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## U.S. online shopping: Facts, fiction, hopes and dreams

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## ABSTRACT

Much online shopping research has been viewed from the seller's side, i.e., volume, timing and the like. This paper looks at online shopping/buying from the buyer's view. Based on 285,000+ individual responses from an online U.S. panel, the questionnaires, gathered between 2006 and 2013, form the analytical base. Findings include an increase in online shopping volume among a declining customer base. Consumer reported details such as leading online retailers (Amazon.com), online product preferences, comparisons of online and fixed location research and buying scenarios, buying influences and the like are discussed. Managerial implications and suggestions for future research are included.

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## 1. Introduction

Online shopping, that is, purchases which customers make through various electronic systems (Lohse and Spiller, 1998) has boomed around the world. For example, the Chinese online system, Alibaba, set a one day record of (5.75 billion USD in sales from 402 million unique visitors) on 11 November, 2013 (Wang and Pfanner, 2013). Similarly, in the U.S., online sales during the periods immediately following the 2013 Thanksgiving holiday (11/28/2013) commonly termed Black Friday and Cyber Monday (Timeanddate.com, 2013a, 2013b) all set new records for online sales, although not necessarily profits. (Black Friday saw \$1.2 billion in sales while Cyber Monday saw a 21% increase over 2012, Bloomberg.com, 2013) While the numbers are impressive and the growth curves seemingly phenomenal, they all beg the questions: why is this transition in retail shopping methodology occurring, among whom and why? Is this simply a shift of existing customers adopting the new technologies and moving their buying online? Or, are there some fundamental changes occurring that require further research and understanding. Perhaps most important is the question: have these changes come at the cost of reduced margins and profits? Clearly, a better understanding of online sales is needed today given the format's rapid growth.

A substantial number of studies have been undertaken to explore the differences between online and brick and mortar shoppers. For example, Passyn et al., 2011 studied the difference in shopping

modes based on sex and age. Rajamma et al. (2007) explored the idea that consumers select a particular shopping mode, for example bricks and mortar versus online shopping, based on their perceptions about whether a product or service is best bought from one or the other, while Toufaily et al. (2013) compared a customer's trust between online shopping and brick and mortar shopping.

Retailing has taken many forms. Academicians have tried to explain the dynamic system using the analogy of the "wheel of retailing" (Hollander, 1960). That suggested an evolutionary system, one retailing format being replaced by another, through technology or innovation. Thus, the form and format of retailing was a continuous process, ever changing, ever evolving. For example, in food retailing, small space, limited inventory retailers, i.e., the "corner grocer" (Levitt, 1960) gave way to larger stores with greater inventory where customers made their own selections and purchased at a central checkout, i.e., A&P's pioneering format (Ellickson, 2011). Next were mega-stores or hypermarkets such as Walmart and Carrefour (Ortega, 1999). Then, the cycle reversed, retailers developed product line specialization creating "category-killers", i.e., Toys-R-Us and Best Buy (Spector, 2005). Today, food retailing is moving toward another turn of the "retailing wheel" through outlets such as Trader Joe's, Whole Foods, Costco (Senauer and Seltzer, 2010) and the like, carving out niche markets with limited lines focused on a particular group of shoppers (Senauer and Seltzer, 2010). This is the development of the so-called "life style" retail operation. In addition, there have been significant other changes in the retail landscape, for example, the phenomenal growth of the "Dollar Stores" (Fool.com, 2014) and the increasing focus on convenience retailing such as 7-Eleven Inc., Circle K and Valero (Cspnet.com, 2014). Most recently, vertical integration has become a factor in many major markets, a prime example being

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Roundy's (a whole grocery supplier) entering the Chicago market under their controlled retail name, Mariano's. During that same time period, Tesco, the UK retailing giant, closed their Southern California experiment in the U.S. which operated under the name of Fresh and Easy ([Freshneasybuzz.blogspot.com](http://Freshneasybuzz.blogspot.com), 2012) demonstrating that great success with a retail format in one country does not necessarily transfer to another ([LATimes.com](http://LATimes.com), 2013).

Inherent in this "retailing evolution" is that today, customers still seem to be driving these changes, i.e., customers turning the "wheel of retailing". If customers do not respond, so-called "retail innovations" simply disappear. (Gibbs, 1987) A recent example is when J.C. Penney, the soft-goods retailer tried to change their basic merchandising concept by changing their store design, logotypes, merchandise mix and the deletion of couponing in the stores only to have the new concept rejected by consumers (Dailey, 2013). In this paper, we focus on the U.S. marketplace and the retailing transitions occurring there, particularly online.

## 2. The source of inquiry

A number of views have emerged about what and how sales are being driven at retail, particularly online (Niemeier et al., 2013). Global online retail sales reached US\$579.9 billion in 2012, up 14.8% per year from 2007 to 2012 ([Jll.com](http://Jll.com), 2013). That is the focus of this paper.

A primary retailing issue is what motivates shoppers to change their shopping habits (Shankar et al., 2011). Technology certainly plays a role, but, other factors are likely relevant. One might be a consumer shift in consumer response to retail promotions. For example, Schultz and Block (forthcoming-b) found that traditional in-store retail sales promotional tools and techniques such as coupons, in-store displays and the like are increasingly being replaced by consumers who prefer the use of retail shopper cards. They rely more on the membership in a retailer club or shopper group than they do in finding and using the various traditional retail in-store promotions activities. In consumer package goods, customers today are moving away from relying primarily on the traditional sales promotional tools such as coupons, samples and the like employed by manufacturer product brands (MPB) to more of a focus on the overall offerings and brand alternatives the retailer can provide (Schultz and Block, forthcoming-a, 2013). This shift of preference from MPB to retail brands in the huge consumer product categories suggests shoppers are saying: "I will select the retailer first and make my purchase decisions from among the products and brands the retailer stocks and promotes. That is easier than sorting through the incentives offered via manufacturer's brands promotional media".

This decline in MPB preference at the retail level has been well documented by other research organizations, i.e., BAV (Brand Value Measures, BAV, 2013) Brand Keys (Customer Brand Loyalty Index, Brand Keys, 2013), Havas Media (Meaningful Brand Index, Havas Media, 2013) and others. All have found consumer response of "No Brand Preference" in many MBP categories has been growing.

In spite of the new findings, most promotional research studies, both academic and professional, still seem to be based on analyses of consumer actions occurring in traditional brick and mortar retail stores and primarily among fast-moving consumer goods (fmcg) categories. That takes us back to the question of online shopping. What is happening to cause consumers to shift their focus from fixed retail locations to the ethereal world of online and electronic systems?

Much has been written about the consumer shift to online shopping, most of which appears to have been on simply tracking the sales and volume of online sales (Grewal et al., 2004) and then comparing findings to previous time periods, i.e., last year, last quarter, last week, etc. (Grewal et al., 2004). Little seems to have been done to understand which customers are shifting online, why

they are taking up these new retailing technologies and what is influencing them once they make the switch (Ortinou et al., 2013). That forms the basis of this inquiry.

## 3. The data set

Over the past dozen or so years, Prosper International, a business intelligence and consumer data gathering firm headquartered in the U.S., has been conducting online consumer surveys in a number of areas ([www.goProsper.com](http://www.goProsper.com), 2012). They have sold this data to manufacturers, retailers, media firms and a host of other organizations seeking to understand the shifts and changes which are occurring in consumer shopping patterns and media usage ([www.goprosper.com](http://www.goprosper.com), 2012). The National Retail Federation is one of the organizations that make wide use of the Prosper data (NRF.com, 2013). Additionally, Prosper has shared the gathered data with academic institutions for research and analysis. It is the sharing of that data that provides the base for the analysis which follows.

The data reported in this paper comes from Prosper's Media Behavior and Influence (MBI) studies which have been conducted since 2002. In these twice-yearly studies, questions are asked of consumers on a wide range of topics dealing with their past and anticipated future retail purchases, amount of time spent with various media forms, what media forms most influenced them in making purchasing decisions and the like. In those instruments, a number of questions relating to retailing, sales promotion forms of purchasing and the like are also included.

This study is based on an aggregation of responses dealing specifically with consumer's reported behaviors in online shopping going back to 2006 (seven years in total along with the first responses from 2013). In total, the sample for this study is based on 286,769 individual responses to the Prosper questions.

It should be noted here, Prosper collects many more than the stated number of responses reported. With each survey, all responses received are subjected to a computer algorithm similar to that used by the U.S. Census Bureau to generate a nationally representative age-sex sample of the total U.S. population. Therefore, in each of the 15 studies summarized here, each is nationally representative of the total U.S. population, thus assuring an accurate representation of the actions and activities of most consumers in the U.S. This nationally representative sample is quite important in a longitudinal study such as this.

## 4. The research approach

Like so many studies that have historically been conducted in the social sciences, i.e., the setting forth of research hypotheses, acquiring responses from the appropriate sample and then testing them for significance, no longer seems relevant. The size of the data set, the representativeness of the sample and the time frame over which the data was collected makes these traditional research approaches essentially irrelevant. Thus, in this study, we employ a general form of grounded theory approach (Goulding, 2005). That is, we investigate and analyze the data in the form of various consumer responses and from that, we let the gathered data create the necessary categories to be investigated. This is becoming an increasingly acceptable practice in the era of longitudinal big data sets (Morse, 2010). Thus, through various analytical methodologies, it is possible to identify the research questions which should be investigated and from that, start to aggregate and categorize consumer responses. Given the size of the data set, some 18,000 to 19,000 responses per questionnaire, it has been found that creating research questions which emerge from the data is the

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