

## “Where Do You Buy Your Groceries?”

By Tommy Williams, CFP®

Blame it on the central banks! After 44 consecutive sleepy, summer days when *Barron's* reported the Standard & Poor's 500 Index opened and closed without a 1 percent move in either direction, the index finally tumbled and so did indices in other markets around the world. What roused investors from complacency? Some experts pointed their fingers at central banks:



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*“Three central banks announced their monetary policy decisions during the week and all three maintained the status quo and did not*

*change policy. The news disappointed the markets – they were looking for more stimulus. And, in some cases, good economic data was interpreted as bad news because it meant that there was less of a probability of more stimulus.”*

Boston Fed President Eric Rosengren weighed in (whom *Thomson Reuters* labels as a dove) saying, *“My personal view, based on economic data that we have received to date, is that a reasonable case can be made for continuing to pursue a gradual normalization of monetary policy.”* After his speech, *Reuters* reported the odds of a September Fed rate increase rose from 24 percent to 30 percent. I think the credible consensus right now is ¼ of 1% raise in December.

Expectations for market volatility moved higher, too, but markets weren't too worried. The CBOE Volatility index (VIX) jumped to 16.56 according to MarketWatch. That was a big move, but significant market volatility is not indicated until the VIX moves above 20. No doubt you've noticed the bumpy road recently.

So, if things are changing in world markets, let's just examine one example for clarity. Groceries may be a mundane subject, but they're big business. By 2020, the value of the world's grocery market is expected to reach \$11.8 trillion, according to *The Institute of Grocery Distribution (IGD)*. The largest markets are expected to be China, United States, India, and Russia. That's not the interesting part, though.

According to *Morgan Stanley*, fewer people will gather food by carting up and down the aisles of local grocery stores. Instead, in many countries, people will fill their baskets online. Globally, the share of shoppers buying groceries via the Worldwide Web and having them delivered is expected to grow from 21 percent in 2015 to 34 percent in 2016:

*“Several factors may be driving the trend. Generally, more shoppers are accustomed to buying online, including a younger, more mobile generation of consumers. More specifically, boutique online-only grocery services in recent years have proven that the business model can work, overcoming logistical and consumer-behavioral barriers and building credibility for the category as a whole. Now, larger traditional players have entered the arena, offering more choices, services, and*

*attractive prices, all within familiar eCommerce experiences and expectations for an even larger audience.”*

Developed economies are expected to experience faster adoption rates. For instance, fewer than 10 percent of Americans bought fresh groceries online last year, but this year the percentage is expected to reach 26 percent. In Germany, just 10 percent of shoppers purchased groceries online. In 2016, that number is expected to rise to 36 percent.

In emerging markets, the expansion of online grocery shopping is dependent on the expansion of mobile networks. In countries like China and India, online grocers must leverage mobile networks to grow their market share. We’ll watch closely as this – and other internet driven trends reshape our daily lives – driverless cars??

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