

BACK TO BASICS

Retailers need to shift their focus to how they interact with their customers if they are to lure them back to a traditional shopping experience. **Report: Georgina Dent**

● An Australian executive on a business trip recently found himself in a San Francisco department store having a browse. He walked out, an hour later, the owner of a very expensive, designer suit. He wasn't intending to buy but the experience sealed the deal.

"I'd been there the year before, they looked up my details, got my size and immediately brought me several suits to try on," says the Sydney businessman. "It was a high-margin purchase but with that level of service, I wasn't going to not buy."

Retail Doctor managing director Brian Walker says he had a similar experience in London last month at the upmarket department store John Lewis. "It struck me straight away as being exactly what a specialist store should be," he says. "It's fun, it has energy, it's visually attractive with colour and movement and the staff were engaged, friendly and interested."

It resonates with shoppers, who helped John Lewis buck the trend in a depressed retail sector last year to post a 20 per cent increase in pre-tax profit.

Walker says it shows there is a market for quality bricks and mortar stores. "People go to destinations to shop because they want an experience," he says. "People who speculate it will all be online shopping in 10 years are incorrect. The debate about online and physical retail is a bit of a furphy. We're seeing retailers that effectively integrate the sales channels increase business by 20 to 30 per cent."

CLSA retail analyst David Thomas agrees that embracing online selling will be rewarding.

"Retailers are in a fantastic position to win online," Thomas says. "They own their brands and consumers trust them, so if they have a compelling online offering – including pricing, fulfilment and breadth of products – they will win."

And winning online need not be at the

expense of physical stores. "Even in mature markets of the UK and the US, online accounts for roughly 10 per cent of all retailing," he says.

"Obviously that will grow but for retailers that offer customers the in-store experience they're looking for, there's definitely a market."

Nespresso chief executive Renaud Tinel says market feedback indicates customers want a fulfilling experience. "People are increasingly looking for an experience and a level of service that you can't replicate online," he says.

"Online is incredibly convenient but there is a need for an experience that only traditional retail can offer."

Because of this, Nespresso has rolled out a new design in its boutiques around the world. The ground floor of each outlet is now all about the experience of coffee, while the consumer can only buy on the first floor.

Nespresso offers consumers the choice of boutiques, a customer service centre and a website to buy products and Tinel says it's a symbiotic relationship.

"They're very complementary," he says. "There are people who want to discover Nespresso, so a boutique is perfect for that. It's a space where people can discover our coffee, our products and the brand – and once they understand us, they then have the convenience of buying our products online or through our customer service centre, which are both open 24 hours."

While online is the dominant channel, delivering 50 per cent of sales, Tinel says the boutiques are critical because of the role they play in interacting with customers. "Sixty per cent of Nespresso staff worldwide are customer facing," he says. "That's a significant investment in service and quality [but] it's critical to maintain growth and level of service."

CLSA highlighted service as a major deficiency in its latest report on Australia's retail sector. The report identified both Myer and David Jones as



being guilty of brand-damaging cost-cutting. "Myer has pulled back materially on advertising and in-store staffing levels," author Thomas says. "David Jones has been playing Russian roulette with its brand, cutting the wrong costs – advertising, promotion and non-management wages. Department stores need to invest in customer service. Failing to do so, will hurt their bottom lines and brands."

Retail Doctor's Walker says a revival of quality customer service is more important than ever. "Some of the basics have been understated," he says.

"The issue of service in department stores is a big one. It's interesting because you need more staff in but might not necessarily need more service. Retailers need salespeople who are knowledgeable and who can sell."

FULL OFFERING

- Give your customers something they can't get online. Quality, tailored customer service isn't available online so make it available in-store.
- Make your store a destination.
- Empower and motivate staff.
- Invest in your brand.
- Integrate your website with your shops.



Art of engagement:
Nespresso's Renaud Tinel aims to offer a full experience to customers

"So many owners don't share any sense of purpose or strategy with their staff so employees aren't empowered or motivated to sell."

The UK department store John Lewis gives staff the incentive to sell to customers because they actually own the business. The reward for its 67,500 employees after its bumper 2010 was a share in a £194.5 million (\$306 million) bonus pool. On average each employee received a bonus representing 18 per cent of their salary.

In addition to service, Walker says retailers need to provide shoppers with a good reason to step inside. "They need to have a really good point of difference and create an experience for customers," he says. "They need to focus on the emotions and aspirations of their target market to take them away from their day-to-day existence. We need romancing."

Walker says this explains why luxury labels

that deliver a beautiful and unique destination for shoppers are still thriving. Hermes and Louis Vuitton recently reported revenue growth of 22 per cent and 13 per cent respectively.

But creating a beautiful destination is not cheap. "The pressure on margins in Australia reduces to some degree the ability to recapitalise in business, to invest in their fit-out and that contributes to static retailing," Walker says. "We have major brands that wouldn't have reinvested for five years in any significant way."

Boost Juice founder and managing director Janine Allis says the financial constraints are severe. "In Australia, it's harder and harder to make money, which is why there's so many stores closing. It's insane at the moment," says Allis. "Costs are getting so expensive. The only way to survive is to cut costs, which then cuts customer service, which is a vicious cycle

because then people won't come in." However, Allis says smart retailers will lure shoppers in without huge expense. "Sometimes retailers can forget to listen to the customers. It's a changing world, so retailers need to talk to their customers and sometimes try harder in store."

Fashion retailer, The Ark Clothing company, recently caught Allis's eye because it offers something different. "They said make a booking and we'll help you choose clothes to suit your style and shape," she says. "That type of thing makes a difference between customers going into the store or going online. Rather than just pointing me to a rack of black dresses, they'll help me find one that suits."

The Ark has an online facility, too, so once she has been helped in-store, Allis says she would be better equipped, and perhaps more inclined, to use the website. **BRW**