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FBN September 2009

OPINION

Getting it right in retail

Has the story you tell your customers become more important than the product?

Richard Lewis, Friday September 04 2009

At a time when consumers are cutting back and businesses are failing, taking care of customers has become more crucial than ever. So why do some stores continue to get it so wrong?

I live in close proximity to two competing supermarkets, in France. Shop A is known for lower prices, while Shop B has a more pricey perception. Shop A is closer and so became my default choice for a short time. However, this came to an end. It was nothing to do with the quality or freshness of the product and, although the store-fit was tattered, the store itself was intuitive and easy to shop. The real problem came at the tills. The store was staffed by four very unfriendly and unproductive people. None would greet you, none would help you and sometimes a cashier would get up in the middle of bleeping your shopping through and wander off, leaving you standing, while a queue built up. The staff worked painfully slowly, talking to each other, not the customers. The queues were interminable.

So I started walking a little further and paying a little more to visit Shop B. Here the cashiers were bright, chatty and friendly. They worked fast, there was never a queue and they fussed over my small daughter. There was a duty manager by the door who greeted customers as they entered. But the basket price was often higher, for much the same product as Shop A. So I was pleased when Shop A closed for refurbishment, imagining that the management had decided to address the outlet's problems. I was wrong.

Getting it wrong

The refit was attractive, with wider aisles, a clean, modern feel and better lighting. But the decision to add more upscale product and place it front and centre seemed like an error, since it clouded the store's chief point of difference in the neighbourhood: price.

But there was worse to come: the store added state-of-the-art tills and increased their number – but kept the same four unmotivated people to staff them. Long queues now block the aisles, while expensive, unmanned tills sit idle. The result, during busy periods, is nothing short of chaos. Shop A missed what should have been a great opportunity to win new loyalty. And it did it by failing to confront and address the only thing that was ever really wrong: people. Meanwhile, the ergonomic changes failed to take into account the real size of queues and the speed at which staff worked. In all, the relaunch raised customer expectations about experience while simultaneously dashing them.

I was bemused by this missed opportunity, so I called Robert Passikoff – founder and president of Brand Keys and a thought leader in engagement and loyalty – to get some perspective. The problem, says Passikoff, is that retailers tend to look at their world through the eyes of retail, rather than those of the customer. “For too many retailers, store experience translates into better lighting and wider aisles. Whereas some [wage] raises and anger management training might have been a more efficacious approach in this case.” But many retailers fail to measure for this sort of thing; the value equation of the customer is not the same as that of the retailer, Passikoff says. “Basically, today, products are all the same. Value is now derived beyond the primary features of the product.” In other words, the story you tell your customers, through branding and store experience, is now more important than the product or price.

Getting it right

I came across some examples of this while visiting the UK. I stayed in an area served by a multitude of grocery retailers, each vying to give the best experience. I visited three well-known UK food retailers operating within a stone’s throw of one another and discovered that, in a market where competition is intense and often fierce, each retailer had decided to focus on one primary point of difference and tell that story strongly from the word go. Superstore A had clearly opted for Service. Although this was a large shop, the retailer managed to convey a sense of intimacy and hospitality. It achieved this primarily with highly visible and engaged staff, although design, lighting and neatness also contributed. The message was clear on entering the store: a customer service manager sat facing the entrance and smiling. Two steps into the store, I was able to enquire about child-friendly shopping trolleys and the gentleman leapt from his chair and procured one. Around the store, staff in clean, bakery style uniforms were chatting with customers and demonstrating products.

Superstore B had clearly decided to tell a story about Price. A giant display in the atrium showed budget private label cleaning products piled high at a very low price. The store was making sure that its primary message was strongly communicated right from the outset. Within the store, point-of-sale banners displaying a bold low-price message were attached to every gondola. Despite the “cheap” feel of the store, the staff experience was high-end, with friendly, helpful cashiers and aisle staff communicating well.

Superstore C had just opened next to Superstore B. However, it did not compete with its neighbour on price. On the contrary, it had a single message from the word go, using billboard displays outside the store and in the car park to display a slogan about Quality. The prices were often higher in this store, but the expectation of premium had been effectively set.

Managing the experience

Where these retailers win, and our French example would seem to lose out, is around managing customer expectations. Each of the UK retailers told customers what to expect, either as they entered or before they entered the store, and then set about strongly delivering that experience. By contrast, our French retailer set customers up for disappointment and then compounded it by giving terrible service.

It’s tempting to see shopper data as a possible way for both the French supermarkets to get a clearer picture of what their customers want. Neither operates a loyalty scheme. Nearby, however, a Carrefour hypermarket has just relaunched following extensive customer research via its loyalty card scheme. The data pointed to an affluent shopper and so the new hypermarket has a premium feel and really does deliver a market experience in places, with an extended fresh fruit and veg section, alluring displays and a fishmonger calling out the day’s specials. In the US, Food Lion used shopper data to segment its customers and then executed a multi-banner strategy, with each banner addressing a different cluster of shopper types. The first two UK stores operated loyalty schemes. It should also be noted that both the French stores are franchised, while all the UK examples are wholly-owned.

Researchers such as Mintel are sceptical about the ability of loyalty schemes to engender loyalty by themselves. Even so, they can give the retailer valuable information about who is shopping with them; information that can then be used, as Carrefour has done, to create an accurately targeted experience, which may in turn inspire loyalty. “In the 1990s, category management was all about point of sale data,” writes Willard Bishop analyst Craig Rosenblum in the August edition of Competitive Edge. “In the 21st century it’s all about shopper data ... With shopper data, retailers and consumer goods manufacturers can create unique promotional programs and events tailored to unique customer groups.” However, Rosenblum warns against starting without a clear vision. Before you begin leveraging the power of shopper data, you need to ask: “What is my strategy to win with shoppers?” he says.

Surely, though, it is even cheaper to spend some time talking to your customers on the shop floor. Had it performed this simple task, Shop A may have discovered that a refit was not necessary, that staff levels, morale and training were the issues damaging the business.

Richard Lewis
Editor
FBN welcomes your comments
Write to: r.lewis@theconsumergoodsforum.com