Lessons in Customer-Centric Retailing

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CSP: *What do chains today need to do be viable over the long term?*

Minno: Retailers today need to be in touch with not only who their actual customers are, but also who their potential customers need to be, because of the fluxing dynamic of today's business world. Today's customers may not be able to keep them in business over the longer term and they may need to broaden their customer base. Thus, they need to figure out their correct business model. What offer will resonate with their consumer base but also fit with their business capabilities and existing infrastructure?

CSP: *This series focuses on retail innovation and design. If you were to break that into two or three items the retailer needs to focus on, what would they be?*

Brewster: First, we need to understand what has been our business. The major part of the convenience channel has historically been gas-centric, and gas doesn't count much anymore. It's a commodity. In fact, it's been commoditized not on cheapest price but on avoidance of buying. So if a typical c-store site has four or five businesses, gas becomes maybe the third or fourth priority reason for stopping. Yet the traditional in-the-box retail thinking is gas-centric. This is slowly changing but it's still there.

That said, there are no two or three things—there's everything. And the way the retailers must approach everything is customer-centric, holistically. It starts with who your local customer is. You may have a lot of different customer groups living in the locale of each specific store, and it's your job to know them.

Have the right product first, then the service, and then the right environment—each executed in an exquisite and seamless way—as close to best-of-class as you can.

Minno: The exterior business world has changed dramatically over the past several years. What has occurred is this whole dynamic of cross-channeling—the Targets and Wal-Marts have gotten into the c-store business with fairly dynamic programs excluding the fresh parts of the convenience business. Meanwhile, I believe the convenience retailing environment has stayed static as the rest of the world has changed, and it has become more convenient for consumers to have a range of fresh, new choices.

Convenience retailers need to get out of their boxes, out of their internally focused world and peer into the world of other retailers setting the cross-channel stage.

CSP: *Who are the role models for customer-centric retailing?*

Brewster: In an interesting way, Internet shopping is highly customer-centric. And Trader Joe's, not only because of their value offer, but also they're a paragon of employee service expertise. Their employees really want to help you make informed choices.

Minno: On the West Coast, [CKE Restaurants Inc.'s] Carl's Jr. comes to mind. If you monitor what they have done with the traditional hamburger, they continue to reinvent that local favorite with the addition of spice, the addition of flavor and new ingredient combinations, and to do it very boldly and aggressively.

Another one is California Pizza Kitchen Inc. They have launched recently curbside service so you can call in your order and have it ready for you. Target Corp. has been a world-class player in terms of how they've reinvented their concept and truly incorporated a convenience store into their big-box stores.

An up-and-comer is Seattle-based Organic

Editor's Note: The convenience channel stands amid a retailing makeover. To effectively compete, operators are devoting greater energy to branding, marketing and design. Industry experts David Brewster and Maurice Minno kick off a long-term series on how c-store executives can better compete in this transformative economy. Today's feature comes from an interview with CSP Group Editor Mitch Morrison.

To Go [Food Corp.]. They're clearly hitting a trend, meeting the health-oriented, organic-focused consumer, but they also do it conveniently—delivering to your desk at the office, or to your home.

CSP: *Two-thirds of our industry is one-to-10-store operators. Where is their greatest opportunity?*

Brewster: Most smaller operators must realize they may no longer be in the gas business. They are now in a neighborhood customer-service business, which may not include very expensive gas. What they must offer folks who live within 2-3 miles of their store is exactly what those customers need or want to buy—customer-specific, customer-centric need fulfillment.

Minno: Their greatest challenge and opportunity is to genuinely understand what their capabilities are today and where their capabilities can grow, to deliver the right offer. Their challenges are around their formats. If they have one to 10 stores, what are their formats? How big are those stores? What can they reasonably deliver in terms of a vibrant retail offer that is going to resonate with those targeted neighborhood consumers?

The other important point is that the traditional categories that the industry has relied on for years—sweet, salty and tobacco—are not going to continue to drive their business in the future. So they need to smartly position their business with an offer they can execute within the confines of their formats that resonates with their consumers. They need to define what those driving categories are in a way they can manage that is not a me-too offer.

CSP: *For chains in excess of 10 stores, what are their unique opportunities and challenges?*

Brewster: A challenge big operators have is not to become complacent in their historical success models, but to continually evaluate how well they are performing services and providing the product their local core customer groups want, keep track of it, update it and not to try to sell stuff customers don't want to buy.

Minno: Some keys to success are:

- What is not the right model is the one offer that hits all stores. They need to have a core offer that fits all stores but they also need to have some parts which fit with their communities—localization of offer.
- We always talk about IT directors, but the reality is very few retailers have the right real-time dynamic reporting capabilities to be able to effectively manage the fresh part of their business—fresh food, fresh dispensed beverages. There are new solutions coming to market that are not too expensive that can help.
- Larger retailers really need to remain customer-centric, to remain focused on creating a product offer that is not static, that flexes with the current trends in this business. Remaining current and exciting with an offer that resonates with their consumer base is absolutely needed. ■