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# Nothing to Hide

## **Show competitors' prices? Some e-retailers say the gains in trust offset the potential loss of sales.**

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Editor

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Comparison shopping is a big part of buying online. Where's the fun if shoppers can't check a product's price on many sites before pressing the "Buy" button, to make sure they get the best deal? Some Internet retailers have decided to save their customers the trouble of clicking around by showing them competitors' prices on directly comparable products—with links to their competition's product page to facilitate the customer's defection.

How can this be a good idea? It can be if it gives consumers more confidence in a retailer's site, says Neel Grover, president and CEO of electronics and general merchandise retailer Buy.com. "Our goal was to help highlight our low pricing across the board, motivate customers to start the shopping experience at Buy.com, and help earn the customer's trust," Grover says.

While results are still sketchy, it appears this novel idea can make sense for retailers who sell commodity items and compete on price, and for those who add enough value that customers may stick with them as long as they're close on price. It makes no sense for retailers whose inventory defies comparison, or whose target customer is the "money-is-no-object" type. For everyone else, the business case varies from "Why not?" to "Forget about it."

### **Plus a penny**

Quite a few e-retail sites are testing the concept. Buy.com has been showing competitors' prices for three years for such commodity categories as computers, consumer electronics, books, music, toys and baby gear. Grover, whose company was acquired last month by Rakuten of Japan, declines to comment on sales impact.

Wal-Mart Stores Inc. is giving comparative pricing a whirl through its U.K. subsidiary Asda. The grocery chain began in April showing shoppers what they would have paid at competitors' stores for their most recent Asda purchases. If they bought at least eight items in one trip and the grand total turns up cheaper at another store, Asda will refund them the difference—plus a penny.

Backcountry.com started offering comparative pricing early this year on the more widely available items in its inventory of outdoor gear and clothing. Chief marketing officer Dustin Robertson sees it as a customer service. "The Internet is a way better research medium than a shopping medium," he

says. "We're trying to embrace that we're used for research first and shopping second. We don't compete on price or position the brand on price, so it is often cheaper somewhere else. If it is, we might as well help our customers find it. We have positioned ourselves as having the best service in the world—that's the piece we want to own. And giving customers a great research experience is part of that."

Several retailers are implementing the price-comparison features through vendors like WinBuyer.com. The Israel-based company collects the data on comparable products that it displays on a retailer's site, largely through deals with comparison shopping engines including Shopzilla, Shopping.com and PriceGrabber.

If a consumer at the site of Retailer A clicks on a price from Retailer B, WinBuyer takes the consumer to the site of Retailer B, which pays a fee as if the click came from the comparison shopping site that provided WinBuyer the data. WinBuyer, the comparison site and Retailer A then split the click fee, which is often in the range of 20 to 60 cents. In some cases, WinBuyer pays Retailer B through affiliate networks like Commission Junction or LinkShare, though WinBuyer negotiates the fee directly with the merchants receiving the clicks.

"Consumers have a lot of options and easy access to information, and the retailer is really not in control," says Eyal Keren, vice president of marketing for WinBuyer, which launched its comparison widget almost two years ago and has 250 retailer clients, including Ritz Interactive, Family Video, ToolBarn and Overstock.com. Installation involves copying and pasting a little bit of JavaScript, and WinBuyer says most users can be up and running in about 15 minutes.

#### **No loss?**

The company conducted an A/B test across 10 online stores over 45 days and found that the presence of comparative price information increased revenue an average of 2% and conversions an average of almost 5%. The more product pages that contained comparative pricing, the better the retailer's increase in revenue, the vendor says.

"It doesn't work for everyone," Keren concedes. For instance, retailers selling unique products will have a hard time finding products to compare. "But the majority of customers have gained benefits," he says. "The whole paradigm of sending traffic to a competitor is counterintuitive, but we try to advocate that the traffic wasn't there to begin with."

Backcountry.com's Robertson agrees. "If it's 20 bucks cheaper somewhere else, your conversion will go down, but it was going down anyway," he says. "Consumers aren't stupid. They're checking the prices."

WinBuyer last year commissioned research firm The E-tailing Group to survey 1,025 frequent online shoppers on their reaction to the presence of comparative price information on product pages. The study showed 94% of online shoppers take time to compare prices, and a third of them spend more than half an hour researching price on a given purchase. More than half said they thought onsite comparative pricing was credible and would relieve them of the need to do research elsewhere. A third of respondents gave the feature a 10 out of 10 for value, and only 2% thought it was of no value.

And the survey confirmed that many online shoppers are price shoppers: "Total cost of ownership"

(price plus tax plus shipping) was the highest priority among survey respondents, while price alone was second.

"If you're in a heavily competitive category, it's worth a test," concludes Lauren Freedman, president of The E-tailing Group.

### **Close enough**

Merchants who fear that consumers will automatically leap for the lowest price may be underestimating them, Freedman says. "Generally people want to find the lowest price, but sometimes they just want to be sure they're not paying twice the price," she says. She notes that online shoe retailer Zappos, which was acquired last year by Amazon.com Inc., has never competed on price, but attracted customers with policies like free shipping for purchases and returns.

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