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Sale the seven Cs

Teaching/training aid for the (e-)retail mix

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Abstract

The '4Ps' of the marketing mix have long been popular with students, tutors, trainers and practitioners as a learning and teaching aid. The purpose of this paper is to present an equivalent tool for retail and e-retail: 'Sale the 7Cs'. The approach is by reference to other authors' versions of the marketing, retail and e-retail mixes, distilled into a simplified framework: C1 Convenience; C2 Customer value and benefit; C3 Cost to the customer; C4 Computing and category management; C5 Customer franchise; C6 Customer care and service; C7 Communication and customer relationships. This simplified mnemonic is new for (e-)retail. Mini case examples are used to illustrate the applicability. These have a practical value for trainers and educators as specimen answers to activity exercises. Retailers may find the convenient 7Cs structure useful when planning strategies and tactics.

Introduction

The (e-)retail mix can be defined as the total package of goods and services that a retailer or e-retailer offers for sale to the public (Lazer and Kelly, 1961). (E-)retail mix is a shorthand term for the blend of tools and techniques that (e-)retailers use to provide value for customers. It is a development of the well-known marketing mix, more specific to retail and e-retail. As far back as the first half of the twentieth century, the job of the marketer was described as a 'mixer of ingredients' (Culliton, 1948). Marketers devise strategies and tactics aimed at providing satisfaction and adding value for customers. The various elements are blended into a 'marketing mix' – a phrase first coined by Neil Borden (1964) of Harvard Business School.

The marketing mix is most widely known as E Jerome McCarthy's (1960) '4Ps': Place, Product, Price and Promotion. Acronyms such as: 4Ps; Booms's and Bitner's (1981) 7Ps for services; and Lauterborn's 4Cs (1990 – see below) have been criticised as oversimplifications. Whilst not based on any theory, the original 4Ps, for example, was 'firmly based on the needs of the manufactured goods sector' and the need for

practitioners to ‘break down their decision making into a number of identifiable and actionable headings’ (Palmer, 2004). As such, the 4Ps have long found favour not only with marketing managers but also with lecturers, students and trainers. (E-)retailers have similar needs to structure decision making of the elements of their offers to customers that are essential to success. This paper is intended to provide them, educators, students and trainers with an equivalent simple, easy to remember mix: ‘Sale the 7Cs’.

The rest of this paper proceeds as follows. Firstly, we review the applicability of the 4Ps/4Cs to (e-)retail. Then we consider other elements of the (e-)retail mix, re-stating those not sufficiently covered by the 4Cs as three additional Cs. Finally, we suggest three activities for use as teaching/training aids or illustrations for the new 7Cs and provide answer guidelines.

The Marketing Mix adapted for (E-)retailing

‘Place’ in the 4 Ps is not quite self-explanatory, but refers to the routes organisations take to get the benefits of the product or service to the intended customers – channels of distribution. ‘Product’ means both tangible product and also ‘service’ and all the ways that an organisation adds value. ‘Price’ means not just the price charged, but also all aspects of pricing policy including, for example, distributor margins. ‘Promotion’ is not just the more-specialised ‘sales promotion’, but also every way that a product is promoted to customers – from print advertising to web sites.

In recent decades there have been numerous attempts to update and revise the marketing mix. One development is particularly descriptive of the way marketers think about the customer. The ‘4Cs’ (Lauterborn, 1990) imply more emphasis on customer wants and concerns than do the 4Ps. The 4Cs (in the same order as the equivalent 4Ps listed above) are: **Convenience for the customer; Customer value and benefits; Cost to the customer; and Communication**. Reflecting the emphasis of ‘new’ marketing on long-term relationships with customers, we include **customer relationships** within the umbrella of the ‘communication’ C.

C1 Convenience for the customer

‘Place’ (from the 4Ps), rather than implying managements’ methods of placing products where they want them to be, can be thought of as ‘**Convenience for the customer**’, recognising the customers’ choices for buying in ways convenient to them. For the bricks retailer, ‘Place’ incorporates what can be the most critical decisions concerning ‘location’, reflecting shoppers’ preferences for short travel journeys, easy access, parking and so on. For the e-retailer, this is also important, as many customers prefer a multi-channel approach: browse on the web, buy instore or *vice versa* – or buy on the web, return to the store for a refund! This perhaps goes some way towards explaining the success of high street and multi-channel retailers in e-retail, compared to the dot.com ‘pureplays’. Physical location can also be important for the e-retailer as many customers prefer to buy from, or are more likely to trust, an e-retailer based at least in the same country, where carriage costs and maybe taxes are cheaper.

‘Location’ for the e-retailer also means virtual location and the ease of finding the website. This entails registration with search engines, location in e-malls and links from associates.

Convenience also includes key aspects of website design such as navigation, layout and ease of purchase. For the ‘bricks’ retailer, convenience decisions include shelf space allocation and layout. The equivalent in ‘clicks’ e-retail is site design and page layout. For example, whether layout follows the ‘free-flow’ or ‘grid’ type of layout, or indeed a combination such as ‘free-grid’ (Vrechopoulos, 2001; 2004 – see Dennis *et al.*, 2004 for more on store and e-store layout and design and all elements of the e-retail mix).

C2 Customer value and benefits

‘Product’, rather than being something that a company has to sell, can be thought of as a ‘**Customer value and benefits**’ – meaning the bundle of service and satisfactions wanted by customers. People do not buy ‘products’ as such, but rather solutions to problems or good feelings. Retailers and e-retailers now specify (and sometimes design) products to a much greater extent than previously, reflecting closeness to the customer and appreciation of benefits that customers want in terms of choice, style, uniqueness, and so on. An essential task of retail and e-retail is selecting the range of products offered for sale – assembled for target markets from diverse sources. The wide and deep range that can be offered is one of the areas where the ‘clicks’ e-retailer can score relative to the ‘bricks’ retailer. The lowest price does not always result in the highest sales, as many shoppers may value aspects such as style, design and fashion, for example.

When buying online, customers are far less likely to request help than they are in the store. Rather, e-shoppers who need help in understanding a product are more likely to abandon the transaction and find an alternative supplier or even buy through a different channel. E-businesses, therefore, need to be particularly careful about describing products clearly in Customer value and benefits terms.

C3 Cost to the customer

‘Price’ may be what companies decide to charge for their products, but ‘**Cost to the customer**’ represents the real cost that customers will pay, including, for example, in the case of ‘bricks’ retail, their own transport costs. For ‘clicks’ e-retail, there are also the costs of carriage and perhaps taxes to be added to the quoted prices. High carriage charges may be one reason for the high rate of carts abandoned at the checkout. Customers also need to consider the possible costs of Internet access.

Consumers have a perception that prices should be lower online than instore, and this can cause problems when customers buying *via* other channels realise that they are paying more than online customers. For example Screwfix (www.screwfix.com), a well-known supplier of tradesperson’s supplies *via* paper catalogue and telesales, have a number of attractive special offers available only online. Customers who have looked up what they want online, then telephone to order, can be irritated to learn that the extra discounts are not available when ordering by ‘phone.

C4 Communication and customer relationships

‘Communication’ is equivalent to the final ‘P’ in the 4Ps: ‘Promotion’. Promotion suggests ways in which companies persuade people to buy, whereas communication is a two-way process also involving feedback from customers to suppliers. Reflecting an increasing control of elements of the retail mix by retailers rather than manufacturers, retailers spend more on advertising than manufacturers do (assisted by advertising allowances from manufacturers). Retailers are closer to the customer than are manufacturers and have more access to customer feedback.

Communication is not just advertising, though, but all the ways in which retailers communicate with their customers, including, for example, marketing research surveys, public relations (PR), direct mail, e-mail, Internet, marketing database and loyalty schemes. Successful e-retailers often use offline advertising such as magazines and ‘click here’ sections of newspapers integrated with online marketing communications. Online methods include banner ads and pop-ups (often incentivised); paid-for listings in search engines and directories; and affiliate programmes. Successful (e-)retailers need that the communication media are integrated in order to reinforce a consistent, positive perception (see ‘Customer franchise’ below).

In addition to solving problems (see the ‘Customer value and benefits’ section above), there is another reason for customers buying products – to get good feelings. This is a particularly difficult area for e-retailers. The ‘bricks’ retail store and the face-to-face sales person are often much better at identifying and satisfying customers’ emotional needs and wants. The physical store uses atmospherics in the attempt to change mood and give shoppers a pleasant emotional experience when buying. Emotional cues may include visual (decor), olfactory (perfume), touch (smooth and cool or soft and cuddly) and aural (music).

E-retailers can create a ‘Web atmosphere’ using, for example, music and visuals such as 3D displays and downloadable video clips. Such enhancements must always be a compromise, on account of the need to avoid long download times. One way of tackling the problem is to provide a ‘click here for broadband’ button (for a more sophisticated, high memory requirement version).

Customer relationships are an area that successful bricks retailers such as Tesco (www.tesco.co.uk) have used to gain a major lead over competitors. In the ‘Communication’ section above, the importance of the emotional aspects of selling was mentioned. The sales representative selling face-to-face in the ‘bricks’ retail store can use verbal and non-verbal (body language) communication to build personal relationships with customers, enhancing the emotional value of products. In trying to replicate the physical buying experience, the e-retailer is at a disadvantage. On the other hand, with transaction data ready-digitised, the e-retailer is well placed to enhance product value using Customer Relationship Management (CRM) techniques. For example, data mining can be used to build a picture of products most likely to be wanted by individual customers. Products tailored specifically can be offered proactively. Amazon (www.amazon.co.uk), for instance, uses such a system to match new books to existing customers likely to be interested in them.

Three more Cs in the (e-)retail mix

There have been a number of suggestions for structuring a 'Retail mix', equivalent to the 4Ps or 4Cs of the marketing mix, adding other aspects that may be key to retailer success. For example, McGoldrick (2002) used a nine-element mix. In addition to those that have been incorporated into the 4Cs framework above, McGoldrick also included dimensions such as 'brand image', 'logistics' and 'information'. Most versions of the retail mix are not as 'catchy' as the 4Ps or 4Cs of the marketing mix. Therefore we propose a simplified '7Cs' for the e-retail mix, adding **Computing and category management issues**; **Customer franchise**; and **Customer care and service**. Inclusion of these three additional Cs broadens the scope of the (e-)retail mix sufficiently to provide main headings for the package of benefits that (e-)retailers provide to add value.

To some extent there is a parallel with Kearney's (2000) 7Cs for creating a rewarding customer e-shopping experience. In addition to convenience, communication and customer care, Kearney included 'content' and 'customisation' which we have included under 'Customer value and benefits'; 'connectivity' (in our 'Convenience'); and 'community' (in our 'Customer care and service'). Jones *et al.* (2001) added a further C: 'concern' which we have again included under the 'Customer care and service' heading.

C5 Computing and category management issues

The success of retailers has been founded on supplying the products that customers want, in the right sizes and quantities, at the right time and in the right place. With the growth in consumer choice has come a proliferation of products. Superstores carry 20000 plus branded products and department stores from 100000 even up to 1 million or more. Efficient control of this degree of complexity needs effective computer and logistics systems.

Retail logistics have been changing rapidly over recent decades. Firstly, the growth of retailer power has involved major retailers taking more control of their supply chains. The involvement of wholesalers has been reduced, tending to give way to contract logistics (under retailer control). At the same time, supply chains have become more efficient with computer network links between suppliers and retailers – many still based on Electronic Data Interchange (EDI).

Pre-dating the Web, EDI is based on privately owned third party computer networks. Stock levels have been reduced using techniques such as Quick Response and Efficient Customer Response (QR and ECR – the retailers' equivalents of Just-in-Time or JIT). EDI networks are expensive to install, costing at least hundreds of thousands of pounds. There is a growing trend towards the use of the Internet, particularly for smaller businesses (suppliers and customers) and smaller order quantities. Increasingly, retailers such as Tesco are allowing Internet access to their suppliers for real time Electronic Point-of-Sale (EPoS) data. Trusted supplier partners can thus respond more quickly to changes in customer demand.

Co-operation between suppliers and retailers has been key to improving the efficiency of satisfying customers whilst minimising stocks and costs. On the larger scale, this co-operative process is known as 'Category management' (CM), the retailer/supplier process of satisfying consumers by managing categories as strategic business units.

High efficiency of the computer-controlled logistics systems is largely behind the success of bricks and clicks retailers such as Tesco. Ironically, deficiencies in this area have been a major factor in the failure of a number of pureplay dot.coms that have concentrated on advertising and promotion at the expense of other areas of the e-retail mix. One exception is Amazon, which is founded on efficient logistics systems with excellent customer care and service. In the UK, Amazon is using its logistics expertise to carry out distribution services on contract for bricks retailers such as WHSmith (www.whsmith.co.uk) and Toys R Us (www.toysrus.co.uk).

Apart from Amazon and the major bricks-and-clicks retailers, many of the e-retailers with the most efficient computer and logistics efficiency are established direct selling businesses. For example, Quill (www.quillcorp.com) and Screwfix (www.screwfix.com), office supplies and tradesperson supplies respectively, operate established mail businesses via a paper catalogue. Dell (www.Dell.co.uk) has been a pioneer in telemarketing and direct selling since the late 1980's, demonstrating that a complex product like a computer could be sold without face-to-face contact. Much of the success has been due to investment in computer based mass customisation systems, again along with excellent customer care and service. The company was one of the first e-retailers and is the market leader worldwide for computer hardware.

C6 Customer franchise

As alluded to briefly in the 'Communication' sub-section above, (e-)retailers attempt to develop positive profiles or images in the market place. The most successful 'bricks' retailers have invested heavily in quality, customer care and service in order to raise their standing in the assessments of customers. Some authors refer to the accumulated value of image, trust and branding as the retailer's '**customer franchise**'. Customer franchise might be seen as stemming from Communications and Customer Care, but we consider that (e-)retail image is so central to business success that it merits a separate category – illustrated by the fall in shareholder value associated with image problems from 1998 to 2004 at Marks and Spencer, for example.

Retailers have 'progressed from being just merchants to retail brand managers' (McGoldrick, 2002, drawing support from Kumar, 1997). Many 'bricks' retailers have high quality brands with clear personalities backed by long-term corporate promotion. These strong brands give 'bricks and clicks' retailers a head start over 'pureplay' dot.coms. Lack of trust has been one of main factors inhibiting the growth of e-retail. As McGoldrick (2002) pointed out, with greater choice, consumers choose the brands that they trust. Start-up brands must work hard on trust. For example, one of the few pureplays to prosper, the auction site eBay (www.ebay.co.uk), includes five levels of safeguards including fraud protection and dispute resolution.

C7 Customer care and service

(E-)retailers may often offer similar products and prices to those of their competitors. Customer care and the services offered can be critical in shoppers' choices of stores and their degree of loyalty. According to McGoldrick (2002), retailing has traditionally been classified as a 'service industry' but, for most retailers, the preoccupation with service quality and services offered is of more recent origin. At the broadest level, most of a retailer's activities deliver a form of service to the

consumer, creating assortments at competitive prices in accessible locations. These activities therefore all play major roles in creating customer satisfaction.

More specifically for the e-retailer, good service means, for example, reasonably fast and reliable deliveries at times convenient to the shopper; availability of telephone help; return and refund facilities. These are aspects on which the early e-retailers have been lamentably poor, with the big majority of e-shoppers still having a sorry tale to tell.

For the 'bricks' retailer, even in self-service settings, store personnel play a crucial role in forming retail images and patronage intentions. The e-retailer is at a disadvantage, but elements such as click-through telephone help, bulletin boards and chat rooms can help to make the e-shopping experience more interactive. In general, the successful (e-)retailer sets out to make shopping more enjoyable, more convenient and/or less worrying for the customers.

When buying high priced items and those with a high 'personal' content such as cars, shoppers particularly value personal service. Retailers such as Virgin (www.virgin.co.uk) attempt to overcome this drawback with a pop-up window with a 'phone numbers to reach a sales consultant, and the working hours in which they are available.

The extra 3Cs of the (e-)retail mix (in addition to the 4Ps or 4Cs of the marketing mix) can therefore be seen to be particularly critical for e-retailers. The computing, category management, supply chain and delivery systems are areas in which the early e-retailers, particularly pureplay dot.coms, have been sadly lacking, affecting trust; image; and customer care and service. The stronger brands with greater customer franchise have higher sales and potentially higher profit, for example, Tesco (www.tesco.com) and Next (www.next.co.uk).

It is often the already strongly branded 'bricks' retailers with established computer and supply chain systems, who are making the running in e-retailing. Notable exceptions include Amazon (www.Amazon.co.uk) and Dell (www.dell.com), both well-known for efficient systems, quality, service, communications and interaction.

The use of the 7 Cs as a framework for the (bricks) retail mix is illustrated in Activity 1 and Mini case 1 below: Tesco. Activity 2 and Mini case 2 illustrate the e-retail mix: Screwfix.

****Start of box****

Sale the 7Cs – the (E-)Retail Mix

C1 Convenience for the customer ('Place' from the 4Ps)

- Physical location
- Multi-channel options: browse the web, buy instore or *vice versa* – or buy on the web, return to the store for a refund
- Virtual location and ease of finding the website: registration with search engines, location in e-malls and links from associates
- Website design: connectivity; navigation; 'shelf' space allocation and ease of purchase.
- Layout: 'free-flow'; 'grid'; or 'free-grid'

C2 Customer value and benefits ('Product')

- Satisfactions wanted by customers
- Solutions to problems or good feelings
- Specify (sometimes design) products reflecting closeness to the customer and benefits that customers want
- Selecting the range of products offered for sale – assembled for target markets from diverse sources
- Wide and/or deep range – where the 'clicks' e-retailer can score relative to the 'bricks' retailer
- Content: describing a compelling offer of products clearly in customer value and benefits terms
- Customisation of products to match the wants of customer segments as closely as possible

C3 Cost to the customer ('Price')

- The real cost that customers will pay including transport, carriage and taxes
- Costs of Internet telephone access
- Customers' perceptions that prices should be cheaper online than instore

C4 Communication and customer relationships ('Promotion')

Communication is a two-way process also involving feedback from customers to suppliers, including:

- Marketing research surveys
- Public relations (PR)
- Direct mail
- E-mail
- Internet
- Offline advertising such as magazines and 'click here' sections of newspapers
- Online methods include banner ads and pop-ups (often incentivised); paid-for listings in search engines and directories; and affiliate programmes
- Atmospherics and Web atmospherics: visual (décor, colour management, video clips, 3D), olfactory (perfume and samples), touch (smooth and cool or soft and cuddly – communicated by visuals or samples) and oral (music). (but need to avoid long download times – 'click here for broadband').

Customer relationships

- Instore sales representatives use verbal and non-verbal (body language) communication
- Marketing database and loyalty schemes
- The e-retailer can enhance product value using Customer Relationship Management (CRM) and data mining to tailor products specifically to individual customers.

C5 Computing and category management issues

- Supplying the products that customers want, in the right sizes and quantities, at the right time and in the right place
- Efficient supply chains with computer network links between suppliers and retailers

- Minimising stocks and speed of response: QR or ECR
- Co-operation between suppliers and (e-)retailers aiming to improve the efficiency of satisfying customers whilst minimising stocks and costs. On the larger scale, this is 'Category management' (CM), the retailer/supplier process of managing categories as strategic business units
- Efficient logistics systems are an important component of Customer care and service

C6 Customer franchise

- Image, trust and branding – long-term investment in quality, corporate communications and Customer care and service
- Safeguards including fraud protection and dispute resolution
- Safe shopping icons, e.g. Which? Webtrader

C7 Customer care and service

- Creating assortments at competitive prices in an accessible format
- Fast and reliable deliveries at times convenient to the shopper
- Availability of help; return and refund facilities
- For the 'bricks' retailer store personnel are crucial
- For the e-retailer click-through telephone help, bulletin boards and chat rooms make the experience more interactive and add community
- Addressing customer concerns, particularly for credit card security, e.g. displaying the 'padlock' secure site logo.

Source: The authors, developed from McCarthy's (1960) 4Ps and Lauterborn's (1990) 4Cs.

*****End of box*****

The communications mix for the e-retailer

All elements of the retail mix can actually form part of the communications mix. For example, in the case of an e-retailer, '**Convenience**' can include the ease of finding the site, say by paid links from other sites or search engines, communicating the existence of the site to the potential customer. '**Customer value and benefit**' can be reflected in the width and depth of product offered and ease of navigating around this large range, communicating a benefit of buying online rather than instore. '**Cost to the customer**' can communicate price positioning in the case of a cost leadership strategy. Alternatively, high prices with 'round' figures can communicate quality and prestige. '**Computing and category management**' can communicate added value from the availability of a wide range of products on short delivery times. '**Customer franchise**' is largely a communications and branding issue. For example, improving the information value of an e-retailing site can improve image and branding. Similarly, '**Customer care and service**' can communicate a positive image. Although many of the critical aspects of service are not visible until the order is fulfilled, a generous returns policy can act as a proxy in communicating an image of good service. Finally, '**Communication and customer relationships**' describes the communications mix proper, which can have a huge variety of elements from marketing research surveys to e-mail, and from advertising to sponsorship.

The use of the 7Cs as a framework for the communications mix is illustrated in Activity 3 and Mini Case 3 below: Compass 24.

The (e-)retail mix: activities for students

Activity 1

The e-retail mix at a grocery superstore

Consider a large supermarket such as Tesco or other of your choice. Prepare an analysis of the retail mix, structured around the 7Cs framework.

Activity 2

The e-retail mix at Screwfix

Go to the Screwfix (www.screwfix.com) website. Prepare an analysis of Screwfix's e-retail mix, structured around the 7Cs framework.

Activity 3

The communications mix at Compass 24

Go to the Compass 24 boat chandlery and accessories (www.compass24.com) website. Prepare an analysis of Compass 24's marketing communications mix, structured around the 7Cs framework.

The mini cases following below form specimen answer guidelines for these activities.

Mini case 1: The retail mix at a Tesco grocery superstore

Intense competition has the big grocery retailers each scrambling to satisfy customers better than the others. The Tesco Syon Park store at Gillette Corner, West London, UK is within 10 minutes drive of **four** other superstores (two each, Sainsbury and Tesco). Tesco are striving to improve every possible aspect of the retail mix in order to gain a competitive advantage.

C1 Convenience for the customer

The site Tesco has chosen here has a population of 85000 people within a five-minute drive time (for an out-of-London superstore, Tesco would look for 100000 population within 20 minutes). Access by car is excellent, the store lying just off the Great West Road, one of London's main feeder routes. Tesco sponsors a bus service from the surrounding areas. The store (and petrol station) is open 24 hours per day (except for the usual legal restriction on Sunday trading hours). The many other convenience aspects include home delivery and e-shopping services, express tills, bag packing and a freephone connection to a minicab service.

Tesco are currently taking their 'Convenience' policy very literally, in line with shoppers' preferences recently tending towards more frequent, local grocery shopping. Tesco are expanding their convenience store network with, for example, the purchase of the T&S group.

C2 Customer value and benefits

Tesco offer a choice from over 22000 manufacturer branded items of grocery plus many more Tesco brand making a total of over 40000 grocery products in total. Tesco need a sales area of 3500 square metres to stock this basic range of groceries. With

around 5000 square metres of sales area, this store also carries an extensive range non-food items. There is a wide choice of leisure items such as books, CDs, DVDs, videos, clothing, electrical and electronic goods. The wide range aims to offer as near as possible to ‘one stop shopping’.

C3 Cost to the customer (‘Price’)

Tesco are proactive in competitor pricing research, aiming to be within 1p per item of the ‘cost leader’ competitors KwickSave and Morrisons. The aim is to be **cheaper** than Sainsbury and Asda Wal-Mart. Marketing segmentation is apparent in store with the ‘Finest’ and ‘Value’ ranges representing differentiation and low cost strategies respectively. At any time, there are many special price promotions on offer.

The car park is free, and with two other Tesco superstores within a few minutes travel time, for most customers travel costs will be low. The filling station sells petrol at discounted rates, aiming to be cheaper than any other in the local area.

C4 Communication and customer relationships

Since the introduction of the Clubcard loyalty scheme in 1992, Tesco have moved a substantial proportion of the marketing budget away from conventional ‘above-the-line’ media advertising, into direct, database and customer relationship marketing. The Clubcard allows the capture of much detailed information on the individual shopper and a genuine two-way communication. Clubcard members receive discount vouchers according to ‘points’ gained from amount spent, plus also vouchers that can be specifically targeted to the individual. Tesco use a Dunn Hunby data mining system for analysis of the data and targeting communications. In early days, the communications were targeted to 30000 different customer segments, but this has now been increased to six million or more – almost achieving the marketers’ dreams of one-to-one communication.

As an example of the usefulness as a marketing tool, a geographic analysis of customer data has indicated the degree of customer penetration at the edge of the area. In one particular street, 90 percent of residents on one side were customers but only 10 percent of those on the other side were. Thus it was possible to accurately target prospective customers with introductory promotions, whilst not ‘wasting’ these on existing customers!

The Clubcard database is the basis of Tesco’s research into customer preferences, *via* electronic point of sale (EpoS) data, telephone research, mail and face-to-face questionnaires. Many loyalty schemes have been unsuccessful in increasing loyalty, offering little more than sales promotion special offers, but because of the efficiency of Tesco’s data mining and personalised segmentation, the Clubcard can claim to be the most successful loyalty scheme in the world.

Tesco does still use conventional national media advertising such as TV, but this represents less than half of the marketing budget. Local advertising such as free newspapers is used mainly for special events such as promoting the opening of a new store, or for specific short-term promotions, usually jointly with manufacturers.

C5 Computing and category management issues

The efficiency of supply is critical to the success of a superstore. Tesco is linked with suppliers *via* the 'Tradonet' electronic data interchange (EDI). This ensures that top-up supplies of products are ordered and supplied as soon as needed, without the need to carry buffer stocks. This system is called 'quick response' (QR), the retail equivalent of just-in-time (JIT). Ordering, delivery, routing and invoicing are all computer-controlled, reducing the possibility of human errors and stock-outs. Since the store was opened in 1993, improvements in efficiency have resulted in a large area of former stock room being freed up for conversion into sales area, allowing the store to stock an extended range of the higher-margin non-grocery items.

Private third party computer links are used for ordering and payment as this method is more robust and secure than public Internet. Even so, suppliers are allowed direct Internet access to Tesco's real-time point-of-sale (POS) data. This means that suppliers can take their own decisions to react to any unusual changes in sales levels, e.g. in response to local weather conditions, thus reducing the likelihood of stock-outs. The involvement of suppliers directly in satisfying the customers is the foundation of 'category management' (CM) and is partly responsible for the large superstores' superior competitiveness compared to smaller independents.

C6 Customer franchise

In the early 1990s Tesco finally put aside the image of 'pile it high, sell it cheap'. The store now has an atmosphere and image of freshness and quality. Many of the new initiatives were in response to customer panels and staff suggestions. The 'customer friendly' atmosphere starts at the entrance, continues right through to the checkouts and even continues into the car park. The traditional entrance to a supermarket used to project an image of 'barriers', with revolving doors, counters and conspicuous security. This has now been 'opened out' with entry straight into the store through a wide entrance. Security has a low profile, and the first part of the store that the customer passes is 'Customer Service', an explicit message that Tesco cares about looking after the customer. The merchandise nearest to the entrance consists of flowers, fruit and vegetables, giving a visual and aroma image of freshness and natural products that permeates even outside the store.

Store layout is based largely on suggestions from customers (and from staff in their role as customers) as to the most convenient and logical layout. Aisles are reasonably wide to avoid the impression of crowding. The bright lighting and light colours add to the clean, bright image.

C7 Customer care and service

Tesco, Asda Wal-Mart and Sainsbury and the other major supermarkets all carry similar merchandise ranges. It is difficult for Tesco to differentiate from competitors on the basis of merchandise, as whatever Tesco can offer, the competitors can also offer. Instead, customer service is the focus of a major thrust to differentiate Tesco from competitors. Staff are trained by Tesco's in-house training team, instilling a coherent culture of customer orientation. The emphasis is on staff projecting their own personalities rather than standardisation (often disparagingly called 'McDonaldisation'). Customer satisfaction is monitored regularly using customer service panels.

A key element of Tesco's customer service strategy is empowerment of staff. Staff are trained to work in self-managed teams, rather than needing to be told what to do by a hierarchy of managers. This particular store has 19 people in management positions, which may seem a lot, but compares with typically 50 to 60 in a Sainsbury superstore. From the customers' viewpoint, the contact staff are much more likely to take a positive decision to help the customer, rather than have to get authorisation from a manager, giving a clear impression of personal helpfulness.

Tesco has an extensive customer service mix, from the wide choice of trolleys, through 'one-in-front' (staff trained in multi-tasking, meaning more checkouts open at busy times) to starting your car if the battery is flat.

Sources: Various, including private communications from management staff at Tesco Syon Park and the authors' own customer evaluation.

***** End of mini case *****

Mini case 2: The e-retail mix at Screwfix

Screwfix (www.screwfix.com) started out as a UK trade wholesale supplier, but also now sell extensively for DIY. Screwfix.com earned Retail Week's 'Retailer of the Year' award for 2002. Screwfix is an example of a successful niche e-retailer and one of few to gain favourable mentions in a Sunday Times survey (Sunday Times Doors, 9 February 2003). Screwfix is owned by Kingfisher, i.e. in the same stable as the B&Q UK DIY stores. Although the branding, ordering and fulfilment are completely separate, the supply chains are integrated, resulting in economies of scale and buying power. Screwfix has 0.5 percent of the UK repairs, maintenance and home improvement market but a massive 20 percent of the **direct** market for those products. Web sales are over £20 million per year (15 percent and growing of Screwfix's total business). The (e-)retail mix is summarised below.

Convenience for the customer: Express Shopping: if you have the catalogue, simply type in the quantities and catalogue number, or alternatively use 'Search' to find what you want. A free phone telephone number is available 24 hours per day, plus fax and e-mail options, offering improved personal interaction.

Customer value and benefits: Products include not only screws, bolts and nails, but also fixings, adhesives, tools, hardware, lighting, plumbing and cleaning products – the claim is 'Everything for the trade and DIY – next day', 100 percent stock availability of 6000 products.

Cost to the customer: A number of Special Offers are always available. Most prices are significantly cheaper than in DIY retail sheds.

Communication and customer relationships: The homepage has many examples of good practice, for example:

- Recommend a Friend – get a reward when they order for the first time;
- Open a Business Account;
- Testimonials – 'I have just received my order and felt I must congratulate you on an excellent service. Your site is well designed. The products are well laid

out and the order processing excellent.’ ... ‘Your web site is brilliant, the designer needs a big pat on the back. Well laid out, and to order online is so easy.’

- Register/Login: Optional registration makes ordering quicker and easier. Regular communications by mail with catalogues, ‘What’s new’ and special offers for registered customers.

Computing and category management issues: Winner of best use of Supply Chain Management at the 2001 Internet Business Awards.

Customer franchise: Without the need for heavy advertising, Screwfix have quickly built up a reputation for cheap prices, with quick and reliable delivery based on actual performance.

Customer care and service: To test the service, we ordered a long, complex list of equipment and fittings at 4.00 p.m. on a Sunday. The complete, correct order was delivered by 8.00 a.m. on Monday.

Sources: Various, including authors’ own site test and Reynolds (2002).

***** End of mini case *****

Mini case 3: The e-retail mix communicates with the customer

Compass 24 boat chandlery and accessories

Compass 24 (www.compass24.com) is Europe’s largest direct sales boating equipment company. A brief illustration of how the Compass 24 e-retail mix is utilised to communicate positively with customers follows below.

Convenience

Entering ‘*boating equipment uk*’ in the Google search engine (www.google.co.uk) brings up Boatz.co.uk (www.boatz.co.uk) close to the top of the non-sponsored links. This is because many boating information sites are linked **to** the Boatz site. Many boat equipment sites are linked by paid links **from** Boatz.co.uk precisely because it is near the top of the Google (unpaid link) search results. There is a link to Compass 24 (www.compass24.com) in the ‘Chandlers’ section. Links from Boatz and other popular sites related to the product category represent added convenience for the customer and greatly increase exposure to surfers interested in the specific product types.

Customer value and benefit

The huge range of 8000 products is clearly available and easy to find. Navigation is by a close approach to ‘free grid’ (Vrechopoulos 2001). This is a combination of a grid hierarchical tree structure with a free-flow navigation capability via a menu bar on the left. Shoppers can either move through the e-store in a logical progression through departments or obtain direct access to end products using a search engine. Product categories are displayed in a ‘left-frame’. The ease of finding products and

the huge amount of boating equipment that can be supplied communicate the site's ability to satisfy wide-ranging customer requirements.

Cost to the customer

The Compass online shop page does not offer 'bargain' positioning, but rather, promises 'good value'. With a separate search facility for 'brands', there is an emphasis on differentiation rather than price leadership. The pricing therefore communicates value, for example 'Magellan [a top brand] GPS 320 top value offer'. Nevertheless, the value pricing is strongly emphasised by using 'psychological pricing'. For example the GPS 320 is priced at £139.95, i.e. psychologically below the price point of £140.00 – emphasising the communication of good value. There are often premium-based rather than price-based special offers. For example 'spend £20.00 or more and we'll give you a free vacuum flask'. Promotions such as this communicate extra value for the customer without risking damage to the customers' perceptions of quality and the price goods are worth, as can be the case with price-based promotions like '£10 off'.

Computing and category management

Compass is based on established and efficient supply chain arrangements with suppliers. Thus, there is a huge range of products available either from stock or drop-shipped directly from suppliers on short delivery times. Compass delivers 'Just-in-Time': tell Compass when you want the goods (for example when you expect to return from your boating cruise), and for a small extra fee they will deliver that exact day. Supply chain efficiency is used to communicate the site's ability and desire to satisfy customers' particular needs.

Customer franchise

The Compass site communicates established branding and image by links to bodies such as the Royal Yachting Association, weather forecasts from the Met. Office and tides data from Yachting and Boating World (www.ybw.com, Europe's top marine website). When the Compass 24 site was launched in the UK (it is German-based), credibility was added by endorsement from Sir Robin Knox-Johnston, the famous, record-breaking ocean rower and Yachtsman, communicating an established brand.

Customer care and service

Compass offers a 14-day 'no questions asked' return policy. Deliveries are fast and reliable. Fast and easy e-mail help is available, with the help pages also showing telephone numbers and a link to (premium rate) phone-through help and a feedback form. The telephone help line is courteous, knowledgeable and helpful. Some months after we got our 'free' vacuum flask (the offer mentioned above), the top started to leak. We contacted Compass 24 to ask if we could buy a replacement top but they were unable to supply as they were no longer selling that flask. Compass 24 quickly sent a replacement, better quality flask – free. Such surprisingly good service communicates a commitment to putting the customer's interests first, despite the costs to the company.

Communication and customer relationships

In addition to the communication tools mentioned above, Compass 24 use a wide range of communication mix elements, including:

- **Advertising** – In specialist paper-based yachting magazines like ‘All at Sea’ in addition to web-based media such as the Boatz site
- **Direct Mail** – Catalogues, mini catalogues and special offers
- **Word of mouth (and word of mouse)** – E.g. ‘Recommend Compass 24 to a friend and get a free tool set’
- **Customer relationships** – Customers can opt in to the e-mail newsletter for tip-offs on special offers and other news.
- **Web atmospherics** – Good illustrations and snappy animation that does not take too long to load.

Source: The authors

*** End of mini case ***

Summary and conclusions

The complexities of the retail and e-retail mixes can be represented by a simplified, easy-to-remember aid, ‘Sale the 7Cs’:

- **C1 Convenience**
- **C2 Customer value and benefit**
- **C3 Cost to the customer**
- **C4 Computing and category management**
- **C5 Customer franchise**
- **C6 Customer care and service**
- **C7 Communication and customer relationships.**

This 7Cs framework is also useful in drawing attention to the wider scope of the communications mix as much more than just offline media plus Web advertising. Popular with students as a learning aid, the 7Cs make up a useful tool for retail lecturers and practitioners alike.

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