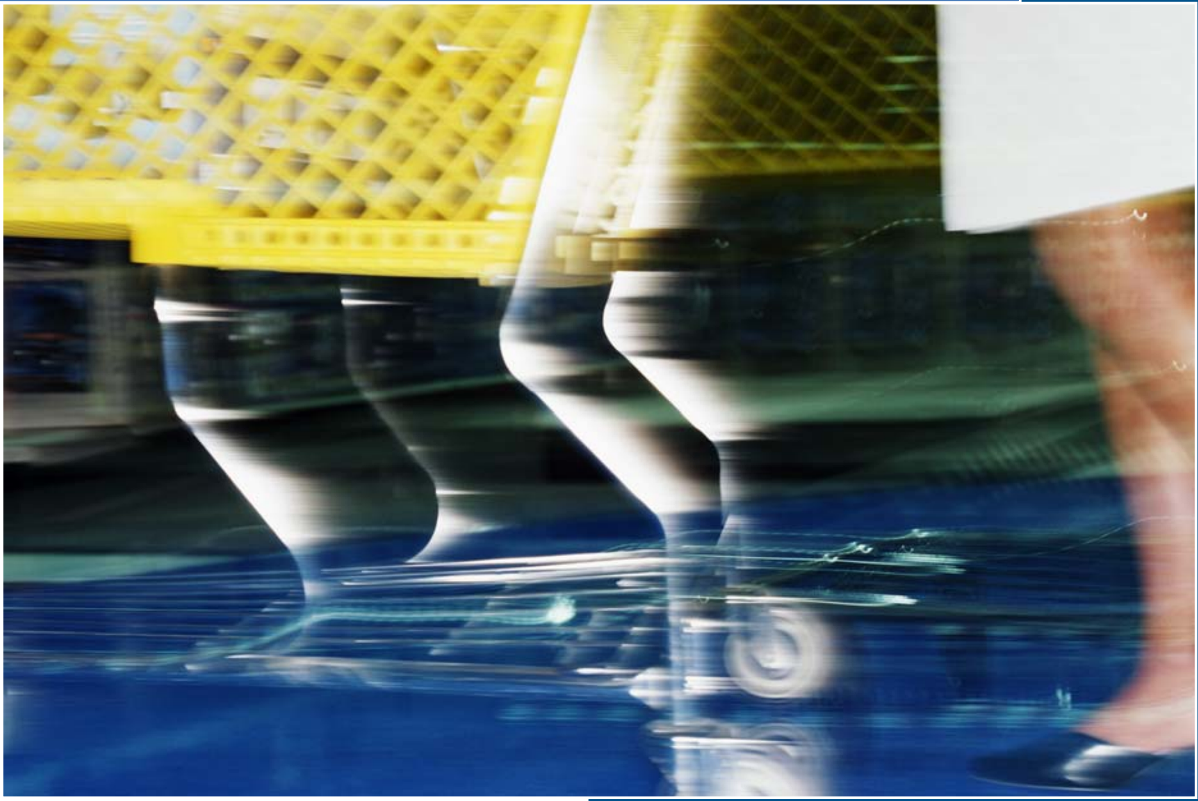
THE AUSTRALIAN CENTRE FOR
RETAIL STUDIES

Retail Therapy

Are we *really* being served?



The ACRS Thought Leadership Series

Authored by
Jeff Rogut

Published July 2007

MONASH University
Business and Economics

Are we *really* being served?

Service…what does this mean and why do we just accept poor service from those we pay to provide us with it? Tired of waiting for the bank or financial institution to come back to you with an answer on your loan application so you end up phoning them…two or three times only to get nowhere? Had surgery recently and not seen the surgeon again during your stay in hospital? Booked for a tradesman to come and do a job and had them show up late (if at all)? All of these examples are probably not uncommon yet as consumers we accept this as 'normal' and generally continue doing business with the same institutions.

In terms of retail the story is not much better. Looking back, how was your last shopping experience? Memorable (for the wrong reasons)? Underwhelming? Wish you could forget it? Well if your experiences were negative, you are not alone as this is the feeling of many consumers who see shopping today as an "unpleasant necessity", one that is neither interesting nor rewarding. The potential takeover of the Coles Group by Wesfarmers reignited interest in the monotony of the Australian retail scene, with many commentators speculating on what the potential sale could mean for Australian consumers.

So if retailers in Australia are not focused on providing the best experience for their customer – what are they preoccupied with? According to Deloitte's Global Powers of Retailing (2006) there are several concerns affecting retailers globally:

- Non-financial risks – being a good corporate citizen, being responsible and positive contributors to society, the need to maintain a positive public image to protect and enhance the company's reputation and brand image, a growing feeling of 'exposure' in the supply chain as retailing becomes increasingly consolidated and global.
- International economics – exchange rate uncertainty, trade restrictions and the price of oil. These uncertainties and volatilities make it difficult for retailers to plan for the future.
- Global supply chain – more complex and fragmented supply chains, secure against the threats of terrorism, and particularly food safety has become a critical issue, replenishment requirements have become extremely demanding, and changing consumers lifestyles are altering both food shopping and eating patterns, demand for faster innovation, reduced costs and shorter lead times are also exerting pressure on supply chains; private brands represent a growing risk to retailers who must now balance both demand uncertainty and supply variability; take on more of the responsibilities of owning or controlling the supply chain, ethical sourcing.

- **Terrorism** - securing existing facilities and protecting the lives of employees and customers against catastrophic attacks; it also involves the security of merchandise against attack – especially in the food chain; maintaining redundancies in information, supply chain, logistics, and management.
- **Brand management** – key brand management risks include financial risks, brand reputation risks and portfolio management risks; as proprietary brands comprise a growing share of retail sales, retailers are taking on more responsibility for traditional brand building activities.
- **Talent management** – the decline in the number of young adults bodes poorly for finding and retaining talent; given the economics of retailing with its relatively low levels of compensation and long work hours, the issue is especially worrisome.
- **New media** – as mass markets and mass communications continue to erode, retailers risk losing control of the marketing message; marketing must engage consumers on a one-to-one basis.

So what does all this mean as you wheel your trolley with the rickety wheel down the supermarket aisle? Should you be concerned or even care? The short answer is we should be aware of the issues such as sustainability, ethical sourcing and, increasingly, food safety. The broader business concerns such as supply chain and economics are largely invisible to us when we visit a store. The 'value' aspect is however one which customers are acutely of, with value being far more than just the price of the product. How much time did I spend in the store? Was the transaction handled efficiently? Did I find all I wanted in the store or do I have to complete my shopping elsewhere? How was the interaction with Store Staff – pleasant or indifferent? All of these factors enter into the value equation. Customers expect a good offer, competitive prices, great staff, efficient service and a memorable experience in a pleasant environment, yet in many [most?] cases they are denied some of these factors.

In Australia, this is none more evident then in the supermarket sector. With the industry being as concentrated as it is, even if/after Coles finally falls to Wesfarmers, Australia will still be left with two major competitors dominating the supermarket industry. Aldi has had a major influence after its recent entry into the market both in reducing prices and assisting the credibility of private brands, and IGA has a well regarded but inconsistent presence in the market as the only other major supermarket chain.

Other brands such as Foodworks offer a credible local top up offer but have ranging far smaller than the majors, as well as a price position that appears not to be clearly understood by consumers i.e. are my products cheaper, the same price or dearer that major chains?

There needs to be ongoing media supporting their position or telling their story, but there is certainly an opportunity for a group such as this to make inroads into the grocery market. There is a very small grocery offer in Convenience Stores, and the prices in these stores are generally significantly higher across the board and across most categories. This lack of real competition therefore leaves consumers feeling as if they really only have two supermarket offers – Coles or Woolworths (Safeway).

But the problems are further magnified because consumers are not the same as they were a decade ago; retailers must therefore not only improve the retail offer but also evolve with the customer. So, what are the consumer trends affecting retailers now and likely to continue to do so into the future?

- Continued no-pattern shopping - more frequent 'top up' and replenishment shopping - supermarket shopping is now a daily occurrence in many circumstances and the overall 'basket size' has reduced - people are time pressured, living in a 'pressure cooker'. Their needs are speed, functionality, simplicity and convenience that adds time to their day; make the shopping experience pleasant but also efficient – "I do not want to spend my time in a queue only to hand my money to someone who can barely be bothered to serve me".
- Prudent spending - consumers are seeking 'value', and tending to research [on the Internet] their planned purchases before they spend to ensure that they have more control over the shopping process. Retailers that are aware of this and offering value-for-money will win.
- Multi channel shopping – whether retailers are multi channel or not is almost irrelevant [other than to their survival] because their customers certainly are. They want the choice of ordering on line, having it delivered or collecting at the store. As to US experience, a quote from Sears: "27 percent of store pick-up sales are incremental sales. In addition, 22 percent of store pick-up customers make additional purchases while in the store, with an average ticket of $200. Store-pick-up has the added benefit of being a less expensive transaction in that Sears does not pay the 5 percent of revenue to fulfil and ship the orders. And it does not incur inventory costs, as the items are in the stores already. Stores average three to four pick-up items a day. Among initiatives for the next year at Sears.com, No. 3 in Internet Retailer's Top 300 Guide to online web sites, is to reduce the ready-to-pick-up time from two hours to 45-60 minutes". If you shop online at Circuit City they offer a $24 Gift Card if your purchase is not ready to be picked up in 24 minutes – "Your order is ready when you are. We often feature free shipping offers. You can even take your purchase home today. Choose in-store pickup and your purchases will be

ready to pick up 24 minutes after confirming your online order, or we'll give you a $24 gift card".

- More male shoppers - with more females working they have less time to shop. However retailers will need to adapt as men shop in a very different way; men are 'results driven' and store layouts need to reflect the 'get in, get it and get out' task. It is also important to have clear signs and staff that know where products are located if asked, and make the shopping experience more convenient.
- The boredom factor - everything looks the same - consumers are looking at the shopping experience as being stimulating and entertaining and are looking for inspiration and discovery - finding something that they did not know existed that they will buy because it is too good to resist. Take down the sign above the door or cover the retailers name at the bottom of the newspaper ad, and they all could be confused for being each other. Retailers must stand out from the crowd as the middle ground continues to get squeezed. Similarly in store there is little creativity using either point of sale or display – is this becoming an art lost to bulk stacks of boxes on gondola ends?
- Customers are looking for an experience that offers stimulation and represents value – not always just the cheapest price. There is promotion fatigue - everything now boils down to price – retailers need innovative approaches to exciting consumers. If your favourite soft drink is not on special it will be next week, so why rush to buy? There is more to shopping that just the cheapest price – unless of course that is the Retailer's declared market position on everything stocked.
- Store brands (Private Labels) are growing in sales and not just in supermarkets – think pharmacy, office supplies, hardware, clothing and department stores to name just a few. Some of the implications for retailers going down this path are the requirement for new skill sets; space management and merchandising; a total cost understanding; a unique advertising and POS; and total supply chain management. For consumers will this present a positive change or will they find the disappearance of national brands a negative?
- Unconventional shopping is making a comeback - customers are going back to Op shops and markets to have the experience of discovery and to some degree, nostalgia. Large retailers need to recognise these trends and look at ways of capturing the spirit of what their customers are seeking.
- Sustainability is a growing issue. There is much discussion on 'going green' and having a healthy lifestyle. What a great opportunity for retailers to help their customers achieve their aspirations in these areas. Organics as a category is growing strongly (estimated to be over $400m in Australia) yet remains a somewhat niche area where customers perceive that they must pay much more for the products. What a great opportunity to offer a

wanted range of products in a shopping environment that has great ambience at value prices.

Service

However the factor that is perhaps the most important is service. When self-service supermarkets became the norm in the 1960s consumers were happy to move away from "service" in exchange for a better range, lower prices and greater control over their shopping basket. Having gotten used to these factors consumers are now demanding more service – we still want the range and competitive prices – but being increasingly time-poor and overloaded society we want service too. But what does "service" really mean and how can large retailers offer it?

Service means respecting your customer and offering them the opportunity of making their purchases in a safe environment that has genuinely helpful and knowledgeable staff and an environment that is memorable. This has benefits for the retailer also as the overall value offered encourages customers to make repeat visits and to become advocates for your brand.

One US retailer which is often discussed as leading the field in terms of customer service is Wegmans Food Markets. The chain, founded in 1916, now operates in 71 stores in five states. They are so revered in the community that the private grocery chain gets thousands of letters every year from shoppers begging Wegmans to open a store in their neighborhood. According to Danny Wegman "the strong bond between shoppers and Wegmans is forged one encounter at a time. Employees in departments that require one-on-one contact with shoppers—such as meat and seafood counters—must graduate from a "university" program that may require up to 55 hours of additional training. It is not unusual for key Wegmans department heads to travel overseas to learn the intricacies of French baking or cheese making. Knowledgeable employees are something our competitors don't have and our customers couldn't get anywhere else".

Senior management sets the tone at Wegmans, with leaders who are both informative and accessible. All new employees get to meet President Danny Wegman at the "Welcome to Wegmans" orientation: the orientation is rescheduled to fit his schedule if necessary, since it is never held without him. This precedent for frontline access to top management is reinforced every week by Wegmans. Three days a week you will find key executives on walks through Wegmans' stores. They roam the aisles, speaking to every employee along the way.

This is senior leaders' opportunity to interact directly with employees, ask and answer questions, and ensure leaders stay hands-on in the business and hear directly from frontline workers. Employees are so satisfied that Wegmans’ annual turnover rate for full-time employees is just 6 percent, a fraction of the 19 percent figure for grocery chains with a similar number of stores..

Conclusion

How many of our retailers truly follow some of the success formulas for customer service outlined by Wegmans or other service icons? *Are we really being served?* Consumers [that is, all of us] are generally astute, are looking for more and will go where they can find it……..sooner or later. So retailers need to look at their offer and ensure that they are providing the value (however it is defined by their target market) that their consumers seek.

In going back to where we started and looking ahead to the Wesfarmers and Coles possibilities, there are a number of areas of focus for any retailer - the obvious such as supply chain efficiency, a passion for service in stores, product innovation, right stock on the shelves, engaging and developing staff that are interested in retail as their career, or the Baby Boomers that are seeking employment - mature, committed and available particularly as unemployment continues to fall. Is the culture conducive to performance and excellence and is there real leadership by example – walking the talk and not just talking the talk?

Other areas where service could be improved centre on a growing range of retail technologies to aid shopping - high tech trolleys, hand held scanners for shoppers, and RFID could provide untold advantages if managed correctly. Using true Customer Relationship Management rather than just automatically swiping a ‘loyalty’ card which does not recognise the Customer at the point of sale, which offers no advantage when shopping even if the customer is loyal and which may lead to some hard earned or minimal reward at some point in time.

About the author
Jeff Rogut has been in the retail industry for over 20 years and has worked with companies such as Mitre 10, 7-Eleven and Shell. Jeff is a keen observer of Retail and Service trends both in Australia and overseas. How Australian companies perform in this regard is an area that has been of particular interest to him both from the view of a retailer and as a shopper. Jeff is now the Executive Director of the ACRS

About the Australian Centre for Retail Studies

The Australian Centre for Retail Studies provides research driven education to those involved in the retail sector through broad based research and information generation, management education programs and the promotion of retailing as a career.

As a commercial centre within Monash University's Business and Economics Faculty and Department of Marketing, the ACRS is a bridge between the academic and the commercial retail worlds, enabling clients to access resources and knowledge that may not be otherwise available to them.

The centre engages in the following areas of activity throughout Australia, New Zealand, South East Asia and Asia.

- Management development programs
- Presentations, conferences and seminars
- Retail research, reports and publications
- Study tours

The ACRS builds skills, knowledge and understanding at all levels of management from first line appointees to CEOs; because of its unique retail focus the Centre offers advantages over other general management training providers.

Enquiries

Please contact us if you have any enquiries about Retail Therapy or the centre itself. Also if you would like further information about this paper or contributing please feel free to contact Jeff Rogut.

Contact Details

Telephone:	+61 3 9903 2864
Email:	jeff.rogut@buseco.monash.edu.au
Facsimile:	+61 3 9903 2099
Facsimile:	+61 3 9903 2099
Website:	www.buseco.monash.edu.au/centres/acrs
Mail:	PO Box 197, Caulfield East, Victoria 3145, Australia
Address:	Level 6, S Building, 26, Sir John Monash Drive, Caulfield East, Victoria 3145, Australia