

# Using Innovative Technology To Address The Showrooming Challenge

By Jonathan Lee, Associate Editor

Brick-and-mortar retailers have experienced a series of unique challenges during the past 10 years. The rise of eTailers and the growing popularity of smartphones have often been cited as a cause of declining brick-and-mortar sales. Online and mobile commerce continue to capture a growing percentage of total spending, according to [comScore research](#).

Desktop-based e-Commerce sales reached \$50.2 billion in the U.S. during Q1 2013, a 13% increase over the same period in 2012, comScore reported. Additionally, m-Commerce data showed mobile added \$5.9 billion in spending during the quarter.

Showrooming is the most common scapegoat to explain how and why mobile and e-Commerce are endangering brick-and-mortar retailers. In response, for example, Target [discontinued stocking](#) the [Amazon Kindle](#), allegedly to prevent consumers from checking competitive pricing through the Internet.

Some fashion outlets have [added a fitting fee](#) simply for browsing items, according to a recent article from BBC.



“Consumers have always showroomed and they always will. Mobile just accelerates the process. It’s more important for retailers to understand what causes the non-cherry picking customers to pull their mobile phones out in the first place.”

-Nikki Baird,  
RSR Research

"Consumers have always showroomed and they always will," Baird said. "Mobile just accelerates the process. It's more important for retailers to understand what causes the non-cherry picking customers to pull their mobile phones out in the first place."

However, some industry experts note that showrooming is nothing new, according to Nikki Baird, Managing Partner at [RSR Research](#). The utility of mobile devices simply has sped up the price-searching journey.

A [study](#) from RSR indicates that most retailers believe mobile is useful for driving traffic into the store but have little interest in using mobile to engage consumers once they are actually in the store.

Although some analysts have dismissed showrooming as an empty threat, a recent [report](#) from the [IBM Institute for Business Value](#) indicated that the small percentage of U.S. showroomers can still be detrimental to retailers. Only 7% of U.S. consumers identified themselves as habitual showroomers but 50% of all online sales are driven by showrooming, according to the report.

"Showrooming isn't a four letter word," Garf said. "These savvy consumers demand many of the capabilities that showrooming offers, most notably, personalized promotions, visibility into inventory across the chain, and a seamless experience across channels."

-Rob Garf,  
Demandware



"At this point, retailers need to be willing to experiment," said Baird. "We're at the early days of innovation in in-store technology, even though some of the technologies that retailers are looking at have been around a long time. Consumers just haven't been primed to be receptive to technology as part of the store experience for a long time, but I think that is changing thanks to their online experiences."

Retailers are keeping pace with showrooming and other consumer trends by integrating innovative tools and technologies into their brick-and-mortar stores. As a result, these retailers are creating more compelling shopping experiences, which helps to improve customer engagement and overall store traffic.

## Using Showrooming As An Advantage

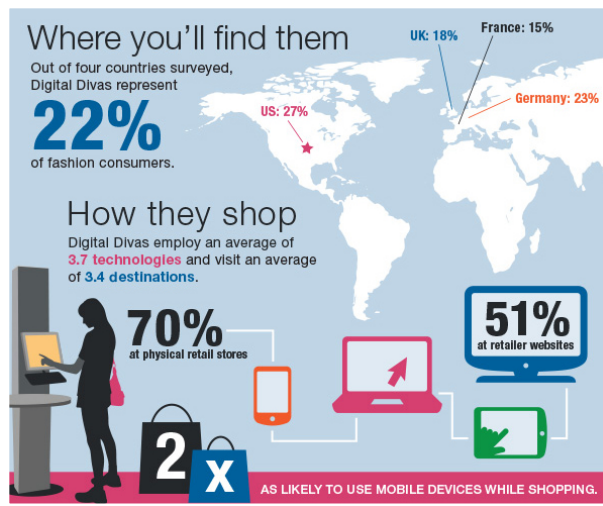
The widespread adoption of social networks and mobile devices has created a new generation of consumers that expect an omnichannel brand experience. Using smartphones and tapping into social media, brick-and-mortar consumers always are connected and influenced by sources beyond the store. Omnichannel strategies can be an effective way to target key influencers — even if most of a retailer’s demographic doesn’t have a significant digital footprint.

In a [recent study](#), the [Terry Lundgren Center for Retailing](#) found that 22% of fashion consumers accounted for 69% of all fashion purchases in Europe and the U.S. Referred to as “Digital Divas,” this lucrative group of consumers is five times more likely than “non-divas” to influence the buying behaviors of their friends and family through social networks.

Digital Divas also have twice the expectations as non-divas for personalized and exceptional service, and 45% consider multiple channels an important consideration in their shopping experience.

“Shoppers are entering stores with smart devices and using them as shopping tools, whether it is for research, sharing experiences via social apps, or to pay for merchandise. Retailers need to be ready, like it or not. They need to create a strategic plan and decide how mobile will play a role within their omnichannel experience.”

-Deena Amato-McCoy,  
Aberdeen Group



As a result of these multichannel browsing and buying behaviors, Digital Divas are considered “the epicenter of a brand’s success,” according to Rob Garf, VP of Production and Marketing Solutions at Demandware.

“Showrooming isn’t a four letter word,” Garf said. “These savvy consumers demand many of the capabilities that showrooming offers, most notably, personalized promotions, visibility into inventory across the chain, and a seamless experience across channels.”

For vendors that control their own brands, showrooming might even be an advantage. For example, [J. Crew](#) plans to double online sales as a result of consumers scanning products in stores, according to Deena Amato-McCoy, Research Analyst for the retail branch of Aberdeen Group. [Coach](#) is another brand that is targeting showrooming as a way to boost interest in outlet stores.



“The convergence between store and ecommerce technologies is accelerating. It’s time to invest in a single digital backbone to power both virtual and physical interactions between retailers and consumers to provide the best shopping experience.”

-Rob Garf, Demandware

“As loyal Coach shoppers know, the brand’s outlets carry overstocks, store exclusives and other competitively priced merchandise that cannot be found online or even in full-line stores, at times,” said Amato-McCoy. “By putting more power behind this division, the company is seeing results. In fact, one of its most popular locations, the Woodbury Commons Outlet Mall in New York, has become a shopping destination for loyal shoppers. This treasure hunt model has significantly helped the company boost its profitability — and it is a way to use showrooming to its advantage.”

## Mobile Provides Awareness, Context And Flexibility

If shoppers are on their smartphones and on social networks — particularly while in-store — then retailers should leverage those channels in order to connect with customers. While most retailers are worried that store management is spending too much time on store technology and administrative tasks, Retail Winners are more concerned about a focus on cross-channel selling and fulfillment, according [to a report](#) from RSR Research.

Retail leaders are embracing the cross-channel challenge, added Amato-McCoy, noting that as many as 30% of retailers are adding smart technologies to their POS strategies and 40% are planning for similar capabilities in the next 12 to 24 months.

“Shoppers are entering stores with smart devices and using them as shopping tools, whether it is for research, sharing experiences via social apps, or to pay for merchandise,” Amato-McCoy said. “Retailers need to be ready, like it or not. They need to create a strategic plan and decide how mobile will play a role within their omnichannel experience.”

Cabela's, for example, is integrating location technology with mobile, explained Greg Hickman, Mobile Marketing Manager. By using the LocalPoint platform from Digby, Cabela's is able to track consumer movement and gain valuable insights to drive leads. The location technology showed Cabela's which part of the store customers visit most, how long they stay, and how quickly they make purchase decisions.

“Mobile compliments your other channels,” said Hickman, “People are using mobile to do the same things they've done before, like getting coupons and reading reviews. Mobile doesn't exist in a silo. It has to be used in conjunction with other marketing tools.”

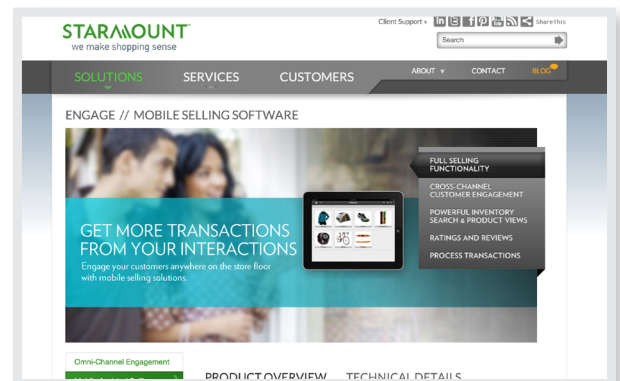
Retailers must employ a two-pronged mobile strategy that will make it easier for consumers to use mobile devices while in stores and also for employees to use mobile devices as business assistance tool, Dion said.

“In the context of a digital platform, the story you tell can be a lot more flexible and dynamic. There are the traditional seasonal stories like 'Back To School' or 'Mother's Day,' but digital allows for more personalized experiences. For Build-A-Bear, we have QR codes for specific stories. We can give you a special QR code that can unlock a birthday adventure at a store. Once you put it in, every station in the store gets themed into your birthday celebration.”

-Dave Finnegan,  
Build-A-Bear

## Mobile POS Saves Overhead And Provides Convenience

At a cost of somewhere between \$1,500 and \$20,000, traditional POS systems are expensive to install and maintain. Conversely, an iPod touch that has been customized for POS could cost approximately \$500, while an iPad tailored for the same purpose might cost approximately \$1,000, based on a recent example from Urban Outfitters.





Because of cost, as well as a potentially improved customer and associate experience, some retailers have been using mPOS as an alternative while others have transitioned completely.

[Urban Outfitters](#) has eliminated its cash registers in favor of mobile POS. [Perry Ellis](#) also has started implementing mobile POS using iPads loaded with the [Connect and Engage](#) solution from [Starmount](#).

The flexibility of mobile POS is an attractive selling point for both consumers and store associates. For example, if a customer wants an item that is out of stock, employees or store managers can use mPOS to order the item online and have it delivered directly to the customer's home. Traditional, store-centric POS sales will gradually die off in the next 15 years, predicted Garf.

"The convergence between store and ecommerce technologies is accelerating," Garf said. "It's time to invest in a single digital backbone to power both virtual and physical interactions between retailers and consumers to provide the best shopping experience."

"The main reason we pursued mPOS was for clienteling," added Luis Paez, CIO of Perry Ellis International, in an [interview](#) with [Retail TouchPoints](#). "Being able to approach and work with the customer more effectively was very important. Employees and store managers now are equipped with the tools to build that relationship with shoppers and create more interactive experiences."

## Leading Retailers Use Interactive Technology To Improve Brand Experiences

The rapid development of e-Commerce and mobile technology has greatly impacted the ways brands and retailers connect with consumers.

As a result, consumers have become accustomed to the interactivity of mobile and the convenience that e-Commerce vendors provide. Several retailers have implemented in-store technology solutions that cater to these rising customer expectations, including [Build-A-Bear](#), [Bloomingdale's](#) and [Left Shoe Company](#).

"You are not going to use half of the things you experiment with in a prototype store, but you still have to install them because you don't know which half you're going to use. We spent over \$10,000 on the green screen visualization but other companies spend more than \$100,000 on prototype stores. By using video, we were able to efficiently and economically understand what children wanted in stores."

-Dave Finnegan,  
Build-A-Bear

One way to address technology offerings is to target specific consumer segments. Providing a tactile, user-driven experience is especially important for retailers that cater to Millennials, especially children and teens. Consumers of this age group are growing up in a time where voice-activated GPS programs and touchscreen computers are ubiquitous. Retailers working in this space must keep in mind that children today have always had instant access to technology, and are accustomed to accessing information immediately.

**Build-A-Bear** is reaching its young child demographic in a partnership with [Infusion](#). The retailer has implemented a variety of [interactive touch screen stations](#) in a select number of “future stores.” The touch screens allow users to design bears according to color, pattern, species, outfit and even temperament. Shoppers can even give them virtual baths. Six months after implementation, Build-A-Bear sales increased by 30%.



“The 10-year-old girl of today has more access to more information than any other child in the history of the planet,” said Dave Finnegan, CIO of Build-A-Bear. “We knew this was the digital generation. We were a very high-touch, interactive brand already, so deciding to use touch screens was a natural fit. This generation of kids has technology in their DNA. They innately ‘get it.’”

The new Build-A-Bear store experience has been so successful because the retailer focused first and foremost on creating a memorable and fun experience, rather than just selling products, noted Peter Rivera, VP and Executive Creative Director of Infusion. “You can buy bears anywhere but what’s unique about Build-A-Bear is the construction of the bear, building your best friend,” Rivera said. “Infusion created stations for them that we like to call ‘ownable moments,’ which are moments that no other brands can claim.”

Retail is ultimately about storytelling, Finnegan added. By using interactive digital signage technology, Build-A-Bear was able to brand itself beyond the physical product.

“In the context of a digital platform, the story you tell can be a lot more flexible and dynamic,” said Finnegan. “There are the traditional seasonal stories like ‘Back To School’ or ‘Mother’s Day,’ but digital allows for more personalized experiences. For Build-A-Bear, we have QR codes for specific stories. We can give you a special QR code that can unlock a birthday adventure at a store. Once you put it in, every station in the store gets themed into your birthday celebration.”

## Virtual Augmentation Provides Consumer Convenience And Detailed Metrics

Some retailers are using touch screen technology to provide a convenient shopping experience that also extracts valuable metrics for future leads.

**Bloomingdale's**, for example, has implemented a virtual augmentation platform from [FaceCake Swivel](#). The platform currently is being tested in select Bloomingdale's stores, and is permanently installed in the [Microsoft](#) Retail Experience Center in Redmond, Wash.



Swivel acts as a digital dressing room. By using the [Kinect](#) from Microsoft, Swivel tracks customer movement and allows shoppers to try on a variety of virtualized outfits and accessories. Customers can try on a variety of items without the hassle of trekking to a store fitting room, and can even upload pictures to garner feedback from friends.

As consumers leverage the Swivel technology, retailers are able to collect detailed metrics on shopper preferences and patterns. "We track everything you can imagine," said Linda Smith, CEO of FaceCake. "Color, most selected style, something that was rejected quickly after wearing, products that are picked up most by customers, as well as other behaviors."

The users decide which outfits to try on and Swivel follows up with suggestions. This way, the shopper doesn't feel bombarded by advertising, said Smith. The consumer is the one selecting what he or she wants to wear. This generates a more reliable source of leads for retailers looking for data on what items to stock or promote since customers are making selections with little advertising or marketing involved.

FaceCake also can augment marketing for home décor retailers, Smith explained. Consumers can upload pictures of their living spaces to the Swivel and experiment with potential purchases by adding them into the rooms.



## Left Shoe Company Uses 3D Technology To Improve Product Fit

Implementing innovative store technology is not always about leveraging new channels and emerging trends. For example, some luxury retailers successfully have mixed innovative technology with traditional craftsmanship.

[The Left Shoe Company](#) sells custom-fitted shoes by acquiring foot measurements through 3D scanning. Shoppers place their feet on a 3D scanner that takes 150 pictures per foot during a 360-degree scan, which are uploaded to a display.

A retail specialist reviews the foot measurements and discusses various information points with the customer, such as the shape of each foot, a wide versus narrow fit, and the differences between the right and left feet. Measurements are sent to Portugal, where the shoes are handcrafted to order.

The precise needs for shoe-fitting led Left Shoe to adopt the technology, according to Patrick Mayworm, Co-Founder of The Left Shoe Company U.S. “The founders realized that 3D scanning could provide precision measurement data for accurately determining how to make each shoe for a customer,” Mayworm said. “Unlike other clothing and apparel, shoes must be designed and built accurately for each foot and the tolerance levels for feet are much higher than other parts of the body.”

### Make Cost And Creativity Implementation Priorities

As retailers are implementing emerging technologies, Finnegan advises retailers to take creative, cost-effective approaches to the integrations. Build-A-Bear scaled the production of its interactive stores by creating a visualization of a location using green screens and adding in tech animations afterwards, Finnegan explained. Typically, retailers build physical store prototypes.



“You are not going to use half of the things you experiment with in a prototype store, but you still have to install them because you don't know which half you're going to use,” said Finnegan. “We spent over \$10,000 on the green screen visualization but other companies spend more than \$100,000 on prototype stores. By using video, we were able to efficiently and economically understand what children wanted in stores.”

Regarding new technology costs, Jim Dion, President and Owner of [Dionco](#), warned that retailers should consider all options. Mobile apps, he explained, might not be right for all retailers, in particular smaller brick-and-mortar companies. Instead, he advised, these merchants should start with more economical investments. A non-platform HTML5 web site, 2D barcoding and QR codes are good first steps, he noted. There are several QR code generators that are available for free such as [Kaywa](#) and [Skanz](#).

Even interactive digital screens may be cheaper than developing a mobile app, Dion said, as there are vendors that can offer affordable screens at entry-level models or smaller monthly payment options.

## Plan Implementations With Business Objectives In Mind

The growing popularity of mobile and social media has changed the landscape of consumer interaction, but consumers' needs remain the same. They still want artisan craftsmanship from luxury providers, personalization from customizable stuffed animal vendors, and convenience from clothing stores. Leading retailers are not using new technology to change their objectives; instead, they are leveraging technology to supplement their established business objectives.

Retailers that want to stay relevant in the Internet Age must integrate new technology into their stores, but before doing so, they should first establish overall business objectives, brand stories and target audiences. There is no “one-size-fits-all” technology solution for all merchants.



411 State Route 17 South,  
Suite 410  
Hasbrouck Heights, NJ 07604

P: 201.257.8528  
F: 201.426.0181  
[info@retailtouchpoints.com](mailto:info@retailtouchpoints.com)

## About Retail TouchPoints

Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, special reports, web seminars, exclusive benchmark research, an insightful editorial blog, and a content-rich web site featuring daily news updates and multi-media interviews at [www.retailtouchpoints.com](http://www.retailtouchpoints.com). The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.



## You May Also Like...

click to view



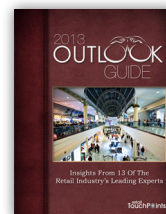
Store Operations  
Superstar Awards



Customer  
Engagement Awards



Social Commerce  
Imperatives



2013 Outlook Guide