

# The price (point) is right

*Value, not price, is key to boosting tourist satisfaction in retail sector, says academic*

**SINGAPORE** – The recently released Customer Satisfaction Index of Singapore 2014 Q1 survey results showed tourist satisfaction levels with the local retail sector have dropped by 10 percentage points.

While it's tempting to treat it as a call to arms for local retailers to slash prices, Dr Marcus Lee, Academic Director at the Institute of Service Excellence, cautioned that this may not be a sustainable solution to raising tourist satisfaction levels.

Instead of reducing prices, retailers here should consider a different approach — increasing value.

Said Dr Lee: "The fact that countries around us are cheaper is not a new thing. It's always been like that."

"Don't try to compete on price, we are operating in very different environments. What you can do is try to compete on value."

Dr Lee was speaking at the Institute of Service Excellence Industry Forum on the future of service, where the institute also released its latest Customer Satisfaction Index of Singapore results for the first quarter of 2014.

Also speaking at the industry forum were Mr Tony Lai, Chief Executive Officer of The Idea Factory, and Dr Buck Tang, Director and Principal Consultant at TUV SUD PSB Learning.



From left: ISES Academic Director Marcus Lee, TUV SUD PSB Learning Director and Principal Consultant Buck Tang, The Idea Factory CEO Tony Lai and ISES Director Caroline Lim at the forum. PHOTO: KOH MUI FONG

## PRICE VS VALUE

Singapore retailers could adopt a different approach — make it less about differentials and more about differentiation.

Instead of competing on price, Dr Lee suggests that Singapore retailers could play up Singapore's strengths, such as the country's strong reputation for selling genuine goods, an issue some countries may struggle with. So if a tourist buys a branded item here, he knows that he's getting the real McCoy.

Language, he says, is another valuable plus point as English is the lingua franca here. This could potentially give Singapore a leg up over regional destinations like Japan, Korea or Thailand, where English isn't as widely spoken.

This is, however, just one aspect of the equation and Mr Lai foresees the tourist issue becoming very complex, which will require retailers and tour-

ism authorities to constantly evolve their approach.

"We used to think that even if locals were cynical, then at least tourists would feel that what we have to offer is better than what they have back home," he said.

That, however, no longer holds true. Where Orchard Road was once the region's standard-bearer, it now faces stiff competition from glitzy megamalls in capital cities like Bangkok, Kuala Lumpur and Manila.

According to Mr Lai, more tourists are also visiting destinations like Korea and find that the shopping there is just as good as in Singapore. He noted that the quality of the shopping experience in some tourists' home countries may also have improved by leaps and bounds in the last five to 10 years.

This means, for example, that frequent visitors from Bangkok and Jakarta may still be shopping here, but



The fact that countries around us are cheaper is not a new thing. It's always been like that. Don't try to compete on price, we are operating in very different environments. What you can do is try to compete on value.

**Dr Marcus Lee**  
ACADEMIC DIRECTOR,  
INSTITUTE OF SERVICE  
EXCELLENCE

their perceived satisfaction is diminishing, which leads to tourists' expectations tapering off.

"In short, fewer things wow you these days," said Mr Lai.

## EXPERIENCE BY DESIGN

Challenges such as these mean that retailers are operating in an increasingly tough business environment.

According to Dr Tang, firms would have to take a step back and ask themselves: "What do we want to be? What do we want to be known for?"

"Twenty-odd years ago, we were talking about service quality. Today, service quality is still important but it's also all about the whole service experience. Service experience will never happen by chance, you've got to design it.

"How do we design a whole customer experience? That's where you need to understand that it's all about emotional expectations," he added.

The price of getting this wrong could be detrimental to a retailer's bottom line. "If, for instance, consumers walk into a store and see lots of bells and whistles, they might actually be put off instead of feeling compelled to spend more," said Mr Lai.

Customers may simply assume that these extra touches have been factored into their purchase price and may walk away without buying anything, something no retailer wants. **SCOTT MARSH**

This report is a collaborative project between TODAY and the Institute of Service Excellence at Singapore Management University.