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# Retailers Try to Thwart Price Apps

*Programs Like RedLaser Prompt Bricks-and-Mortar Stores to Develop Exclusive Product Lines*

By [DANA MATTIOLI](#)

The smartphone boom is unleashing a new era of pricing transparency to consumers able to use wireless apps and search engines on their mobile devices in stores to check if they are offering the best deal. But retailers are fighting back harder than ever to prevent their stores from becoming mere showrooms.

More bricks-and-mortar stores are reviewing prices of online stores when setting initial price of an item. If prices are out of whack, they are more aggressively matching the prices of their online rivals. Some retailers are investing heavily in exclusive products that are less vulnerable to price competition.



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Electronics retailers, such as Brookstone, above, cultivate private and proprietary brands to better compete.

"Our pricing has to be very competitive," says [Best Buy](#) Co. Chief Marketing Officer Barry Judge. "We know what Amazon's price is on everything they sell," he says.

Best Buy stores will price-match other bricks and mortar stores, but "chooses not to" match its online competitors, says Mr. Judge. It does adjust [Bestbuy.com](#) prices of certain items to compete with online retailers, he says.

In the U.S., 44% of shoppers now have smartphones, up from 18% just two years ago, says Nielsen. In 2010, those shoppers spent \$3.4 billion using their mobile phones to place retail orders, excluding travel. This year, that number is expected to jump to \$8 billion, according to market research firm ABI Research. The figures do not include orders placed from tablets.

While more people are using their mobile phones to order products, handsets are influential for pricing research and directing users to online sites to complete a purchase. Popular price comparison apps like [eBay](#) Inc.'s RedLaser and TheFind have 16 million and 1.4 million downloads, respectively, up from 6 million downloads for RedLaser and 1 million downloads for TheFind last year.

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Should Amazon cancel its "Price Check" app which angers brick-and-mortar stores?

- Yes  
 No

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Each app allows users to scan barcodes, take a photo or search a product while in a store, and then spouts out the prices of online competitors. TheFind says its mobile app averages between 18 million and 20 million price checks each month, up from 13 million to 15 million checks per month last year.

A May survey of 3,000 shoppers by consultants AlixPartners found that about 40% had searched for a lower price using an in-store shopping app or search engine, then purchased the item for a lower price online.

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The use of such apps recently sparked a furor. After [Amazon.com](#) Inc. launched a promotion on Dec. 8 on its Price Check shopping app that gave customers 5%, or up to \$5, on up to three qualifying items on its site if they checked the prices of those goods while browsing at a physical store, retail groups and politicians denounced the offer. Sen. Olympia Snowe (R., Maine)

called the promotion "anti-competitive" and "an attack on Main Street businesses that employ workers in our communities."

To respond, some stores find themselves having to more frequently match prices of their rivals to keep cell phone-wielding shoppers from defecting. Since tablets such as the iPad have become a bigger factor in e-commerce, cooking retailer Sur La Table Inc. more regularly matches the price for online competitors, such as WholeLatteLove.com and Amazon.com, which CEO Jack Schwefel refers to as "the A-word."

"It has amped up to a whole 'nother level post iPads," said Mr. Schwefel.

Competition from e-tailers is also amplifying the importance of exclusives and store-branded merchandise that prevent consumers from being able to directly compare items, says John Long, a retail strategist with Kurt Salmon.

Several department stores collaborated with high-end designers to build exclusive product lines, and the trend is becoming increasingly important for specialty stores and electronics retailers, he says.

GNC Chief Marketing Officer Jeff Hennion says 56% of the products GNC sells today are exclusives or GNC branded.

Electronics and gift retailer Brookstone Inc. is also spending more on private and proprietary brands as a way to compete with online stores, says CEO Ron Boire. This month one of its best sellers is an iPhone projector that the company developed internally that allows users to display movies on walls and other surfaces for \$229.99.

In addition, retailers now take online competitors into account when determining the initial prices for both in-store and only items. This year, Brookstone created a separate team of merchants for in-store and online commerce. Every day, the online team scours pricing of online electronics rivals and adjusts the prices of thousands of its online-only items.

Merchants at department store chain [Bon-Ton Stores](#) Inc. can adjust in-store prices within a day to compete with online rivals, especially in the home and small electronics parts of the store, says Chief Operating Officer Barbara Schrantz.

Despite these steps, in some cases retailers just can't win. Earlier this month, Alex Plitsas ordered a Fuji digital SLR camera for his wife as a Christmas gift. The 26-year-old scoured the Web for deals before placing an order with a smaller, online-only retailer.

"I found it cheaper at a random website and paid 60% less than the listed price at a brick and mortar," he says.

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