AlixPartners

The new gatekeepers

A perspective on how conversational AI could re-write the Grocery value chain

Marco Di Marino

Partner and Managing Director, AlixPartners

For decades, grocers—especially regional and multi-regional options—served as the natural starting point of the shopping journey. Even as e-commerce grew, and marketplaces like Instacart inserted themselves between the shopper and the store, the customer still began with the grocer. The grocer's identity and what it stood for— "I shop at H-E-B, not X" or "I shop at Publix, not Y"—still mattered in the customer's mind, even when the transaction flowed through an intermediary.

That era is ending. The introduction of Instacart checkout inside ChatGPT signals the emergence of a new hierarchy. For the first time, shoppers can start the journey somewhere else: They simply initiate a conversation about their purpose for shopping, e.g., "I want to make apple pie," and everything that follows takes place without the grocer entering the conversation.

What Instacart tried to disintermediate, AI will displace

This white paper explores what this shift means for grocery, the lessons from industries that have already been disrupted, and the strategic moves required for regional players to preserve their relevance. While the disruption will unfold gradually, the stakes are immediate. When AI becomes the starting point of the customer journey, power moves upstream and grocers that fail to assert themselves risk becoming invisible in their own category.

When *intent* leaves the store

Until recently, even the most sophisticated digital shopping journeys ultimately led customers back to the grocer: its website, its app, its loyalty ecosystem. The grocer was the starting point, even within a third-party platform (e.g., Instacart, DoorDash).

Traditional Grocer

Grocery Chains

Stores, DCs, private label IP, shelf space, POS systems, …

Channels

AD Circular, Direct Marketing, Instacart, Website, …

2ND LAYER – EXECUTING

- Once the decision is made, Grocers have incremental opportunity to capture sales – display, adjacencies, etc…
- Additional service helps create affiliation and positive shopping experience
- Increased relevance with the shopper gives the Grocer leverage over Vendors

→ **The Grocer owns the relationship**

1ST LAYER – FORMING INTENT

- Intent is influenced by the ability of the Grocer to communicate with its shopper
- Shopper decides where to buy based on his/her needs and preferences
- Even through a marketplace, the Grocer still influences how it presents itself to the shopper on that platform

→ **The purchase journey begins with selecting where to shop**

That dynamic is starting to change. The introduction of full checkout inside ChatGPT marks a decisive shift in the architecture of grocery retail.

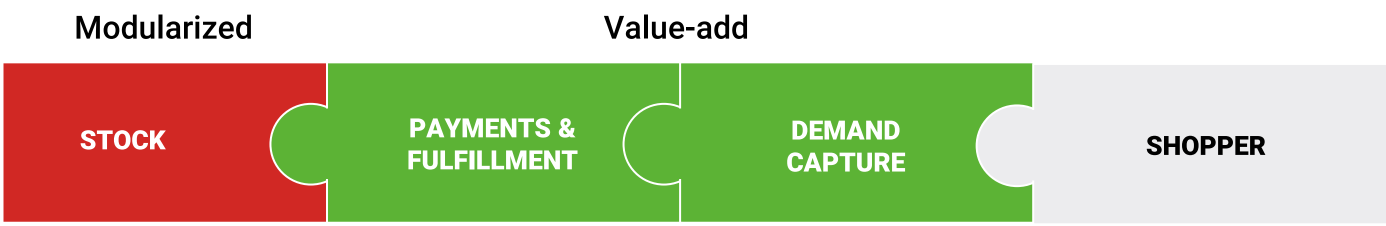
When a shopper tells Large Language Models (LLMs), "I want to make apple pie tonight," they are no longer choosing a grocer at all. They are expressing intent, and the interface interprets and fulfils that need on their behalf. ChatGPT shapes the basket. Instacart executes the transaction. Only at the very end a grocer enters the picture, quietly and almost invisibly, as an operational footnote.

The decisive moment in the journey has moved upstream, away from the grocer's domain and into the hands of a conversational interface capable of absorbing the entire customer need. What is striking is not simply that grocers have lost primacy, but the system seems designed to make them irrelevant.

LLMs objective is to offer an uninterrupted, frictionless experience that minimizes downstream complexity, a design that naturally suppresses grocer identity. Instacart's objective is to ensure that baskets can be fulfilled by any number of interchangeable stores. In this new configuration, grocers are not the center of the shopping experience—they are the endpoint.

Power has migrated upstream where intent is captured, far from where baskets are fulfilled. Once intent forms somewhere else, everything downstream becomes interchangeable—including the grocer.

ChatGPT + Instacart



Grocery Chains

Stores, DCs, private label IP

Marketplaces

Instacart, DoorDash, Uber, …

AI Interfaces

ChatGPT, Perplexity, …

3RD LAYER – ENDPOINT

- Provides inventory, labor, and physical infrastructure
- Execute orders
- Sustain operational burden

→ **The grocer lost strategic value**

2ND LAYER – EXECUTING

- Resolves ask across multiple grocers
- Handles picking, fulfillment, substitution logic
- Integrates payment, loyalty, coupons
- Feedback choices to the AI interface

→ **The grocer(s) are interchangeable**

1ST LAYER – CAPTURING INTENT

- Intent is captured in natural language w/out friction – "I want to make apple pie"
- AI Interprets and curates the need
- Balances for preferences (Organic, Value, Quality, Price, …)
- Optimized for deals / loyalty
- Builds the shopping list / basket

→ **The purchase journey begins and ends before any grocer is chosen**

This is the inversion at the heart of the problem. When a grocer becomes a fulfilment node in someone else's system, they absorb cost while surrendering control.

The industry's future will be determined not by e-commerce adoption rates but by which entities capture the moment of intent.

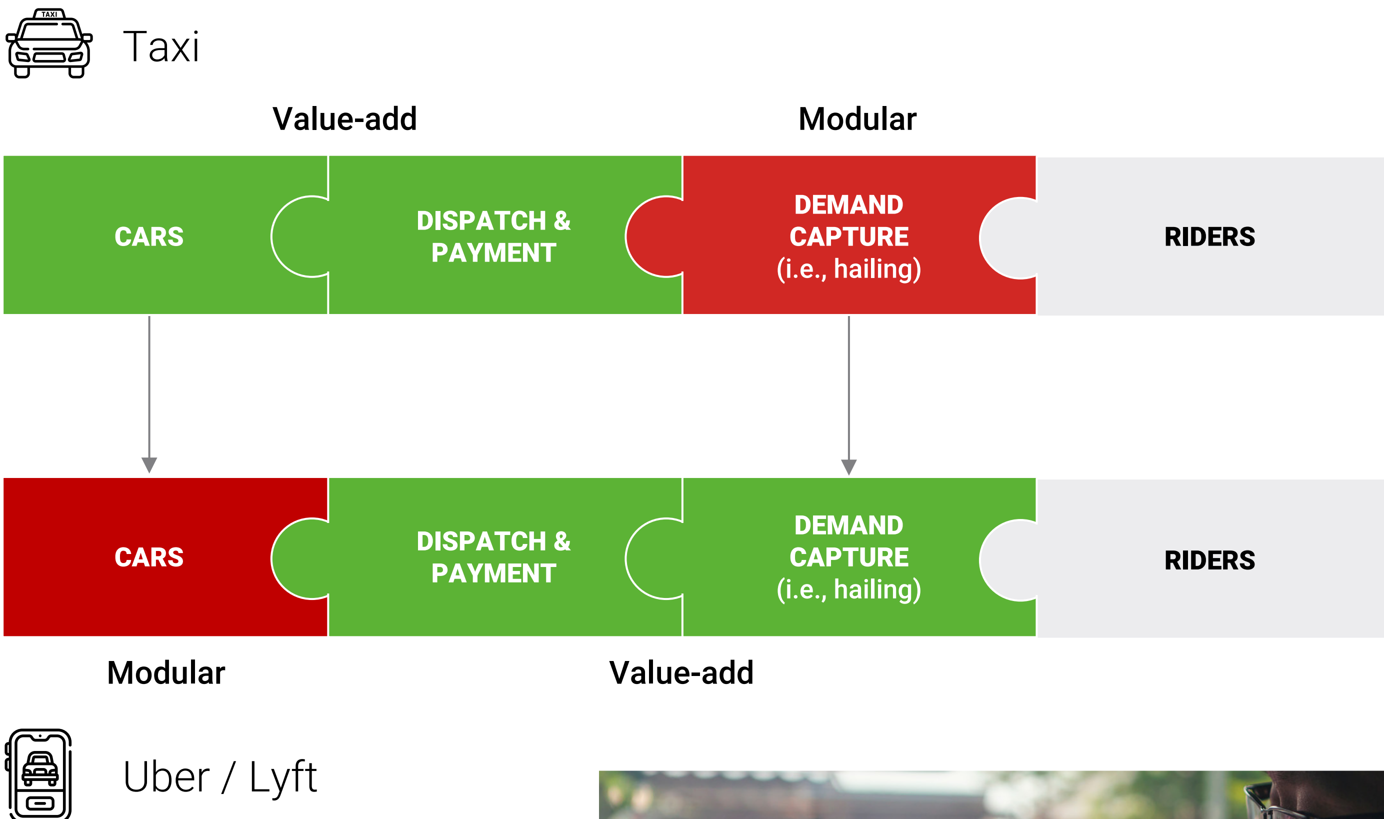
What other industries learned the hard way

Although groundbreaking within grocery, this pattern is not new. Across multiple sectors, the emergence of a more intuitive, more powerful, or more convenient interface has repeatedly reshaped value chains, often relegating incumbents to roles they once controlled.

This comes down to a shift from an "value-add" beginning of the value chain—wherein traditional retailers owned most of all key activities end-to-end—to a "modular" value chain wherein independent, interchangeable modules are connected through standardized interfaces.

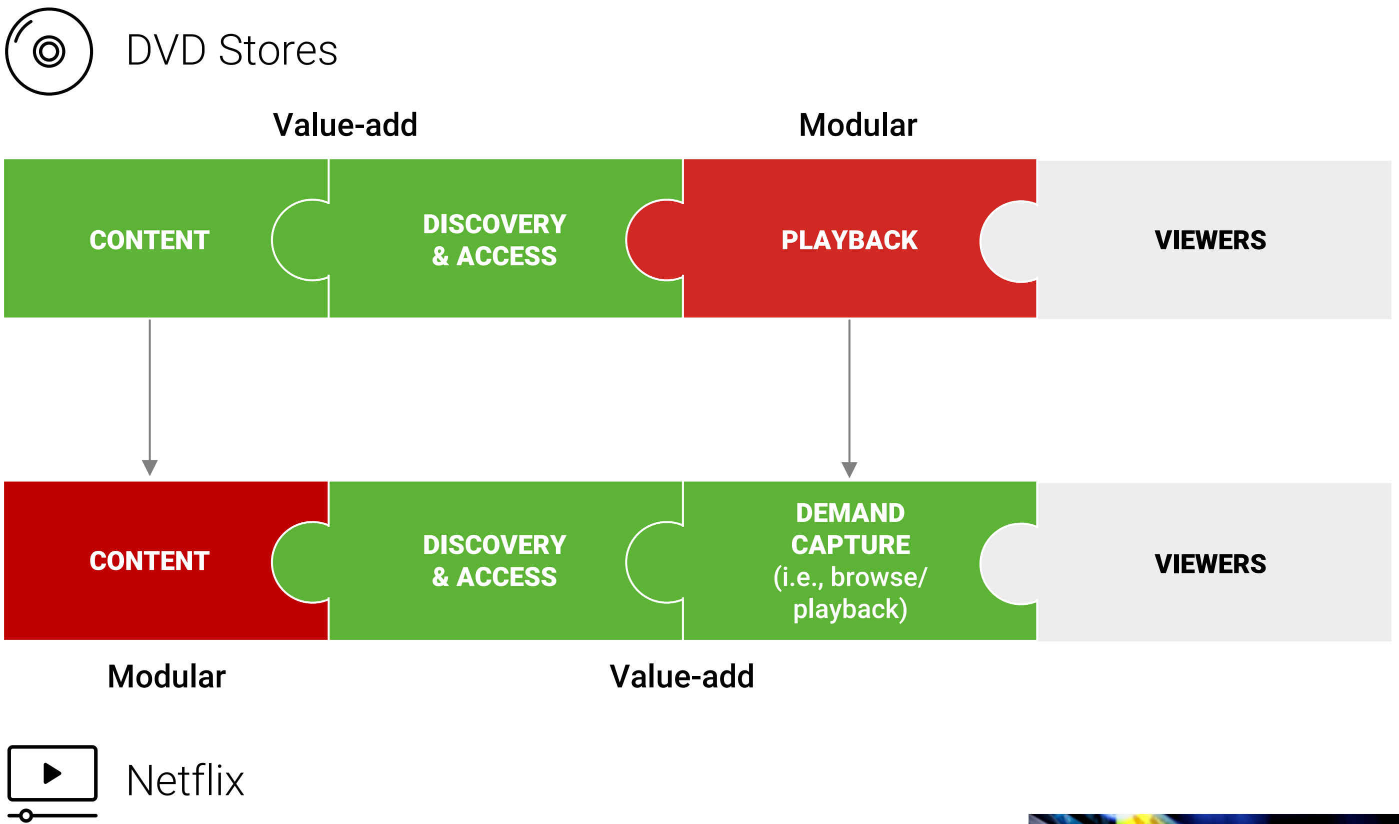
Taxis: Who wants to own a medallion?

Taxis benefited from regulation, geography, and habit. Uber owns the interface (the place where choices were made) and in doing so commoditized drivers and fleets beneath it. Once trips began in the app, the provider's identity no longer mattered.



Movies: Who wants to own a Blockbuster?

Video rental stores once controlled discovery through shelf space and promotion. Streaming platforms replaced physical retail as the primary interface, offering on-demand access and personalized discovery. Control over visibility and viewing experience migrated upstream.



The pattern is consistent: The interface wins because it becomes the starting point

Providers remain essential, but once discovery is mediated by an interface, power and value shift decisively to whoever owns it.

As baskets start in the app, customers shop with physical stores differently (less “trip,” more “top-up”), and retail becomes a high-velocity supply chain—driving value creation from producers to distributors via better demand signals, faster turns, and newer, app-led merchandising—while traditional retailers face disintermediation and margin pressure.

The strategic blind spot: optimizing yesterday's levers

Grocery's vulnerability to this transition stems from the very forces that historically insulated the sector: habit, geography, and operational complexity. These dynamics slowed the pace of digital disruption and reinforced the belief that physical retail mechanics would continue to define competitive advantage.

Today, however, those same forces have become liabilities. They absorb management's attention and capital while doing little to defend against a more fundamental shift: The grocer is increasingly removed from the moment of choice.

The industry continues to evolve around these forces, even as they increasingly belong to a prior era. We have sat in countless leadership meetings where discussion gravitates toward weekly ad cadence, hi-lo pricing debates, promotional mechanics, incremental UX tweaks, and penny-by-penny margin optimization. To be clear, these levers still matter for near-term financial performance, but what is striking is how little time is spent confronting the possibility that shoppers may soon never enter the grocer's ecosystem at all.

For decades, the sector competed by optimizing the basket.

Many grocers do not yet appreciate how fundamentally different these problems are. The instincts the industry has honed—including tuning promotional elasticity, refining private brand architecture, and calibrating price investment—do not protect against a future in which shoppers begin and end their journeys entirely outside the grocer's environment.

In this scenario, merchandising sophistication becomes invisible, promotional mechanics become irrelevant, and brand positioning are determined by the interface. The grocer's traditional differentiators—location, assortment, price image—no longer guide the initial decision.

A misalignment between where grocers are focused and where value is migrating is the core strategic risk: Focusing on a world that's disappearing while underinvesting in the capabilities that will decide grocers' future relevance.

If you don't own the intent, you won't own the basket—and there won't be anything to optimize for.

The slow fade: When grocers become SKUs

Disruption in grocery is unlikely to arrive through sudden share shifts or dramatic collapses. Instead, it will unfold as a gradual erosion of the levers that have historically defined grocer performance and differentiation.

As orders increasingly originate in upstream interfaces, grocer brand visibility will dim. Pricing will be algorithmically arbitraged across retailers by systems optimized for basket efficiency rather than loyalty or context. Private brand, historically a key strategic lever, will weaken when surfaced inside marketplaces that do not prioritize it. Retail media economics will deteriorate as traffic directly controlled by grocers declines.

The endpoint is a grocer that still moves product, operates stores, and employs labor—but no longer owns the relationship or the choice. This mirrors the trajectory of third-party sellers on Amazon, who continued selling while ceding customer ownership to the platform.

General-purpose AI suppresses grocer identity because it is optimized for convenience, speed, and coherence rather than differentiation. It routes customers to what it interprets as the "best answer," not to a specific grocer. When the grocer becomes a SKU, the platform becomes the brand, and the economics follow.

Grocers do not disappear in this future. They become invisible

Avoiding that outcome requires a shift in strategic posture. Grocers cannot compete with general-purpose AI on its own terms, but they must reclaim the ability to shape the customer relationship at the moment of intent, not merely at checkout—e.g., private brand(s) must be elevated beyond a margin strategy and positioned as a differentiated answer that AI can surface rather than dilute.

Grocers that fail will increasingly be defined by the platforms that mediate them. Recent moves by the largest players are instructive: Walmart's development of Sparky is not simply a technology initiative, but an effort to prevent customer intent from being absorbed by a universal interface. Amazon's internal restrictions on ChatGPT reflect the same logic: Once the interface owns the customer, the operator becomes a cost center.

Ultimately, the challenge is identity

Grocers must decide whether they want to be discovered because they are the best answer to a customer need or because a third-party interface happened to route a basket their way. Only one position is defensible.

Three paths forward—and the choices they force

It's our view that over the next five years, grocery will evolve along several possible paths, depending on how quickly grocers move to reclaim relevance upstream, at the moment of intent.

1 In one scenario

AI interfaces become the default starting point. Customers plan meals, manage budgets, and build weekly lists through general-purpose AI and expanding marketplaces. Grocer visibility erodes quarter after quarter. Digital penetration rises, but grocer ownership of digital collapses. Private brand stagnates, retail media contracts, and differentiation steadily declines.

2 In a second scenario

the market bifurcates. Walmart, Amazon, and Target build first-party AI ecosystems that retain customer intent, while aggregators dominate the remainder. Regional grocers remain operationally relevant but become strategically peripheral, as national players use data, capital, and operating scale to widen their advantage.

3 A third scenario

reflects selective regional reinvention. A subset of regional grocers adopts an AI-native strategy—building intelligent interfaces, embedding personalization into loyalty, elevating private brand, and investing in their digital and fulfillment stack. These players gain share precisely because AI amplifies the advantages of those with something meaningful to amplify.

Across all scenarios, one truth holds: The center of gravity moves upstream, toward the interface. Success depends on compelling that interface to shop for what you want to be shopped for. The industry's future will be determined not by e-commerce penetration, but by who captures the moment of intent.

This reframes the choice ahead. AI is not simply another channel; it is becoming the operating system for retail intent, capturing the customer long before the grocer has an opportunity to engage. The risk is not the loss of individual transactions, but the erosion of the customer relationship that underpins the entire economic model.

Grocers that fail to act will not decline abruptly. They will fade quietly from the customer's awareness, until they are no longer part of the consideration set at all. The decisive moment has already shifted upstream. Grocers must decide whether they intend to follow it or accept being optimized by platforms with no obligation to even present them as an option.

The defining question for grocery over the next decade is simple: When your customer decides what to buy next week, do they start with you or with someone who has no obligation—or desire—to even show you as an option?

AlixPartners

Contact the authors

Marco Di Marino
Partner & Managing Director
mdimarino@alixpartners.com
+1 908 723 5243

Nitin Jain
Partner & Managing Director
njain@alixpartners.com
+1 203 300 1355

About us

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.