

Future for Internet retailers: Compete on niche products advises management insights study

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In their competition with brick-and-mortar stores, online retailers will do best if they promote the ability to search out and obtain niche products online, according to the Management Insights feature in the current issue of *Management Science*, the journal of the Institute for Operations Research and the Management Sciences (INFORMS).

Management Insights, a regular feature of the journal, is a digest of important research in business, management, operations research, and management science. It appears in every issue of the monthly journal.

"Battle of the Retail Channels: How Product Selection and Geography Drive Cross-Channel Competition" is by Erik Brynjolfsson of MIT, Yu (Jeffrey) Hu of Purdue University, and Mohammad S. Rahman of the University of Calgary.

The authors ask how Internet [retailers](#) compete with brick-and-mortar retailers and how this competition varies across different products. Internet retailers are deeply concerned about the competition with local retailers and vice versa.

The paper measures the strength of the competition that Internet retailers face from local stores and shows how it varies across products with varying levels of consumer search costs.

The authors find that niche products sold by Internet retailers are largely immune to competition from brick-and-mortar retailers, whereas [competition](#) is much more intense for popular [products](#).

The authors point out that Internet retailers that pursue a "niche" strategy can be almost immune from competing with local stores. They also recommend that Internet retailers vary their promotional strategies and product offerings based on geographic locations of consumers.

More information: The current issue of [Management Insights](#) is available at mansci.journal.informs.org/cgi/reprint/55/11/iv

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