In the first quarter of 2015 less than 7% of all retail sales occurred online in the U.S. (U.S. Department of Commerce, 2015). The majority of retail purchases are still made in a traditional shopping environment, where consumers are surrounded by other shoppers and sales people, and stores remain not only a place for buying goods, but also for socializing (Hu and Jasper, 2006).

Using a combination of video surveillance and sales data from a small mom-and-pop wine store, we examine the effect of a change in the level of social presence on purchase behavior to find that people have a significantly lower propensity to buy anything when surrounded by other shoppers. We develop a model that allows for the effects of status signaling and guilt and reciprocity behavior that explains the pattern observed in the data. We find additional support for both status signaling and guilt and reciprocity behavior in the shoppers by analyzing the approaches to displays with cheaper wines and the probability of keeping any bottle the customer picked up for examination. On the intensive margins we find that changes in the total cost of bottles bought most likely stem from the reciprocity behavior, while the changes in the mean price of bottle are more likely to be a result of status signaling.

This study is the first, to our knowledge, to use quasi-experimental field data to look at the effect of social presence in the store during a purchase, and to test several competing theoretical explanations for the observed purchasing behavior, namely the signaling behavior and the reciprocity and anticipatory guilt hypotheses. We use a natural source of exogenous variation in how other people come in or leave the store to account for potential self-selection in people coming into an empty or full store, making the results more robust.