

May 2009

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### Recommended Citation

Ashley-Cotleur, Cathy; Gaumer, Carol; and Foltos, Barry (2009) "The Effects of Outshopping on a Small Rural Community: the Importance of Relationships," *The Coastal Business Journal*: Vol. 8 : No. 1 , Article 3.

Available at: <https://digitalcommons.coastal.edu/cbj/vol8/iss1/3>

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# **THE EFFECTS OF OUTSHOPPING ON A SMALL RURAL COMMUNITY: THE IMPORTANCE OF RELATIONSHIPS**

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## **ABSTRACT**

*Outshopping, also known as market gravitation or market leakage, is the practice of going outside the local community to buy goods. Outshopping is a phenomenon that particularly affects retailers in small, rural communities. Reasons given for such behavior include better prices, more stores and broader product depth. This paper looks at the shopping habits of two distinctly different groups of buyers in a rural county in western Maryland to determine the extent and reasons for outshopping behavior. The study found that prices and convenience were the most important reasons community residents had for buying certain products. However, local business owners were more influenced by their desire to purchase from local merchants when they made personal buying decisions. This suggests that relationships, among shoppers and shop owners, built and sustained in a community, influence consumer buying behavior.*

## **INTRODUCTION**

Small businesses in rural communities face a number of problems: small market areas, ageing populations, and limited supply sources being but a few. One of the most vexing problems, however, is the inclination of residents to go outside the community to buy goods. Outshopping, also known as market gravitation or market leakage, is a phenomenon that is particularly prevalent now with the explosion of retail establishments and easy access to major metropolitan areas. This paper looks at the outshopping issue as it affects a small rural county in Western Maryland, Allegany County.

## **LITERATURE REVIEW**

### **Definition**

Outshopping can be defined narrowly or broadly. A narrow definition looks only at those who go outside their local community to make consumer purchases. This would include those who do so on a regular basis, i.e., short trips to communities for shopping purposes, or those who travel longer distances on an intermittent basis, such as shopping done on business or vacation trips. A broad definition of outshopping would include not only in-person trips to retail establishments but also online, telephone and catalogue shopping. This paper is concerned only with the narrow definition of outshopping or those who travel outside their home community to purchase goods.

Early outshopping research, using terminology like retail gravitation, described the practice as larger more densely populated trade markets 'pulling' shoppers from their smaller markets through gleam and glitter (Converse, 1931). Most of the more recent literature regarding outshopping has addressed four specific areas: who outshops, what do they buy, why do they outshop, and what is the economic impact of outshopping on those communities that experience such activity (Papadopoulos, 1980).

### **Outshopper Profile**

The typical outshopper tends to be young (Riecken & Yavas, 1988), affluent (Riecken & Yavas, 1988), and live and work in a rural community (Hopper & Budden, 1989). In addition, s/he is likely to be more self-confident and physically fit, have a less positive image of the local area (Choe, Pittman, and Collins, 1997) and be an opinion leader in the community (Hawes & Lumpkin, 1984). The impact of home ownership, size of household, number of children, education, and tenure in the community on a person's propensity for outshopping is mixed, and, consequently, not conclusive. Gender (Hopper & Lipscomb, 1991) and occupation (Reynolds & Darden, 1972) have been found to be insignificant in predicting such behavior. Research reports that older consumers tend toward higher levels of inshopping due to strong ties to their local community (Jarratt, 1996).

### **Reasons for Outshopping**

Major reasons for outshopping include lack of shopping options in the outshoppers' community and the minimal product depth and breadth of those retail establishments that do exist. While similar in their outshopping behavior, males and females differ in their motivations, with males identifying pricing and less than friendly employees driving their outshopping behavior and women indicating they derive greater pleasure from shopping away from home (Hopper & Lipscomb, 1991). Miller and Kean (1997) found that when there was a reciprocal relationship between the shopper and the merchant, i.e., the merchant's involvement in the community had a positive impact on the shopper's lifestyle, less outshopping existed. In addition, shoppers express a need for excitement and variability in their shopping experiences (Papadopoulos, 1980), seeing shopping as an adventure as opposed to a functional activity.

### **Outshopping Purchases**

Outshopping purchases tend to be for higher visibility, higher status shopping and specialty products (Papadopoulos, 1980). Researchers have found clothing and home furnishing purchases to be particularly popular outshopped items (Lillis and Hawkins, 1974; Miller & Kean, 1997), but sporting goods, furniture, appliances and jewelry also fit in this category (Papadopoulos, 1980). Papadopoulos (1980) found that as the distance to outshopping venues increases, outshopped goods become smaller, easier to carry, require less after sales service and are less expensive.

## **Effect of Outshopping on Local Communities**

The impact of outshopping on local communities has been measured in two ways: based on the number of shopping trips outside the community in a given year or based on the proportion of shopping income spent outside the local community, regardless of the number of trips. The second definition is many times combined with secondary data regarding total household expenditures. While the number of trips was used in early research, proportion of expenditures is the most popular method for determining extent of outshopping today (Papadopoulos, 1980).

Conclusions regarding the number of outshoppers in rural towns are mixed. Darden and Perreault (1976) found that 35% of individuals in a small community could be defined as outshoppers. In looking at a larger population base (town over 100,000), Papadopoulos (1980) found 20% of residents outshop. In a study conducted state-wide in Montana (Wallwork, 1989), heavy outshoppers (50% or more of shopping is outside local area) accounted for 37% of total shoppers while moderate outshoppers (10-49% of shopping is outside local area) added another 33%. Inshoppers, or those who conducted less than 10% of their shopping outside the local community, were the smallest group, at 30%.

## **Solutions to Outshopping Behavior**

Based on the results of outshopping studies, a number of activities have been recommended for merchants to control retail leakage. Papadopoulos (1980) recommends improved dining, recreational and entertainment options as a way to keep shoppers close to home. LaForge (1984) argues that retailers need to work together to "improve and advertise merchandise offerings and services." Riecken and Yavas (1988) advises retailers to offer wide assortments of heavily outshopped goods, enhance customer service, increase promotions, improve in-store environments, and reach out to surrounding communities' shoppers.

## **International Studies**

Replications of U.S. outshopping studies have been done in a number of foreign countries. A major influence on shopping behavior for some buyers is consumer ethnocentrism or a tendency to prefer goods from their own nation regardless of the quality or nature of the products. Such shoppers tend to be older, female and less educated (Shankarmahesh, 2006). Chrysochoidis, Krystallis and Perreas (2006) found country of origin qualities associated with given nations impacted buying behavior for some consumers. Ethnocentric behavior has been found to exist both online and offline among shoppers from the United States, South Korea, and India. Those individuals with more of a global orientation tend to have more openness towards foreign goods (Kwak, Jaju and Larsen, 2006). In a study of smaller communities in the United Kingdom, Paddison and Calderwood (2007) found greater diversity of retail options than stated in previous studies due primarily to definitional issues.

## STUDY

### Objectives

A study on outshopping was requested of academicians by a local business group to study outshopping behavior in a small rural county in Maryland, Allegany County. Allegany County population (2008) is 74,594 with its largest city having a population of 20,758. While there are some chain stores or franchises in the county, the overwhelming majority of businesses that sell consumer goods are small and locally-owned. The purpose of the study was to determine the extent of outshopping in this county, the types of goods that were outshopped, the reasons for outshopping, and some demographic indicators that are important to predicting outshopping behavior.

### Methodology

A survey regarding personal shopping habits and attitudes was created by academicians and distributed to two separate populations in Allegany County, western Maryland. Four hundred twenty-five (425) surveys were mailed to a convenience sample of local business leaders through the local chamber of commerce. A self-addressed, stamped envelope was included in the mailing to facilitate participation. Sixteen (16) of the surveys were returned as undeliverable, for a total usable mailing of 409. Of this number, 175 usable surveys were returned, for a return rate of 43%. The same survey was then administered in-person via intercept to 156 local residents in four different locations in the county. These locations reflected major shopping destinations within the county. This presents a limitation to the study as those at-large participants were already found shopping locally, thus not necessarily representative of the total population of interest.

### Survey Instrument

A brief one-page 20-question survey instrument was created to facilitate participation. The survey was reviewed by the commissioning business group and revisions were made. The survey was then tested with volunteers and, based upon their feedback, the instrument was finalized. The final surveys had fourteen questions dealing with location of purchases, year of purchase and buyer motivation regarding reasons for choosing retailers. Four questions collected demographic information on age, number of individuals in the household, income and home zip code. Two questions addressed consumer preferences regarding new businesses for the area. The types of purchases tracked were major new appliances, new vehicles, new furniture, new clothing, and restaurant meals.

### Limitations

Limitations to this study include the use of convenience samples consisting of local chamber of commerce members and members of the local general population already shopping in one of the four designated intercept sites in Allegany



County, western Maryland. Convenience samples of self-selected subjects preclude any probability characteristics and lack diversity in the study region, excluding such diversity from the study set. The relatively small convenience samples negate generalizability to the overall population of the county. This outshopping study was requested of academicians by a local business group; it was completed pro bono. For the researchers, the use of convenience samples was deemed appropriate as surveying county residents in their homes or places of work was cost prohibitive.

### Data Analysis

The report to the local business group used only descriptive statistics, primarily percentages. Subsequent statistical analysis was completed using a Z-Test for Differences ( $p$ ) with an alpha level of 0.05 for all statistical measures.

### Demographics

Demographics for the two survey populations were very different with regard to age and income with the business leaders being older and wealthier than the general population.

<b>Category</b>	<b>Chamber Members N = 175</b>	<b>General Population N=156</b>
<b>Age</b>		
22-30	3%	24%
31-40	18%	10%
41-50	29%	20%
51-60	37%	29%
>60	14%	17%
<b>Annual Income</b>		
< \$20K	0%	13%
\$20,001 - \$40K	7%	22%
\$40,001 - \$60K	14%	21%
\$60,001 - \$80K	14%	19%
\$80,001 - \$100K	18%	15%
> \$100K	47%	10%

As expected, all the respondents in the mail survey were local, with 81% residing in the study region, Allegany County. The intercept survey showed over 90% to be from the local area, with most respondents living in the two largest towns in the county.

## Results

The following table shows the percentage of reported inshopping (in) versus outshopping (out) by survey group for each product category. The responses are reported as is the *p* from the Z-test. The results of both survey groups were very similar with regard to the level of outshopping behavior. Interestingly, for two of the categories, new vehicles and furniture, a significant number responded they outshopped because the goods were not available locally, indicating, perhaps, more of a willingness to buy within the community if product assortment was more broad-based. Of note, there was a statistically significant difference in inshopping versus outshopping for *all* product categories among both study groups, of particular interest with respect to the *p* from the Z-test, is New Vehicle and Clothes. Between each study group, there was significant difference between major appliances and each of the other three categories, implying that for major appliances, shoppers prefer to remain local.

**TABLE 2**  
**Shopping Location: A Comparison of Inshopping versus Outshopping by Group**

Shopping Good	Chamber Members N = 175	<i>p</i>	General Population N=156	<i>p</i>
Appliances	8% out 92 % in	0.000	4% out 96% in	0.000
New Vehicle	47% out 53 % in	0.010	44% out 56% in	0.010
Furniture	24% out 76 % in	0.000	28% out 72% in	0.000
Clothes	53% out 47 % in	0.010	54% out 46% in	0.010

[out = outshop; in = inshop]

The major differences in the survey responses dealt with the reasons respondents gave for their shopping behavior. The general population respondents cited better price and convenience as the two major reasons they chose to purchase goods from specific retailers; whereas, chamber members cited a preference to buy locally as the main determinant of their shopping behavior. This was true for all categories, except clothing.

**TABLE 3**  
**Main Reasons For Shopping Location Choice**

<b>Shopping Good</b>	<b>Chamber Members</b> N = 175	<b>General Population</b> N = 156
Appliances	Prefer to buy locally: 41%	Prefer to buy locally: 19%
	Convenience: 39%	Convenience: 55%
	Price: 9%	Price: 19%
New Vehicle	Prefer to buy locally: 31%	Prefer to buy locally: 19%
	Convenience: 14%	Convenience: 22%
	Price: 15%	Price: 39%
	Not available locally: 18%	Not available locally: 7%
Furniture	Prefer to buy locally: 28%	Prefer to buy locally: 7%
	Convenience: 29%	Convenience: 43%
	Price: 12%	Price: 21%
	Not available locally 10%	Not available locally: 12%
Clothes	Prefer to buy locally: 12%	Prefer to buy locally: 2%
	Convenience: 31%	Convenience: 30%
	Price: 6%	Price: 16%
	Better item variety: 19%	Better item variety 20%
	Better store options 17%	Better store options 16%

### CONCLUSION

Survey respondents exhibited high levels of outshopping behavior for clothes among both study groups. New vehicles also showed high levels of outshopping behavior with moderate levels of outshopping for furniture and a low level for appliances. This behavior is fairly consistent with outshopping studies except for, perhaps, new vehicles, which, due to their high price and need for after sales service, might be expected to be bought closer to home. However, a fairly high percentage of respondents in both groups (18% for chamber members and 7% for the general population) indicated that the vehicle they purchased was not available in their community, leading one to believe that they might have purchased locally had they had the opportunity. Many small communities do not have high end car dealerships (BMW, Mercedes, Jaguar) which leads to outshopping behavior.

There was significant difference in inshopping versus outshopping for all product categories, additionally there was significant differences between major appliances and each of the three other product [shopping good] categories. Interestingly, the reasons given for outshopping seemed to vary among study groups. The business leaders/professionals were much more likely to cite a preference to buy locally for their personal shopping goods as the main motivator for shopping purchase decisions. This is likely attributable to their investment in the economic well-being of the community



through their employment status. While not specifically surveyed, it is also likely that the business leaders are more heavily involved in community enrichment activities such as the arts and social events that make a community more livable. This would, arguably, make them more attuned to the long term viability of the place they call home. And, lastly, business leaders in a small town are likely to know one another through social and business connections. Consequently, it would be more difficult for them to explain travel outside the city to purchase personal consumer goods that they could just as easily buy from friends. On the other hand, the general population respondents, who cut across all spectra of society, do not have the personal connections, financial investment or income levels to support inshopping behavior if it is more economical to buy goods outside the local area.

2005 U.S. Annual Household Expenditures data indicate that Americans spent 33.3% of their income on housing and household goods such as furniture and appliances; 21% on transportation expenses, including car purchases; and 3.8% on apparel. Total retail expenditures in Allegany County, Maryland for the comparable time period was \$733.8 million. Given these figures, the high levels of outshopping, for apparel and even cars along with moderate levels for furniture, means that merchants in Allegany County lose millions of dollars annually when residents buy goods in other geographic markets.

### **IMPLICATIONS**

It is very difficult for retail establishments in small communities to compete with larger stores and discounters located in major metropolitan areas on price. So, for those shoppers whose main motivation is securing a better deal, small town retailers will be at a disadvantage. However, as the literature suggests, price is just one of the many variables consumers consider when purchasing products and it does not sway a majority of shoppers' decisions. Consequently, small town retailers can capture a large percentage of sales to local shoppers if they stock the goods people want to buy and if the shopping experience is convenient for the buyer. In addition, establishing a personal relationship with shoppers, where the shopping experience is seen as an interaction between friends and not just as a financial transaction, would go a long way towards making local buyers more inclined to purchase locally. It is also conceivable that business communities, even small rural areas, could produce a "buy local" campaign that addresses the convenience and benefits of buying locally. Lastly, this paper seeks to illustrate that academicians can collaborate with local business practitioners on practical issues of importance to a community.

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