The impact of online sales on consumers and firms. Evidence from consumer electronics

Abstract:
In this paper we estimate a differentiated products demand model to ask three questions regarding the introduction of e-commerce. First, we ask whether the online distribution channel has increased total sales, or only diverted sales from traditional channels. We find that there is a market expansion effect but also a considerable sales diversion. Second, we ask to which extent consumers and firms benefited from the introduction of the online sales channel. We find that consumers benefited proportionately more, and this is entirely due to the appearance of an additional distribution channel and not due to increased competition. Third, we ask how the online channel has affected European market integration. We find that price differences between the EU countries for identical products are large both in the traditional channel and online. Therefore, the introduction of e-commerce did not influence price levels and international price dispersion in the traditional channel.

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