

winter 2003



digest

*Excerpts from RetailWire.com news discussions.*

## THIS QUARTER Customer Service

*Motivating associates...*

*CRM disappointments...*

*Publix sets the high water mark...*

*Feeding information to consumers...*

*All part of this common thread of news and discussion from recent RetailWire archives.*

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## *Foreword*

### **The True Meaning of Customer Service**

By Al McClain, Publisher, Founder - RetailWire

At *RetailWire*, we spend an inordinate amount of time thinking about and discussing the "customer" and how to improve customer service. Perhaps that's because, in a retailing world that's hyper-sensitive to price, strong customer service is one of the few ways retailers are able to find a business niche for themselves without going broke.

This, the second edition of our *RetailWire Digest*, sheds some real light on the customer, showcasing expert discussions on topics such as CRM, customer profitability and providing information to consumers. Plus, we highlight the success story that is Publix and the need assure that employees aren't doing things consumers dislike.

We hope you enjoy these RetailWire highlights, and ask you to take a few moments from time to time to learn from Business and Category Tips provided by these RetailWire supporters:

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In the end, as Stuart Silverman of our BrainTrust panel says, "*management can mandate customer service all they want. Companies like Publix and Wegman's have figured out how to get their people to live and breath it.*" Hopefully, this Digest will give you a few good ideas as well.

## *Customer Service Discussions*

### **A Fresh Approach to Superior Customer Service**

By Al McClain

Harold Lloyd, a retailing consultant with many years' experience as a supermarket operator and several as a restaurateur, gave a high energy seminar titled "Superior Customer Service? Only if Your Staff Wants it to Happen!" at the Produce Marketing Association's Fresh Summit, held this week in New Orleans.

Mr. Lloyd is a strong advocate of personal involvement of top management in goings on at store-level. His 80-minute seminar included hundreds of ideas, revolving around making your customers and your employees part of your "family". Here are a few favorite ideas:

- Make sure your company has a brief mission statement that all employees commit to memory, understand, and are guided by.
- Talk to your associates like people, in a friendly fashion, in all your corporate communications.
- Make sure new employees feel part of the team - assign a buddy to them for the first 30-days, call them after two weeks to see how they like their job.
- Communicate often to associates via bulletin boards, newsletters, regular department and manager meetings, informal 10-minute "huddle ups", and have an open door policy.
- When disciplining, do it fairly, constructively, professionally, and in a way that is motivational and non-personal.
- Recognize achievements through incentive plans, birthday recognitions, departmental goals, service awards, complimentary notes mailed to associate's homes, etc.
- Have a Performance Update - not a review - at least annually. Make sure the manager's boss attends, to minimize intimidation and let the employee do 75% of the talking.
- Survey your customers often, and through a variety of means, to ensure you're listening to a cross-section. Some ways to communicate: direct mail survey of non-shoppers, random telephone surveys, visit competitors, conduct consumer intercepts on a neutral site, and conduct focus groups of infrequent shoppers.
- Make sure you impress customers in the areas where they are looking, such as the entrance, service desk, restrooms, checkouts and at the point of contact. No-no's include pointing customers to what they are looking for rather than walking them over and having non-working services such as out-of-order vending machines or kiddie rides at the entrance.

#### ***Moderator:***

1. What do store managers need to do to better motivate associates and serve customers?
2. Is the failure on this issue primarily one of time management/priorities on the part of the store manager or corporate direction that discourages "hands on" management?

Many big box managers are so caught up with duties that keep them behind a desk that they have lost touch

(assuming they ever had it) with their customers and the associates that work in the store. This isn't a new problem. It is still an inadequately resolved one in many, if not most, big box stores today. - **George Anderson - Moderator**

**Comments:**

This issue applies not only to store managers but to all retail managers. As I've previously stated in this space, the most effective way to create an execution-oriented corporate culture is through management by example. This means all managers must roll up their sleeves and work with the front line employees. There cannot be an "I'm too good for this" attitude. There has to be a "We're all in this together" attitude. Once this attitude permeates the corporate culture, everyone becomes more engaged in the process and everyone wins. - **Ron Margulis - RW Commentator**

Sam Walton demanded that all his executives spend time in stores every month -- no excuses! No company today could or should do less.

People from the CEO down at headquarters need the store experience on a regular basis to connect corporate strategy with day-to-day business tactics. One should not be exclusive of the other and all the reports and printouts may not tell you what you really need to know about your customers and employees.

As to store management, it is becoming increasingly common for them to be sequestered with backroom administrative duties. Some is unavoidable -- but anyone in retailing will tell you 80% of the job is on the sales floor. - **Len Lewis - BrainTrust**

The problem permeates the retailing industry, especially chains, because there is so much pressure applied to the daily, weekly, monthly, and quarterly numbers that short-term quick fixes for sales take preference over improving customer relations, with longer-term and softer benefits. Chain management can help by reprioritizing workloads for managers so they have time to fit in the people side of their jobs. Harold Lloyd wrote a book called "It's About Time", which might help. - **Al McClain - RW Commentator**

This discussion makes a lot of sense but it is unfortunately a matter of preaching to the converted. I think we all pretty much agree. The only thing to which I would take exception is that a few of Mr Lloyd's ideas sound a bit patronising and that, I would say, absolutely must be avoided. But the idea that a manager, whether middle or senior, who has not done the jobs that staff are expected to do can actually do his own job well is totally out of order. - **Bernice Hurst - RW Commentators**

Store managers get evaluated on measureables such as sales, man hours, shrink, etc. It's hard to measure things such as employee / customer relations, etc. so I say the fault is not with the store managers but with the direction they're given. With that said, don't expect anything to change -- for that matter I suspect a very long-term goal of more than one retailer is to not have any employees other than a store manager. Think of the cost controls they'd have if it was completely self-serve and the vendors took complete control of stocking, etc. - **Mark Hunter - BrainTrust**

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## *Customer Service Discussions*

### **CRM Leaves Out the Customer**

By George Anderson

If you're looking for reasons to explain why your CRM program is not living up to its advanced billing, then perhaps you've focused too much attention on technology and marketing and not enough on where it belongs: the customer.

A column on the *Destination CRM* web site by Julian Chu & Troy Pike of IBM's Institute for Business Value offers advice for retailers and other businesses looking to improve the customer's experience.

1. Person-to-person and in-store experiences are the most important element in creating a successful CRM program.
2. Marketing and communications should support. Great advertising for a non-existent CRM program will only lead to greater customer dissatisfaction.
3. Retailers need to ask, "What knowledge do I expect to get from this data, and how will I act upon it?" Analytical insights should lead to direct improvements in the customer's experience

#### **Moderator:**

Where do the greatest opportunities exist for improving the retail customer's experience? - **George Anderson - Moderator**

#### **Comments:**

One of the most untapped opportunities is to recognize the customer and greet them upon entry to the store. In many ways, Wal-Mart's greeter program, whereby shoppers were greeted by a store associate who would often know them by name, was the embodiment of real CRM.

But a better example of this type of face-to-face CRM is being delivered by Prada in its flagship Manhattan store. Loyal Prada shoppers have been provided with a sleek Prada loyalty card with a Radio Frequency ID chip imbedded that allows a sales associate to identify a shopper upon greeting them.

Sales associates are armed with PDA's on steroids that have color screens and a wireless connection to their shopper database and product database to be able to pull up information on the shoppers life, style interests and prior purchases. This information has been liberated from paper-based "personal databases" that were often the golden keys of any professional salesperson.

Today, Prada associates can simply request to scan the shopper's card in order to provide an extremely personalized, creative shopping assistance service that matches the shopper's needs to the merchandise available.

Some retailers may argue that this type of service is simply not desired by most shoppers of lower interest products that have lower price points. I would have to agree that the highest level of personal, customized service may not be the right example for a grocery chain. However, some lower cost, lower touch level of personalized service might be provided to a chain's top shoppers.

Often these top shoppers are loyal because they truly enjoy the retailer's offering and are not easily swayed by competitor's price offerings. Discounts may not be the way to retain and grow this group. Service might be a key. This is not a novel idea. It is directly out of the playbook of the airlines who offer priority services to their frequent flyers.

Retailers may want to keep their eye out for the latest pilots in the area of automated shopping serv-

ices. The Stop & Shop implementation of on-cart "shopping buddy" terminals is a good example of bringing a lower cost solution to the consumer need for personal assistance.

This might be the last open horizon of retail marketing. Best wishes to the pioneers. - **Peter Leech - BrainTrust**

This is the existential question for many retailers, and like so many very important issues, it's easier to state the answer than to do it. True, building one-to-one relationships have got to be the most powerful CRM tactic, but the challenge remains how to do it. Some retailers, like Publix, build this into their culture in a powerful way. And, it clearly strengthens relationships. Others, like Trader Joe's, create an atmosphere where this type of relationship-building is natural and easy. And that clearly strengthens their relationship management.

The good news is that this tactic is available to every retailer. - **Bill Bishop - BrainTrust**

"If anything done or said in this store looks wrong or is wrong, we would have our customers take it for granted that we shall set it right as soon as it comes to our knowledge. We are not satisfied unless our customers are" ....Adam Gimbel 1840's.

I just used this quote today in a class on retailing management here at FIT. Often core mission statements and beliefs of early "founding fathers" need to be reexamined through fresh eyes and with new methods, but the old story must still ring true.....serve the customer what they want, how they want it. CRM must pivot on the belief that customers must be satisfied at all costs. The retailer, regardless of their area of specialization, must have all levels of employees believing that this is their primary objective in everything they do throughout their day. The question at all levels must be, "What effect will my actions have on the customer?" Personnel must begin by hiring the right people who actually believe that serving the customer is of primary personal concern. Unfortunately, most companies do not screen for this personality trait very well and therefore we, as customers, are often subjected to sales people, management teams, and maintenance staffs that aren't really concerned about us. Rather we are treated as if we are in the way of what they really have to accomplish that day or at that moment. Having a career in retail for 24 years, I can honestly say that the customer is often thought of as a hated entity that has to be dealt with. This is often exemplified by employees at all levels "bad mouthing" customers and telling stories to each other about how outrageous a customer acted or how rude a customer was to them. Building a "relationship" with the customer through CRM, regardless of the methods used, must, therefore, start with employees that stand by their words and perform actions that are in keeping with customer needs and demands, regardless of the actions we have to take to get there and all the while do it while praising the customers we have walking through our doors....."The customer is king". - **Robert Vassalotti - Fashion Institute of Technology**

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## Customer Service Discussions

### Dumping Customers for Profit

By George Anderson

A *Strategy + Business* article says that more companies are crunching numbers to determine which customers cost more to do business with than they are worth.

Chris Dallas-Feeney, senior vice president, Booz Allen and co-author of *Capturing Value Through Customer Strategy* says, "It's a scarier notion to turn clients away than it is to hope against hope that you can make profitable the 500 clients you should get rid of. I call this the 'hope springs eternal' way of thinking. The reason salespeople are successful is because they are generally optimistic and don't want to get rid of customers. And that's a good thing. But a company can't afford to let optimism stand in the way of making a tough decision about customers when it's necessary."

Wharton's Peter Fader of the University of Pennsylvania's Wharton School of Business disagrees. "I think it's insane to do. For one thing, it is hard to diagnose past behavior to understand why people did what they did. Historical behavioral data is rich and interesting, but it has its limits as a guide to the future."

#### Moderator:

Two Questions--

1. Do companies have the information to determine which customers are profitable and those that are not?
2. What is your take on what retailers and other companies need to do with unprofitable customers?

- **George Anderson - Moderator**

#### Comments:

Sad day in business if companies are dumping shoppers to save money!

If retailers in any industry have a loyalty/price card program and/or a retailer named credit card, yes shoppers' buying habits can be reviewed.

Businesses with strong consumer/shopper orientation usually review their shopping buying list to see how to further the potential interest of the buyers for other products sold. After a meaningful period of review, and trial to purchase other products, a determination is made to keep the shopper in the loyalty program. But, to say past purchase history is THE gauge to determine termination is very risky. - **Stephan G. Kouzomis - BrainTrust**

First of all, I consider myself a sales person, so you have to take that into consideration. And I assume they are talking about customers, not consumers. With that said, it is a very risky move to discontinue unprofitable customers, since it is so hard for most companies to calculate "true customer profitability" in the first place. And anyone that has had to go back to customers and try to resell them after a move like this knows that you must be very careful. I'm not suggesting that you should keep a customer at a loss, but there are many ways to improve customer profitability that should be tried before you discontinue them. - **Art Williams - BrainTrust**

Good business practice would necessitate that you "drop non-profitable" consumers/customers and focus on "profitable" consumers/customers. After all, why would ANY business want to continue to lose money once the "non-profitable" customer/consumer has been identified? There is no discussion necessary on that point.

Where the discussion belongs is HOW to identify them and then HOW to "drop" a customer. Clearly, no one is suggesting that we do a retina scan and forbid a previously identified non-profitable customer to enter our stores - but we can change assortment, pricing, promotion practices, etc. to reflect the desires and expectations of the identified customer and then communicate appropriately to the

market what our position is and what the customer can expect (left unsaid is that if you want something other than what we offer, you will need to seek it elsewhere). By so doing, the retailer is in essence "dropping" the customers that would have come in seeking something other than what is available.

The second part of that is how to identify the profitable from the non-profitable. Any FSP or loyalty data collected will help, but I still think it is not necessarily required. The "elimination" should not be on the INDIVIDUAL as much as on the SHOPPING TRIP basis. We all have discussed how the same consumer can have different motivations and shopping trip expectations over time. Rather than communicate that Mr. and Mrs. "X" are no longer our target - the retailer would be better off to target the MARKET BASKET trip.

The opposite of marketing "to" someone (where FSPs work best) is not to market "against" someone, but to market "away" from the expectations.

To isolate the people is a mistake - go after the revenue! - **David Zahn - BrainTrust**

Two issues are important here. First is how one defines an unprofitable customer. The best tool today is Activity Based Costing (ABC). The problem for many companies is doing ABC right. Once the unprofitable customer has been identified, the second issue is what to do about it. Just like the 14,000 unprofitable items in most supermarkets, discontinuing the items may not be the best solution. Management should look at unprofitable items and customers to understand why they are that way. The next task is to determine what can be done to make them profitable. If the conclusion is nothing (which should only rarely happen) then either drop them or consider it a cost of doing business. When dropping customers, there should also be a plan to attract profitable one. - **Frank Dell - BrainTrust**

Retailers with loyalty programs have the data, but they typically focus only on the revenue coming from each customer. What prevents many of these retailers from accurately estimating customer profitability is a lack of accurate cost data on an ongoing basis. For grocery retailers, the product cost changes constantly because of the frequent trade deals and performance-based incentives that manufacturers offer retailers.

Instead of giving up on measuring customer profitability, retailers can "estimate" customer profitability by looking at their behavior while shopping. Measures such as brand loyalty and the amount of card discounts can reveal the extent to which the customer is cherry-picking the store for discounted items. Even without cost data, the retailer can ballpark the customer's margin contribution by looking for purchases in the higher margin fresh departments or for high margin items like premium brands or private label.

As far as driving away unprofitable customers, I think an easier approach is to focus on eliminating the unprofitable offers. For instance, grocers running hot price/loss leader items or offering double coupons need to evaluate the customer behavior of their participating customers to determine if the total transaction is profitable. If it isn't, the solution might be to establish a minimum purchase requirement for the offer or place limits on the number of coupons that can be doubled.

The key is to focus on your promotional offerings and avoid rewarding unprofitable behavior. - **Ken Wyker - BrainTrust**

Mr. Wyker hit the nail on the head. (The key is to focus on your promotional offerings and avoid rewarding unprofitable behavior).

You've got to look at business models before you decide if this strategy is applicable. In the advertising sales business, especially television and radio, where inventory is legally limited, then at some point you have to cull the herd based on demand. The bottom feeders have to be moved aside in order to make room for those who choose to pay a more profitable rate. Consultants and anyone who works strictly on time have to look at what their time is worth and what they generate. They too have an opportunity to move lower profit customers out for better. However Home Depot and Wal-Mart can never have an unprofitable customer. As long as the doors are open and the lights are lit, each nickel taken in is just as important as the next. - **Marc Bodner - BrainTrust**

I may not invest more money with unprofitable customers, but at some point I need to understand what happens to the profitability of my entire business and each of the remaining customers if I stop doing business with the original group of unprofitable customers.

It seems to me that in a consolidating business environment, today's unprofitable customer may become part of a more profitable customer's business and why would I want to take that risk? In addition, the loss of critical mass in purchasing, marketing, manufacturing, distribution, etc. may have longer term negative effects I might not be able to measure or control down the road.

I think only the most obvious negative profitability situations require us to stop doing business and should be the cause for some serious discussions with the customer before taking any drastic actions. - **Phillip Straniero - BrainTrust**

20 years in business and being a woman business owner has taught me a lot about profitability. I actually started my business at the "kitchen table", and after 7 or 8 years I was astounded to find I was just not making a profit. I sat down and took a long look at my earliest and most loyal customer and found that, loyalty all aside, they were driving me under. Every job I did for them cost me money and I just couldn't keep doing business with them any more and make money. As I networked with others in the same business, they just could not understand what I was talking about. No one told them this dirty little secret - that you are in business to make a profit, not just exchange money in and out of your business. No harsh words were spoken to my customers, but when I raised my prices for my services, those who did not want to pay what I was worth went to someone else who charged less. (They knew what they were worth!) It was like starting business all over again. It took me another 8 years to recover. No, it wasn't easy but finally I have a profitable business. Aligning your costs and prices takes a complete examination of all the costs to run your business on the overhead side (even before you make the "widgets"). This is especially true in a service-type business, with no inventory, only good will. Good will only and no "widgets" also doesn't make your business very saleable. If that too is in your future, "dump the deadwood!", the faster the better. When I raised my prices, my old loyal customers were amazed that I did this. They would have gone on taking my services for "nothing" without blinking an eye. Having also been in sales and retail I can understand that a customer is something to save and cherish at any cost. (See there I go again. I thought I was tougher than that!) But in all good common sense, on anything you sell if you lose money, why not sell to the person who appreciates and pays what you're worth? It's a dog-eat-dog world out there. It's up to each of us to decide how much money we want to make before we file for a non-profit status. (All this honestly and on the up-and up too!) - **EGRAMONE**

CPG manufacturers are starting to get good visibility into retail account profitability and promotion profitability. It's going to come as a shock to some retailers when the manufacturers start saying "no thanks" to their promotion. It may even come down to "no thanks, based on your terms, payment history, etc., we don't want you to carry our product." - **BrandManager**

After working in a company that had a loyalty card program, you really understand that "unprofitable" customers are about 30% of your business. We tried every promotional tactic we could imagine to move them up. They were only interested in our promotional offerings that cost us money. The longer

the card program worked, many of them elected to drop us. Our profitability increased dramatically. We were actually "rewarding" our profitable customers better. Sales did drop some, but not as much as you would think. The owners of the company had a hard time dealing with less sales and we stopped rewarding our best customers and tried to retrieve the unprofitable customers. We then lost both. Our best customers knew that we did not consider them as important as we once did.

One of the other people commented that you have to look at your promotional offerings. That is exactly right. Some of those offerings that drive sales make it harder to make money. You have to be smart enough to offer promotions that will yield you better customers. - **TurnLeft**

It is a reward to every retailer every single time a customer walks through your doors - period. If you are a good retailer, you take the opportunity to gain every customer as a "good" customer every time.

The discussion of profitable and unprofitable customers makes great analysis but does not provide a direct tool for action. The retailer does not get to choose customers but rather has control over how he/ she views and selects from the universe of customers (segmentation, targeting, positioning), and how he/ she serves them (product, price, place, promotion).

What the retailer controls should form the focus for action. Retailers need to ask: - What types of purchases and behaviors do I cater to? Should I perhaps restrict my offerings? - Does my product offering (all 4 Ps) match what the customer that I cater to looks for? - Am I charging a competitive price from internal (cost-focused) and external (competition-focused) points of view?

However, they cannot try an active discrimination tactic, which could be unlawful or at least might put off other profitable customers.

"Rationalising to [apparent] greatness" is a risk with the customer profitability analysis. Often, the temptation is to allocate all costs including fixed costs among customers without understanding that they don't go away with a reduced customer base. The result is a continuous and widening pool of unprofitable customers whatever the retailer does.

Also, customers do not always stay in one bucket - for instance situations change in their lives (who was looking for a job this year?)

There is always a guy who comes first and a guy who comes last - and the positions change all the time. Live with it. - **vt\_mukundan**

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## Customer Service Discussions

### A Publix Record of Customer Service

By George Anderson

Publix has built its reputation "not so much with the lowest prices, but rather with immaculate stores in the right locations, savvy marketing, and well-trained and friendly employees who own stakes in the company", says the *Palm Beach Post*.

Owning a piece of the company (Publix is an, ESOP, employee stock ownership program company) is often mentioned as a major reason that the grocery chain seems to attract more motivated and customer-service oriented associates.

Tom O'Connor, president, PublixDirect agrees. "That's not an absolute, across-the-board (statement), but day in and day out, year in and year out, that's a difference that sets us apart."

The company's reputation of service, it is believed, has given it a leg up on other grocers that have gotten into the consumer direct business. PublixDirect.com is meeting expectations set by its parent company and O'Connor says that the service set a record last week when it filled more than 7,000 orders.

PublixDirect is available in most of Publix' Florida markets. It has yet to be rolled out in the Orlando and Atlanta markets as the grocer staffs up to meet demand. Mr. O'Connor expects service to begin in Atlanta next year. "It's growing faster than I thought it would. That's a good problem to have."

#### Moderator:

Why is Publix viewed as being more responsive to consumers than most of the retailers its competes with?

You always seem to hear about great service and clean stores when it comes to Publix. Often, this is credited to the chain catering to a more upscale demographic and being less affected by price comparisons with other grocers. Still, we can't help wondering why stores that serve less prosperous consumers can not be just as clean and have associates that are just as helpful. Clean stores and customer service are basic to success in the grocery business. - **George Anderson - Moderator**

#### Comments:

I think its rather simple. It's all about execution and focus. Publix knows who they want to be, where they want to be, and how to do it. They remain focused upon execution of the basics of their plan. They motivate and listen to their associates, who have a stake as owners themselves. Its a fairly simple formula. No rocket science. They just do what they do very well and should be commended.

Consistency is a hard thing to find in many retailers simply because their focus changes with the wind. Having a real program and a commitment to execution at all levels really does make the difference. - **Scanner**

With PublixDirect now a year old, the company is succeeding where few others (if any) have by providing its customers with a viable service alternative. The company's technology is good, but not revolutionary. Its online ordering, fulfillment and delivery model is somewhat derivative of others that went before. Its prices are competitive, but not the lowest. Its stores are well-designed and clean as they should be, but others around the country are equally so.

How does Publix set itself apart? I'd say it's the culture of service that the company has culti-

vated for decades. A consistently pleasant store experience that leaves customers feeling good about their shopping and keeps them returning. That ethic has apparently been translated into the PublixDirect business with some success. Now Publix has a means to keep its multichannel customers closer.

The ESOP and the ad campaigns merely reinforce this -- for customers and employees alike. No magic bullets are in use here. Just consistent execution atop a philosophy that puts the customer experience first. - **James Tenser - RW Commentator**

Larger publicly-owned companies have to answer to Wall Street and have more pressure to deliver better than previous year results. If EBIT and/or revenue do not increase, this is projected as bad news to the investment community. No doubt we will see more "bad new" in all businesses across the board due to the crackdown with "creative accounting" practices.

Back to Publix...Publix is able to provide consistency and better customer service due to the "decision-making" flexibilities in a private company. Publix can support its high standards and make the necessary adjustments quickly on a store by store, district by district, basis. The larger publicly-owned chains expect individual stores to meet budgeted SG&A expenses (i.e. payroll) and have quantifiable financial objectives in place at store level with incentives. An increase in same store sales is a "cure-all" for store managers and positive results develop for the most part, but when an individual store is trending down in sales then cuts are made, standards drops, and you move away from the desired "productivity-loop". Given less sales than budgeted, the leadership (store manager, district manager, etc.) try to deliver the intangibles with less financial resources. With the new game plan in place (if there is one!) the store manager tries to maintain a high level of service, achieve spectacular product presentation, etc. with fewer hours. "Grumpy associates" help control the costs by making poor "perishable" decisions to make gross margin, not offering the same level of customers service to save time, "cutting corners", and store by store inconsistencies develop. - **whizkid**

I have had the opportunity to work behind the scenes for Publix. What always impressed me was the employee work ethic. Everyone has worked there forever and they started by working in the stores or at the DC's. So many of them grew up together that its not unusual for them to talk about their high school proms. And to further solidify their togetherness, they all walk around with name tags identifying them as shareholders. These folks are in this thing together.

But not all decisions are brilliant - because they push the decision making down the organization empowering their managers, sometimes the process results in weaker consensus based decisions. However, the group commitment to deliver excellence provides the impetus to make it work in the end.

Management can mandate customer service all they want. Companies like Publix and Wegmans have figured out how to get their people to live and breath it. - **Stuart Silverman - BrainTrust**

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## Customer Service Discussions

### Consumers Starved for Information

By George Anderson

The chief executive of GNC, Mike Meyers, told the *Pittsburgh Business Times* that "About a year ago, we started doing some extensive research with consumers to see what they were looking for and how we could better serve their needs. The one thing that we really learned was that consumers are starving for information."

A year later GNC has undergone a transformation investing \$20 million in store redesigns and increasing the amount of educational information it has for consumers three-fold.

GNC disseminates this information through video kiosks and informational brochures for consumers.

The retailer is also looking to upgrading the knowledge of its store associates and managers. GNC is presently working with the University of Florida to develop a two-year training program called GNC University.

Mr. Meyers says, "This is not about marketing. It's about being a trusted, credible leader of this category. It's about being responsible. We are the credible, trusted authority. These are the kinds of things consumers can expect from GNC."

#### Moderator:

Will health conscious consumers be willing to pay for GNC's expertise and resources or will they shop the outlet with the lowest price?

Mr. Meyers is being less than honest. Establishing a position as a retailer that is a trusted authority is all about marketing. Assuming GNC actually delivers on its promises to consumers, it will be a marketing lesson worth learning for others. - **George Anderson - Moderator**

#### Comments:

Consumers are becoming increasingly empowered with the ability to find information about products and prices on the Internet. Increasingly, retailers will need to provide consumers with this information to simply remain in the game. Today's consumers want true value at low prices. GNC has identified this basic need, but will likely be unable to charge customers a premium for simply being knowledgeable about the products it sells. - **Sean O'Neill - BrainTrust**

Mike Meyers has it exactly right for consumers who are buying something more than a commodity product and is well-positioned to satisfy their needs, i.e., those shopping for bargains where their health or the health of their loved ones is concerned. At the same time, health and wellness products are going to be mass market commodities, where price will play a much more important role in the purchase decision. - **Bill Bishop - BrainTrust**

This could be a good test of consumer loyalty. If GNC has the best information, consumers will certainly go there when they want to know something. Having found what they want, though, will they go back for more or make their purchases somewhere else? In principle, the plan sounds good but I agree with George, this is definitely a marketing strategy though none the worse for it. It's certainly a sensible way of differentiating GNC's offer. - **Bernice Hurst - RW Commentator**

I think he is right on target. His consumers are probably more demanding and better educated than a typical supermarket shopper and not only expect what he is doing, but will likely respond favorably. The only caveat is to find ways to insure that the consumer doesn't learn from GNC, but purchase elsewhere based on price. That will be easier said than done. - **Art Williams - BrainTrust**

Good for Mike. Great to see someone stepping up to provide the value added services and help to consumers. There was a similar question a few weeks ago asking " what retailers need to do?" Well here is someone that is doing rather than asking - great effort Mike! - **Michael Richmond - BrainTrust**

This is smart marketing. As the leader, GNC is not only trying to distinguish themselves from competition, they're also trying to grow the category. Providing more information about why consumers should buy their products makes perfect sense.

Sure, a lot of consumers might get their information from GNC, and then make their purchases at Wal-Mart. However, I'm confident that part of the education at GNC University will be why consumers should be concerned about buying "low priced" competitive product that might not have the purity or effectiveness of what GNC provides. - **Ken Wyker - BrainTrust**

He is right on target, but needs to change the in-store image away from the BOGO image that I'm familiar with. You can't be both Trusted Advisor and Deal of the Week. - **John Glenn - BrainTrust**

Good information is critical in this arena. The shelves are littered with promises and no substance. The retailers who educate the consumers and back up claims with goods and services will ultimately be the big winner. However, feeling or thinking that they deserve something from the consumer or even asking the consumer to reimburse them for this knowledge is unthinkable. The information is out there, they would merely be making it more concise and accessible, thus fostering sales growth. They have no proprietary knowledge, nor do they create any new knowledge, they are merely a conduit or filter of the information. That is a good thing to do and increased sales should be a natural progression. They have to expect that some of the information they provide will be used to make purchase elsewhere and foster sales growth in the entire industry. The old adage "a rising tide raises all ships" must be applied here. - **Gene**

Considering a retailer as a "trusted authority" is a bit scary in my opinion. This especially considering the fact that it's to their benefit to sell you what they are the authority about.

Maybe I'm the exception, but I wouldn't trust them on health at all. They are marketers, not authorities. They have high school students and "self-proclaimed" health authorities as clerks in their stores.

Considering a company like this an authority is pretty scary. But then again consumers have been known to put their trust in the wrong sources in the past. - **Scanner**

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## Customer Service Discussions

### Behavior Consumers Hate

By George Anderson

What behaviors by store associates do consumers hate? Number one: employees that carry on a conversation while ringing up a consumer at the checkout, according to a Trade Talk piece on the Grocery Headquarters web site.

MOHR Learning, Ridgewood, NJ surveyed consumers at malls to answer the question, "Of the following things salespeople sometimes do when you're shopping, which one do you find most annoying?"

This is how respondents rated their top seven pet peeves about store personnel:

1. Engages in conversation with fellow employees during my checkout: 21%
2. Ignores me: 19%
3. Talks on the phone instead of ringing up my purchase: 16%
4. Serves another customer when I was first: 14%
5. Tells me where to find something instead of taking me there: 13%
6. Takes too long at the register: 10%
7. Calls me by my first name when they see it on my credit card: 3%

#### Moderator:

Does customer service really make a difference when it comes to where consumers shop?

Call us jaded, but you can't get much longer lines or less service than you do at Wal-Mart. They seem to be doing pretty well. Same store sales increases of four percent are considered disappointing in Bentonville while most other operators would be jumping with joy over the same performance. - **George Anderson - Moderator**

#### Comments:

Sad to say, but I do believe Mr. Anderson is correct. While most people see the behavior described above more and more every day (and find it incredibly offensive), it is so ubiquitous at this point that I doubt it makes any difference. Whatever national category killer I shop in, it is almost invariably staffed by lackadaisical, ineffectual employees who are often rude as well as useless. The polite sales assistant is the exception, not the rule. A polite AND informed sales assistant verges on the miraculous!

The only factor that seems to make a difference here is price/target market -- i.e., the sales assistants at Saks Fifth Avenue are more polite than the ones at Wal-Mart. (Perhaps it is the commissions?) But then again, last time I went to a Toyota dealer, it seemed to be difficult to get help from anyone, even though I was shopping for a \$35K automobile, so maybe it's just a matter of ineffective training programs and a company-wide belief that nothing will improve as a result of basic etiquette... - **whatsforlunch**

I'm not sure how many consumers select a store because it has great customer service, but I think poor customer service can have huge impact on where they choose NOT TO shop.

Location is still the most significant factor in where customers choose to shop and most customers will primarily shop the stores that are conveniently located near them. That is until they find a reason to take their business elsewhere. Ask a customer that drives past a nearby store

to shop at a competitor several miles away why they do it and you'll often hear a story about poor customer service or rude behavior.

One of the best ways to measure customer service is to survey consumers in the area and evaluate how many say they "will not shop" your store. That rejection is typically the result of a bad experience with an employee or a customer service problem. For most retailers, the key to improving their customer service perception (and their sales) is to eliminate the service issues that anger customers and drive them to the competition.

Wal-Mart doesn't have great customer service, but they're also not relying on the locational convenience factor to draw shoppers. For them, it's all about the prices. Wal-Mart customers basically accept mediocre customer service as part of the tradeoff for getting the lowest prices. - **Ken Wyker - BrainTrust**

The problems noted by everyone are real, and they are annoying. But these problems have been prevalent for years. The employees have not changed much - they still need guidance, direction, and management. The question I have to ask is - what is the quality of the store management that allows such behavior to occur in their operation? My past experience as a store director in a major supermarket chain showed me that management-by-walking-around was an effective method of discovering and correcting customer service behaviors that were detrimental to business. My company prepared me for this with people management skills training to effectively manage the 200+ employees in my store. So, has management abandoned the long term benefit of management training, or have they opted for the short term benefit of reduced training expense? - **Robert Dyer - Winston Weber & Associates, Inc.**

It's not confined to a worker or a company; it goes way beyond that scope. This issue is merely part of a broad based behavioral pattern in society. A genuine lack of respect, etiquette and manners exists in our culture. We talk about employees being rude -- how about the way some of the employees are treated by patrons? When was the last time you were in line at an airline ticket counter and heard a very professionally trained individual berated or when was the last Little League game you attended? The way parents act is disgusting. And we wonder why teachers are hard to find. It's bigger than a level of pay, I think. Road rage, office and school shootings, the list goes on and on.... Surely its not such a surprise our teenagers act like they do on the job -- its all around us. There are still large numbers of patient, refined, well-mannered humans in our country, but on a general note, where has all the civility and personal control gone????????? - **Gene**

Not listed here is my number one gripe (and primary indicator of a retailer's management incompetence): Making customers wait to pay.

Once a customer has successfully navigated your store, found the desired item or items from among thousands and wrestled the selected merchandise to the front end, the absolute worst thing you can do is delay the moment of exchange.

Nothing makes my blood boil like two long lines snaking away from two overtaxed checkout stands while the other eight - or eighteen - aisles remain un-manned.

Do I care if employees converse with each other over the register? Not if the line moves swiftly. Retailing is a social activity, after all. But the longer I stand there waiting to hand over my money, the more opportunity the retailer has to offend me, underserve me, or otherwise persuade me to leave my shopping cart full of frozen food abandoned in the front aisle. - **James Tenser - BrainTrust**

Well, most of my friends (and I would think, shoppers) would like politeness and courtesy to be the backbone of how retailers' personnel are gauged. Yes, timing and in and out is important, but if rudeness and an unfriendly experience occurs, why go back? Whether a supermarket, Saks, Wal-Mart or any retailer, personnel should be told to be polite, courteous, and quick in service.

It ain't like it use to be. Unfortunately, people are beginning to live with ineffective service and a unpleasant shopping experience. Is this right? I just keep finding the retail outlet that will treat me as I would treat people... with a smile, politeness, and quick and effective service. Thank you Publix, Nordstrom, Home Depot, and the select group of specialty shops, like Wm. Sonoma, Bath, Bed & Beyond. They must have a great training program and process to hire right. - **Stephan G. Kouzomis - BrainTrust**

Amazing timing! I just returned from buying paint at Sears. For the second time I was waited on by a polite, knowledgeable, efficient young woman who answered my every question, made suggestions, custom mixed my paint, and just made the whole experience reassuring. The minute I returned to the office, I called the store manager and praised her to the skies. My comment: Quality customer service is the exception and not the rule. I apologize for not writing you a letter (I prefer to put praises or grumbles in writing) but I'm pushed for time and I want to be sure that you hear my comments. He thanked me nicely and said yes, she was an excellent representative.

As pleased as I am, it does make me a bit sad that excellent service should stand out so sharply. What a world; what a world... - **JGates**

And so I'm shopping in a Home Depot and go to the service desk to tell them the horrid state of affairs in the men's room. Two of the toilets were jammed and overflowing; no towels in the dispensers. I explained what was happening and the service rep answered: "The people who clean only coming on Tuesday and Thursday. This is Wednesday. I'll let them know tomorrow."

WHAT?

The car I own has an agency 15 minutes away. I drive to the next nearest agency - 70 minutes away because of their courtesy, concern and just plain caring. The closer dealer's staff is uncaring, discourteous and unconcerned. The salespeople do you a favor to talk to you. The body shop repair staff are impossible to get a hold of and take four to six times as long for their work as the distant agency I have chosen. I only spend my money where people enjoy their work, are nice to me and go out of their way to help me with a problem, which they solve immediately.

I asked fifteen people in and around our workplace. Most agreed with me. So I'm not alone... - **Murray Raphael - BrainTrust**

Let's not be too euphemistic about it. For poor customer service read: bovine-like indifference, innumeracy, lack of product knowledge, poor communication skills and a complete absence of of anything resembling initiative. And why? This has got to be laid at the door of sloppy management and corporate training methods. In companies where the basic people skills are lacking - particularly in the low paid retail sector - there's just no incentive to go that extra mile. Is this because most of middle management is equally without motivation or adequate training? - **rayh**

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## *The RetailWire BrainTrust Panel*

We thank our BrainTrust panelists who have graciously volunteered to lend their estimable viewpoints to our news discussions. They also, from time to time, advise us on our programs and policies.

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Mark Baum, ASMC  
Carey Berger, BSR  
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Bill Bishop, Willard Bishop Consulting  
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Ira Blumenthal, CO-OPPORTUNITIES  
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Frank Dell, Dellmart & Company  
Dan Ellison, CATEGORYsolutions  
Steve French, The Natural Marketing Institute  
John Glenn, Wall Street Financial Advisors  
Jay Gordon, The Convenience Group  
Gene Grabowski, Grocery Manufacturers of America  
Brian Harris, The Partnering Group  
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Chris Hoyt, Hoyt & Company LLC  
Mark Hunter, MJH & Associates  
Marv Imus, Paw Paw Shopping Center  
Stephan Kouzomis, Entrepreneurial Consulting Inc.  
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Peter Leech, CoolSavings, Inc  
Phil Lempert, Consumer Insight, Inc.  
Len Lewis, Lewis Communications  
Ryan Mathews, FirstMatter LLC  
Craig MacDonald, Deeb MacDonald Associates  
Seth Mendelson, Grocery Headquarters  
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Garrett Van Siclen, Trade Dimensions  
Dave Wendland, Hamacher Resource Group  
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Ron Margulis, RAM Communications  
James Tenser, VSN Strategies  
Warren Thayer, Private Label Buyer  
Al McClain, RetailWire  
Rick Moss, RetailWire  
Santi Briglia, RetailWire

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