

Service as a Competitive Advantage

The secret to improving the profitability of specialty retail stores is improved customer service. This might seem very obvious, but you only need to think about some of the indifferent or downright rude experiences you've had in retail outlets to know that most retail businesses, even those that are specialising in a narrow product range, do not recognise this opportunity.

It is equally obvious that it is better to treat your existing customers well and maximise their spend, than to continually search for new customers to replace them. But it is sad how few retailers live by this principle.

The Defensive Mindset

What is needed is a paradigm shift, and change on this sort of scale does not occur easily or often. Most retail owners and managers believe that there is not enough business to go around, and their survival depends on them defending their patch against the threats of competitors selling identical products. This defensive mindset permeates the entire culture of the company, and is evidenced by the defensive behaviour of their sales staff at the retail frontline.

"No, we can't get that in for you...."

"No, we can't open the box for you to touch it..."

"No we can't hold it for you..."

"No I can't just replace that faulty product..."

"No we can't change your overseas dollars..."

Every time I hear a retail assistant explaining why they can't do something for a customer, I know that a company-wide defensive mindset is at play. Rather than empowering staff to take the right action under any circumstances, rules have been introduced that prevent staff from using their initiative.

Empower staff

A successful US department store chain, Nordstrom's, has a policy manual for staff that contains just one sentence: "Use your own best judgement at all times". Senior management use this to demonstrate to every employee that their judgement will be trusted. Naturally, the staff at Nordstrom's demonstrate this trust in the way they treat customers every day, and the company celebrates countless stories where staff have "wowed" customers with a creative solution to their problem.

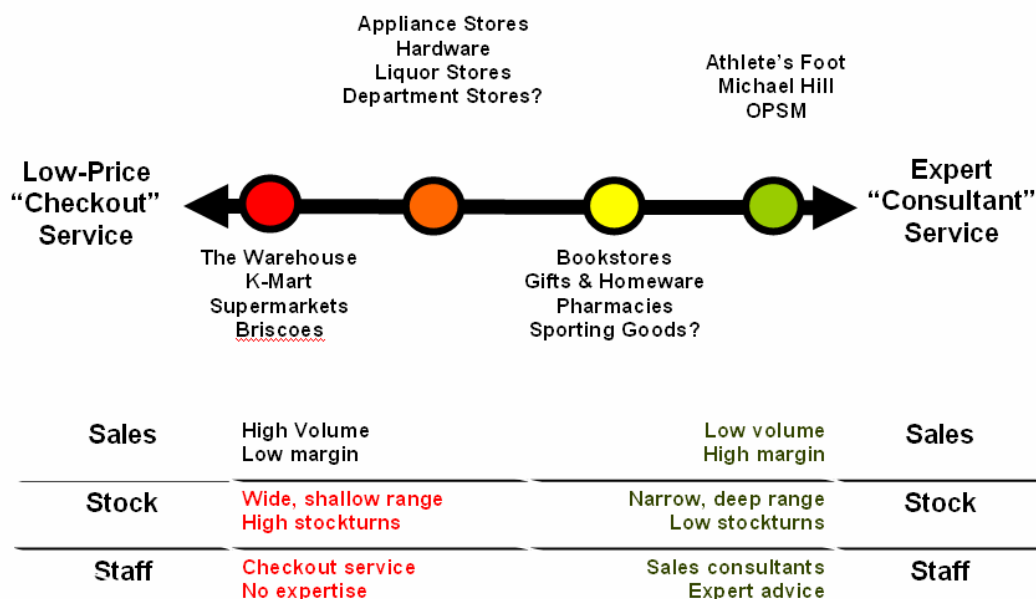


Fig.1 Specialty Retailers Differentiate Themselves with Expert Service

The challenge for specialty retailers is how to empower and trust staff, particularly when these staff are low-paid, relatively unskilled workers. The answer to this dilemma lies in being able to identify a specialty product niche that can have enough value added to it through superb instore service, that sales staff can earn above-average wages as expert consultants. This virtuous circle is completed by being able to attract and retain high calibre retail sales professionals.

The Magic

The two necessary ingredients for this specialty retail success are:

1. a service standards framework that must be adhered to, and
2. the unique product / service bundle.

The whole package needs to include some "magic" that inspires a sense of evangelical pride in employees.

Notable examples over the years include The Body Shop (when Anita Roddick was still alive), Starbucks (before it became a watered-down version), and the Virgin empire.

At their best, these companies were a cause! Not a business. Then they unleashed the full potential of their staff by trusting and rewarding them, taking care of the deepest human need of all - the need to be appreciated.

Culture Change

Compare the culture in these companies with the retailers you frequent. The difference is cultural, and is driven by fear and threats, rather than by an abundance mentality.

In the end, management doesn't change culture. Management invites the workforce itself to change the culture. But before it can do this the management of our specialty retail stores needs to figure out what unique product-service combo their stores will be "famous for".