

What do you think are the primary drivers of poor customer service at retail and how should management respond?

### **Connections Retail Scholarship 2009**

Essay title: **New study reveals sales staff driving shopper defections**

A recent study by The Verde Group and the Baker Retail Initiative at the University of Pennsylvania's Wharton School shows that sales staffs are the single biggest detriment to the shopping experience, resulting in more lost business and negative word of mouth than any other shopping problem.

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Word count: 4101 words

Entrant number: CWA-09-096

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What do you think are the primary drivers of poor customer service at retail and how should management respond?

## **1.0 Executive Summary**

The Verde Group and The Baker Retail Initiative at the University of Pennsylvania's Wharton School jointly conducted a phone survey of 1,000 American consumers in March 2007. The study was called 'The Sales Associate' and highlights the importance of customer service. Sales staffs were found to cause a greater loss of business and bad word-of-mouth than any other problem.

Customer service is "the provision of service to customers before, during and after a purchase". Customers base their purchasing decisions on price, quality, availability and most importantly the service they receive.

The primary drivers of poor customer service show the areas that require attention in the retail industry. These areas include staff training, staff attitude, personal issues in the workplace, differences in perception, burnt out retailers and employees, dealing with customer complaints, empowerment of employees, analysis of customer feedback and salary and incentives. Each of these areas have the potential to make or break a small business.

The business owner or management is able to deal with these primary drivers of poor customer service in several ways. These include commitment from management, knowing the customers, developing standards of service, regular training of employees, employee and customer recognition and incentives and continuous improvement. If management is able to continually strive to achieve their best in all of these areas, customer service will be exceptional.

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## **2.0 Introduction**

There are many factors which influence a customer's shopping choices. The real potential of any business lies in its customers. Factors such as the products, services, location, knowledge and finance are important, however, they are limited in their potential to grow a business. The potential of customers is simply limited to the expectations and imagination of ourselves and our customers. Customer satisfaction will guarantee the long-term survival of a business by creating and retaining customers. A customer is driven by their wants and needs. If a retailer has what the customer wants, at the right time and price, they will usually make a purchase. The difference is whether or not they come back (Collis, Jack. 1998)

Good customer service is great for business because it will keep the customers coming back. An even more compelling reason to provide good customer service is that the retailer will experience less stress, hassle and grief from their customers. The customers argue less, they are less likely to insult and they are less threatening and demanding. Bacal states "one dissatisfied customer may take up ten or twenty times more of your time than a satisfied one". The time spent with a dissatisfied customer is usually time a retailer does not have (Bacal, Robert. 2005).

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### **3.0 Retail Study 'The Sales Associate'**

There are many organisations and research groups throughout the world who conduct regular studies on customer service. The Verde Group is one such group who has conducted several surveys over the past 10 years. These studies have been conducted in a broad range of industries, including the retail industry. The surveys are used to understand the source of customer dissatisfaction so action plans can be developed to address the areas of weakness. The Verde Group is able to assist businesses by developing an action plan to reduce customer defections (The Verde Group, 2006). The Baker Retail Initiative at the University of Pennsylvania's Wharton School forms a partnership with world-class researchers, such as the Verde Group, educators, students and global leaders in the retail industry. The Baker Retail Initiative allows its students to link theory learnt at University with "real-life" practices. (University of Pennsylvania, 2008). Studies conducted by the Verde Group and the University of Pennsylvania's Wharton School are highly regarded in the retail world.

The Verde Group and The Baker Retail Initiative at the University of Pennsylvania's Wharton School jointly conducted a phone survey of 1,000 American consumers in March 2007. The study was called 'The Sales Associate' and re-enforces the importance of customer service at retail. Sales staffs were found to cause a greater loss of business and bad word-of-mouth than any other shopping problem. The Retail Customer Dissatisfaction Study estimated that

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defections cause a six percent loss of business for retailers (Ferrante, Amanda, 28 Feb 2008). It is much more cost effective to retain existing customers than to find new customers (NSW Department of State and Regional Development, 2001). The Verde group has discovered that the cost of acquiring a new customer can be up to five times the cost of retaining an existing customer.

The study reveals that customer service is a key factor to running a successful business. The research found that one in four customers who experience problems in the retail sector are ignored by sales staff, and 33 percent of those ignored were unable to find a staff member to help them. Three percent of customers who experience bad customer service will never return to that retailer again (Ferrante, Amanda, 28 Feb 2008). The problem escalates when these unhappy customers share their bad experience with family and friends, which on average is four people. Paula Courtney, president of the Verde Group, says "People who hear about problems are more at risk of not shopping in that store than the customer who had the bad experience at the store" (Weir, 2006). Half of shoppers will not shop at a particular store if they have heard of another shopper's poor experience (Wharton School of the University of Pennsylvania, May 16 2007).

#### **4.0 Customer Service**

Customer service is "the provision of service to customers before, during and after a purchase" (Wikipedia, 2009). In the retail industry, customer service is

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provided by the sales associate. The current economic climate combined with a competitive marketplace, means that customer service is not just about meeting the expectations of the customer, but about exceeding those expectations. Customers base their purchasing decisions on price, quality, availability and the service they receive (Department of State and Regional Development, 2009).

Some factors may be beyond our control, therefore, it is the sales assistants' reaction to a problem that makes all the difference. For example, a problem in my store is that our suppliers cannot always deliver on time. The customer requires their goods by a certain time and if we are unable to supply the product, due to circumstances beyond our control, the customer will be dissatisfied. We have overcome this issue by explaining to our customers that it may take seven days to supply the goods, instead of two days (the time our supplier promises to deliver to us). If a customer needs their goods immediately, my staff are trained to offer suggestions for a comparable product. Our competitors offer a seven day delivery, and therefore our customers are generally prepared to wait this length of time. The customer expects a phone call from us in seven days, and 90 percent of the time, we can call our customer in two days to inform them that their goods have arrived. This allows us to exceed our customers' expectations so they will hopefully do business with us in the future.

The Retail Customer Dissatisfaction Study, conducted by The Verde Group and the Baker Retail Initiative at Wharton, have identified four core competencies

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a sales associate must have in order to provide customer satisfaction. The four competencies are;

1. Engager – the sales associate smiles, makes eye contact, approaches the customer and stops whatever they are doing to assist the customer.
2. Expeditor – quick, efficient service because they are aware of the customers time constraints.
3. Educator – able to provide an explanation of the products and give recommendations.
4. Authentic – the sales associate is genuinely interested in helping the customer even if they do not make a purchase.

(The Verde Group, 2007)

## **5.0 Primary drivers of poor customer service**

Good customer service is an important part of running a successful business, therefore, it is essential that retailers are aware of the reasons for poor customer service. The primary drivers of poor customer service are;

### **5.1 Lack of employee training**

The service provided to a customer is only as good as the people who deliver it (Gerson, Richard, F., 1998). When a business does not spend the time and money to train their staff, the consequence is poor customer service (Iwan, Lee. 2007). Many businesses believe they do not have the time and resources to develop training programs. Others believe they are too small to have an

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employee training program and continue to struggle with untrained staff. This leads to the owners or manager working in the business and not on the business.

When I purchased my business, I was surprised to find that most staff had received little or no training. As a result, the previous owners were doing nearly everything themselves, because they had little confidence in their staff. We then followed in their footsteps for the first few years. We thought we did not have the time or resources to train our staff. It is difficult to stop and evaluate the situation when you are tired from working so hard. This seems to be quite a common problem in small business.

A lack of employee training means that sales assistants may not be able to reach their full potential. Sales staff may lack confidence and frequently make mistakes because they have not been shown the correct procedure. The result is poor customer service.

### **5.2 Employees with a bad attitude**

Sales staff with a bad attitude will portray the image that they do not care. Over the past few years, staff have been very difficult to find and employers have had to take whoever they could get. Many employees in retail are from generation 'Y' and have been able to walk in and out of jobs as they please. Times are changing and therefore the attitude of employees will have to change.

Employees with a bad attitude have been known to totally ignore customers. The Retail Study, conducted by The Verde Group and the Baker Retail Initiative at Wharton, reported that 25 percent of customers were ignored

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outright by sales assistants. The study revealed the sales assistants made no eye contact, did not smile and did not greet the customer. This kind of behavior will result in three percent of customers never returning to the store where they experienced such a lack of service (Wharton School of the University of Pennsylvania, May 16 2007).

Paula Courtney, president of the Verde Group, stated that it is the “conscious ignoring” that irritates customers more than overworked or outmanned sales associates. This “conscious ignoring” may come in the form of talking to fellow workers, stocking shelves, performing administrative work, talking on the telephone and other such activities. (Wharton School of the University of Pennsylvania, May 16 2007).

Body language is an indicator of the attitude of an employee. The sales associate may have their back to the customer, bad posture, arms folded, unacceptable hand and body movements or head turned away to avoid eye contact with a customer. I have observed this kind of behaviour in the past in my own store, because employees do not like to deal with the difficult customers. All of these signs will be observed by the customer and impact on their future shopping choices.

Tone of voice is also important. Mumbling or shouting at the customer is considered to be rude, and both equally portray an unacceptable attitude.

(Martin, William B., 1989)

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### **5.3 Personal problems reflected in work**

Employees frequently bring their personal problems to work and this is reflected in their customer service. When sales associates come to work with unresolved personal problems, they may be angry, negative towards customers, introverted or even tearful. The customer, in most cases, will not be aware of a personal crisis and will show little sympathy towards the sales associate.

From past experiences, I have found at some stage throughout the day, the staff member may decide to share their personal problems with everyone else or they will burst into tears and ask to go home. Either way, customer service will suffer. If the employee stays at work, work colleagues will be distracted from their work because they want to hear the "gossip". Customers will be ignored because staff are chatting and mistakes are made. If the employee goes home, customer service will suffer due to an inadequate level of staff.

### **5.4 Differences in perception**

There are numerous differences in perception which could be described as simple misunderstandings. There may be a difference in perception between what businesses think customers want and what the customer actually wants. This is a result of a lack of communication between the business owner and sales associates, and the customers.

There may also be a difference in perception between the products or service a retailer provides and what the customer thinks they have received. An example of this may be when an alternative product is suggested by a sales

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associate, which is of a similar quality and price, yet the customer may believe they have bought an inferior product.

Differences in perception may occur between the way businesses think customers want to be treated and the way customers really are treated. A sales associate may truly believe they have given exceptional customer service, however, from the customer's point of view, the service may have been inadequate (Gerson, Richard, F., 1998).

### **5.5 Burn out**

Retailers and their employees can reach burn out if they do not have regular breaks. Burn out can lower a person's level of commitment and create a negative attitude in the workplace. This ultimately results in poor customer service.

Burn out usually results from working too many hours on a regular basis or not taking annual leave. Casual staff who are studying can burn out, even if they only work a few shifts a week. This is due to a lack of time to relax and recharge themselves. When retailers or sales associates burn out, they will not provide a high standard of customer service. If the retailer or an employee reaches burn out, they can create a lot of negativity which will affect everyone in the workplace.

### **5.6 Poor handling and resolution of complaints**

The most common complaints in retail are as follows;

1. There are no staff to attend to the customers
2. Customers are ignored

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3. Staff continuing their personal conversation while serving a customer
4. Lack of interest in the customer
5. Staff unable to help or provide alternatives
6. No “thank you” is used to thank the customer for their business
7. Staff are unable to answer reasonable enquires about products and services
8. Managers that make no effort to assist sales staff

(Collis, Jack, 1998)

Poor handling and resolution of complaints can mean the loss of a customer. When handled incorrectly a problem can be escalated and can take up an enormous amount of time. As stated earlier, a dissatisfied customer can take up ten or twenty times more of your time than a satisfied one (Bacal, Robert, 2005).

### **5.7 Lack of empowerment**

Sales associates who are not given the authority to make decisions will not feel like a valued employee. This lack of empowerment leads to low staff morale and a lack of responsibility. Staff who are not responsible will blame others for problems in the workplace. Staff may lose respect for the owner or manager because they may have great ideas that will not be considered. Customer service suffers because the sales assistants feel unappreciated, and therefore are not empowered to provide good service.

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### **5.8 Feedback is not analysed and acted upon**

There is nothing more annoying than hearing customers complain about the same issues day in day out. Some businesses go to an enormous amount of effort to conduct customer surveys, and then do not analyse the data and make the necessary improvements.

Customers will sometimes give feedback because they genuinely want to help. Sales assistants will find it difficult to listen with enthusiasm if they have heard the same complaint several times before. The sales assistant may make the customers' suggestions feel unwanted, simply because they do not want to hear about it one more time. If management does not respond, it all results in poor customer service.

### **5.9 Salary and incentives are not tied to results**

Sales assistants like to be rewarded for achieving results. Retailers must carefully consider staff salaries and incentives. Are award wages enough for your best employees? Employees talk to each other, so there will be no secrets about anything, including wages. Employers can create a lot of negativity simply by being inconsistent with wages and incentives. The employees who work hard to grow the business will get annoyed if they are not rewarded. Those employees who are achieving the greatest results will want more than those who simply turn up and do only what they have to.

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## **6.0 What can management do?**

There are many steps management can take to improve customer service.

### **6.1 Total management commitment**

Commitment from management is essential to the success of customer service programs. The owner must develop a clear and concise service vision for the business, and communicate this vision to its employees. The vision must be communicated through the service policy so all employees are aware of their expectations. The service policy must be in writing, so there are no mistakes or misunderstandings. This will create a service-orientated culture, where all employees realise that they work for the customer, and their job is to ensure their ultimate satisfaction.

Everyone must believe in the vision for the business to provide outstanding customer service, with the goal of retaining customers for life. The owner is responsible for developing the vision, but the sales assistant must make the vision a reality. A service vision, combined with a total commitment from management, is vital to the success of any retail business.

Employee empowerment allows service assistants to make decisions and provides them with a sense of responsibility. The employees will feel more valued and develop the necessary skills to deal with customers who require something out of the ordinary. Employees have daily contact with the customer and are more aware of customer needs, wants and expectations. The owner must listen to the feedback from employees, consider their suggestions and implement as

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many suggestions as possible. Research shows that successful businesses listen to the ideas of their employees and use them. The employee feels wanted and cared about, which empowers them even further.

(Gerson, Richard, F., 1998)

## **6.2 Know your customers**

Customer service is also about getting to know your customers. The owner must have a total understanding of what the customer likes and dislikes about the store, what changes they would like, what their needs are, what their expectations are, what motivates them to buy, what satisfies them and what needs to be done to keep them coming back. It may sound obvious, but the best way to get this information is to simply ask the customer. A customer could be surveyed by filling out a questionnaire or by questioning at the point of purchase. It is important that this information is analysed and used to make improvements.

Gaps in perception can cause businesses to run into problems. A business may think they know what a customer needs, wants or expects, yet they may really require something totally different. This can create customer disappointment. Find out what the customer really needs, wants and expects, and give it to them.

Needs, wants and expectations of the customer change regularly, therefore, you must continue to learn about your customers. This shows the customer that you are genuinely interested in providing good customer service,

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and helps to develop effective customer retention programs. As a result, the customer feels valued.

(Gerson, Richard, F., 1998)

### **6.3 Develop standards of service**

Employees must know exactly what they must do to provide superior customer service. The standards must be made as objective and measurable as possible. When the performance levels are achieved, customer retention and loyalty will follow naturally.

Every business has areas which need to be improved. Developing clear standards for all areas of the business eliminates any confusion over expectations. For example, the phone must be answered after three rings, customer orders will arrive in seven days, sales must be closed with "Thank you, see you next time". Simple standards such as these create a professional workplace with clear expectations. The employees feel comfortable because they are confident that they know what to do, and the customer will receive a consistently high level of customer service. All ordinary business practices must have a standard to ensure superior performance. The standards are measurable, so what gets measured gets done (Gerson, Richard, F., 1998).

### **6.4 Employee training**

Retailers need to fully train their staff so they understand the standard of service that is expected. The management will need to spend time and money on staff training. Employees can receive on-the-job training, off-the-job training,

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CD's, books, seminars, workshops and anything else that will help them to improve job performance. Employees must be trained in all areas of the business, so if someone is sick, there are others who can effectively fill in for the day.

Competent, qualified staff are every employer's dream. Firstly, you need to hire good people, because your service is only as good as the people who deliver it. If you have good people, they will enjoy the training because they want to be the best. An employee may ask, "What's in it for me?" There are three very powerful reasons why an employee should provide outstanding customer service; greater job satisfaction, reduced stress and hassle at work and enhanced job success (Bacal, Robert, 2005)

Training employees will ensure they do it right the first time. Rework and additional services are very costly to a business and can create negative word-of-mouth. Doing things right the first time maintains profitability, and creates happy long-term customers.

(Gerson, Richard, F., 1998)

### **6.5 Recognition and Incentives**

Employees are the primary contact that your customers have with your business. Employees who are given incentives to perform will want to provide good service because they will be rewarded too. Their workplace becomes more than just a job, it gives them a sense of achievement, making them feel valued. Employee turnover is a huge cost to small business, due to the hiring and training

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costs. A high staff turnover also creates a negative image to the customer. It is much more cost effective to train your current staff and provide incentives and recognition for achievement, than to constantly employ new people in the hope they will be better than the last employee.

Employers must always recognize, reward and reinforce superior performances. Rewards can be financial or psychological, and small accomplishments must be recognized in the same way as major accomplishments. Performance can be measured by employee appraisals and sales competitions. Measures such as these create excitement in the workplace.

Customers can also be rewarded because they appreciate recognition in the same way your employees do. Customer rewards may include promotions such as, spend over \$20 in one transaction and go in the draw to win an ipod or buy twelve magazines and receive the thirteenth for free. In my store, we are sometimes left with products, such as chocolates or lipstick, from magazine company promotions. We will hand out these free products to our customers at the end of the promotion. It really creates a buzz because the customers love getting something for nothing. We do this in the hope that the positive word-of-mouth will bring new customers into our store.

(Gerson, Richard, F., 1998)

## **6.6 Work toward continuous improvement**

Businesses must always work to continually improve their customer service and retention programs. You can develop outstanding customer service

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systems, hire and train the best people and go out of your way to satisfy all your customers' needs, yet you must always remember that no system of business is perfect. There will always be more that you can do to make your business better.

Customers and employees will view your attempts at continuous improvement as positive. They will understand that you are trying to become even better than you already are. As you improve your standards, customer service will improve, and the result is more satisfied employees and customers, more rewards, more business and greater profits for the business.

(Gerson, Richard, F., 1998)

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## **7.0 Conclusion**

Retailers must remember that “customer service pays, it does not cost”. It may appear that you are constantly spending time and money on training, however, the rewards are well worth the effort. Businesses must constantly work to achieve their best at all times, with the main goal being to meet the wants, needs and expectations of your customers (Gerson, Richard, F., 1998).

Customer satisfaction will ensure that customers keep coming back to you, and they will hopefully tell their friends and family to come to you too. Outstanding customer service will allow business growth, expansion and profits to take care of themselves. The customer is the most important person in the business, and if you retain this belief, the possibilities are endless.

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