Retailers Need to Approach Mobile Showrooming Intelligently to Keep Shoppers Coming Back

For retailers, current technology advancement means increased in-store and online competition, readily available product information and reviews, and increased purchase decisions. Gone are the days of searching through newspapers and circulars, spending weekends driving from store to store finding products, comparing prices, writing all the information down, to then go home and make additional phone calls for recommendations. That was showrooming in its infancy.

Today, with more than 50 percent penetration rates of smartphones, consumers have much more information at their fingertips while in a brick-and-mortar store. They are still conducting product research, reading reviews, and comparing prices, but are now able to do so on their smartphones – quickly, easily, and to a greater extent than ever before. Shoppers can touch and feel products and use their smartphone to price-match at another store, or buy it online from that same retailer or through a competitor’s website. The rise of the mobile shopper – and smartphones – has brought showrooming into a new age.

Shoppers are typically motivated by product quality, price, and convenience – with convenience playing a critical role. Price may appear to be the obvious decision point in choosing to purchase a product online or at another store, but the overall customer experience is the key element. Smart retailers understand that the consumer’s overall shopping experience plays a vital role in the decision to pick that product and head to the register – or with a few clicks have it delivered to their home. In this white paper, we will touch on some of the critical elements of what the smart shopper is looking for and how a retailer can adapt to changes in shopping behavior to make the most of showrooming activities.
What is Showrooming?
Showrooming traditionally has been defined as a shopper visits a brick-and-mortar to check out a product but then purchases the product online. In terms of the mobile world, it is the practice of using a smartphone or other mobile device (i.e. tablet) while in a store to compare prices or search for product reviews online. If the price is better online or at another store, or the highest-rated model isn’t in stock, the shopper will often leave and purchase that item elsewhere, or purchase from their phone while in-store.

Who is Showrooming?
IDC Retail Insights estimates that the number of showrooming shoppers will grow from 60 million in 2013 to 78 million in 2015.1 Showrooming is practiced across all socioeconomic levels. With the U.S. recession starting in 2008 combined with the growth of smartphone penetration, more consumers began looking for value, leading to the rise of the smartphone shopper.

How is Webrooming Different from Showrooming?
Americans are engaging in product and price comparisons at an increasing rate – whether or not they own a smartphone. The travel industry is a perfect example with websites that do the price comparisons for you, allowing you to evaluate air travel, hotels, and rental cars from different online travel companies in side-by-side comparisons. Online comparison – or webrooming – is another trend of comparison shopping: searching multiple retailers online, making price comparisons and user reviews, but buying in-store. Clothes often need to be tried on, furniture sat on, beauty products sampled, or electronics played with. According to Accenture Seamless Retail Study 2, 73 percent of shoppers have showroomed in the past six months – but 88 percent have webroomed. The difference is where people are conducting their comparisons. Webrooming commonly happens in the home on a computer, but now that mobile phones have highly functional Internet capabilities, comparisons can be made while actually in a store.

What Are They Shopping For?
What makes showrooming such a big factor in the retail environment is that it affects not just big ticket items like electronics and appliances, but everyday Consumer Packaged Goods (CPG) products as well. xAd and Telmetrics 3 report that electronics shoppers are at the top of the list for showrooming activities on a mobile device, followed by groceries, home goods, apparel, and drug and beauty.

How Can Retailers Offset the Costs of Showrooming?
In-store conversion is possible. Consumers are more likely to buy from retailers who provide an overall positive customer experience, which can be a combination of omni-channel convenience across stores and online, full-featured mobile Web sites, smartphone apps, loyalty program benefits, and the ability to price match. And never to be undervalued is the power of a positive customer experience which begins from web search or view of an advertisement, mobile search for store hours, to in-store customer service.

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2 Accenture, “Accenture Seamless Retail Study,” April 2013
3 xAd/Telmetrics, “U.S. Mobile Path to Purchase Study,” May 2013
1. Harness the power of multi-channel (omni-channel) experience:

Retailers should think of mobile phones and tablets as extensions of their multi-channel marketing and brand strategies. A customer browsing at a brick-and-mortar location would suggest that they are conducting an in-person purchase, but because they are likely carrying their smartphones, the opportunity for showrooming is available. An IAB survey found that 73 percent of consumers have used their mobile phones in a store. This usage may not be just for price comparisons, but for checking product features or social media reviews and comments, or for taking photos of items. Mobile websites make it easy for consumers to compare against your competitor – while in your store. But if your website isn’t mobile optimized it could lead to a negative mobile experience, opening the door to the searching consumer finding a website that is optimized. Take this opportunity to exploit the consumer’s tendency to want immediate gratification and leave the store with their purchase in hand. Retailers can send location-based messages via text, email, or push notifications to their customers’ mobile phones. Retailers also commonly use text-for-info messaging to drive traffic to a mobile site they control. With consumer adoption of QR codes pushing past the 60 percent level, QR codes are transforming from a fleeting fad into a viable solution that mobile marketers should consider.

2. Offer price matching:

Before customers even get into the store, it is important for retailers to clearly display that they price match. If a customer is comparing prices online, from a print circular, or even on mobile, let them know that you will meet a competitor’s price. If price matching does not provide enough differentiation, go beyond your competitors by offering some added value options like a free 12-month warranty, no hassle 90-day return policy, exclusive products, or some loyalty recognition. This may tip the balance in your favor. Retailers like Target and Best Buy (see case study) during the 2012 holiday season launched a price match on identical “qualifying” products at Amazon, as well as the e-commerce websites such as Walmart and Toys ’R’ Us. Target took it a step further and also matched the prices of goods found on its own website within a seven-day window.

3. Utilizing store associates:

Never question the power of in-person contact. Live sales representatives, or customer experience associates, speaking to a customer can resonate greater than any website, review, or price tag. According to the Google Shopper Marketing Council, 1 in 3 shoppers use their smartphones to find information instead of asking store employees. Over half of those surveyed also said the average time they used their phones in-stores is 15 minutes. To increase the overall customer experience, retailers should encourage store associates to take the role not just as customer service but as brand, campaign, and information ambassadors. Top categories for mobile self-service are appliances, electronics, baby care, and household care. All of your employees’ product knowledge training and selling opportunities are going to waste as a customer searches on their phone while in store. Associates can point showroomers to in-store signage with text or QR codes to websites that provide positive online reviews or side-by-side product comparisons, which ultimately may provide them with the research they are looking for.

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Google, “Mobile In-Store Research: How in-store shoppers are using mobile devices,” May 2013
Interactive Advertising Bureau, “Mobile Phone Shopping Diaries,” May 2012
Google Marketing Council, “Mobile In-Store Research: How in-store shoppers are using mobile devices,” April 2013
for on their mobile phone. Price matching is the biggest tool you can give to employees. If that is not a viable financial option, you can also empower and incent them to promote your loyalty program or additional offers like free delivery or warranties. One simple interaction may save not only today’s sale but future purchases.

4. Know your customer’s preferences:
You can reduce the probability of showroming if you are reaching your customers with messages they want, via the channel they want, with enticing offers on the products they shop for. A one-size-fits-all communications strategy results in missed opportunities for customer engagement. Retailers have the opportunity to create, develop, and foster customer relationships by personalizing and customizing the entire customer experience based on individual preferences. A preference management center allows retailers to capture, manage, and respectfully execute customers’ communications preferences by providing options and control. Asking for the type of information they want to receive, how frequently they want to receive it, and through what channels will drive engagement and loyalty. Within a preference center database, marketers can also observe behaviors from their consumers. Amazon is the industry leader for providing product recommendations based on previous shopping behaviors in online ads, push notifications, and email. Implementing a personalized approach that asks for and adheres to individual consumer preferences will improve the customer experience, provide stronger engagement, and result in greater customer lifetime value.

5. Focus on the overall customer experience:
We have all heard the stats around the cost of bad customer service and retailers can certainly attest to it. Customer satisfaction is key for retention and to avoid the pitfalls of losing customers. And a customer loss due to a bad customer experience can sometimes happen quietly, making it that much harder to combat. A White House report on consumer affairs stated for every customer who bothers to complain, 26 remain silent. And, the fact that it is five \( 7 \) times more expensive to acquire a new customer than to retain a current one – retailers should focus on delighting their customers and assuring customers preferences – even for showroming – are being heard. A Kellogg School of Management survey \(^8\) found that 59 percent of shoppers said they received poor or average service in the stores they had recently shopped. And, among shoppers who said they engaged in showroming, 40 percent reported that they actually never intended to buy online, but were driven to another store or online after experiencing poor customer service and support in stores. Gone are the days when word of mouth built slowly; with the touch of a mobile device, in fewer than 140 characters, bad reviews can reach thousands, if not millions, of prospective customers.

Best Practice- Best Buy Finds Showrooming Sweet Spot
When national electronics retailer Best Buy decided they needed to combat showroming they used two tactics: their Reward Zone loyalty program and price matching.

During the 2012 holiday season, Best Buy instituted a price-matching program matching the prices of 19 online competitors, as well as local stores. The program also offered a rebate to shoppers if Best Buy lowered its price on an item within 15 days of purchase. This strategy helped Best Buy post a rare quarterly increase in U.S. same-store sales metric without hurting the company’s profitability. The company made the policy permanent in February 2013.

\(^7\)Lee Resource Inc.
\(^8\)Kellogg School of Management, “Kellogg Shopper Index,” November 2012
Best Buy is no stranger to loyalty programs, having launched their Reward Zone almost a decade ago, with great initial success. Over the years, however, the program had lost momentum. In the spring of 2013, Best Buy decided to increase the rewards on their loyalty program credit card from 4 to 5 percent to increase participation rates.

“During the most important period in the retail calendar – the holiday sales season – we were able to improve our domestic comparable store sales trends compared to the performance of the last several quarters and continue our strong traffic growth in our online business. Our holiday selling strategy, backed by a compelling assortment, increased employee training and price match policy, allowed us to deliver these results,” said Best Buy president and CEO Hubert Joly. “While it will be a journey with ups and downs, we are focused on becoming an increasingly effective multi-channel retailer and engaging with the tens of millions of consumers who shop us online and in-store.”

Best Buy reported their best quarterly results in two years in August 2013.

Conclusion

Showrooming is not a shopping fad that will be disappearing anytime soon. People have been engaging in the practice of price comparisons for a long time but it is now more widely accessible with the ease of their smartphones – plus has a hip new name. If you have underestimated the power of the mobile device in a consumer’s hand, it’s never too late to implement or add a mobile presence to your marketing efforts. Retailers should embrace mobile and adapt their store culture to ensure their consumers stay loyal to their brand.

Retailers have the opportunity to implement mobile strategies that cater to consumer behaviors and create an environment of exceptional customer experience. If retailers approach showrooming intelligently, consumers will be more apt to buy in the store and not walk out the door.