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The Death of the Department Stores in Germany Forgotten Marketing Lessons



Every course in logistics at universities had the topic “Efficient Consumer Response”, where methods were discussed how to prevent the procurement department of great retail chains to buy items which the marketing department in the stores had problems to sell because the customers did not want them.¹

The crisis of the department store chains began in the 2000s. The Karstadt, Hertie and Woolworth (Germany) chains had to file for bankruptcy – raising questions about the reasons. The great variety of items the department stores offered, points to mistakes of the management. When Woolworth (Germany) filed for bankruptcy it offered 66.000 different items.

To the decline of the department stores accounted various changes in the competition environment in the past 30 years: Agile chains arose, such as Zara, H&M and electronics discounters including Media-Markt and Saturn became competitors of the traditional department stores, as also single brand stores, the Internet, and changes in the purchasing behavior. To the discussion about the decline I will contribute the overseen aspect of the lack of customer orientation of the department stores. There are not many sources to back this assertion. Primary material I gathered in a case study about the Metro retail group – the leading German retail group – and its change from central procurement towards customer orientation in the 2010s. Secondary material I got from marketing literature.²

In the early years of the Federal Republic of Germany, the hunger for consumer goods was great. Goods procurement constituted the bottleneck within department store's organisation and procurement managers were able to secure a powerful position within their enterprise. A special position for the chief buyer on the management board attests to this. Aligning themselves along the premise that profit is to be made through opportune purchasing, buyers stockpiled a huge range of goods without feedback from the sale's

¹ Richard Vahrenkamp: Logistik – Management und Strategien, München 2005, Kapitel 21.

² Möhlenbruch, Dirk: Kundenorientierung durch Category-Management, in: Trommsdorf, Volker (ed.): Handelsforschung 1997, Wiesbaden 1997, pp. 113–133. Barth, Klaus and Michael Stoffl: Hat das Marketing im Handel versagt?, in: Volker Trommsdorf (ed.): Handelsforschung 1997, Wiesbaden 1997, pp. 3–19.

side. When Woolworth Germany went to bankruptcy its assortment amounted to astonishing 66.000 goods. The fundamental weakness of the department store chains proved to be the organizational separation of the procurement section from the sales section, which led to prolonged coordination and cooperation problems in the company's functional organization. The marketing concepts of "supply chain management" and "efficient consumer response", in contrast, focused on the flow of goods from the manufacturer to the consumer to surmount coordination problems in the functional organization.³ Although widespread in management literature since the 1990s, these concepts were never implemented by department stores. Instead, the corporate organization remained functional and driven by the procurement office even though retail had already changed from a seller's market to a buyer's market in the 1970s. A key point in the concepts of supply chain management and efficient consumer response is their orientation toward the end customers' demand that was never assumed.

Also, the German chain Metro C+C, together with the segments real and Kaufhof, had a strong buyer department and reduced the customer orientation. This chain addressed especially to small hotels and restaurants that were managed by their owners. The assortment did not meet their expectations and the chain faced stagnation at 2010. The procurement for C+C, real and Kaufhof had one central office with the result that in every segment the same goods were offered. The new CEO, Eckhardt Cordes, changed the structure of Metro from the focus on procurement to customer orientation with his program Shape2012.⁴ The central procurement was dissolved and the retail segments real, Kaufhof and C+C got their own procurement offices. Cordes described this change as a new "cultural orientation".⁵

There is another aspect to which department stores gave too little consideration. According to retail expert Möhlenbruch, the "customer orientation" of department stores was limited to retail sales studies showing how customers moved within the store as well as the analysis of receipts. Customer wishes were not surveyed and thus remained

³ Christopher, M.: Logistics and Supply Chain Management, Prentice Hall, Harlow, 2005.

⁴ Press release of Metro 2012. Lebensmittelzeitung 18 July 2012.

⁵ Interview with Cordes in Handelsblatt on 16 September 2011.

unknown to the management.⁶ That the department store corporate culture was still focussed on the seller's market of the 1950s is also evident from the behaviour of sales staff that tended to more or less just keep an eye on customers rather than to affably support them with advice.

To recapitulate, it becomes clear that department and retail chains stores simply forgot important marketing lessons of customer orientation learned during the 1920s and 1930s.⁷

⁶ Möhlenbruch, Dirk: Kundenorientierung durch Category-Management, in: Trommsdorf, Volker (ed.): Handelsforschung 1997, Wiesbaden 1997, pp. 113–133.

⁷ Uwe Spiekermann: Der Konsument muß erobert werden, in: Hartmut Berghoff (Hg.): Marketing-Geschichte, Frankfurt 2007, p. 143.

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