

"Kirana Store Operators can compete, even if their prices are higher, by focusing on providing outstanding service!"

Great service trumps Low Price Competition

*kirana stores can compete, survive,
and thrive in a wal-mart world!*

- By Michael Bergdahl, International Speaker, Author & Wal-Mart Competition Authority

I delivered a keynote speech at the Montana Food Distributors Association annual conference in Butte, Montana, and in the audience that day were Grocers, FMCG (Fast Moving Consumer Goods) Companies, and Grocery Product Manufacturers of all types. As part of my preparation I decided to perform a shopping cart comparison of supermarket grocery prices compared to the prices offered at a Wal-Mart Supercenter. I made certain that the two stores I chose were located in the same market area vying for the same customers. I was curious to find out how aggressive Wal-Mart's Every Day Low Price Strategy really is!

My shopping cart comparison involved selecting 50 of the most commonly purchased branded grocery products, and comparing

retail prices. Grocers call these items "staples" and most grocers do everything in their power to make certain these staples are priced competitively in the marketplace. The reason of course is because consumers are aware of the prices of staples and things like milk, eggs, butter, etc. are considered "price sensitive purchases." Consumers are known for leaving one store for another if they determine the "staples" are priced too high. A good rule of thumb for grocers for pricing staples is to strive to be equal to the market on the pricing of all staples. Obviously to do this requires that grocers do their own shopping cart comparisons of their direct competitors each and every week to remain competitive.

Wal-Mart is known for performing

this same kind of aggressive shopping cart price comparisons in every market area where it does business for each of its stores. Each week, its Department Managers shop the competition's stores noting prices, and upon return to their stores, they adjust pricing accordingly. Even Wal-Mart's District Managers (DM's) perform price comparisons. DM's will purchase a shopping cart of products from a competitor's store, and return to Wal-Mart where the just purchased items are rescanned. They then lay the register tapes side by side and compare prices item by item. You see, Wal-Mart's pricing is established on a local level based on competitive pricing analysis of its local competitors. In other words, two Wal-Mart Stores in the same geographic area are likely to have different prices based on the



competition each faces. By the way, contrary to popular belief, Wal-Mart's prices are not the lowest on every item in a shopping car comparison, however the bottom line of the register tape will be!

Trust me when I tell you that I was careful to make certain I matched products exactly in order to do an exact price comparison. The two stores I chose, by the way, are within a stones throw of one another, so clearly they are drawing customers from the same market pool. What I found out in my shopping cart pricing comparison was astounding! The prices offered at Wal-Mart were fully 20 per cent lower (on those 50 grocery staples in my comparison) than the prices at the grocery store. Interestingly, the parking lots of both stores were full of cars and the aisles of both stores were filled with customers! I began to question the theory that a grocer's staples needed to be priced equally to a discount competitor's pricing in the same market area. On closer observation I determined the reason this grocer was not only surviving, but competing and thriving, was a result of the fact that this store provided great service! Without great service grocers must match discounter's prices on staples. With great service, pricing of staples and other products becomes less critical, though still important. (Note: In a market where a grocer is in direct competition with a discounter I have historically recommended that grocers have comparable to equal pricing on "staples" and prices within 10 per cent to 15 per cent of the discounter's prices on everything else.) I have

found that a grocer providing great service can effectively neutralize the discounter price advantage, and level the competitive playing field.

I believe this USA example is transferable to India! You might say, great service by Kirana Store Operators "trumps" the perceived low price advantages of the "big box" discount retailers!

Kirana Stores must take advantage of the fact that shopping at a discount behemoth isn't convenient for customers, while service is almost nonexistent. Also, it is important for Kirana Store Operators to understand that every customer isn't interested in a discounters offering of low quality products at low prices with limited service. These facts provide a great opportunity for Kirana Store Operators to use their own stellar service, knowledge of local consum-

ers, and tailored products to gain competitive advantage. When Kirana Store Operators discover that providing great service to their customers minimizes the pressure on product pricing, it can be tantamount to the discovery of fire!

Here are service lessons for Kirana Stores that they should embrace, whether or not they are in direct competition with a discounter or not in order to turn great service into an ongoing competitive advantage:

"If you're not a discounter don't try to act like a discounter." –Unfortunately, when it comes to price competition with superstores, discounters, and category killers, Kirana's need to avoid the temptation of matching prices or getting into price wars. You see, by playing the discounters game you are playing right into their hands. It's a trap



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they've set for you, and a competitive battle they'd love for you to wage! It's a battle they must win, and they will win at any cost! Once they suck you into price based competition your business will begin to spiral downward (expenses will rise as sales volume falls), and there is no turning back. Additionally, by sending the message to your customers that you are a discounter you will have changed their expectations... forever! Always remember, "every day low prices" is a discounters strategy, it is not yours. Control your own destiny by designing your niche strategy with products targeted at local tastes and preferences, and provide great service.

"Great customer service starts before a customer ever enters your store." – It's the little things that matter. Are your floors, windows, and bathrooms clean? If you think about it customers either overtly or subliminally may assume dirty facilities equal substandard food quality. Are your shelves always well stocked? Simply being able to find the products they want and need gives the customer the feeling there is no reason to shop anywhere else.

"Sam Walton taught his employees to ask unhappy customers the question, What would you like us to do? . . . and his employees were empowered to fix the problem." - There is an old adage in customer service circles, "the customer is always right!" Those of us who work in retailing know this isn't always literally true, but when it comes to our customers we must act as if it were! One hundred percent of the

time, you must project a positive attitude, along with respect for your customer's point of view. It is never appropriate to argue with your customers, and if you do you'll find the outcome isn't positive for your business. You may win the argument now and then but you will more often than not lose a customer. What is one customer worth who shops your store 52 weeks a year? If you treat customers right you can likely count on future business, and even good word-of-mouth advertising. Argue

your customers poorly they'll vote with their feet by doing business with your competitors. Adopt the attitude that your customers are always right, and you're on your way to establishing customer relationships that may last a lifetime!

"Out of stock is out of business." – Walk through your own store as if you were a customer. What do you see as you peruse your own aisles and shelves? Are their un-merchandised products in boxes on the floors? Are



with, and debate with your customers, and ultimately prove your customers weren't right, and you are likely to lose that customer for life. That former customer will also tell everyone they know about their bad experience in your store! That's the customer service version of "winning the battle but losing the war!" Kirana Store Operators can't afford to have a "bad" day. Don't ever forget, if it weren't for your customers you would be out of business. If you treat

you able to navigate the aisles easily with a shopping cart? Are there holes in your inventory where products are missing? Great execution of store operations strategies requires a commitment to aggressively re-merchandise your shelves through out the day. Being in-stock is the ball game in retailing, and those Kiranas that execute their merchandising strategies the best will increase sales and improve profitability. Shop the discounters and you will see how they are failing to keep products in-stock

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throughout the day. Therein lies a competitive opportunity for you. Customers expect to find the products they want to buy on the shelves each and every time they shop your store. If products aren't there do you think your customers simply forego purchasing that item this week, or do they go to your competitor to make the purchase? Why give your customers a reason to even think about shopping at your competitor's store? It may sound funny, and as basic as it sounds, the Kiranas who are able to keep their shelves consistently in-stock are creating a sustainable competitive advantage in the marketplace! Operationally, nothing is more important to your business success than to simply be in-stock.

"Use an outside-in approach to selecting products and services." – Selecting the right products for his stores and his customers was one of the great secrets to the success of Sam Walton, the founder of Wal-

Mart. He used an outside-in approach to picking products. He visited his own stores and simply asked his customers every day what they liked/disliked in the product mix, and what products were missing that they wanted him to sell in his stores. This approach is still in use today by the company's product buyers who travel out to stores each week. Kiranas should speak to individual customers

who are shopping in their store and ask for new product ideas. Regardless of the method you use, it is vitally important to gain product insights directly from your own customers.

"The customer is the boss, and they can fire you by simply deciding to spend their money elsewhere." - Do you know who pays the bills at your business? I am talking about the rent, lights, gas, electric and even your paycheck? The answer is of course your customers pay all of your bills by choosing to spend their hard earned money on your products. But customers can change their buying habits, and they do it all the time. Don't ever forget they can choose to walk away from your business in favor of spending their money at your competitor's. Think about that for just a moment. In fact you should think about that every day! What are you doing to make your customers want to continue doing business with you? Are any of your employees who are providing service to your





customers taking your customers for granted? There are plenty of alternative sources; is there a compelling reason why your customers should continue doing business with you? Don't ever forget that the customer is "the boss," and the importance of providing great service. Without your customers your business would be forced to close and you would be out of a job!

"Shop your competitor's stores and study their pricing, products and promotional activity, and look for ideas you can copy." – Kiranas need to make it a practice to study their local competition. Study your competitor's pricing structure, products and promotional activity. Don't limit yourself to other grocery stores either. Visit specialty stores for ideas for merchandising, graphics and signage. Let's face it there is no business more transparent than retailing. You can shop your competitor's stores and they can shop yours. Sam Walton believed in "stealing ideas shamelessly" from his competitor's by simply walking into their stores, and observing their operations. He always told us that there are no extra points for original thinking. He believed that if you can copy an existing idea already in use by another retailer it is much cheaper than designing a solution from scratch yourself. Visit stores periodically and pay particular attention to ideas to help improve service to your own customers.

"Sam Walton intentionally put his return desk at the front of his stores so all the customers in the checkout line could see how customer



problems were handled." - When a customer makes a purchase it is quite easy to smile, and thank them for their purchase. How do you react when that same customer tries to return that purchase for a refund or a replacement? Your customers will learn more about you and your company from the way you deal with a product the customer wants to return to you, than they will from the way you handled their original purchase. Do you provide service with a smile? Are you just as glad to see the customer making a return as one who is making a purchase? The reality is that you should handle both transactions in the same positive manner. Some companies have restrictive return/service policies which create bad feelings for their customers. If you treat your customers well when they have a problem they will reward you by returning again and again to make future purchases. If you mistrust your customers, and make them feel like naughty children when they try to return a product, they'll leave you, and spend their money elsewhere! Show your loyalty to your customers by taking care of them when they

have a problem, and they will reciprocate by being loyal to your grocery store. A good rule of thumb to follow is this: take care of your customers, the same way you would personally want to be treated if the same thing happened to you!

CONCLUSION

"Kiranas can compete and thrive in a big box discount world!" - In markets around the world, where Wal-Mart has opened stores, there are competitors who are not just surviving in its shadow, but they are thriving. In my estimation customer service is one of the most important common denominators of those who are competing successfully. The common thread these companies have discovered is the importance of great customer service to their ongoing success. If Kirana Store Operators will do everything in their power to make shopping at your store as easy and enjoyable as possible for your customers, you will find you can compete with the big box discounters! Remember to avoid the temptation to compete on price, and never forget, "great service trumps low price competition!" 😊