

SA retailers: incredulous, insane and in deep trouble

 By [Aki Kalliatakis](#)

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Retailers are fond of telling us their special offers are incredible or crazy. How right they are! Because in many respects the current spate of retail price cuts really is unbelievable, if not downright insane.



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According to one definition, you must be insane if you constantly repeat the same actions while expecting the outcome to change.

Time after time, in tough trading conditions, we see shops and supermarkets promote big savings, advertise huge discounts or run sales.

When beefing up the promotion and advertising budget to publicise price reductions, the key assumption is that consumers can be induced to spend more if the price is right. However, if the consumer has no money to spend the effort is largely wasted. At the same time, if every retailer does the same promotional thing, the results are hardly likely to deliver the anticipated return on advertising investment.

Is there an alternative? Of course!

The least travelled road entails the creation of a culture of service excellence designed to retain old customers and woo new

ones. Such an approach is especially relevant at this juncture because the battered and bemused South African consumer would just love to feel special and valued.

Petrol prices have rocketed (again), interest rate rises from earlier this year are starting to bite and constantly rising utility bills give shoppers less and less discretion with their discretionary income.

Oh, and the long-term effects of reckless lending by various credit providers ensure that most of the family wage packet is allocated to debt repayment.

In this environment, consumers are very careful with whom they spend their money.

They can be expected to channel their spending to retailers and service companies that treat them well - really well. And the shops that positively delight their customers can be expected to do best of all.

This is hardly a revolutionary insight.

International statistics have long shown that great customer experiences can drive profits 45% to 80% higher than the profits recorded by companies known for mediocre service.

International experience also indicates that customer service leaders outperform competitors by 93%. Delighting customers can drive up volumes, corporate earnings and share prices.

Delighted customers return

Close scrutiny of the bottom-line improvements achieved through service excellence show that delighted customers tend to spend more at better margins. Delighted customers return for more of the same, driving up a shop's 'share of wallet'.

Delighted customers freely give word-of-mouth referrals. This type of face-to-face or social media endorsement generates increased floor traffic without support from the advertising or promotional budget.

Sincere recommendations from a delighted customer have huge built-in credibility, though some South African businesses quite clearly don't believe it. Which is why the general standard of service remains so low. It's crazy, but it's true.

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