

Putting a Stop to the Showrooming Scare



It's easy to see why showrooming is keeping many brick-and-mortar retailers up at night. In fact, it looks like the beginning of a bad epidemic-outbreak movie—retailers feel powerless to slow its advance and are reduced to watching, one by one, as those around them succumb and close their doors for good.

But in reality, retailers aren't powerless against showrooming. Rather, retailers can either combat showrooming or embrace it. The decision to combat or embrace showrooming depends upon the level of susceptibility a retailer may face, which in turn depends upon the demographics of the retailer's target customers, product price points and merchandise type.

Demographics

A recent Kurt Salmon and Prosper Corp. survey of 8,000 consumers revealed that 70% of consumers ages 25–54 with smart phones use them to comparison shop, up from 62% a year ago. And of those who use their smart phones to comparison shop in-store, almost one in three ultimately buys the product online, according to ClickIQ. Older consumers are getting more comfortable with showrooming too. The Kurt Salmon survey found that 49% of consumers ages 55–65 use their smart phones to comparison shop. And as the population ages, the percentage of the population showrooming will continue to grow.

Perhaps not surprisingly, wealthier consumers are also more likely to showroom. The Kurt Salmon survey showed that 65% of consumers with incomes over \$150,000 a year comparison shop on their smart phones, compared to only 56% of consumers who earn under \$50,000 a year.

Price point

By shopping online, customers can save up to 10% on sales tax and potentially more off the price of the item. As prices increase, so do the financial benefits of purchasing online. And the more commoditized the product, the more susceptible it is to showrooming. Thus Apple's unique products and tight control over MSRP pricing make it less susceptible to showrooming than Best Buy. Competitive pricing on certain commoditized items, combined with other strategies to combat showrooming, can help boost sales without undermining profitability. Much like grocery stores are able to sell two-liter bottles of soda at a loss because they earn it back on the bag of chips most customers buy along with the soda, an electronics retailer could competitively price a TV and then earn their margins back on accessories, installation, a warranty and service. But a strategy of competitive pricing alone could spell the end of the story as price comparison tools and online acceptance invariably grow.

Product category and type

Kurt Salmon's research has found that some product categories are more prone to showrooming than others. For example, although furniture is expensive, it is not very susceptible to showrooming because the shipping cost is often high; moreover, shopping for furniture is highly experiential and many products are exclusive. On the other hand, electronics are perhaps the most susceptible—they are generally pricey and it's easy to find the same product online at a considerably lower price. Items like apparel and jewelry fall somewhere in between—an emphasis on fit and fashion nuance is important, but as online players become more adept at creating easy return and exchange processes, barriers to showrooming apparel will fade. For now, value-based apparel retailers like T.J. Maxx, Marshalls and Ross may be less vulnerable to showrooming than their full-price counterparts.

A retailer's level of risk—based on customer demographics, price point and product type—will help identify the most effective response to showrooming: combat it, embrace it or some combination of the two.

Combat it

Combating showrooming includes creating an innovative store experience, providing exceptional service and offering unique products.

Stores can be a powerful asset, and leading retailers are fighting back against showrooming by playing to the strengths of the in-store environment. Start with the customer experience. One of the store's unique advantages is the ability to interact with and test out products—think of REI's fake rock for trying out hiking boots. Create an experience that truly cannot be replicated online, like Abercrombie & Fitch's dark, perfume-heavy nightclub feel or Costco's free samples and treasure hunt vibe.

Many retailers are also trying to fight showrooming by creating differentiated products. But the key here is to create products that are different in meaningful, significant ways. Technology already allows for price

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comparison between like items, so just making a few tweaks won't cut it. Instead, focus on creating products that are truly differentiated from and better than the rest—give customers a reason to pay a little more.

Recent history aside, Target has been creating differentiated products for years with its private labels, including Missoni and Up and Up. Brookstone and Deckers have also succeeded in creating products that are truly differentiated and therefore shielded from showrooming.

Of course, creating truly differentiated products is only the first step for retailers. It is equally important for them to educate customers—in and out of the store—about why the customer in their store should believe their merchandise is a cut above the rest. Providing a unique customer experience, exceptional service and top-notch products lays the groundwork for a successful strategy to combat showrooming.

Embrace it

Instead of fearing showrooming, leading retailers are beginning to use it to their advantage by bringing the benefits of the online experience into the in-store environment.

By embracing the positives of the online experience and combining them with the clear benefits of the in-store environment and competitive pricing, stores have a chance to provide both a compelling experience and greater convenience for customers.

Which elements of the online experience should be included? For starters, online shopping usually comes with a wealth of information that's often missing from traditional in-store environments. From the moment the customer steps into the store, the experience should include the option for direct, personal interaction with a knowledgeable and trained sales associate—if that's what customers want. If not, provide tablets or interactive kiosks that provide product information, reviews and availability.

Nordstrom, with its reputation for customer service, was surprised that many younger customers were using its app while shopping in-store instead of approaching salespeople. Instead of fighting this, Nordstrom added WiFi to its stores and is testing charging stations and clusters of iPads for shopper use. Sephora has started using tablets loaded with videos about how to apply makeup along with cameras so customers can see themselves testing out what they just learned in the video tutorial.

Retailers are also including traditional and QR barcodes next to their products that customers can scan for more information, and retailers like Target are encouraging shoppers to scan these codes in exchange for rewards, using apps like Shopkick.

Leading retailers are also beginning to integrate social media feeds into the information they have available in-store. For example, Adidas recently started using touch-screen walls in some of its stores that include digital representations of the product next to information on availability, price and real-time Twitter posts on the product. During a two-week pilot of the wall, Adidas saw a 5x jump in sales of a soccer cleat available through the wall compared with a similar shoe not available through the wall.

But retailers could take this a step further and integrate Amazon and other online sites into their own interfaces. No reviews for a given product on your own website? Why not show Amazon's reviews? Better yet, why not show Amazon's price? An increasing number of customers will comparison shop no matter what, but by providing them with that information in a setting controlled by the retailer, the retailer has the chance to convince them that the extra expense of buying from the store is worth it. Consider it the "buy and have it now" price. While this is an extreme, this practice may need to include complementary elements like post-purchase offerings—classes and technical support—a flexible returns policy or even donating a percentage of the purchase price to charity to connect the store back to its community.

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So what does the future of showrooming hold? As consumers gain even greater access to information and technology, even pure-play direct-to-consumer retailers will be increasingly subject to intense price comparisons. For example, Kurt Salmon's research revealed that customers have even "showroomed" a popular online shoe retailer by ordering multiple pairs of shoes, trying them on, returning them all and then purchasing them from another website at a lower price. In this race to keep

pricing competitive, retailers across all channels will be increasingly required to demonstrate their value beyond the product itself.

There's no silver bullet to cure showrooming, but two strategies—combating and embracing—or a combination, may be a sufficient antidote. Above all else, retailers will not benefit from ignoring the issue or believing they are above it. ❖

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