

## Answer on Question #55102 – Economics / Microeconomics

### Question 4

The advent of mobile shopping apps has led to an enormous growth in online shopping, particularly for electronic goods. Explain what effect is the introduction of shopping apps having on:

- (a) Competition in the retail market for electronics
- (b) The profitability of the traditional brick-and-mortar retailers of electronics
- (c) The consumer surplus of purchasers of electronics

### Solution:

Online shopping (sometimes known as e-tail from "electronic retail" or e-shopping) is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser. An online shop evokes the physical analogy of buying products or services at a bricks-and-mortar retailer or shopping center.

Customers are attracted to online shopping not only because of high levels of convenience, but also because of broader selections, competitive pricing, and greater access to information.

The main advantage of online stores: Online stores are usually available 24 hours a day, and many consumers have Internet access both at work and at home. Other establishments such as internet cafes and schools provide internet access as well. In contrast, visiting a conventional retail store requires travel and must take place during business hours. Online stores must describe products for sale with text, photos, and multimedia files, whereas in a physical retail store, the actual product and the manufacturer's packaging will be available for direct inspection. One of the great benefits of online shopping is the ability to read product reviews, written either by experts or fellow online shoppers. You can use online price comparison services.

To cut a long story short, online shopping, especially for electronics is a good way.

### Answer:

Effect of the introduction of shopping apps will be: (a) Competition in the retail market for electronics will increase significantly. (b) The profitability of the traditional brick-and-mortar retailers of electronics will decrease. (c) The consumer surplus of purchasers of electronics will increase, as the competition rises, so the prices will fall.