

CUSTOMER SERVICE IN RETAIL

by

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Quantitative Analysis for Managers

Abstract

Many retailers are struggling to maintain a competitive stance when it comes to pricing, while maintaining a profit. One primary combatant retailers use is customer service. This paper will analyze data quantified through a “Superior Customer Service” secret shopper program in a metropolitan area. The data shows how the program may or may not be effective and how variables including volume size, clientele, and location may play crucial roles in determining the success and equality of the program. Recommendations for effective customer service programs in retail conclude this paper.

Table of Contents

Table of Contents	ii
List of Tables	iii
Introduction	1
The Superior Customer Service Attributes	4
Point Loss in the Checkstands	5
Demographics and District Details	7
Methodology	9
Theory of Analysis	10
Data Analysis	11
Forecasting	13
Alternative Customer Service Solution	15
Conclusion	24
References	25
Appendix	26

List of Tables

Table 1.0: Comparison of store averages over a three year period	26
Table 1.1: Year 2000 Store shopper scores shown according to store size	26
Table 1.2: Year 2001 Store shopper scores shown according to store size	27
Table 1.3: Year 2002 Store shopper scores shown according to store size	27
Table 2.1: Year 2000 Sales Floor Greet percentages shown according to store size	28
Table 2.2: Year 2001 Sales Floor Greet percentages shown according to store size	28
Table 2.3: Year 2002 Sales Floor Greet percentages shown according to store size	28
Table 3.1: Year 2000 Checkstand success percentages shown according to store size	29
Table 3.2: Year 2001 Sales Checkstand success percentages shown according to store size	29
Table 3.3: Year 2002 Sales Checkstand success percentages shown according to store size	30
Table 4.1: Class A Store Forecasting	30
Table 4.2: Class B Store Forecasting	30
Table 4.3: Class C Store Forecasting	31
Table 5.1: Class A Store Linear Programming for success cost	31
Table 5.2: Class B Store Linear Programming for success cost	31
Table 5.3: Class C Store Linear Programming for success cost	31

Introduction

Brand X is the fictional name given to this real retail company in which this study's data is based upon. Maintaining anonymity is the premise behind the generic name. The data within this document is considered top secret and therefore complete anonymity will be maintained out of respect to those who provided the data and information. This study will evaluate numerical data of one of Brand X's programs from a metropolitan district. In the conclusion of this report, recommendations will be made regarding the effectiveness of this program and give ideas of how Brand X and similar companies can benefit from such research. Customer service data used in this study was compiled from the years 2000 throughout 2002 from ten stores in one district.

Brand X has been in business since 1925 and has grown from one location to over 1800. Once only a west coast company, Brand X now has retail stores in all regions of the United States, including Alaska and Hawaii. Brand X has built its reputation over the years by providing a large range of quality products at competitive prices in clean facilities. The company has built and updated its facilities over-and-over in order to maintain their competitive standing and increase revenues. Brand X has grown repeatedly through the purchasing of hundreds of independent and chain locations over the past decades.

Now, in this new millennium, Brand X brandishing its most powerful weapon against fierce competition, including Wal-Mart, Sam's Club and others found on the Internet. This war is fought on the frontlines, in the checkstands, on the sales floor and in individual departments. "Superior Customer Service" is what they call it. Managers of Brand X have determined that in order to stay competitive, pricing, quality and selection cannot be enough. Giving customers an individualized brand of customer service is the weapon of choice.

How Brand X's Superior Customer Service Program Works

It is very difficult to research Brand X's Superior Customer Service program. Information regarding this curriculum is considered "top secret." Data regarding all aspects of the program's particulars are kept under lock-and-key. Employees of all levels within the company are required to sign confidentiality statements regarding the Superior Customer Service Program. Workers are trained to know the attributes of the program and are encouraged to practice it and monitor co-workers' progress in doing so too.

There is an average of one secret shop per store, per week. There is an average of 12 shops per quarter. After a secret shopper does a shop it is tallied and reported to the division office, who checks it for accuracy of recorded information and then disperses the results to the respective district manager and store from which the store audit was conducted. The data is compiled and compared to other stores in each district. Districts are separated by physical location and sales volume. Each district is ideally made up of varying stores from low-to-high volume. Districts are put in competition of each other according to secret shop results. It is up to each district manager to educate and distribute customer service information and training in order to maintain competitive customer service results. This study will use real data from 10 of 15 stores in a metropolitan district.

One of the negative aspects of the Superior Customer Service (SCS) program is that employees are monitored by "secret shoppers." Secret shoppers are employed by Brand X to be customers of each retail location, under the guise of shopping for products, while also shopping fellow employees for SCS attributes. The secret shopper gets a base salary and a schedule of stores to shop in mandated periods. The secret shopper clocks his or her entry time and exit time of each retail location and begins the shop with a phone call looking for the first set of SCS attributes over the phone.

SCS secret shoppers begin their store shop calling to see how many times the phone rings before it is answered. Once the phone is answered the secret shopper will ask to be transferred to a department and anticipates being asked if they can be put on hold while they are transferred to the desired department. The shopper will then watch how much time occurs from being put on hold until the phone is answered by the desired department. If the department does not answer, the shopper will monitor how long it takes for the original call-answerer to check back to see if he or she has been helped. If the desired department does answer the phone, the shopper waits to see if the department answers with identification of the department, who is answering the call and a friendly, “Thanks for holding, how may I help you?” Then the shopper will ask a question of the department employee and judge how he or she handles the question and how knowledgeable he or she is.

Phone shops are worth ten points. The point system is dictated by the company and based upon timing, responsiveness and responses. The intent of the phone shop is to police and monitor how employees handle customers and potential customers over the phone. Many companies who deal with customers over the phone have similar monitoring systems in place. The phone shops are merely documented and stored. Very little emphasis and weight is given to phone shops or to the good standing of the employees or store stores shopped on a phone shop.

On the other hand, the phone shops are only the beginning. After the secret shopper evaluates the ten point phone shop, he or she then enters the store he or she just called. The secret shopper starts by surveying the cleanliness of the parking lot and entryway of the store. They are looking for debris or loose shopping carts. A half point per shopping cart and dirty entryway is deducted from a possible ten points possible for the whole shop. One full point loss is the maximum allowed for outside and entrance scoring. If the general shopping experience of

the store is not found acceptable, a full point will be deducted. If the employees did not have a professional image a half of a point will be deducted. If perishable displays are not fresh and of superior quality--a full point will be subtracted. Other points are deducted for each person that fails to meet the SCS attributes.

The Superior Customer Service Attributes

On the sales floor there is a maximum of 3.75 points that can be lost. There are a handful of things secret shoppers looks for on the sales floor and in departments. Included in this list are employees greet with a genuine smile, give eye contact, offer to take to an item, knowledgeable about products, friendly, gives selling suggestions, offers samples, gives speedy checkout and thanks by last name. Other attributes include clean bathrooms, isles and break rooms. Different attributes hold different point deductions. Bathrooms that are found unacceptable will lose a half of a point.

For each employee who fails to offer to take the secret shopper to the item a half to a full point is deducted. The secret shopper will walk the parameter of the store passing each employee. He or she is looking to make eye contact, be greeted verbally and have an offer by some to be taken to a requested item. The item may be as close as right in front of the shopper or as far as across the far side of the store. If the item is directly in front of the secret shopper, the employee is still required to leave their work area and take the customer to the item that may be in arms length. If the employee simply tells the secret shopper where the item is without offering to take the secret shopper there, they loose a half of a point for the store. Minimally, if a secret shopper inquires about a product, the employee asked must offer to take the shopper to the item and only after the offer is made, can they offer information about location. Very often the secret shopper will relieve the employee of the obligation of leaving his or her work station if they pass

the test of offering to take them to the item. Pointing to a nearby item is grounds for losing a half of a point.

Another way a Brand X employee can lose points for his store on a secret shop is to not verbally greet each shopper with a friendly smile that includes eye contact. A half of a point is deducted for each employee that fails to appear genuinely friendly and sincere in their greeting or if they fail to have make eye contact with the shopper.

Department employees with edible products, like fruit, cooked meats, salads or smoked goods will be prompted for an offer of a sample. Failing to offer the shopper a sample when asked about the product will result in a loss of a quarter of a point for the store. The prompts may sound like, “Is this product fresh?” or “Those apples look delicious.” Or even, “I just can’t decide.” The prompts may be subtle, but a sample prompt is any inquiry about an edible product. No offer of a sample can result in rapid point deductions to the store with many employees in sampling departments.

Another way an employee can lose a half of a point is by failing to give a selling suggestion, when a secret shopper inquires or interacts with an employee. A prompt for a selling suggestion may sound like, “I just can't decide.” Or “I am just looking.” Other prompts may be more subtle. Secret shoppers have a job to do to see how clever employees can be at figuring out if they are being prompted for a selling suggestion.

Selling suggestions may sound like, “We have this product on sale this week.” Or “I really like this product, it is my favorite.” “This is a fantastic deal.” Brand X employees are encouraged to greet each customer and offer a suggestion for purchase. If it happens to be the secret shopper, they will be covered on at least a quarter of a potential point loss.

Point Loss in the Checkstands

The Brand X secret shopper evaluates the experience going through the checkstand in a similar method as on the sales floor. He or she will look to see if the checker makes initial eye contact and greets each customer. Failing to do so will accrue a loss of half of a point. If the checker fails to give the customer full attention another half of a point is lost. If the checker was not speedy, another quarter of a point per employee will be deducted. The checker will lose a full point if they fail to use the customer's last name printed on the receipt from club card or payment card. Accuracy is also evaluated. If the checker is not fully accurate with the order a half of a point is deducted. Likewise, another half point can be lost if the checker was not fast, efficient and friendly.

Other things the secret shopper looks for is if the checker gives a parting comment. A parting comment may be, "Thank you for shopping with us today, Mr. Jones." Failing to give a parting comment will lose half a point. A quarter of a point will be lost if customer comment cards are not available at every checkstand. A maximum of four points can be lost in the checkstands by the checking clerks.

The employee bagging the shopper's groceries also can lose points for the store, if he or she fails to meet the Brand X's expectations. A bagger must greet the customer with a smile or he or she can lose half of a point. If the items are not packed with care, he or she can lose another half point. The bagger is required to offer carry-out assistance if two or more bags are filled. Failing to do so will lose another half point. If the bagger failed to make a parting comment, he or she could also lose another half point. The maximum point loss for a bagging employee is one and a half. The nice thing about being a bagger at Brand X is that if he or she thanks by last name, a bonus half point can be won for the store.

Demographics and District Details

The nature of the data is considered highly confidential. For the purpose of documenting details, fictitious number will be assigned to each store to maintain anonymity of the factual data. Data from 10 stores will be compiled and analyzed for differences and similarities. Stores will be classified according to sales volume. Stores whose volume is under \$230,000 per week are classified as, “Class A.” Stores doing a sales volume between \$230,000 to \$450,000 are classified as “B stores.” Stores whose volume yields sales greater than \$450,000 per week are classified as “C stores.”

The A class stores are given the fictitious names: one, two, four, five and six. The B class stores: two, three, seven and eight. Finally, C class stores are nine and ten. Each store has differing variables described here that make each unique and may or may not contribute to a possible formula of success and failure for customer service.

Store one is located at the southern-most end of this district. It is characterized by a clientele of primarily African-Americans and Asians. The neighborhood is constantly being patrolled by police, due to a history of high crime activity. Many of the customers at store one are immigrants and many non-English speaking and under-educated people. The nearest competition is two other Brand X stores about two miles away each.

Store two is located at the top of the city. The customer base is primarily Caucasian, upper-middle to upper class. Much of their clientele are educated, couples in their late 20's, 30's 40's, 50's and retired persons. There is a great deal of expensive real estate in store 2's neighborhood. Not too many families live in this area, primarily only married or gay couples. The nearest competition to this store is only two blocks away.

Store three is very similar to store two; however, it is located nearly 12 miles away and is separated by the city with a bridge. The clientele here, as similar as it is to store two, does also have many families who live in the area. The nearest competition to this store is about two blocks away.

Store four is in a quiet neighborhood of the city populated with middle-low to medium-high income families and couples. Primarily the clientele is Caucasian, retired people, college students and middle-aged families. The nearest competition is four blocks away.

Store five is located on the east side of the city on another hill. The population of the area is dominated by homosexual singles and couples, as well as college students, elderly and other lower-income Caucasian people. The nearest competition is less than two blocks away. Very few families live in the area of store five. Crime is medium and drug abusing is prevalent in this area.

Store six, has a demographic of university students, retired and middle-aged couples and upper-class, primarily white clientele. Its competition is less than a block away. Store six does less than half the sales volume of its nearest competition. This store is located less than a mile from a large public university.

Store seven is located to the north of the city and has a diverse clientele. Its customer base is primarily white, however almost every demographic is found in abundance shopping at this store. The nearest competition is six blocks away. It is located within eight driving minutes of store eight.

Store eight is almost identical to store seven in every way. It is located closer to the heart of the city than store seven and has competition less than a block away. Store eight may have a few more college students as clientele than store seven, as it is closer to a private university.

Store nine is the highest volume store in the district. It is located less than two miles from store one. Its clientele is very diverse, with a plethora of people from every nationality. There is an abundance of people from every demographic, both financially and culturally. The sales of this store are more than double of the average store in this district.

The final store of this study, store ten does the same volume as store nine. Its clientele is a little more Caucasian than store nine's customer base, but still has a very large demographic of people from every culture and financial background. It is nearly one mile away from its nearest competition.

An analysis of three years worth of data may or may not give an indication of how to create systems that insure a truly effective customer service program can work. Quantitative analysis can be conducted in several ways in order to see possible trends. Some of the variables that may be considered include sales volume of the store, location of the store as compared to its closest competitor. Uncontrolled variables that may affect the data are personnel, management, employee turnover, and labor ratio. This study will look at customer service shopper results recorded for each store for a three year history of ten stores.

Methodology

The following data compiled in this report analyzes a correlation between store size and success rate. According to the compiled data shown in table 1.0, the largest opportunity for Brand X stores in the Metropolitan District is in the checkstands. These numbers are charted with an expectation of 100% as a goal. The most successful customer service attribute for the stores tracked in this report was in sales floor success. An explanation on how the data is collected, analyzed and compiled follows.

Every store in Brand X has a line-length quote in the checkstands. The theory behind Brand X's line-length quota is to give customers the quickest checkout experience possible. When the stores are shopped, the number of orders in each line is counted, and then divided by the number of checkstands open. The result yielded is then tallied as either a satisfactory checkstand success or an unsatisfactory opportunity. The number of shops for each period is tallied and successes and failed opportunities are figured. The goal of the company is to have line lengths to be no more than an average of 2.3 customer orders per checkstand at anytime during the shop. Any number greater than 2.3 is recorded as a "no" or an unsatisfactory opportunity.

The service attribute of "greet" on the sales floor was calculated to have the greatest amount of successes in the stores studied in this report. Again, the goal is 100% for greeting with a smile and eye contact on the sales floor. Every employee on the sales floor that the secret shopper experiences must minimally greet every shopper with a friendly verbal greeting, made with eye contact. Stocking shelves is not a valid reason to miss this opportunity. The scores are figured on a basis of every employee being 100% in greeting the secret shopper with a genuine smile, eye contact and a verbal gesture of greetings. Much like all the attributes on each shop the success rate for each shop is figured into the total number of shops for the period.

Theory of This Analysis

The theory behind this analysis is that Brand X's customer service/secret shopper program is not set-up fairly. It is believed that the systems and rules are setup-easier for stores doing lower sales volumes than higher ones. This report will analyze that theory based on data collected over a three year period of the above mentioned stores--similarly located in a metropolitan area.

The first sets of data analyzed in this study are overall store scores. A perfect score is 10 points or 100% successful. The data shown in table 1.1, 1.2 and 1.3 are final totals averaged for each store. The store numbers and store sizes are shown in the tables for analysis of any possible similarities and correlations.

Data Analysis

A first glance at tables, 1.1, 1.2, and 1.3, may appear to give certain conclusive evidence that size matters. In year 2000, class A stores averaged 8.08 for total store scores on a 10 point system. Stores in class B averaged 7.59, while class C stores averaged 7.14. In 2001 class A stores averaged 8.17. Class B stores averaged 7.92 and class C stores averaged 7.40. In 2002 class A stores averaged 8.08, class B stores averaged 7.84, while class C stores averaged 7.93. Looking at these totals, there is a minor discrepancy from the theory that store size matters, as shown in year 2002's data.

I should be noted that for the total averages of all stores based on size differences in this three year period, there is evidence that indicates that perhaps size does matter. The smallest stores--class A, show the highest total average for total store success. Class A averaged 8.19 for the three year period. Class B—medium volume stores, averaged 7.78, while class C stores—high volume stores averaged only 7.49. The numbers averaged do indeed show a decline in successes.

There is similar evidence that size matters when analyzing the data for Brand X's Metropolitan district's best attribute—sales floor success for "greet." Each of the three years appears conclusive that the systems and rules for the company's customer service program do not appear to be fair. The evidence shows consistent decline in success rate when comparing store sizes and success rate.

In 2000, the smallest sized stores—class A, averaged 83.69% success for sales floor success. Medium stores averaged 85.95%. The largest stores—class C, averaged only 77.63 for sales floor success. In 2001, that data did not appear to correlate with the law of averages. Class A stores averaged 79.43% successful, class B 74.44%, while class C stores came in second place with an average of 77.50% success. A similar pattern occurred in the 2002. Class A stores averaged 87.25%, class B stores 80.81%, while class C stores came in second with 82.63%.

Although this may appear to be evidence that size does not matter, taking an average of the three year's totals shows that size may be an indicator that the systems setup for Brand X's customer service monitoring may not be fair. The averages for this three year period, shows that the smallest stores—class A, lead with 83.46%. In second place, the medium sized stores with an average of 80.40%. Finally, in third place, is the largest stores—class B, with an averages of only 79.25%.

The most conclusive data that the law-of-averages comes into play in this analysis of comparing store volume to success rates is shown with Brand X's checkstand success for the stores in this study. It is here that the largest disparity appears in numbers.

Tables 3.1, 3.2, and 3.3 show results of checkstand success for all ten stores in this district over the three-year study. With only minor discrepancies from the theory that size matters. The final averages for the three-year totals appear conclusive. In 2000, the smallest stores averaged only 67.5%. The medium stores averaged 51.5% and the largest stores averaged only 41.2% successful. In 2001, the discrepancy occurs. The smallest stores came in second with only 54.7% success, while the medium stores averaged 57.9%. The largest stores—class C, in 2001 averaged a mere 40.7%. 2002 data strongly indicates that size may matter. The smallest

stores yielded an average of 67.8%. The medium store came in second with 53%, while the largest stores crashed and burned with only 47.1% success.

The averages for the combined three years concur with the theory that sales volumes inhibit customer service success in the current Brand X system. The averages for the stores in this study over three years indicate size matters. The smallest volume stores came in first place with 61.47% success. The medium stores came in second with 54.13% success. The largest stores--again came in significantly worse with only a 43% success rate.

Forecasting

Using this data and formulas from *Quantitative Analysis for Management* (2000), a forecasting model may be used to project further information on successes that may help company decision makers determine whether it would be a good idea to maintain the customer service program as it is or change the format so that it could accommodate the larger stores equally with the smaller ones. The data is shown in tables 4.1, 4.2, and 4.3.

Results from the forecasting formulas show that class A stores can be predicted to score an overall total of 8.33 with a Bias (Mean Error) of 0.125, a Mean Absolute Deviation (MAD) of 0.125, and a Mean Squared Error (MSE) of 0.0168. Class B stores are forecasted to score an average of 7.84, with a Bias of 0.125, a MAD of .205, and a MSE of 0.0576. Class C stores forecasted an average of 7.93 with a Bias of 0.395, MAD of 0.395, and MSE of 0.1742. This data shows that perhaps there may be some deviation from the theory that after meeting a certain volume size the rules may not operate as fairly as it would in smaller stores.

Total sales floor success was also analyzed using the forecasting formulas and QM software. The results were startling. This data too seemed to suggest that size mattered only after meeting a certain sales volume. The smallest stores—class A yielded a forecast of 87.25

average for the following year, a bias of 1.78, MAD of 6.04 and a MSE of 39.65. A forecast for class B sales floor success for these stores is 80.81 with a Bias of -2.57, a MAD of 8.94 and a MSE of 86.5284. Class C stores forecast for 82.63 with a Bias of 2.5, a MAD of 2.63 and a MSE of 13.1669. Class A stores forecast for the highest, class C stores for second place and class B, medium volume stores for last in sales floor success.

The greatest variations in forecasting came in analyzing a forecast for checkstand success. Using the same method, formulas and software to forecast total store scores and sales floor, checkstand success seemed to show that size mattered greatest. The smallest stores were forecasted to average 67.8%, with a Bias of 2.95, a MAD of 10.15 and a MSE of 111.725. The medium stores—class B, forecasted an average of 53%, with a Bias of .75, a MAD of 5.65 and a MSE of 32.485. The largest stores—class C, forecasted for an average of 47.1%, with a bias of 2.95, a MAD of 3.45 and a MSE of 20.65.

In order to better understand what this means definitions of forecasting terms according to Render and Stair (2000) follow: "Mean Absolute Deviation (MAD) is a techniques for determining the accuracy of a forecasting model by taking the average of the absolute deviations." Mean Squared Error (MSE) is defined as, "A technique for determining the accuracy of a forecasting model by taking the average of the squared error terms for a forecasting model." Bias is defined as, "A technique for determining the accuracy of a forecasting model by measuring the average total error and its direction (p. 186)."

Another way to show that size matters is to analyze data using a linear programming approach. Formulas in linear programming have been imputed into QM software to show a relationship of costs. In this analysis, the greatest cost according to variance from a perfect score of 100% is show that size may truly matter. The greater the volume a store does in sales; a

greater cost is made at the checkstand for total success. This data is inputted and shown in tables 5.1, 5.2, and 5.3. The results clearly show that the smallest store had the least cost in the checkstand, a total cost of 1.4749. The medium stores had a total cost of 1.7271. The class C stores had the greatest cost in the checkstands with a cost of 2.1231.

Customer Service Solution

The data analyzed in this report shows a possible correlation to store volume and success rates. It is possible that once a store reaches greater volumes of \$300,000 per week in sales, it has less effect on success. The systems set up for Brand X's secret shopper program could either be adjusted in some manner to account for store volume. A better approach may be to eliminate the program all together and train customers using the following guidelines in this study.

Harvey Thompson, author of *The Customer Centered Enterprise* (2000) believes that superior service is delivering exactly what the customer wants when he wants it. Harvey's tells readers about a multi-industry study by the University of Pennsylvania's Wharton School of Business. The study found that companies who managed to reduce their customer attrition by only 5 to 10 percent actually increased their profits by an astounding 25 to 75 percent, depending on the industry. When you consider that many American businesses report customer attrition rates approaching 20 percent, the value of becoming more customer-centered is obvious. Even if a business doesn't add new customers, keeping the ones it does have can reap rich reward (Thompson, 2000).

Thompson (2000) recommends that, "In order to beat the competition, your company must find something other than product features to differentiate you from a dozen other competitors." That something is customer service and value, which requires a shift to

understanding what the customer wants and aligning the business systems with the customer's needs. Doing this requires getting to know your customers on a personal basis.

Thompson (2000) recommends identifying what the customer gets out of interactions with the company. Also, identifying the minimum value level need to retain customers and the optimal value level the customer imagines. It is also important to identify the customer's vision of the ideal vendor delivering ideal value. Thompson also recognizes that you cannot be all things to all customers, so it is also important to identify the most important customer you wish to retain.

When the customers are identified it is important to find ways to exceed customer expectations. Harvey Thompson (2000) shows how it can be accomplished by establishing a customer complaint outlet through toll-free numbers, customer reply cards or Internet-based feedback systems. Other methods include interviewing front-line employees who work directly with the customers, interviewing customers who have recently quit shopping with your company, interviewing recently lost prospective customers, have customer focus groups and use customer satisfaction surveys with blank spaces for write-in comments.

A true customer focus should be the center of every and all employees-throughout the company. New processes and systems should be designed to meet the important needs of the customers. Old systems should be removed or altered if they hinder providing customer service. These changes should become top priority for the decision-makers of the company. Thompson (2000) suggests, "prioritizing according to the customer's identification of which needs are most important. If you choose to focus on actual buying behavior, choose to focus on those needs that bring bottom-line improvements."

Making the necessary changes to the systems requires skill. Business is about people and change is not easily accepted by all people. Thompson suggests that a well-articulated business direction and a clear statement of where the company is going are required to help employees understand and support company goals. Employees need a framework for business decision-making. This requires that customer-centeredness must be incorporated into your company's values, vision and mission. It also requires that you change employee incentives, measurements and objective to align with the customer-centered view (Thompson, 2000).

Ellen Altman and Allan Pratt (March, 1996) do a pretty good job of showing how to create the necessary changes to create a customer-centered organization. They say that, "Poor service cannot be recalled, repaired, or replaced because there is no tangible product, only an experience which the customer can recall. Providing excellent service is the only way...to flourish in the rapidly changing ...environment."

Altman and Pratt remind readers to provide excellent service:

1. Goals must be quantifiable and achievable within a reasonable time.
2. Changes must be explained to employees and customers.
3. All employees share the vision.
4. Desired behaviors need to be recognized and reward.
5. Successes are communicated to customers and staff.
6. Services and products must perform.
7. Businesses must exceed customer expectations in quality and service.
8. Businesses need to build strong relationships with consumers.

9. Organizations have to find ways to guarantee and stand behind their goods and services.
10. There needs to be a demonstration of an ability to control costs and make goods and services more affordable (Altman & Pratt, March 1996).

Another similar viewpoint on creating a customer-centered organization is identified by Patricia Seybold, Ronni Marshak and Jeffrey Lewis, in their book, *The Customer Revolution* (2001). These authors recommend utilizing three primary principles of customer economy. They are:

1. Customers are in control.
2. Customer relationships count.
3. Customer experience matters.

The authors of *The Customer Revolution* (2002) also create a personal brand of customer service.

This is done through eight steps:

1. Create a compelling brand experience.
2. Deliver a seamless experience across channels and touch points.
3. Care about customers, and their outcomes.
4. Measure what matters to customers.
5. Hone operational excellence.
6. Value customers' time.
7. Place customers at the core.
8. Design systems that allow change to occur around customer needs (Seybold, Marshak, & Lewis, 2001).

According to Jill Griffin and Michael Lowenstein, authors of *Customer Winback* (2001), on average, firms can lose up to 40 percent of their customers every year. Lost customers can lead to more than just decreased profits. It can also lead to low employee morale, which lead to increased employee-turnover, which leads to higher employee hiring and training expenses. In other words, losing customers can be taking a toll on both profits and sales.

Griffin and Lowenstein suggest that most customers leave because of poor service, which includes a history of problems with delivery or service, or prices. Also customers may leave due to not feeling that a complaint was not taken seriously or treated with respect, even a single incident may cause them to defect. Customers may also leave due to a disapproval of changes to policy, prices, products or sales force. Studies show that staff turnover is over fifty percent of the reason customer defect. Creating loyal happy employees creates loyal customers. Lastly, customer may leave because they feel they have been taken for granted (Griffin & Lowenstein, 2001).

Griffin and Lowenstein also suggest creating systems to be implemented that include ways to:

1. Make it easy for customers to complain.
2. Train your customer contact staff to use assumptive questioning for uncovering complaints.
3. Provide quick resolution.
4. Positively acknowledge every complaint.
5. Establish and enforce a closed-loop complaint management system.
6. Conduct customer loyalty research, including one-on-one dialogue with customers, to find out where you can improve your service (Griffin & Lowenstein, 2001).

Author Donaton Scott of *Advertising Age* magazine shows how customers have certain expectations for satisfaction that is directly related to the store experience. Scott discusses the Starbucks experience and shows that part of delivering superior customer service is about having a quality product and creating a consistent shopping experience that can be expected time after time. Scott says that this simple formula proves that price is not the only factor of getting customers to return (Scott, January 13, 2003).

John Brandt of *Industry Weekly* also agrees that providing customers with quality service is important, but equally so is giving them value. Brandt urges that you, “understand the concept of customer value (Brandt, January 2003).” This is a necessary step in order to go beyond your competition.

According to an article by Julie Demers of *CMA Management* magazine (May 2002), the Xerox Corporation takes several important steps to make sure employees are going beyond their competition. At Xerox, one of the managers’ responsibilities is to review each employee’s goals twice a year. The goals must be focused on the customer and be supported by quality management tools that make it accomplishable and communicates necessary information in the interests of the customer and the shareholders. Demers tells readers that Xerox has a constant preoccupation on customer service and knows its competition does also. “The approach Xerox has taken seems to satisfy the expectations of the company’s managers and employees, but at the end of the day, it will be the customers who have the last word on the company’s future.”

An industry where providing superb customer service is essential is jewelry retail. Brad Huisken of *High-Volume Jeweler* magazine shares 13 keys to giving superb customer service (November 2001). Huisken says, “The rewards of exceptional customer service are high personal trade, completed sales, referrals, and repeat business. There are two types of customer

service. One provides the minimum, such as a sincere ‘thank you,’ an invitation to come back, and a follow-up thank-you note. The other is a proactive customer service program designed to delight your customers (p.22).”

In a nutshell, Huisken’s 13 keys to superb customer service are:

1. If you say it, do it. Nothing upsets a customer faster than a promise made but not fulfilled.
2. Satisfy every customer. Minimal customer service means ensuring that every customer service means ensuring that every customer is satisfied.
3. Keep personal problems personal. Everyone has problems, but customers want to enjoy the experience of buying your products and services, not hear a litany of personal issues.
4. The name game. The simple act of saying someone’s name give him a sense of acknowledgement and the feeling that he is important to you.
5. Dress for success. Customers want to deal with professional-looking salespeople.
6. At attention! Always give customers your undivided attention. Learn to concentrate on every word the customer says, even when other conversations are taking place or the telephone is ringing.
7. Never interrupt. Interrupting someone is not only poor salesmanship but also downright rude, yet many salespeople interrupt customers because they are thinking about what they are going to say next.
8. No fast-talking. If a customer can’t understand you because you are speaking too fast, she probably won’t tell you and is more likely to leaver.

9. Sell with enthusiasm. It is easy to fall into a rut when you are showing the same products over and over, and sometimes your excitement will flag.

10. Smile, smile, smile. Everyone knows that a smile is contagious—when you smile you usually get one in return. No one likes to deal with a grouch.

11. The Golden Rule. Do unto others as you would have them do unto you.

12. Make it fun. For many people shopping is entertainment, make it an experience for the customer.

13. Go the extra mile. Customers who view shopping as a form of entertainment are buying the experience as much as the product (Huisken, November 2001).

Many of these tips are currently being expected of Brand X employees. Unless they are trained to do each of these with every employee, the experience may be diminished. Customer service must come from the heart. Every employee must be motivated to follow-through with whatever it takes to keep the customers satisfied.

Aligning employees can be a tricky ordeal for managers. Dr. Paul R. Timm (2001) writes, “Managing an organization’s customer service is a complex task requiring constant vigilance and effort. Managers can accomplish their objectives only when working with and through the efforts of other people. To do so requires tact and skills in communication and motivation. A key to managerial success is to ask pertinent questions and to be open to feedback (p. 146).”

Dr. Timm recommends using the following seven tasks of ongoing service improvement in order to provide a way to translate good intentions into a strategy that works:

1. Orient all employees. Take steps to ensure that all employees clearly understand the need for cultivating customer loyalty. Teach them about the cost

of lost customers, how lost customer lead to lost jobs, why poor service givers pay a psychological price, and why it is in their best interest to develop customer service professionalism.

2. Build momentum. Conduct regular follow-up departmental meetings after the initial training. Teach basic creativity and group problem-solving skills, and schedule and conduct regular brainstorming sessions to discuss possible new ideas.
3. Monitor customer expectation and employee behavior. Teach “naïve listening” techniques to employees. Recognize the value of unhappy customers as sources of improvement ideas. Schedule focus groups—regularly. Record, digest, and keep data and trends analysis.
4. Establish systematic customer retention and follow up efforts. Develop creative customer follow-up techniques. Schedule regular follow-up with mail outs, phone calls, announcements, and special incentives.
5. Provide continuation training for employees. Schedule repeat “basic” training for new employees. Also schedule regularly continuation training where employees can receive instruction on tasks such as writing customer correspondence, handling difficult people, improving telephone techniques, mastering time and task management.
6. Conduct ongoing systems reviews. Create a task force to review systems. Employ explorer groups to visit competitors or similar businesses that have good ideas. Create a suggestion program to improve systems by announcing

and publicizing it, budgeting award money, creating forms, and forming a review committee to evaluate suggestions submitted.

7. Recruit, develop and retain excellent employees. Attract and select exceptional service personnel by developing aptitude and attitude testing and interviewing procedures. Proactively invite promising employees from other businesses to join you (Timm, 2001, pp. 138-140).

Conclusion

Brand X's Superior Customer Service program is monitored by "secret shoppers" that look for the usage of certain attributes throughout their visit. The systems in which this program operates is conclusively setup to work in the favor of smaller-volume stores. Medium and large store in this study did not score as successfully as smaller volume stores in any portion of this analysis. Money could be better spent training employees with the guidelines in this report rather than spending it on a secret shopper program.

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Appendix/Appendices

Table 1.0

Comparison of store average totals over 3 year period:

Year 2000 Total Averages based on Size:

Class A -8.08

Class B- 7.59

Class C- 7.14

Year 2001 Total Averages based on Size:

Class A -8.17

Class B- 7.92

Class C- 7.40

Year 2002 Total Averages based on Size:

Class A -8.33

Class B- 7.84

Class C- 7.93

Three Year Total Averages Based on size:

Class A -8.19

Class B- 7.78

Class C- 7.49

Year 2000 store data Brand X Metropolitan District -

Totals for store each Quarter (Q)

<u>Size</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Class</u>
Store 1	7.83	7.83	7.02	A
Store 2	7.27	7.71	8.13	B
Store 3	8.27	7.52	7.98	B
Store 4	8.19	8.6	8.13	A
Store 5	8.15	8.67	7.83	A
Store 6	8	8.17	7.56	A
Store 7	7.46	6.77	6.77	B
Store 8	8.06	7.67	7.38	B
Store 9	6.58	7.19	6.54	C
Store 10	7.58	8.08	6.88	C

Average 7.739 7.821 7.422

Table 1.1 Scores based on a 10 point scale

Year 2001 store data Brand X Metropolitan District -
Totals for store each Quarter (Q)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Class</u>
Store 1	8.25	8.4	7.75	A
Store 2	7.23	8.25	8.15	B
Store 3	7.94	8.13	7.81	B
Store 4	8.17	8.48	8.5	A
Store 5	8.17	7.88	8.31	A
Store 6	7.75	8.23	8.08	A
Store 7	7.65	7.42	8.33	B
Store 8	7.6	8.1	8.48	B
Store 9	7.4	6.65	6.98	C
Store 10	7.38	8.17	7.79	C
<u>Average</u>	<u>7.754</u>	<u>7.971</u>	<u>8.018</u>	

Table 1.2 Scores based on a 10 point scale

Year 2002 store data Brand X Metropolitan District -
Totals for store each Quarter (Q)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Class</u>
Store 1	8.46	8.61	8.31	A
Store 2	7.63	8.47	7.6	B
Store 3	7.67	7.47	8.54	B
Store 4	7.85	8.22	7.73	A
Store 5	8.56	8.89	8.58	A
Store 6	8.04	8.22	8.42	A
Store 7	8.04	7.69	7.19	B
Store 8	8	7.94	7.9	B
Store 9	8.1	7.78	7.44	C
Store 10	8.29	7.61	8.73	C
<u>Average</u>	<u>8.064</u>	<u>8.09</u>	<u>8.044</u>	

Table 1.3 Scores based on a 10 point scale

Year 2000 store data Brand X Metropolitan District -
Totals for Sales Floor Success on “Greet”

<u>Size</u>		<u>Class</u>
Store 1	84.50%	A
Store 2	85%	B
Store 3	97.80%	B
Store 4	85.75%	A
Store 5	82%	A
Store 6	82.50%	A
Store 7	76.25%	B
Store 8	84.75%	B
Store 9	75.25%	C
Store 10	80%	C
<u>Average</u>	<u>83.38%</u>	

Table 2.1 Scores based on 100% as being a perfect score

Year 2001 store data Brand X Metropolitan District -
Totals for Sales Floor Success on “Greet”

<u>Size</u>		<u>Class</u>
Store 1	75.25%	A
Store 2	78%	B
Store 3	77.25%	B
Store 4	86.00%	A
Store 5	74%	A
Store 6	82.50%	A
Store 7	64.00%	B
Store 8	78.50%	B
Store 9	77.00%	C
Store 10	78%	C
<u>Average</u>	<u>76.90%</u>	

Table 2.2 Scores based on 100% as being a perfect score

Year 2002 store data Brand X Metropolitan District -
Totals for Sales Floor Success on “Greet”

<u>Size</u>		<u>Class</u>
Store 1	90.75%	A
Store 2	79%	B
Store 3	79.50%	B

Store 4	78.50%	A
Store 5	93%	A
Store 6	86.75%	A
Store 7	84.00%	B
Store 8	80.75%	B
Store 9	83.25%	C
Store 10	82%	C
<u>Average</u>	<u>83.65%</u>	

Table 2.3 Scores based on 100% as being a perfect score

Year 2000 store data Brand X Metropolitan District -
Totals for Checkstand Success on “line-length”

<u>Size</u>		<u>Class</u>
Store 1	64%	A
Store 2	70.6%	B
Store 3	58.8%	B
Store 4	64.7%	A
Store 5	82.4%	A
Store 6	58.80	A
Store 7	41.2%	B
Store 8	35.3%	B
Store 9	17.6%	C
Store 10	64.7%	C
<u>Average</u>	58.80%	

Table 3.1 Scores based on 100% as being a perfect score

Year 2001 store data Brand X Metropolitan District -
Totals for Checkstand Success on “line-length”

<u>Size</u>		<u>Class</u>
Store 1	62.50%	A
Store 2	68.80%	B
Store 3	43.80%	B
Store 4	56.30%	A
Store 5	50%	A
Store 6	50.00%	A
Store 7	68.80%	B
Store 8	50%	B
Store 9	37.50%	C
Store 10	43.80%	C
<u>Average</u>	<u>53.15%</u>	

Table 3.2 Scores based on 100% as being a perfect score

Year 2002 store data Brand X Metropolitan District - Totals for Checkstand Success on “line-length”

<u>Size</u>		<u>Class</u>
Store 1	64.70%	A
Store 2	41.20%	B
Store 3	47.10%	B
Store 4	64.70%	A
Store 5	77%	A
Store 6	41.20%	A
Store 7	58.80%	B
Store 8	65%	B
Store 9	35.30%	C
Store 10	58.80%	C
<u>Average</u>	<u>55.30%</u>	

Table 3.3 Scores based on 100% as being a perfect score

Forecasting

Forecasting Results	
Brand X Forecasting Model Store Customer Service Module Summary	
Measure	Value
Error Measures	
Bias (Mean Error)	0.125
MAD (Mean Absolute Deviation)	0.125
MSE (Mean Squared Error)	0.0168
Standard Error (denom=n-2=0)	0.
Forecast	
next period	8.33

Table 4.1

Forecasting Results	
Brand X Forecasting Model Store Customer Service Module Summary	
Measure	Value
Error Measures	
Bias (Mean Error)	0.125
MAD (Mean Absolute Deviation)	0.205
MSE (Mean Squared Error)	0.0576
Standard Error (denom=n-2=0)	0.
Forecast	
next period	7.84

Table 4.2

Forecasting Results	
Brand X Forecasting Model Store Customer Service Module Summary	
Measure	Value
Error Measures	
Bias (Mean Error)	0.395
MAD (Mean Absolute Deviation)	0.395
MSE (Mean Squared Error)	0.1742
Standard Error (denom=n-2=0)	0.
Forecast	
next period	7.93

Table 4.3

Linear Programming

Brand X Service Relationships for total score, size, checkstand and floor solution					
Variable	Value	Reduced Cost	Original Val	Lower Bound	Upper Bound
Sales Floor	0.	28.6873	100.	-Infinity	128.69
Checkstand	1.47	0.	100.	77.71	Infinity
Total Store	0.	112.8614	10.	-Infinity	122.86
Constraint	Dual Value	Slack/Surplus	Original Val	Lower Bound	Upper Bound
Year 2000	0.	8.7021	100.	91.3	Infinity
Year 2001	0.	19.3215	100.	80.68	Infinity
Year 2003	1.4749	0.	100.	0.	109.53

Table 5.1

Brand X Service Relationships for total score, size, checkstand and floor solution						
	Sales Floor	Checkstand	Total Store		RHS	Dual
Maximize	100.	100.	100.			
Year 2000	85.95	51.5	75.9	<=	100.	0.
Year 2001	74.44	57.9	79.2	<=	100.	1.7271
Year 2003	80.81	53.	78.4	<=	100.	0.
Solution->	0.	1.7271	0.		172.71	

Table 5.2

Brand X Service Relationships for total score, size, checkstand and floor solution						
	Sales Floor	Checkstand	Total Store		RHS	Dual
Maximize	100.	100.	100.			
Year 2000	77.63	41.2	71.4	<=	100.	0.
Year 2001	77.5	40.7	74.	<=	100.	0.
Year 2003	82.83	47.1	79.3	<=	100.	2.1231
Solution->	0.	2.1231	0.		212.31	

Table 5.3