

Distribution, the challenge of the super agility: Rebuilding consumer trust through the right customer experience

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Abstract

Top Retailers on the Romanian Market, TOEMM, September 2014, reconfirmed the continuous development of the Romanian retail market, and the increased competition on this relevant market. Indeed, the wheel of distribution keeps turning, and retail is in a proper position to confirm the trend of increase on competing with each other primarily on the basis of creating great customer experience. A requirement for today's Omni-channel retailers is the ability to track and manage the customer journey, by intelligently predicting what a consumer is going to do at every step along this journey, considering both, personalization as the future of retail marketing, and customer data and analytics as the lifeblood of retail marketing. The retail sector is reshaped by the digital interaction, consumers engaging any moment with brands in-store, online, mobile. As the retail industry is in the midst of this significant digital evolution, there is a real opportunity to begin to envision the store of the future by extrapolating the actual trends. The key characteristic of tomorrow's winning retailers will be the "hyper agility" that allows retailers to quickly and effectively respond and transform their operations, by simultaneously focusing on specific areas.

Key words: Distribution, retail market, customer experience, consumer decision journey, channel integration

JEL Classification: L81, L86, M31, O14

The continuous development of the Romanian retail market

As everything we do in our life represents a choice, and our decisions are based on value systems reducing the discontinuity between our past and future, we need to be really informed, smart, interested, engaged, and consulted. (Purcarea, 2012) On the other hand we all know that every marketing strategy is supported by the supply chain (the competition being between supply chains) which is necessary to be designed from the customer inward, customers being not passive recipients of what this kind of marketers do. (Purcarea, 2012)

Six years ago, in 2008 (a year before, in 2007, we drew attention on the opportunity of increasing the competitiveness of the FMCG sector by the operationalization of the knowledge transfer from the *academic partnership ECR – Romania* towards Romanian enterprises providers):

- we underlined the significant changes in consumers' values and life styles influencing the process of collecting information about products, the efforts carried out by companies in order to understand the present consumer' requirements, to prioritize their requirements, co-operate with them to suggest priorities and enhance satisfaction, and also the growing manifestation of certain ethical attitudes of both companies and consumers (considering the shops as a connection point

between the citizen and the local community which is confronting with the challenge represented by the growing pressure with ethical connotations of customers' expectations); (Purcarea & Purcarea, 2012)

- we attracted the attention to the development of the Romanian retail market, the impact of the conflict between the retailers and the Romanian producers, starting from some questions posed not only in Romania but also at European level, the beginning of the above mentioned conflict producers-retailers emphasizing the accent placed on the retailers' ethical behavior in the context of the buying process of products from suppliers, namely the numerous slotting fees imposed on the suppliers so that their products reach the store's shelves, covering the supply chain's path whose efficacy depends on the collaboration relationships between participants, who are also confronted with a series of legal and ethical constraints, the legal ones resulting, in general, from the competition

legislation and the one concerning consumers protection; at that time Romania has confirmed its positioning as an important market for the large distribution chains, the promoter of the development of retail networks being the consumer behavior, within the challenging framework of the relation between marketing's impact on consumer and consumer' impact on marketing strategies; within that context we highlighted the necessity of building an ecosystem of conversation, based on interpersonal communication, creating a shared experience, building trust and strengthening the relationships between the participants in the supply chain; (Purcarea & Purcarea, 2012)

- the prestigious journal "*Distribution d'aujourd'hui*", Brussels (Juin 2008), made a significant reference to the TOEMM study ("La Grande Distribution en Roumanie, Université Roumaine-Américaine, TOEMM, 2008" – see the figure below; TOEMM study was launched in 2005, as a component of the Marketing student scientific research Circle of the Management-Marketing School of the Romanian-American University, this Circle being under the coordination of Professor Theodor Purcarea). (Purcarea, 2014)



Figure No. 1: La Grande Distribution en Roumanie, Université Roumaine-Américaine, TOEMM, 2008
Source: "*Distribution d'aujourd'hui*", Juin 2008, Brussels

Allow as to take a look at the TOEMM picture from September this year:

Table No. 1: Top Retailers on the Romanian Market, TOEMM, September 2014

No.	Name	Group	Store type	Number of stores		Year of entrance on the Romanian market
				Total	Bucharest	
1	Carrefour	Hyparlo	Hypermarket	26	9	2001
2	Cora	Delhaize	Hypermarket	8	3	2003
3	Auchan	Adeo	Hypermarket	31	7	2006
4	Kaufland	Schwarz-Gruppe	Discount Hypermarket	94	9	2005
5	Metro	Metro	Cash & Carry	27	6	1996
6	Selgros	(Rewe) Coop	Cash & Carry	18	4	2000
7	Praktiker	(Metro)*	Do It Yourself	27	3	2002
8	Hornbach	Hornbach	Do It Yourself	5	4	2007
9	Dedeman	Dedeman	Do It Yourself	40	3	2002
10	Mr.Bricolage	Mr.Bricolage	Do It Yourself	3	1	2006
11	Leroy Merlin	Adeo	Do It Yourself	2	1	2012
12	Brico Depot	Kingfisher	Supermarket	6	1	2013
13	Carrefour Market	Hyparlo	Supermarket	78	10	2008
14	Billa	Rewe	Supermarket	84	11	1999
15	Mega Image	Delhaize	Supermarket	175	80	1994
16	Lidl	Schwarz-Gruppe	Discount supermarket	183	35	2010
17	Penny Market	Rewe	Discount supermarket	153	6	2001
18	Ikea	Ikea	Specialised store	1	1	2007
19	Altex	Altex	Specialised store	55	8	1992
20	Domo	Domo	Specialised store	126	13	1994
21	Flanco	Flanco Retail	Specialised store	75	9	1992
22	Media Galaxy	Altex	Specialised store	13	4	2004
23	Shop & Go	Delhaize	Proximity store	174	77	2012
24	Profi	Delhaize	Proximity store	255	25	1995
25	La Doi Pasi	Metro	Proximity store	625	21	2012

* According to Wikipedia: "In February 2014, the Romanian subsidiary, Praktiker Romania S.R.L. (with 27 stores), was sold to Search Chemicals" (finanzen.net: Weitere Auslandsfilialen der Praktiker Baumärkte verkauft (German); <http://en.wikipedia.org/wiki/Praktiker>)

Source: TOEMM, Romanian-American University, September 2014

It is worth to note, within this context that from the very beginning of the month of October this year, that www.wall-street.ro/ and magazinulprogresiv.ro/ made reference to the results obtained from a quantitative and qualitative research study (*Retail Meter*, aiming the habits and the buying behavior in stores) conducted in September this year by the company

“Exact Cercetare si Consultanta” (<http://www.exactcc.ro/studii.aspx>) highlighting, among others, that the top three preferences of the buyers of FMCG (considering the price-quality relationship while also looking for the product variety) were occupied by Kaufland, Lidl, and Carrefour. Within the new reality of the digital world of the Internet having gateways into our physical world (the “Internet of things” taking that concept to the next level), the new reality of “the always-on and always-there consumer”, (Beun, n.d.) “the spread and evolution of mobile technology” (Rowinski, 2014) and as “mobile is becoming the place for media consumption”, (Danova, 2014) we also recalled some other opinions expressed in Romania in April 2014 and approaching the “War of online retailers” (Wall-Street.ro analyzing their visibility, authority in Google and the number of links to them, by using analysis tools such as: SeoMoz, Majestic SEO si SimilarWeb.com) (Goaga, 2014) and the topic of “Which retailer attracts most visitors from paid traffic” (share of traffic to stores like Emag, Altex and Domo comes from paid keywords - mostly Google AdWords - and which these words are; EvoMag.ro attracted the most traffic from Social, especially Facebook; eMag.ro si Altex.ro generated about the same percentage of direct traffic; Altex.ro relied more on display than competitors). (Goaga, 2014)

Four years ago, in September 2010 (see below), (Purcarea et al.) we attracted the attention on the fact that the competition on the Romanian retail market is stiffer and stiffer, the big companies are continuing their aggressive expansion, the importance of the niches left open on the market will increase (one of these being represented by the neighborhood trade and specialized small stores), and consumers will become more demanding in terms of customer experience, knowledge being continually updated and customers being served differently. And as Professor Léon F. Wegnez underlined within the same framework (see below) (Wegnez, 2010), *the wheel of distribution keeps turning...* On the other hand, but also within the same framework (see below), (Hallier 2010) Professor Bernd Hallier added that *the next big “technological jump forward” will be the intertwining of Facebook, YouTube, Twitter with new media of retailers...*



Figure No. 2: Facing the challenges of the distribution process through interactive information exchange and innovation, 2010

Source: Romanian Distribution Committee Magazine, Volume 1, Issue 1, 2010, available at: <http://crd-aida.ro/RePEc/rdc/v1i1/15.pdf>



Figure No. 3: Léon F. Wegnez - What is the Future of the Distribution

Source: Romanian Distribution Committee Magazine, Volume 1, Issue 1, 2010, available at: <http://crd-aida.ro/RePEc/rdc/v1i1/2.pdf>



Figure No. 4: Bernd Hallier - The Evolution Tornado Retail

Source: Romanian Distribution Committee Magazine, Volume 1, Issue 1, 2010, available at: <http://crd-aida.ro/RePEc/rdc/v1i1/3.pdf>



Figure No. 5: Bernd Hallier - The Evolution Tornado Retail

Source: Romanian Distribution Committee Magazine, Volume 1, Issue 1, 2010, available at: <http://crd-aida.ro/RePEc/rdc/v1i1/3.pdf>

Providing the new customer with the relevant choice: the right customer experience

On September 24, 2014, Paige O'Neill, (O'Neill, 2014) the chief marketing officer of SDL (a customer experience management company that highlighted the need to address the entire customer journey, by delivering compelling and engaging experiences) underlined the need for retailers (in order to give their website and brand a truly global appeal) to be prepared to properly interact with sensitivity and awareness of language preferences, by replicating the in-store experience and providing a localized approach to online shopping. Taking into account both, that the cultural variances present in brick-and-mortar stores are often lost online, and the importance of being culturally sensitive, O'Neill recommended three tips for embracing customers' preferences, domestically or abroad: building a language and cultural content strategy (by providing relevant experiences and engaging the customers on their terms); targeting consumers in their native, not geographic language (by connecting through culture and conversation accordingly with the mentioned engaged customers); keeping the conversation active beyond the sale (by expanding retailer's presence in cultural market segments as a critical element to relationship building).

While looking forward to "Reinventing the Department Store" we find out recently (Wang, 2014) that: "department stores have lost significant ground to monobrand stores, specialty retailers and e-commerce player; department store sales are still declining steadily; ... Elevate the store experience... Creative merchandising... Embrace Omni-channel. Smart department stores are also integrating their online and offline channels to deliver a more seamless customer experience and tap new markets"... The article's author (article originally appeared in the second annual #BoF500 print edition, "Polymaths & Multitaskers"), Lisa Wang, quoted, for example, leaders speaking about "customer experience": Marigay McKee, president, Saks Fifth Avenue ("... we have to strive for commerciality and customer experience at every

junction on our journey”); Pete Nordstrom, executive vice president, Nordstrom: “We strongly believe that customers don’t value channels, they value experiences”...).

We consider that retail is in a proper position to confirm the trend of increase on competing with each other primarily on the basis of creating great customer experience by providing branded moments before, during and after the purchase. (Zimmerman, 2014) Retailers really need to start getting serious about customer experience and how it impacts their strategy just considering this change in defining of “customer” by including prospects, influencers and the general audience of their marketing. Indeed, who knows this “customer” better than retailers? And, of course, not forgetting that, on one hand, *customer expectation is formed from customer experience*, and on other hand (this last one according to the Report “The State of Customer Experience Management, 2014”), (Customer Experience Matters, Temkin Group, 2014) << *the top obstacle to customer experience is the same as it has been for four years, “other competing priorities”* >>. Will the Retail (where every day must be a Customer Experience Day) celebrate the Customer Experience Day (CX Day 2015) on the first Tuesday of October 2015?

**Today’s retailers are challenged to remain relevant to today’s increasingly discerning digital shoppers engaged in their “consumer decision journey.
Envisioning the store of the future**

Five years ago, in June 2009, four McKinsey representatives approached the so-called “consumer decision journey”, (David Court et al., 2009) starting from the fact that consumers are moving outside the purchasing funnel, changing the way they research and buy the offered products. As today’s well-informed and increasingly discerning consumers are open to influence in different “touch points”, marketers must offer solutions to capture all these touch points and key buying factors (which result from the explosion of product choices and digital channels) characteristic to a less linear and more complicated environment than the traditional purchasing funnel suggests. The above mentioned McKinsey representatives called this new approach the “consumer decision journey”, their research showing that: << *the proliferation of media and products requires marketers to find new ways to get their brands included in the initial-consideration set that consumers develop as they begin their decision journey; because of the shift away from one-way communication —from marketers to consumers — toward a two-way conversation, marketers need a more systematic way to satisfy customer demands and manage word-of-mouth; there were identified two different types of customer loyalty challenging companies to reinvigorate their loyalty programs and the way they manage the customer experience; there is a reconfirmation of the importance of integrating the elements of marketing (strategy, spending, channel management, message) across the organization, not only of aligning them with the journey that consumers undertake when they make purchasing decisions; there is also a much greater chance of reaching consumers in the right place at the right time with the right message when marketers understand this consumer decision journey and direct their spending and messaging to the moments of maximum influence.* >>

There is no doubt that a requirement for today's Omni-channel retailers is the ability to track and manage the customer journey (from first interaction all the way through post-purchase), by intelligently predicting what a consumer is going to do at every step along this journey, considering both, personalization as the future of retail marketing, and customer data and analytics as the lifeblood of retail marketing. (Partner Voices, 2014) More connected than ever, consumers are engaging any moment with brands in-store (using their phones in-store to look for the same product for cheaper online), online, mobile, while expecting a seamless shopping experience, including to be engaged with relevant messaging and to be remembered by the retailers. That is why a well-known provider (of commerce technologies, omnichannel operations and marketing solutions for the world's premier retailers and brands) like eBay is building *"a new model for commerce marketing by providing retailers with a holistic view into their consumer engagement, from marketing strategy to transaction."*

On September 10, this year, Kyle Hutchins, (Hutchins, 2014) the Director of Customer Experience at management and technology consulting firm West Monroe Partners (please see also Table of contents of the book of Erik Campanini, Digital Marketing, Sales & Customer Management leader at BearingPoint and Kyle Hutchins - Darwinism in a Consumer-Driven World, Pearson; 1 edition, April 25, 2014, 6577_tdm.pdf), argued that *the retail sector is reshaped by the digital interaction*, the retail industry being in the midst of a significant digital evolution, and we can begin to *envision the store of the future by extrapolating the actual trends* (more demanding and less loyal consumers than ever before; altering of the relationship and leverage between retailers and suppliers/manufacturers by lowering the barriers for entry to direct-to-consumer channels; changing the way retailers use their brick-and-mortar spaces; accelerating the shift from mass marketing to personalized marketing). From the perspective of this store of the future (which: *remodels areas quickly and often to offer fresh looks and concepts; tracks consumers before a visit as well as in-store to influence their experience; makes consumers feel "special" by delivering an in-store experience that's less about buying products and more about services that customize those products to unique needs; complement product customization, offers personalized pricing, promotional offers and services*), the key characteristic of tomorrow's winning retailers will be the *"hyper agility"* that allows retailers to *quickly and effectively respond and transform their operations, by simultaneously focusing on five areas: Shopping experience* (delivering a "wow" effect, through entertainment and new services); *Supply chain dexterity* (stock availability and quick delivery options by: developing reliable, real-time stock levels; creating better predictive capabilities; improving integration and collaboration with vendors; and establishing new partnerships that enhance last-mile delivery); *Human resources organization* (training sales associates to act more like personal assistants; bringing salespeople back onto the sales floor, empowering them to respond to competitive situations, and rethinking commissions to encourage cross-channel sales); *Data operations* (enhanced shopping experiences; ultra-personalization and predictive offers by deep knowledge of consumers' needs and expectations; maturing data operations, establishing agile information systems that build insights from various sources and increase the precision with which they

segment customers); *Channel integration* (new, fully integrated performance models that consider both organizational aspects - e.g., channels, business units, flows, products - and technology; more effective measurement tools to aid decision making).

The above-mentioned book, co-authored by Erik Campanini and Kyle Hutchins, analyzes the disruption of traditional business models and specific brands through the lens of Darwin's evolutionary theory, and provides strategies firms can employ to thrive in today's multiplatform, data-driven age. The authors draw on principles from sociology, anthropology and biology to provide business leaders with a practical guide for adapting their organizations to succeed in a changing world. (BearingPoint.com, 2014) According to Erik Campanini: *"We're seeing a move away from the traditional transactional model of consumerism toward one that's more relationship-based... Given this shift, along with the unprecedented amount of customer data available today, organizations must think strategically about how to rebuild consumer trust on a new level and how to improvise."* On the other hand, Kyle Hutchins showed that: *"Companies should stop thinking of the ever-changing technology and consumer landscape as a threat but rather as an opportunity... Today, it's not necessarily the largest or oldest organizations that survive, it's the ones that are most agile."*

Conclusion

Indeed, we need to be really informed, smart, interested, engaged, and consulted, understanding well that the supply chain is necessary to be designed from the customer inward. And as the wheel of distribution keeps turning, retail is in a proper position to confirm the trend of increase on competing with each other primarily on the basis of creating great customer experience. That involves the development of: the ability to track and manage the customer journey, by intelligently predicting what a consumer is going to do at every step along this journey, while engaging at any moment with brands in-store, online, mobile; the "hyper agility" that allows retailers to quickly and effectively respond and transform their operations, by simultaneously focusing on specific areas; personalization as the future of retail marketing, and customer data and analytics as the lifeblood of retail marketing.

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