

Customer Service

CHAPTER 18



Questions

- What services do retailers offer customers?
- How can customer service build a competitive advantage?
- How do customers evaluate a retailer's service?
- What activities does a retailer have to undertake to provide high-quality customer service?
- How can retailers recover from a service failure?

Customer Service

- The set of activities and programs undertaken by retailers to make the shopping experience more rewarding for their customers. These activities increase the value customers receive from the merchandise and service they purchase.



Services Offered by Retailers

Acceptance of credit cards
Alterations of merchandise
Assembly of merchandise
ATM terminals
Blogs
Bridal registry
Check cashing
Child-care facilities
Coat checks
Credit
Customer reviews
Deep selection
Delivery to home or work
Demonstrations of merchandise
Display of merchandise
Dressing rooms
Extended store hours
Easy returns to bricks-and-mortar location or online
Facilities for shoppers with special needs
(physically handicapped)

Free shipping
Gift wrapping and notes
Layaway plans
Online chat
Online customization
Online inventory search
Parking
Personal assistance in selecting merchandise
Personal shoppers
Repair services
Restrooms
Return privileges
Shipping to store or home address
Shopping carts
Signage to locate and identify merchandise
Special orders
Valet parking
Warranties

Strategic Advantage Through Customer Service

- Good service keeps customers returning to a retailer and generates positive word-of-mouth communication, which attracts new customers.
- The challenge of providing consistent high-quality service offers an opportunity for retailers to develop a sustainable competitive advantage.

Customer Service Approaches

- Personalized
 - Greater benefits to customers
 - Greater inconsistency
 - Higher cost
- Standardized
 - Lower cost
 - High consistency
 - Meets but does not exceed expectations



Personalized Service

- Personalized Service encourages service provider to tailor the service to meet each customer's personal needs.
- Store – sales associates offer individual customer service
- Electronic Channel – instant messaging
- Drawback – Service might be inconsistent
- Customized service is costly

Standardized Service

- Standardization Approach is based on establishing a set of rules and procedures and being sure that they are implemented consistently.

Retailers that use this approach:

McDonald's

Wal-Mart

IKEA

Dollar General

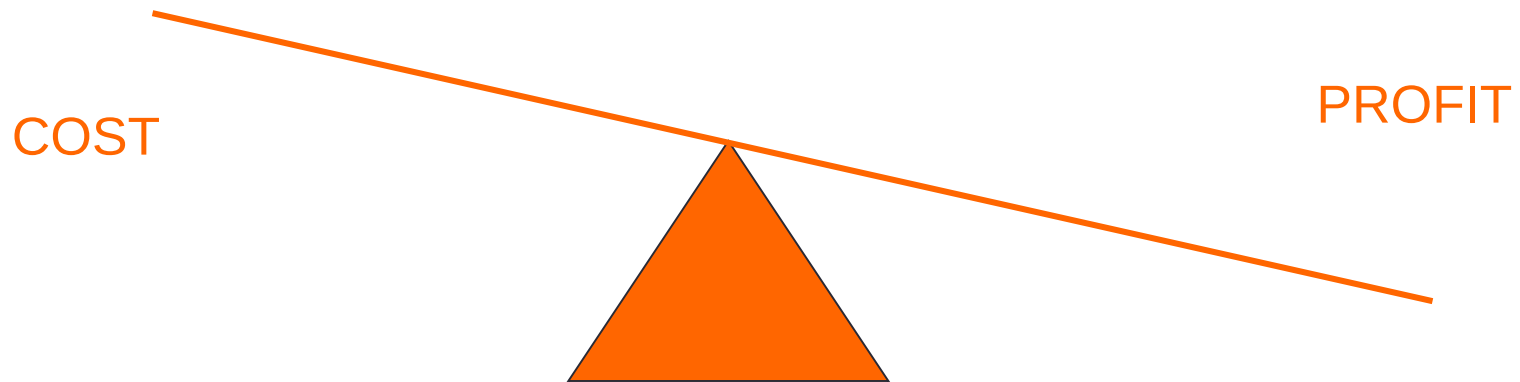
Save-A-Lot



The McGraw-Hill Companies,
Inc./John Flourney, photographer

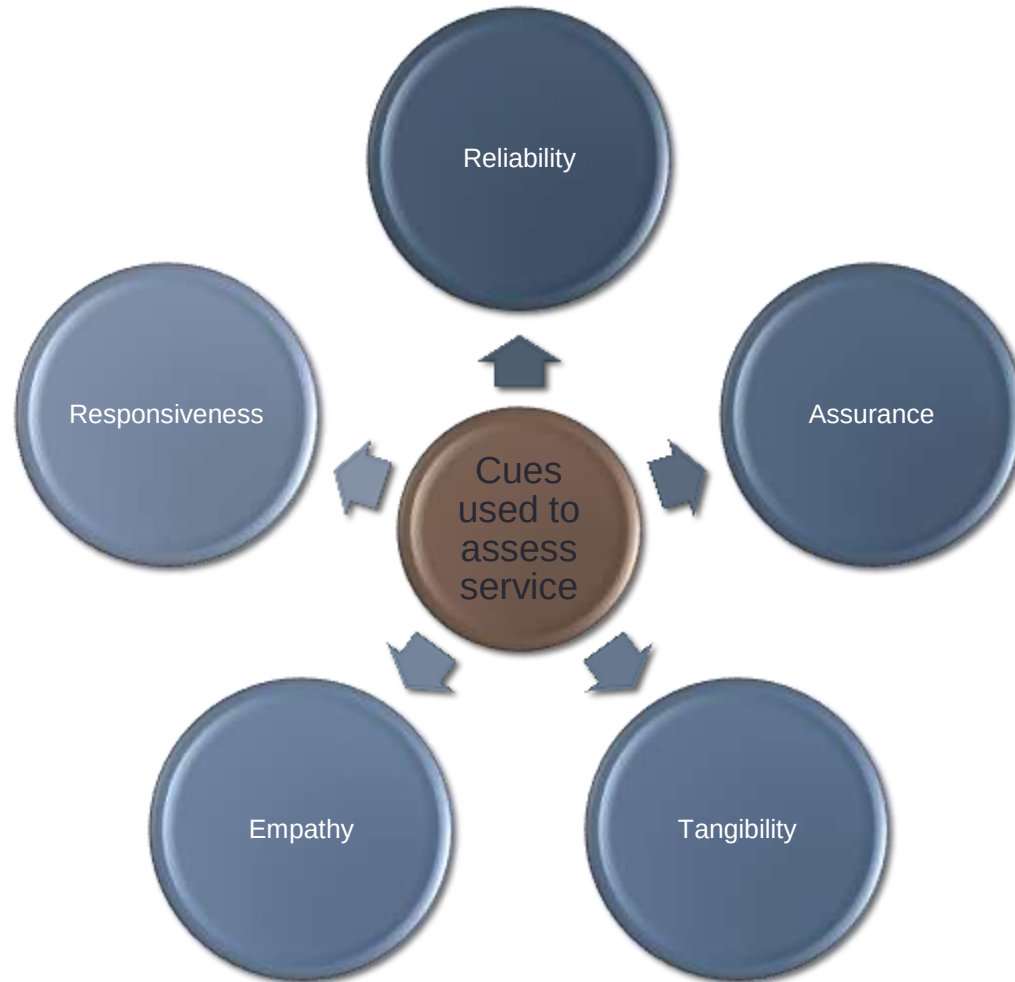
Cost of Customer Service

High levels of customer service can be costly, but good customer service is worth an investment



It costs more to acquire customers than to generate repeat business.

Customer Evaluations of Service Quality



Assessing Service Characteristics

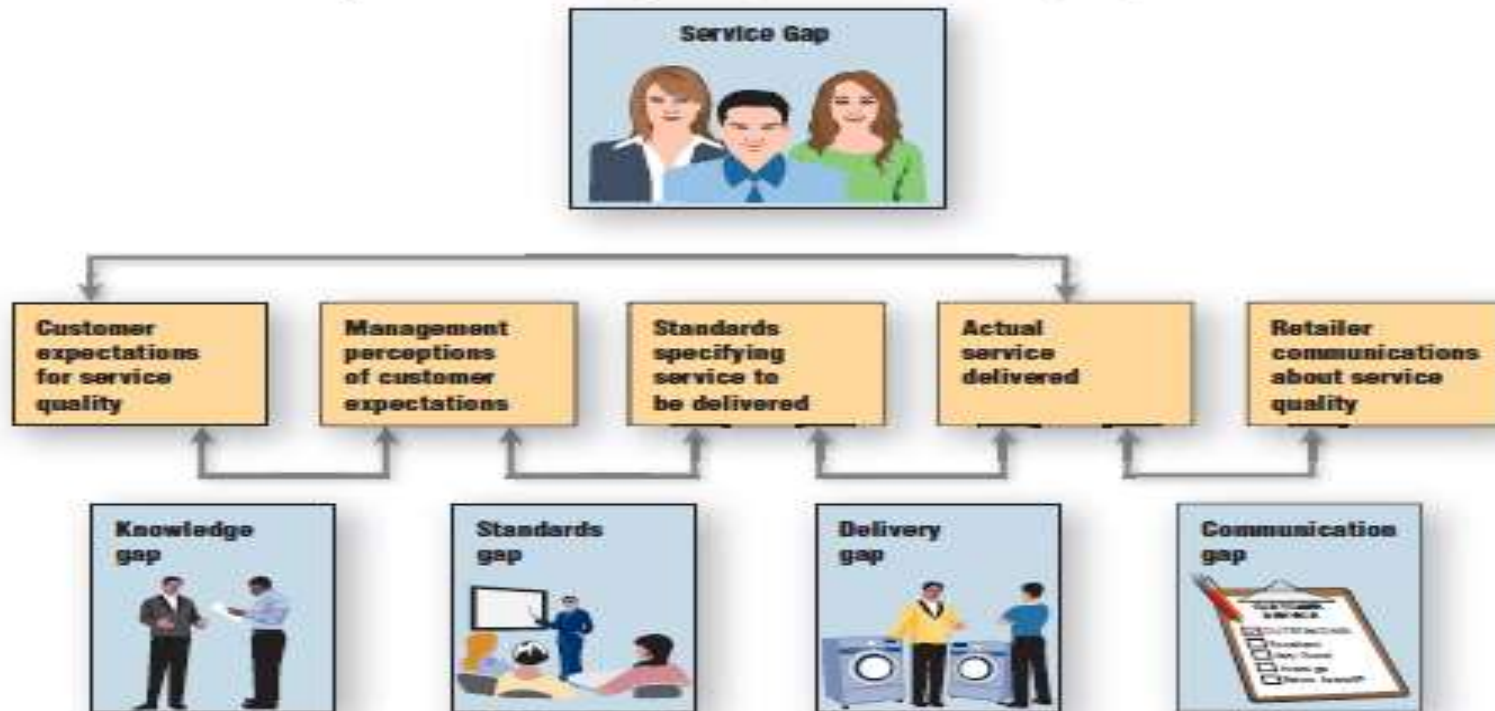
- Reliability: accuracy of billing, meeting promised delivery dates
- Assurance (trust): guarantees and warranties, return policies
- Tangibility: appearance of store and salespeople
- Empathy: personalized service, receipts of notes and emails, recognition by name
- Responsiveness: returning calls and emails, giving prompt service

Role of Expectations

- Are based on knowledge and experiences
- Vary with types of retailers (discount vs. department store)



The Gaps Model for Improving Retail Customer Service Quality



GAP Model for Improving Retail Customer Service

- Knowledge Gap -- knowing what the customer wants
- Standards Gap -- setting service goals
- Delivery Gap -- meeting and exceeding service goals
- Communications Gap -- communicating the service promise

Knowing What Customers Want: Closing the Knowledge GAP

- Comprehensive studies
- Social media
- Gauging satisfaction with individual transactions
- Customer panels and interviews
- Interacting with customers
- Customer complaints
- Using technology
- Feedback from store employees
- Using customer research



Steve Cole/Getty Images

The service gap is reduced ONLY when retailers use this information to improve service.

Setting Service Standards: the Standards GAP



- High quality service commitment
- Define the role of service providers
- Set service goals
- Measure service performance
- Give information and training

Commitment to Service Quality

- Service excellence occurs only when top management provides leadership and demonstrates commitment.
- Top management's commitment sets service quality standards, but store managers are the key to achieving those standards.
- Consider Stanley Marcus and Neiman Marcus

What Does Good Customer Service Mean?

- Retailers need to provide clear definition of this to employees.
- Description of service must be specific so expectations are clear .
 - Employee participation in setting service standards leads to better understanding and greater acceptance of the goals
- Service goals should be related to customer-based criteria
- Service goals should be measurable
 - Customer surveys
 - Mystery shoppers



Meeting and Exceeding Service Standards: The Delivery GAP

- Provide instrument and emotional support
- Improve internal communications
- Empower store employees
- Provide incentives
- Develop solutions to service problems
- Develop new systems
- Use technology



Support for Service Providers

- Instrumental Support – associates need to have the appropriate systems and the right equipment to deliver the services.
- Emotional Support – associates need emotional support from their coworkers or a concern for the well-being of others.

Empowerment

- Means allowing employees at the firm's lowest levels to make important decisions regarding how service is provided to customers



Pick Place's
FISH Principles:
Choose your attitude
Be there
Make their day
Play

The Target of Empowerment: Excellent Customer Service



Steve Cole/Getty Images

Benefits to Employee:

- Stimulates initiative
- Promotes learning
- Teaches responsibility

Manager's Approach:

- Provide guidance to employees
- Train employees to the challenge

Empowerment is Not for Everyone

- Some employees will not take the responsibility.
- It is expensive for some standardized retailers.
- Empowerment idea is not embraced by all cultures.
 - Latin America:
 - The role of employees is not to make business decisions; their job is to carry out the decisions of managers

Using Technology

- Kiosks:
 - Kiosks can offer opportunity to order merchandise not in store
 - Kiosks can free employees to deal with other customer requests
 - Customers can use kiosk to learn more about merchandise
 - Kiosks can provide customer solutions



(c) image100/PunchStock

Retailers are using technology to assist sales associates in providing customer service

More Technology

- Hand Held Scanners – help to provide customer service by allowing customers to scan large merchandise instead of struggling with the product to checkout
- Intelligent Shopping Assistants – a device connected to a shopping cart with customer database to provide personalized information to shoppers



Communicating the Service Promise: The Communications GAP

The difference between the service provided by the retailer and the service actually delivered

- The Communications Gap can be reduced by:
- Realistic commitments
 - Corporate ideas – reality of store operations need to be communicated
- Managing customer expectations
 - Provide explanation
 - Describe how retailer is improving situation
 - Provide accurate info at point of sale
 - Inform customers about their role and responsibility in getting good service

Service Recovery

- Service problems and complaints
- Are an excellent source of information about the retailer's offering
- Enable the retailer to demonstrate its commitment to providing high-quality customer service
- Effective service recovery efforts increase customer satisfaction, purchase intentions, and positive word of mouth, but less than the level prior to the service failure

Service Recovery

- Listen to the customer
- Provide a fair solution
 - Distributive fairness
 - Procedural fairness
- Resolve problem quickly
 - Reduce number of contacts
 - Give clear instructions
 - Avoid jargon

What's Fair?

- Distributive fairness – customers want to get what they paid for
- Procedural fairness – perceived fairness of the process used to resolve complaints
 - Did the employee collect information about the situation?
 - Was this information used to resolve the complaint?
 - Did the customer have some influence over the outcome?