

Good things in store for retailers

May 1 2015

Shopping online or in catalogs is great for many reasons: to while away time on a snowy day; to avoid the holiday crush at the local mall; to do ultra-efficient comparison shopping; to enjoy a world of choice at your fingertips. But if you need a pair of shoes for the party tonight? Not so much.

Online and catalog retailers pondering whether to add physical stores to their customers' buying options can look to recent research by marketing professors Koen Pauwels and Scott A. Neslin for valuable insights on the interplay among the various channels.

In "Building with Bricks and Mortars: The Revenue Impact of Opening Physical Stores in a Multichannel Environment," to be published in the June issue of the *Journal of Retailing*, Pauwels, of Istanbul's Özyeğin University, and Neslin, at Dartmouth's Tuck School of Business, analyzed data from a well-known catalog and online apparel and durables retailer over a period of almost six years, during which time the retailer added three physical stores. The transactions of those known customers who lived within 30 miles of any of the new stores were scrutinized for orders, returns, and exchanges through all the retailer's channels.

The bottom line, according to the authors, is that when brick-and-mortar stores were added, consumers made more frequent purchases overall, for a net revenue increase of 20 percent - even accounting for an increase in merchandise returns and exchanges due to the convenience of having a physical store nearby. Transaction sizes remained the same. And there was a benefit from a customer-management perspective: adding the new

channel led to more frequent customer/firm contacts and thus better customer retention.

Additionally, although the introduction of physical stores did not affect Internet purchases, it did decrease catalog sales. The authors speculated that because catalog [shopping](#) is more akin to so-called experiential shopping - browsing for the experience rather than shopping with a goal in mind, as consumers often do in stores - it suffered when the stores were built. Still, higher purchase frequency overall meant higher revenue.

More information: Pauwels, Koen, and Neslin, Scott A., Building With Bricks and Mortar: The Revenue Impact of Opening Physical Stores in a Multichannel Environment, *Journal of Retailing* (June, 2015) [dx.doi.org/10.1016/j.jretai.2015.02.001](https://doi.org/10.1016/j.jretai.2015.02.001)

Provided by New York University

Citation: Good things in store for retailers (2015, May 1) retrieved 23 April 2024 from <https://phys.org/news/2015-05-good-retailers.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--