



Simple, Effective, Profitable: Putting the Magic Back Into the French Hypermarket

It's a grocery format the French invented, yet there are now many alternatives to the traditional hypermarket first launched in the 1960s. The format offered a number of key benefits at the time — breadth of choice, great prices and everything available under one roof. Today, there's another place that offers the same. It's called the internet.

Customers can now shop in specialized stores or order online and have their groceries delivered to their homes. Alternatively, they can click and collect, either in store or using drive-through collection services. Armed with technology, they can better compare products, prices and availability — both online and in store. As a result, consumers are more powerful than ever before.

This means that, when it comes to shopping in store, the experience is more important than ever and the three key benefits of the original hypermarket format are no longer the unique selling propositions they once were. Today, such stores not only need to be efficient and well-run, offering competitive pricing and promotions as well as ease of shopping, they also need to offer a memorable, enjoyable shopping experience.

It's a challenge that the over-standardized French hypermarket

sector is failing to meet. The format currently falls short of customer expectations and needs to work harder if it wants to retain fickle shoppers.

The sector has done well to beat off the onslaught of the hard discounters in France, but there are many challenges that remain. They have a bright future, provided they apply strict retail discipline. The sector needs to rethink its customer experience to make shopping in store more enticing, and the only way to do that is to make sure that the sales floor is run with iron-clad discipline that goes back to basics.

L.E.K. Consulting believes there are numerous investment and growth opportunities in this sector if retailers embrace the three core components of a winning in-store customer experience.

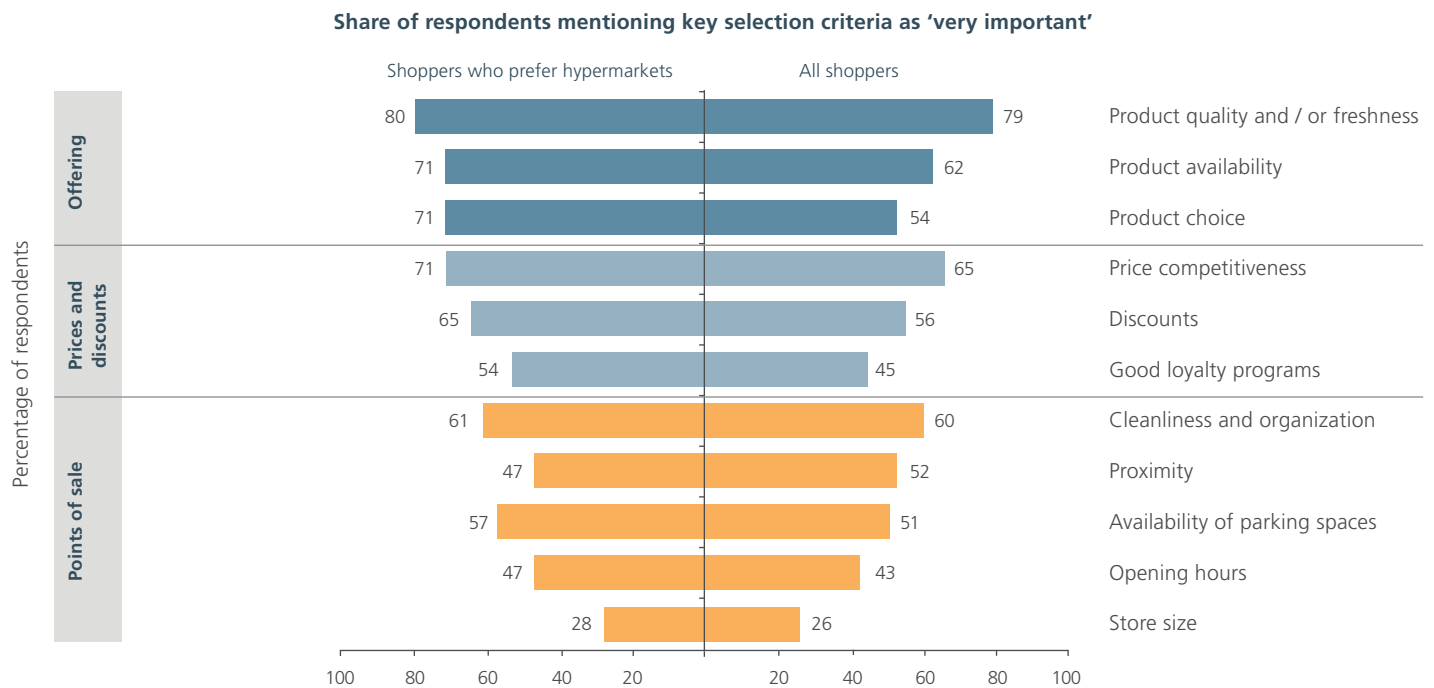
The three core components of a winning customer experience strategy

1) Offer a superior product range.

When it comes to the key reasons for choosing a hypermarket, product offering comes top of the list, according to a recent L.E.K. Grocery Retail Consumer survey (see Figure 1).

Within this, customers want three key things. First is product quality and / or freshness, which was scored as "very important" by 80% of those surveyed. Fresh produce is a shopping list staple and represents more than 50% of every household's shopping

Figure 1
Store selection criteria of French shoppers



Source: L.E.K. Grocery Retail Consumer survey (N=3,220)

basket. Therefore, well-presented, high quality fresh items are a great opportunity for stores to attract shoppers. This is something that an online shopper can't access and is therefore an area that retailers can exploit in store.

Next come product choice and availability, both registering as "very important" with 71% of respondents. With limited space, smaller retailers (and in particular the many new convenience stores appearing on the French market) must offer an edited range of must-have products, but in hypermarkets, to which shoppers make less frequent trips, they expect a full product range under one roof.

However, when it comes to product choice, retailers must also work out what their customers actually want in store, especially with regard to their nonfood range. Many hypermarket retailers have lost touch with their customers, with research showing that between 30% and 45% of shoppers are no longer interested in buying nonfood products in hypermarkets.

Although customers will shop for clothing or home goods, such as cutlery and linens, they are less interested in buying "white" (household appliances) and "brown" (electronics) products in hypermarkets. The boom in online shopping and specialized stores has dealt a serious blow to these nonfood categories,

which have performed poorly as a result. Specialist outlets offer better value, service and quality of experience, making it a sector in which hypermarkets can barely compete.

To cater to changing consumer habits, France's large retail groups need to think about optimizing space allocation. To do so, they can take two actions:

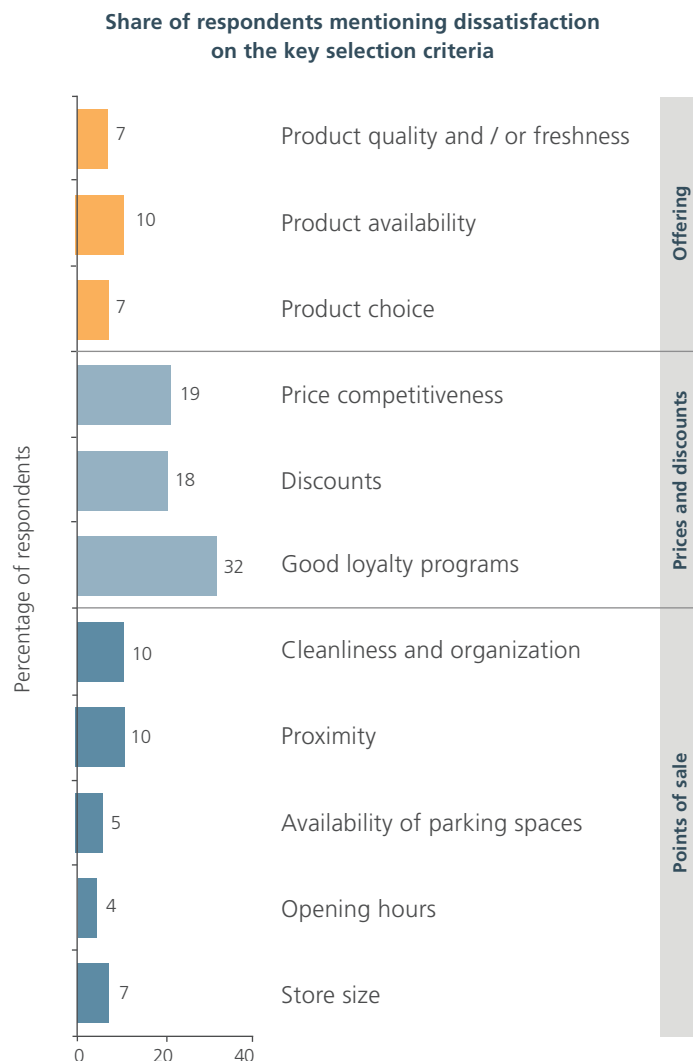
- Reallocate floor space to product categories that generate traffic, revenue and profit, and for which customers want a wide range, such as fresh food, which plays to their strengths.
- Reduce the size of stores by renting out floor space or creating "shop-in-shops" if space allows.

2) Ensure accurate in-store prices and promotions.

Overall, pricing ranks as the second most important component for hypermarket customers, with price competitiveness (71%), discounts (65%) and good loyalty programs (54%) all key selection criteria, according to the L.E.K. survey.

But with the bargain-hunter mindset of the hypermarket shopper, pricing and promotional offers are more important than ever, and honoring them in store is vital. Lazy monitoring of price and promotional updates in store will not be tolerated and customers

Figure 2
Top reasons for hypermarket dissatisfaction



Source: L.E.K. Grocery Retail Consumer survey (N=3,220)

will complain — either in store or on social media, as illustrated by the L.E.K. survey (see Figure 2).

It is not only about running the right promotion, it's also about running it properly. In-store billboards, tags and the cashier's prices need to match what is advertised, and campaigns must be properly coordinated with in-store activity. Retailers must reprioritize the core principles of price and signage consistency at every point of the customer's in-store journey to ensure satisfaction. Failure to do so risks having both disappointed and vocal customers.

3) Offer a great in-store environment.

Product offering and price are no longer enough to entice the ever-more-demanding customer to stop and buy; in-store shoppers are coming for something more. Basic store principles, such as cleanliness and available staff, are more important than ever, with the former voted a key selection criteria for 61% of shoppers.

Yet it's a point on which many are failing, with 10% of those surveyed saying that stores were falling short. This was confirmed by our "mystery shopper" visits to a selection of hypermarkets, which demonstrated a highly variable in-store experience, both within a single brand and between brands. Uncompromising discipline is paramount in terms of daily in-store procedures. The solution is to reassign staff, carry out rounds and checks, and provide training, with the goal of using the teams more strategically to make sure they spend time in the right places and perform core tasks that retain a focus on cleanliness, product availability and accurate pricing. Frequent walkabouts to keep the store clean all day, especially in high-volume traffic zones, contribute to high-quality customer service and an enjoyable shopping experience. Staff presence can be maximized based on customer traffic mapping, making it possible to create touchpoints where customers and staff cross paths at the right time. These maneuvers require careful organization before, during and after store opening hours. Teams need assistance and training, and management needs to map out the checkpoints and establish new procedures.

Conclusion

French retailers have focused on pricing for too long and have lost track of other key components of in-store client satisfaction. Their customers may be less loyal than they once were, but they still do most of their shopping at traditional hypermarkets. This will continue only as long as retailers get their in store experience right.

Better execution of the in-store promise is key to creating a richer and differentiated shopping experience, which will, in turn, result in increased traffic and performance for the hypermarket sector. We believe that, with uncompromising discipline, hypermarkets can successfully sustain their original USPs — breadth and depth of offering and affordable prices, now coupled with the more modern elements of a great customer experience.

The brick-and-mortar store has the undeniable advantage of being able to provide walk-in customers with an enjoyable, tangible experience. By focusing on the service and experiential elements of shopping, hypermarkets can rise above their growing rivals and maintain their position as the No.1 choice.

Executive Insights

Further reading

Beating Back Hard Discounters: Lessons From France for the U.K.'s Big Four Supermarkets

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