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The impact of free riding and competitive counterstrategies on service provision

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Abstract

In the omnichannel world, advanced technologies enable the online retailer to free ride on the services in a brick-and-mortar retailer's store. These demand-enhancing services, which may be provided by either the retailer or the manufacturer, are crucial for retailers to expand their market reach. Nonetheless, some online retailers choose to introduce and deliver their live-streaming services directly. In this paper, we develop a game-theoretic model to identify the impact of free riding and explore efficient counterstrategy, considering different service provision modes. Our main findings are as follows. First, counterintuitively, free riding can benefit the BM retailer with low base demand and hurt the online retailer with high base demand. Second, shifting service responsibility to the manufacturer is an efficient counterstrategy for the BM retailer with medium base demand to free riding. Third, the introduction of live-streaming services is an efficient counterstrategy for the online retailer to free riding.

Conference Track

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