



Complacency kills CX: lessons learnt from the Aussie retail meltdown

Marketing and retail experts discuss why local retailers need to up their CX game to survive

Azadeh Williams (CMO) | 30 March, 2017 07:46



David Lawrence, Marcs, Herringbone, Rhodes & Beckett, Pumpkin Patch and Dick Smith – the growing list of retailers hitting the wall in Australian is a wake-up call for other retailers to re-examine the ways in which they attract and retain customers in order to compete in today's digitally savvy consumer world.

We speak with CMOs, retailers and CX experts to discover what marketers can learn from the recent retailer demise in order to offer a more relevant and engaging customer experience.

Adapt or bust

Experts warn Australian retailers have been far too complacent when it comes to delivering innovative CX and will continue to be at risk of falling against more innovative international brands entering the local market.

“Australian retailers have been caught with their pants down because they just haven’t innovated quickly enough,” general manager of local brand loyalty agency ICLP, Simon Morgan, says. “Bigger, nimbler overseas competitors, who have come from even redder oceans than ours, are fitter and stronger. It’s also hard to move past the corporate action shenanigans that have affected the likes of Pumpkin Patch and Dick Smith.”

Marketing Consulting Company’s founder, Fleur Filmer, points out brands like David Lawrence, Marcs, Herringbone, Rhodes & Beckett, Pumpkin Patch and Dick Smith were once at the top of retail heap. But it is only those who adopt the chosen tools of their target market and adapt to customer buying trends that can really thrive in today’s highly competitive landscape, she says.

“I maintain that nothing in marketing has changed throughout the centuries except the tools and methodologies,” she tells *CMO*. “The one common thread among the downward spiral of what were, as little as three years ago, retail giants is their lack of adoption of technology and adaptation to the modern customer experience.”

Marketing agency Crossmark’s Asia-Pacific chairman, Kevin Moore, notes the US and European markets have had to face and deal with online innovations and cross-border shopping for decades.



Dick Smith: one of the growing list of Aussie retailers facing a meltdown

"In Australia, we haven't had that competitive environment so we're not match fit. There is still a level of complacency within the Australian retail sector, supplier and retailer, traditional and pure online, over the entry of Amazon into this market," he says.

Moore's agency recently mapped Australian and international retail brands, from bricks-and-mortar to pure online and omni-channel, based upon "Growth" and "Shopper Experience", with worrying results.

"It fast became evident that the traditional, Australian-owned retail sector has not responded to new international brands' retail offerings, and that traditional Australian-owned retail has itself declined in overall share of the Australian market," he claims.

"And it's not just a better online shopper experience, it's a better overall shopper experience. Aldi and Costco have a low online focus, but deliver significantly better 'value' and overall 'shopping experience' than mainstream grocery and discount departments stores. While Aldi and Costco have fewer products in their stores, their use of the 'store centre' in Aldi and 'The Fence' at the entry of a Costco delights, surprises and entertains shoppers with amazing value on impulse or destination items."

Moore warns these new retailers will continue to take share from all sectors of Australian retail. "From a shopper's experience, they are fresh, innovative, offer value and are easy to shop physically and digitally," he says. "From a supplier's perspective, they are easier and more cost effective to service and adopt a more partnership-based approach to supplier relationships."

Without a good product and a good overall experience, today's digitally savvy customers will simply go elsewhere, ROI agency Zenith Australia's CEO, Nickie Scriven, says.

"Dick Smith didn't appear to have a great handle on how people now shop for consumer electrical goods," she comments. "Most people now do their research online, compare prices and then either purchase online or go into store to secure the cheapest price, or demand a price match. Retailers need to understand this journey and intercept consumers throughout the process to ensure their brand and product is top of mind."

On top of this, many Aussie retailers have been too late to the game of e-tailing. In this day and age there is no excuse for not having a good Web experience and allowing consumers to purchase on line, Scriven says.

"Websites have not been invested in early enough to provide a good user experience," she says. "Surprisingly, many are not even built in responsive design to provide a good user experience across desktop, mobile and tablet. This is just not acceptable for consumers now who are on their mobile phones 24/7. UX and CX are critical to success and provide the means for learning more about your customers. Then you can anticipate their needs and drive personal communication with relevance."

Beware of the weakest link

According to head of CX research at Fifth Quadrant, Dr Steve Nuttall, retailers that fail to optimise all the individual touch points of the customer journey simply become too weak too fast.

“You're only as strong as the weakest link,” he says. “Brands that fail often have multiple weak links in their model. And there have been brands that have felt it pretty hard. So for example, you might have grown too fast and built too many stores, so you sell your stores that were in the wrong location. But in the process, you haven't got to grips with social media engagement with your customers and your prospects and you're just not utilising social and digital.

“You haven't invested properly in distribution and in your supply chain. That is critical in terms of delivering the customer experience today's consumer expects.”

In order to survive, Nuttall says retailers need to truly understand where the gaps lie across the customer journey so they can ultimately deliver a more personalised customer experience.

“There is also the danger of not integrating your channels and having no genuine omni-channel experience – so you end up just adding more channels to existing channels,” he continues. “But there's no integration across those channels and you're not using data analytics effectively. So you're not able to provide tailored, personalised or relevant communications at the right point in time to your different customer personas. Everything becomes generic and it simply doesn't adapt to today's more individualised customer expectations.”

The key to keeping physical stores alive is not just to provide a better online experience but to provide a better, more integrated retail experience – offering experiences in which the particular store plays a seamless and complementary role, author of *Good to Great CX*, Isabella Villani, says. “This includes integrating their online and physical presence. Some traditional retailers have managed to adapt to online engagement, but they're also being challenged by new entrants, who these days require far less startup capital than they used to.”

CEO and founder of online retailer Hardtofind, Erica Stewart, is another who believes anything that engages the customer in an experiential way will help improve the customer experience and build brand loyalty. “It's really interesting to see what some retailers are up to - creativity and innovation does seem to be leading the way,” she says.



Hardtofind CEO and founder, Erica Stewart, reveals how a personalised and engaging CX across all customer touchpoints is the way forward

Stewart, whose online store is now fetching over \$15 million turnover after opening eight years ago, says her focus is on making the shopping experience as engaging, personalised and interactive as possible.

“At hardtofind, creating a more interactive shopping experience for our customers is where we're heading,” she says. “We also have more than 6000 products on the site that can be personalised with a monogram, special message or meaningful date, putting the customer in control of the final product and ultimately creating a fun, interactive shopping experience.”

But creative technology agency DT's experience and design strategy director, Tracy Brown, warns retailers need to be more strategic when adopting new technologies, not jump on the next shiny new toy for the sake of it or simply because competitors are doing it.

“True, there is a level of hygiene required to make sure you are meeting existing expectations, but only looking at the competitor landscape means you will always be one step behind,” she says. “If retailers want to innovate, they need to look at how customer expectations around service delivery are changing instead of only focusing on technology trends.

“Technology does influence customer expectations, but new technology is also created to solve problems that haven't yet been solved. What are those problems and how are you going to be the retailer to solve them once and for all instead of just doing what is plausible today?”

Up next: The debate between cheap and convenient

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Cheap fails, convenience wins

Retailers that don't differentiate on product offering, range or customer experience but compete on price alone will simply face a race to the bottom, research consultancy's The Leading Edge's head of marketing, Katharine Milner, says.

"If you ignore how customers experience your brand, you are basically choosing to compete on price and product range alone," she claims. "The bricks-and-mortar retailers that weather the storm will be the ones that focus on offering shoppers a great experience as well as great products."

Regardless of the online or offline experience, today's fast-paced consumer simply wants convenience, Milner claims. "Our research reveals that shoppers want convenience, and those that provide a convenient experience are currently growing their sales and market share, from Kmart to The Iconic," she says. "For example, Cotton On, Target and Kmart are all up-styling and filling a niche in kids clothes in a cheap, fuss-free and convenient way.

"Consider how you can provide a more convenient shopping experience, either in-store or through digital channels. This could mean making it easier for shoppers to find their size, alerting them to upcoming sales or offering to save their card details to remove barriers to purchase. These tactics are channel agnostic and focus on the customer experience, rather than taking a digital verses bricks-and-mortar attitude."



Jurlique Australia' GM, Ann Donohue reveals the retailer's new mobile POS system

One Aussie retailer recently enhancing in-store convenience has been beauty brand, [Jurlique](#), which last year implemented a cloud-based POS system from Vend to transform each of its team members into a mobile POS operator. The aim was to make it easier to take customers from the initial introduction and consultation right through to the final purchase without the need to hand them off at a cash register.

General manager at Jurlique Australia, Ann Donohue, says this is not just improving staff engagement with customers and enhancing their experience, it has also improved opportunities to cross-sell related products.

"Because it is such a consultative process, it is very important to keep that connection with the customer," she explains. "Not having to leave them at that that time is really quite important."

Remember the fundamentals

Whether online or offline, the fundamental business principles still apply of keeping your brand relevant, and celebrating the uniqueness of your offerings to your customers, Stewart continues.

"Retailers who are focusing on innovation, brand relevance and excellent customer service will do well. Those who are also thinking about the online experience will do even better," she says. "Customer experience is critical, obviously, but it's only part of the equation. Retailers absolutely need to be thinking about the customer, but just as importantly about their unique selling proposition."



Retailers must embrace their unique points of difference when it comes to the brand and CX, says experience design expert and pioneer, Katja Forbes

Experience design expert and pioneer, Katja Forbes, advises retailers to identify and understand their unique points of difference when it comes to the brand and customer experience, then capitalise on that.

“And remember - just because you are a physical store, it doesn’t mean you can’t also take part in the same playground as online stores,” she says. “Take advantage of their clientele too, by starting an online store and social media presence, and reap the benefits of the digital era.”

Forbes predicts brands that will survive tomorrow’s retail space will offer customers expect a more tactile experience like [T2](#), or engaging in-store experience that they simply could not get online. “Depending on what it is you sell, it may be appropriate to offer refreshments, more practical displays of your products in action, and even a real-life comparison between two different brands or models to demonstrate the difference,” she suggests.

Forbes also advises integrating digital and social media interactions with the “trying on” experience to encourage social shopping. One brand doing this well is cosmetic retailer, [Mecca](#), which leverages content produced by consumers, such as videos, images, social content, as well as ratings and reviews, to drive both online and in-store engagement.

“Augmented reality could provide a shopping experience like no other – think Pokémon Go, with the hologram image instead appearing as a handbag the customer is interested in purchasing, or an outfit,” she says. “They can take a selfie and send to their social media accounts for the opinion of their networks. Additional product information and comparisons provided in online stores could certainly be introduced into a ‘traditional’ store, such as on mounted iPads displayed at various tactical locations in the store.”

Whether it’s traditional, digital, social media, bricks-and-mortar, or online, the business that fundamentally delivers better to consumer needs will win, Scriven says.

“Spend some time understanding the consumer journey in your category. Understand what consumers value and then design your service, offering and experience around that,” she says. “Find out where the ‘drop off points’ are, where are you losing customers to competitors and then develop strategies to recapture their attention and re-engage.”

Brown also highlights the importance of getting the business basics of CX right. “Great service coupled with a great range of products is timeless, no matter how brilliant the technology,” she says. “If you can’t get those two things right, you aren’t going to survive. Service, product and technology all need to be of the same level of excellence to make customers happy in 2017 and beyond.”

But according to Morgan, it’s brands that provide a better CX coupled with a strong, clear and resonating purpose that will ultimately attract the modern consumer and dominate tomorrow’s playing field.

“Australia arguably has an oversupply of middle-of-the-road brands across various sectors. When matched against the clear brand purpose and positioning of incoming international heavyweights, local brands found themselves looking a bit vanilla, and offering no compelling narrative to consumers,” he says.

“Arguably, Pumpkin Patch had a strong brand, but this was successively weakened by poor management decisions - customer goodwill won’t last forever. Meanwhile, Dick Smith had a great opportunity with its ‘Techxperts’ positioning, but then failed to bring that to life in its bricks-and-mortar customer experience.”

A brand with purpose doesn’t just mean corporate social responsibility, Morgan says. It means figuring out what you brings to the market that no-one else does, and leveraging that throughout the customer experience.

“A clearly defined set of brand values and point of difference that consumers can recognise and interact with will help brands stand out across both physical and virtual retail spaces,” he says. “Critically, whatever these brand values are, they need to be molded around the customer.”

Key factors that drive CX in today’s retail space:

- **Personalisation:** If I've already communicated with your organisation, you know a lot about me, so you can use that information to personalise how we do business.
- **Ease:** I shouldn't have to spend time trying to work out what you need me to do. Make it easy for me to do business with you. Absence of this is one of the biggest drivers of customer dissatisfaction.
- **Mobility:** I'm mobile, and I want to be able to deal with you while I'm on the move. If you don't keep up, I'll leave you behind.
- **Sociability:** I'm on social media so we won't meet each other if you aren't there too."
- **Self-service:** Let me do it myself and let me choose the channel to do it in. Let me feel in control and don't force me to switch to the channel you prefer.
- **Timeliness:** I'm time-poor, so don't make me wait for you. If you put me in a phone queue, I'll use the time to check out your competitors on the Internet – that is if I wait at all.
- **Empowerment:** I want to make my own decisions. Give me the knowledge I need to make the right ones.
- **Help:** If I choose to interact with someone about an enquiry, connect me directly to someone knowledgeable who can answer my questions. I don't want to be bounced around inside your organisation.
- **Complaints:** If you make life hard or do wrong by me, I'll complain. I might complain to you (if you're lucky), I might complain to my family and colleagues, or I might tell all my Facebook friends. I might tell them if you do the right thing too, but only if you do something that 'wows' me.
- **Adapt and innovate:** retailers now need to understand that customers have adapted to an increasingly competitive market as they have become more internet-savvy, better informed and more mobile. Customer acquisition and retention in this environment isn't just a matter of providing something a bit better than the store in the next suburb.

- Author of *Good to Great CX*, Isabella Villani

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