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Caring FOR THE CUSTOMER

Finnish retailer SOK Corporation drives its business operations around one key element—the wants and needs of its members.

Images courtesy of SOK Corporation

SOK Corporation is a cooperative under the S Group banner, which is a network of services and trades in the grocery and consumer goods, service station stores and fuel, tourism and hospitality, automobile, and agricultural industries. Formed by Suomen Osuuskauppojen Keskuskunta (SOK) and its subsidiaries, SOK Corporation operates as the central firm for 20 regional and eight local cooperative societies, which are also a part of S Group, and offers support and procurement services to them. S Group's turnover was €11.3 billion and it had 42,000 employees in 2013.

S Group applies the chain-operation principle, which combines centralised procurement and local knowledge of cooperatives. This style of business activity highlights the even quality of services, efficient yet customer-friendly shops, and inexpensive prices.

Taavi Heikkilä was appointed as the CEO and chairman of SOK Corporation in January 2014; however, he has been with the company for more than 27 years holding various roles in finance, purchasing, and development. He was formerly the CEO of S Group's second biggest regional cooperative Ok Hämeenmaa, SOK's senior vice president for development, and the CEO of the organisation's purchasing company Intrade Partners.

Over the past five or six years, the Finnish retail market and economy has experienced a slump but Taavi says S Group has put strategies in place to look after its customers and encourage them to continue shopping. While many businesses have gone under in these turbulent times, S Group still exists and its future pursuits are looking positive.

“We try to understand as well as we can what the needs of our customers are. It is important for

us, as a cooperative, to understand and to meet their expectations. At least for the past couple of decades, we have managed to do that and that's why our market share has grown and our customer satisfaction has been at a high level.

“If you look back to the early 1990s when our market share in the food business was only around 15 per cent and then to the end of last year when it was 45.7 per cent, we have roughly tripled our market share. The system that we have is a customer-ownership system where we have gathered the information from our customers and used that to provide a better suited assortment of products and services for our customers.”

According to Taavi, the generous S Group member bonus scheme has been hugely successful for the corporation and has given big paybacks to customers. When a client invests a small sum in a >





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local cooperative they become a client-owner and receive a membership card called S-Etukortti, which works as a debit or credit card and gives access to special client-owner bargains. When money is spent, S Group stores a bonus percentage, which is calculated and paid back into the client-owner's account with S-Bank.

"Last year, we made a profit of about €200 million but we paid back more than €400 million worth of bonuses to our members or our customers. So this scheme has been a very important part of our success.

"We are operating in many areas of retailing; in food, and also in non-food areas. We have hotels, restaurants, car sales—the customers like to concentrate their purchases into our group and maximise their bonuses and the other advantages they get by being our member and regular customer."

Price competitiveness, efficient operations and a large assortment of goods and services are also key elements that SOK Corporation is using to help defy difficult retail times. "The selection of assortment has widened quite a bit," Taavi says. "If you compare us to the stores that we had in the 80s then I would say that the assortment has almost tripled. Efficiency has grown quite a bit too. We are taking big steps forward so that while our sales are growing we require fewer people to actually make those sales."

One of the values of S Group is to make sure it is always responsible in its actions and decision-making each day. The aim of all of its activities is to produce benefits and improved services for cooperative members in a mindful and ethical way. To do this, responsibility principles have been drawn up to guide customer relationships, environmental impact, renewal, and profitability.

SOK Corporation has a transparent and innovative relationship with its suppliers and retail partners, which

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- Taavi Heikkilä



has aided its growth and success. "We try to offer as much good information to suppliers about our customers' needs as we can so that they too can understand our customer," Taavi says. "We want them to know what the customer needs and how much they need of different products.

"We try to encourage them to be innovative and come up with new product ideas that would interest even more of our customers. We certainly want to have long-term and good relationships with our suppliers and we want them to play their part by being as efficient as possible and giving us a good service."

Technological advancements are being embraced by SOK Corporation and have had a positive effect on business. "I think it has been the number-one driver of new efficiency," Taavi says. "Technology has come into all our operations, not only in a customer phase but also in our back office operations.

"For example, all our replacement is done automatically. So the amount of product we're going through gets here and it's automated in a replenishment management system that goes all the way to the suppliers. So there's lots of new technology out there. Another example is how, for the customers, we are rolling out self-checkout systems so they do the payment by themselves. So there's lots of areas

in which technology has made the processes more efficient.

"In the future, I think that there will still be brick-and-mortar stores—not everything is going online—but I believe that we really need to develop our online operations strongly. We need to try to combine these two things as well as we can, and by doing that we can ensure that the customers will still want to come to our stores and to our online operations."

Taavi says the basic things that have always been an integral part of SOK Corporation's philosophy will continue to be just as important in the future. "We need to be price competitive, we need to be able to listen to our customers and meet their needs. These new technologies give us a new way of doing that even better than before. We also need to be able to offer our customers new ways in which they can be in contact with us.

"S Group's greatest competitive advantage is the cooperative activities which advocate the interests of consumers in the changing world. Therefore, we must focus on the core of our operations; in other words, on responsibly producing competitive products and services for our cooperative members. In doing this, our success is measured by indicators which are not only financial." •