

Debate

The Dilemma of Showrooming

ISSUE: What are the ethical ramifications of showrooming for the consumer and the retailer?

Brick-and-mortar retailers are fighting to win back customers one price match at a time. With the phenomenon of e-commerce has come the trend of showrooming, which has forced companies to reevaluate pricing strategies. Showrooming occurs when customers visit and examine merchandise within retail stores, then shop online to purchase the same product at a lower price.

Showrooming has been costly to retailers as they continue to lose business to online retailers such as eBay and Amazon.com. This has forced stores like Best Buy to close some of their stores, which results in job losses. Because online stores do not have the same overhead costs as most brick-and-mortar stores, they are able to offer lower prices to consumers. More online retailers are offering free shipping and returns, prompting customers to see the purchase as low risk.

To combat showrooming, stores such as Target, Best Buy, and Toys”R”Us are beginning to offer price matching guarantees on competitor and online prices. Stores are also looking to add value to customer purchases by providing services and more in-depth information at the time of an in-store purchase. Each store has rules and regulations regarding its price matching guarantee. Best Buy states that the price match is limited to one price match per identical item, per guest, and does not apply to certain listed items. Along with the price match came a change in Best Buy’s return policy, which was lowered from 30 days to 15 days. Amazon.com currently offers a 30 day return policy. Toys”R”Us, on the other hand, will only offer matching prices for specific products stated on their website. Guidelines and stipulations are clearly outlined on their website so consumers will have no questions to what they can ask for when visiting a Toys”R”Us store.

Target is countering showrooming by selling products exclusively in their stores. The company is also integrating online and digital features within their retailers. For instance, merchants are looking to post QR codes next to products to enable customers to read reviews and feedback about their potential purchase. They are also teaming up with social media sites such as Foursquare, which allows customers to “check in” when they are physically in the store and receive deals if they purchase items in the store.

Showrooming has become a very controversial topic among consumers and retailers. For consumers, showrooming can be beneficial in the form of lower prices. Showrooming can be viewed as a comparative shopping strategy that consumers are implementing to receive the best deals. With competition levels continually reaching heightened levels, adaptation from brick-and-mortar stores is necessary. Proponents of showrooming claim that retailers could also view it as an opportunity rather than a threat. Stores could make use of new technology such as product selectors, which uses shoppers’ mobile phones to present them with a series of questions that help narrow products down for the consumer in the store. This could provide more quality service without having to ask a salesperson for help. Stores can also use mobile apps to engage in nonprice competition. For instance, mobile apps are being invented that can scan in-store products and provide consumers with valuable information, such as the sustainability of the product or whether the store has used sweatshop labor. With competitive pricing strategies,

investments in new technology, and consistent quality customer service, brick-and mortar stores could continue to compete against showrooming.

On the other hand, critics are not certain that it is ethical for consumers to use retailers and the knowledge of their salespeople only to purchase products online at lower prices. With showrooming comes the potential of more store closures, which could potentially do a disservice to customers. Showrooming is based upon individuals going into stores and interacting with products before comparatively shopping online. If all brick-and-mortar locations close, then consumers will no longer have the ability to test the product and will no longer have an experienced, knowledgeable salesperson to rely upon. Critics also believe that Internet retailers have used showrooming to engage in underhanded behavior. For instance, in 2011 Amazon offered discounts to consumers who went showrooming, used their Amazon price-check application in stores for comparative shopping, and then purchased products online from Amazon. While not illegal, some believe that Amazon's behavior of directly using retailers in their strategy to gain the upper hand was unethical.

There are two sides to every issue:

1. Showrooming is acceptable consumer behavior, and it is up to the business to respond with a competitive strategy.
 2. Showrooming is a questionable consumer behavior and has the potential to have a negative effect on retail structures and competitive relationships.
-

Sources:

"Showrooming," technopedia, <http://www.techopedia.com/definition/28277/showrooming> (accessed March 20, 2013).

"Best Buy Low Price Guarantee," Best Buy, March 3, 2013, <http://www.bestbuy.com/site/Payment-Pricing/Best-Buy-Low-Price-Guarantee/pcmcat297300050000.c?id=pcmcat297300050000> (accessed March 20, 2013).

Allison Howen, "The Retailer with the Highest Showrooming Risk Is...," *Website Magazine*, <http://www.websitemagazine.com/content/blogs/posts/archive/2013/03/04/the-retailer-with-the-highest-showrooming-risk-is.aspx> (accessed March 20, 2013).

"We Price Match Everything!" Babies "R" Us, <http://www.toysrus.com/shop/index.jsp?categoryId=11949070> (accessed March 20, 2013).

Nick Wingfield, "More retailers at risk from 'showrooming'," *The New York Times*, February 27, 2013, <http://bits.blogs.nytimes.com/2013/02/27/more-retailers-at-risk-of-amazon-showrooming/> (accessed March 20, 2013).

Amazon.com, "About Our Return Policies," <http://www.amazon.com/gp/help/customer/display.html?nodeId=15015721> (accessed March 20, 2013).

The Seattle Times, "Many retailers stand to suffer from 'showrooming,' study finds," *Times Dispatch*, March 4, 2013, http://www.timesdispatch.com/business/local/metro-business/many-retailers-stand-to-suffer-from-showrooming-studyfinds/article_a4a4b737-8bec-54f6-b9c4-a7bc7f0b3dee.html (accessed March 20, 2013).

Jerry Spelic, "How to engage smartphone shoppers and use showrooming to your advantage?" techmarq, <http://techmarq.eu/how-to-engagesmartphone-shoppers-and-use-showrooming-to-your-advantage-jerry-spelic-easy2-speaks> (accessed March 20, 2013).

Robert Hof, "How Consumers Can Benefit From Consumer 'Showrooming?'" *Forbes*, August 21, 2012, <http://www.forbes.com/sites/roberthof/2012/08/21/how-retailers-can-benefit-from-consumer-showrooming/> (accessed March 20, 2013).