relevant in a fast changing environment therefore, their business models should be reinvented continuously to maintain or create competitive advantages (Voelpel et al., 2004; Zott et al., 2011). Innovation in the business model design is fundamental for developing a sustainable competitive advantage. Digitalisation as a driver for innovation at the beginning of the 4IR has many potential benefits and needs more investigation.

Research Problem

Small businesses have been identified as being a major contributor to creating jobs and are a focus area in developing countries and governments are expanding its efforts to promote the development of small businesses (The Ministry of Small Business Development, 2018). In the era of digitalization, the life of human beings has become faster (Joshi & Parihar, 2017). Digitalisation improves productivity and efficiency and has emerged as a strategic resource for organisations. Incorporating digitization and innovative digital approaches can make or break an organization (Bleicher & Stanley, 2016). Management needs tools to make decisions and convert digital drivers for sustainable value creations and competitive advantages.

Practitioners must move out of their comfort zones and into a realm of digitalisation and opportunity to establish growth and innovation (Bleicher & Stanley, 2016). Therefore, the Milkman will need to establish digital value drivers within its business model design to become relevant and viable again. Ultimately, the purpose of business models should be to satisfy needs and increase profitability leading to a competitive advantage. The overarching question in this article thus, is: Will digital value drivers and innovation create a feasible business model for an online convenience grocer in the South African context?

Rationale for the Research

This article will establish how innovation could be used as a catalyst to develop a viable business model for the Milkman in the form of an online convenience grocer. It is argued that, the business models of existing organisations must look within themselves and reinvent themselves, by commercialising the underlying assets of the company and adopt innovation as a novel approach. It is argued that competitive advantage is achieved from the reinvention of a business model and that disruptive innovation is often necessary, not as an incremental or gradual change, neither is it a continuous improvement (Gambardella & McGahan, 2010; Voelpel et al., 2004); sometimes it is a drastic intervention.

The article is based on the premise that entrepreneurs need not only focus on funding and motivation, but also on a paradigm shifts to establish their business model and offerings in the market before launching their new venture. This process can be applied to any future business venture and by following this approach, entrepreneurs can establish their business models before launching the venture.

Literature Review

Business model research has become increasingly dominant and regularly discussed by scholars (Casadesus-Masanell & Ricart, 2010; Wirtz et al., 2016). A business model is the way of doing things, or the business concept implemented to sustain the business (Hamel, 2000). This basic definition is built upon by Osterwalder et al. (2005) as well as Zott et al. (2011) who define a business model as the primary element in the firm’s strategy for value capture and creation. Breuer et al. (2018), revised it and add that a business model is a depiction of how the value propositions are made, how the value propositions unfold for customers and stakeholders, and how the firm's customers and stakeholders obtain net value from the interaction.

Companies commercialise innovation, technologies, and new ideas through their business models. The business model identifies a market segment, a value proposition, specify revenue mechanisms, define the structure of the value chain, the cost structure, details the revenue mechanism estimates, profit potential, describes linking suppliers and formulates the competitive strategy (Chesbrough, 2010).

A business model is normally flexible, because it implies changes in existing core processes or dismantling of systems that don't work to build new ones, which brings about new opportunities (Cavalcante et al., 2011). An effective business has the optimal business model components to create a value proposition and create sustainable competitive advantage because ultimately the goal of an entrepreneur should be to create sustainable competitive advantage through creating a business model that are difficult to imitate (Teece, 2010).

Innovation

Increasingly, practitioners are embracing innovation to manage their firms. It has become a prerequisite to compete and create wealth (Prahald & Oosterveld, 1999). Organisations that explicitly communicate their business model innovations had a positive impact on growth, competitiveness, profits, and value propositions (Bojoaga & Petrisor, 2013). Innovation as part of the creation and reinvention of business models are not just a form of continuous improvement, it is the type of innovation that offers disruptive competitive advantages which are becoming increasingly necessary to carry on and prosper (Voelpel et al., 2004). Innovation is the theoretical concept that underpins business model innovation, where the existing business model is innovated to create a new way of presenting value to the customer.

Business Model Innovation

Traditional industries were regarded as single dominant business models and they compete and succeed through brand, lean, product innovation, better execution, and efficient processes (Viswanadham, 2018). These traditional companies are today faced with challenges such as labour protection, safety regulations, leave unemployment benefits, overtime, medical aid, insurance and workers compensation, as part of the cost structure, and are prone to closed loop innovation focused on internal research and development. Viswanadham (2018) argues that these closed loop companies cannot compete with start-ups that emerged from e-commerce such as Amazon, Alibaba, Flipkart, Netflix, Airbnb & Uber, because they have aimed to reduce resource intensity with improved asset utilisation through automation and shared services. Practitioners must move out of their comfort zones and into a realm of digitalisation and online opportunities to establish growth and innovation (Bleicher & Stanley, 2006). Over the last two decades, the discussion on business models has intensified and business model innovation has widened the traditional emphasis on innovation in business processes, procedures, products, and services (Hagberg et al., 2016).

Important to note is that there is a difference between business model change and reinvention (Voelpel et al., 2004). Most sustainable competitive advantages are achieved from the reinvention of a business model. Reinvention, most of the time, comes from disruptive innovation, not continuous improvement or incremental or gradual change. Business model innovation drivers often include deregulation and globalisation (Casadesus-Masanell & Ricart, 2010), as well as improvements in information and communication technology. Decision makers should take action for the firm to deter risks, cut costs and create benefits (Putten et al., 2012).

In addition, business model innovation can also be seen as the modification of existing business models as well as introducing new practices of value creation, how the value propositions unfold for customers and stakeholders, and how it leads to new qualities and / or configurations of the different components (Breuer et al., 2018). Therefore, the role business model innovation plays are of great strategic relevance to firms because it is the underlying fundamental theoretical concept for value and competitive advantage creation.

Business Model Components

The business model of an organisation is all about strategy (Hamel, 2000), and strategy, as the main component of the business model, is steered by the mission and vision of the firm (Yip, 2004; Tikkanen et al., 2005).

Another important component is marketing. Marketing frequently refers to the value proposition or the benefit received by the customer through the business model (Mahadevan, 2002; Demil & Lecocq, 2010). An under-emphasised component of the business model is procurement (Hedman & Kalling, 2003), because it is usually described only as an input for production, which is a very narrow understanding of its role in the business model (Hedman & Kalling, 2003).

The financial aspect, as component of the business model, adopts the control and planning of financial management to assure the effortless flow of capital as well as the evaluation of the cost structure (Demil & Lecocq, 2010; Osterwalder et al., 2005; Osterwalder and Pigneur, 2010).

Digitisation as Value Creation

Digital transformation in the traditional sense refers to the use of internet technology and computers to create an economic value and improve efficiency. Broadly, it refers to how we interact, operate, and configure new technology and how we create wealth within the system. Digitalisation has a lasting and revolutionary impact on economic systems, organisations and increasingly on society at large (Reddy & Reinartz, 2017).

Society is living more and more in the era of the 4IR, and entrepreneurs need to understand that each industrial revolution brought with it, seismic changes to the way society live and does business. It creates new value opportunities through new services which transform conventional value chains. It is becoming increasingly important that organisations should rethink and reshape their business models (Iansiti & Lakhani, 2014).

To successfully introduce a digitalisation strategy, companies need to change their existing strategies, operations, and value chain (Bustinza et al., 2013). This change will consist of preserving a constant steam of innovation (Vendrell-Herrero et al., 2014). This should not only be around value creation but rather in how services are designed, produced, delivered, and sold. Innovation is thus an ongoing process and should not only be implemented at the start-up phase of a venture (Reddy & Reinartz, 2017), because business is faced with new technology and faster innovation cycles almost daily. Technology is changing the way in which value is created for consumers and how firms compete (Porter & Heppelmann, 2014). Digitalisation should therefore include the product and service to achieve long term success (Visnjic et al., 2016).

Subscription Pricing

Retailer settings and subscription markets are different in that, in conventional retail settings, customers need to go to the store to purchase their products while in a subscription market, goods flow directly to customers. Subscription services can be found in satellite television, wireless communication, the internet, and retail settings (Taylor, 2003). Customers are commonly enticed to enter this market with trial memberships, free installation, free equipment, and the initial discount to new subscribers. After the initial period is over, most of the customers stay with the subscriber at a premium. Subscription markets offer homogeneous goods and services. Transactional costs give consumers an incentive to be loyal to the supplier and in time, suppliers incentivise customers for their loyalty. This loyalty gives firms a form of monopoly power (Taylor, 2003). In the South African context, this is evident in some of the largest companies in the telecommunication, health and pay to view satellite television sectors. Subscription-based businesses have grown in popularity (McCarthy et al., 2017), and this has brought about an increase in the disclosure of data from the customer. From customer data, valuable information such as customer/subscriber acquisition costs, average revenue/user, customer churn and customer lifetime value can be extrapolated.

Competitive Advantage

The business environment of the 21st century brings an amplified unpredictable and turbulent landscape which inherently conveys challenges for firms to achieve sustainable competitive advantage (Teece, 2010). Technological advancements have improved the traditional business models (Evans & Wurster, 1999). Rapid and intense competitiveness increasingly requires companies to innovate and to build new forms of competitive advantage (Dess & Picken, 2000). The introduction of innovation enables a firm to be more flexible and to be more adaptive in changing environmental conditions (Atuahene-Gima, 2005). A link exists between innovation in service companies and competitiveness (Grawe et al., 2009). Strategic tools are a prerequisite for companies to remain relevant and competitive. In hyper competition, innovation is an important tool to stay competitive. This suggests that a firm's survival strategy in the 4IR business environment, must be an innovative one.

Firms that want to acquire a competitive advantage need to implement a strategy that exploits their internal strengths and external opportunities (Chen & Tsou, 2012). For a firm to maintain a competitive advantage, it is of the utmost importance to own rare and valuable resources (Barney, 1991). This resource-based view maintains that the business model must be protected from imitation to achieve sustainable and competitive advantage (Teece, 2010). It is argued that with an innovative business model, competitors will find it challenging to imitate the model because it is so disruptive to the industry. Developing a good business model is not enough, what will distinguish a firm is if they succeed to acquire a sustainable competitive advantage. It is imperative to develop a business model that is difficult for competitors to imitate. Innovation relates positively to competitive advantage (Anning-Dorson, 2018). Market innovation is the most significant determinant of a competitive advantage. In addition, Anning-Dorson (2018) argues that organisational leadership is the mediator between innovation and competitive advantage, while in emerging economies in the service sector, innovation implementation strategy offers competitive advantage.

Crime is a major issue in South Africa. According to Statistics South Africa (2017b) an estimated 128 206 home robberies were committed in 2016/17 and it increases year on year.

Urban residential areas are more and more inaccessible because of security gates and entrance barriers. Building trust with customers and residential estates could bring about a competitive advantage, because it can cause a barrier for new entrants who then first must build those trust relationships.

Online Grocer

According to Mulpuru (2018), online sales touched €190 billion in Europe and $370 billion in the United States of America by 2017. Online grocers have thrived, and they anticipate that the trend will continue in years to come (Kumar, 2014). Kumar indicates that it is estimated that 20% of adults in the United Kingdom do their shopping online. The USA has captured 12% of the market with projected spend increasing from $ 23 billion to $100 billion in 2019. While there is a growing market in the USA and UK, most customers still purchase offline from supermarkets and convenience stores.

The positive attitudes and intentions of consumers are increasing towards shopping online and they are purchasing different types of products on the internet (Limayem et al., 2000). Nilsson et al. (2015) note that time pressures and transportation costs are factors that motivate consumers to use convenience stores, especially, online stores. The online grocery segment is rapidly becoming crowded with grocery retailers using multichannel, and multiformat business models and strategies. While there is evidence that online grocers are growing globally, there is very little evidence to suggest that the same trend is occurring in South Africa.

Choudhury & Karahanna (2008) argued that relative advantage theory explains the dilemma of convenience vs travel cost and time, which is based on diffusion of innovation theory, where customers weigh the advantage of the present innovation over how things were done in the past. Akroush & Al-Debei (2015) noted that the attitudes of online shoppers towards purchasing online are affected by perceived relative advantage and trust. Furthermore, they argue that the perceived reputation is a function of relative advantage, and trust is a product of relative advantage. Therefore, this is important for entrepreneurs to consider because customers will only adopt an online convenience grocer if they perceive it to be more convenient than getting in their vehicles and purchasing the product elsewhere.

The Last Mile

Hayel et al. (2016) noted that from JP Morgan's annual Internet Investment guide, the annual growth rate of e-commerce sales is about 20%. In 2013 it was $963 billion, and this number is strongly growing year on year. This suggests that there will be a demand for new logistic distribution centres and online platforms to manage the purchases. The last mile delivery is a critical stage of delivering parcels to the customer and is vital for promoting the development of e-commerce (Zhou et al., 2017). What makes e-commerce distribution considerably more challenging is the wide spatial distribution and the variability of customers' availability. A study by Aized & Srai (2014) noted that the last mile delivery cost accounts from 13% up to 75% of the total supply chain cost. Home or work delivery of individual parcel deliveries is the most time consuming and costly. Another service has been widely accepted by customers and logistics operators named customer pickup. Customer pickup is where customers pick up their parcels from terminals close to their work or home improving efficiencies and creating economies of scale (Zhou et al., 2017). Zhou et al. (2017) note that the last mile of a business to customer delivery is not only the most expensive but also the least efficient stretch of the supply chain.

Research Questions

The overarching question derived from the review of literature namely: will digitally value drivers and innovation create a feasible business model for an online convenience grocer in a South African context?

Research Question 1: Is there a market for online grocers and the delivery of consumables?
Research Question 2: Are consumers willing to pay for delivery services?
Research Question 3: Is subscription-pricing an appropriate pricing strategy for an online grocer?
Research Question 4: Is digitalisation a catalyst for the successful start-up of a convenience grocer?

METHODOLOGY

This research was conducted through the qualitative, cross-sectional research design. Semi-structured interviews were conducted with businesses that offer delivery services and their customers. The researcher conducted semi-structured interviews with open ended questions.

Population

The population for this research comprised stores that had delivery services and potential customers of an online convenience store.

Sample

This research used a purposive sampling technique. An internet search of stores offering delivery services in the Randburg area of Johannesburg, South Africa was conducted. The stores were contacted, and an interview schedule was developed. Potential customers were contacted within the Randburg area and appointments scheduled. Non-probable, snowball sampling as described by Saunders et al. (2008) was used by utilising the researcher's informal network of individuals from the population. Saturation was reached by the fourth interview with stores that deliver, and by the eighth interview with customers; and each new code that appeared was noted using Atlas.ti.

Findings

A total of sixteen interviews were conducted. Eleven customers, or potential customers and five store owners participate. The participants were interviewed in the Randburg, Gauteng, South Africa area. The participants were provided with the interview questions as well as the online offerings in the case of the customers, two days before the interview. This was done to give participants a deeper understanding of what the online convenience grocer offered to facilitate the interview.

Is There a Market for Online Grocers and Home Delivery of Products?

All the stores had increased their turnover by offering delivery services. Consumers are increasingly using delivery services, and store owners saw that there was a trend that business were going online.

P 1: Deliveries are 40% of our business.

> P 3: At the moment it is 50% deliveries, and 50% in store sales!
> P 4: Deliveries are about 60% in our business.
> P 7: I see the future of grocery stores as virtual, minimum floor space, mainly delivery dominating industry, because our deliveries are growing year on year.
> P8: It appears that there is a trend where people will no longer have the desire to go to a shop and will start buying online exclusively.

Two customer-respondents spoke about time becoming a constraint and that life was becoming busier. They regarded online stores as saving time and making life easier. Four respondents explained that they are willing to pay for convenience and that ordering online and having groceries delivered was convenient.

Summary of findings of Research Question 1: It seems that there is a market for an online convenience grocer and businesses were increasingly using technology to offer their products and services. Of interest was that one of the respondents saw in-store sales diminishing and delivery services increasing in the long-run.

Are Consumers Willing to Pay for Delivery Services?

All participants agreed that they are willing to pay for deliveries. From the store owners' perspective, all but one offered delivery services free of charge. It must be noted that the stores had a minimum order threshold for free delivery. The one store owner who charged for delivery, answered: We charge R15 for every delivery. On our side it is a flat rate. We have a 5 km perimeter. P 4 said that customers get free delivery for orders above R65. It became evident that customers are indirectly charged for delivery. P1 noted that product prices on their online platform are higher than the in-store prices, however customers are still buying. Store owners worked the delivery cost in with the price charged.

Consumers are weighing up the cost of delivery with the cost of the trip. There was a trade-off between the price of the delivery, the benefit received and the cost that would be incurred if they had to take a trip to the convenience store.

Summary of findings of Research Question 2: From the interviews conducted, it emerged that store owners saw a trend that customers were increasingly demanding delivery services and were increasingly willing to pay for it. Of significant interest was the fact that customers were seeing the value they received from the delivery of their goods; and that stores were acknowledging the fact that customers were willing to pay.

Is Subscription-Pricing an Appropriate Pricing Strategy for an Online Grocer? And What about Safety?

There was not much consensus for a monthly subscription pricing for the same basket of products. The data suggests that customers want a choice of products as well as for their payment method. Stores were challenged with a prominent theme of trust with, and safety for their customers and workers. P3: We do not deliver late at night to new customers however, we do for our regular customers because we know them and trust that our drivers will be safe. We are always cautious and suspicious when new customers order late at night and request delivery.

P2: An incident occurred even where we made sure all the details the customer gave us were true. The telephone number, address, street number were all correct. We know the customer. The driver went to deliver, but he soon realised that the people at the house did not order. Thieves made the false order and when the driver pitched at the address, the thieves stopped the driver and stole his bike and personal belongings.

P4: We stop deliveries after 6 in winter and after 7 in summer in risky areas as it is too dangerous for our drivers.

Summary of findings of Research Question 3: In answering question three, insights emerged in that customers did not necessarily prefer a specific method of payment, or a set basket of products. They want choices. Trust and safety were also mentioned as factors to consider.

Is Digitalisation a Catalyst for the Successful Start-Up of a Convenience Grocer?

Digital value drivers were noted by all the participants as necessary to stay relevant in today's fast paced environment. P3: Technology is very important. Take Uber eats as an example. Who would have thought 2-3 years ago that you could log in on an app, select food and drinks from a menu and have it delivered to your door within 10 minutes by a "food taxi"?

The customers responded that they believe that online platforms and digital drivers were improving the value creation, as well as convenience. P14: I used to go to Checkers every day to get bread, milk, and veggies. If I can open an app and select everything I need, checkout and have it by the time I get home, think of how much time it would save.

From the interviews, customers noted that, due to higher levels of security and access control, delivery services face access challenges to their residences. P13, and almost all the customers replied that access to their complexes as well as a secure place to leave the parcel, is a huge challenge. All the stores noted that access to homes, residential estates, complexes, and apartments were increasingly becoming challenging.

Crime was noted as a major concern for the viability of the value proposition. There were two perspectives that emerged from the interviews. The first was that "we live in a complex and it is relatively safe, but access is a problem" and the second, from the store owners' perspective: "we cannot leave our products unattended at a house…because it would be stolen or damaged… who is then responsible for it?" All the stores noted that crime and the safety of their drivers was becoming increasingly challenging.

Summary of findings of Research Question 4: Crime stood out as a major challenge for both customers and stores. Stores and customers noted that they could not do anything about it. Other less prominent challenges, but vital insights for the implementation of the business model include the time when the goods were delivered, environmental conditions, inspection of quality and the packaging of the goods.

DISCUSSION

Responses to research question one revealed that there is a market for online grocers and the delivery of consumables in South Africa. It also emerged that the life of a prospective customer was becoming busier and time is becoming scarce, resulting in a need for convenience. This is supported by Nilsson et al. (2015) who note that time pressure and transportation are factors that discourage shoppers from visiting supermarkets. From the store managers' perspective, deliveries are increasingly being demanded while delivery orders are increasingly becoming a larger proportion of their turnover. This is a global trend that consumers are increasingly purchasing online (Mulpuru, 2013; Kumar, 2014; Reddy & Reinartz, 2017).

Research question two discovered that customers are willing to pay for the delivery service and convenience of an online grocer. However, this willingness correlated with the cost of the trip to a store. The explosive demand for online platforms has increased the demand for deliveries (Zhou et al., 2017). The increased demand on delivery services, asks for an effective business model innovation (Breuer et al., 2018). Customers see advantages such as time saving and reduced effort in online shopping. Customers, however, want to be satisfied by the additional benefits before they switch to online shopping.

Responses to the third question revealed that subscription pricing should not be an only pricing strategy pursued by online convenience grocers. It emerged that stores were attempting to profile their customers, but customers want a choice of products and payment methods.

It emerged that trust was lacking between customers and stores. Customers were concerned with data security and stores with the safety of their delivery drivers. Stores explained how they used their historical order books to profile their customers to establish the risk the driver could be exposed to when delivering orders. Customers weigh their levels of trust for online grocers with their perceived risk of shopping on online platforms. One needs to view perceived risk and trust together. Uncertainty and risk were intrinsic factors when purchasing online because customers are not physically present and could not confirm the quality of the merchandise.

The response to question four viewed digital value drivers as necessary to stay relevant in today's fast paced environment. It emerged that customers perceived online platforms and digital drivers as improving the value creation while digitalisation improved convenience. Digitalisation creates new value opportunities through new services which will transform conventional value chains. It also has a lasting and revolutionary impact on economic systems, organisations, and society at large (Reddy and Reinartz, 2017). New business models will keep on emerging from the 4IR. It is suggested that customers are increasingly seeing the value of digital value drivers that online grocers need to keep improving with technology.

What emerged as a significant theme among all participants was that crime negatively affects the viability of the business model of an online grocer. While challenges exist such as the time when the goods are delivered, environmental conditions, inspection of quality and the packaging of the goods, crime emerged as the most significant challenge facing the business model of an online grocer.

The results showed that there is a market for an online convenience grocer, and it identified opportunities for an existing business model, namely The Milkman, to innovate and create a viable business for an online convenience grocer. The digital drivers and co-creation were identified as enablers for the facilitation of a viable business model of a convenience online grocer. Crime was identified as a significant challenge for the viability of the business model.

It is suggested that for the successful launch of an online convenience grocer an entrepreneur should consider innovative strategies that leap over the challenges of crime. It is further suggested that co-creation in partnership with residential estates and complexes will improve the value creation for the customer and will result in a competitive advantage by creating difficult to imitate entry barriers for competitors.

CONCLUSION AND RECOMMENDATIONS

There is an increasing global trend, that can also be traced in South Africa, from investors and customers, for online grocers in an increasing market (Euromonitor, 2012; Christodoulides, Michaelidou & Argyriou, 2012; Kumar, 2014). More and more, customers perceive the online grocer as convenient. Customers, though, want various options for making payments. Although digital value drivers are enablers for an online convenience grocer, crime in South Africa, is a significant challenge for the launch, sustainability, and growth of online convenience grocers.

Demand for Online Grocers

Although consumers are still purchasing their groceries from supermarkets and convenience stores, there is a growing demand for online shopping. The existing business model of the Milkman needs innovation within the new context of an online convenience store, to create a competitive advantage as new business model for online shopping. Managers should endeavour to continuously disrupt their business models to attain sustainable competitive advantage and create a value proposition that is difficult to imitate. It is suggested that managers should use digital value drivers to create competitive advantages because digitalisation has a lasting and revolutionary impact on economic systems, organisations and increasingly on society at large (Reddy and Reinartz, 2017).

Convenience and Willingness to Pay for Delivery Services

Customers in South Africa want convenience and they perceive online grocers as a convenience. They see delivery services as creating value to the customer experience and they suggest that the firm should allow the customer to influence the design of a customer centric business model. Customers are willing to pay for the delivery of their goods and customers noted that time pressures and transportation are factors driving them to pay for delivery. Customers find online shopping more flexible because they could shop at any time of the day from anywhere as long as they are connected to the internet.

Enablers in a South African Context

Digital drivers and co-creation were found to be enablers for the business model of an online convenience grocer with co-creation the stronger enabler. Customers perceived digital drivers as enhancing the created value as well as that digitalisation improve convenience.

Challenges in a South African Context

Crime is real and affect many South Africans. Deliveries are a high-risk job. Delivery persons are robbed, lead into a trap by giving a suspicious delivery address or even hijacked. Regarding the innovation of a business model such as The Milkman, the overarching question is, will digital value drivers and innovation be able to create a feasible business model for an online convenience grocer in a South African context where deliveries are a high-risk activity? The viability, of a business model rests in innovative strategic approaches to leap over crime. It was found that the greatest challenges for the business model design of an online convenience grocer were the challenges of crime. But it was also found that if an alternative, or solution for the crime issue can be found, it will lead to opportunities that could create a difficult to imitate business model and it can create a sustainable competitive advantage.

Implications for Management

The aim of business is to create sustainable competitive advantage. This can be attained through the innovation of The Milkman-model in the convenience grocer industry. Managers should use innovation to leap over the challenges that crime pose. By so doing they can create a business model that is difficult to mimic and create a sustainable competitive advantage.

Limitations of the Research

This research used an exploratory qualitative analysis methodology. Therefore, the results in a generalised context are limited. The small sample size limits how the results are generalisable in other contexts; and, the focus on an online convenience grocer in a South African context limits how the research can be transferred to other business models.

Suggestion for Future Research

A qualitative study can be undertaken to gain a deeper understanding of innovative strategies that could leap over the challenges of crime to develop a framework that leaders can use to create competitive advantage.

This research provides insights on the enablers and challenges that online platforms face. These insights suggest that sustainable competitive advantage could be achieved for an online platform through innovation that leaps over crime.

The research revealed the market for online platforms that deliver goods in a South African context. It highlights that digitalisation is a prominent enabler and catalyst for the business model. However, the crippling challenge of crime was exposed. It is suggested that through innovation, these challenges could be overcome to create a difficult to imitate business model that creates sustainable competitive advantage.

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