

# Benefit of Consumer Showrooming for a Physical Retailer: A Distribution Channel Perspective

How does consumer showrooming affect the pricing strategies of suppliers and the profits of physical retailers in a distribution channel with both offline and online sales?

Consumer showrooming is when shoppers inspect products in physical stores but buy them online, often at lower prices. This behavior is commonly seen as harmful to physical retailers because it can reduce their sales. However, this article by Subodha Kumar examines showrooming from a distribution channel perspective, focusing on the interaction between an upstream supplier and a downstream physical retailer. The supplier sells products wholesale to the retailer while also selling directly online via an e-tailer platform where product returns due to misfit are common.

The study finds a complex interaction: showrooming allows the supplier to increase wholesale prices without losing offline demand, as the retailer lowers retail prices to deter showrooming. This lets the supplier capture more offline profit. On the other hand, showrooming limits the supplier's ability to shift consumers fully to online sales when handling online returns becomes cheaper, which protects the retailer's offline sales. The study calls this the return-loss-propagation-moderating effect.

The paper also suggests that physical retailers can switch from wholesale contracts to a store-within-a-store rental model, where the supplier controls offline pricing. This alignment can incentivize the supplier to reduce showrooming and promote offline sales, benefiting both parties. The findings challenge the idea that showrooming is always harmful to physical retailers and highlight the importance of supply chain coordination.

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## MAJOR TAKEAWAYS:

- Showrooming enables suppliers to raise wholesale prices, capturing more offline channel profit while retailers deter showrooming by lowering retail prices.
- Showrooming protects physical retailers by reducing suppliers' incentives to push sales directly online when online returns are costly.
- Store-within-a-store rental contracts can align supplier-retailer incentives to reduce showrooming and boost offline sales, benefiting both parties.

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## WHO NEEDS TO KNOW:

- Retailers
- Suppliers
- Business Students

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