

Electrical Retailing - UK - May 2010

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What is this report about?

At the time of writing the big event in the sector was the unveiling of Best Buy's first store. The powerful US retailer has an acclaimed service proposition along with a wide and deep assortment and low prices. That threat, coupled with growing product complexity and convergence, has seen more British-based operators starting to take customer service seriously and it will become a key battleground in the years ahead.

What have we found out?

- Despite the weak economy, nearly a third of consumers are prepared to pay more for quality electrical goods. By contrast, price was less of a consideration than might have been expected.
- Products are becoming ever more complex as technology advances, so the need to improve service levels is key. John Lewis and the independents have long since been leaders here, both Comet and Currys have improved their service proposition and the arrival of Best Buy, which is noted for its high service levels, will no doubt raise the bar higher.
- Tesco has also responded by adding new advisors in its Extra hypermarkets, but where will this leave other supermarkets, Argos and the mail order companies when business models prevent them from leading on service or price?
- Over 55-year-olds have proven to be an important age group. Moreover, they were also more likely to pay extra for quality.
- Mintel's research shows that customer loyalty is weak within the electricals sector: nearly a half of all consumers feel no loyalty to a particular retailer.
- Trust and after sales service remain important considerations for consumers, which bodes well for the independents and John Lewis, as well as the main specialists Comet and Currys. As electrical specialists start to engage more effectively with customers through a stronger service proposition this may drive greater loyalty.

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