

SHOWROOMING AND THE RISE OF THE MOBILE-ASSISTED SHOPPER

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Matthew Quint and David Rogers
Columbia Business School

Rick Ferguson
Aimia



EXECUTIVE SUMMARY

Many of us have “showroomed” at least once in our lives — visited a store and saw a product we liked, but then purchased it online instead of from the store. With the rapid rise in smartphone penetration, consumers can now browse a store’s aisles with the internet immediately available in their purse or pocket. As a result, retailers and investors have expressed growing alarm that showrooming will drive more and more customers to leave stores without a trip to the cash register.

This study examined 3,000 consumers in three markets (US, UK, Canada) in order to shed light on **how consumers are actually using their mobile devices in-store**, and what strategies retailers need to consider for these mobile-assisted shoppers.

Our study found that all mobile-assisted shoppers are not the same. We identified **five unique segments of “M-Shoppers” (see next page)**, each with different attitudes toward physical stores, patterns of showrooming, and motivations to pull out their phone or tablet within a store. We uncovered some threats, but also several opportunities for retailers that strategically enable M-Shoppers to use their phones as part of the shopping experience. In fact, there are ways in which a consumer with quick access to the internet may be more likely to make a purchase while in a store.

SAMPLE FINDINGS

DEMOGRAPHICS

- > 21% of all consumers are “M-Shoppers” — using mobile devices while in retail stores to assist in their shopping decision
- > 74% of M-Shoppers are over 29 years old — they are not just the Millennial Generation

IT’S NOT ALWAYS ABOUT SHOWROOMING

- > Only 6% of M-Shoppers are “Exploiters” — already planning to buy online, and always opting for the lowest price
- > 30% are “Traditionalists” — committed to purchasing in-store, and only using their smartphones to find more information
- > Convenience, urgency, and immediacy — the top three reasons that M-Shoppers buy in-store even after they find the same product cheaper online
- > 48% of M-Shoppers are more likely to purchase products in-store despite equal or cheaper prices online when they are a loyalty program member

STRATEGIC OPPORTUNITIES

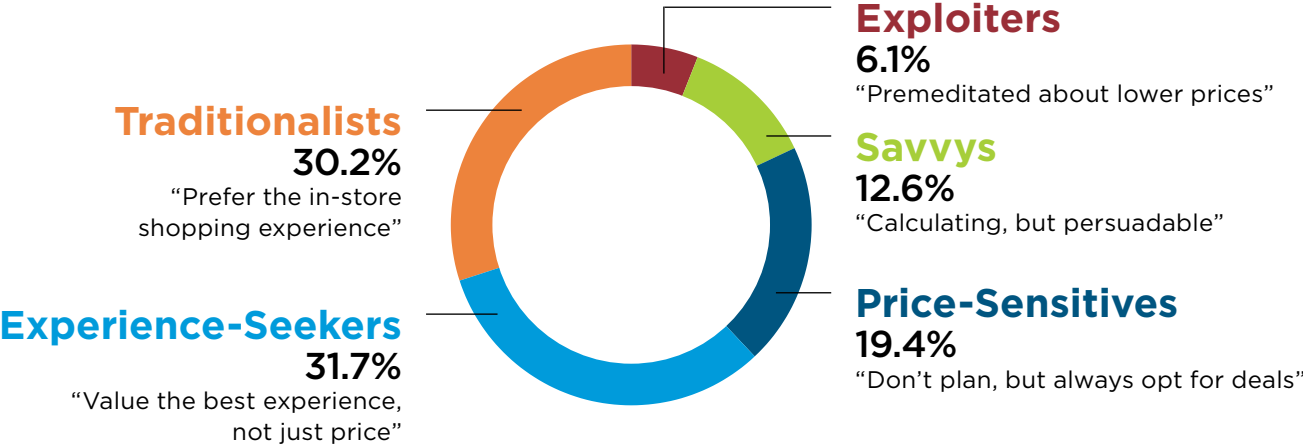
- > 60% of M-Shoppers are more likely to buy a product in the store when they find online reviews on their smartphone
- > 55% are willing to sign up for a store loyalty program in order to gain benefits on their smartphone while in the store
- > 31% are interested in interacting with a store on social networks like Facebook



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Five Types of Mobile-Assisted Shoppers





ASSESSING THE THREAT OF SHOWROOMING

For nearly 20 years, brick-and-mortar retail stores have faced a threat from the growth of ecommerce. But even when someone enters a store, a retailer remains anxious. In 2010, retail analysts and media outlets in the US began to talk about the electronics chain Best Buy becoming a “showroom for Amazon.” From this, the term “showrooming” was born — i.e. consumers using a retailer as a showroom to view products in-person before buying them from an online retailer.

Concerns about showrooming were further inflamed by the rise of web-enabled mobile devices. In December 2010, the *Wall Street Journal* published a story entitled, “Phone-Wielding Shoppers Strike Fear Into Retailers,”ⁱ which discussed the potential threat that industry players and experts saw once price-comparison shopping could be done in the palm of one’s hand. At that time, smartphones weren’t very common. But by early 2012, the US adoption rate of smartphones went past the 50% mark,ⁱⁱ and similar adoption rates were occurring in Canada and the UK.ⁱⁱⁱ With this growth, a perceived threat from the mobile web was in the forefront of retail business discussions.

Over the past few years, retailers at all levels have experimented with strategies to combat this trend. In January 2012, for example, Target’s CEO wrote a letter to its vendors seeking their assistance and suggesting that they create product models that would only be available at Target. The letter stated, “What we aren’t willing to do is let online-only retailers use our brick-and-mortar stores as a showroom for their products and undercut our prices without making investments,

as we do, to proudly display your brands.”^{iv} In June 2012 at a shareholder’s meeting, Best Buy’s interim-CEO stated, “Ending [showrooming] is a top priority for our team.”^v

Stories circulated on the internet claiming that retailers might even be using technology to block or hamper wireless data access within a store. While these were unsubstantiated rumors, in February 2013, a small retailer in Australia posted a sign noting that they will now charge customers \$5 for “just looking” at products and not making a purchase while in the store.^{vi}

Given a growing chorus from retailers that showrooming would be a serious threat to their future, we wanted to better understand how today’s smartphone-wielding consumers were actually using their devices while in a brick-and-mortar store. Had they become serial price-shoppers whenever they walked into a store? Or were they using their phones to aid their shopping decision in other ways? Were they just as likely to be browsing the web or consulting their social networks in order to help them commit to purchase a product in the store that day?

To better understand this phenomenon, we surveyed a total of 3,000 consumers in the US, UK, and Canada, who were currently using their mobile computing devices as part of their shopping experience in retail stores. Our goal was to understand: 1) who are these shoppers; 2) what are they doing with their mobile devices in-store and why; and 3) what are the implications for retailers seeking to adapt to a changing consumer landscape.



“What we aren’t willing to do is let online-only retailers use our brick-and-mortar stores as a showroom for their products and undercut our prices.”

— Letter from Target CEO

THE FUTURE IS HERE: THE MOBILE-ASSISTED SHOPPER

The 3,000 respondents to our survey all fit a rapidly-emerging consumer profile, which we describe as the mobile-assisted shopper (or “M-Shopper”). All of these consumers own smartphones. And, in the last 12 months, all of them have used a smartphone or tablet while in a retail store to assist with their shopping. That assistance could range from checking prices, to calling or texting a friend for advice, to actually purchasing a product on the phone while in the store.

DEMOGRAPHIC PROFILE

Our first question was, “Who are these M-Shoppers?” We found that they do not exhibit a very strong slant towards one particular age cohort, and are a demographically diverse group.

The **gender** of M-Shoppers is close to an even split (Men: 52%, Women: 48%). However, M-Shoppers younger than 30 years old skew more female (60%), while those 30 and older skew more male (56%).

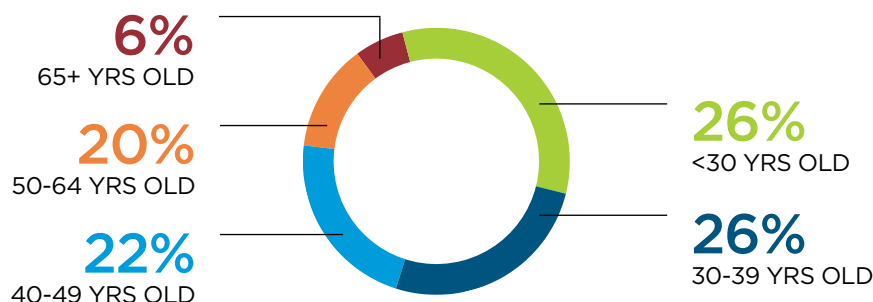
Their **age distribution** remains relatively constant through age 64, before dropping off at 65-plus, as

might be expected given overall digital adoption trends (see Chart 1.1). This seems to indicate that mobile-assisted shopping is not an “early-adopter” behavior, but rather a behavior linked to the mainstream adoption of smartphones and their integration into consumers’ lives.

In terms of their **rural vs. urban distribution**, M-Shoppers show similar splits as to the general distribution in the three countries surveyed. In total, 18% identified themselves as rural, 37% as suburban, 20% as small city dwellers (pop < 500,000), and 25% as large city (pop > 500,000).

Finally, in looking at **income**, the group fits into three, roughly even, tiers. Thirty-three (33%) percent are within a “lower” level of annual household income (defined as less than \$50K in the US and Canada and less than £25K in the UK), 38% are in a “middle” level of income (\$50-100K US and Canada, £25-50K in UK), and 29% are in a “higher” level of income (>\$100K in US and Canada, >£50K in UK).

Chart 1.1: Age Distribution of M-Shoppers



COUNTRY VARIATIONS

Within the three countries surveyed, there are a few notable differences in the demographics of M-Shoppers.

In the UK, there is a skew towards “lower” income levels (40% of UK M-Shoppers, as compared with 29% in the US and Canada), and a slightly larger rural population.

In the US, there is a larger share in the suburban population, and respondents are more likely to have

some level of graduate study in their education (21% of US M-Shoppers vs. 10% in the UK and Canada).

In Canada, there are significantly fewer respondents under 30 years of age (19% of M-Shoppers, as compared with 29% in the US and UK), and a greater number of respondents reported living in cities than in suburbs.

Mobile-assisted shopping is not an “early-adopter” behavior, but rather a behavior linked to the mainstream adoption of smartphones and their integration into consumers’ lives

HOW MANY M-SHOPPERS ARE THERE?

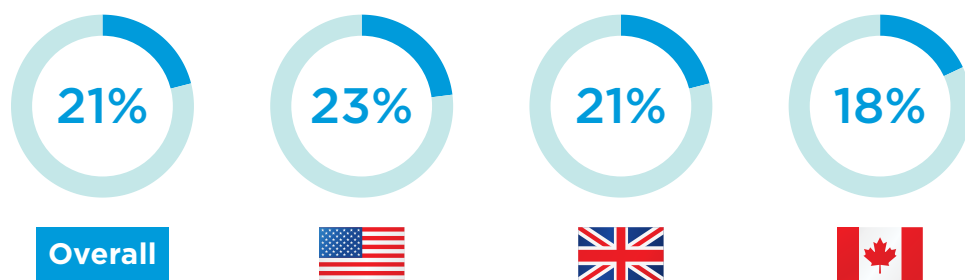
Although it may feel like everyone entering a store these days turns to their phone to investigate a potential purchase, our research shows that this is not the case.

Among respondents to our survey screener, 21% identified themselves as mobile-assisted shoppers (i.e. they both owned a smartphone and had used a mobile device in-store to aid their shopping within the last 12 months). This rate varied only slightly among the three countries — US: 23%, UK: 21%, Canada: 18%. (Note: only those who passed this screener continued on to complete our survey.

That is, all of our 3,000 complete survey respondents were in this group.)

This survey response could be interpreted as evidence that mobile-assisted shoppers make up 21% of the entire population of consumers, although our sampling methodology was not designed specifically to measure that incidence rate. This rate is generally consistent with other recent studies conducted among US and/or UK consumers which suggest rates of mobile-assisted shopping that range from 25% to 45% of consumers (or 50% to 60% of smartphone owners). (See Appendix A for more details.)

Chart 1.2 Incidence Rate of M-Shoppers Among All Survey Attempts





EMERGENT BEHAVIOR: WHAT'S REALLY HAPPENING IN THE AISLES

HOW DO M-SHOPPERS USE THEIR DEVICES IN-STORE?

We asked mobile-assisted shoppers about the frequency with which they conduct specific activities on their phone while they are in the store (See Chart 2.1). There is almost no difference in the frequency of price checking (52%) compared to searches for product information and user reviews (50%). And nearly as often, M-Shoppers are getting advice from friends and family (39%).

There are also a few interesting niche behaviors that our M-Shoppers conduct while in a store (See Chart 2.2). About one-third have hunted for an online coupon. Roughly a quarter of them have posted an update while in-store to a social media service

and/or checked-in to a location-based service. A smaller percentage (10%) used their phones at the checkout counter to pay for their purchase.

Most consumers report that they use either the store's own website (70%) or another website (75%) to gather product information (See Chart 2.3). We do find it interesting that a good portion of M-Shoppers also report using the store's app (42%) while fewer report using a generic shopping app such as RedLaser or eBay (26%). In addition, roughly one-third of M-Shoppers scan QR codes or UPC codes to get directly to product information.

M-Shoppers are nearly as likely to use the store's own website (70%) as another website (75%) to gather product information

Chart 2.1: Frequency of Mobile Activities In-Store

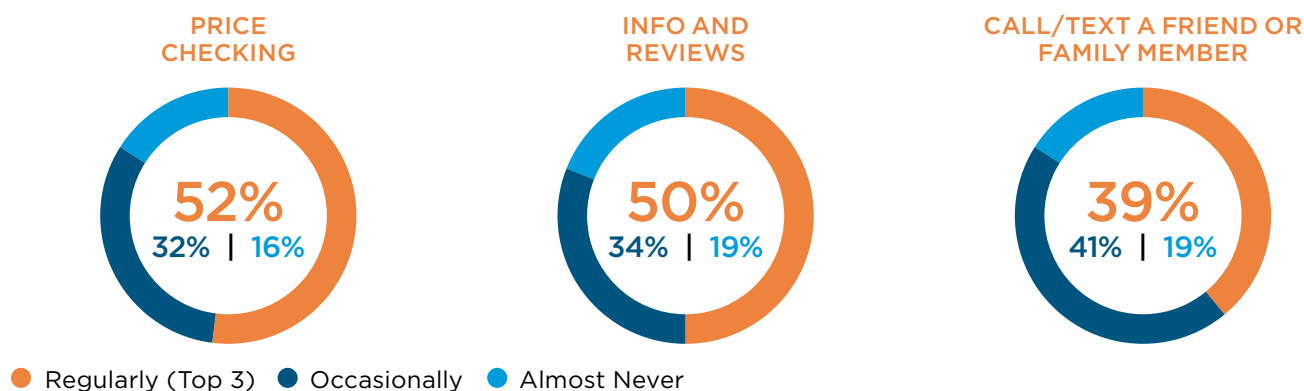
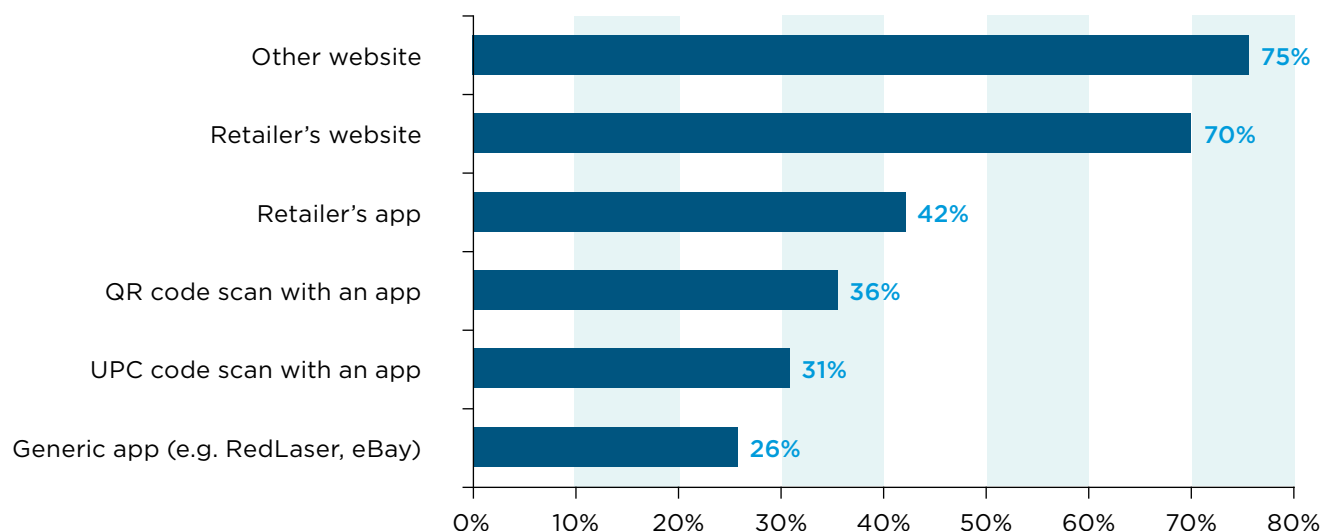


Chart 2.2: Adoption Rate of Niche Behaviors by M-Shoppers

HAVE YOU EVER DONE THE FOLLOWING WITH YOUR SMARTPHONE WITHIN A STORE?



Chart 2.3: Mobile Tools Used to Research Products In-Store





36% of M-Shoppers regularly search for information on their phones for products less than \$50

TAKING OUT THE PHONE: PRICE POINT AND PRODUCT CATEGORY AS TRIGGERS

Two factors seem to have the most influence on whether M-Shoppers will utilize their mobile device while shopping in a retail environment: 1) the price point of the product, and 2) the product category (e.g. electronics vs. food).

The frequency of information searches increased quite clearly as the price point of the product increased. Still, even for products less than \$50 (US/Canadian), 36% of M-Shoppers are conducting these searches regularly. As can be seen from Chart 2.4, this rate increases sharply until it levels off at 62% for products priced over \$250. (UK data showed similar behavior.)

Product category also factors into the frequency of information searches (See Chart 2.5). The most

frequently researched product category is 'electronics and appliances', with 45% of respondents 'Almost Always' or 'Frequently' searching, and 83% searching at least 'Occasionally.' This is not surprising, as the high price points and complex product features in this category are known to drive knowledge-seeking on all internet platforms. The next two product categories, 'books and music' (67% at least 'Occasionally') and 'sporting goods, toys, hobbies' (66%), drive this behavior a bit less frequently. The products in these two categories are not necessarily high-priced, but do include items for which consumers seek critical reviews. All the other categories compelled an occasional information search by 50-63% of M-Shoppers.

Chart 2.4: Frequency of In-Store Information Searches by Price Point (USD/CAD)

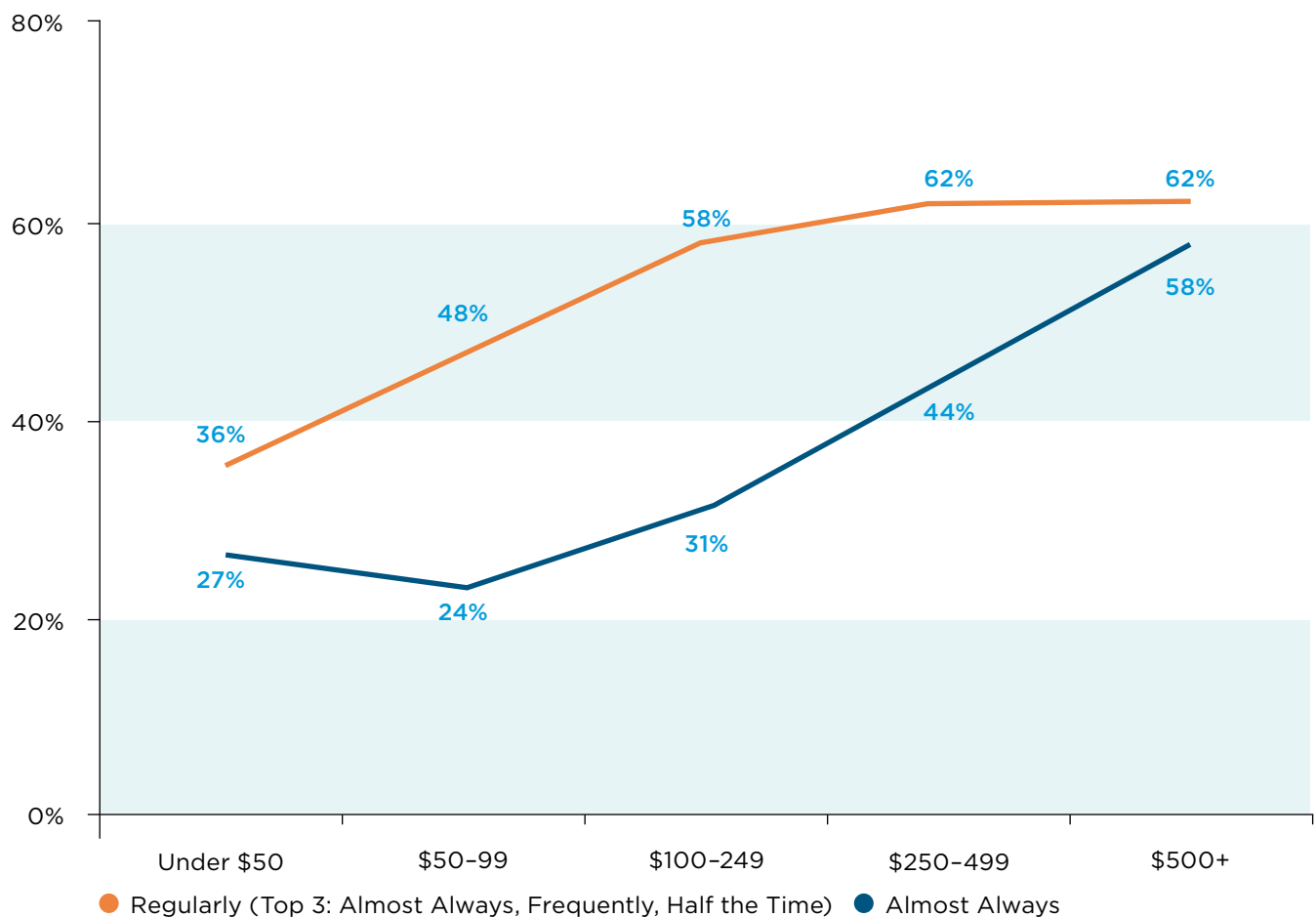
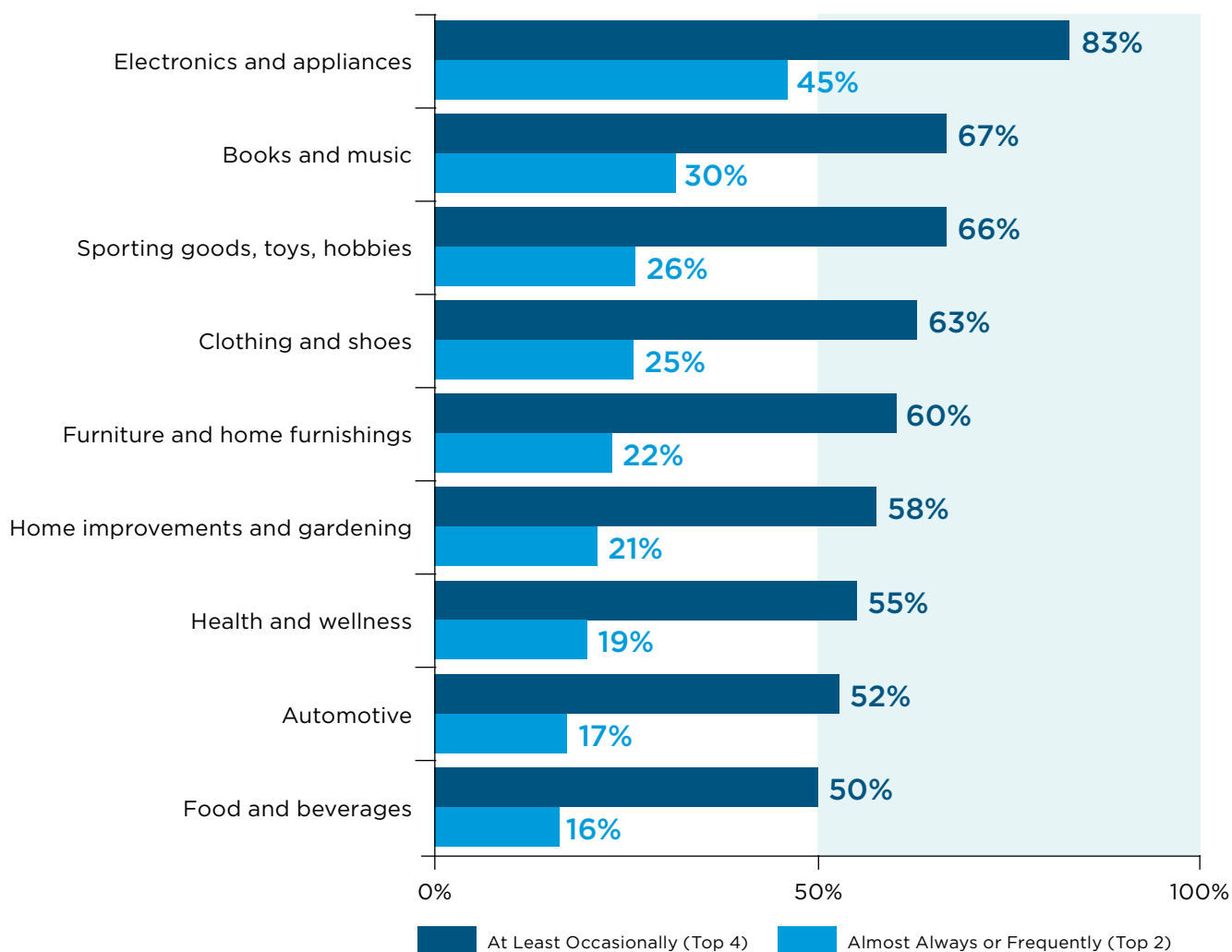


Chart 2.5: Frequency of Information Search for Different Product Categories



HOW MUCH DO M-SHOPPERS SHOWROOM?

Although it is clearly not the only mobile-assisted behavior in stores, “showrooming” is the action of greatest concern to brick-and-mortar retailers.

A total of 70% of M-Shoppers reported that they have showroomed (“visited a store to look at a product, and purchased the product from an online retailer instead”) at least once in the past year. This rate includes those purchasing a product online after they leave the store or even while still within the store.

Other studies on showrooming behavior conducted in 2012-2013, primarily with US consumers, have demonstrated varying rates of showrooming behavior ranging anywhere from approximately 4% to 60% [See Appendix B]. Given that our mobile-assisted shoppers are a smaller and digitally sophisticated group, we are not surprised by the higher rate of showrooming than seems to occur among the general population.

When M-Shoppers decide to showroom, the biggest drivers by far are lower prices (69%) and free shipping from the online retailer (47%)

TO SHOWROOM OR NOT TO SHOWROOM: WHAT ARE THE REASONS?

There is certainly not a universal desire to showroom, as demonstrated by the 30% of M-Shoppers who haven't showroomed at all in the past year. But to gain deeper insights into non-showrooming behavior, we also asked M-Shoppers if they bought a product in the store even when they knew that it could be purchased for equal or less money online. Fifty-eight percent (58%) had indeed done this in the past 12 months.

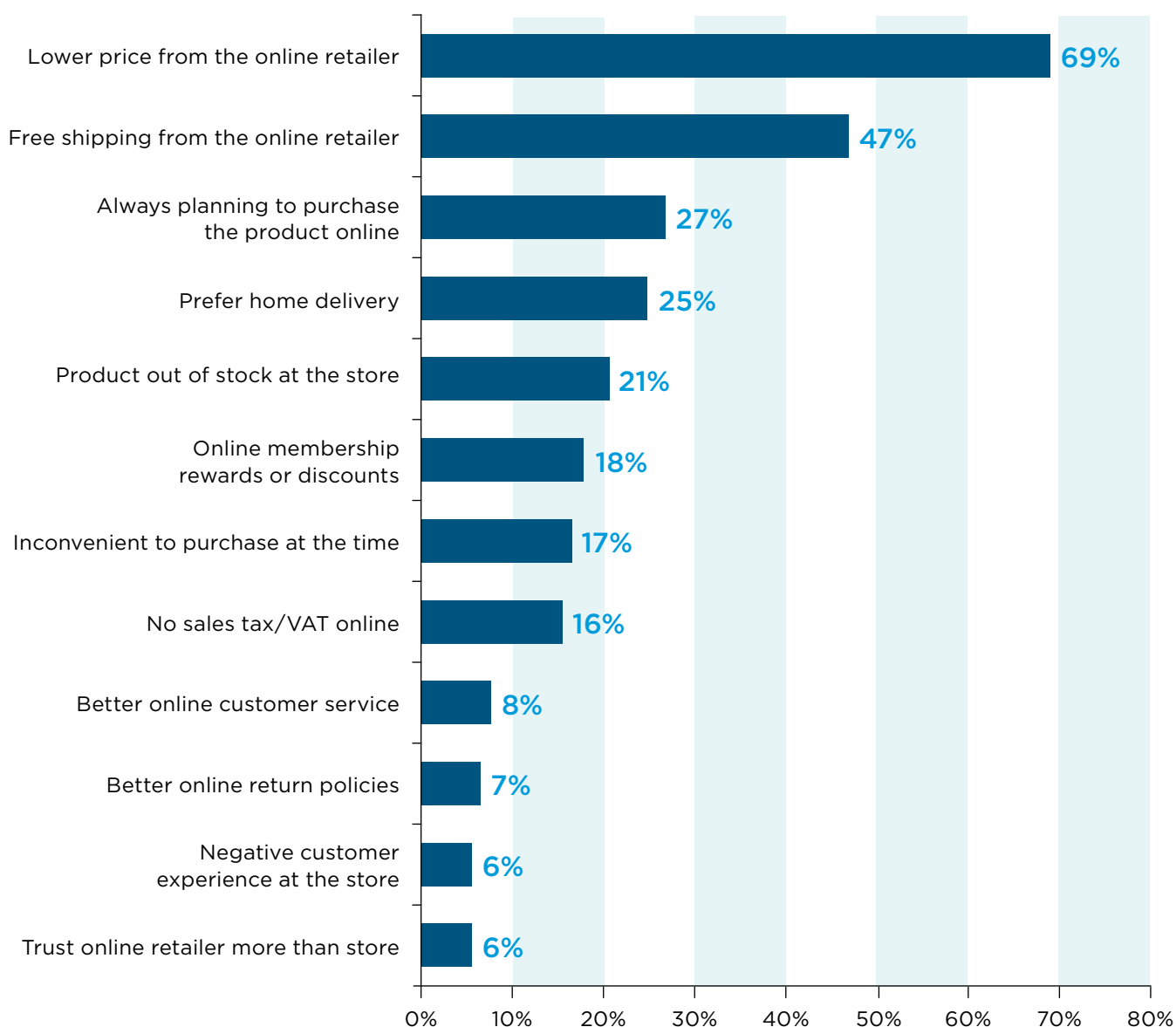
The reasons behind both these choices — to showroom or not to showroom — can be seen in Charts 2.6 and 2.7.

When M-Shoppers **decide to showroom**, the biggest drivers by far are lower prices (69%) and free shipping (47%) from the online retailer (47%). Less influential

factors are home delivery (25%), products that are out-of-stock in the store (21%), online rewards incentives (18%), and a lack of sales tax/VAT online (16%). Interestingly, customer service elements either within the store or from the online retailer are not motivating much of this behavior.

We were also curious about how calculating people are about showrooming. Only about one-quarter (25%) of M-Shoppers had always intended to purchase the product online, thus visiting a store with a premeditated plan to showroom.

Chart 2.6: M-Shopper Reasons for Showrooming

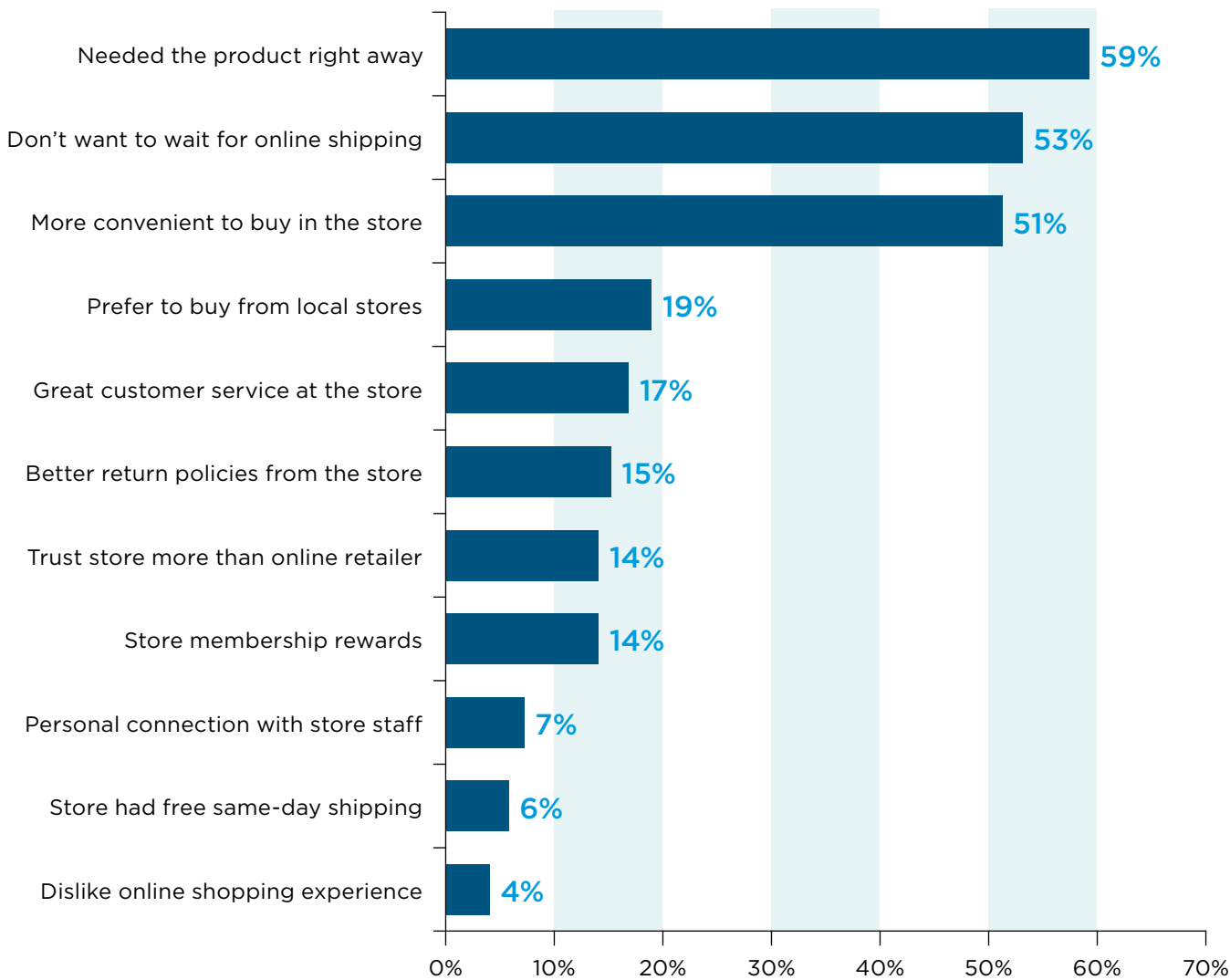


When M-Shoppers **decide not to showroom**, we found that they are primarily motivated by timing and convenience (see Chart 2.7). Customers either need the product right away (59%), don't want to wait for shipping (53%), or feel it is just more convenient to buy at the store (51%). In this case, issues of trust,

customer service, and return policies did have some significant influence as well (cited by 14%, 17%, and 15% respectively). Nineteen percent (19%) of M-Shoppers said that the desire to buy from a "local store" was a factor when they consciously chose not to showroom.

When M-Shoppers decide not to showroom, they are primarily motivated by timing and convenience

Chart 2.7: M-Shopper Reasons Not to Showroom



THE IMPACT OF PRICING AND DISCOUNTS ON SHOWROOMING

Not surprisingly, we found that the degree of expected savings was a key influence on whether M-Shoppers would plan to showroom. Both the total cost savings (e.g. \$10 off), and the discount rate (e.g. 10% off) are influencing factors.

As the price point of a product rises, M-Shoppers lean towards purchasing it online at lower discount rates. As shown in Chart 2.8, a \$50 (US) purchase is most influenced at a 20% discount offering, a \$200 purchase is swayed once a 10% discount is given, while a \$500 purchase requires only a 5% discount to kick in considerable interest. (UK and Canadian data showed similar attitudes.)

As shown in Chart 2.9, we identify a “tipping point” where at least 30% of M-Shoppers can be driven to consider an online purchase due to the discount provided in that channel. The higher the price point of the product, the lower the discount rate needed to reach the tipping point for significant showrooming.

RETAILERS’ OWN WEBSITES CAN WIN THE SHOWROOMER

Interestingly, even when M-Shoppers use their phone to make an online purchase while actually in the store, this does not always represent a threat to the retailer's bottom line. Our research found that M-Shoppers are just as likely to use the store's own mobile website or app (22%) as a competitor's website or app (22%) when they choose to purchase online while in a brick-and-mortar store.

Chart 2.8: Discount Rate at which M-Shoppers Consider Buying Online (US Only)

DISCOUNT LEVEL	PRICE POINT OF PRODUCT		
	\$50	\$200	\$500
0% discount	1%	1%	1%
5% discount	6%	16%	30%
10% discount	21%	31%	26%
20% discount	43%	31%	22%
40% discount	26%	18%	18%
A Lower Price Wouldn't Persuade Me	3%	3%	3%

Chart 2.9: Cost-Savings Levels that Drive Decisions to Buy Online (US Only)

TIPPING POINT	PRICE POINT OF PRODUCT		
	\$50	\$200	\$500
Tipping point discount (at least 30% buy online)	\$10 discount (20% of \$50)	\$20 discount (10% of \$200)	\$25 discount (5% of \$500)

FIVE TYPES OF MOBILE-ASSISTED SHOPPERS

Not all mobile-assisted shoppers are the same. Our research uncovered five customer segments, each with distinctly different behaviors, preferences, and motivations for their use of mobile devices as part of shopping in-store (See Chart 3.1).

These five segments pose different challenges to retail stores, and also pose some unique opportunities for retailers to engage and win the continued business of shoppers in the mobile-assisted future.

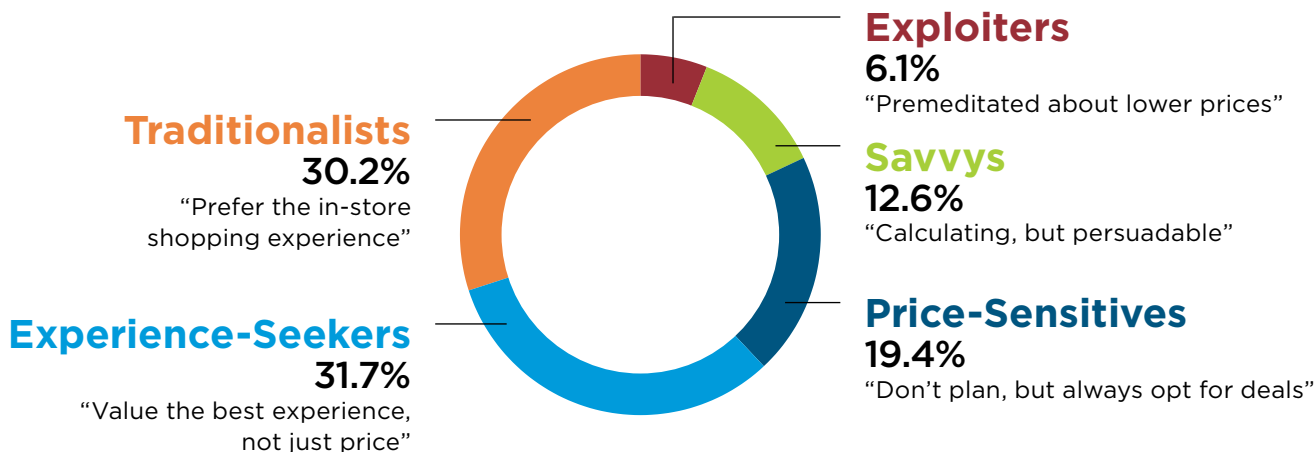
THE EXPLOITERS — PREMEDITATED ABOUT LOWER PRICES

Key Attributes/Differentiators: The most intractable threat to retailers is posed by the segment we identified as “Exploiters.” These M-Shoppers

have showroomed in the last year and did so in a premeditated fashion (they had planned to purchase the product online, and merely visited the store to preview it in-person). Exploiters also reported that they never purchase a product in a retail store when they know they can buy it online for an equal or lower price.

Exploiters seem to be driven to showroom not just for price savings, but to gain the other benefits of online shopping. They are much more motivated to showroom because of free shipping (58% vs. 47% for all M-Shoppers), online loyalty rewards (31% vs. 18%), and online return policies (13% vs. 7%). In fact, they are no more likely to be showrooming for the sake of price savings than other mobile-assisted shoppers (See Chart 3.2).

Chart 3.1: Five Types of Mobile-Assisted Shoppers



It appears this segment may simply prefer shopping online to shopping in stores. When they do visit a brick-and-mortar retailer, it may be out of time necessity, or because someone else dragged them along against their instincts.

Demographics: The Exploiters do not vary much demographically from the average mobile-assisted shopper. They are slightly more likely to be female (54%, rather than 48% of all M-Shoppers). And they are slightly lower income (13% have household incomes below \$50,000 in the US, vs. 10% of all M-Shoppers).

Fortunately for retailers, Exploiters are the smallest segment, comprising just over 6% of all M-Shoppers.

Key Implications for Retailers: It would be easy for retailers to write off the Exploiters as a lost cause. But the best opportunity for retailers to win their business may simply be to improve the store's website. When Exploiters see a product on the shelf and pull out their mobile device, they are nearly as likely to search for it on the store's own website as on a competitor's site (69% vs. 77%).

Chart 3.2: Reasons for Showrooming



When Exploiters visit a store, it may be out of time necessity, or because someone else dragged them along against their instincts

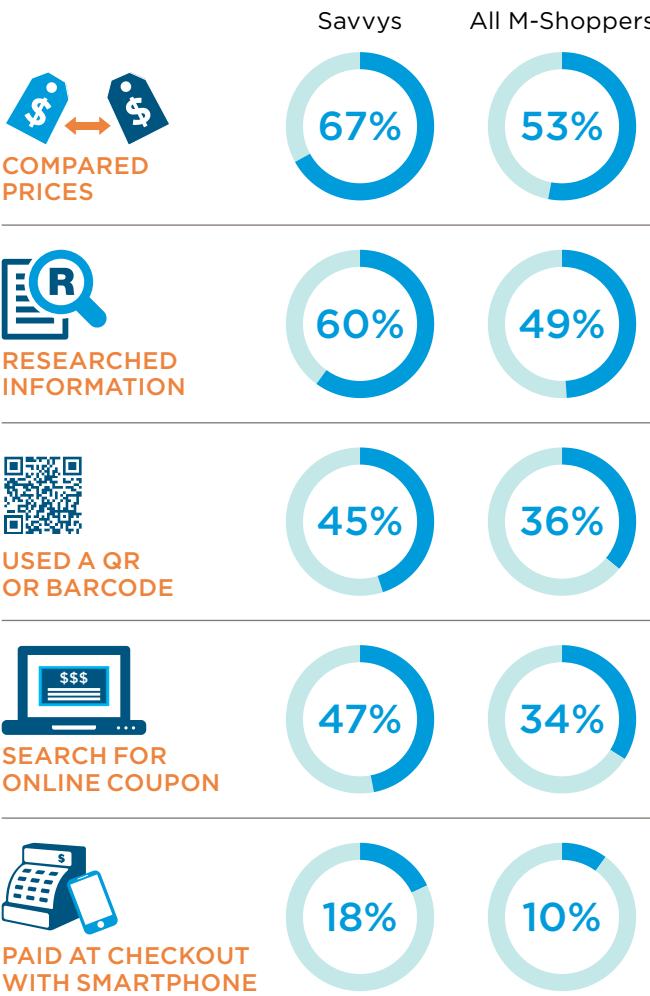


THE SAVVYS — CALCULATING, BUT PERSUADABLE

Key Attributes/Differentiators: The next segment, the “Savvys,” poses a mixed blessing for retailers. Like the Exploiters, the Savvys report having showroomed in the last year, and their showrooming was similarly planned in advance. One critical difference, however, opens the doors for retailers to persuade Savvys to give them their business. Savvys report that they will purchase a product in a retail store even though they know they can buy it for an equal or lower price online.

Savvys are the most digitally-attuned of all the five segments (See Chart 3.3). They are more likely to adopt every mobile-assisted shopping behavior, even the more atypical ones like scanning bar codes, searching for a mobile coupon, or paying at checkout via mobile app. And they are much more likely to have a tablet with a cellular data plan (27% vs. 19% of all mobile-assisted shoppers).

Chart 3.3: In-Store Mobile Activities



In a positive sign for retailers, Savvys are more willing to interact digitally with the store while they are shopping, whether it is using the store’s mobile app, or its website, sending a text message, or checking in on a social network (See Chart 3.4).

Chart 3.4: Desired Methods of Interacting with a Retailer



Savvys are avid and frequent information-seekers. They are particularly likely to use their mobile devices in-store to compare prices, check for product details online, and seek out user reviews.

Finally, Savvys are strategic about how they make their purchase decisions, weighing a variety of factors in addition to price. They are more likely than other M-Shoppers to showroom for benefits like home delivery (32% vs. 25%), or savings on sales tax (23% vs. 16%). When they forgo a lower online price to buy in-store, it is more likely because they simply need the product right away (68% vs. 59%).

Demographics: Savvys are more likely to be under 30 years of age (30% vs. 26% of all M-Shoppers). And they are slightly more likely to be male (58% vs. 52% of all M-Shoppers).

Key Implications for Retailers: Savvys are the ripest target for retailers to try out new offers and experiences in the mobile space. They are simultaneously more digitally-savvy, more willing to sign up for loyalty programs, and more likely to be motivated by a range of retailer offers and rewards.

Savvys are an extremely important segment for retailers to understand. Although they currently represent only 13% of mobile-assisted shoppers, they may represent the coming trends of mobile in-store behavior. As smartphone penetration increases, as shoppers become more familiar with the technology, and as younger “digital natives” enter the workforce and middle age, mobile-assisted interactions are likely to grow.

THE PRICE-SENSITIVES — DON'T PLAN, BUT ALWAYS OPT FOR DEALS

Key Attributes/Differentiators: The next segment, the “Price-Sensitives,” may put the biggest financial pressure on retailers. They all report having showroomed in the last year. They also exhibit high price-sensitivity, saying that they never purchase a product in a retail store when they know they can buy it for an equal or lower price online. Plus, they are a larger group than the Exploiters, making up 19% of all mobile-assisted shoppers.

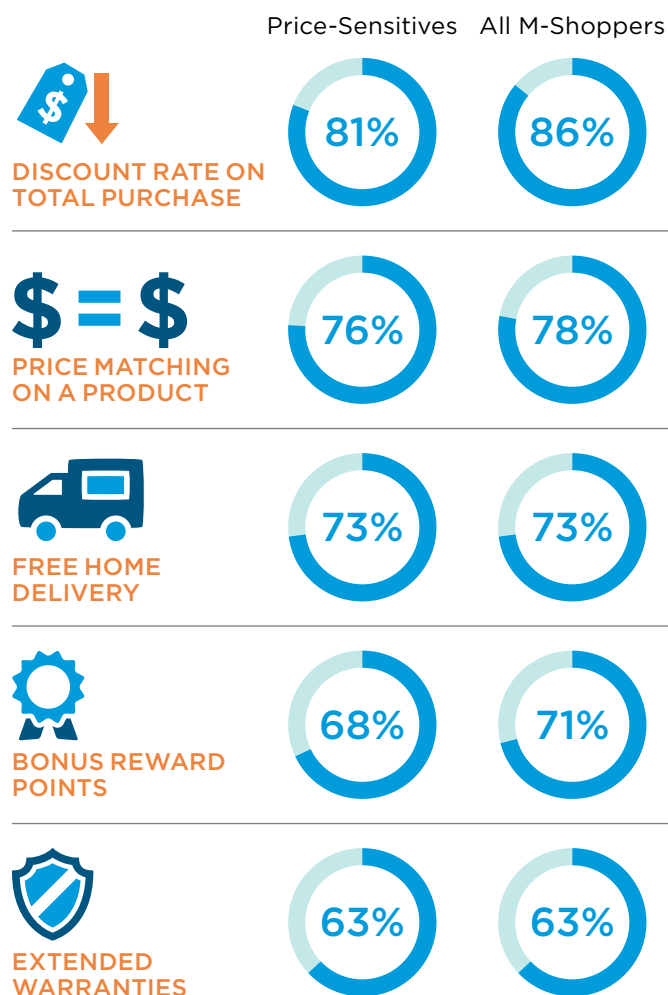
To the retailers’ advantage, however, Price-Sensitives do not report having pre-planned to showroom before they enter a retail store. In other words, while they are highly motivated by deals, Price-Sensitives are not yet in the habit of using the internet to seek out lower prices before they go to a store, or while they are in-store.

Price-Sensitives also show flexibility in what they consider a good deal from a store. The right deal can take many forms. In addition to price matching and discounts, more than 50% of Price-Sensitives can be influenced to purchase in-store — rather than online — by offers of mobile coupons, of home delivery, of extended warranties, and by loyalty reward points (See Chart 3.5). Leveraging these kinds of offers may allow retailers to retain the business of Price-Sensitives, without needing to match the lowest online price for every product they carry.

Demographics: Price-Sensitives are one of the larger segments (19%), and they closely match the overall demographic trends of M-Shoppers as a whole.

Key Implications for Retailers: Price-Sensitives use their devices in stores periodically, but not as consistently as the other segments, such as the Savvys. Often, the right in-store experience will be enough to earn the Price-Sensitives’ business. Their mobile devices may be with them, but still remain in their pockets and purses.

Chart 3.5: Reward Offers that Influence In-Store Purchase



THE EXPERIENCE-SEEKERS — VALUE THE BEST EXPERIENCE, NOT JUST PRICE

Key Attributes/Differentiators: The fourth and largest segment, the “Experience-Seekers,” proves that mobile-assisted shopping does not reduce the importance of a great store experience for many shoppers.

Experience-Seekers have showroomed in the last year, but it was not something they planned in advance. And they are willing to buy in the store, even when they find equal or lower prices online.

While price matters to Experience-Seekers, they exhibit less price-sensitivity. Experience-Seekers opt for an online offer only at higher discount rates than the average M-Shopper. When they do showroom, it is more likely because they found it inconvenient to buy in-store at that time (20% vs. 17% for other M-Shoppers).

Experience-Seekers are particularly motivated by the retail experience, and by the chance to interact with the store brand on their mobile devices. They are more likely to be motivated by special in-store experiences such as exclusive sales events, pre-shopping nights, or celebrity appearances in-store (43% vs. 39% for all M-Shoppers). Experience-Seekers are more interested than other mobile-assisted shoppers in offering suggestions and ideas to stores on their in-store experience or on the products they should carry (See Chart 3.6).

Demographics: Like the Savvys, the Experience-Seekers are slightly more likely to be young (28% under 30 years of age vs. 26% for all M-Shoppers), and they are much more likely to have a tablet with a data plan (26% vs. 19%).

Chart 3.6: Interest in Conducting Various Mobile Activities



Key Implications for Retailers: Experience-Seekers are the largest of all the segments, representing 32% of mobile-assisted shoppers. They point to the opportunity for retailers to engage customers on their mobile devices in non-financial ways, with opportunities to comment, provide ratings, etc. And they demonstrate why retailers still need to invest in providing a unique and compelling in-store experience.



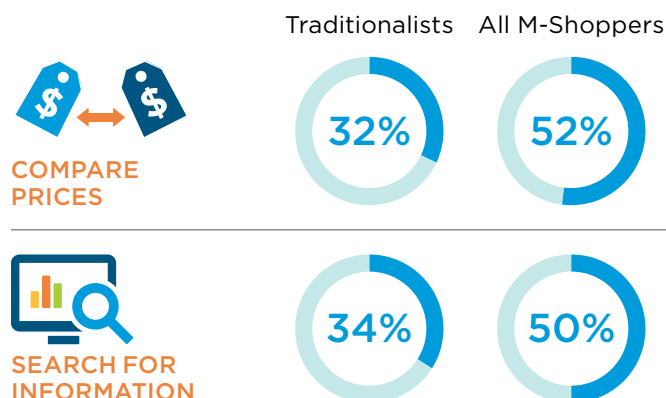
THE TRADITIONALISTS — PREFER THE IN-STORE SHOPPING EXPERIENCE

Key Attributes/Differentiators: The last segment is the “Traditionalists,” shoppers who prefer the in-store shopping experience, even though they do make use of their mobile devices in their decision process.

Unlike all the other segments, Traditionalists report that they have not showroomed in the last 12 months. While they may use their mobile devices to aid them as they shop in-store, it has never led them to change course and buy the product online instead. Traditionalists are also the second largest segment, making up 30% of mobile-assisted shoppers.

Traditionalists are much less likely to compare prices on their mobile devices (only 32% vs. 52% of all M-Shoppers) (See Chart 3.7). They are also less likely to seek out online customer reviews and product details. And they are less likely to use mobile devices to interact with the store itself, whether posting to a social network, scanning a barcode, searching for a coupon, or using a store loyalty program via their phone.

Chart 3.7: In-Store Mobile Activities Conducted Regularly



Unlike the other segments of M-Shoppers, Traditionalists are more likely to text or call a loved one for advice than they are to use their mobile device to check prices.

Trust also matters in the Traditionalists' relationship with the stores themselves. They are more likely to buy in-store rather than a cheaper online option because they trust the physical store (27% vs. 14% of all M-Shoppers), and because they expect better return policies at the store (23% vs. 15%). Traditionalists also exhibit a concern for supporting stores in their communities, with more of them forgoing online deals because they prefer local stores (34% vs. 19%) (See Chart 3.8).

Chart 3.8: Reasons M-Shoppers Choose Not to Showroom



Demographics: Traditionalists are slightly more likely to be female (52% vs. 48% of all M-Shoppers). They also skew older, with more of them 55+ years of age (24% vs. 19% of all M-Shoppers) and fewer under 30 years old (23% vs. 26%). Traditionalists are much less likely to have a tablet with a cellular data plan (12% vs. 19% of M-Shoppers), which suggests that while they are technology adopters, they are not “early adopters” of the latest technology.

Key Implications for Retailers: The preference of Traditionalists for the in-store shopping experience shows that they are the least threatening segment of mobile-assisted shoppers for retailers. Some Traditionalists may simply not like shopping online at all. But Traditionalists may also include shoppers who buy certain products online (e.g. books from Amazon), but choose to go to a store for other products they prefer to buy in-person.

Traditionalists are open to interacting with retail stores on their mobile devices, whether by website, store app, or even scanning a QR code. But, they are currently using their devices mostly to consult on purchases with friends and family.



DIFFERENCES IN THE MIX OF SEGMENTS: US, UK, AND CANADA

The five segments of mobile-assisted shoppers were found in all three countries surveyed (US, UK, and Canada).

However, the proportional share of the five segments does vary somewhat among the three countries, as seen on the following page.

In the US, the number of Experience-Seekers, is even higher than on average. This suggests that it is even more important for US retailers to differentiate themselves on the in-store experience in order to connect with mobile-assisted shoppers.

In the UK, there are larger-than-average proportions of both Exploiters and Price-Sensitives. These are the two segments that, in the last year, have showroomed, but have never purchased a product in-store when they knew they could buy it for an equal or lower price online. As these segments are the most challenging for retailers, their prevalence indicates a more severe

challenge from mobile showrooming in the UK. The prevalence of Exploiters and Price-Sensitives may also indicate a broader price-sensitivity among UK consumers, irrespective of purchase channel or technology.

In Canada, the Traditionalists represent the largest share of mobile-assisted shoppers by far, at 43%. All other segments are smaller than the overall M-Shopper segment averages. In other words, although Canadians are nearly as likely to be using their mobile devices as part of shopping in-store, they are less likely to “showroom” — whether on their phones while still in the store, or after returning home. This may reflect a slower adoption of emerging consumer behaviors (relative to the US and UK), higher data plan costs for smartphone usage, or possibly lower discount opportunities within Canadian ecommerce channels. It clearly means that mobile showrooming is not as dire a threat for retailers in Canada, at least for the moment.

Chart 3.9: US Percentages of Mobile-Assisted Shopper Segments

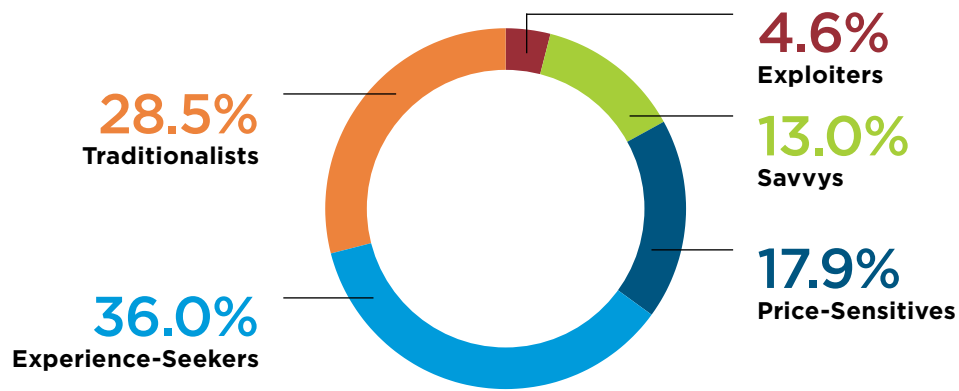


Chart 3.10: UK Percentages of Mobile-Assisted Shopper Segments

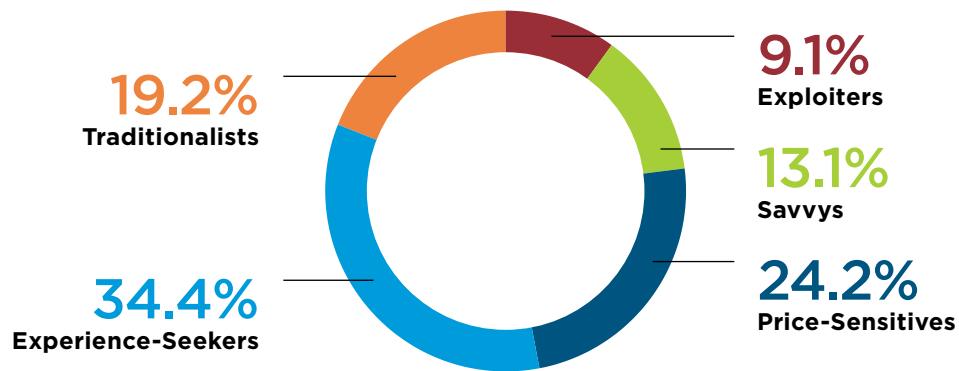
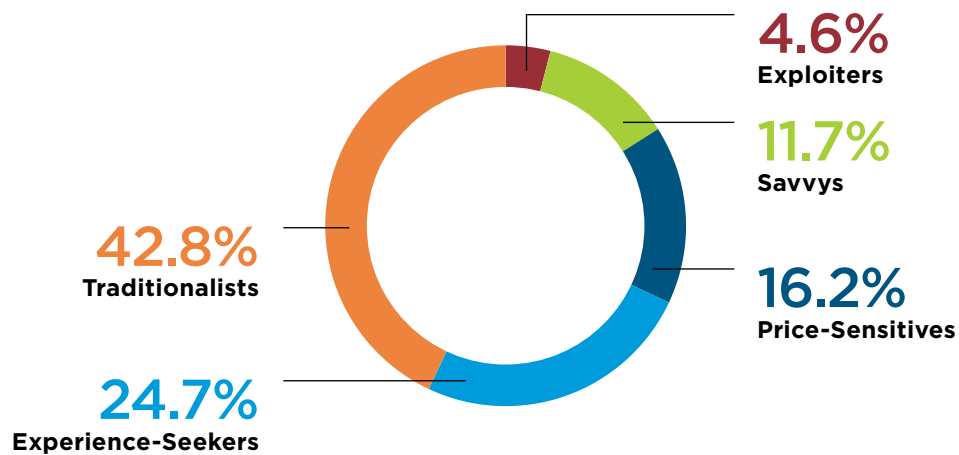


Chart 3.11: Canada Percentages of Mobile-Assisted Shopper Segments



STRATEGIES AND OPPORTUNITIES FOR RETAILERS

The most important take-away of this research is that a smartphone-wielding shopper does not represent an automatic threat to a retailer's revenue. Mobile-assisted shoppers are using a tool at their disposal to navigate their shopping experience, and it has as much potential to help them commit to purchase in a store as it does to send them away to an online competitor.

LEVERAGE A VARIETY OF DISCOUNTS

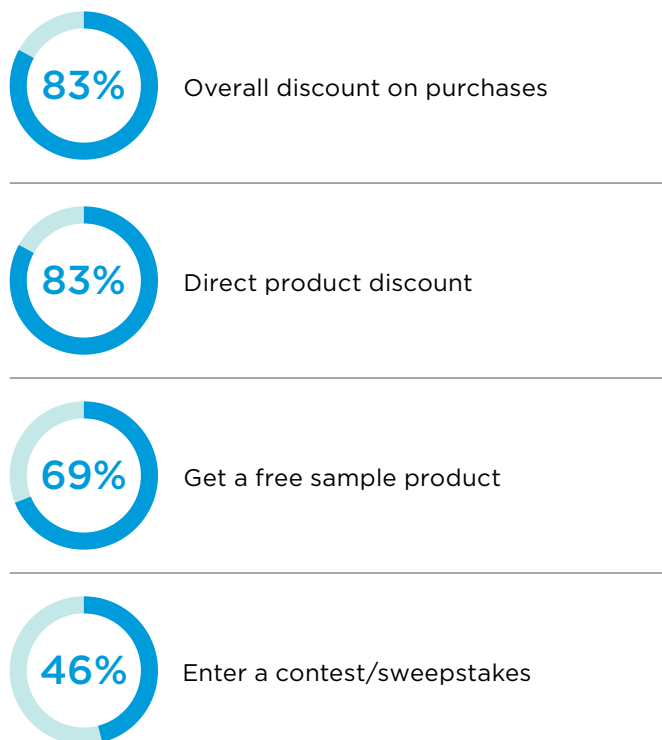
Consumers like deals, and our data shows that mobile-assisted shoppers are driven to use their smartphones or tablets for price comparisons and they also choose to showroom in order to get price discounts. Our data suggests, however, that there are a variety of ways retailers can offer discounts and deals that will influence in-store purchases.

We did find that 78% of M-Shoppers report that a price-matching offer (like those implemented early in 2013 by Target ^{vii} and Best Buy ^{viii}) would make them more likely to purchase a product in the store even if they find a lower price online. Sixty percent (60%) stated that finding an online coupon with their mobile device would make them more likely to buy a product in-store.

However, M-Shoppers also report that they would be equally enticed to use their phone for either a direct discount on a particular product or an overall discount on all their purchases that day (83% agreement on both). There is also a strong interest among these shoppers to receive a free sample product while in the store (69%), and almost half would be motivated by a contest or sweepstakes (46%).

Given these findings, retailers should develop strategies to implement a mix of discount and gift incentives since they can all play an important role in enticing an in-store purchase. Price-matching does not represent a lone "magic bullet" that will keep M-Shoppers in-store. Retailers still retain the broad palette of promotional options that they have historically dipped into so as to entice sales.

Chart 4.1: Mobile Offers That Excite M-Shoppers



Price-matching does not represent a lone “magic bullet” that will keep M-Shoppers in-store; retailers still retain a broad palette of promotional options to entice sales

WIN ON CONVENIENCE

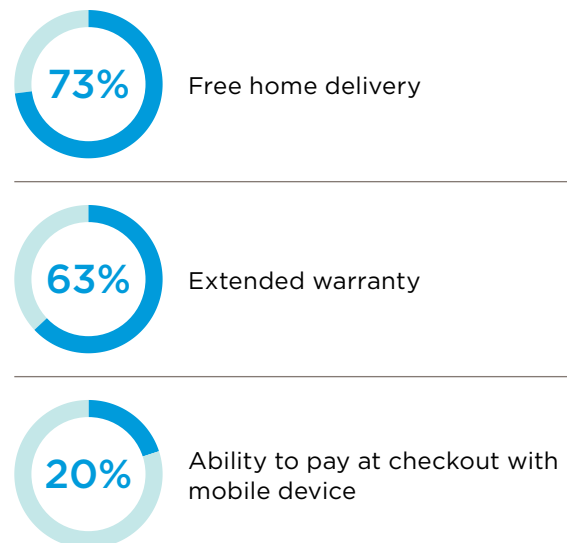
As was noted in our analysis of showrooming behaviors, mobile-assisted shoppers will often choose to buy in-store even when they know they can get a product for less money online. The main driver for this is convenience. Consumers are still primarily entering retail stores because they have the desire to purchase a product right away.

Retailers can take advantage of this sentiment to develop strategies that support added convenience options for consumers. Providing free home delivery is one option. A quarter of all M-Shoppers reported that direct shipping was behind their choice to showroom, and 73% of mobile-assisted shoppers stated that if a free delivery offer was part of a loyalty rewards program, they would be more likely to purchase a product in-store even when they could find an equal or lower price online.

Warranties or free repairs are also valued conveniences for M-Shoppers, with 63% of them reporting that loyalty offers in these areas would make them more likely to buy a product in-store even with a lower price available online. Shoppers appreciate the security of such benefits, and if the need ever arises to use them, the retailer has just driven the consumer back to their store.

Another convenience benefit is the possibility to use a smartphone to directly pay for a product while in a store. Competition between tech firms (Google, and startups like LevelUp) as well as established financial players (Visa, MasterCard) is spurring the innovation and adoption of mobile wallets. Plus, more and more mobile devices are becoming enabled with near-field communications. One in five M-Shoppers stated a greater likelihood to purchase a product in-store if they were able to pay for it directly with their phone. Retailers should be planning now to incorporate direct phone payment systems into their point of sale hardware and software.

Chart 4.2: Offers That Make an In-Store Purchase More Likely



PROVIDE THE RIGHT INFORMATION

While discounts, and some convenience options, offer trade-offs on margins, mobile-assisted shoppers are also driven to purchase in-store by using their devices merely to gather information and reviews on products carried by the store.

In three key information areas — reviews, advice from friends/family, product information — over half of all M-Shoppers reported that this added knowledge would make them more likely to purchase a product in-store.

Retailers should therefore focus on helping mobile-assisted shoppers get easy access to online reviews and information. For large retailers, online consumer and expert reviews may already be a part of their existing web and app properties. Other stores may choose to partner with, or point to, other media sites that offer reviews and product information.

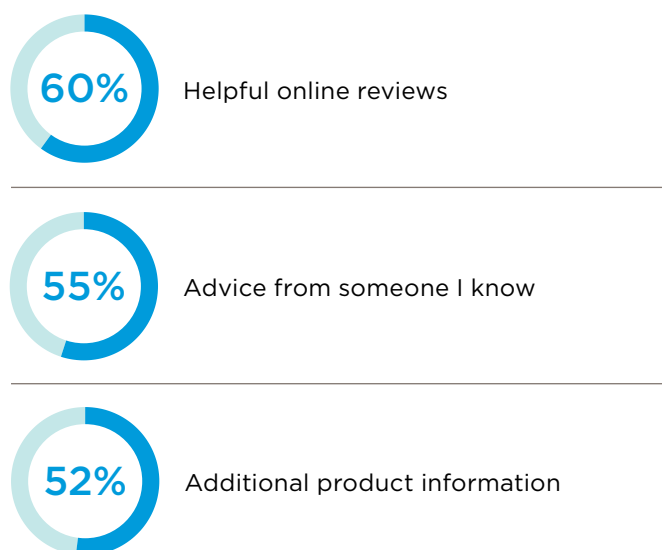
Retailers still need to focus first on providing this information on their mobile website, as that is still the preferred platform for M-Shoppers to interact with a store on their device (68% would use it). But usage of a store's app is not far behind, with 50% of M-Shoppers selecting it as an interaction method.

Since 36% of M-Shoppers already report scanning QR codes, and 45% state that QR codes are a preferred option for store interaction, retailers have an excellent tool to drive consumers directly to an online location of the store's choosing; one that will provide the kind of reviews and information which helps a consumer commit to an in-store purchase. At the same time, UPC codes are used

nearly as frequently by mobile-assisted shoppers. In some cases this can be a threat, e.g. consumers scanning a barcode within Amazon's shopping app, but M-Shoppers are also interested in using UPC codes within the store's own app to gather additional information (44% agreement).

Sales staff also need to be trained to react politely to M-Shoppers and, when appropriate, help guide these shoppers to use digital information sources that will assist their shopping decisions.

Chart 4.3: Information M-Shoppers Agree Makes Them More Likely to Purchase In-Store



Over 50% of M-Shoppers are more likely to purchase a product in-store when their mobile device helps them get online reviews, information, or trusted advice

ENGAGE SHOPPERS' OPINIONS

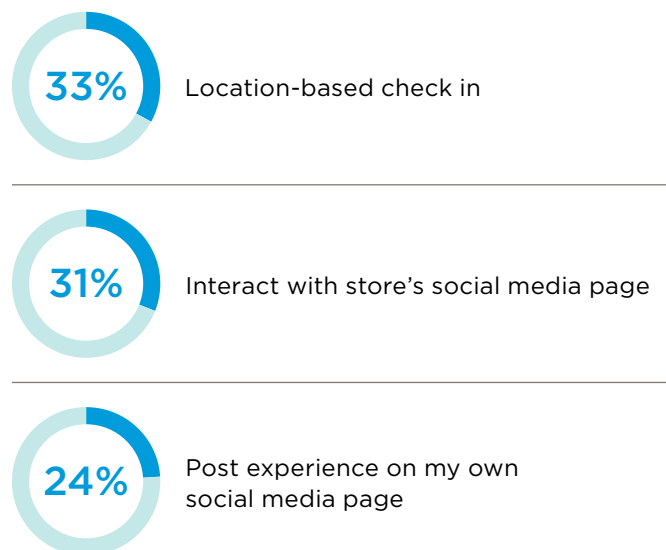
Mobile-assisted shoppers are also interested in sharing information about their shopping experience and engaging digitally with the retail store.

M-Shoppers are quite open to interacting with stores on social media. Already, 23% have posted an update to a social media service (Facebook, Twitter, etc.) while in a store, and 19% have checked in with a location-based service like Foursquare. Even more are open to trying out these behaviors. One-third of M-Shoppers liked the option of checking in on a location-based service, 31% said they would interact on the store's social media pages, and another 24% stated that they would be willing to post on their own social media page.

Requesting shoppers' opinions and feedback is another way to raise their engagement with a store. Roughly one-third of M-Shoppers would be motivated to make a product suggestion, provide a rating of their store experience, or contribute an idea to the store via their device. In addition, if mobile-assisted shoppers are provided a reward they value for interacting with the store online (on social media, website, or app), 64% agree that they would be more likely to post information about their store experience. This suggests that there is

potential for retailers to effectively increase the amount of online brand advocacy by customers, through the use of effective prompts, incentives, and the right in-store experiences.

Chart 4.4: Interest in Conducting Various Mobile Activities



If provided a reward, 64% of M-Shoppers would be more likely to post to social media about their store experience



M-Shoppers cite store return policies (15%) and great customer service (17%) as reasons that they have forgone showrooming in the past

OFFER GREAT EXPERIENCES, SERVICE, AND TRUST

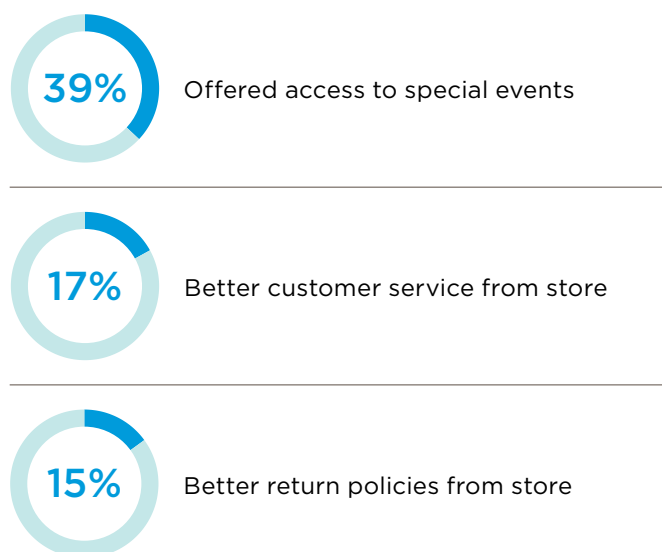
Store experience, personal service, and a sense of trust are also areas where retailers can seek to build on the motivation of M-Shoppers to buy in a brick-and-mortar store.

Exclusive in-store experiences still influence M-Shoppers. Thirty-nine percent (39%) report that they would be motivated to spend in-store rather than online (despite equal or lower prices) if they were offered exclusive access to celebrity events, pre-shopping nights, or discounting events in the store. This clearly allows for a point of competitive differentiation by retailers which cannot be comparably offered by online retailers. These kinds of experiences were particularly compelling for the Savvys, the Experience Seekers, and the Price Sensitives — the three segments that are most frequently undecided between buying online and in-store.

Retailers may also be able to retain more business by stressing the traditional virtues of a “personal” in-store shopping experience. M-Shoppers cite better return policies and great customer service as reasons that they have forgone showrooming in the past (15% and 17% indicating). Although these were less cited than other advantages of buying in-store (like convenience), this may simply indicate that many retailers are not delivering on expectations of excellent customer service.

Retailers should also benefit by simply developing customer messaging around the traditional values of trust and local community businesses. This may resonate particularly well among the Traditionalists, among whom 34% report opting to buy in-store because they “prefer to buy from my local stores,” and 27% because “I trusted the store more than the online retailer.” Although Traditionalists are not currently reporting that they showroom, it is of vital interest to retailers that they not slip into the habit.

Chart 4.5: Motivating Factors in Deciding Not to Showroom



DESIGN LOYALTY PROGRAMS

Loyalty or member rewards programs offer an especially important opportunity for retailers to engage with the mobile-assisted shopper.

Nearly half of all M-Shoppers (48%) report that they are already being influenced by loyalty programs — namely that, when they are a program member, they are more likely to purchase products in-store despite equal or cheaper prices online. This participation level rises above 50% for Savvys and Experience-Seekers. It is much lower (35%) among Traditionalists.

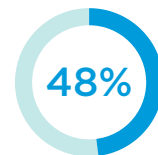
Mobile devices themselves pose a great opportunity to engage the M-Shopper in a benefits-based loyalty program. Fifty-five percent (55%) state that they would definitely be willing to sign up for a loyalty program in order to gain benefits via their smartphone or tablet while in-store. This willingness is greatest among the Savvys (who show greater adoption of most digital behaviors). But even among the most recalcitrant groups, the Exploiters and the Traditionalists, nearly half (45% or more) are open to trying out a mobile-enabled loyalty rewards program.

Mobile-assisted shoppers report interest in a wide variety of possible benefits, from discounts and price matching, to free delivery, extended warranties, and even donations to charities. While discounts and price

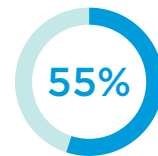
matching receive the greatest interest, a full 37% report that a loyalty benefit of a donation made to charity would influence them to buy in-store instead of online.

We recommend retailers leverage the interactive nature of mobile computing interfaces to allow some customization in loyalty programs for M-Shoppers. That way, both the customer who cares about free delivery and the customer who prefers charitable donations, can opt for the rewards that are most influential to their own purchasing decision.

Chart 4.6: Influence of Loyalty Programs



As a member of a loyalty program, I am more likely to buy in-store, even with lower prices online



I am willing to join a loyalty program to receive special offers on my mobile device

Nearly half of all M-Shoppers (48%) are more likely to purchase products in-store despite equal or cheaper prices online when they are a loyalty program member

CONCLUSIONS

The rise of smartphones poses new challenges for brick-and-mortar retailers, but it does not elevate showrooming into an insurmountable threat. Retailers should take care not to overreact to every consumer that uses a smartphone in their store. Seventy-five percent of mobile-assisted shoppers are not consistently showrooming — from the Traditionalists (30%) who are not showrooming at all, to the Savvys and Experience Seekers (45% total) who have purchased in-store even while knowing a product was cheaper online.

In fact, once a mobile-assisted shopper is in a store, retailers can take an active role in helping M-Shoppers find the information or incentives they seek so that they walk out satisfied with a purchase. The greater threat for retailers may well be the growing adoption of mobile device use at home, in which browsing for goods and daily deals takes the retail environment entirely out of the equation.

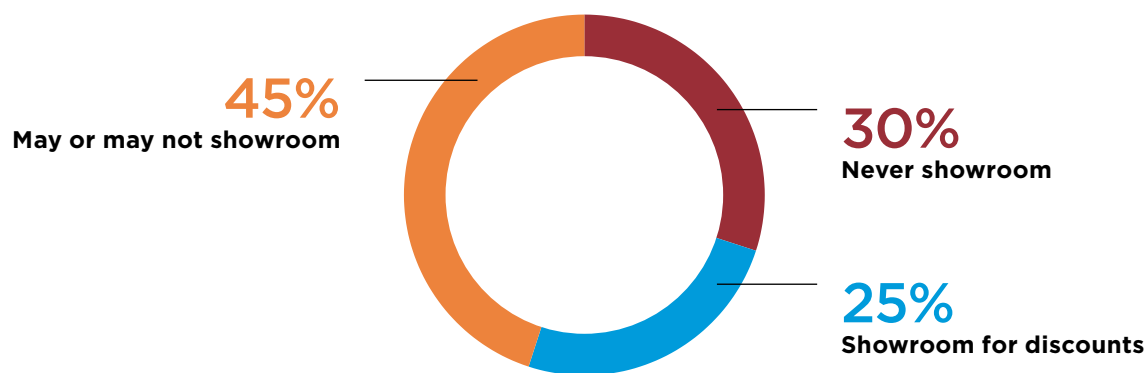
While roughly 25% of M-Shoppers (the Price-Sensitives and Exploiters) may require a discount to motivate in-store purchases, a clear majority can be enticed to purchase in-store through information assistance, engagement strategies, and loyalty

rewards that create a more attractive and memorable in-store experience. In fact, three-quarters (75%) of mobile-assisted shoppers expressed concern with the possibility that more and more nearby stores might be forced to close down in the future. While technology is rapidly changing how we interact with the world around us, people still want to live in a world that balances online and offline interactions.

Some retailers are already showing leadership on this issue. Walmart.com's CEO recently stated to *Wired* magazine, "You've got to go where the customer wants you to go. We live in the age of the customer. We're embracing showrooming."^{ix} For Walmart, that meant creating a geo-location version of their mobile app that kicks in capabilities and deals unique to the in-store experience. How has it worked out? Walmart reported that 12% of its online sales now come from purchases made while in the store.^x

We expect more and more retailers will embrace the innovation that is made possible by integrating mobile technology and the in-store experience. This innovation has the potential to provide greater delight to customers and keep them coming back to the retailer, whether online or in-store.

Chart 5.1: M-Shopper Showrooming Behaviors



ABOUT THE AUTHORS



Matthew Quint is the Director of Columbia Business School's Center on Global Brand Leadership, which turns the research and intellectual capital of academia's foremost thinkers on branding into practical tools and insights that inspire strategic decision-making. In this role, Matthew researches, writes, and presents on a wide range of issues critical to building a strong brand. He has particular expertise in marketing ROI, strategies for marketing in the digital age, and the development of creative and effective brand communications.

Matthew is the co-producer of the Center's acclaimed BRITE Conference series which brings together over 500 big thinkers in industry and academia to discuss how innovation and technology help build strong brands. He also works with senior executives from various leading companies — including Aimia, Coach, Deloitte, Edelman, Google, and SAP — to conduct research, produce events, and promote knowledge sharing among branding and marketing professionals.

Contact: mq2120@columbia.edu



David Rogers is Executive Director of BRITE at Columbia Business School and Faculty Director of the school's executive education programs on Digital Marketing Strategy. He is founder and host of the acclaimed BRITE conference on brands, innovation, and technology, now in its seventh year in New York. Rogers is a globally-recognized leader on brands and digital business strategy, known for his pioneering model of customer networks. He is author of three books, most recently, *The Network Is Your Customer: 5 Strategies to Thrive in a Digital Age*.

Rogers advises companies and keynotes at conferences worldwide on the ways that technology is transforming brands and business strategy. He has consulted on marketing and digital strategy for global companies — including Visa, Lily, SAP, Kohler, Macmillan, China Eastern Airlines, and many others. He has appeared on CNN (Anderson Cooper, Wolf Blitzer, American Morning), CNBC, Marketplace, Reuters, and Channel News Asia; and received the 2009 Award for Brand Leadership at the World Brand Congress.

Contact: david.rogers@columbia.edu



Rick Ferguson is the Vice President, Knowledge Development for Aimia, where he has overall responsibility for the development and dissemination of loyalty-marketing thought leadership, research and best practices for a global audience of loyalty marketers. An acknowledged expert in the theory and practice of loyalty marketing, Rick has published numerous articles and white papers describing the characteristics of marketing programs which seek to change customer behavior. He has consulted for Fortune 500 clients including American Express, Procter and Gamble and Visa Inc.

Rick is frequently called on by the media to comment or contribute to stories on the current state of and outlook for the loyalty industry. He has been quoted as a loyalty expert in various prominent publications, including *The Wall Street Journal*, *The New York Times*, *USA Today*, MSNBC, *The Globe and Mail*, *The UK Guardian*, *Fast Company*, and *Advertising Age*. He has also served as a contributor to *The Journal of Consumer Marketing* and has written monthly columns for NACS magazine and *Chief Marketer*.

Contact: rick.ferguson@aimia.com

RESEARCH METHODOLOGY

The online survey was designed by Columbia Business School and fielded by Harris Interactive from November 12-26, 2012. A total of 3,004 respondents completed the survey: 1,003 from the United States, 1,001 from the United Kingdom, and 1,000 from Canada. Qualified respondents are age 18 or older, reside in the US, UK or Canada, own either a smartphone or a tablet with a data plan, and have used their mobile device within the last twelve months to aid in shopping for a product while in a store (e.g., looked up information or reviews on the product, compared prices, texted or called a friend for advice, etc.). Data was age weighted to be representative of the general population (not just the online population) of age 18+ respondents in each

country. Agreement-related questions used a standard 5-point scale from Strongly Disagree to Strongly Agree. Frequency-related questions were asked on a 5-point scale as follows: Almost Never, Occasionally, Half-the-Time, Frequently, and Almost Always.

Findings on the influence of product price points (Charts 2.4, 2.8, and 2.9) are reported in US and Canadian dollars. The UK data showed similar consumer behavior, and are available upon request.

A downloadable copy of this research report and a complete list of the survey questions can be obtained online at: <http://www.gsb.columbia.edu/globalbrands/research/m-shopper-study>

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Megan Ratcliffe — during the early days while we sorted through the raw data. Great credit also goes to the design team at Hendlin — Karen Schwartz, Jason Hildre, Jenna Metelak and Cathy Steinhagen. Finally, special thanks go to Allie Abodeely and Nandita Ray from the Center on Global Brand Leadership for their research and editing support.

APPENDIX A: STATISTICS ON IN-STORE MOBILE USE

GENERAL POPULATION

In its 2012 *Out and About* survey, Euromonitor reports that 35% of US consumers check a mobile website while in a store, and close to 25% of UK consumers.

- > Euromonitor blog, “Growing Role of Mobile Technology in Shopping,” Accessed, April 24, 2013.
<http://blog.euromonitor.com/2013/04/growing-role-of-mobile-technology-in-shopping.html>

A slightly higher rate of 44% of US adults reported in a GroupM Next survey that they use their mobile device to help them shop while in a store.

- > GroupM Next, “Showrooming & the Price of Keeping Buyers In-Store,” August 2012. Accessed, April 20, 2013.
<http://www.scribd.com/doc/103349382/GroupM-Next-White-Paper-Showrooming-and-the-Price-of-Keeping-Buyers-In-Store>

ONLY AMONG SMARTPHONE OWNERS

In a study from Aprimo, over 50% of US smartphone owners report researching prices while in a store.

- > Aprimo, “Showrooming Survey 2012.” http://www.aprimo.com/Secondary_.aspx?id=2598&libID=3541

Deloitte found that 60% of US smartphone consumers report using their mobile phone while in a store on a shopping trip.

- > Deloitte Digital, “The Dawn of Mobile Influence,” 2012. http://www.deloitte.com/assets/Dcom-UnitedStates/LocalAssets/Documents/RetailDistribution/us_retail_Mobile-Influence-Factor_062712.pdf

APPENDIX B:

STATISTICS ON SHOWROOMING

Note that the following studies look at showrooming as an event that can take place after a visit to a physical store or even on a mobile device while in a store.

IBM conducted a 14-country study that found 4% of US and UK, and 1% of Canadian shoppers are showroomers. While the exact methodology of the study is not totally transparent, it appears that this survey was conducted among people who were actually in a store shopping, rather than a sample of the general consumer population.

- > Kali Klena and Jill Puleri, "From Transactions to Relationships: Connecting with a transitioning shopper," IBM Institute for Business Value, May 2013. <http://www-935.ibm.com/services/us/gbs/thoughtleadership/transitioningshopper/>

As part of its "State of Online Retail Q3," comScore noted that it found 37% of its respondents, all US-based, have showroomed.

- > Andrew Lipsman, "4 Key Storylines for the 2012 Online Holiday Shopping Season," comScore blog, November 6, 2012. http://www.comscore.com/Insights/Blog/4_Key_Storylines_for_the_2012_Online_Holiday_Shopping_Season

An independent Harris Poll conducted in the US over the same period (November 2012) found that 43% of respondents reported that they showroom ("Thinking about shopping, have you ever visited a brick and mortar store to examine a product before purchasing it elsewhere online?")

- > Harris Interactive, "Harris Poll Holiday Shopping Extravaganza - Best Buy and Walmart Visited, but Amazon is Where Shoppers Buy," December 12, 2012. <http://www.harrisinteractive.com/NewsRoom/HarrisPolls/tabid/447/ctl/ReadCustom%20Default/mid/1508/ArticleId/1128/Default.aspx>

A February 2012 ClickIQ study of its consumer panel found that 46% of US respondents had showroomed.

- > ClickIQ, "Walmart and Target Retail Stores Give Amazon a Brick & Mortar Footprint," February 15, 2012. <http://www.prweb.com/releases/2012/2/prweb9198954.htm>

A Gartner survey reports that 60% of their US respondents had showroomed in a deliberate fashion at least once in the past 12 months.

- > Robert Hetu, "Survey Analysis: Focus on Customer Basics to Challenge Amazon, as 'Showrooming' Is Universal but Not Unbeatable," Gartner, February 12, 2013. <http://www.gartner.com/id=2335415>

ENDNOTES

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- ⁱⁱ Nielsen, “Smartphones Account For Half of All Mobile Phones, Dominate New Phone Purchases in the US,” March 29, 2012. <http://www.nielsen.com/us/en/newswire/2012/smartphones-account-for-half-of-all-mobile-phones-dominate-new-phone-purchases-in-the-us.html>
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- ^v Thomas Lee, “Best Buy’s New Chief Is Selling from Day 1,” StarTribune, September 8, 2012. <http://www.startribune.com/business/168972066.html?refer=y>
- ^{vi} Chris Moran, “Store Combats Showrooming with \$5 ‘Just Looking’ Fee,” Consumerist, March 25, 2013. <http://consumerist.com/2013/03/25/store-combats-showrooming-with-5-just-looking-fee/>
- ^{vii} Ann Moscaritolo, “Target Price-Matching Amazon, Best Buy, Others,” PCMag.com, January 9, 2013. <http://www.pcmag.com/article2/0,2817,2414084,00.asp>
- ^{viii} David Murphy, “Best Buy Offering Year-Round Online Price Matching,” PCMag.com, February 16, 2013. <http://www.pcmag.com/article2/0,2817,2415532,00.asp>
- ^{ix} Marcus Wohlen, “Walmart.com CEO: We Embrace Showrooming,” Wired, November 23, 2012. <http://www.wired.com/business/2012/11/walmart-embraces-showrooming/>
- ^x Ibid., Wired.

