

Does Online Group Buying Benefit or Destroy Retail Businesses?

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Abstract

Before adopting a group buying strategy, retailers need to recognize the role of group buying and whether this strategy is beneficial or detrimental. Our data are a product of surveys from over 200 customers. The results revealed that group buying agent is beneficial to retailers. They supported our hypotheses that group buying is an effective promotion tool for retailers in expanding their customer base. Our research also showed that customer satisfaction positively influences repeated purchases through group buying agents and future purchases with retailers at regular price.

Key words: customer satisfaction; group buying; retail

JEL classification: M100; M19; M30

1. Introduction

Through technological advancements, retail business is not limited to physical stores, and e-commerce has proliferated—a disruptive innovation that radically changes the traditional way of running business (Lee, 2001). The convergence of content sites and social networks has resulted in emerging e-commerce business models, including online shopping and online group buying. Online shopping is a form of e-commerce that allows consumers to buy goods or services directly from a

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