

CONVENIENCE STORE

The high street has taken a beating over the last year but it seems B2B businesses with retail outlets appear to have weathered the storm better than their B2C counterparts.

Lucy Fisher investigates what they are doing right

It is often said the retail world is fiercely competitive. As shoppers move online and many consumers and businesses continue to struggle with cashflow, the list of household names that have gone out of business keeps growing. The most recent casualties include, Jessops,

Republic, Blockbuster and HMV.

The effects on B2B businesses with a retail presence have perhaps been less noticeable, in part because B2B brands are less visible on the high street – often they trade in out-of-town areas or industrial estates. But according to some experts it is indeed the case that they have fared better as a result of greater customer intimacy.

“B2B retail has absolutely proved more resilient [than B2C]. It enjoys strong customer intimacy and there’s not a huge price differentiation online versus in-store in B2B, as the online offering still involves the logistical costs of shipping heavy goods around the country,” says Craig Duxbury, client services director at IAS B2B Marketing. The sight of a local builder kicking a bag of cement to test for freshness is commonplace in construction retail outlets, he adds – something that wouldn’t be possible to replicate in an online setting.

What’s more, forward-thinking business brands have used mobile and online channels to offer greater convenience, range and value. Given the amount of distress purchasing that takes place in a trade setting, too – say when a tool breaks or more materials are needed unexpectedly – physical stores also have an important role to play for those who can’t wait for next day delivery.

In-store value-add

Duxbury also notes that although websites have become more interactive, ‘bacon sarnie’ mornings for construction workers or tradesmen remain popular. “They come into the store and learn about new products around a technical Q&A and a mug of tea. This has been around for decades and still goes on,” he says.

Of course this kind of event puts pressure on the retailer to provide greater levels of training to in-store staff – something Kash Rafique, business adviser at PC World Business says has been very noticeable over the past couple of years. “We do more in-depth demos now and there is more of a requirement for training. >>

Analyst viewpoint: Andy Hoar, Forrester Research

“Sales are increasing online versus offline. All of retail is growing by about three per cent but online it’s about 15 to 20 per cent. The fact is, online can offer a superior shopping experience to offline.

“Physical stores are moving to more of a showroom environment. Sales people now need to sell solutions and not just take orders. There’s a new role of consultative selling as opposed to just maintaining existing sales.

“Often, stores stock limited inventory; the fast-moving SKUs (stock-keeping units). If you want the longtail, you go online. That’s the future of B2C and it will also be the future of B2B – with one possible exception. B2B needs immediacy. The guy at the job site won’t get paid if he doesn’t finish the job. So these types of products can be charged at a premium.

“Some B2B companies still haven’t grasped the importance of online channels – they aren’t even on the track. It’s a kind of slow-motion suicide.”

“People pay a premium to buy direct from a brand they like, such as Apple and John Lewis. They don’t go to these stores because they are cheap”



JAMES TREZONA
MANAGING DIRECTOR
MASON ZIMBLER

Sometimes we even have to do this training at home," he says.

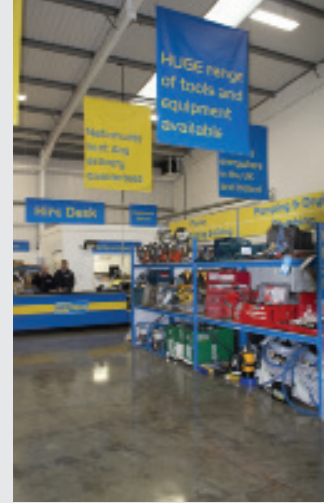
This is all deemed worthwhile given that making the in-store experience as attractive as possible is one way to increase footfall as well as boost sales. According to Brother's UK head of marketing, James Lawton-Hill, "There are always deals online, so the value-add when a customer is in-store is important. It's about a hands-on element which is not found online. Apple does it best." He says the use of QR codes and augmented reality can add an extra dimension, which is an advantage when shelf-space is limited and buyers have grown used to having detailed information at their fingertips. "It's all about enhancing the experience," he says.

The concept of the store as showroom as opposed to a sales destination is a phenomenon that is visible across both B2C and B2B markets. Steve Muylle, professor of B2B marketing at Vlerick Business School in Belgium, points out that the SME market is far closer to the consumer world than the likes of large-scale industrial B2B brands. However, across the board buying is going online, with an increased emphasis in the B2B world with ordering via electronic procurement systems and automated replenishment via the web. "In a digital catalogue you can have say 600,000 products. It's nearly impossible to have that in a store," he says. "And need is unpredictable. On the web it's possible to reduce the number of back orders by offering alternatives."

Relationship building

According to Keith Moor, director, brand and communications at Santander, the key to successful business relationships in this increasingly multichannel world is to focus not on the channel itself but on the relationship. It helps in terms of cost-benefit ratio, he says, that Santander's branches serve all types of customer, and not just business customers. "We use the branches to promote our SME proposition and then the relationship manager takes over. The core is not the channel but this relationship. It's about being available when and how they need you," he says.

Clearly the empowerment of the customer is happening in both the business and the consumer worlds, but despite many similarities there are also some key differences between the two sectors. James Trezona, managing director of technology marketing company Mason Zimpler says that Microsoft has recently launched retail stores in the US in order to develop a direct relationship with the end user, rather like Apple does. A big motive behind this, he says, is the desire to harness a wealth of intelligence in a data sense. "It's a relationship business," he says. "B2B is



Case study: HSS Hire

HSS Hire has been busy with a 'network optimisation' project over the past five or six years. According to Fiona Perrin, sales and marketing director, the aim has been to create a series of 'supercentres', which act as delivery or workshop hubs. The new retail footprint has been designed with a 'more welcoming' environment in mind and Perrin says the 'supercentre' model was inspired by foreign tool hire companies, particularly ones in Australia, "Retail parks are the norm there. They have more space and people travel greater distances. We've taken a concept from other markets, but it's quite a revolutionary one in the UK."

Items that customers need urgently and tend to take away are on display while other items are available to order. Perrin stresses the need for sales people to be well-trained. A training academy is being opened next month in Reading, where individuals will undergo six weeks of intensive training – not just product

training but also effective sales and customer service training. "In this type of environment they need to act as sales consultants," she says.

Perrin says that roughly 30 per cent of traffic comes from mobile and the key with all channels is to make it as easy as possible for customers. One area of the business that has been particularly successful is HSS One-Call – a re-hire division whereby HSS will find something for you if it doesn't stock it. "That part of the business has grown 20 per cent – customers want ease of transaction and we can act as a broker."

Perrin concludes that a physical presence is still a critical part of the overall sales and marketing mix. "I can't envisage a time when the store won't be fundamental alongside other channels," she says. "I think our customer base likes talking to people and often our trade customers like to deal with someone they know."

still a bit behind B2C in terms of data and CRM but ironically it matters even more. If someone is buying hundreds of laptops, it can be even more insulting if you don't know their name."

Technology in the mix

Trezona encourages 'enlightened incentivisation' over heavy discounting or purely price-driven promotions in a B2B setting. "People pay a premium to buy direct from a brand they like, such as Apple and John Lewis. They don't go to these stores because they are cheap," he adds. Training days, ask the expert sessions and loyalty schemes can all work well, he says, and given that tradesmen and business professionals are often on-the-go, mobile can be a great vehicle for providing useful signposts during the information gathering phase of the B2B buying cycle.

In terms of the technology brands are using in-store, touchscreen kiosks and salespeople armed with tablets are likely to become commonplace, as are the use of QR codes and augmented reality noted by Brother's Lawton-Hill. Adam Rowse, managing director of relationship banking at Barclays says that the bank has recently invested in 8000 iPads for its in-store staff nationwide. Such technologies can

be used to harness data as well as making the experience as easy and informative as possible for the customer.

Stuart Wilson, head of marketing at Ironmongery Direct, adds that although one of the company's USPs is its longtail of stock, the trade counter is good for customer insight. "We use it to find out how we can help our tradesmen. Working in a catalogue or mail order business you can get detached from the customer," he says, noting that stores are also being used as delivery hubs and click and collect points, given that tradesmen want to avoid wasted trips. In terms of marketing, it's about staying front-of-mind, he says, especially given that predicting job patterns can be tricky when in the B2B world where it's often a case of 'buy-to-need'.

The key to a successful store appears to be offering something you can't get online – whether that's a showroom, a place for education or even a repair centre. "The store is not necessarily the sales destination any more," says Stefan Schmidt, VP product strategy, at multichannel commerce software provider Hybris. "Often in a B2B context something might have broken or is missing and it cannot wait. But the store has to represent more than just an outlet to sell."