I worked in the hospitality industry as a hotel operations manager before joining PETsMART. As manager for the grooming salon and pet hotel services we offer at our store, I strive to provide the level of customer service offered at five star hotels—service that is above and beyond the expectation of our pet parents.

PETsMART is the nation’s leading retail supplier of products, services, and solutions for the lifetime needs of pets. We are a multi-channel retailer operating more than 700 pet superstores in the United States and Canada, a large pet supply catalog business, and the Internet’s leading pet product Web site. While our stores offer the industry’s broadest assortment of products, we are now focusing on providing services for pet parents. Nearly all of our stores have pet styling salons that offer safe, quality pet grooming services, from full-service styling to baths, toenail trimming and teeth cleaning. Many of our locations have veterinary hospitals inside the store. We also offer affordable education for puppies or adult dogs and are testing PETsHOTEL®, an innovative, high-quality pet boarding and day camp concept.

I have 40 people on my team. Some of them work behind the scenes providing grooming service, keeping the hotel rooms clean, and playing with the animals during their stay. Others, customer service representatives, interact with pet parents when they check their animals in. Providing outstanding customer service starts with hiring the right people. First and foremost, the people I hire must love animals and care about their well being. Then, for the customer representative positions, I look for people who are energetic and outgoing. When I hire for the behind-the-scenes jobs, I want them to have a realistic idea about what the job entails—the good and bad. While there are a lot of enjoyable parts of the job, they need to
do unpleasant things like cleaning up after an animal messes up.

After hiring the right people, I motivate the employees on my team to provide outstanding service. I give them kudos when I see them doing something special. For example, this morning a customer came in to pick up her dog at 9:00 a.m. and decided, at the last minute, she wanted her dog to have a bath before she took her home. However, we did not have any bathers available. So the customer service representative, who is a trained and licensed groomer, rolled up her sleeves and gave the dog a bath herself. Her initiative showed me that she is a team player and cares about pleasing our customers, so I gave her a kudo on the spot—a $5 gift certificate at Starbucks.

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?

Suppose you are surfing the Internet for a digital camera. At www.realcheapcameras.com, a hypothetical site, you are asked to type in the name of the specific brand and model number you want. Then you are quoted a price with shipping charges and asked for your credit card number and a shipping address. In contrast, when you go to www.circuitcity.com, you can buy a specific digital camera, review the specifications for different cameras, or look through reviews by experts and other consumers of different cameras. You can then go to a store to see the cameras, get additional information about the cameras from a sales associate, and look at accessories, such as a carrying case and additional memory units. Circuit City is providing some valuable services to its customers—services customers cannot get from RealCheapCameras.com.

Customer service is 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 services they purchase. Retailing View 19.1 describes some new health services being offered by drug and discount stores.

Some of these services are derived from the retailer’s store design or Web site or from policies established by the retailer. However, this chapter focuses on some of the most important personalized services provided by sales associates interacting directly with customers.

The first section discusses retailers’ opportunities to develop strategic advantages through customer service, followed by an examination of how retailers can take advantage of this opportunity by providing high-quality service.
Nordstrom, Disney World, McDonald's, Amazon.com, and Marriott differentiate their retail offerings, build customer loyalty, and develop sustainable competitive advantages by providing excellent customer service. Good service keeps customers returning to a retailer and generates positive word-of-mouth communication, which attracts new customers.1

All employees of a retail firm and all elements of the retailing mix provide services that increase the value of merchandise. For example, employees in the distribution center contribute to customer service by making sure the merchandise is in stock. The employees responsible for store location and design contribute by increasing the customer's convenience in getting to the store and finding merchandise in the store.

Exhibit 19–1 lists some of the services provided by retailers. Most of these services furnish information about the retailer’s offering and make it easier for customers to locate and buy products and services. Services such as alterations and the assembly of merchandise actually change merchandise to fit the needs of specific customers.

Providing high-quality service is difficult for retailers. Automated manufacturing makes the quality of most merchandise consistent from item to item. For example, all Super Twist Skil electric screwdrivers look alike and typically perform alike. But the quality of retail service can vary dramatically from store to store and from salesperson to salesperson within a store. It’s hard for retailers to control the performance of employees who provide the service. A sales associate may provide good service to

To provide one-stop shopping solutions for its customers’ health care needs, Rite Aid is adding these Take Care Clinics to its drugstores.

clinics usually costs under $60. Some of the clinics also use technology to increase the efficiency of care. When patients arrive, they check themselves in at a touch screen computer terminal, where they can swipe a credit card and enter basic information about their symptoms and family history. The patient’s sign-in information is transmitted electronically to a computer terminal inside the treatment room where the nurses can enter additional information about the patient’s symptoms and conditions as they talk with the patient. In one of the more novel uses of technology, the Take Care computer software program eventually will be involved in actually diagnosing illnesses.

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<tr>
<th>Acceptance of credit cards</th>
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<td>Alterations of merchandise</td>
<td>Personal assistance in selecting merchandise</td>
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<td>Assembly of merchandise</td>
<td>Personal shoppers</td>
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<td>ATM terminals</td>
<td>Play areas for children</td>
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<td>Bridal registry</td>
<td>Presentations on how to use merchandise</td>
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<td>Check cashing</td>
<td>Provisions for customers with special needs (wheelchairs, translators)</td>
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<td>Child-care facilities</td>
<td>Repair services</td>
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<td>Credit</td>
<td>Rest rooms</td>
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<td>Delivery to home or work</td>
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<td>Demonstrations of merchandise</td>
<td>Rooms for checking coats and packages</td>
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<td>Display of merchandise</td>
<td>Shopping carts</td>
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<td>Dressing rooms</td>
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<td>Extended store hours</td>
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<td>Signage to locate and identify merchandise</td>
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<td>Facilities for shoppers with special needs (physically handicapped)</td>
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<td>Layaway plans</td>
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<td>Gift wrapping</td>
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### EXHIBIT 19-1
Services Offered by Retailers

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one customer and poor service to the next. In addition, most services provided by retailers are intangible; customers can’t see or feel them. Clothing can be held and examined, but the assistance provided by a sales associate or an electronic agent can’t. Intangibility makes it hard to provide and maintain high-quality service because retailers can’t count, measure, or check service before it’s delivered to customers.

The challenge of providing consistent high-quality service offers an opportunity for a retailer to develop a sustainable competitive advantage. For example, Nordstrom devotes much time and effort to developing an organizational culture that stimulates and supports excellent customer service. Competing department stores would like to offer the same level of service but find it hard to match Nordstrom’s performance.³

### Customer Service Strategies

Customization and standardization are two approaches retailers use to develop a sustainable customer service advantage. Successful implementation of the customized approach relies on the performance of sales associates or the degree to which customer interactions can be customized using an electronic channel. The standardization approach relies more on policy, procedures, and store and Web site design and layout.⁷

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*The office supply category specialist (left) uses signage as part of its standardized approach for improving customer service, while Target’s sales associates (right) use a customized approach to tailor their service to match the needs of their individual customers.*

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REFACT
Seventy-three percent of consumers attribute their best customer service experience to store employees. Conversely, 81 percent of consumers attribute their worst customer service experience to employees.⁵
Customization Approach The customization approach encourages service providers to tailor their service to meet each customer’s personal needs. For example, sales associates in specialty stores help individual customers locate appropriate apparel and accessories. Some retailers have introduced a human element into their electronic channel. At Lands’ End, customers can simply click on a button and chat—referred to as instant messaging—with a service provider. Lands’ End was one of the first retailers to offer live chats with service representatives on its Web site. Sales representatives respond within 20 seconds when a customer clicks the “Help” button. Over 200 of Lands’ End’s 2,500 service representatives are dedicated to providing this service. Lands’ End has found that the average order increases 8 percent when customers use the instant messaging service.8

Inspired by the Disney approach to customer service, Target launched its Guest Service program. Customers are treated as guests, with store employees as their hosts. Stock clerks are taught that helping guests isn’t an intrusion on their work. Several employees, called guest ambassadors, roam the store looking for customers who need assistance. Employees are also empowered to make sure that guests have a satisfying experience in the store. If the shelf price isn’t on an item, checkout clerks can take the customer’s word about prices up to $20 so the guest doesn’t have to wait for the clerk to check the price with someone on the floor.9

The customized approach typically results in most customers receiving superior service. But the service might be inconsistent because service delivery depends on the judgment and capabilities of the service providers. Some service providers are better than others, and even the best service providers can have a bad day. In addition, providing customized service is costly because it requires more well-trained service providers or complex computer software.

Standardization Approach The standardization approach is based on establishing a set of rules and procedures and being sure that they are implemented consistently. By strict enforcement of these procedures, inconsistencies in the service are minimized. Through standardization, customers receive the same quality of food and service at McDonald’s restaurants across the globe. The food may not be exactly what customers want, but it is consistent and served in a timely manner at a low cost.

Store or Web site design and layout also play an important role in the standardization approach. In many situations, customers don’t need the services employees provide. They know what they want to buy, and their objective is to find it in the store and buy it quickly. In these situations, retailers offer good service by providing a layout and signs that enable customers to locate merchandise easily, having relevant information on display, and minimizing the time required to make a purchase.

Retailing View 19.2 shows how IKEA uses a standardized, self-service approach with some unique elements to attract customers expecting the traditional customized approach employed in furniture retailing.

Cost of Customer Service As indicated previously, providing high-quality service, particularly customized service, can be very costly. For over 100 years, the Savoy Hotel in London maintained a special place in the hearts of the world’s elite. Maids switch off vacuum cleaners when they greet guests entering the hallway in the morning. Each floor has its own waiter on duty from 7:00 a.m. to 3:00 p.m. Guests can get cotton sheets instead of the standard Irish linen sheets if they wish. Preferred fruits are added to the complimentary fruit bowl in each room. Rooms are personally furnished for customers who regularly have extended stays at the hotel. At times, the hotel staff moves the customers’ furniture, including personal pictures, from storage into their rooms when they arrive.
But this high level of personal attention is very costly to provide. The Savoy employed three people for each of its 200 rooms, about double the average for a London hotel. These services resulted in annual losses, and the hotel was eventually sold to a corporation that eliminated some of the services.

In many cases, however, good customer service can actually reduce costs and increase profits. It costs much more to acquire a new customer than to generate repeat business from present customers. Thus, it costs a business much less to keep its existing customers satisfied and sell more merchandise to them than it does to sell to people who aren’t buying from the business now.\textsuperscript{10}

Retailers need to consider the costs and benefits of service policies. For example, many retailers are reconsidering their “no questions asked” return policy. Home Depot’s policy was to take back all merchandise and give cash back. Now, if customers don’t have a receipt, they can only get store credit. If they have a receipt, they can get cash back. Target now requires that customers have a receipt and return the merchandise in 90 days to get a credit. In addition, for some consumer electronics products, customers must pay a 15 percent restocking charge. Retailers are seeing too many big-screen TVs coming back the day after the Super Bowl and too many prom dresses coming back the day after prom night. However, the most significant contributor to the cost of returns are professionals that return stolen merchandise for cash.\textsuperscript{11} The next section examines how customers evaluate service quality.

### CUSTOMER EVALUATIONS OF SERVICE QUALITY

When customers evaluate retail service, they compare their perceptions of the service they receive with their expectations. Customers are satisfied when the perceived service meets or exceeds their expectations. They’re dissatisfied when they feel the service falls below their expectations.\textsuperscript{13}

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**IKEA effectively uses a self-service method to provide customer service through signage and information in displays and on the merchandise.**

Supervised ballroom filled with 50,000 brightly colored plastic balls. There are changing rooms in each store, complete with bottle warmers and disposable diaper dispensers. Displays cover the quality of products in terms of design features and materials, with demonstrations of testing procedures.

Role of Expectations

Customer expectations are based on a customer's knowledge and experiences. For example, customers do not expect to get an immediate response to a letter or even a telephone call, but they expect to get a response to an e-mail the next time they turn on their computer.

Technology is dramatically changing the ways in which customers and firms interact. Customers now can interact with companies through automated voice response systems and place orders and check on delivery status through the Internet. But customers still expect dependable outcomes, easy access, responsive systems, flexibility, apologies, and compensation when things go wrong. In other words, they still want good service. But now they expect this level of service even when people are not involved.

Expectations vary depending on the type of store. Customers expect a supermarket to provide convenient parking, be open from early morning to late evening, have a wide variety of fresh and packaged food that can be located easily, display products, and offer fast checkout. They don't expect the supermarket to have store employees stationed in the aisle to offer information about groceries or how to prepare meals. However, when these same customers shop in a specialty store, they expect the store to have knowledgeable salespeople who can provide information and assistance.

Because expectations aren't the same for all types of retailers, a customer may be satisfied with low levels of actual service in one store and dissatisfied with high service levels in another store. For example, customers have low service expectations for self-service retailers such as discount stores and supermarkets. Wal-Mart provides an unusual service for a discount store: An employee stands at the entrance to each store, greeting customers and answering questions. Because this service is unexpected in a discount store, customers evaluate Wal-Mart's service positively, even though the actual level of service is far below that provided by a typical specialty store.

Upscale, high-fashion department stores have many more salespeople available to answer questions and provide information than Wal-Mart does. But customer service expectations are also higher for department stores. If department store customers can't locate a salesperson quickly when they have questions or want to make a purchase, they're dissatisfied. When retailers provide unexpected services, they build a high level of customer satisfaction, referred to as customer delight.

Some examples of unexpected positive service experiences are

- A restaurant that sends customers who have had too much to drink home in a taxi and then delivers their cars in the morning.
- A men's store that sews numbered tags on each garment so the customer will know what goes together.
- A gift store that keeps track of important customer dates and suggests appropriate gifts.

Customer service expectations vary around the world. Although Germany's manufacturing capability is world renowned, its poor customer service is also well known. People wait years to have telephone service installed. Many restaurants do not accept credit cards, and customers who walk into stores near closing time often receive rude stares. Customers typically have to bag merchandise they buy themselves. Because Germans are unaccustomed to good service, they
don’t demand it. But as retailing becomes global and new foreign competitors enter, German retailers are becoming more concerned about how they service their customers.

In contrast, the Japanese expect excellent customer service. In the United States, it’s said that “the customer is always right.” In Japan, the equivalent expression is *okayu lasama ba kamisama desu*, “the customer is God.” When a customer comes back to a store to return merchandise, he or she is dealt with even more cordially than when the original purchase was made. Customer satisfaction isn’t negotiable. The customer is never wrong. Even if the customer misused the product, retailers feel they were responsible for not telling the customer how to use it properly. The first person in the store who hears about the problem must take full responsibility for dealing with the customer, even if the problem involved another department.

**Perceived Service**

Customers base their evaluations of store service on their perceptions. Although these perceptions are affected by the actual service provided, service, due to its intangibility, is often hard to evaluate accurately. Five customer service characteristics that customers use to evaluate service quality are reliability, assurance, tangibility, empathy, and responsiveness. Some cues that customers use to assess these service characteristics include:

- **Reliability.** Accuracy of billing, meeting promised delivery dates.
- **Assurance (trust).** Guarantees and warranties, return policy.
- **Tangibility.** Appearance of store, salespeople.
- **Empathy.** Personalized service, receipt of notes and e-mails, recognition by name.
- **Responsiveness.** Returning calls and e-mails, giving prompt service.

Retailing View 19.3 describes how the Broadmoor Hotel maintains its five-star rating by focusing on these five service characteristics.

As Retailing View 19.3 indicates, employees can play an important role in customer perceptions of service quality. Customer evaluations of service quality are often based on the manner in which store employees provide the service, not just the outcome. Consider the following situation: A customer goes to return an electric toothbrush that isn’t working properly to a store that has a money-back return policy. In one case, the employee asks the customer for a receipt, checks to see if the receipt shows the toothbrush was bought at the store, examines the toothbrush to see if it really doesn’t work properly, completes some paperwork while the customer is waiting, and finally gives the customer the amount paid for the toothbrush in cash. In a second case, the store employee simply asks the customer how much he paid and gives him a cash refund. The two cases have the same outcome: The customer gets a cash refund. But the customer might be dissatisfied in the first case because the employee appeared not to trust the customer and took too much time providing the refund. In most situations, employees have a great effect on the process of providing services and thus on the customer’s eventual satisfaction with the services.
THE GAPS MODEL FOR IMPROVING RETAIL SERVICE QUALITY

REFACT
Just 16 percent of traditional, retail store shoppers are extremely satisfied with their most recent customer service experience, whereas online shoppers are nearly three times as likely to be extremely satisfied with their online customer service experience (44 percent).21

The Gaps Model (Exhibit 19–2) indicates what retailers need to do to provide high-quality customer service.20 When customers' expectations are greater than their perceptions of the delivered service, they are dissatisfied and feel the quality of the retailer's service is poor. Thus, retailers need to reduce the service gap (the difference between customers' expectations and perceptions of customer service) to improve customers' satisfaction with their service.

Four factors affect the service gap:
1. Knowledge gap. The difference between customer expectations and the retailer's perception of customer expectations.
2. Standards gap. The difference between the retailer's perceptions of customers' expectations and the customer service standards it sets.
3. Delivery gap. The difference between the retailer's service standards and the actual service provided to customers.
4. Communication gap. The difference between the actual service provided to customers and the service promised in the retailer's promotional program.

These four gaps add up to the service gap. The retailer's objective is to reduce the service gap by reducing each of the four gaps. Thus, the key to improving service quality is to (1) understand the level of service customers expect, (2) set standards for providing customer service, (3) implement programs for delivering service that meets the standards, and (4) undertake communication programs to

RETAILING VIEW The Broadmoor Manages Service Quality for Five-Star Rating

Established in 1891 as a gambling casino and transformed into a "grand resort" in 1918, the Broadmoor, in Colorado Springs, Colorado, is one of the world's premier resorts. It has received a record 11 consecutive years of five-star ratings from the Mobil Travel Guide. Perry Goodwin, vice president of marketing for the Broadmoor, emphasizes, "It's the people who truly make this place special. Exceptional service quality begins with exceptional people." Some aspects of its service quality are as follows:

Reliability Every new Broadmoor employee, before ever encountering a customer, attends a two-and-a-half day orientation session and receives an employee handbook. Making and keeping promises to customers is a central part of this orientation. Employees are trained always to give an estimated time for service, whether it be room service, laundry service, or simply how long it will take to be seated at one of the resort's restaurants. When an employee makes a promise, he or she keeps that promise. Employees are trained to never guess if they don't know the answer to a question. Inaccurate information only frustrates customers. When an employee is unable to answer a question accurately, he or she immediately contacts someone who can.

Assurance The Broadmoor conveys trust by empowering its employees. An example of an employee empowerment policy is the service recovery program. If a guest problem arises, employees are given discretionary resources to rectify the problem or present the customer with something special to help mollify them. For example, if a meal is delivered and there's a mistake in the order or how it was prepared, a waiter can offer the guest a free item such as a dessert or, if the service was well below expectations, simply take care of the bill. Managers then review expenses to understand the nature of the problem and help prevent it from occurring again.

Tangibility One of the greatest challenges for the Broadmoor in recent years has been updating rooms built in the early part of the twentieth century to meet the needs of twenty-first century visitors. To accomplish this, it spent $200 million between 1992 and 2002 in improvements for renovating rooms and adding a new outdoor pool complex.

Empathy One approach used to demonstrate empathy is personalizing communications. Employees are instructed to always address a guest by name, if possible. To accomplish this, employees are trained to listen and observe carefully to determine a guest's name. Subtle sources for this information include convention name tags, luggage ID tags, credit cards, or checks. In addition, all phones within the Broadmoor display a guest's room number and name on a screen.

Responsiveness Every employee is instructed to follow the HEART model of taking care of problems. First, employees must "Hear what a guest has to say." Second, they must "Empathize with them" and then "Apologize for the situation." Third, they must "Respond to the guest's needs" by "Taking action and following up."

inform customers accurately about the service offered by the retailer. The following sections describe these gaps and methods for reducing them.

KNOWING WHAT CUSTOMERS WANT: THE KNOWLEDGE GAP

To close the knowledge gap, retailers need to do market research to know what customers want and then act on this research.

Researching Customer Expectations and Perceptions

The most critical step in providing good service is to know what the customer wants. Retailers often lack accurate information about what customers need and expect. This lack of information can result in poor decisions. For example, a supermarket might hire extra people to make sure the shelves are stocked so customers will always find what they want, but it may fail to realize that customers are most concerned about waiting in the checkout line. From the customer’s perspective, the supermarket’s service would improve if the extra employees were used to open more checkout lanes rather than to stock shelves.

Retailers can reduce the knowledge gap and develop a better understanding of customer expectations by undertaking customer research, increasing interactions between retail managers and customers, and improving communication between managers and employees who provide customer service.

Market research also can be used to better understand customers’ expectations and the quality of service provided by a retailer. Methods for obtaining this information range from comprehensive surveys to simply asking customers about the store’s service.
Comprehensive Studies  Some retailers have established programs for assessing customers’ expectations and service perceptions. For example, every year JCPenney sales associates pass out questionnaires to shoppers in each store and in malls. Shoppers are asked about the service and merchandise offered by JCPenney and by competing department stores in the mall. Over 50,000 completed questionnaires are collected and analyzed. Because the same questionnaire is used each year, JCPenney can track service performance, determine whether it is improving or declining, and identify opportunities for improving service quality. The annual customer service profile is so important to JCPenney that it is used as part of store managers’ performance evaluations.

Gauging Satisfaction with Individual Transactions

Another method for customer research is surveying customers immediately after a retail transaction has occurred. For example, Sears employees who deliver and assemble furniture in homes ask customers to complete a short survey describing how helpful, friendly, and professional the employees were. Airlines periodically ask passengers during a flight to evaluate the ticket-buying process, flight attendants, in-flight service, and gate agents.

Customer research on individual transactions provides up-to-date information about customers’ expectations and perceptions. The research also indicates the retailer’s interest in providing good service. Because the responses can be linked to a specific encounter, this research provides a method for rewarding employees who provide good service and correcting those who exhibit poor performance.

Customer Panels and Interviews  Rather than surveying many customers, retailers can use panels of 10–15 customers to gain insights into expectations and perceptions. For example, some store managers might meet once a month for an hour with a select group of customers who are asked to provide information about their experiences in the stores and offer suggestions for improving service. To reduce the knowledge gap, some supermarket managers go through the personal checks they receive each day and select customers who’ve made large and small purchases. They call these customers and ask them what they liked and didn’t like about the store. With small purchasers, they probe to find out why the customers didn’t buy more. Could they find everything they wanted? Did they get the assistance they expected from store employees?

Some retailers have consumer advisory boards composed of a cross-section of their preferred customers. Members of the board complete questionnaires three to four times a year on subjects like holiday shopping problems, in-store signage, and service quality. In exchange for their inputs, members receive gift certificates.

Interacting with Customers  Owner managers of small retail firms typically have daily contact with their customers and thus have accurate firsthand information about them. In large retail firms, managers often learn about customers through reports, so they may miss the rich information provided by direct contact with customers.

Stanley Marcus, founder of Neiman Marcus, felt managers could become addicted to numbers and neglect the merchandise and customers. He used suspenders as an example of how buyers could make poor decisions by only looking at the numbers. Originally, suspenders came in two sizes: short and long. By analyzing the numbers, buyers realized they could increase turnover by stocking one-size-only suspenders. The numbers looked good, but the store had a lot of dissatisfied customers. With only one size, short men’s pants fell down, and the fit was uncomfortable for tall men. Said Marcus, “It comes back to the fact that the day is still only 24 hours long, and if you’re a retailer, you’ve still got to spend
some of those 24 hours with your customers and your products. You can’t allow the computer to crowd them out as crucial sources of information.\textsuperscript{23}

**Customer Complaints** Complaints allow retailers to interact with their customers and acquire detailed information about their service and merchandise. Handling complaints is an inexpensive means to isolate and correct service problems.\textsuperscript{24}

Catalog/electronic retailer L.L. Bean keeps track of all complaints and reasons for returned merchandise. These complaints and returns are summarized daily and given to customer service representatives so they can improve their service.

For example, a customer who returns a sweater might indicate the sweater was too large or the color tone differed from the picture in the catalog. With this information, customer service representatives can inform other customers who place an order for the sweater that it tends to be large and has a slightly different color than shown in the catalog. The information can also be used by buyers to improve vendor merchandise.

Although customer complaints can provide useful information, retailers can’t rely solely on this source of market information. Typically, dissatisfied customers don’t complain. To obtain better information about customer service, retailers need to encourage complaints and make it easy for customers to provide feedback about their problems. For example, some retailers set up a complaint desk in a convenient location where customers can get their problems heard and solved quickly.

**Using Technology** New, affordable information technology packages are enabling even small retailers to improve their customer service by maintaining and providing customer information to sales associates. The sales staff at Tina’s Closet, a Lisle, Illinois-based women’s apparel specialty store, uses a clienteling application with its customer database to track the buying history of its 15,000 customers and provide customer service. For example, when the store puts Bali bras on sale, it sends postcards to every customer who has bought one. The sales staff is provided with lists of customers who need to be contacted when the merchandise they have on hold is about to be put out for sale, their alterations are ready, or a new line of products is coming in from their favorite designer.\textsuperscript{26}

**Feedback from Store Employees** Salespeople and other employees in regular contact with customers often have a good understanding of customer service expectations and problems. This information can improve service quality only if the employees are encouraged to communicate their experiences to high-level managers who can act on it.

Some retailers regularly survey their employees, asking questions like,

1. What is the biggest problem you face in delivering high-quality service to your customers?
2. If you could make one change in the company to improve customer service, what would it be?

**Using Customer Research** Collecting information about customer expectations and perceptions isn’t enough. The knowledge gap is reduced only when retailers use this information to improve service. For example, store managers should review the suggestions and comments made by customers daily, summarize the information, and distribute it to store employees and managers.

Feedback on service performance needs to be provided to employees in a timely manner. Reporting the July service performance in December makes it hard for employees to reflect on the reason for the reported performance. Finally, feedback must be prominently presented so service providers are aware of their performance. For example, at Marriott, front-desk personnel’s performance feedback is displayed behind the front desk, while restaurant personnel’s performance feedback is displayed behind the door to the kitchen.
SETTING SERVICE STANDARDS: THE STANDARDS GAP

After retailers gather information about customer service expectations and perceptions, the next step is to use this information to set standards and develop systems for delivering high-quality service. Service standards should be based on customers’ perceptions rather than internal operations. For example, a supermarket chain might set an operations standard of a warehouse delivery every day to each store. But frequent warehouse deliveries may not result in more merchandise on the shelves or improve customers’ impressions of shopping convenience. To close the standards gap, retailers need to (1) commit their firms to providing high quality service, (2) define the role of service providers, (3) set service goals, and (4) measure service performance.

Commitment to Service Quality

Service excellence occurs only when top management provides leadership and demonstrates commitment. Top management must be willing to accept the temporary difficulties and even the increased costs associated with improving service quality. This commitment needs to be demonstrated to the employees charged with providing the service. For example, a Lands’ End poster prominently displays the following inscription for employees who process customer orders:

What is a Customer? A Customer is the most important person in this office . . . in person or by mail. A Customer is not dependent on us . . . we are dependent on her. A customer is not an interruption in our work . . . she is the purpose of it. We are not doing her a favor by serving her . . . she is doing us a favor by giving us an opportunity to do so. A Customer is not someone to argue or match wits with.27

Top management’s commitment sets service quality standards, but store managers are the key to achieving those standards. Store managers must see that their efforts to provide service quality are noticed and rewarded. Providing incentives based on service quality makes service an important personal goal, so rather than basing bonuses only on store sales and profit, part of store managers’ bonuses should be determined by the level of service provided. For example, some retailers use the results of customer satisfaction studies to help determine bonuses.

Defining the Role of Service Providers

Managers can tell service providers that they need to provide excellent service but not clearly indicate what excellent service means. Without a clear definition of the retailer’s expectations, service providers are directionless.

The Ritz-Carlton Hotel Company, winner of the Malcolm Baldrige National Quality Award, has its “Gold Standards” printed on a wallet-size card carried by all employees. The card contains the hotel’s motto (“We Are Ladies and Gentlemen Serving Ladies and Gentlemen”), the three steps for high-quality service (warm and sincere greeting, anticipation and compliance with guests’ needs, and fond farewell), and 20 basic rules for Ritz-Carlton employees, including

- Any employee who receives a complaint “owns” the complaint.
- Instant guest gratification will be ensured by all. React quickly to correct problems immediately.
- “Smile. We are on stage.” Always maintain positive eye contact.
- Escort guests rather than giving directions to another area of the hotel.28
Setting Service Goals
To deliver consistent, high-quality service, retailers need to establish goals or standards to guide employees. Retailers often develop service goals based on their beliefs about the proper operation of the business rather than the customers’ needs and expectations. For example, a retailer might set a goal that all monthly bills are to be mailed five days before the end of the month. This goal reduces the retailer’s accounts receivable but offers no benefit to customers. Research undertaken by American Express showed that customer evaluations of its service were based on perceptions of timeliness, accuracy, and responsiveness. Management then established goals (such as responding to all questions about bills within 24 hours) related to these customer-based criteria.

Employees are motivated to achieve service goals when the goals are specific, measurable, and participatory in the sense that they participated in setting them. Vague goals—such as “Approach customers when they enter the selling area” or “Respond to e-mails as soon as possible”—don’t fully specify what employees should do, nor do they offer an opportunity to assess employee performance. Better goals would be “All customers should be approached by a salesperson within 30 seconds after entering a selling area” or “All e-mails should be responded to within three hours.” These goals are both specific and measurable.

Employee participation in setting service standards leads to better understanding and greater acceptance of the goals. Store employees resent and resist goals arbitrarily imposed on them by management. Chapter 17 says more about goal setting.

Measuring Service Performance
Retailers need to assess service quality continuously to ensure that goals will be achieved. Many retailers conduct periodic customer surveys to assess service quality. Retailers also use mystery shoppers to assess their service quality. Mystery shoppers are professional shoppers who “shop” a store to determine the service provided by store employees and the presentation of merchandise in the store. Some retailers use their own employees as mystery shoppers, but most contract with an outside firm to provide the assessment. Information typically reported by the mystery shoppers includes (1) How long before a sales associate greeted you? (2) Did the sales associate act as if he or she wanted your business? and (3) Was the sales associate knowledgeable about the merchandise?

Retailers typically inform salespeople that they have “been shopped” and provide feedback from the mystery shopper’s report. Some retailers offer rewards to sales associates who receive high marks and schedule follow-up visits to sales associates who get low evaluations.

Toys “R” Us assesses customer satisfaction with checkout service by counting the number of abandoned shopping carts with merchandise left in the store because customers became impatient with the time required to make a purchase. After the firm noticed an alarming increase in abandoned carts, it developed a unique program to reduce customers’ time in line waiting to pay. Cashiers’ motions while ringing up and bagging merchandise were studied. On the basis of this research, the company developed a training program to show cashiers how to use their right hand to record purchases on the POS terminal and their left hand to push merchandise along the counter. Counters were redesigned with a slot lined with shopping bags in the middle of the counter. As the cashier pushes the merchandise along the counter, it drops into a bag. After the customer pays for the merchandise, the cashier simply lifts the bag from the slot and hands it to the customer, and a new bag pops into place.

To motivate cashiers to use the new system effectively, Toys “R” Us held competitions in each store, district, and region to select the fastest cashiers. Regional winners received a free vacation in New York City and participated in a competition at corporate headquarters to select a national champion.
Giving Information and Training

Finally, store employees need to know about the retailer's service standards and the merchandise they offer, as well as their customers' needs. With this information, employees can answer customers' questions and suggest products. This knowledge also instills confidence and a sense of competence, which are needed to overcome service problems.

In addition, store employees need training in interpersonal skills. Dealing with customers is hard—particularly when they're upset or angry. All store employees, even those who work for retailers that provide excellent service, will encounter dissatisfied customers. Through training, employees can learn to provide better service and cope with the stress caused by disgruntled customers. Specific retail employees (salespeople and customer service representatives) are typically designated to interact with and provide service to customers. However, all retail employees should be prepared to deal with customers. For example, Walt Disney World provides four days of training for its maintenance workers, even though people can learn how to pick up trash and sweep streets in much less time. Disney has found that its customers are more likely to direct questions to maintenance people than to the clean-cut assistants wearing "ASK ME, I'M IN GUEST RELATIONS" buttons. Thus, Disney trains maintenance people to confidently handle the myriad of questions they'll be asked rather than responding, "Gee, I dunno. Ask her."

MEETING AND EXCEEDING SERVICE STANDARDS:
THE DELIVERY GAP

To reduce the delivery gap and provide service that exceeds standards, retailers must give service providers the necessary knowledge and skills, provide instrumental and emotional support, improve internal communications, reduce conflicts, and empower employees to act in the customers' and firm's best interests. Retailing View 19.4 describes how chat rooms offered through an electronic channel enable customers to help the retailer provide services to others.

Providing Instrumental and Emotional Support

Service providers need to have the instrumental support (the appropriate systems and equipment) to deliver the service desired by customers. For example, a hotel chain installed a computer system to speed up the checkout process. But a study of the new system's effectiveness revealed that checkout time was not reduced because clerks had to wait to use the one stapler available to staple the customer's credit card and hotel bill receipts.

In addition to instrumental support, service providers need emotional support from their coworkers and supervisors. Emotional support involves demonstrating a concern for the well-being of others. Dealing with customer problems and maintaining a smile in difficult situations are psychologically demanding. Service providers need to be in a supportive, understanding atmosphere to deal with these demands effectively. Retailing View 19.5 describes how Wing Zone reduces the emotional labor experienced by its service providers.

Improving Internal Communications

When providing customer service, store employees often must manage the conflict between customers' and the retail firm's needs. For example, many retailers have a no questions asked return policy. Under such a policy, the retailer will provide a refund at the customer's request even if the merchandise wasn't purchased at the store or was clearly used improperly. When JCPenney inaugurated this policy, some employees refused to provide refunds on merchandise that had been worn or damaged by the customer. They were loyal JCPenney employees and didn't want customers to take advantage of their firm.
Retailers can reduce such conflicts by having clear guidelines and policies concerning service and by explaining the rationale for these policies. Once JCPenney employees recognized that the goodwill created by the no questions asked policy would generate more sales than losses due to customers abusing the policy, they implemented the policy enthusiastically.

Conflicts can also arise when retailers set goals inconsistent with the other behaviors expected from store employees. For example, if salespeople are expected to provide customer service, they should be evaluated on the service they provide, not just the sales they make.

Finally, conflicts can arise between different areas of the firm. An auto dealer with an excellent customer service reputation devotes considerable effort to reducing conflict by improving communication among its employees. The dealership holds a town hall meeting in which employees feel free to bring up service problems. For example, the receptionist discussed her frustration when she couldn’t locate a sales rep for whom a customer had called. The customer finally said, “Well, I’ll just take my business elsewhere.” She used this example to emphasize that sales reps should tell her when they slip out to run an errand. Now no one forgets that the front desk is the nerve center of the dealership.

**Empowering Store Employees**

Empowerment means allowing employees at the firm’s lowest levels to make important decisions regarding how service is provided to customers. When the employees responsible for providing service are authorized to make important

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**Retailers Use Customers to Deliver Service**

Retailers use message boards, chat rooms, and blogs on their Web sites to provide a valuable service by enabling customers to communicate with one another. Message boards are locations in an Internet site at which customers can post comments. Chat rooms are locations at which customers can engage in interactive, real-time, text-based discussions. For example, Tomboy Tools (www.tomboytools.com) sells tools designed for women and provides home improvement information for female do-it-yourselfers. Its Web site has chat room bulletin boards, called Tool Talk, on which customers can post home improvement questions to which other customers offer solutions. Blogs, short for Web logs, are public Web sites where users post informal journals of their thoughts, comments, and philosophies.

Authors and visitors to Amazon.com post comments and book reviews. Visitors to electronic travel retail sites frequently post messages inquiring about hotels, restaurants, and tourist attractions at places they will be visiting. Other customers who are familiar with the places respond to these inquiries with their suggestions. Many electronic retailers offer public chat rooms. At the Knot’s site (www.theknot.com), people can enter a public chat room and have a real-time discussion about their experiences planning their weddings, seven days a week, 24 hours a day. In addition to the public chat room. The Knot also offers moderated chat rooms in which a staff member or well-known expert on an issue leads an electronic discussion at specific times during the day.

GourmetStation, an online retailer of prepared foods, created its blog, Delicious Destinations (www.gourmetstation.com), to post ideas about food, entertaining, gifts, and culture. A current posting details ways to serve salmon—whole or filet—and fun food discussions on topics such as the shapes of pasta, the history of tea, and setting a table. The initial goal was to build the brand with value-added content such as information about the

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This message board at Tomboy Tools’ Web site encourages customers to provide information to other customers, a region where food originates. It expects that people will appreciate the service and become repeat customers.

Blogs can help ease a shopper’s fears when considering a purchase from an unknown retailer. The postings and responses from other customers give the prospective customer a glimpse of the retailer’s practices and customer satisfaction. To be effective, however, retailers can’t use the blogs as simply advertising tools. They must stress customer service as authentic to be successful.

decisions, service quality improves.\textsuperscript{14} Retailing View 19.6 shows how an ice cream parlor empowers employees to be creative.

Nordstrom provides an overall objective—satisfy customer needs—and then encourages employees to do whatever is necessary to achieve the objective. For example, a Nordstrom department manager bought 12 dozen pairs of hosiery from a competitor in the mall when her stock was depleted because the new shipment was delayed. Even though Nordstrom lost money on this hosiery, management applauded her actions to make sure customers found hosiery when they came to the store looking for it. Empowering service providers with only a rule like “Use your best judgment” can cause chaos. At Nordstrom, department managers avoid abuses by coaching and training salespeople. They help salespeople understand what “Use your best judgment” means.

The Container Store also emphasizes the importance of flexibility, teamwork, and empowerment using the cartoon character Gumby. A six-foot Gumby character is prominently displayed at the entrance to the corporate headquarters, and small versions are on managers’ desks. The frequent use of the phrase “We have to be Gumbylike” reinforces the corporate standard of doing whatever needs to be done to provide service for customers and help fellow employees complete tasks.\textsuperscript{14} The Gumby cartoon character reinforces this point because it is so flexible it can bend over backwards, in much the same way that The Container Store employees bend over backwards to solve customer problems.

However, empowering service providers can be difficult. Some employees prefer to have the appropriate behaviors clearly defined for them. They don’t want to spend the time learning how to make decisions or assume the risks of making mistakes. For example, a bank found that when it empowered its tellers, the tellers were frightened to make decisions about large sums of money. The bank had to develop decision guidelines and rules until tellers felt more comfortable.

In some cases, the benefits of empowering service providers may not justify the costs. For example, if a retailer uses a standardized service delivery approach like McDonald’s, the cost of hiring, training, and supporting empowerment may not lead to consistent and superior service delivery. Also, studies have found that

**RETAILING VIEW** Reducing the Emotional Labor of Service Providers

Robert Girau, a corporate manager for the Atlanta-based fast-food chain Wing Zone, just spent 30 minutes on the phone with an irate customer who hadn’t received her order. “She said I was a liar,” Girau says. She also threatened him. But Girau knew he had to keep his cool and try to solve the problem. “It was frustrating,” he says. “No matter what the customer is saying, you [have to] try not to take it personally.”

This experience describes the emotional labor that service providers experience when they have to manage their emotions on the job. While “the customer is always right” is a business mantra, employees on the receiving end of a service interaction are vulnerable to backfire incredible pressure to simply grin and bear it. Retailers need to be aware of how these stressful customer interactions affect the morale and performance of their service providers.

Matt Friedman, the CEO and cofounder of Wing Zone, understands the stress that angry customers can cause his employees, who take the majority of the company’s food orders over the phone. Friedman says his entry-level employees, who are mostly college students, just don’t have the experience needed to handle these customers. Therefore, they’ve been trained to hand off overly demanding customers to the nearest manager right away. Wing Zone’s managers then put the complaints back on the customers, asking them how they’d like the company to handle the problem. When both parties can’t find some middle ground, managers refer the customer to the corporate office’s toll-free number and Web site to file a formal complaint.

Girau, the point person at corporate headquarters for complaints that escalate, thinks the company’s strategy works because the service providers know how to handle angry customers. Managers understand what they can offer and are empowered to solve problems, and complaints with no easy solution can be routed up the organization. Having procedures to follow at the store level, Girau says, has made life easier for everyone.

empowerment is not embraced by employees in different cultures. For example, employees in Latin America expect their managers to possess all the information needed to make good business decisions. The role of employees is not to make business decisions; their job is to carry out the decisions of managers.²⁹

**Providing Incentives**

As discussed in Chapter 17, many retailers use incentives, like paying commissions on sales, to motivate employees. But retailers have found that commissions on sales can decrease customer service and job satisfaction and motivate high-pressure selling, which leads to customer dissatisfaction. However, incentives can also be used effectively to improve customer service. For example, in one retail chain, managers distribute notes to store employees when they solve a customer’s problem. The notes can then be converted into a cash bonus. This program was particularly effective because the reward was provided at about the same time the appropriate behavior occurred.

**Developing Solutions to Service Problems**

The previously discussed approaches for closing the service gap rely on informing, empowering, and motivating store personnel to provide better service. Retailers also use systems and technology to close the delivery gap.

**Developing New Systems** Finding ways to overcome service problems can improve customer satisfaction and, in some cases, reduce costs. For example, when customers complained about the long wait to check out, many hotels felt they couldn’t do anything about the problem. Marriott, however, thought of a creative

Amy’s Ice Cream Empowers Its Employees to Perform

Amy’s Ice Cream (a 10-store chain of premium ice cream shops in Austin, San Antonio, and Houston, Texas) sells terrific products and gives excellent service. But that’s where the similarity to other scoop shops ends. Visit an Amy’s store, and you’ll see employees performing in a manner you won’t forget. They juggle with their serving spades, toss scoops of ice cream to one another behind the counter, and break-dance on the freezer top. If there’s a line out the door, they might pass out samples or offer free ice cream to any customer who’ll sing or dance or recite a poem or mimic a barnyard animal or win a 60-second cone-eating contest.

Amy Miller, the founder and CEO, obviously sells entertainment along with ice cream. To provide this atmosphere, she has to hire the right people and get them to be inventive. To identify employees who’ll take the initiative, she uses the “white paper bag” test. Instead of an application form, prospective employees get a plain white paper bag, along with the instructions to do anything they want with it and bring it back in a week. Those who just jot down a phone number will find that “Amy’s isn’t really for them,” says Miller. But an applicant who produces “something unusual from a white paper bag” tends to be an amusing person who would fit in with our environment.” One job seeker turned his into an elaborate pop-up jack-in-the-box and became a scooper at the Westhank Market store. That store’s former manager painted an intricate green-and-blue sphere resembling the earth atop a waffle cone on his bag.


Amy’s Ice Cream’s employees are empowered to use their creativity to entertain customers and provide great customer service.
approach to address this service problem. It invented Express Checkout, a system in which a bill is left under the customer's door the morning before checkout; if the bill is accurate, the customer can check out by simply using the TV remote or calling the front desk and having the bill charged automatically to his or her credit card. Express Checkouts has been so successful that it has been adopted by many hotel chains.

**Using Technology** Many retailers are installing kiosks with broadband Internet access in their stores. In addition to offering customers the opportunity to order merchandise not available in the store, kiosks can provide routine customer service, freeing employees to deal with more demanding customer requests and problems. For example, customers can use kiosks to locate merchandise in the store and determine whether specific products, brands, and sizes are available. Kiosks can also be used to automate existing store services, such as gift registry management, rain checks, film drop-off, credit applications, and preordering service for bakeries and delicatessens.

Customers can use a kiosk to find more information about products and how they are used. For example, a Best Buy customer can use a kiosk to provide side-by-side comparisons of two VCRs and find more detailed information than is available from the shelf tag or a sales associate. The customer can also access evaluations of the models reported in Consumer Reports. The information provided by the kiosk could be tailored to specific customers through access to the retailer's customer database. For example, a customer who is considering a new set of speakers might not remember the preamplifier he or she purchased previously from Best Buy. This customer might not know whether the speakers are compatible with the preamplifier or what cables are needed to connect the new speakers. These concerns could be addressed by accessing the retailer's customer database through the kiosk. These types of applications could complement the efforts of salespeople and improve the service they can offer to customers.

Retailers are also using hand-held scanners to provide customer service. At The Container Store in Manhattan, customers can register a credit card number at the front counter and get a wireless hand-held scanner. As they walk the aisles, they scan the barcodes of desired items and then pay for the purchases when they are finished shopping. The items scanned are delivered to their homes the same day. The use of these hand-held scanners eliminates the need for customers to carry around bulky items in the store and transport them home. The physical and psychological limits on how much is purchased in a single trip are reduced, so the average customer purchase using this service is ten times greater than that of customers not using the service.

Supermarkets also are equipping shopping carts with "intelligent shopping assistants," a device connected to the supermarket's customer database that hangs in the front compartment of a shopping cart and provides personalized information for shoppers. Customers can identify themselves by swiping their frequent-shopper card or putting a finger on a touchpad. Once they have logged in, a likely shopping list is displayed, based on their shopping history. As the customer selects and scans groceries, discounts and promotions are offered. The assistant device keeps a running total of that day's purchases and allows customers to order deli items without waiting in line, scan and bag their own groceries, and browse recipes.
COMMUNICATING THE SERVICE PROMISE: THE COMMUNICATIONS GAP

The fourth factor leading to a customer service gap is the difference between the service promised by the retailer and the service actually delivered. Overstating the service offered raises customer expectations. Then, if the retailer doesn’t follow through, expectations exceed perceived service, and customers are dissatisfied. For example, if a store advertises that a customer will always be greeted by a friendly, smiling sales associate, customers may be disappointed if this doesn’t occur. Raising expectations too high might bring in more customers initially, but it can also create dissatisfaction and reduce repeat business. The communications gap can be reduced by making realistic commitments and managing customer expectations.

Realistic Commitments
Advertising programs are typically developed by the marketing department, whereas the store operations division delivers the service. Poor communication between these areas can result in a mismatch between an ad campaign’s promises and the service the store can actually offer. This problem is illustrated by Holiday Inn’s “No Surprises” ad campaign. Market research indicated hotel customers wanted greater reliability in lodging, so Holiday Inn’s agency developed a campaign promising no unpleasant surprises. Even though hotel managers didn’t feel they could meet the claims promised in the ads, top management accepted the campaign. The campaign raised customer expectations to an unrealistic level and gave customers who did confront an unpleasant surprise an additional reason to be angry. The campaign was discontinued soon after it started.

Managing Customer Expectations
How can a retailer communicate realistic service expectations without losing business to a competitor that makes inflated service claims? American Airlines’ “Why Does It Seem Every Airline Flight Is Late?” ad campaign is an example of a communication program that addresses this issue. In print ads, American recognized its customers’ frustration and explained some uncontrollable factors causing the problem: overcrowded airports, scheduling problems, and intense price competition. Then the ads described how American was improving the situation.

Information presented at the point of sale can be used to manage expectations. For example, theme parks and restaurants indicate the waiting time for an attraction or a table. Electronic retailers tell their customers if merchandise is in stock and when customers can expect to receive it. Providing accurate information can increase customer satisfaction even when customers must wait longer than desired.

Sometimes service problems are caused by customers. Customers may use an invalid credit card to pay for merchandise, not take time to try on a suit and have it altered properly, or use a product incorrectly because they fail to read the instructions. Communication programs also can inform customers about their role and responsibility in getting good service and give tips on how to get better service, such as the best times of the day to shop and the retailer’s policies and procedures for handling problems.

SERVICE RECOVERY

The delivery of customer service is inherently inconsistent, so service failures are bound to arise. Rather than dwelling on negative aspects of customer problems, retailers should focus on the positive opportunities they generate. Service problems and complaints are an excellent source of information about the retailer’s offering (its merchandise and service). Armed with this information, retailers can make changes to increase their customers’ satisfaction.
Service problems also enable a retailer to demonstrate its commitment to providing high-quality customer service. By encouraging complaints and handling problems, a retailer has an opportunity to strengthen its relationship with its customers. Effective service recovery efforts significantly increase customer satisfaction, purchase intentions, and positive word of mouth. However, postrecovery satisfaction generally is less than the satisfaction level prior to the service failure.43

Most retailers have standard policies for handling problems. If a correctable problem is identified, such as defective merchandise, many retailers will make restitution on the spot and apologize for inconveniencing the customer. The retailer will offer replacement merchandise, a credit toward future purchases, or a cash refund.

In many cases, the cause of the problem may be hard to identify (did the salesperson really insult the customer?), uncorrectable (the store had to close due to bad weather), or a result of the customer's unusual expectations (the customer didn't like his haircut). In these cases, service recovery might be more difficult. The steps in effective service recovery are (1) listen to the customer, (2) provide a fair solution, and (3) resolve the problem quickly.46

Listening to Customers

Customers can become very emotional about their real or imaginary problems with a retailer. Often this emotional reaction can be reduced by simply giving customers a chance to get their complaints off their chests.

Store employees should allow customers to air their complaints without interruption. Interruptions can further irritate customers who may already be emotionally upset. It's very hard to reason with or satisfy an angry customer.

Customers want a sympathetic response to their complaints. Thus, store employees need to make it clear that they're happy the problem has been brought to their attention. Satisfactory solutions rarely arise when store employees have an antagonistic attitude or assume that the customer is trying to cheat the store.

Employees also need to listen carefully to determine what the customer perceives to be a fair solution. For example, a hotel employee might assume that a customer who's irritated about a long wait to check in will be satisfied with an apology. But the customer might be expecting to receive a free drink as compensation for the wait. A supermarket employee may brusquely offer a refund for spoiled fruit when the customer is also seeking an apology for the inconvenience of having to return to the store. Store employees shouldn't assume they know what the customer is complaining about or what solution the customer is seeking.47

Providing a Fair Solution

When confronted with a complaint, store employees need to focus on how they can get the customer back, not simply on how they can solve the problem. Favorable impressions arise when customers feel they've been dealt with fairly. When evaluating the resolution of their problems, customers compare how they were treated in relation to others with similar problems or in similar situations with other retail service providers. This comparison is based on observations of other customers with problems or information about complaint handling learned from reading books and talking with others. Customers' evaluations of complaint resolutions thus are based on distributive fairness and procedural fairness.48

Distributive Fairness  Distributive fairness is a customer's perception of the benefits received compared with their costs (inconvenience or loss). Customers want to get what they paid for, and their needs can affect the perceived correspondence between benefits and costs. For example, one customer might be
satisfied with a rain check for a food processor that was advertised at a discounted price but sold out. This customer feels the low price for the food processor offsets the inconvenience of returning to the store. But another customer may need the food processor immediately, so a rain check won't be adequate compensation for him. To satisfy this customer, the salesperson must locate a store that has the food processor and have it delivered to the customer's house.

Customers typically prefer tangible rather than intangible resolutions to their complaints. Customers may want to let off steam, but they also want to feel the retailer was responsive to their complaint. A low-cost reward, such as a free soft drink or a $1 discount, communicates more concern to the customer than a verbal apology. If providing tangible restitution isn't possible, the next best alternative is to let customers see that their complaints will have an effect in the future. This promise can be made by writing a note, in front of the customer, to a manager about the problem or writing to the customer about actions taken to prevent similar problems in the future.

Procedural Fairness  Procedural fairness is the perceived fairness of the process used to resolve complaints. Customers consider three questions when evaluating procedural fairness:
1. Did the employee collect information about the situation?
2. Was this information used to resolve the complaint?
3. Did the customer have some influence over the outcome?

Discontent with the procedures used to handle a complaint can overshadow the benefits of a positive outcome. For example, customers might be more satisfied with their refund for a clerk's mistake in ringing up groceries if they get a chance to talk about other problems they experienced in the store with the clerk.

Customers typically feel they're dealt with fairly when store employees follow company guidelines. Guidelines reduce variability in handling complaints and lead customers to believe they're being treated like everyone else. But rigid adherence to guidelines can have negative effects. Store employees need some flexibility in resolving complaints, or customers may feel they had no influence on the resolution.

Resolving Problems Quickly
Customer satisfaction is affected by the time it takes to get an issue resolved. To respond to customers quickly, Smith & Hawken, a garden-supply mail-order company, uses the telephone instead of the mail. The company feels that sending a letter is too time consuming and impersonal. Resolving complaints by phone can take minutes, whereas sending letters can take weeks.

As a general rule, store employees who deal with customers should be made as self-sufficient as possible to handle problems. Customers are more satisfied when the first person they contact can resolve a problem. When customers are referred to several different employees, they waste a lot of time repeating their story. Also, the chance of conflicting responses by store employees increases.

Retailers can minimize the time to resolve complaints by reducing the number of people the customer must contact, providing clear instructions, and speaking in the customer's language.

Giving Clear Instructions  Customers should be told clearly and precisely what they need to do to resolve a problem. When American Express cardholders ask to have an unused airline ticket removed from their bill, they're told immediately that they must return the ticket to the airline or travel agency before a credit can be issued. Fast service often depends on providing clear instructions.

Speaking the Customer's Language  Customers can become annoyed when store employees use company jargon to describe a situation. To communicate clearly, store employees should use terms familiar to the customer. For example, a
customer might be frustrated if a salesperson told her that the slacks in her size were located on a rounder to the right of the four-way.

Resolving customer complaints increases satisfaction. But when complaints are resolved too abruptly, customers might feel dissatisfied because they haven't received enough personal attention. Retailers must recognize the trade-off between resolving the problem quickly and taking time to listen to and show concern for the customer.

**SUMMARY**

Due to the inherent intangibility and inconsistency of services, providing high-quality customer service is challenging. However, customer service also provides an opportunity for retailers to develop a strategic advantage. Retailers use two basic strategies for providing customer service: the customized method and the standardized approach. The customized method relies primarily on sales associates. The standardized approach places more emphasis on developing appropriate rules, consistent procedures, and optimum store designs.

Customers evaluate customer service by comparing their perceptions of the service delivered with their expectations. Thus, to improve service, retailers need to close the gaps between the service delivered and the customer's expectations. This gap may be reduced by knowing what customers expect, setting standards to provide the expected service, providing support so store employees can meet the standards, and realistically communicating the service offered to customers.

Due to inherent inconsistency, service failures are bound to arise. These lapses in service provide an opportunity for retailers to build even stronger relationships with their customers.

**KEY TERMS**

- communications gap, 537
- customer delight, 524
- customer service, 519
- customization approach, 522
- delivery gap, 532
- distributive fairness, 538
- emotional support, 539
- empowerment, 533
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- knowledge gap, 527
- mystery shopper, 531
- procedural fairness, 530
- service gap, 526
- standardization approach, 522
- standards gap, 530

**GET OUT AND DO IT!**

1. **CONTINUING ASSIGNMENT** Go to a local store of the retailer you have selected for the continuing assignment and describe and evaluate the service it offers. What services are offered? Is the service customized or standardized? Ask the store manager if you can talk to some customers and employees. Choose customers who have made a purchase, customers who have not made a purchase, and customers with a problem (refund, exchange, or complaint). Talk with them about their experiences, write a report describing your conversations, and make suggestions for improving the store's customer service. Ask employees what the retailer does to assist and motivate them to provide good service.

2. **INTERNET EXERCISE** Bizrate (www.bizrate.com) is a company that collects information about consumer shopping experiences with electronic retailers. Go to Bizrate's Web site and review the evaluations of different retailers that sell products electronically. How useful is this information to you? What could Bizrate do to make the information more useful?

3. **INTERNET EXERCISE** Visit the Lands' End Web site (www.landsend.com) and look for a shirt. How does the Web site help you locate the shirt that you might be interested in buying? How does customer service offered by the Web site compare to the service you would get at a specialty store like The Gap: A department store?

4. **GO SHOPPING** Go to a discount store such as Wal-Mart, a department store, and a specialty store to buy a pair of jeans. Compare and contrast the customer service you receive in the stores. Which store made it easiest to find the pair of jeans you would be interested in buying? Why?
DISCUSSION QUESTIONS AND PROBLEMS

1. For each of these services, give an example of a retailer for which providing the service is critical to its success, then give an example of a retailer for which providing the service is not critical: (a) personal shoppers, (b) home delivery, (c) money-back guarantees, and (d) credit.

2. Nordstrom and McDonald's are noted for their high-quality customer service, but their approaches to providing this quality service are different. Describe this difference. Why have the retailers elected to use these different approaches?

3. Is customer service more important for store-based or electronic retailers? Why?

4. Providing customer service can be very expensive for retailers. When are the costs for providing high-quality services justified? What types of retailers find it financially advantageous to provide high-quality customer service? What retailers can't justify providing high-quality service?

5. Assume you're the department manager for menswear in a local department store that emphasizes empowering its managers. A customer returns a dress shirt that's no longer in the package in which it was sold. The customer has no receipt, says that when he opened the package he found that the shirt was torn, and wants cash for the price at which the shirt is being sold now. The shirt was on sale last week when the customer claims to have bought it. What would you do?

6. Citibank found that chat rooms were not an important service for customers of its electronic banking offering. However, the Wedding Channel, an electronic retailer targeting couples about to get married, found that chat rooms were an important service for attracting its customers. Why did these retailers have different experiences with the use of chat rooms?

7. Gaps analysis provides a systematic method of examining a customer service program's effectiveness. Top management has told an information systems manager that customers are complaining about the long wait to pay for merchandise at the checkout station. How can the systems manager use gaps analysis to analyze this problem and suggest approaches for reducing this time?

8. How could an effective customer service strategy cut a retailer's costs?

9. Employees play a critical role in customer perceptions of quality service. If you were hiring salespeople, what characteristics would you look for to assess their ability to provide good customer service?

10. Consider a recent retail service experience, such as a haircut, doctor's appointment, dinner in a restaurant, bank transaction, or product repair (not an exhaustive list), and answer the questions below:
   (a) Describe an excellent service delivery experience.
   (b) What made this quality experience possible?
   (c) Describe a service delivery experience in which you did not receive the performance that you expected.
   (d) What were the problems encountered, and how could they have been resolved?

SUGGESTED READINGS


