

Store Visits Open Eyes

By
Ed McLaughlin

To say that travel opens one's mind and eyes to new ideas hardly strikes me as an original thought. But the degree to which this is true and the frequency with which it seems to occur never ceases to amaze.

Of course, the broad category of "new" — new ideas, new approaches, new methods, new products — is probably the most often cited reason for attending trade shows and industry meetings. Managers recognize that if they are encountering a problem or a particular challenge, it is likely that others are, as well.

One can learn so much about a firm's strategy, and even sometimes its financial performance, just by walking into a store for a stroll. This phenomenon alone helps explain a large part of the reason why over time manufacturers have been more profitable than retailers: it is simply harder to observe their "secrets!"

Is there any supplier so cavalier, so certain of its customers' attitudes and business preferences that an improved understanding is not required? I doubt it, or at least I hope not. Thus, I offer up this one suggestion to any supplier interested in better understanding customers: visit their stores! This is a simple, fail-safe, (nearly) costless way to gain new insights into your customers. Following this prescription almost guarantees enhanced business relationships, usually beginning with only a few tries. Incidentally, shhhhhh, the "store-visit cum research technique" works equally well for retailers attempting to better understand their competitors.

Last year's store reflects last year's thinking. A retailer's new prototype is a private peek into what the particular retailer envisions for its future. New designs indicate new strategic directions or new emphases for the retailer, often in response to messages it has picked up from its own customer base. Subtle changes in new stores, which may even go undetected by most shoppers, need to be carefully analyzed by suppliers. Much planning and strategic thinking go into every aspect of a retailer's new store; a change in even one small detail does not happen by chance. Most likely, it reflects a shift in the retailer's thinking about the importance of a department or a particular product category.

Recently, I had the chance to visit new stores in the United Kingdom and Belgium. Hoping to learn a few things, I was not disappointed.

Let us start with the U.K. You've heard it before: the land of the "cold chain." Intense efficiency in logistical operations, cross docking and daily store deliveries, while everywhere maintaining the integrity of the chilled distribution system to ensure optimal product quality, while avoiding the

high costs of in-store preparation.

What is often missed in this much-studied formula that has produced the world's most profitable retail sector is product variety. Even taking all the U.K. cold chain rhetoric as fact, it seems to be one of the most powerful reasons that Marks & Spencer's, J. Sainsbury and Tesco, three of the U.K.'s grocery retail market leaders, have continued to stay at the leading edge of chilled foods success is the wide assortment of offerings.

What is more, the ranges are ever changing. Each week, dozens of new products — entrees, side dishes, snacks — are

introduced and tested. Similarly, slower movers are continually removed, providing a dynamic process of continuous innovation and menu diversity for British shoppers.

The chilled foods case is a virtual laboratory in the U.K., and most of the products are retail labels,

not major manufacturer brands. It is true that new product introductions are a main feature of the food retailer-supplier landscape in the U.S. as well, but one gets the feeling in the U.S. that product deletions, the inevitable consequence of most new introductions, are viewed as failures, especially for the supplier, instead of as a healthy part of the quest to stimulate changing tastes and satisfy always capricious, novelty-seeking consumers.

Several other insights came to me when, a few days later, I had occasion to spend a day with a retail president who was taking great pride in showing off the newly expanded deli-type, self-service department of his company's newest store in Belgium. First, he explained, research conducted by his company indicated that the first thing that Belgian consumers think of when they think of "deli" is "expensive."

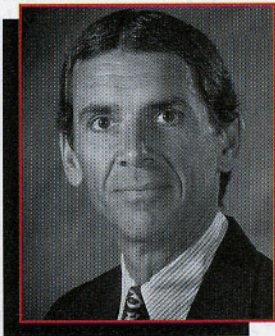
Indeed, this tends to be the case in many European countries, perhaps relatively more so than in the U.S., because of the up-market positioning of some of the traditional, free-standing delicatessens in Europe that provide such outstanding examples of showcasing culinary delights at their best. Thus, his company introduced an entire line of "value-oriented" products in its delis with an extensive "education" program to convince shoppers that deli means "convenience with taste," not expensive.

Dealing with high price perceptions in the deli appears to be a challenge that confronts retailers worldwide.

Second, nearly all the offerings in his deli were self-service, not to save labor costs as much as to deliver extra shopping convenience by eliminating waiting in additional lines. With personnel on hand to prepare and package, but not serve, the products, this retailer felt that quality and freshness are ensured without requiring long lines.

Time will tell to what extent this strategy is able to satisfy ever picky and packaging-averse shoppers. Whatever the verdict, these are the types of experiments that the industry needs to move forward.

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