The Showrooming Phenomenon: It’s More than Just About Price

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Abstract

This paper examines the factors that influence competitive showrooming, whereby consumers visit an offline retail store to gather information but make their purchase online at a competing retailer. We survey 556 respondents to study how the benefits and costs of showrooming influence the consumer’s decision to showroom. Not surprisingly, we find that expected average price savings from showrooming are positively associated with showrooming. In addition, however, the perceived dispersion in online prices is also positively related to showrooming. Moreover, we find that non-price factors play a key role in consumers’ showrooming decisions: perceived gains in the quality of the product purchased when showrooming (measured as the fit with a consumer’s need) and waiting time for service in the brick-and-mortar store are positively associated with showrooming. Online search costs are negatively related to showrooming. Time pressure that consumers face when shopping is negatively associated with their propensity to showroom. We discuss implications for researchers and retail managers. For example, managers of offline retail stores can curtail showrooming by increasing the number of sales personnel available in-store instead of providing currently employed personnel with more training. To encourage showrooming, managers of online retailers should make it easier for the customer to search online.

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Introduction

Today’s multichannel environment has spawned important consumer behaviors such as showrooming, that is, consumers gather information offline but purchase the product online (Mehra, Kumar, and Raju 2013). Showrooming has become a popular shopping behavior, and 68% of US Internet users indicate that they showroom at least occasionally (Statista 2016).

As long as consumers use the offline and online store of the same retailer, showrooming is not critical from a retailer’s perspective. However, industry reports suggest that consumers often use the brick-and-mortar store of one retailer as a showroom but purchase at a competing retailer.1 For example, retailers such as Toys“R”Us, Bed, Bath & Beyond and Best Buy often appear to be showrooms for Amazon.com (https://www.placed.com/press-release/aisle-to-amazon-showrooming-retail-impact). Such competitive showrooming threatens the brick-and-mortar store and retailer performance, while online retailers clearly benefit from it.

Some traditional retailers have taken actions to address the showrooming threat. Best Buy, for example, offers a price matching guarantee including Amazon.com (Bhasin 2013). Target tries to inhibit showrooming by offering special products to make price comparisons more difficult or even impossible (Zimmerman 2012). Both actions are based on the common belief that price is the critical driver of consumers’ decision to showroom. However, previous research suggests that non-price benefits (e.g., service, offered products) and

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1 To be concise, subsequently we will often use “store” to denote brick-and-mortar, physical, or offline store.
costs (e.g., search and waiting cost) of showrooming also can be expected to affect consumers’ shopping behavior (e.g., Verhoeft, Neslin, and Vroomen 2007).

Since there is a paucity of research that focuses specifically on showrooming, we lack knowledge of how important price actually is in determining the consumers’ showrooming decision relative to other channel-related benefits and costs. In fact, Verhoeft, Kannan, and Inman (2015) single out showrooming as an important area for future research, and pose the question, “What is driving showrooming behavior of shoppers?” (p. 179). The purpose of our research is to respond to this call to action, and we specifically focus on competitive showrooming since it is of most managerial relevance.2

The objective of this study is to examine empirically the impact of channel-related factors on the consumer’s decision to engage in competitive showrooming. We focus on consumers’ perceived benefits and costs of showrooming to guide our analysis. We consider expected gains in quality and price from switching to the online channel, perceived dispersion in quality and price online, the value of information gathered offline, salesperson quality and availability, online search costs, and costs of waiting for product delivery when buying online. We investigate the relative importance of these factors by surveying 556 shoppers to measure the benefits and costs and relate them to a consumer’s decision to showroom. We contribute to the channel choice literature by being the first study that explicitly focuses on explaining consumers’ showrooming behavior based on channel-related factors, which is deemed as a very important research topic (Lemon and Verhoeft 2016; Verhoeft, Kannan, and Inman 2015).

We find that in addition to consumers’ perceptions of lower average online prices, the perceived dispersion in online prices is also positively related to showrooming. This is an important and novel finding consistent with the economic literature on consumer search. We also find that showrooming is not only affected by price. Consumers’ perceptions that they can obtain higher average quality products online are positively associated with showrooming. Online search costs such as the time and effort of shopping online are negatively related to showrooming. Thus, online retailers who want to encourage showrooming could focus on facilitating search by, for example, offering an app that enables shoppers to scan barcodes and find the product easily online. We further find that the quality of in-store salespersons is not significantly related to showrooming but the perceived waiting time to get help in the store is positively related to showrooming. This result suggests that, within the range of our data, availability of sales personnel is more important than their quality. A provocative managerial recommendation of our research for offline-stores is to increase salesperson presence in-store rather than increase training for currently employed salespersons.

We proceed to review the literature and derive the conceptual framework. We then discuss measurement and our data. Next, we display our results and discuss their implications. We conclude with a summary and suggestions for future research.

Literature Review

Although showrooming is a common shopping phenomenon and understanding its drivers is highly relevant for the retailing sector, empirical studies of showrooming are sparse. An important recent empirical study by Rapp et al. (2015) investigates the impact of showrooming on the performance of in-store sales personnel. Interestingly, the study finds that sales personnel perceive less self-efficacy and do not perform as well when aware of the possibility of showrooming. This indicates that when confronted with showrooming, sales personnel adapt in a way that decreases service quality. This in turn suggests that in-store salesperson quality is important to consider when examining consumers’ showrooming decisions.

The most closely related empirical study to ours is van Baal and Dach’s (2005) work on cross-channel free riding. Cross-channel free riding is gathering service in one channel but “placing … business with another” (p. 75). Showrooming is thus a specific form of cross-channel free riding. Van Baal and Dach (2005) focus on the relationship between product characteristics and free riding, and find that purchase frequency is related to free riding. This suggests that product categories differ in their proclivity to encourage showrooming.

Analytical models have been developed to study the impact of showrooming on multichannel competition (Balakrishnan, Sundaresan, and Zhang 2014; Mehra, Kumar, and Raju 2013). These models assume consumers base their channel decision on channel-related cost/benefit evaluations. Consumers switch from one channel to another channel if the expected benefits are larger than the expected costs. Analytical models of cross-channel free riding (Kuksov and Lin 2010; Wu et al. 2004) and models of optimal consumer search behavior use this idea (e.g., Branco, Sun, and Villas-Boas 2012; Moorthy, Ratchford, and Talukdar 2007; Stahl 1989; Weitzman 1979). In these models, the benefits of continuing search stem from expected gains in quality and price. Expected gain in quality reflects the consumer’s expectation to find a product that better fits his/her needs, on average. The expected gain in price reflects the consumer’s expectation to find a lower price, on average. Analytical models also suggest that the dispersion in quality/price matters (Branco, Sun, and Villas-Boas 2012; Weitzman 1979) — higher dispersion begets more search. The costs studied in these analytical models are the time and effort costs associated with continuing search (e.g., Balakrishnan, Sundaresan, and Zhang 2014; Moorthy, Ratchford, and Talukdar 1997). These are valuable studies because they suggest relevant benefits and costs. We build on these papers by quantifying the impact of these benefits and costs on the likelihood of showrooming.

Empirical studies investigating consumers’ channel choices quantify the importance of various benefits and costs of using a channel for search or purchase (Frambach, Roest, and Krishnan 2007; Gensler, Verhoeft, and Böhm 2012; Verhoeft, Neslin, and...
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