Chapter 5
Customer Service:
A Key Differentiator in Retailing

Amit Gupta
JDA Software, India

ABSTRACT
Customer Experience Management is a strategy that focuses the operations and processes of a business around the needs of the customers. Retailing is a huge industry (45% of the U.S. economy and the largest employer) that has consistently been an incubator for new business concepts. The retailing business, in today’s world is focussed on the customer’s buying experience. Focus on customer experience and understanding their needs can solve many retailers’ chronic problems such as stock outs and markdowns. This chapter focusses on following major themes: assortment and inventory planning, markdown and store execution of retailer and their strategies for next couple of years. In today’s Omni-channel world it’s important for retailer to enhance customer experience, be it in brick and motor store or online.

INTRODUCTION
Customer is King; it is true in real sense for the Business success in today’s competitive markets as it requires a high understanding and respect of the customer. Customers are demanding, have more money to spend and have a wide collection of goods and services to choose from. To satisfy the customers, retailers must be able to listen to their feedback and improve services and goods to keep of clients. Customer satisfaction gives an indication of how much successfully the organization is meeting the demands of customers. All activities of the retail chain stores are directed towards customer satisfaction which leads to customer retention--a pivotal factor for business growth. The principle agenda of this research paper is to illustrate the importance of customer satisfaction in the retail industry. The retail industry being the highly competitive field, being able to fulfill customer expectations and demands becomes the most essential element in order to get sustainable growth and profit margin.

Retail Industry
All businesses that sell goods and services to consumers fall under the umbrella of retailing. For starters, there are department stores, discount stores, specialty stores and even seasonal retailers
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(Anderson, Fornell & Mazvancheryl, 2004). Each of these might have their own little quirks; however, for the most part the analysis overlaps to all areas of retailing (Anderson, Baggett, & Widener, 2006). Over the past couple decades, there have been sweeping changes in the general retailing business. What was once strictly a made-to-order market for clothing has changed to a ready-to-wear market. Flipping through a catalog, picking the color, size and type of clothing a person wanted to purchase and then waiting to have it sewn and shipped was standard practice (Moinzadeh, 2002). At the turn of the century some retailers would have a storefront where people could browse. Meanwhile, new pieces were being sewn or customized in the back rooms.

In some parts of the world, the retail business is dominated by smaller family-run or regionally-targeted stores, but this market is increasingly being taken over by billion-dollar conglomerates like Wal-Mart and Sears. The larger retailers have managed to set up huge supply/distribution chains, inventory management systems, financing pacts and wide scale marketing plans (Denove & Power, 2006).

CUSTOMER SATISFACTION

Customer satisfaction is a measure of how a retailer’s total product performs in relation to set of customer’s expectations. Customer satisfaction depends on the product’s perceived performance/value relative to a customer’s expectations (Bakus, Bienstock, & Scotter, 2004). If the product’s performance is not up to the mark, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied and happy. Most of the companies make a big mistake, when they are not paying enough attention to their customer satisfaction. Satisfying customer need is the best competitive advantage against competitors. Customers are loyal, prepared to pay more and are good external marketers. Customer satisfaction is an asset that should be monitored and managed just like any physical asset (White & Dahl, 2006).

Here is a list of the reasons for developing long-term relationships with customers:

- Loyal customers tend to spend more and cost very less to serve.
- Acquiring new customers can cost 10 to 15 times more than the costs involved in satisfying and retaining current customers.
- Satisfied customers are likely to recommend products and services Advocates of a company are more likely to pay premium prices to a supplier they know and trust.
- Retaining exiting customers prevents competitors from gaining market share.

Importance of Measuring Customer Satisfaction

As mentioned above customer satisfaction is one of the most central indicator when measuring and analyzing company’s success possibility now and in future. The average business loses 15-35 percent of its customers each year, but they often don’t know which customers they have lost, when they were lost, why they were lost, or how much sales revenue and profit this customer decay has cost them. Dissatisfaction is clearly the fundamental reason for customer decay, but what causes customer dissatisfaction?

Retaining Customers

Totally satisfied customers are most likely to be loyal customers. However the relationship between customer satisfaction and loyalty varies greatly across industries and competitive situations (Jacobucci, Ostrom & Grayson, 1995). As I mentioned earlier, companies are ready to fight hard to retain customers. Competition is increasing and the cost of attracting new customers is rising.
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