Global consolidation of industries and business failures: insights from brick-and-mortar and online outlets

Abstract

Although online platforms are increasingly seen as a linchpin for firms competing in the 21st century, our understanding of competition between the traditional brick-and-mortar and online outlets, and how this can lead to different types of business failures, remains limited. In the light of the disjointed nature of the current streams of research, we propose an integrated framework that classifies the differential effects of online and brick-and-mortar competition. Based on a review of the literature, the study identified four competitive dynamics, i.e. bricks vs. bricks; clicks vs. bricks; clicks vs. clicks and brick-and-click, and explores how they can lead to different kinds of business. It is contended that the failure rate is likely to rise for small firms that adopt a sole brick-and-mortar strategy largely due to the risk of becoming "research shops". The study contributes to comparative strategic management literature by shedding light on the evolution of online and offline management strategies and practices across the globe. In this direction, the study provides insights on some aspects both universal and country-specific features in the evolution of online and offline. The analysis highlights the importance of championing successful blending of both online and offline platforms.

Keywords: online shopping; bricks-and-mortar shops; technology; internet; business failure.

Introduction

At the dawn of the 21st century, a tremendous technological transformation was under way in altering not only how we make purchases but also the way in which we interact with businesses that provide the products or services (Grewal, Roggeveen & Nordfält, 2017; Lee, Rao, Nass, Forssell, & John, 2012; Rigby, 2011). In an era of new global competition, the internet and online platforms have come to be regarded as essential ingredients for firms seeking success in the 21st century (Chakraborty, Lee, Bagchi-Sen, Upadhyaya & Rao, 2016; Grewal, Roggeveen & Nordfält, 2017; Harris, Riley, Riley & Hand, 2017). Indeed, it has been suggested that online platforms can help firms to outwit not only their rivals but also help prolong their existence (see Bellman, 2001). Although there is a fresh body of research across the marketing and information technology literature on how the internet has altered the competitive dynamics between different types of businesses (Herhausen, Binder, Schoegel & Herrmann, 2015), the issue of business failure as an outcome of this competitive interaction remains underexplored. Despite a growing body of research on the competition between brick-and-mortar outlets and online stores (Tojo & Matsubayashi, 2011), the question of how this type of competition generates different types of business failure remains unclear.

Despite the potential linkages between the two, the current research on business failure and evolution of shopping behaviour runs in two different directions. Specifically, there also remains a lack of conceptual models to account for the dynamics and articulate the boundaries of the subject. The gap in our understanding might be traced to the historical negative association of the term “failure” (see Sharma & Mahajan, 1980). For decades, the triumph of business success research over business failure research left little room to entertain discussions on failure outcome of marketing activities. The increasing pressure within society for success might have contributed toward the effort aimed at examining business success. Past studies have demonstrated that organisations learn more from others' failure than success, and learning from business failure can help improve the competitiveness of existing firms (Desai, 2011).

Against this backdrop, the primary purpose of this study is to address this lacuna in our understanding by examining how the brick-and-mortar versus online (bricks vs. clicks) competition can generate different types of business failure. The importance of this line of inquiry is further reinforced by the fact that, although some of the pioneering scholarly works on business failure were published by leading marketing journals (e.g. Sharma & Mahajan, 1980), in recent decades, scholars have largely circumvented the issue and its linkages to some contemporary marketing issues. The paper is based on a review of the current streams of research.

The study offers some key contributions to business strategy, comparative management and marketing research. First, the study contributes to comparative strategic management literature (Luo, Sun & Wang, 2011) by shedding light on evolution of online and offline management strategies and practices across the globe. In addition, although scholars have emphasised the importance of understanding the differences and similarities in management (Ajiferuke & Boddewyn, 1970; Kedia & Bhagat, 1988), they offer limited insights on how new technological developments can alter the competitive environment of firms leading to the discarding of old business models and adoption of new ones. This analysis moves beyond the traditional arguments which focus on economic, cultural and psychological forces as the most significant factors in comparative management (see Ajiferuke & Boddewyn, 1970; Jackson, 2011) by incorporating the impact of new technology. Furthermore, although a number of studies have examined business failure (e.g. Amankwah-Amoah, 2015a, 2015b; McGurr & DeVaney, 1998) and online shopping behaviour (e.g. Hasan, 2016; Gao & Wu, 2010), few have attempted to explore the linkages between the two. Unlike prior research, the study integrates the two to develop a conceptual model, which explicates the various ways that brick-and-click competition can generate different business failures. Thus, we elevate current streams of research by providing a much clearer picture of the relationship between new technology and business failure. Second, we utilise the bricks-and-mortar vs. online outlets debates and arguments (Burke, 2002; Laroche, Yang, McDougall & Bergeron, 2005) to articulate how competition in one arena can generate different waves of business failures in another or both. Thus, our study deepens our understanding of a promising new area of online businesses failure.

The rest of the paper proceeds as follows. The next section provides a brief review of the literature on business failure and shopping behaviour. This is then followed by an examination of the historical evolution of online shopping to provide a backdrop to our analysis. After explicating the pillars of the conceptual model and links to business failure, the theoretical and practical implications are examined.

Theoretical underpinning: business failure and shopping behaviour

Failure is not limited to businesses, but also products and services (Sharma & Mahajan, 1980). The term "business failure" encompasses ambiguities regarding its scope. Broadly speaking, business failure can be viewed as stemming from a mismatch between the current resources of the organisation and changes in the external environment which, over time, lead to decline and then business closure (Amankwah-Amoah, 2016; Sharma & Mahajan, 1980). Accordingly, inability to adapt and respond to technological, social, economic and political shifts can trigger the process of decline, ending in business closure. By its very nature, business failure may be attributed to product-specific features such as poor quality and price. One of the least contentious issues in strategic management is that firms' resources and capabilities contribute towards their ability to gain competitive advantage (Leiblein, 2011; Sirmon, Hitt, Ireland & Gilbert, 2011). Following this logic, the causes of business failure can then be traced to firm-specific features such as resource and capabilities deficit, operational inefficiencies, and inability to acquire and utilise top talent (see Amankwah-Amoah, 2016; Thornhill & Amit, 2003). In addition, external factors such as intense competition, introduction of new technology, and changing consumer lifestyle can also contribute to business failure. On the other hand, online shopping has been conceptualised to encompass "a number of experiences including information search, web site browsing/navigation, ordering, payment, customer service interactions, delivery, post-purchase problem resolution, and satisfaction with one's purchases" (Ha & Stoel, 2009, p. 567; Morath & Münster, 2017). Past studies have demonstrated the importance of speed in getting products to market (Hendricks & Singhal, 1997). As online shopping expands across different electronic devices, many consumers have continued to gravitate towards online shopping (Rigby, 2011). Online outlets enable firms to advertise quickly and unveil new products with little or no cost.

Distinctive features of online and offline shopping

There are different ways of distinguishing online shopping from traditional brick-and-mortar outlets. First, brick-and-mortar outlets have physical attributes such as location, buildings and check-out tills. Shoppers can also have the opportunity to feel, touch and try on products, whereas online outlets are virtual (Jung, Cho & Lee, 2014; Rajamma, Paswan & Ganesh, 2007). Another factor that distinguishes online shopping from traditional bricks and mortar is time constraints. Consumers can shop at online outlets anytime, whereas most physical stores tend to have opening and closing hours which limit consumers' ability to shop (Chiang & Dholakia, 2003). Indeed, the time-consuming nature of offline shopping and cost of travel are eliminated for online shoppers (Chiang & Dholakia, 2003). The time-saving feature associated with online shopping has been crucial in encouraging individuals to switch from traditional outlets (Alreck, DiBartolo, Diriker, Dover & Passyn, 2011).

Besides eliminating drive time, online shopping also enables consumers to access a range of stores from distant locations and then compare prices with ease (Burke, 1998; Rigby, 2011). To an extent, online shopping comparison sites provide an environment where firms' ability to charge exorbitant prices for common products is minimised for savvy shoppers (Jung et al., 2014). In the light of the convenience and ability to perform these tasks, some consumers have gravitated towards online shopping when offline shopping is perceived to be inconvenient (Chiang & Dholakia, 2003). Another motivating factor is that consumers who view such shopping as a "chore" have often opted for other forms of shopping, including online (Harris et al., 2017).

Another factor that also distinguishes traditional face-to-face shopping from online shopping is perceived irritation. In face-to-face shopping, it may stem from consumers' interactions with the shopping environment such as store personnel and actions of other customers (Turley & Milliman, 2000), whereas in online shopping, perceived irritation may stem from user-unfriendly features of the website and general lack of clarity (Hasan, 2016). One factor that makes this a particularly potent force is that often when a customer feels irritated by a firm's website, they may quickly abandon the shopping and depart without making the purchase, then switch to rival firms (Hasan, 2016).

Recent streams of research have suggested that such experiences can have a lingering and adverse effect on shoppers' perception of the focal firm, its competence, intention to return and brand image (Gao & Wu, 2010). Indeed, it has long been suggested that consumers' dissatisfaction or satisfaction with buying a product or service influences their successive buying decisions (Sheth, 1973; see also Ferguson & Johnston, 2011). Accordingly, many firms increasingly arrange or organise the physical layout and attributes of the website with superior features and functionalities to minimise any potential irritation and boost the customer experience (Eroglu, Machleit & Davis, 2001; Hasan, 2016). Although websites can provide firms with an effective mechanism for reaching a wider audience, it is generally agreed that lack of user-friendly features could create a hostile site which would drive customers to rival firms. A deficiency of the existing research is the insufficient attention devoted to explicating how this new source of competition might lead to business failure. Let us now turn to the evolution of the brick-and-mortar shops vs. online shopping.

The evolution of online shopping

The evolution of the internet has ushered in a tremendous transformation not only in changing the way we make purchases but also in how we interact with businesses. In the 1990s, online shopping or electronic commerce was embraced and championed by internet-based retailers such as Amazon.com and Pets.com (Rigby, 2011). Although the dot-com bust "wiped out half of all e-commerce retailers and provoked an abrupt shift from irrational exuberance to economic reality", the foundation for the development and evolution of online shopping had been laid (Rigby, 2011, p. 66). By the turn of the 21st century, technological breakthroughs coupled with the diffusion of mobile telephones and increasing number of internet users around the globe, created the platform for online shopping to take off (Dholakia & Dholakia, 2004). Through click-buying, firms are able to eliminate or reduce the cost of transporting goods from warehouses to retail stores by moving goods directly from warehouse to the end user (Rajamma et al., 2007; Scher, 2017). Researchers have shown that the emergence and success of many secure and reliable payment methods through credit and debit cards has created the conditions for online shopping to flourish (Chakraborty et al., 2016).

In order to ensure efficient utilisation of scarce resources, many retailers bundle deliveries together to enable them to reach large areas at relatively lower costs and also reduce fuel emissions (Scher, 2017). By eliminating or avoiding the use of brick-and-mortar stores, retailers are able to accrue benefits such as reduced costs of energy and rent. One recent study has demonstrated that shopping online can lead to a reduction in environmental impact of around 30% less energy consumption and carbon dioxide emissions compared with the traditional retail shopping model (Weber, Hendrickson, Matthews, Nagengast, Nealer & Jaramillo, 2009). By bypassing the traditional channel, solely using online shopping would enable firms to achieve a reduction in energy consumption and carbon dioxide emissions. The success of e-commerce in Britain can be attributed to large number of people with broadband internet access (The Economist, 2013). This has been helped by the fact that a country of around 65m peoples is in an area the size of the state of Oregon (The Economist, 2016). This means that warehouses can be situated closer to larger segments of the population and goods delivered to homes at a relatively lower cost. This makes delivery relatively cheap compared with other nations with sparse populations (The Economist, 2013).

In the internet age, many small retailers have sprung up and are able to offer a wider range of products to customers across the globe. Often because these firms are relatively very small, they might not have the technical expertise such as an e-commerce director and technology specialists to manage all aspects of their operations, but they are able to capture the benefits of the technological revolution (Goltz, 2014). At the other end of the spectrum, there are large retailers such as Amazon and Walmart that compete against small firms using highly sophisticated technology backed by teams of experts, resources and investors to support their operations. They also possess expertise and presence on other platforms which helps them compete and outwit their rivals. In recent years, it has become increasingly clear that product superiority is not the only determinant of business success, but also online delivery and after-sales services. One of the benefits of the internet is that it provides an effective mechanism for firms to assemble information about customers to inform their decisions (Ozer, 2004). Given the ease and convenience of online shopping, and the possibility of free delivery, more consumers have opted to use it. Indeed, in the American Customer Satisfaction Index, online retailers outperform physical discount and department stores by an average of 11 points (Rigby, 2011).

In the last few years, many small firms and multinationals have made the transition to shift from being purely a brick-and-mortar firm to a brick-and-click organisation for a variety of motives (Ranganathan, Goode & Ramaprasad, 2003). First, many of their rivals have moved online, therefore this represents an attempt to follow the crowd (Ranganathan et al., 2003). Second, offering an online facility has become a key source of competitive advantage for firms seeking to reduce costs of advertising and expand their geographical scope without incurring the costs associated with a physical location. One of the downsides to this evolution is that by not buying from local locations, jobs opportunities and tax revenues that support the local economy decline. Much of the revenue generated by online shopping may move away from being local to regional, or even foreign (Richtel, 2016). As The Economist (2013, pp. 23–26) recently observed,

> *"the bricks*-and-mortar retrenchment will be painful, but the survivors may make shopping a less formulaic, more satisfying and possibly even more profitable experience, *both offline and on".*

In a competitive setting, dissatisfaction can lead to consumers switching to alternative products or rival firms. Although considerable progress has been made in exploring the dynamics and effects of online shopping behaviour, it remains unclear as to how the shift from bricks to click impacts on business failure rate.

A conceptual framework: shopping behaviour

To develop the conceptual model which explicates the nature of competition between firms and linkages to business failure, we start with the basic premise that some firms have a propensity to adopt the "brick approach" whilst others opt for the "click approach". These are likely to generate different types of business failure. Our discussion thus far suggests that there are types of retail store outlets (i.e. online versus bricks and mortar) and purchase type (i.e. service or product). Building on these notions and prior scholarly works (Ha & Stoel, 2009; Harris et al., 2017; Heung, 2003; Rajamma et al., 2007), we contend that there are four main competitive dynamics, i.e. bricks vs. bricks; clicks vs. bricks; clicks vs. clicks and brick-and-click. It is also contended that even if all firms gravitate towards click at the same time and at the same rate, the failure rate is likely to differ due to different levels of expertise and resources possessed by each firm. Firms that combine both approaches would also experience such dissimilar failure rates due to the different capacity and capabilities of each firm. As illustrated in Figure 1, the nature of competition and dynamics are more likely to determine the fate of firms adopting either online or offline trading, or both. The figure also demonstrates business failure as a possible outcome of these dynamics.

Insert Figure 1 about here

Bricks vs. bricks

Bricks vs. bricks refers to the degree of competition between two or more brick-and-mortar businesses. Brick-and-mortar companies (BMCs) have traditional ways of operating and reaching customers often built on loyalty, service to the community and societal support. They often possess distinctive tangible resources such as the building, stores at prime high street locations and raw materials (Rigby, 2011). The ability to secure a store on the prime high street remains one of the effective means of tapping into new markets. Prime location may also mean that firms they are better placed than their competitors reaching a large number of shoppers. Besides harnessing the location-specific advantages, some BMCs succeed by focusing on established processes to maintain their advantage. For many entrepreneurs, prior to the advent of the internet or the invention of the computer, the physical store and its location was not only a key selling point in attracting customers but also a source of maintainable competitive advantage. In this regard, it is safe to conclude that firms unable to secure prime locations reached fewer potential customers and were therefore more likely to close down due to the competition. These arguments suggest that business failure in this context might be predicated on the external factors such as location advantage rather than firm-specific factors. The analysis thus far suggests that failure amongst firms in this category is more likely to be associated with location. The discussion leads to the following proposition:

Proposition 1: The failure of local brick-and-mortar companies will be strongly associated with location advantages rather than lack of distinctive products/services.

Clicks vs. clicks

Clicks vs. clicks is conceptualised here to refer to the nature and degree of competition that exists between two or more existing online businesses. A central tenet of this is that the nature of competition often depends on the similarities between firms in terms of product or service. In recent years, geographical advantage has been erased partly due to the growth and expansion of access to the internet and online shopping around the globe. Firms in this domain are often the so-called "born digital" companies (BDCs) (Chang, Jackson & Grover, 2003; McAfee & Brynjolfsson, 2012) or those that shift to become purely internet businesses. Companies such as Google and Amazon can be classified as "born digital". They have developed distinctive capabilities such as the ability to acquire and utilise big data to manage their operations, expand their geographical coverage and reach more potential customers (McAfee & Brynjolfsson, 2012). In the clicks vs. clicks context, past studies have hinted that success is predicated on firms' ability to offer distinctive and superior products or services which shoppers are unlikely to receive at other outlets (Ozer, 2005; Rigby, 2011).

In an insightful piece, Ozer (2005) contended that one of the factors that explain why online firms such as eBay and Amazon.com succeed whilst other online businesses fail is their ability to integrate the online activities with their offline support system. This also entails utilisation of highly efficient technology and highly skilled individuals. In light of the growing importance of online outlets, many firms are "born digital" with low operational costs. In addition, firms' ability to reinvent themselves in the wake of intense competition has also been found to help improve their survival chances (see Ozer, 2005). Nevertheless, expensive online presence which fails to translate into sales could also weaken a firm's competitive position, culminating in possible business failure (Ozer, 2005). Some services do not lend themselves to delivery online and therefore, physical presence might be warranted. By developing a business relying mainly on click, firms might minimise their survival chances. Accordingly, we offer the following proposition:

> **Proposition 2:** In a typical click vs. click competitive setting, the failure of BDCs will be positively associated with inability to integrate online activities with offline support systems.

Clicks vs. bricks

This is the domain of competition where some firms focus mainly on online outlets whilst others focus on the high street, i.e. bricks-and-mortar vs. online outlet. Much of the scholarly discussion has centred on this domain. Although many newly established firms eschew the brick-and-mortar concept as outmoded, this is often due to the nature of their products and inability to afford the costs associated with such models. In recent years, there has been concern about the suitability of web-based retailing for different types of products (Heung, 2003; Rajamma et al., 2007). On one hand, the purchase of tangible products such as equipment and clothes often demands inspection of the products and might not lend themselves to online purchase without seeing and feeling the product. On the other hand, intangible services/products such as insurance, banking, web-based entertainment services (e.g. online gaming and music streaming) and buying songs are typically services that can be delivered without physically seeing the product (Rajamma et al., 2007). Indeed, studies have demonstrated that unlike products, some services lend themselves to an online shopping mode, but brick-and-mortar stores are more suited to tangible products (Rajamma et al., 2007).

For such services and businesses, clicks have often superseded bricks, but for others there is a constant struggle to determine the best way to achieve strategic alignment (Ranganathan et al., 2003). Many new start-ups lacking the financial resources and human capital to open multiple high street outlets have often seen online as an effective means of bypassing this high upfront cost. From the consumers' perspective, shopping in store can be influenced by sales assistants and the physical appearance of the store. Indeed, it has been suggested that 40% of shoppers exceed their projected budget prior to going into the store, whereas online shoppers only spend 25% more than budgeted for (Botelho, 2014).

As previously indicated, the ability to receive the product immediately after purchase, and try or inspect the products before purchase has often meant that many consumers opt for in-store shopping rather than online shopping. This social aspect of in-store shopping which entails browsing with friends and trying on new clothes offers human experiences which cannot be simply replicated online (Rajamma et al., 2007; Botelho, 2014). It has also been suggested that online firms such as Zappos and Amazon dominate some product categories, and often outwit and outperform the traditional brick-and-click competitors (Herhausen et al., 2015). Although some services such as travel, music and financial services have seen significant growth and become more receptive to shoppers, other tangible products such as clothing and groceries have not received the expected level of acceptance (Rajamma et al., 2007). As more consumers and sales migrate to online firms, an increasing number of high street stores will continue to close down or scale back their online operations (The Economist, 2013; Rigby, 2011). A firm such as Jessops, which was selling cameras in Britain for 78 years, has been driven into the ground by online competition (The Economist, 2013). This is not an isolated case; in the US companies such as Borders (a chain of American bookshops) and Tower Records have been largely affected by intense online competition (The Economist, 2013). The foregoing analysis leads us to suggest:

> **Proposition 3**: In a typical clicks vs. bricks competitive setting, service firms are more likely to fail if they rely exclusively on brick-and-mortar outlets.

Brick-and-click

Mixing bricks with clicks, or click-and-brick strategy, pertains to a business strategy that entails the combination of an online outlet as well as brick-and-mortar stores. In other words, brick-and-click firms are firms that operate both online and offline (in-store) outlets (Lee, Chung & Lee, 2011). The business possesses a website to help market and sell some or all of its products. Such a strategy reflects an attempt by a business to utilise both avenues to reach a wider customer base. It also helps to maintain or gain a competitive advantage in terms of wider geographical scope, reduce cost of advertising, and expand the range of products without having to expand the physical stores. It is noteworthy that physical stores such as Macy's, Walmart and Best Buy have location-specific advantage such as low-cost labour and access to skilled local talent over online firms (see Herhausen et al., 2015). By offering the traditional location shopping alongside online through approaches such as click-and-collect, many retailers have embraced the new technology whilst maintaining the element of a location-based shopping experience (Espiner, 2015). Indeed, in the UK for instance, many shoppers have embraced the new approach by making their purchases online and then going to the store to pick them up (Espiner, 2015; Rigby, 2011). An interesting example of this is the case of John Lewis. In 2015, the firm announced a decision to introduce a £2 charge for click-and-collect purchases less than £30. Besides John Lewis, many other firms have pursued a similar strategy including Tesco which also announced a £4 charge for orders less than £25, largely attributed to the workload involve in assembling, packaging and delivering grocery shopping for customers (Espiner, 2015). In 2010, click-and-collect accounted for 4% of online UK sales; however, by 2014 this had surged to 17.7% (Espiner, 2015).

Although many large stores such as Macy’s have closed multiple branches in an attempt to reduce costs and cope with changing consumer behaviour towards online shopping, there is still a place for the old-fashioned brick-and-mortar (Abrams & Maheshwari, 2016). An interesting example is Bonobos, which has now shifted from previously being an online-only retailer to offering opportunities to allow shoppers to “touch and feel” their products (Clifford, 2012). In recent years, firms such as Piperlime, Warby Parker and eBay have opened physical stores not only to market themselves, but also provide the experience of shopping in physical stores (Clifford, 2012). Some scholars have observed that, for many firms, neither the clicks strategy nor a traditional bricks strategy is in itself sufficient for competing on multiple fronts and outwitting rivals in the new global era (Ranganathan et al., 2003). Increasingly, online shopping appears to complement brick-and-mortar shopping. As The Economist (2013, pp. 23–26) states that,

> *“now that the initial shock of* the online onslaught has worn off, most big retailers have *joined it. They proclaim themselves to be ‘omnichannel’ merchants”.*

In a recent piece, it was asserted that channel integration can be “either a zero-sum game where advantages in one channel are offset by disadvantages in another channel” (Herhausen et al., 2015, p. 310). In combining click with brick, it is essential to forge and strengthen relationships with those inside and outside the organisation including suppliers, distributors and postal delivery firms. For many small online businesses, success might not be merely about attracting customers but also fulfilling customer orders. Whether relying on their own resources and facilities such as warehouses or third parties, there is need for an effective delivery mechanism for delivering products/services to the end user (Ozer, 2005). Due to increasing competition and different product demands, many firms cannot rely solely on online platforms/outlets to maintain their competitiveness. Increasingly, they are compelled to look beyond the traditional brick-and-mortar approach to incorporate online outlets to outwit rivals.

Insert Table 1 about here

For small businesses selling expensive common items, physical stores might actually encourage research shopping, where people visit the local store to gather relevant information and expertise advice about specific products and then subsequently purchase the product from large rivals at a cheaper price or just purchase the product elsewhere (see Herhausen et al., 2015; Verhoef, Neslin & Vroomen, 2007). The combination of both channels might make economic sense to some but for many small businesses physical stores can become a source of information. Consistent with this argument is the suggestion that business failure could stem from small firms allocating their scarce resources to both outlets but being unable to turn instore visits into online sales. Table 1 summarises the key features of both online and offline shopping. The preceding discussions lead us to suggest that:

> **Proposition 4**: For small businesses, combining physical stores and online outlets is more likely to lead to higher rates of business closures compared with those with purely online outlets.

Summary and conclusions

The overriding objective of this study was to explore how bricks vs. clicks competition can generate different types of business failures. Based on the conceptualisation, the study identified four main competitive dynamics, i.e. bricks vs. bricks; clicks vs. bricks; clicks vs. clicks and brick-and-click, and explores how they can lead to different kinds of business. In delineating the features of our integrated framework, the study demonstrates that in many instances online shopping does not supersede the functionality or role of brick-and-mortar outlets but merely plays a supporting role. To a greater extent, the evolution of online shopping in many ways has helped to define and clarify the roles of traditional outlets (Ranganathan et al., 2003). An interesting observation is that business failure may stem from cumulative effects of actions, responses and non-responses to customers' requirements, which forces some customers to switch to other firms online or offline. Our analysis indicates that firms that fail to define and determine whether there is scope in their business for both, are more likely to fail in the face of increasing competition. One of the most important conclusions to emerge from the analysis is that all firms have a propensity to fail, however, some are better able to put off the process of decline leading to failure through strategic flexibility, by updating their resources and channels. The analysis buttresses the argument that business failure often stems from cumulative actions and inactions (Nutt, 2002).

Contributions to comparative management

Regarding contributions to theory, this study deepens our understanding by examining the shifting dynamics and nature of competition between the online outlets and physical stores. In this direction, the study provides insights on some aspects both universal and country-specific features in the evolution of online and offline. Unlike any prior scholarly works, the study attempted to integrate these disjointed streams of research into a unified model. Thus, we broaden the scope of our understanding by delineating the effects of competitive dynamics on business failure rate in the context of online shopping and brick-and-mortar shopping. Thus, the analysis adds to the body of research on comparative management (Jackson, 2011).

Despite the increasing importance of learning from and avoiding business failure (Amankwah-Amoah et al., 2016; Desai, 2011), limited research has explored the relationship between the shift from high street to online shopping and its impact on business failure rates. The study advances our understanding of how changes in consumer behaviour associated with online shopping can lead to different types of business failure, thereby representing a source of learning. By examining how different types of competitions can lead to different paths to business failure, this study extends the existing literature on business failure (Mellahi & Wilkinson, 2004) that have often lump different types of market competition together (see also Baum & Mezias, 1992). Thus, the study also adds to the literature on comparative strategic management (Luo et al., 2011).

Contributions to practice

Notwithstanding the above important insights, the study also makes important contributions to practice. First, the analysis highlights the need for firms to keep abreast with latest technology. In an era of the online shopping revolution, there is a need for large firms to not only incorporate bricks and clicks but also become more integrated in connecting the physical store/shop to the online activities with the aim of fostering loyalty amongst the customer base. There is a need to ensure that scarce resources are not squandered on less-effective technologies in the quest to establish a strong presence both on the high street and online. In tandem with the above, the framework explicates the nature of competition which helps managers in identifying and segmenting key competitive arenas and identifying service delivery outlets.

By classifying and explicating the dynamics of competition in the different arenas, the study provides firms with the basis and direction in mobilising and assembling their unique expertise and resources towards strengthening their competitive position. It also provides direction for firms in seeking to eliminate overlapping and non-value-adding activities. The analysis indicates the need for firms to be strategic by being more flexible in leaving behind obsolete channels as a means of doing business. Furthermore, our analysis highlights that mixing clicks with bricks requires champions in organisations to oversee the process to ensure effective coordination between the two. To capture the full benefits of online shopping, it might be worthwhile for organisations to develop unique functionalities, features and web design that appeal to customers, but also reduce instances of consumer irritation.

Limitations and directions for future research

The study is limited in scope by focusing largely on the online outlets vs. brick-and-mortar competitive setting. In addition, the analysis of business failure focus fails to capture a more in-depth analysis of declining firms which might help to explain why firms subsequently fail. There are a number of promising lines of inquiry for future research. First, there is often a multitude of factors at play when businesses fail (Amankwah-Amoah & Zhang, 2015a, 2015b; Mellahi & Wilkinson, 2004), but the degree to which marketing-based factors such as advertising and online platforms contribute remains relatively underexplored. Another area that needs further scholarly attention is how firms renew themselves and then transition from largely a brick-and-mortar model to an online-based business model. Such analysis has the potential to shed light on the ways firms respond to external environmental threats.

Additional inquiry is needed to articulate the effects of failed brick-and-mortar firms on other brick-and-mortar businesses. Such analysis could shed light on the question of whether rival firms on the same street benefit from their collapse or if customers simply switch to online to the detriment of rival surviving firms. Given that the majority of grocery shoppers are multichannel shoppers who combine offline and online channels (Campo & Breugelmans, 2015), it would be valuable to explore how consumers make such decisions and whether a divided approach actually slows down business failure for all firms or just those large firms with online and offline presence. Finally, further scholarly works are needed to examine the effect of business failure on shoppers. It might be that consumers do not form the same level of bond or attachment with online outlets as they do with traditional brick-and-mortar stores. The perennial battle between online platform and the brick-and-mortar model will continue. It is hoped that this study will foster a new discourse around competitive dynamics and business failure.

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Figure 1: An integrated conceptual framework

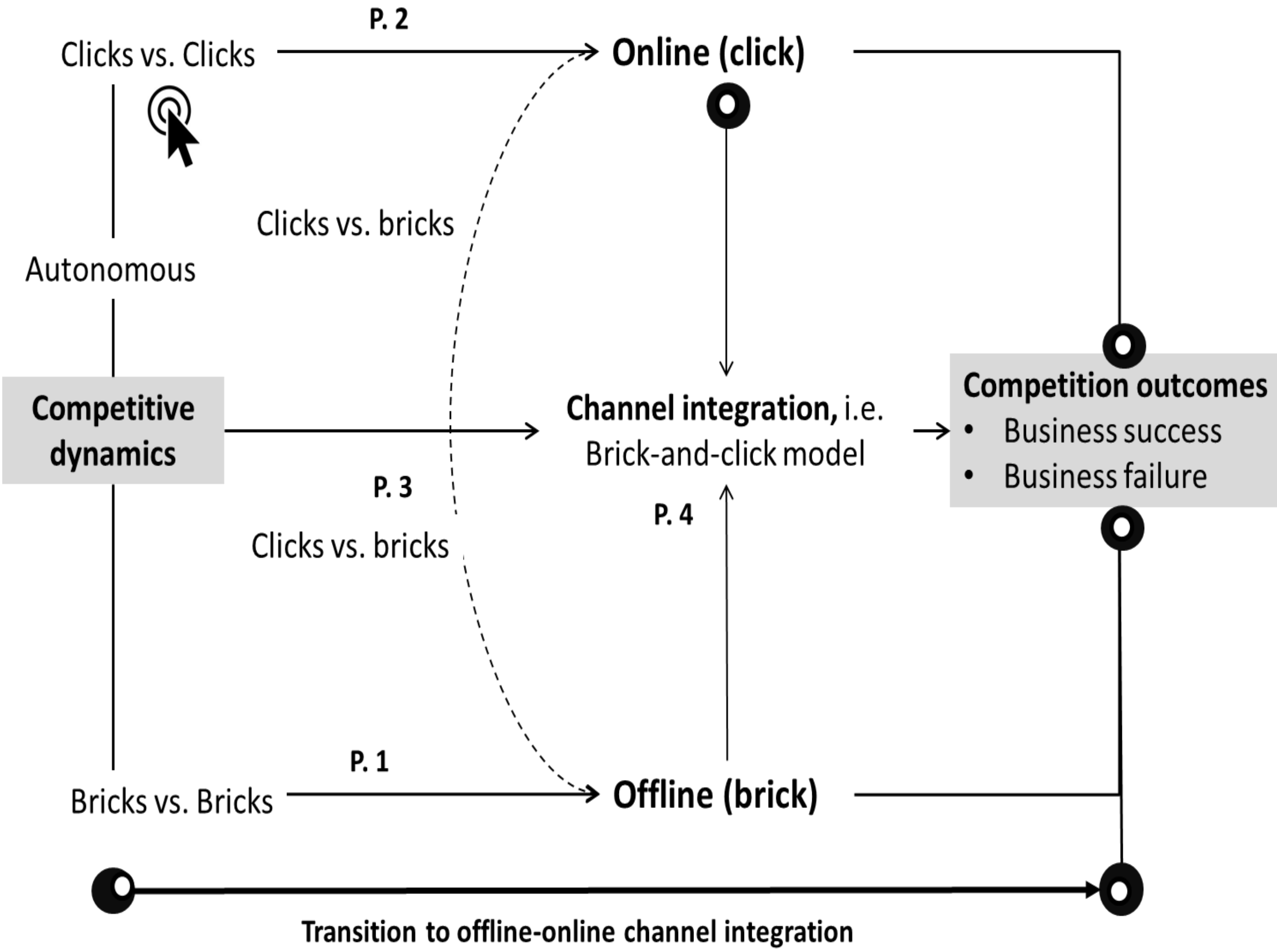

Table 1: Shopping behaviours dynamics and links to business failure

Company	Key features and drivers	Competitive dynamics and links to business failure
Traditional brick-and-mortar shopping	• Consumers' ability to touch and feel products drives offline sales. • Consumers are able to gain instant access to purchase products – instant gratification. • Ability to inspect and check product quality drives sales.	• Competition from online weakens their ability to compete and reduces the survival rate. • For small firms, brick stores can lead to "research shopping".
Online shopping	• Convenience in terms of ability to make purchases at any time from any location. • Time and location of shopping constraints are eliminated. • Ability to compare prices across stores with ease. • Eliminates cost of travel and time to travel to stores. • Pay-per-click advertising can be utilised to attract new customers to their offerings.	• Inability to deliver shopping experience or perceived irritation of site can drive customers to rivals and reduce survival chances.
Brick-and-click	• "Buy-online, pick-up-in-store" (BOPS) or click-and-collect purchases. • Providing customers the option to collect purchased goods in store. • Utilising in-store online terminals in offline store to help boost sales. • Mixing click with brick – products are delivered to the customer from the nearest physical store.	• Dissatisfaction can trigger search for alternatives and business decline before business failure. • Offline-online channel integration is likely to strengthen the competitiveness of large firms and reduce the possibility of business failure.

Sources: synthesised from: Burke, 1998; Chiang & Dholakia, 2003; Gallino & Moreno, 2014; Harris et al., 2017; Herhausen et al., 2015; Rigby, 2011.