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Shopper Education: The Hidden Casualty of Price Wars

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The Heart of the Matter

The Price War between low-cost providers and the rest of retail has produced multiple casualties, with Shopper Education one of the most critical. Physical stores no longer provide sufficient product information to educate customers and close the shopping process. A thorough redesign of the customer experience is needed, to provide shoppers with the education and reviews they need to complete a transaction quickly before they go elsewhere.

Introduction

How do shoppers learn what they need to know about new products? Traditionally, the retail associate provided this product wisdom, but slashes to labor budgets have left shoppers on their own, accelerating their move to online competitors.

The Harvard Business Review's [The Future of Shopping](#) by Bain consultant Darrell Rigby is an outstanding article on the future of retail. Rigby shows the risk to brick and mortar retailers if they do not react to the growth of online shopping. He proposes a vision for omnichannel retailing – combining the impact of a physical store with the opportunities of online and mobile shopping. It is a terrific call to action, filled with great thinking. The original link requires a registration to HBR, but you can also access it [here](#).

This article led me to consider one aspect only briefly referenced: the role of product and category information in the shopping experience, and how changes in retailing have removed the traditional source of information from the shopping experience.

Consider the evolution of bricks-and-mortar retail as it experienced the growth of its online cousin. As Rigby recalls, in the early days of online shopping retailers built separate Internet organizations, dreaming of spinning them off for Internet riches. This separate reporting structure led to disconnects between the online and in-store experiences. With the crash of the DotCom bubble, companies eventually integrated the Internet with their brick and mortar stores.

Or did they?

Certainly, integration is better today than in the past. Shoppers can research whether a book is available at their local Barnes and Noble. They can order a product at Best Buy and pick it up 30 minutes later (Penney's, on the other hand, has had [issues](#)). The Bricks and Mortar experience has merged into the DotCom. But physical stores have not returned the favor.

To understand why this is important, we need to review the Price War between traditional retailers and Wal-Mart and online competitors, and how this war impacts the store experience



The Price War

Much of retail lives in conflict with Wal-Mart and its Every Day Low Pricing. Costco and low-cost pure-play Internet competitors such as Amazon.com have only increased these pricing concerns. These are not trivial fears, as these competitors' continued growth shows the impact of Every Day Low Pricing. But selling against low price is nothing new. Retailers can still win, even with this price disadvantage.

But retailers cannot match Wal-Mart on price without a complete revamp of their business model. The fastest way to Chapter 11 is to attempt to pair a high-service experience with the lowest price. The economics simply do not work. Unfortunately, many retailers are landing in this No Man's Land, with Best Buy as Exhibit A.

Last February Best Buy floated moving to Every Day Low Pricing. At the same time, they made no effort to discontinue their sales-focused labor strategy (as opposed to the cheaper "Where is this product" labor approach at Wal-Mart and Costco, or no labor at Amazon). Neither did they end their use of promotions to drive sales. This disconnect creates higher labor costs than competitors like Wal-Mart, who already enjoy the advantage of traffic drivers such as groceries. It is a no-win game, and Best Buy's recent results show what happens when you try to play in this No Man's Land. Neither they nor their customers are winning.

The alternative is to embrace the shopper, equipping her with the information she needs to make a purchase, rather than leaving it up to her to do the research.

Consumer Education: The Loser in the Price War

Consider how high-consideration products were purchased before the Price Wars or the rise of the Internet. TV created awareness, leading consumers to talk it over with a few friends before going to the store. Shoppers reviewed the product packaging (P&G's "First Moment of Truth"), then found a sales associate to learn more about the product and its alternatives. They either purchased it, went home to read *Consumer Reports*, or visited a competitor to talk with their sales associate for a second opinion. Overall, a fairly linear experience, and one on which the store associate had a huge impact on a shopper's (and retailer's) success.

That world no longer exists. As Google argues in [Zero Moment of Truth](#), consumers are now much more likely to search for information or ratings before making a purchase. This is partly because the growth of the Internet and product rating sites makes it easier. But a contributing factor is that **retailers forced consumers into this model.**

The Price War caused retailers hoping to keep track with low-cost competitors to cut any cost possible. Labor was their biggest expense – so it was reduced substantially, with [disastrous impact to the customer experience](#). While this *Wall Street Journal* article focuses on the checkout line, shoppers see the same results in the aisles: Retailers have cut labor for short-term gains, but with long-term consequences to the customer experience.



Remember Circuit City? They were once the consumer electronics leader, even being featured in the seminal *Good to Great*. They were a model company. Until they weren't. What big decision accelerated their demise? They fired "[3,400 of arguably the most successful sales people in the company](#)" in a move to save costs. But this type of move was not unique to Circuit City – retail labor was seeing regular cuts across the board.

Unfortunately, now that this labor has been slashed, shoppers expect more education than ever before. They want to compare products and learn what others think. They once went to stores specifically to ask associates for this type of information. With no one to ask, consumers are finding it the only way possible – by turning to alternate methods, particularly the Smart Phone.

Imagine this scenario: Your shopper is at your store when she remembers she needs a new coffee maker. She looks for a sales associate to help narrow down your ten models, but you do not staff this aisle. She reads the packaging, but does not find enough comparable information to make an informed choice. She reviews the shelf tags, but its four bullet points only repeat what is on the packaging.

You have now left her with three choices:

1. Make her best guess (if she's wrong, expect a return – which is bad for both you and her!);
2. Go home, do some research, and buy one from you (or your competitor) next week;
3. Use her Smart Phone to educate herself on the product and check out reviews.

What do we expect? Of course she uses her Smart Phone. And once she pulls it out, you have lost. Because why *wouldn't* she pull up a competitor's site while she's at it? And if their pricing is better, she will order it from them – especially if she can pick it up on her way home.

The irony is, you as the retailer have all the information she needs to buy today. You have the ability to accelerate her purchase, sending her home with the perfect coffee maker today. For example, Target's website offers 15 separate product details: product height, width, and even the surface treatment (mattel!). It is easy to compare between models, and she can also read reviews (43 for the Mr. Coffee 12-Cup Programmable Coffeemaker – Black). But none of this is in your physical store – at least not conveniently. There may be a kiosk five aisles over – but she is not going to go look for it.

A 2011 study at an international retail chain found that "Insufficient Product Information" was a top driver of customer disengagement, resulting in significantly lower spend for consumers reporting this problem. Today's shoppers expect more information – not only in consumer electronics, but also in:

- Groceries (Is it healthy? Organic? Low fat?)
- Appliances (Is it green? How much energy will I need to run it?)
- Pet food (According to Google, 1/3 of pet food consumers search for information on these products)

In *Zero Moment of Truth*, Google reports that the average customer uses 10.7 sources of information before buying. How many of these are yours?

How has it come to this?

How is the store, where we traditionally learned about our product choices, now the place with the least information? It is almost as if we designed the experience to *accelerate* shoppers' transition to online shopping.

Product Education is a missing sales driver

It is time for a customer experience do-over. How do you provide the information necessary to accelerate consumer purchases so shoppers buy from your store today, instead of your competitor's website tomorrow? A quick review of some options:

Increasing labor is clearly one alternative. Retail associates can not only educate shoppers, but also close the sale and add in complimentary products. Best Buy found that [for every 10th of a point it boosted employee engagement, its stores saw a \\$100,000 increase in operating income](#). While this is distinct from adding labor, it does show that effective associates improve financial results.

Apple is another example. Apple elected an anti-Wal-Mart retail model, refusing to compromise on staff talent or shopper information, and has been rewarded with [sales-per-square-foot of \\$5,626](#) – easily the highest of any national retailer. I was at a competitor when Apple started their huge retail growth, and we studied them to improve how we educate shoppers. Unfortunately, we could not replicate their model: We had signs, they had people. And people always win.

Labor is the most expensive option, but it is also the most powerful. A [2009 study](#) shows that 10% of all retail revenue was spent on employee wages. However, it also found that increases in labor at the chain they studied were correlated with increases in store profitability. Effective labor works.

But not any labor will do. Apple invests significant time and money into their training, teaching its sales associates a different sales philosophy: [not to sell, but rather to help customers solve problems](#). The quality of your associate talent and management is what makes the difference.

You can also learn from Apple's merchandising, particularly as it applies to shopper education. Apple supplements their labor with an innovative use of the iPad as a product information source. Each item at the Apple Store has [an iPad](#) placed right next to it with links to product information.

Or consider the digital price tag. Today's paper tag is outdated – information is limited and static. Digital price tags offer the ability to provide updated and detailed product information, supplementing the traditional role of the associate.

The goal of this post is not to put out the all-inclusive guide on how to merchandise effectively, but instead to show how the Price War has impacted the customer experience, particularly regarding how customers research products and categories. Shoppers are leaving bricks-and-mortar retail now – and we are pushing them away. It is time to help them buy from us.

There is still time to react. You can fight the Internet at its own game, by bringing your online information to the shoppers in your stores. Better yet, unleash your killer app – your associates – in the battle. Fighting the Price War while simultaneously trying to engage customers is a losing battle. Select a path today, then invest whole-heartedly. Your customers will thank you.



About the Author



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Jim has more than 20 years of experience in driving customer engagement from small business to Fortune 500 companies. Jim's expertise has led to engagements as far-reaching as developing consumer tests at Best Buy, creating a Customer Insights capability at UnitedHealth Group, and consulting with clients ranging from global fast food giants to utilities to international manufacturing and service companies.

Jim is a dynamic speaker, passionate about building a world-class experience that results in customers who come back time and again. Learn more at [Heart of the Customer](#)

