Breaking New Ground: A Report
by George Donkin

Last year a major retail conference was centred around the theme 'Breaking New Ground'. Organised by the Gottlieb Duttweiler Institute, it was held in Zurich in October. In these short notes on key topics, Mr Donkin has selected points which are particularly significant for Cambridge Society but are also of more general interest for retail management and directors.

1. The Customer

Expenditure on housing, holidays, motoring, eating out, entertaining, savings etc. is growing proportionately faster than conventional shopping. The retail market splits in two currently, with food volumes nearly static and comparison goods and durables growing. The washing machine, fridge, freezer, colour T.V. and now the video markets are essentially replacement markets. Furniture and carpets always have been so and are becoming less important as accommodation size declines and new homes have more built in furniture. Utility charges, property taxes, mortgage interest payments, health care insurance etc. are all taking increasing elements out of household expenditure. Conventional retailing no longer dominates customers' spending plans.

Against this background customers are changing. In a market of abundance many customers have real choice. They will "prioritise" their purchases so that the market segments in new ways, crossing the traditional socio-economic boundaries. The death of the mass market is amply demonstrated by the death of sliced, white bread. The ubiquitous potato has similarly declined. In fashion people dress as they individually see fit.

Growing Individualism

Consumers can be classified only as individualists with specific strong interests e.g. hedonists – luxury eating, owners – the gadget purchaser, the hoarder – the collection of expensive Wedgewood pottery, the health freaks, the fitness brigade etc. etc. This growing individuality is an increasing challenge to large scale retailers. Nobody loves the big organisation – they are seen as inflexible, arbitrary, rich and powerful. As retail concentration continues this must create an opportunity for the Co-operative Movement, especially the local society.

Society today is frequently anonymous, isolated and lonely. The 25-45's belong to the 'No' generation: No salt, No sugar, No fat, No coffee, and now with AIDS No sex. There is a yearning for intimacy and for individuality which is denied by divorce, geographical mobility and impersonal selling. Personal service is likely to strike a much more positive response in the future.

Defining the Market

Retailers must adapt to changed market conditions. A clear, powerful, well differentiated offer is essential for success. Consumers must understand where we, as Co-op retailers, stand and for whom we seek to work. There is an opportunity to create our own unique pitch.

The middle ground will be a dangerous area to be in. Up market sophisticated products are likely to do well, high value products will do well, very cheap products will do well, but the middle ground, without a clear marketing message, could be disastrous for the Co-operative movement!

Overall the customer wants recognition as an individual. He or she wants the security of knowing they are welcome and valued in our retail environment. We must give consideration for their time - no waiting in queues. Finally they need confidence - the knowledge that in our stores they are always right.

2. Retail Strategy

In 1988 retail strategy is not doing better what you shouldn't be doing at all!

A clear statement of objectives has never been more important to ensure that consumers, staff, managers, and Board's all understand where the business is going.

The purpose of the strategy is:

(a) to agree overall principles;
(b) to agree target markets;
(c) then to tailor retailing accordingly;
(d) to encourage action not procrastination and
(e) to ensure cohesion within the organisation.

Every employee must know Society strategy and principles. Regular research will validate our targeting. Customer/member participation in research can be encouraged by:

(i) The prominent availability of a suggestion kit in each store. The kit will simply contain a questionnaire about the range of Society facilities and about the profile of the person making the suggestion together with space for the suggestion or comment.

(ii) The creation of consumer panels in various subject areas e.g. village store, textiles, wines, and other areas where growth and/or change is necessary.

(iii) Current operations should be regularly validated through market research and all new projects should be checked using market research.

3. Product

This is something we, particularly as managers, frequently give too little attention to - unlike people and properties it never *demands* attention but because of rapidly changing tastes and technical change it requires a high effort investment. These problems do not allow societies to opt out of ensuring the highest product is always available; if we are not offering what the consumers want they will be buying elsewhere. Customer loyalty 99% of the time is nothing more than the absence of something better or more convenient. Product range development demands its own statement of objectives. The following should be considered as a basis:-

(a) Product will be stocked for a defined customer range.

(b) Merchandise statements will be exceptionally clear.

(c) Out of stock position will be measured.

(d) All managers with product buying responsibility will spend at least 10% of their working week on the shop floor talking to customers about the product areas.

(e) Seasonality in ranges will be customers' seasons - not manufacturers' seasons - market research will validate timing.

(f) Buyers will not be influenced in range building by: (i) advertising monies; (ii) good distribution; or (iii) high gross profit. These factors may well be brought into play in choosing between suppliers but not in selecting product groups.

Overall our products and service level must be in tune with our customer.

Customers needs must be carefully researched. Probably only CRS has the motive and the resources to deal with this in a fully professional manner. CWS appears to have ceased to be a market lead organisation. In the Co-op movement generally buying resources and authority are fragmented without the benefit of a central research/marketing facility.

4. Service Levels

It is one of life's contradictions that the time saving event of one stop shopping with convenient car parking has led to time wasting in long checkout queues. If you sit comfortably in a waiting room with a magazine, ten minutes can go by quickly; if you queue at a check-out standing on a hard cold floor after queuing at the butchery, two minutes can seem like twenty. Having got to the front of the check-out queue the customer must be greeted by "Good Morning Madam" and be thanked for his/her custom. All staff should be name badged and all staff should have meaningful customer care training. Staff who are unwilling or unable to greet and thank the customer will leave retailing. If they don't, then societies will pay the penalty.

To achieve a commitment to customer care we must recognise that staff must be proud to work for their Society which they must recognise as a good employer and for the Co-operative Movement whose principles they know and respect.

Managers must obviously treat staff in essentially the same way as we expect them to treat customers. Every employee is an image vector - to our customers and to their family and friends. Friends and relatives of the staff are influenced in their purchase decisions by the inside view of the Co-op.

Generally, to make life easy for our customers we need to move towards:

a) Accepting all major credit cards.

b) A policy of easy returns of unwanted goods with simple and clearly stated rules.

c) A super efficient complaints investigation system.

d) A positive welcome for the customer to the stores where we trade.

5. Conclusion

This is a short personal view point of an extremely interesting conference. The key messages for me were simple:

(a) Re-state our principles for 1988.

(b) Re-establish who our customer target is.

(c) Tailor product and service to his/her needs.

(d) Advertise and promote a clear stance demonstrating how we meet those needs.

The Author

GEORGE DONKIN is the Chief Executive of Cambridge Society. Born in Tyneside forty years ago, he is an economics graduate who was recruited to the movement via the Co-operative College's Graduate Recruitment Scheme. He has 17 years Co-operative experience, gained at Plymouth, Radstock and now Cambridge.