Retail Marketing Strategy

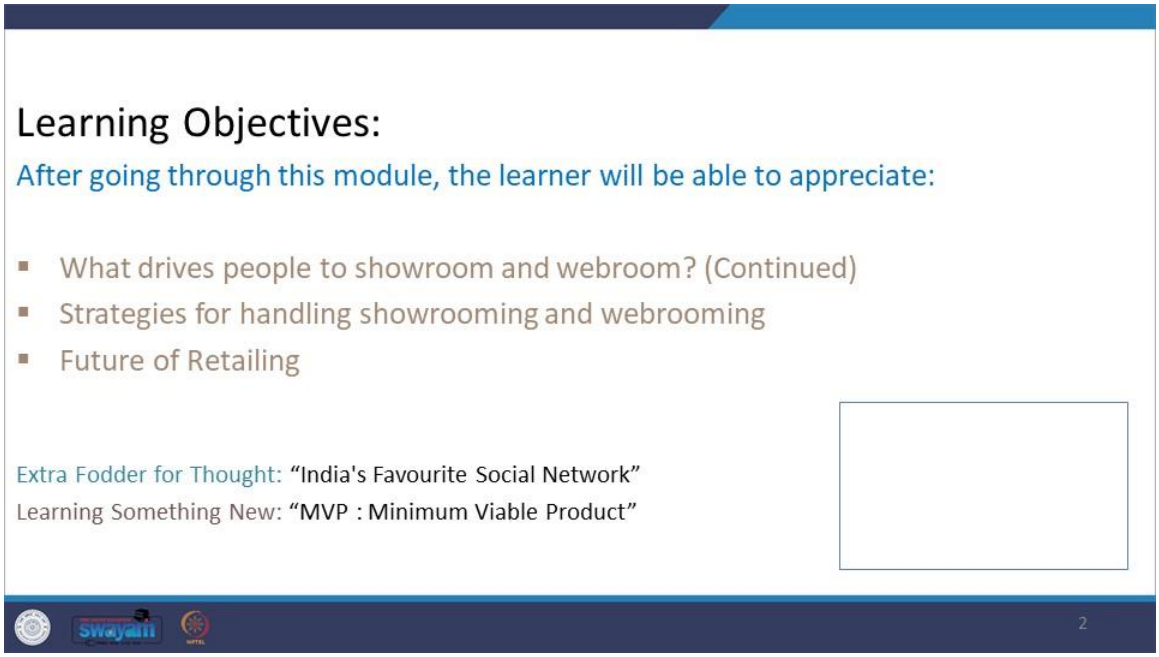
Prof. Sourabh Arora

Department of Management Studies

Indian Institute of Technology, Roorkee

Lecture-40

Welcome back everyone. Today we will be beginning with the session 2 of the week 8 of the course retail marketing strategy. If you remember the last session was all about digging deeper into the facets of showrooming. We had discussed about the rationale behind showrooming and we looked at it from the perspective of the benefits which can be aligned with offline channels as far as the search behaviour is concerned and the benefits which can be allied with online channels as far as the purchase behaviour is concerned because that what makes up showrooming.



Now in this particular module we will be understanding web rooming in an extensive way with respect to understanding the benefits and rationale which can be allied with webrooming. Along with this we will also be understanding the strategies which can be adopted by the offline retailers in case of showrooming and online retailers in case of web rooming for converting such shoppers into buyers and in the end we will be delving into the facets of future of retailing.

Along with this we will also be getting onto the facet of extra fodder for thought in which we will be discussing about the India's favourite social network and finally, as a part of learning something new we will be discussing about the minimum viable product. Now see as far as web rooming is concerned this is definitely going to be a combination of searching online and purchasing offline. Now as we did it for showrooming we will be doing it for web rooming. Let us discuss the benefits which can be associated with searching online and purchasing offline.

Now whenever you talk about searching online first is the benefit which you get is it has very lower cost. Let us say if you want to go and search products and offline channels you would be incurring expenses and going there then many times you could be also incurring expenses with respect to the parking fees that you could be paying along with that there could also be a lot of time which might go up in going to an offline store talking to sales staff and collecting information from there but just look at it from the perspective of an online channel everything is just a click away right. You can just now Google about anything go to Flipkart, Amazon or any other online retailer and check reviews about any of the products which you are thinking of purchasing. So, it is very easier for you. Along with this the another benefit which you see in case of online retailers or searching online is easy access to reviews.

Now reviews basically are posted by the actual users of the product right. So, it clearly gives you a perspective about how the product performs from the people who have actually used it which again can be looked at from the perspective of higher trust but again there is one problem with the reviews. If they are too much positive you also start doubting them if they are extremely negative then also you might be thinking different

ways. So, the marketing research today clearly says that it is neutral reviews which are trusted heavily by the people. Neutral mean when with respect to any product you also highlighted positive facets and you also highlight what is negative about the product that is why you will be able to recollect many online channels for that matter like Amazon were giving you the information about top 5 positive reviews along with top 5 negative reviews that again zeros down to the same thing.

So, that these are actually trusted by people and are very useful for them. If it is very positive again you are going to doubt them if they are too negative you might be looking at it in different ways right. So, these are a few benefits which you can actually align with online channels. See along with the information with respect to product performance which could be looked at from the perspective of reviews another thing is you are also easily able to access the pricing information online which again could be utilized by you when you go to an offline store in the next phase of the web rooming sequence for negotiating better. So, this is again one thing which you need to pick up as far as searching online is concerned.

Now when you get to an offline store again we get to the facet of having a socialization experience which was not possible online. You can utilize the information which you have gathered online to negotiate better at offline stores. You can also reconfirm by examining the products first hand which means you get to touch and feel the product you can even see the product demo which again is going to build a lot of choice confidence as far as the products are concerned. So, now I hope you will be able to connect the dots as far as the faces of searching online and purchasing offline are concerned. But this is how we can sum up the rationale or reasons for web rooming.

First is choice confidence definitely the information that you get from reliable or trustworthy reviews can be very useful for you with respect to making right product choices because when you get to an offline store many times the seller or the sales person because of his motivations might not tell you about the negative perspectives about a product. But when you get to online channels you get to read everything positive side also negative side also this definitely is going to help you make right product choices. But again if you look at web rooming as a sequence you are combining online search with offline purchase. Now whenever you are going to an offline store you get to touch and feel the product and inspect it firsthand. So, this again can be termed as a facet which can be allied with gaining choice confidence.

Now the another benefit which we missed out while we were discussing the benefits of purchasing offline is immediate possession right. It is not like online channels or online purchases that you have to wait for some time or a few days to get the product like in case of groceries it has now become just some time. Whereas in case of other products let us say apparel or electronic gadgets if it is available there could be a same day delivery otherwise let us say in case of tier 2 cities it might take 2 or 3 days also which means you are not getting the immediate gratification you are not getting the benefit of immediately accessing the product right. But that is not the case with webrooming or if you are purchasing the products from offline stores as and when you make the payment the product is handed over to you right which means you are immediately accessing the product. So, this again needs to be looked at from the perspective of benefit of web rooming and purchasing from an offline channel.

Another thing is idea shopping. Idea shopping precisely indicates when you are browsing through online channels or different websites to get idea about the new kinds of products that have entered the market. Let us say if you want to buy a dress for a party you might be googling with respect to finding out what is trending what is in fashion. So, this can be termed as a facet of idea shopping or you decide to buy a new mobile you might get to any of the online channels Flipkart, Amazon or some others to see what are the new models that are available now. That can also be termed as a facet of idea shopping precisely because it captures the essence of the fact that you are trying to collect information about new products or what is trending in the market or if there are a new variants of a particular product right.

Along with this socialization experience again becomes a part of web rooming right. So, another benefit which can be associated with web rooming it helps you avoid deception. Now if you talk about an online channel it does not have a physical presence right it is not someone that you can go and meet or you can catch hold of if the product is not working fine or if you want to return the product right. In case of physical stores this is completely there you feel more of trust because you know where to go if the product is faulty or if you want to return it or if you want to take some after sale services, but that is not the case in case of online channels that is why there is a higher level of risk. Another thing is in case of online shopping many times you must have seen as far as other people experiences are also concerned they might order something they might get something else.

So, this can be termed as a case of deception many times you might feel why should I buy pay first I will only get cash on delivery because you might have doubts if I pay and if I do not get the product what will happen see many times the technology has reached the sophisticated levels and even online retailers if they want to survive in the market and win trust they cannot get involved in such activities. But precisely if anyway the retailer is not very reliable there are chances of these occurrences also and otherwise also being different personalities many people might hold on to such beliefs as far as online channels are concerned. That is why purchasing offline is many times considered as a safer option. It also helps you better evaluate products because you are combining the benefits of first checking online reviews and deriving benefit out of them with respect to understanding the post purchase performance of a product along with this you are going to an offline store and handling it on your own. Likewise showrooming it also helps you capitalize on the benefits of both online and offline channels which we had discussed in the last slide also.

As far as the mechanics of competitive showrooming and webrooming and loyal showrooming and webrooming are concerned. As we move further we will be definitely digging into more fascinating insights about showrooming and webrooming. Now, let us

look at some statistics on showrooming and webrooming. 88 percent of internet users and shoppers say they regularly participate in researching products online before purchasing in a physical store which definitely indicates webrooming. As far as showrooming is concerned 76 percent of shoppers say they regularly participate in researching products in a physical store before purchasing online.

Now considering this particular report they have also indicated reasons why people participate in webrooming and showrooming. As far as webrooming is concerned 75 percent of people said they find the lowest price, compare products and conduct product research. As far as showrooming is concerned many people have said specifically 68 percent to experience the product in person, 48 percent find the lowest price and 41 percent to ask the store associate questions. See in case of webrooming also they have mentioned about find the lowest price. For some product categories you might come across situations where the price could be lower offline also.

Otherwise you have negotiated with the offline seller in such a way that you got the best price because if you remember I also gave you a perspective about how you can use that information with respect to negotiating better in offline store. So, this could be allied with some of those situations. Along with this let us have a look at this which precisely comes from the Statista report and has been written by Felix Richter which is one of the data journalist. Now he specifies the showrooming describes the act of examining goods in a brick and mortar store, but making the actual purchase online which also I was indicating any purchase process will only qualify to be showrooming when the person or the shopper first collects information offline and then purchases online right. In the age

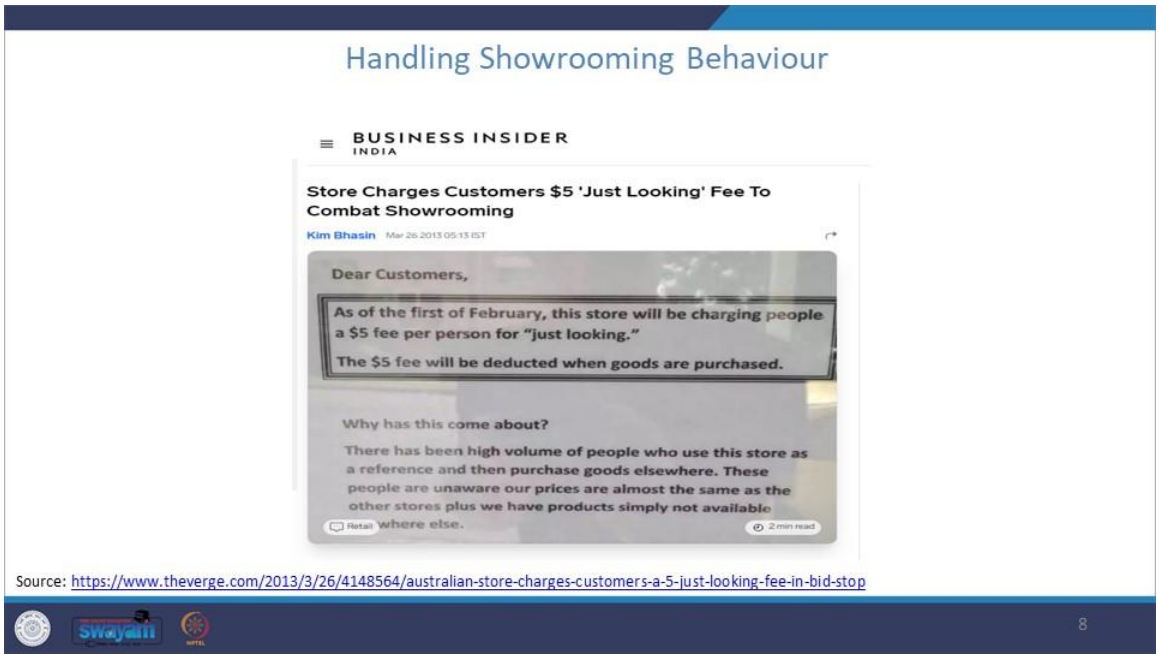
of smartphones, tablets and ubiquitous price information showrooming has become a real issue for traditional retailers.

The infographic that you see on the screen has been created in cooperation with the American Association of Advertising Agencies illustrates how and why consumers engage in showrooming understanding the motives behind showrooming definitely becomes crucial. Now 48 percent of showroomers use physical stores to research products with no plans of making a purchase online. A quarter of showroomers plan to buy in store, but change their minds during the process. Product categories most likely to be purchased via showrooming are consumer electronics 63 percent precisely because they are experienced products. If you talk about a DSLR you might prefer ok let me go to the offline store and click some pictures and see how the product functions, how it looks or to get a touch and feel of the product and then you might come back and purchase it online because of the low prices.

43 percent of apparel, clothing and accessories are also susceptible to showrooming. 29 percent for books, 22 percent for appliances, 22 percent for toys, even 16 percent for jewellery and watches and 10 percent other product categories. The dawn of smartphones has given a boost to showrooming as it enables potential shoppers to compare prices on the go. Showroomers use their phones during 50 to 60 percent of their store shopping trips. Now this again can be related to the fact in our initial discussion I also gave you this perspective.

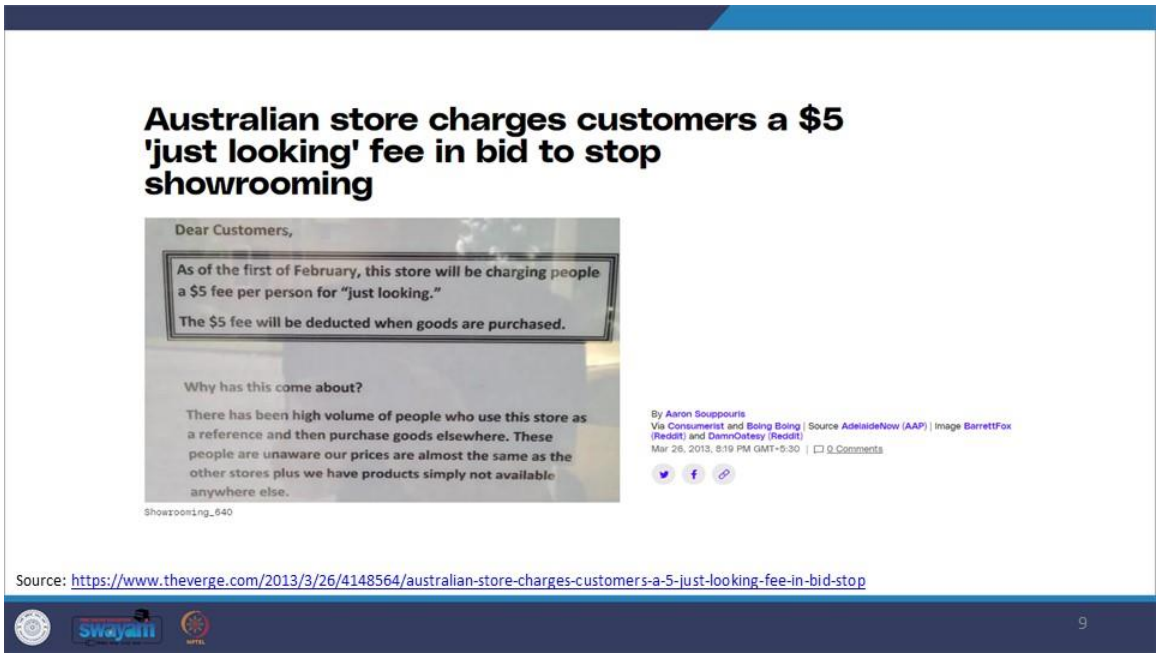
The two reasons why these have become major challenges for retailers are first is because of the extensive penetration of internet, other one is the penetration of mobile phones

because that is what makes it very easier for people to make product purchases even when they are in physical stores. Now we get to the another exciting element which is about how the retailers can handle showrooming and webrooming behavior. Now have a look at this snapshot this was pasted around one of the stores in Brisbane.

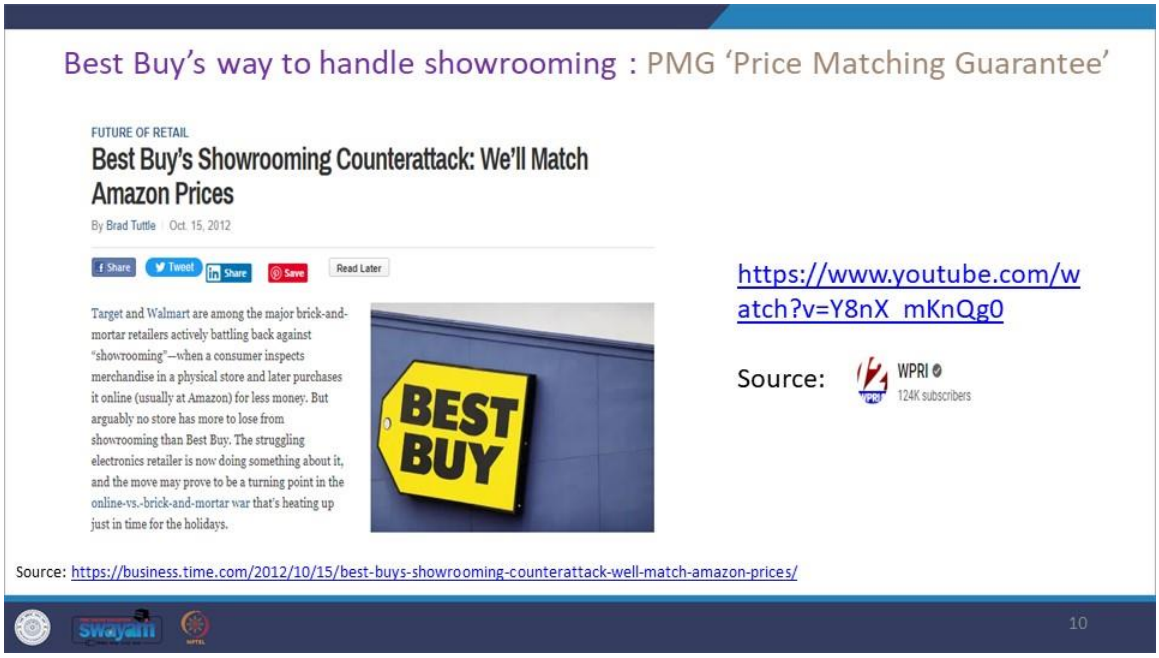


They said store charges customers 5 dollars for just looking fee to combat showrooming. Dear customers as of the 1st of February this store will be charging people a 5 dollar fee per person for just looking.

The fee will be deducted when goods are purchased. Why has this come about? There has been high volume of people who use this store as a reference and then purchase goods elsewhere. These people are unaware our prices are almost the same as other stores plus we have products simply not available anywhere else also. But do you think this kind of strategies will work eventually this does not work out well and the store was actually closed because even if you talk about India consumers will not be comfortable paying a fee for just looking products. But what the retailer could do there was a huge footfall in the stores customers were coming they were evaluating the products touching and feeling the product taking assistance from sales staffs and then going back and purchasing it online.



So this retailer precisely used this strategy to handle this and this was kind of published at other places also Australian store charges customers a 5 dollars fee just looking fee in bid to stop showrooming right. So there was another strategy which was precisely used by Best Buy. They tried to handle showrooming by coming up with the price matching guarantee and the same was also executed by Target and Walmart.



See even if you talk about Best Buy it is very popular when it comes to electronic gadgets. So what many consumers were doing was they were going there examining

products getting a touch a feel of the product experiencing them taking help from sales staff but then they were going back and purchasing it precisely from Amazon.

If you Google more about it you will be surprised to know Amazon even came up with a specific strategy that if you are in any physical store and you scan the barcode we will straight away give you a 15 dollars discount and this gave a huge push to showrooming which definitely was beneficial for Amazon but was very deadly for Best Buy. So this is precisely the reason how the price matching guarantee was precisely born because Best Buy was not left with any other option but they eventually had to match prices but this again is a very challenging domain. You might see many physical retailers they are not in a position to match prices again because the cost structures are very different you might have a retail establishment on red and you also need to pay the salaries of sales staff you also need to create an ambience which is not much of a case with online stores. So this again is a very tricky affair but as far as this is concerned we will also be looking at one of the videos by WPRI which is going to give you some more perspectives as far as the Best Buy and the problem of showrooming is concerned. So before we move further we will be first looking at this video.

Now one major retailer is vowing never to let that happen again. Problem solver Susan Hogan joins us now with the details. A showdown on showrooming Best Buy says it wants to eliminate the practice customers have been using for years. Even if you have no idea what showrooming is chances are you've done it. You want to buy a laptop, a printer, a phone? Do you showroom? I have no idea.

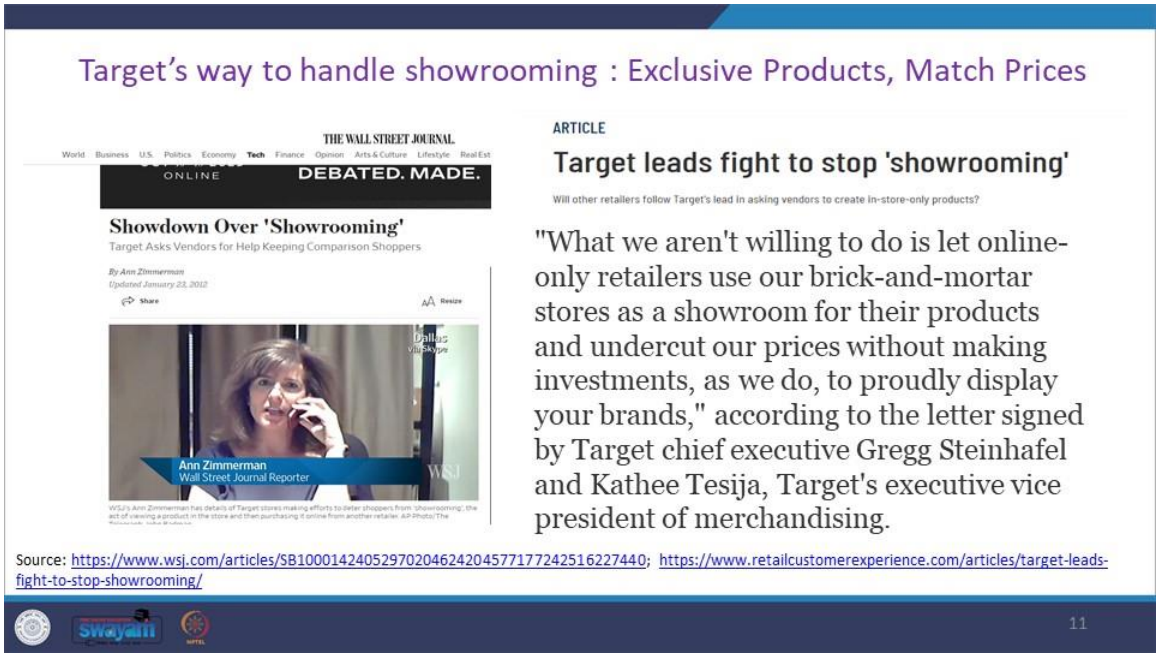
Nope. No. I haven't heard of it. While these three shoppers say they've never heard of showrooming we caught two of them actually doing it today. So what is showrooming? Well it's something we probably do quite a bit but we don't know the terminology. It's simple. You come into a store you want to look at a particular product, test it out, see what it feels like then use our smartphones to see if we can find that product somewhere else cheaper and then we walk out the store and buy it somewhere else. Starting March 3rd Best Buy says it's getting rid of your need to showroom for good.

The retailer is offering on the spot price matching if you find a product cheaper somewhere else. Definitely want to get the best price so go play with it make sure you want it and then you can look all over the web find the best price. In a statement Best Buy tells Call 12 for Action that customers don't need to drive to a store to look at a product and then go back home purchase it online and wait for it to be shipped. Best Buy is the first retailer to publicly come out with a permanent price match guarantee. Other major retailers have made efforts to curb showrooming but ultimately it will be the customer who makes the final decision on where they make their purchase.

I'd rather buy from a store that's closer you know so I can if I need to return it or if

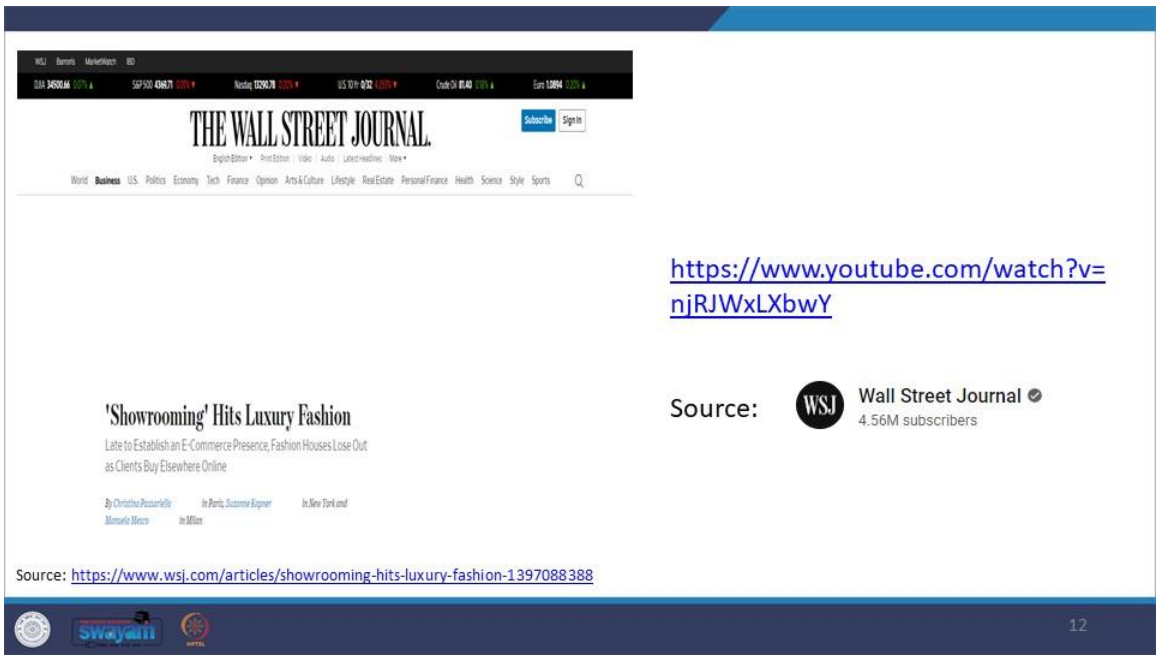
there's problems with it. Now online retailers are still though at an advantage since most don't charge sales tax however federal legislation has been introduced that would change that Best Buy and other major retailers are in full support saying the playing field must be equal. If you have a consumer problem you need help solving contact our Call 12 for Action center Monday through Thursday from 11 until one hour hotline is 228-1850 or if you're interested in becoming a Call 12 for Action volunteer with me you can call that same number you see right there on your screen. I'm problem solver Susan Hogan, Eyewitness News.

Now after Best buy targets used another way of handling showrooming which was quite similar to best buy also but one thing which they again specified was that another way of handling showrooming could be have exclusive products apart from matching prices. So see if you are going to an offline store you are examining products there and you liked something but what if the same product is not available online so this again gives a perspective if you have exclusive product assortment the products which are available offline if they are not available online showrooming will not happen right because the product that you have like in store if you can't buy them online anyway this will not amount to showrooming because you will not be able to execute it right you can't place the orders for the products online which are not available.



So this again can be used as a very good effective strategy to counter showrooming. So we'll also read this target leads fight to stop showrooming what we are in willing to do is let online 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

according to the letter signed by target chief executive at that time Greg S. and Kati Thesaja, Targets Executive Vice President of Mercandising. Now just imagine how complicated this was getting for retailers even they felt that our retail stores are being used by others right and no reciprocation is happening people are coming checking products inspecting them having a good time and then they are going back and purchasing it online. So then they eventually decided that one solution for this could be definitely having exclusive products.



So this was one ways by target through which they decided to handle showrooming apart from this another thing which you need to understand is there was also a discussion that showrooming is now hitting luxury fashion also. So this was published by the Wall Street Journal so as far as this is concerned we'll be looking at this video and this was definitely going to give you some enhanced perspectives about how showrooming also started hitting the luxury marketers. So please have a look at this and then we'll be moving forward.

Welcome back to lunch break here at WSJ live I am Simon Constable. Showrooming that's where consumers browse in stores but shop online hurt mass retailers like Borders and Circuit City.

Now it's spreading to the luxury fashion sector as consumers opt out of going to elegant stores in favor of shopping from home. WSJ's Christina Passeriello joins us now with details. Christina trends happen and this one's been creeping all the way up to the luxury end. Tell us about it. Yeah I mean consumers in luxury want to buy their bags and shoes and some clothes online just in the same way that they buy books and home electronics

online.

In many cases it's the same consumer but they haven't been able to quite as readily. A lot of luxury sites, a lot of luxury brands don't have their own websites so they've been turning to sort of third party retailers. And it says you've got those luxury houses and you mentioned some names, an ill place to benefit from the boon in online sales. You think they'd have seen this coming. This is a train that has been coming down the track for a number of years.

This shouldn't surprise anyone. Why has it caught them? Yeah luxury houses are really resistant to doing e-commerce for the most part. They think that there's something sacred about the in-store experience and that they can't replicate that online. So they have websites that have store addresses and sometimes shots of the products but a lot of brands don't actually have their own e-commerce sites. This is a trend that's really being driven by consumers who are just going on and they just want to be able to buy their stuff online.

So there's a lot going on here. The one time fashion houses can be very innovative with their designs, with their use of materials, with developing new looks and they do that very very well particularly at the high end. And yet on this side they're not very innovative and yet the consumers are saying hey we want that innovation on this end of it as well as the designs too. What trade brands see the internet as a tool for the masses which is the opposite of how they see themselves and they feel like it's difficult to really connect with consumers and have a one on one kind of relationship to have that kind of relationship that you have with a salesperson in an electra store. They feel like they can't replicate that online but consumers they'll still go to the stores and they might check out stuff on the stores but they think about an object and then they decide they want to buy it online later. So yeah it's really been really been driven by the consumers. Christina who's doing this right? The department stores in the US Neiman Marcus for instance is getting a lot of sales from luxury. I think that some of the department stores in the US get about 25% of their sales from their e-commerce sites. So what Neiman Marcus does which is what a lot of the luxury brands could eventually aspire to doing is to have a click and collect service. So you click online you buy something online and then you decide instead of having it shipped to you you decide to go pick it up at a Neiman Marcus store. It's ready like two hours later and you can pick it up at a store near you.

So in that way you're getting the convenience of shopping online but you still actually get an in-store experience because you get the sales person at the end who recognizes you and gives you. Okay great stuff very interesting. Christina Passeriello we appreciate your time.

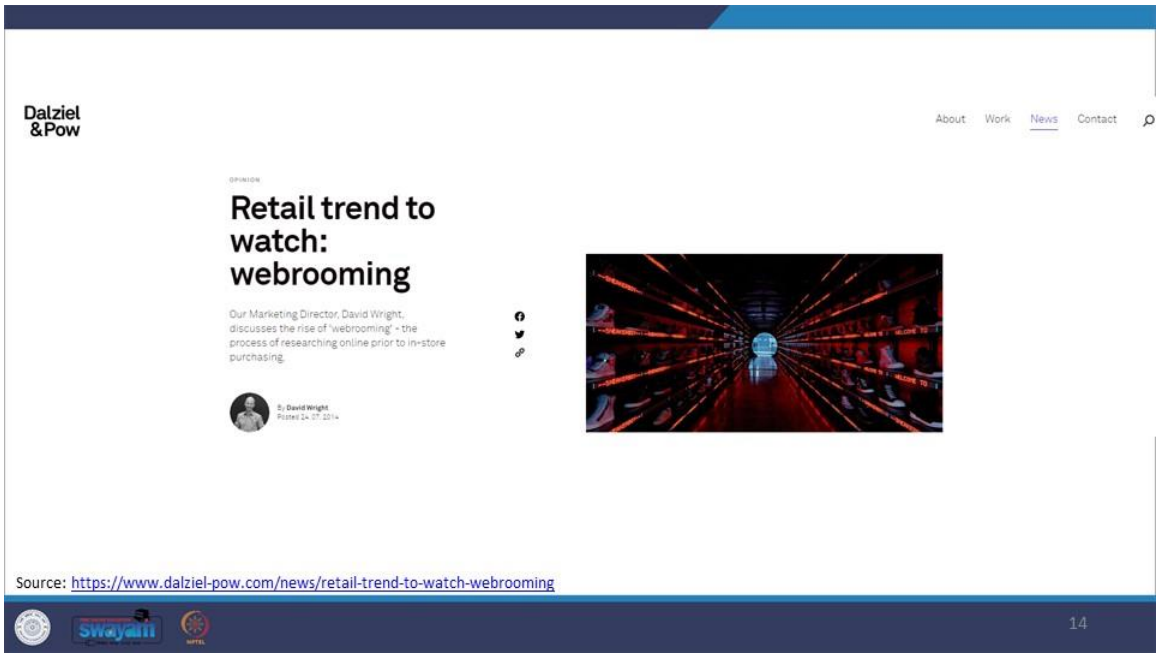
Now we'll be discussing about the strategies which can be used by offline retailers to counter showrooming.

So the first is price matching. I think I already gave you a hint about it right? This was precisely popularized by Best Buy because they could not find any other effective strategy to deal with Amazon and specifically showrooming. But see in this case also what we need to understand is the cost structures of an offline store and online stores are very different. If you talk about an offline store they are required to invest in physical store establishment, hire staff, create an ambience which an online store might not be doing at that scale. So definitely the cost investments which they are making are very different. So price matching guarantee is going to be a different ball game or a risky thing also for an offline retailer they might be even getting into losses.

So another effective way of handling showrooming could be stimulating the feelings of risk which can be allied with product risk. See if you talk about an offline store the person can directly go there handle the product see it, touch it, feel it, inspect it and can also talk to the sales staff and clear their doubts right. But if you directly buy from an online channel there are a lot of product risk involved. You might get something else the product that you get could be faulty or otherwise you know if you want to return the product or if there is a problem with the product whom will you catch hold of because online store does not have a physical existence right which is definitely the case of an offline retailer and that also leads to the feelings of trust. So this is one thing which can be done and how see you definitely have sales staff who will be coming and talking to the customers.

So the sales staff can definitely use this opportunity to stimulate the feelings of risk or specifically product risk which might then encourage customers to buy the product then in there itself in physical stores. But this is also trickier why the consumer is executing showrooming is simply because he cannot evaluate the products in proper ways in online channels that is why he is coming first to the offline store. Now this again gets very critical. Another thing is focusing on relationships. The sales staff can definitely have an ideology about fostering relationship with the customers and prospective customers and in that cases if the loyalty is developed or the relationship is nurtured to the next level showrooming can be handled.

Likewise stimulating feelings of risk or product risk another strategy which can be adopted by retailers is stimulating the feelings of regret. One thing is you might stimulating the feelings of product mismatch which again indicates the facet if you order online you might get another product or if you buy the product online the product may not be that much reliable what if it is a me too product. So all these feelings can be stimulated in shoppers to make sure they buy from the physical store itself. Another way of handling showrooming could be minimize comparisons. See you might have bundled offers in which the consumers may not be able to actually compare the prices online and offline as far as the physical store is concerned if you have a bundled offer the sum total of parts could actually appear to be much larger as compared to the individual product items.



So this can be used as one of the strategies to minimize comparisons. Along with this you see the tab of what else in which we would be happy to hear your views about what you think are the strategies which can be adopted to handle showrooming customers. So please head to the forum and share your views about it. Now we will be understanding what are the strategies which can be used by the online retailers for countering web rumors. But before that I want you to look at this snapshot retail trend to watch web rooming many times you might feel considering the scenarios or people around you that you know the percentage of statistics of showrooming could be higher which means many people could be executing showrooming.

But if you look at the statista reports and if you Google about it the percentage of web rooming is much higher which means that there are a lot of people who are first going to an online channel to collect information but they are eventually coming and purchasing the product offline. Look at this one also business standard the web rooming phenomenon research online and purchase offline. Web rooming theory states that some consumers do their research online but then end up purchasing the product offline in a physical store.

This was published quite recently and this also proposes web rooming to be a bigger challenge for the online retailers or a crucial challenge as far as the present day retail dynamics are concerned but how web rooming can actually be handled. Now we will be discussing about the strategies which can be used by the retailers for handling web rooming customers.

See if you look at web rooming I already gave you a perspective that this combines online search and offline purchase. So many customers would be going to an offline store eventually to buy because they think they can better evaluate products there. So one way online retailers can handle web rooming is by offering better product diagnostics and this can be done by using technologies like augmented reality, virtual reality and 3D technologies. If you see at the case of Lenskart this is what they have most beautifully done. You can actually use 3D technologies to see how different spectacles will look on you or if they will fit your face cut or not.

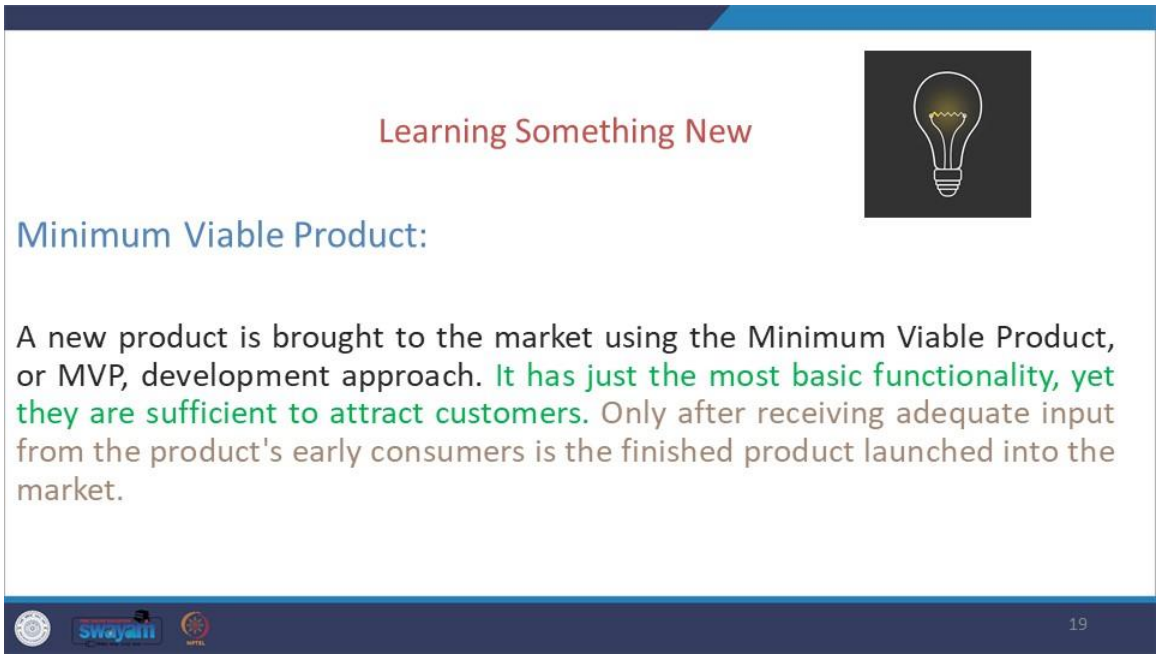
So that is why it becomes important that if online retailers have better diagnostics you might see consumers not eventually switching to an offline store because this is eventually not only going to foster trust but also is going to give them more of confidence with respect to their purchases. Another strategy which can be used by online retailers is simulating the feelings of paying a higher price. See if a consumer goes to an offline store after collecting information online I already gave you a perspective that because of different cost structures the price at offline stores is most likely going to be high in majority of cases. So this can be used as a way out with respect to stimulating feelings of paying a higher price if they go to an offline store to eventually purchase the product and this might also be magical with respect to retaining customers. Now see if these both are combined whether it is with respect to the facet of enhancing diagnostics by using AR, VR and 3D technologies and then stimulating feelings of paying a higher price if they switch offline this can really help retain shoppers and might stimulate them to buy from the online store itself.

Along with this retailers can definitely use and rely on the augmented reality and virtual reality technologies to enhance their shopping experiences. The benefits which precisely come from these technologies is very higher emotion the person just gets engrossed in the digital world which eventually not only create positive feelings but can also enhance their overall shopping experiences eventually fostering positive feelings about online channels. Now if you sum up these facets with respect to paying a higher price offline if they eventually web room this can also be looked at from the perspectives of regret. If you use messages which can actually instill the feelings of regret in customers if they go to an offline store and buy product from there and if the prices designed are such that it is available at a lower price online they might regret that they have paid a higher price for the same product. Along with this this can also be connected with the feelings of missing out on special deals and promotional offers which also amount to monetary savings and are precisely available online.

So, this again can be used as a mechanism to instill feelings of regret with respect to missing out on attractive promotional offers and deals as well as paying a higher price. Along with this the online retailers also need to enhance social presence. Social presence basically captures the essence of the fact that when people will come to an online channel they will feel as if they are talking to a person that is why in today's time you see all this evolution of chatbots and virtual assistants right which was earlier missing online. This in many ways can also help in converting web rumors into buyers. Now likewise showrooming strategies can also be adopted to minimize comparisons as far as the purchases with respect to online and offline channels are concerned and they can also work effectively like bundle shopping can be one of the strategies for that.

So, in the last tab what you see is what else. So likewise showrooming I would encourage you to head to forum and share what are your views as far as the strategies for handling web rumors are concerned and we will be happy to see your views there. Now as we move further we have arrived at our exciting element which is food for thought.

So in this I will be sharing some information about the India's favorite social network or as you see on screen India ka favorite social network. So, this is one of the campaigns which is being executed by Red Label India.



So have a look at this and I am very sure you are going to enjoy this.

Now as a part of learning something new we will be learning about the minimum viable product. This term is very popular as far as the startup culture is concerned. So minimum viable product is basically a new product which is brought to the market and only has the basic functionality which means they are developed in such a way that it is sufficient for them to attract customers, but they do not launch a full face or a complete product. Because many times they might not be willing to invest that much rather they would be more interesting in figuring out if prospective consumers like the product and many times it is also used as a mechanism to get the feedback of consumers with the initial minimum viable product and after getting feedback they focus on improving it and then they come up with the final version to have a larger acceptance in the market. As it is written only after receiving adequate input from the products early consumers the finished product is launched in the market with the objective of having a larger acceptance.

So this was all what today as we move forward in the last lecture we will be discussing about the impact of augmented reality, virtual reality and artificial intelligence on retailing. Wishing you a good day for now and looking forward to meeting you in the next session. Thank you.