

## **Showrooming: The Next Threat to Indian Retail**

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### **Abstract**

Indian retail sector is witnessing remarkable changes in the new era with an increase in consumer aspirations, emergence of new consuming classes, incidence of new attractions for national and global corporations and above all, the grandiose ploys by the government of India. These changes are perceptible to the millions of the retailers and shopkeepers who operate their physical stores in India. But there are few inconspicuous, unforeseen and camouflaged new changes that these innocent store-keepers are ignorant of and unaware of. Showrooming is one such new change that is trending across the globe and hurting many retailers in their trade. Since, India is fast claspings global trends, the threats posed by this new trend to the global brick-and-mortar stores, may also predictably attack Indian retailers. It is with this interest that the author wants to investigate the origin and effects of show-rooming in the global arena and caution Indian players of the same with some survival strategies recommended in this article.

Show-rooming is the practice of examining product in traditional brick-and-mortar stores but purchasing online. This is because most often customers believe that the prices of the product bought online are much cheaper than those bought from stores, since online retailers don't have much overhead costs as compared with their brick-and-mortar counterparts. Show-rooming is a bolt from the blue to the brick-and-mortar retailers as it eats out the sales of these retailers. Moreover, it is also felt that this may also damage the store's

floor samples because of too much handling. Show-rooming is considered to be too powerful to even slay companies. For instance, show-rooming is believed to be behind the collapse of many companies and surprisingly few more.

**Key Words:** Showrooming, online retail, physical store, customization.

**1. Introduction:**

The dawn of New Year 2013 heralded exciting yet testing times for the global retail. The Indian retail sector, one of the fastest emerging sectors in the nation over a past couple of years is no exception. In addition to the recent FDI proposal of allowing 51% foreign investment, made by the UPA government in Indian multi-brand retail, other issues such as scarcity of retail space, high rental costs, clarification on certain policy features, red-tapism, political turmoil, shortage of skilled manpower, infrastructural challenges and currency fluctuations have all forced the Indian retail outfits to fall into really times of churn. On the blind side, Indian retail has new threats from other sources too. New trends in shopping behavior of modern customers started posing new fears to the Indian retail traders, small and big who manages their physical stores. Call it a trend or a threat, Show-rooming, a new shopping behavior observed recently worldwide is soon going to engulf the sales of retailers in India too who operate brick-and-mortar style stores.

**2. Showrooming:**

Show-rooming is the practice of examining product in traditional brick-and-mortar stores but purchasing online. This is because most often customers believe that the prices of the product bought online are much cheaper than those bought from stores, since online retailers don't have much overhead costs as compared with their brick-and-mortar counterparts. Show-rooming is a bolt from the blue to the brick-and-mortar retailers as it eats out the sales of these retailers. Moreover, it is also felt that this may also damage the store's floor samples because of too much handling.

Show-rooming is considered to be too powerful to slay companies too. For instance, show-rooming is believed to be behind the collapse of Jessops, the named UK photography chain stores. (See Exhibit-1 for the poster affixed by the agonized former employees of Jessops in a bid to find work) and a surprising decision of Wal-Mart to discontinue the sale of Amazon's Kindle

(See Exhibit-2 for the news published by The New York Times on its website).

### **2.1 How does this Work:**

Let's consider a simple case of a customer by name Santhosh wants to buy a new tablet PC. He reads the experts' reviews online, seeks feedback from friends through social media, and narrows down his choices. He then goes to local department store to try out their collection, with the intent of making a buy.

Having selected a tablet in the store, he uses your smartphone to check online and discovers that a rival retailer is promoting the same model of the tablet for Rs. 50 less on their website, and which can be deliver it to him the next day. He immediately makes purchase online and goes home empty-handed, while the store remains ignorant of the cost of any missed sales (See Exhibit-3 for a comic strip drawn by popular cartoonist Tom Fishbrune of US on showrooming).

### **2.2 High-street Vs Online Retailers:**

Show-rooming has become a relatively new phenomenon in many parts of the world, especially in UK. Though show-roomers account for just a 6%, they make a huge chunk (about 50%) of the global online purchases. UK's national newspaper The Guardian believes that, this phenomenon is growing across the globe. For example in China, 24% of respondents identified themselves as show-roomers. Online-only retailers are capitalizing on this trend, accounting for one-third of show-roamer purchases.

Studies conducted by The Guardian found that consumers in UK are changing the way they research and ultimately purchase goods. One such studies revealed that 77% of the respondents said that they have selected the store to make their last non-grocery purchase, but only 51% were committed to returning to the store for the next purchase, while 45% were unsure whether they would next shop at a store or online.

Another survey conducted by Teradata Applications reveal astonishing facts that one in five respondents are showrooming, one-third of respondents are leaving and purchasing from a competitor. Also, over 50% of the respondents with smartphones agreed that they research prices online while they are in a store, one in three who research prices leaves and purchases from a competitor and 96% of the smartphone owners said they would plan to showroom in future (See Exhibit-4 for the results of the survey conducted by Teradata).

This change has immediately shown its affect on consumer electronics where, only 30% of the consumers surveyed in UK agreed that they made their last purchase in a store. Other product categories such as luxury goods, which was found to be one of the top categories for show-rooming are also expected to witness this phenomenon across the globe (See Exhibit-5 for top product categories of showrooming as claimed by research agency Moxie on its website).

### **2.3 The Menace:**

Show-rooming has become an outlandish event for retailers in many developed markets, that often scares them gravely. For instance, an Australian retailer had hit headlines recently this year for charging shoppers \$5 for just walking through the door to put a check to show-roomers (See Exhibit-6 for the notice put by the Australian store in bid to fine showroomers). On the other hand, online retailers are taking very vigilant in taking advantage of the show-rooming behavior among customers across the globe with tempting offers such as free shipping and returns, as well as low or no taxes. Online legend, Amazon makes sense for consumers to do online price comparisons before making a purchase.

Analytics support strongly that consumers across the world are increasingly getting involved in this trend. As per studies conducted by analytics firm ForeSee Results, nearly 70% of the respondents are using their cell-phones in a store to explore and go with their shopping experiences.

A UK-based design firm, Foolproof also made a similar claim and declared that there is a growth in in-store cell phone usage. Another recent report discovered that 24% of UK consumers have show-roomed during the 2012 holiday shopping season and 40% of them purchased from a rival after comparing the product prices.

### **3. Strategies for Stores to Fight against Show-rooming:**

Brick-and-mortar stores must be combat-ready to fight against this unforeseen trend called show-rooming. Customers today want shopping to be an experience and entertainment. Store should adopt themselves to the changing times and rejig their operations to offer a better experience. Stores should also chalk-out strategies to maintain consistency and provide convenience to their customers across all touch points.

Retailers should get ready to embrace this new change and consider it as a defense strategy to keep their customer base and as a growth strategy to take

advantage of this new shopping behavior. However, wrestling against a huge number of rivals who are just a click away to customers is not an easy exercise.

Technology come handy in improving customer loyalty and sales. There are small retailers who started adopting themselves to this change and combating their rivals in novel ways. For instance, some retailers started providing access to Wi-Fi free of cost as they steps in to the stores. This gives the customers an opportunity not only to visit the store's website but also to connect with people across the globe through social-networking websites, blogs etc. to read product reviews, customers' feedback, ratings of brands etc.

Stores may also opt for Permission Marketing, where shoppers may accept the stores' request to send multi-media messages to their mobiles and thus can track customers' tastes and preferences. This may be very helpful to stores to make sense of this data and provide shoppers, personalized deals to convert walk-ins to sales. Also, this could help stores make the shoppers share their experience positively, online.

Brick-and-mortar retailers are struggling with this trend and are under pressure to lure shoppers to make purchases while inside the store. Companies and brands like Wal-Mart, Target and Best Buy and other large national and global retailers are taking it very seriously. It has insisted them to innovate their cross-channel promotion strategies and in turn, they have initiated a slew of new digital marketing services that can engaging shoppers in novel ways and tantalizing them to their stores. Consider this, for instance. Global retailer Target earlier this year announced plans to match their prices with their online counterparts, such as Amazon (See Exhibit-7 for the price-match policy of Target). From the words of Jack Philbin, co-founder of Vibes, the mobile marketing solutions company, the mobile wallet space is affecting showrooming. This is further improved by the launch of Apple Passbook and Google Wallet, and few more mobile apps.

Say suppose, a customer has 'Pass' in his Apple Passbook, it's another worthy way stores can connect with him against showrooming because as the shoppers walk past a store, a mobile alert appears on their phones notifying them that a site is close by where they can use their passes (See Exhibit-8,9 for customers using Apple's Passbook and Google's Wallet apps). Google announced few weeks ago that it is working out on introducing a mobile wallet solution that will allow people to save objects to Google Wallet, such

as loyalty cards, offers, tickets, boarding passes and more, and this will be valuable to consumers and retailers, as well.

#### **4. Customized Shopping Experience:**

New age shoppers are in a look-out for superior personalized services while they interact with retailers, thanks to their experiences online. Studies found that shoppers are prepared to help retailers to get familiar with what they are looking for. A majority of the respondents in UK said they would spend time providing information on their preferences for what they buy, the channel, and mode of communication – but they are only willing to provide this information only once. After that, they want the retailer to learn from their activities and provide them with personalized offers and communication.

For this, retailers have to analyze the information they possess about their customers and their shopping patterns across all touch points. Generally, retailers keep a huge amount of processed and unprocessed data in forms of customer feedbacks, reviews and so on that should be tapped for the fullest.

Thus, it is very evident that the role to be played by retail stores is very vital. They have to utilize the technological advancement to cuddle this show-rooming trend. By offering an exceptionally good customized experience across all channels, based on the deep understanding of customer tastes and preferences, retailers can use the emerging trend of show-rooming to connect with their customers and thus increasing store loyalty and boosting sales.

#### **5. Tips for Retailers to Fight against Show-rooming:**

Though show-rooming still didn't make any strides into Indian retail market, it has already started affecting global retail majors. Almost every leading global retailer is boggling their minds at this latest trend. A popular blog, Bits which is endorsed by The New York Times made it clear that the familiar strategy to combat against this show-rooming is price-matching. Global retail giants such as Best Buy, Wal-Mart and Target are espousing price-matching strategies and moving ahead by forcing retailers to offer unique stock keeping units (SKUs) or goods in an attempt to fight against show-rooming. However, none of the strategies employed such as discounts, promotions, unique SKUs, etc are emerging as clear winners. In the pursuit of finding a headway to compete against show-rooming, brands and retailers are highly caught up in offering too much discounts. Rather, they better think how to stay competitive at full price.

So, what actually benefit retailers to successfully fight against show-rooming? Retailers can take it out of the equation by allowing customers to design and create unique and personalized products they cannot get anywhere else. Some tips for brick-and-mortars are given under which may help them battle the show-rooming menace.

**1. Adopt-Collaborate-and-Coordinate business model**

In today's business set-up, manufacturers and retailers, both are working in different silos and eventually end up contending against each other. But it will be fine if both operates together to offer customized solutions that exactly suits their shoppers' needs. For example, a technical outdoor gear company, Wild Things Gear recently initiated a customization program and started working to launch a similar program for their largest retail associate, Moosejaw. With such collaborations, both brand makers and retailers can meet their customers' special needs and offer specific set of products that reflects their unique focus.

**2. Treat customization as the mantra for success.**

Any customization program turns successful, only when the companies believe it is a key area of focus for all teams within that company, from marketing to IT. Treating it as just a side task will only get mediocre results and leave the company in no better place than earlier. For example, Global shoe majors, Reebok and Nike considered customization as a key area of strategic growth and differentiation for their custom design program and thus brought in over \$100 million in revenue when they launched the program.

**3. Lay emphasis on customer experience.**

The new age customers want themselves to be part of the process while the product is being planned, developed or delivered, hence companies must focus on getting their customers involved in doing so. Studies reveals that about 35% shoppers are interested in buying personalized products and services, especially in product categories where they can stand out from their peers. This particular trend is only gaining momentum today. Offering customers just what they want may only fortify their loyalty and engagement.



To succeed in warfare against show-rooming, brand-makers and retailers need to offer products that are truly differentiated from the rest. Offering customers a matchless experience of part-taking in the creation of their purchase help brands and retailers keep their customers with them for long for no reason for the customers to look at the competition.

#### **6. Conclusion:**

On the whole, it is vividly clear that show-rooming is here to stay. And it is neither a good news nor a bad news. It may be seen just as a wake-up call for traditional retailers to change and to innovate their multi-channel experience. Retailers who can sense this new move and attempt to make a headway should essentially consider show-rooming as the future of retail in India. Retailers have to decipher this new wave of show-rooming for innovative ways to leverage the opportunities it provides. Only those who feel panicky will perish, while those who seize it and use it to their advantage will succeed.

Surprisingly, to the brighter side, there are few unusual instances being noticed . Some online companies such as Warby Parker, which is popular for its Virtual Eyeglass try-on feature, is encouraging expansion beyond the web by opening its first brick-and-mortar store in New York City. Also, there is the opposite of show-rooming, which Gillepsie refers to as "web-rooming" or "e-rooming happening here and there. In this case, customers explore websites for the items they want online, and then zip to stores to make a purchase.

To conclude, it should be comprehended that to fight against this unforeseen, startling trend in retail called show-rooming, stores should realize the need to create makeover strategies to offer their shoppers an outstanding in-store experience. Innovative retailers such as Nordstrom and Burberry have already done this, and those stores which will thrive can create the best image to their physical stores such as offering the best customer service to their digital environments. Long live brick-and-motor stores.

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**Annexures:**

**Exhibit-1: Poster on Closed Windows of Jessops Store**



**Exhibit-2: The New York Times daily publication news on Wal-Mart;s Decision to Stop Selling Kindle at their Stores**



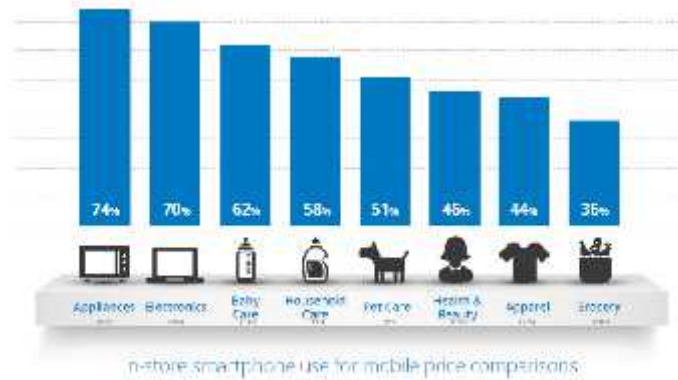
**Exhibit-3: A Cartoon drawn by Tom Fishburne on Showrooming**



**Exhibit-4: Survey Results on Showrooming by Teradata**

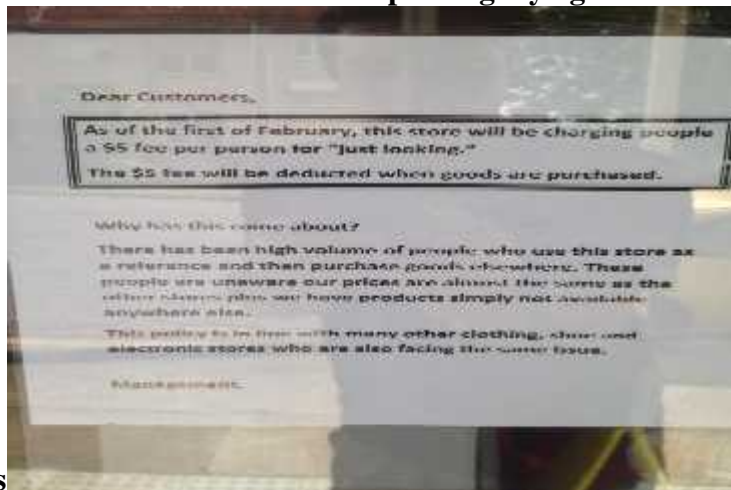


**Exhibit-5: Top Product Categories of Showrooming by**



**Moxie**

**Exhibit-6: An Australian Store-keeper's agony against**



**Showroomers**

**Exhibit-7: The Price-match Policy of Target Group**



**Exhibit-8: Shoppers using Apple's Passbook and Google's Wallet apps at Payment Terminals**

