Is there something missing in Australia when it

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The concept of store clustering is spelling significant changes for retailers and, naturally, suppliers. While clustering has been applied with success in overseas markets, it is possible that current methodology is missing some key elements for tailoring a truly effective retail offer.

Store clustering, otherwise known as 'consumer led ranging', involves customising an individual store's range and other aspects of its offer in response to the kind of shoppers who come to the store. Determining the type of customer shopping at a particular retail destination is based on shopper data and profiles.

Criteria include elements such as geo-demographics, ethnicity, price orientation and personal values. Marketing specialists and *Retail World* columnists, Peter Huskins and Norrelle Goldring, said that "clustering is grouping store types to cater to their dominant shopper, with importance placed on one or more of the criteria set" [see *Retail World*, Oct 15-26, 2007].

Clutch CEO, Scott McLaughlin.

> "The extent to which certain consumer groups value time and convenience over range is huge."

However, the success of customer led ranging in any store will depend on the contexts included in the data analysis and forecasting, and it is possible that the Australian approach is incomplete.

Firstly, in terms of understanding shopper behaviour, current information may lack the required breadth and depth to predict responses. Not all families have the same approach to their kids' needs; not all wealthy people are looking for the 'status' factor in their shopping preferences. Economic circumstances and socio-cultural background provide certain vital data, but do not necessarily reveal the attitudes to life which also influence shopping choices.

Secondly, someone's residential location in relation to a store is not always a reliable indicator of where they shop. Many people shop in areas closer to where they work, for example.

Finally, given that the Australian focus appears to be about ranging, the extent to which the approach caters for and adapts to varying service and convenience needs is unclear. The breadth of the range, and the size and location of the store are all part of the equation, but the length of time people spend at the checkout and the quality of the service they receive does not seem to be specifically accounted for in discussions.

Scott McLaughlin, CEO of Melbourne-based consumer strategy company Clutch, points out that people need to be segmented not only on their demographic and sociographic profiles but also on their "psychographic profiling". The latter is increasingly more accurate in predicting consumer expectations. While demographics and economics can, to a degree, forecast category emphasis for basic customer types, they offer limited accuracy when it comes to brand choice and service expectations.

"Segmentation is the practice of understanding sameness," Mr McLaughlin said, "but truly aligning stores is about the ability to accurately identify consumer drivers around store choice, brands and service expectations. In short, you can have the right categories but if the total package is out of whack with these expectations you are on a hiding to very little.

"There are points of variance around choice – you're not always taking risks, you're not always risk-averse," Mr McLaughlin expanded. "There's a continuum we all travel up and down on, depending on what the product is, what time we have and what we're thinking about. So when you start segmenting you're saying decisions are always like this or like that. But it's not that simple.

"At a very primary level, you're assuming that demographics and economics drive

comes to supermarket clustering?

for retailers and suppliers. By Narrelle Harris.

every decision you make," Mr McLaughlin said.

"But knowing where you're at today doesn't define where you want to go. Where you're heading in life, your perceptions and expectations, shapes very much what products you buy. When it comes to brand preference, the way we think is one of the bigger drivers."

Five key considerations

Mr McLaughlin believes that any attempt to align stores to the expectations of consumers in the Australian market is a positive step. "But it should be said there are significant implications for suppliers and consumers if this is done in a half-baked fashion," he warned.

"One of the key attributes not yet mentioned to our knowledge is the variable of time – the extent to which consumers place an emphasis on time and the extent to which this overrides the need for range. The question is one of convenience. Make no mistake, where this has worked overseas is where all factors have been considered."

According to Mr McLaughlin, there are five key considerations for getting clustering right in the Australian market:

1. Retail increasingly functions in time zones and consumers are therefore less bound to location when it comes to getting what they want in the time they need to get it.
2. Stores are flags not places. The brand/flag represents an expectation in the mind of the consumer, and in some locations alignment will require significant alteration of perception.
3. Consumers must see checkouts as a way out rather than a time chasm or barrier. For some demand markets this means an increase in service levels more than it does a change in physical attributes or range.
4. The service model drives a pattern of purchase. If you look at the Bunnings model of 'ask, find and get', they have built an expectation that shapes the way people shop the store. It's the value proposition that has made them great in that sector.
5. Range needs to be targeted at managing the 'time canyons' to best deliver to consumer expectation. Layouts must be focused on how the entire store is shopped and cannot be addressed exclusively at a category level.

Shopper expectations

"The extent to which certain consumer groups value time and convenience over range is huge," Mr McLaughlin said. "Does consumer led clustering mean stores will put more people on checkouts? Many consumers are buying time, and for certain sectors of the market that is absolutely the gazumper. So when you talk about the large formats vs. small formats, what they really should be selling is time.

"Regardless of whether you are a retailer or supplier," continued Mr McLaughlin, "the store's ability to align with expectations around time and service will be a greater factor. It's obviously great to gain an extra facing here and there, but it's of little value if the store cannot service the true demand available."

Mr McLaughlin is clear on what he thinks is required for clustering to provide successes for retailers and suppliers. "Clustering must begin and end with shopper preferences and expectations. If it doesn't do that, it's not going to be effective, it's as simple as that.

"I am not being idealistic with these comments. Today these consumer expectations can be very accurately forecasted in Australia, and if they are not factored into the approach everyone is going to miss out – retailers, suppliers and consumers."