Retail Scorecard: How are You Being Served?

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Introduction

Retailers constantly struggle to retain existing customers and recruit new ones. Some analysts estimate that the U.S. has twice as many retail establishments as needed (Zinn & Power, 1990). Further, conventional retailers compete more and more with mail order companies, computerized retailers, television shopping, and private party sales such as Tupperware (Sweeney, 1994). To gain a competitive advantage, some retailers have expanded service offerings to attract more customers.

Retailers control the level of service and merchandise within a store, but consumers control the expectancy level and use of these services. This paper focuses on consumers' expectations of retail services ranging from essential to optimal. The null hypotheses were: (a) Consumer perceptions of retail services do not differ by demographic characteristics and (b) consumer perceptions of retail services do not differ by store format.

Understanding Service

The term, service, describes "activities performed by sellers and others which accompany the sale of a product and aid in its exchange or its utilization" (Anderson, 1988, p. 184). Similarly, retail service involves activities that are offered by a seller in conjunction with a product, such as delivery and repair. These services may be priced separately and are provided only with a product sale.

Retail service levels have been classified in many ways. Zeithmal, Parasuraman, and Berry (1990) describe levels of service as Essential, Expected, and Optimal. Essential services are necessary for the day-to-day operation of the store (e.g., parking access). Expected services are not necessary for daily operations but are anticipated by the consumer (e.g., delivery or credit for large items). Services not expected by consumers are classified as Optimal. Stores like Nordstrom exemplify Optimal service by shopping competitors to locate out-of-stock items for customers.

Another classification system includes four types: (a) Basic, (b) Support, (c) Disappointers, and (d) Patronage Builders (Bates & Dideon, 1985). Basic and Support services parallel Zeithmal, Parasuraman, and Berry's (1990) Essential services; they are essential for completing sales. Disappointers are labor intensive for the retailer and offer few returns for consumers (e.g., layaway). Patronage Builders are services highly valued by consumers and relatively inexpensive to the retailer (e.g., gift certificates).

Retailers must evaluate services to determine if the benefits outweigh the costs and to what extent consumers utilize these services. By offering additional service, retailers must increase the cost of the merchandise to cover increased overhead. However, some cost-conscious consumers appreciate lower prices and prefer to pay extra when a specific service is needed.

According to Zinn and Power (1990) many department stores do not offer services that consumers deem important. If not meeting customers' expectations, it is likely that customers will exercise their options and be less loyal to traditional department stores. It is no wonder that department stores are suffering while specialty and discount stores are gaining in popularity.

Retailers constantly need to streamline costs while retaining and recruiting customers. If retailers are unaware of why consumer patronage changes, then they will be unable to make necessary adjustments. In addition, retailers have difficulty in identifying reasons for defection since rarely is there a confrontation; typically, consumers just drift away.

If operating expenses are too high for services, retail management will tend to (a) reevaluate services offered and determine which support services can be offered for a fee, (b) identify disappointers that need to be eliminated, or (c) increase patronage builders that can expand the consumer base. Changes in service offerings could affect store perception and patronage.

Consulting the Consumer

A list of names and addresses was purchased from Survey Sampling, Inc. which resulted in a final sample size of 172 from the 820 delivered mailings (20% response rate). Consumers representing 41 states completed the mail questionnaire asking them to rate the importance of 18 retail services for the store most frequently shopped. Store names were listed and later classified as department, discount, or specialty. The sample was intended to be representative of the United States; however, the final sample was somewhat upscale, compared to the national average, in terms of education, income, and proportion that was married. Median age also exceeded that of the U.S. population. Respondents were asked to indicate the importance of various retail services on a scale of one to five, with one indicating not important and five indicating very important.
Statistical Analyses and Results

Data were analyzed using factor analysis, retaining factors with eigenvalues greater than one and loadings greater than .40. Sixteen services loaded on six categories:
1. Essential Service (personal attention and courteous sales associates)
2. Nonessential Service (bank card acceptance and availability of store credit and alterations)
3. Novelty Service (uniqueness of merchandise, variety of merchandise, and convenient store location)
4. Support/Disappointer Services (available delivery, mailings, gift wrap, and layaway)
5. Promotional Service (liberal return policies and advertised specials)
6. Merchandise Offerings (quality of merchandise and variety of brands offered)

Factor scores were created using SPSS's simple sum procedure. Multiple regression analyses were done using the factor scores as dependent variables with each of the consumer characteristics as independent variables. R^2 ranged from .0184 to .1060. Race and income were significantly related to Nonessential Services (p < .05) and gender to Promotional Services (p < .05).

Equality of Services

Factor means from each type of service were used as dependent variables in thirty-six, one-way analyses of variance to determine if the importance of service types differed among consumer demographic characteristics of (a) income, (b) race, (c) marital status, (d) gender, (e) education level, and (f) age. Tukey's Studentized Range indicated that consumers who were divorced and those over age 65 placed highest importance on Promotional Services. Females preferred Novelty Service as well as Merchandise Offerings.

Store Format

When survey results were sorted by store format, descriptive statistics (means) indicated consumers expected the most service from specialty stores. By definition specialty stores offer a narrow line of merchandise and superior service. Findings confirmed this expectation.

Discount department stores are noted for their wide variety of merchandise. Traditionally, they have been known for outstanding personal service. As mergers and acquisitions have made conglomerates of this store type, many believe the personal touch has been lost. Even so, department stores boast of many service offerings such as personal shoppers, a distinct ambience, and wide variety of merchandise. However, it appeared that department store customers ranked their services last in importance.

Customers of all three store types indicated Nonessential Service as important, but the other types of services varied among the stores. This finding indicates the importance consumers place on bank or store credit and alterations. Ranking of important services for specialty stores was (a) Novelty, (b) Nonessential Services, and (c) Essential Service. Discount store shoppers ranked Nonessential Service the highest, then Essential Service followed by Support/Disappointer Services. Department store customers indicated Nonessential Services the most important, followed by Customer Service, then Support/Disappointer Services.

Consumer Implications

According to a 1986 retail management study, poor customer service is a result of over-expansion and an obsession with short-term profit. Customer service is often reduced because the return is not immediately obvious (Davidow & Uttal, 1991).

Many retail managers give lip service to retail services in their corporate advertisements but rarely deliver to the customer. Some services, especially extra services (Disappointers), are expensive to offer, requiring additional staffing and better trained employees. Ultimately these additional expenses result in higher prices.

Types of services and merchandise can vary from one store type to another. Customers expect prestige stores to offer more services than discount stores and are willing to pay for these services. Time-conscious consumers demand more time-saving services. In contrast, the price-sensitive customer may prefer lower prices instead of additional service offerings.

Some stores allow customers to choose among service offerings by having services available but charging a nominal fee. Other alternatives include offering a variety of services the consumer may select, such as payment plans (e.g., store credit, acceptance of bank cards, layaway plans). In addition, services considered to be Essential in some situations, such as delivery for a furniture store, may be considered Optimal for an apparel store.
Overall, this study's findings support Dotson and Patton's (1992) study indicating that consumers preferred services including bank card/store credit and courteous, attentive sales associates. However, findings did not support the importance of retailers offering promotional services such as liberal return policies. Recently department stores have promoted service heavily; however, findings indicated that department store customers did not place high value on service offerings. When other store types were included in the study it became apparent that department store services were perceived as less important than specialty and discount store services.

Education About Service

Many retail services are taken for granted. Educating students on the importance of services may take some extra effort, including fieldwork. One approach is to have students interview local merchants and ask questions regarding basic service policies, such as return policy, credit cards (minimum charge), and personal check acceptance (in state and out of state). Extra services should also be noted such as delivery of merchandise in town and out of town, gift wrap, layaway policies, and alterations. Students should then examine the merchandise offerings to determine the uniqueness of the products and/or services offered and price levels. Uniqueness of the product may compensate for fewer service offerings. A scorecard, based on the results of this study, is included to assist students in organizing the information and for comparison purposes with the study results. After completing the scorecard, students discuss the following questions:

1. Identify type of store, price points, and uniqueness of its merchandise. How would these affect consumer tolerance of service policies?
2. What was the availability of basic services? Extra services?
3. Which services would you as a consumer consider most important? Least important?
4. In the last six months which of these consumer services have you used in a store similar to the one described?
5. Which services do you think are expendable?
6. How have you expressed this information to the retailer?

On completing the scorecard, students will have a better understanding of service offerings for different store types, and be better informed consumers.

Communicating with the Retailer

Consumers' actions speak louder than words in guaranteeing availability of services offered. Consistency in demand enables retailers to determine customers' wants and needs. Naturally, consumers will satisfy their individual needs. Consumers also should understand seasonal services and expect retailers to provide these only during the season. Retailers continually add services to be more competitive—not always keeping the consumer in mind. It is important that consumers communicate their feelings regarding traditional and new service offerings. Often, service offerings do not generate revenue for the retailer and are additional expenses; therefore, the retailer will welcome communication regarding this matter.

References


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RETAIL SCORECARD

Store Name, Store Type (Circle one): Department Discount Specialty Other

Mark the service offered for the store visited. If service is offered place a 1 in the "Y" column. If a service is not available place a -1 in the "N" column.

<table>
<thead>
<tr>
<th>Service Offering</th>
<th>(+1)</th>
<th>(-1)</th>
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<tbody>
<tr>
<td><strong>ESSENTIAL SERVICE</strong></td>
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<tr>
<td>Personal Attention</td>
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<td>Courteous Sales Associates</td>
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<td><strong>NONSESENTIAL SERVICE</strong></td>
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<tr>
<td>Bank Card Acceptance</td>
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<td>Store Credit</td>
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<td>Alterations</td>
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<td><strong>NOVELTY SERVICE</strong></td>
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<td>Unique Merchandise</td>
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<td>Wide Variety</td>
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<td>Convenient Location</td>
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<td><strong>SUPPORT/DISAPPOINTER SERVICE</strong></td>
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<td>Free Delivery</td>
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<td>Layaway</td>
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<td><strong>PROMOTIONAL SERVICE</strong></td>
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<td>Liberal Return Policy</td>
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<td>Advertise Specials</td>
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<td><strong>MERCHANDISE OFFERINGS</strong></td>
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<td>High quality merchandise</td>
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<td>Broad Assortment</td>
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Transfer the totals below and perform the following calculations:

- ES \( \times 6 = \) Essential Service
- NE \( \times 4 = \) Nonessential Service
- N \( \times 4 = \) Novelty Service
- SD \( \times 3 = \) Support/Disappointer Service
- P \( \times 6 = \) Promotional Service
- M \( \times 6 = \) Merchandise Offerings

List the categories with the highest three scores in descending order in the space provided. Top Categories

*Note: Each category is weighted to equalize the number of possible categories (possible score of 12).