



# Keeping close to the customer

Alastair Paton, Managing Partner

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## Keeping close to the consumer

We are, by all accounts, moving rapidly into a recession not just in the UK, but globally. Previous recessions have shown just how quickly consumers' behaviour shifts under these conditions; they become more frugal and cautious, they may defer purchases if they can and they will look to get better deals on the things that they want or need now. And while this may be true for consumers it is also just as true in a business to business environment. So if the consumer (or customer/client) is changing then what kind of response is called for?

### Concentrating on market share

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One example is Tesco. Always a business that is sensitive to its consumers' changing attitudes, I was intrigued to hear their explanation recently for (by their standards) below par results. While investment in competing overseas played a part, it seemed that a key reason for sales value being down on 2007 had much to do with consumer behaviour. Consumers are tightening their belts and the pressure is on to cut prices. Rather than do this and face the problem next year or the year after of how to get prices back up, Tesco has launched a completely new range of brands throughout the store. The (re)positioning of the company as the UK's leading discounter and shelves full of specialist price brands has allowed Tesco to improve share and volume. As a Tesco spokesperson carefully announced, the company was sharing the pain by deliberately bringing down its value of sales to help hard pressed consumers. Tesco is showing just how quickly it can respond to its customers needs while at the same time showing itself to the City that they are doing it in a way which is right for the longer term business need.

*“The company was sharing its customers' pain by deliberately bringing down its value of sales”*

### E-tailing flexibility

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One big change compared to previous recessions is the development of the internet. While retailers can respond quickly to consumers' changing needs, the internet takes responsiveness to new heights. The virtual relationships built up by e-tailers like Amazon allow them into our lives almost on a daily basis as they try every trick in the book to use their knowledge of our previous purchases and their ever-changing discounts to deliver personalised calls to action. Able to adapt their sales messages almost hourly based on what is working, these businesses seem well placed to follow what consumer expenditure remains out there.

*“These businesses seem well-placed to follow what consumer expenditure remains out there”*

Contrast these two models of responding to the consumer (both of which seem to owe at least something to knowledge of individuals) to the temporary deep-discount across-the-board sales announced by some retailers. These guerrilla-style tactics seem somehow old-fashioned compared to the approaches taken by Tesco and the best of the e-tailers.

## Lifting the wool from consumers' eyes

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There is some evidence, anecdotal at this stage, from the US and the UK that consumers are, surprise, not stupid! They ask how it is possible for manufacturers and retailers to drop prices by 20%, 40% or more in order to get them to shop. If money is still to be made at these prices then does that mean they were being overcharged all these years?

## Responding to need

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We are in unusual times and no-one has a road map for success at a time like this, but those companies that are able to demonstrate a deep understanding of their consumers are likely to be the ones, I would argue, that will succeed. Consumer trust is hard won but easily lost; while I may be happy to buy from a retailer once when their stock is all at 20% off, I may when they revert to full price choose to buy elsewhere. Conversely a retailer who offers me new brands at lower prices to increase my choice makes me think they are on my side. And rather bizarrely perhaps, the e-tailer who seems to know what I want and offers me something I don't need but is a marvellous deal may also get my vote again in the future.

*“Consumer trust is hard won but easily lost”*

Strange times!

## A Word from the Partners

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We hope you've found this piece interesting and useful, and we'd love to hear your thoughts on this subject. If you would like us to explore this subject in more detail, or if you would like to suggest other topics, please don't hesitate to contact us.

We look forward to working with you.

Best wishes

Lucy Theaker, Beth Caldwell, Alastair Paton and David Sneesby

[ingoodcompany@snowdontate.com](mailto:ingoodcompany@snowdontate.com)