

MISQ Archivist

Value of Local Showrooms to Online Competitors

Jayarajan Samuel, Zhiqiang (Eric) Zheng, and Ying Xie

Abstract

In this study, we quantify the value of physical showrooms to online competitors by investigating how the presence and absence of local showrooms impact customers' search and purchase behaviors with online competitors. By using an exogenous event of a large retailer's offline market exit and a unique dataset that captures customers' online browsing and purchasing activities before and after the event, we empirically examine the changes in online search and sales made by customers who lived within neighborhoods where local showrooms closed. We devise several search-oriented measures to complement the conventional sales-based measures in order to quantify the value of a showroom more completely. Using a difference-in-difference approach, we do not find a significant impact on online competitors' sales when a neighboring showroom closes. However, we observe a significant increase in customers' online search intensity as well as an increase of direct navigations to Amazon in the absence of local showrooms. We discuss a wide range of implications both for online and offline retailers based on our results.

Keywords: Multichannel shopping, cross-channel competition, showrooming, consumer search