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owrooming: The Consequences

Showrooming occurs when someone visits a brick-and-mortar store to examine and evaluate products without the intention of them buying at that store. Rather, once the consumer has decided on the most suitable product, he or she purchases that product elsewhere, usually online. Thus, if you visit a Best Buy store, check out the Windows 8 touch computers, ask the sales personnel questions about the various alternatives, and then return home to purchase the one you like best from an online vendor, you are showrooming Best Buy computers.

In most cases, online vendors charge less than brick-and-mortar vendors because they save money on rent, employees, utilities, and other costs of operating a physical retail presence. If they choose, online vendors can pass those savings on to the purchaser, either in the form of lower prices, free shipping, or both.

Online vendors have another advantage. While all brick-and-mortar stores must pay sales tax, unless an online vendor has a physical presence in your state, that vendor need not pay. You, as the purchaser of goods from out of state, are supposed to declare and pay state tax on your purchase, but few people do. Thus, the price charged by a brick-and-mortar store can be the same as the online vendor, but it can be cheaper to buy online if the cost of shipping is less than your state's sales tax (assuming you do not declare and pay that tax).

To facilitate showrooming, Amazon.com developed a mobile, native application called *Price Check* that is available for iOS and Android devices. Using these devices, consumers can scan a UPC product code, take a picture of a product, or say the name of a product, and Amazon.com will respond with its price as well as prices from many other online vendors.