Retail

Stores Try Fixed Prices That Aren't So Fixed

▶ Merchants add digital displays that allow quicker price updates

▶ In a year or two, "you'll see a lot more retailers rolling them out"

Nebraska Furniture Mart used to dispatch an army of employees each morning to update printed price labels throughout its stores, a time-consuming effort to maintain its pledge to offer the lowest prices on televisions, dishwashers, sofas, and flooring. But following a big investment in digital-price displays that began in 2011, a single worker can now quickly update the chain's prices on thousands of products in all four of its locations to beat the latest offers from **Home Depot**, **Sears**, and other rivals.

"If we have a TV for $1,200 and Amazon has it for $900, customers are going to say, 'What the heck, your prices are not the lowest,'" says David Bash, chief information officer at Nebraska Furniture Mart, a **Berkshire Hathaway**-owned chain that has stores in Nebraska, Kansas, Iowa, and Texas. "These electronic shelf tags are not just here to look pretty. They're here to make sure you get the best deal."

A small but growing number of U.S. retailers are investing in digital displays that easily accommodate frequent changes, all the better to compete with online merchants for smartphone-toting shoppers who scan **Amazon.com** and other websites to find the best deals. **Pricer**, the Stockholm-based market leader in digital-pricing displays, says 110 million electronic shelf labels have been installed worldwide. But the technology is still new to most U.S. retailers. A supplier to big European retailers such as **Carrefour** and **Groupe Auchan**, Pricer saw its U.S. sales almost triple, to $11.6 million, in the first quarter of 2015 from the year before. The U.S. generated about 8 percent of its quarterly revenue, up from 4 percent a year earlier. American companies using at least some form of digital price tags range from small fry like Nebraska Furniture Mart to family department store **Kohl's**, which has installed the devices in its almost 1,200 stores.

Altierre, the San Jose-based company that produced the displays used in Kohl's stores, sells low-power, long-range wireless transmission gear, sensors, and software to control thousands of battery-powered pricing displays on shelves or display racks throughout a building.

Besides enabling retailers to quickly change prices, Pricer's digital displays can be integrated with smartphone apps and GPS systems to lead customers to items. The system can even trigger the shelf price display to flash as the customer approaches. Pricer also markets the gear to retailers offering so-called click-and-collect services, where members of the staff walk through a store to gather items customers ordered online for in-store pickup.

Going digital isn't cheap. While shelf displays start at about $5 each, the cost of outfitting a single store can top six figures for big-box retailers that carry tens of thousands of products in each location. "This is not an inexpensive solution," says Gary Glaser, who directs U.S. sales for Pricer. Still, "over the next year or two, you'll see a lot more retailers rolling them out."

Price displays at a Nebraska Furniture Mart in a Dallas suburb

One reason: The explosion of online retailing has shortened the shelf life of prices in brick-and-mortar stores. Amazon, **EBay**, and other Web marketplaces let shoppers quickly call up side-by-side prices for the same product from multiple merchants. So rather than sticking with set prices that give them the profit margins they want, retailers increasingly have to tweak pricing to match—or at least approach—their rivals that sell via the Web. Some merchants are also using price-changing algorithms to beat online competitors for top search placement on comparative retail websites.

"The gap between online prices and in-store prices is not going to hold," says Victor Rosenman, chief executive officer of **Feedvisor**, which uses algorithms to help online merchants set prices. "We will get closer to a perfect market condition where the seller doesn't make much profit and the buyer gets a good price."

Pricer's biggest U.S. customer is the Department of Defense. The DOD started experimenting with electronic shelf labels almost 20 years ago and recently finished installing them in all 180 military commissaries in the country, says Kevin Robinson, a spokesman for the Defense Commissary Agency. The displays eliminate pricing discrepancies at the counter, reducing customer complaints, returns, and cancellations at checkout, he says.

"With electronic shelf labels, stores can shift employees to customer service during peak sales periods from the labor-intensive chore of posting thousands of price changes, usually done by hand at night," Robinson says. "Large stores can average 5,000 to 6,000 price changes per month. The system can bring price changes to the floor much faster—at the rate of 3,000 per hour."

Kohl's started using electronic price displays in 2010 and added them to all its stores by the end of 2012. The retailer puts the displays in prominent places where items are grouped—on top of a rack of sport coats, for instance, rather than on individual items. Their use has helped Kohl's save on payroll and boost profit margins.

CLOCKWISE FROM LEFT: PHOTOGRAPH BY MISTY KEASLER FOR BLOOMBERG BUSINESSWEEK, COURTESY NASA (2); COURTESY QUIRKIE KIDS

Still, digital-pricing displays can't solve all brick-and-mortar price problems. Nebraska Furniture Mart limits changes to one per day before the store opens, with some exceptions, so customers don't grab an item off the shelf and have the price go up or down by the time they get to the cash register, Bash says. "I know Amazon makes price changes all day long, but that would drive our customers nuts," he says. "At 10 a.m., when the store opens, we are the lowest price in our categories. At 10:05 we can't guarantee that."

—Spencer Soper, with Lindsey Rupp

The bottom line U.S. sales of digital-pricing displays from Sweden's Pricer almost tripled in 2015's first quarter from the year before.