Speaker: Xuanming Su, University of Pennsylvania

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Omnichannel Retail Operations with Buy-Online-and-Pickup-in-Store

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Abstract:
Many retailers have recently started to offer customers the option to buy online and pick up in store (BOPS). We study the impact of the BOPS initiative on store operations. We build a stylized model where a retailer operates both online and offline channels. Consumers strategically make channel choices. The BOPS option affects consumer choice in two ways: by providing real-time information about inventory availability and by reducing the hassle cost of shopping. We find that not all products are well-suited for in-store pickup; specifically, it may not be profitable to implement BOPS on products that sell well in stores. Moreover, in a decentralized retail system where store and online channels are managed separately, BOPS revenue can be shared across channels to achieve the optimal centralized outcome; it is rarely optimal to allocate all the revenue to a single channel.

Bio:
Xuanming Su is an associate professor from the Wharton School at University of Pennsylvania. He was previously an assistant professor at the Haas School of Business at University of California, Berkeley. He obtained his PhD in 2004 from the Graduate School of Business at Stanford University. His main research area is customer behavior in operations management.