



ELSEVIER

Contents lists available at ScienceDirect

Journal of Retailing and Consumer Services

journal homepage: www.elsevier.com/locate/jretconser

Increasing online sales by facilitating spillover shopping

Amit Bhatnagar*, Purushottam Papatla

Sheldon B. Lubar School of Business, University of Wisconsin – Milwaukee, Milwaukee, WI 53201, USA



ARTICLE INFO

Article history:

Received 6 May 2015

Received in revised form

1 October 2015

Accepted 14 November 2015

Available online 5 December 2015

Keywords:

E-Commerce

Channel choice

Online retailing

Sources of information

Bayesian models

ABSTRACT

The Internet can serve dual roles as a source of information and a shopping channel for consumers. As a source of information, it competes with traditional sources such as print and direct mail. As a shopping channel, it competes with traditional shopping formats such as brick-and-mortar retailing and catalogs. There is little research as yet, however, regarding how the use of the online channel for information can affect its use for purchasing products. Our research is aimed at filling this gap in the literature, i.e., of examining if and how the use of the Internet as a source of information can affect consumers' willingness to shop online. We use an integrated modeling framework that simultaneously models consumers' choice of a shopping channel from three options – brick and mortar, catalog and online – and a source of information from three options as well: newspapers and magazines, direct mail, and online.

© 2015 Elsevier Ltd. All rights reserved.

1. Introduction

Over the past few years, while some traditional brick and mortar retailers have switched completely to the online channel, others have adopted the online channel while maintaining traditional channels (Bernstein et al., 2008; Mahar et al., 2009; Yao and Liu, 2003). This latter phenomenon has been termed multichannel distribution (Agatz et al., 2008). Thomas and Sullivan (2005) measured the incidence of multichannel distribution and found 12% of the sample to be practicing it. The different channels are used by consumers primarily for two purposes: obtaining product information and purchasing a product (Dholakia et al., 2010; Frambach et al., 2007). One of the dangers inherent in this strategy is the possibility of losing consumers while they migrate from one stage of the decision process to the next. This phenomenon has been termed research shopping (Verhoef et al., 2007).

Recent data suggests that consumers have been steadily increasing their online purchases over the past few years. Despite this growth, however, online retail sales account for just about 7 percent of the total retail sales (US Department of Commerce, 2014). Thus, the Internet has not yet gained a large share of the purchases by consumers who either do not use the online channel or use this channel but also use traditional retail channels such as stores and catalogs. In contrast to this, however, some reports suggest that close to 80 percent of those who go online use the Internet to search for information on products or services before they buy them (Pew Internet and American Life Project, 2007).

Thus, the Internet has been more successful in drawing consumers away for information from traditional sources of product related information than it has been in attracting them for purchases from traditional channels of retailing. Further, even when they use the Internet as a source of information, many consumers utilize multiple channels for their product purchases (Verhoef et al., 2007).

Interestingly, despite the differences in the use of the Internet as a shopping channel and as a source of information by consumers, there is little research in the literature on whether and how online merchants can benefit from consumer preference to obtain information from the Internet. Most of the recent literature has, instead, focused on the Internet as a shopping channel and on the factors that drive the success of online merchants among consumers who are willing to shop online (Lewis, 2006; Wang et al., 2011). Our research is aimed at filling this gap in the literature, i.e., of examining if and how the use of the Internet as a source of information can affect consumers' willingness to shop online. This is an important question to investigate both for scholars as well as practitioners. From a scholarly perspective, an understanding of how providing information can increase the likelihood of being chosen as a vendor by prospective customers can help in the design of information systems that can increase sales. From a practitioner point of view, findings from our research can help not just in the context of online commerce but in the rapidly growing multichannel segment. Specifically, if they can gain a better understanding of whether and how providing information can be used as an incentive to generate sales, merchants who operate multiple channels such as online, brick-and-mortar, and catalog (e.g., retailers like Sears, Kohl's Macy's) can use any channel where customers arrive looking for information as an opportunity to increase sales in that channel or one or more of

* Corresponding author.

E-mail address: amit@uwm.edu (A. Bhatnagar).

their other channels.

While our research is aimed at understanding how the use of the internet as a source of information can affect whether or not consumers use it for shopping as well, we cannot investigate this issue reliably unless we also understand other related decisions by consumers. Specifically, we also need to understand why consumers choose the Internet as a source of information over other options that they have and why they would shop on the Internet given that they can shop in the brick-and-mortar or catalog channels as well. An understanding of these questions is intimately tied to our research issue because, if consumers have an inherent preference for the Internet over other options either for information or shopping, they may also be more likely to use it for both purposes. For instance, if they have a higher preference for the Internet for information, they may also prefer it for shopping. Similarly, if they inherently prefer to shop on the Internet, they may also be more prone to gather information on the Internet. Ignoring such relationships may lead to empirical biases in estimating the effects of the use of the Internet for information on the likelihood of its use for shopping as well. We therefore formulate our research in terms of the following three inter-related questions:

- (1) Why do consumers choose the Internet as a source of information over traditional sources such as newspapers and magazines or direct-mail advertising?
- (2) Why do consumers choose the Internet instead of, or in addition to, the traditional shopping channels such as brick-and-mortar retail stores and catalogs or in addition to them?
- (3) How does the use of the Internet as a source of information by a consumer affect his/her likelihood of using it as a shopping channel as well?

Given the relationships between the three questions, we use an integrated modeling framework that simultaneously models consumers' choice of a purchase channel and a source of information. We consider the three typical options that consumers have for a purchase channel: (1) online; (2) brick and mortar and (3) catalogs. We also allow for the possibility that consumers may buy through multiple purchase channels (such as online and brick and mortar, online and catalog, brick and mortar and catalog, or all three). In addition to the three options for a purchase channel, we also consider three sources of information: (1) online; (2) newspapers and magazines and (3) direct-mail. Our empirical investigation thus uses data on consumers' selection of one or more of the three purchase channels and one or more of the three sources of information.

Our analysis assumes that the observed choices of purchase channels by consumers are the outcome of two separate but related choices: choice of the number of purchase channels to use and, conditional on this choice, the choice of specific channels. We assume that the choice of a channel is affected by consumers' intrinsic preference for the channel, the category being bought, benefits that the consumer seeks from the channel, risks that s(he) perceives in using a channel, and the type of information source that s(he) uses. It is the inclusion of the final variable – the type of information source used by the consumer – that permits us to assess the effect of the use of the Internet as a source of information on its choice as a purchase channel. The type of information source used is itself assumed to be the outcome of a separate choice made by the consumer based on which source offers the most utility. The model for the choice of a source of information assumes that the utility of a source of information is affected by consumers' intrinsic preference for the source and the type of information they are seeking, i.e., whether it is information regarding product availability, pricing, location of a store, or

product attributes. We also allow for heterogeneity in the effects of the covariates of the channel choice specification as well as those in the model for the choice of a source of information and calibrate the two models jointly within a Bayesian framework.

Our empirical results suggest that the type of information source used by the consumer plays a significant role in whether or not the online channel is used for product purchases. Specifically, use of the Internet as a source of information has a significant and strong positive effect on its selection as a purchase channel. Conversely, the use of other sources of information such as newspapers and direct mail, reduces the likelihood of consumers' use of the Internet for purchases. The effects are similar for the catalog channel but not as strong as in the case of the Internet.

The rest of the paper is organized as follows. In the next section, we review the literature. We then present our model in Section 3. In Section 4, we describe the data on which we calibrate the model. Section 5 presents and discusses our empirical results. Finally, in Section 6, we conclude the paper with a summary, and managerial implications, of our findings.

2. Review of literature

A number of research papers have focused on multichannel shopping, which has been identified as one of the three major trends transforming the retailscape and thereby leading to performance improvement (Ganesan et al., 2009). The primary interest of researchers is in identifying the different determinants of multichannel shopping, which can be broadly classified into channel characteristics (Dholakia et al., 2010; Kumar and Venkatesan, 2005), product characteristics (Konus et al., 2008; Kushwaha and Shankar, 2013), consumer characteristics (Dholakia et al., 2010; Konuş et al., 2008; Kumar and Venkatesan, 2005), and stage of decision making (Gensler et al., 2012; Verhoef et al., 2007; Zhang, 2009). We have arranged our literature review along these dimensions. We next discuss these different determinants of multichannel shopping.

2.1. Role of channel characteristics in preference for a channel

A typical assumption in the channel choice literature is that consumers draw some benefits from, and perceive some risks of, different shopping channels¹ (Dholakia et al., 2010; Konuş et al., 2008). Consumers are therefore assumed to choose a channel that offers more benefits than the risks that it entails. According to Sheth (1981) consumers seek two major categories of benefits: functional and non-functional.

2.1.1. Functional benefits

These are tangible benefits that consumers obtain by shopping at a particular format (Dholakia et al., 2010). For instance, consumers might find lower prices on the web (Lin and Sibdari, 2009). Similarly, a reduction in the time spent on shopping for products, and on activities such as placing orders, making payments, or waiting to use the product (if they order online), might be another functional benefit that consumers seek. Other functional benefits that consumers seek could be the ability to return products with low monetary or time costs, ease of canceling orders, ease of contacting customer service personnel, etc.

Clearly, some of these benefits are more salient at the time of purchase while others would be more important in the post-purchase phase. We, therefore, classify functional benefits into two

¹ Forsythe et al. (2006) is a recent example of this assumption in the case of the online channel.

Download English Version:

<https://daneshyari.com/en/article/1028835>

Download Persian Version:

<https://daneshyari.com/article/1028835>

[Daneshyari.com](https://daneshyari.com)