Retail Management A Strategic Approach 13th edition Berman Solutions Manual

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CHAPTER 2: ANSWERS TO QUESTIONS FOR DISCUSSION

1. When a consumer shops at an upscale apparel store, what factors determine whether the consumer feels that he or she got a fair value? How does the perception of value differ when that same consumer shops at a low-end apparel store?

   At an upscale apparel store, price would be de-emphasized compared with the level of personal service, but fair value would also be based on the selection, brands carried, quality of sales support, and availability of free alterations).

   At a low-end apparel store, the consumer would evaluate fair value based mostly on price, brands carried, selection, return policy, and quality of the products stocked.

2. What are the expected and augmented value chain elements for each of these retailers?
   a. Home Depot.
   b. Ikea.
   c. Local fruit-and-vegetable store.

   a. Home Depot
   Expected: Ample parking, well-lit location at night, goods available in ample quantities, clean environment, fast service due to speedy staff, and short waiting lines

   Augmented: Music throughout the store, expert advice from knowledgeable staff on product selection and installation, ability to determine location of goods and in-stock positions on its Web site

   b. Ikea
   Expected: Ample parking, effective displays that provide decorating tips

   Augmented: Staff who provide decorating assistance, help in laying out rooms, and assistance in loading car (especially important for pregnant shoppers, shoppers with young children, and senior citizens)

   c. Local fruit-and vegetable store
   Expected: Ample parking, fair prices, availability of shopping carts

   Augmented: Special assistance on determining product ripeness, assisting shoppers with heavy packages, home delivery, availability of ethnic and organic foods

3. Why should a retailer devote special attention to its core customers? How should it do so?

   A retailer should devote special attention to its core customers because loyal, long-term customers may spend more money, use less company time, may be less price sensitive, and engage in positive word-of-mouth communication. It is generally much more costly for a firm to attract new customers than for it to keep its core customers content.

   A retailer can devote special attention to its core customers by first identifying these customers. A firm should know which customers are its most profitable and loyal and which customers highly value the firm's offerings. Special attention may consist of advance notice of all sales, access to special sales consultants and events, a loyalty club with extra discounts, special advice on product selection, and so on.

4. What is the connection between customer service and employee empowerment? Is employee empowerment always a good idea? Why or why not?

   Retailers have found that customer service can be improved if they empower retail personnel. Through empowerment, employees are given the discretion to do what they believe is necessary, within reason, to satisfy the customer, even if this means bending some rules.

   This strategy can be effective if this extra attention is not overdone. Examples of overdone empowerment are employees not being able to complete their normal responsibilities, employees abusing empowerment to avoid unpleasant job-related tasks, and consumers complaining to get additional consideration.

5. How would you measure the level of customer satisfaction with your favorite restaurant?

   Objective criteria include adherence to reservations, fast service, providing information about product ingredients for patrons on special diets (low salt, low cholesterol, low calories, and so on).

   Subjective criteria are based on consumer perceptions of a store's cleanliness, adequacy of selection, friendliness/knowledge of wait staff, and so on.

6. Devise a consumer loyalty program for Barnes & Noble.

   A consumer loyalty program for Barnes &Noble would reward the chain's best customers in an attempt to create long-term relationships with them. Barnes & Noble could offer special discounts based on purchases in a certain period (past month, per three months, or past year). One model for a loyalty program could be an extra 5 percent discount for new purchases based on the purchase activity in the preceding six months. Another model would be providing discounts on related items purchased by a customer. For example, purchasers of a number of books in a given period could receive a special discount on books by the same author.

Frequent customers could also be given special privileges, such as advance notice of sales, access to a special restricted Web site for frequently asked questions, or special access to an author's book signing session.

7. What are the unique aspects of service retailing? Give an example of each.

   The unique features of service retailing are the intangible nature of many services, such as the quality of a landscaper's design; the inseparability of some service providers and their services, such as individual tutoring services; the perishability of many services, such as the sale of tickets to a live performance; and the variability in quality of many services due to the high labor content.

8. What are the pros and cons of ATMs? As a retailer, would you want an ATM in your store? Why or why not?

   ATMs are a fast, convenient, and efficient way to perform financial transactions. Unlike traditional banks that have limited hours, ATMs enable 24/7 service. Some critics may argue that ATMs pose a safety risk and may perform a transaction incorrectly (such as occasionally swallowing a credit card). Another problem for some customers is the absence of personal contact.

   Having an ATM located in a retail store may increase sales by increasing transaction size (customers can easily get more money to pay their bills) and increasing store traffic (a customer may enter the store to use the ATM and then make an impulse purchase in the store). Possible detriments involve potential safety risks, as well as concern that store personnel will be involved with ATM customer complaints.

9. Will the time come when most consumer purchases are made with self-scanners? Explain your answer.

   Students who argue "yes" could base their response on consumer convenience, cost savings to retailers, time savings to customers, and customer honesty. By using self-scanners, customer transactions are quicker, and retailer costs are lower.

   Those students who argue "no" to this question could base their response on the difficulty in getting all consumers to use the self-scanners properly or consumers having difficulty using loyalty cards or manufacturer coupons with the scanners.

10. Describe three unethical, but legal, acts on the part of retailers that you have encountered. How have you reacted in each case?

    Unethical, but legal, acts by retailers include the following:

- Marketing unsafe products (like cigarettes) to specific segments of the population.
- Restaurants and supermarkets throwing away excess food rather than giving it to the poor or homeless
- Advertising items with low stock levels
- Raising prices of needed supplies in short supply (such as flashlights and bottled water) during hurricanes or severe storms
- Promoting the sale of goods with "promotional" items (with poor features, low quality, and short and limited warranties) to generate store traffic
- Defaming competitors
- Selling or trading a listing of customers to other retailers
- Giving consumers who return gifts without a receipt the markdown value of the gift (when the store personnel know the gift was purchased at full price)

11. Differentiate between social responsibility and consumerism from the perspective of a retailer.

    A retailer exhibiting social responsibility acts in the best interests of society as well as in its own. Examples include recycling and conservation programs, sponsoring community activities such as a softball team, and hiring handicapped personnel.

    Consumerism, from the perspective of the retailer, entails implementing programs to protect a consumer's right to safety, to be informed, to be heard, and to make choices. These policies may include product-testing programs, policies for handling customer complaints, reviewing the clarity of advertising messages, training retail personnel to be honest in suggesting products, and sponsoring consumer education programs.

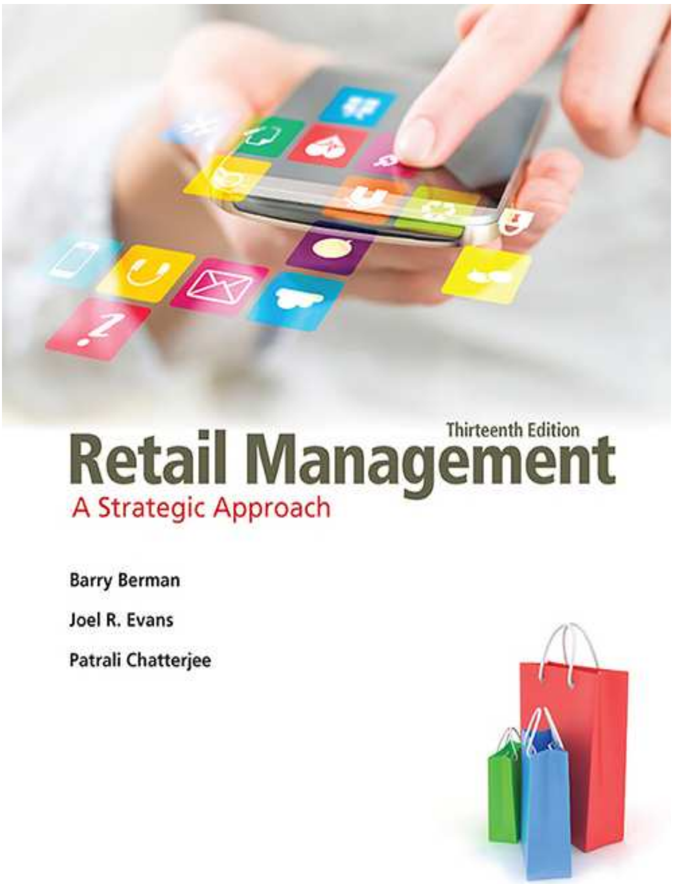
12. How would you deal with consumer concerns about privacy in their relationships with retailers?

    Retailers should be extremely considerate when providing information about consumers to other organizations or individuals. The advantage of providing marketing information about a consumer base may not outweigh the risk of violating customer privacy, especially when it involves private or sensitive information. Students may elect to "put themselves in the shoes of their customers" when asked to make decisions about what information about their customers could be revealed or sold.

    One way of handling the issue of privacy is to ask customers for permission to give their name and general purchase history information to a select group of retailers who would provide appropriate goods and services.

Retail Management: A Strategic Approach

Thirteenth Edition



Chapter 2

Building And Sustaining Relationships In Retailing

Learning Objectives

2.1 To explain what "value" really means and to highlight its pivotal role in retailers' building and sustaining relationships

2.2 To describe how both customer relationships and channel relationships may be nurtured in today's highly competitive marketplace

2.3 To examine the differences in relationship building between goods and services retailers

2.4 To discuss the impact of technology on relationships in retailing

2.5 To consider the interplay between retailers' ethical performance and relationships in retailing

Definition of Value

- **Value** = Results + Process Quality

  Price + Customer Access Costs

- **Results** = Overall quality, instructions, ease of assembly, taste/quality/health, warranty, product testing by retailer
- **Process Quality** = Wide aisles, ease of finding, high in-stock position, fun experience, short waiting times
- **Price** = Costs + delivery + assembly + credit
- **Customer access costs** = Warehouse club membership fees, inconvenient location, poor store hours, inadequate parking.

Pearson

What is Value?

Channel Perspective

- Value is a series of activities and processes (the “value chain”) that provide a certain value for the consumer.

Customer Perspective

- Value is a perception that the shopper has of the value chain.
- It is the view of all the benefits from a purchase versus the price paid.

Retail Value Chain

- Represents the total bundle of benefits offered to consumers through a channel of distribution
  - Store location and parking, retailer ambience, customer service, brands/products carried, product quality, retailer's in-stock position, shipping, prices, image, and other elements

Potential Pitfalls to Avoid in Planning a Value-Oriented Retail Strategy

- Planning value solely from a price perspective
- Providing value-enhanced services that customers do not want or will not pay extra for
- Competing in the wrong value/price segment
- Believing augmented elements alone create value
- Paying lip service to customer service

Figure 2.2 A Value-Oriented Retailing Checklist (1 of 2)

- Is value defined from a consumer perspective?
- Does the retailer have a clear value/price point?
- Is the retailer’s value position competitively defensible?
- Are channel partners capable of value-enhancing services?
- Does the retailer distinguish between expected and augmented value chain elements?
- Has the retailer identified potential value chain elements?
- Is the retailer’s value-oriented approach aimed at a distinct market?
- Is the retailer’s value-oriented approach consistent?

Figure 2.2 A Value-Oriented Retailing Checklist (2 of 2)

- Is the retailer's value-oriented approach effectively communicated?
- Can the target market clearly identify the retailer's positioning?
- Does the retailer's positioning consider sales versus profits?
- Does the retailer set customer satisfaction goals?
- Does the retailer measure customer satisfaction levels?
- Is the retailer careful to avoid the pitfalls in value-oriented retailing?
- Is the retailer always looking out for new opportunities that will create customer value?

Figure 2.3 Retailing Relationships

Customer Service

- **Expected customer** service is the service level that customers want to receive from any retailer such as basic employee courtesy.
- **Augmented customer** service includes the activities that enhance the shopping experience and give retailers a competitive advantage.

Zappos Company Culture

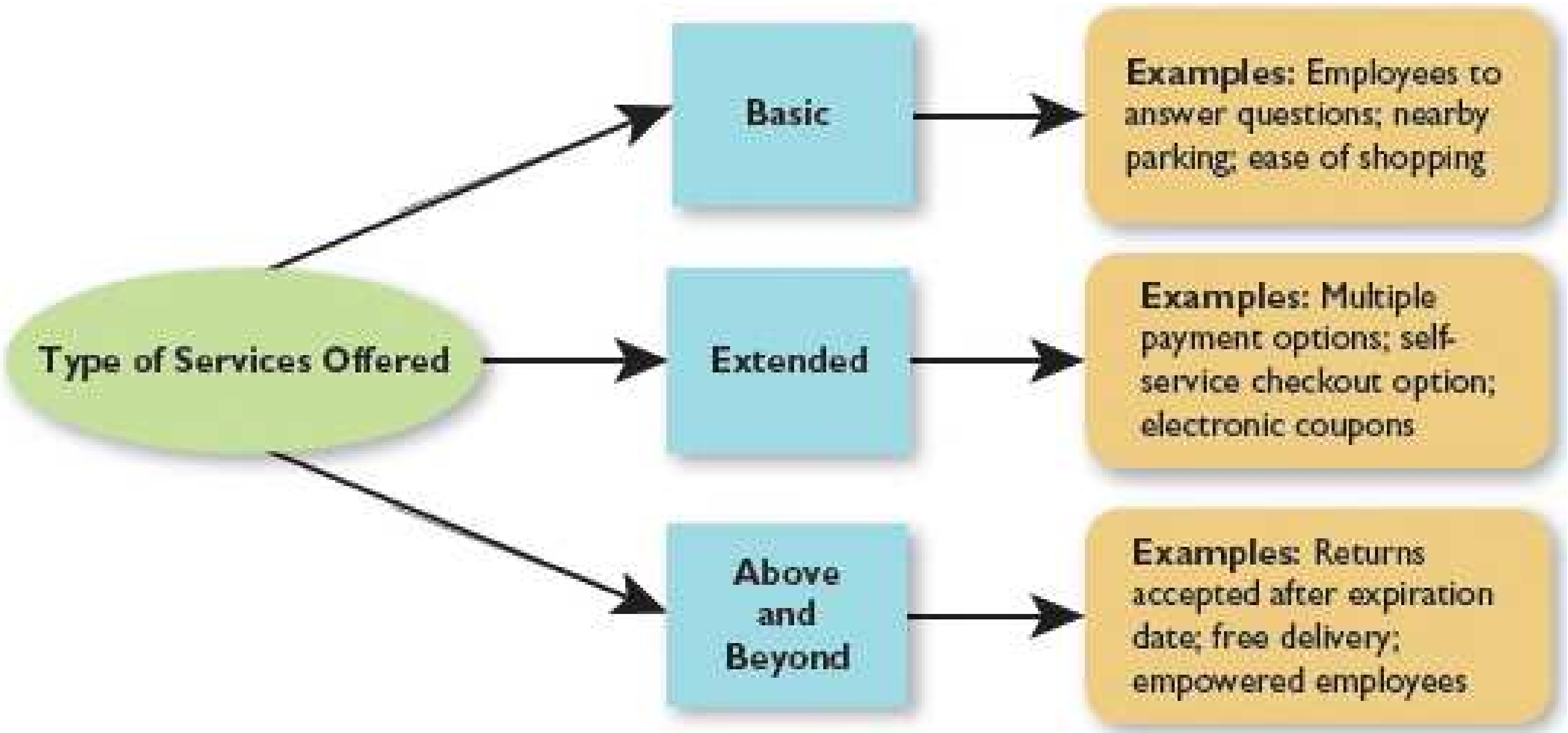
Please click URL to view:

https://youtu.be/SCwfxEpQlHk

Expected Versus Augmented Levels of Customer Service

- **Expected**– Must have elements; do not differentiate retailer. While absence of these expected values provides anguish, presence does not provide satisfaction
- **Augmented**—Services that can provide a competitive advantage. Double warranty, special delivery, product demonstrations

Figure 2.4 Classifying Customer Services



Fundamental Decisions

- What customer services are expected and what customer services are augmented for a particular retailer?
- What level of customer service is proper to complement a firm’s image?
- Should there be a choice of customer services?
- Should customer services be free?
- How can a retailer measure the benefits of providing customer services against their costs?
- How can customer services be terminated?

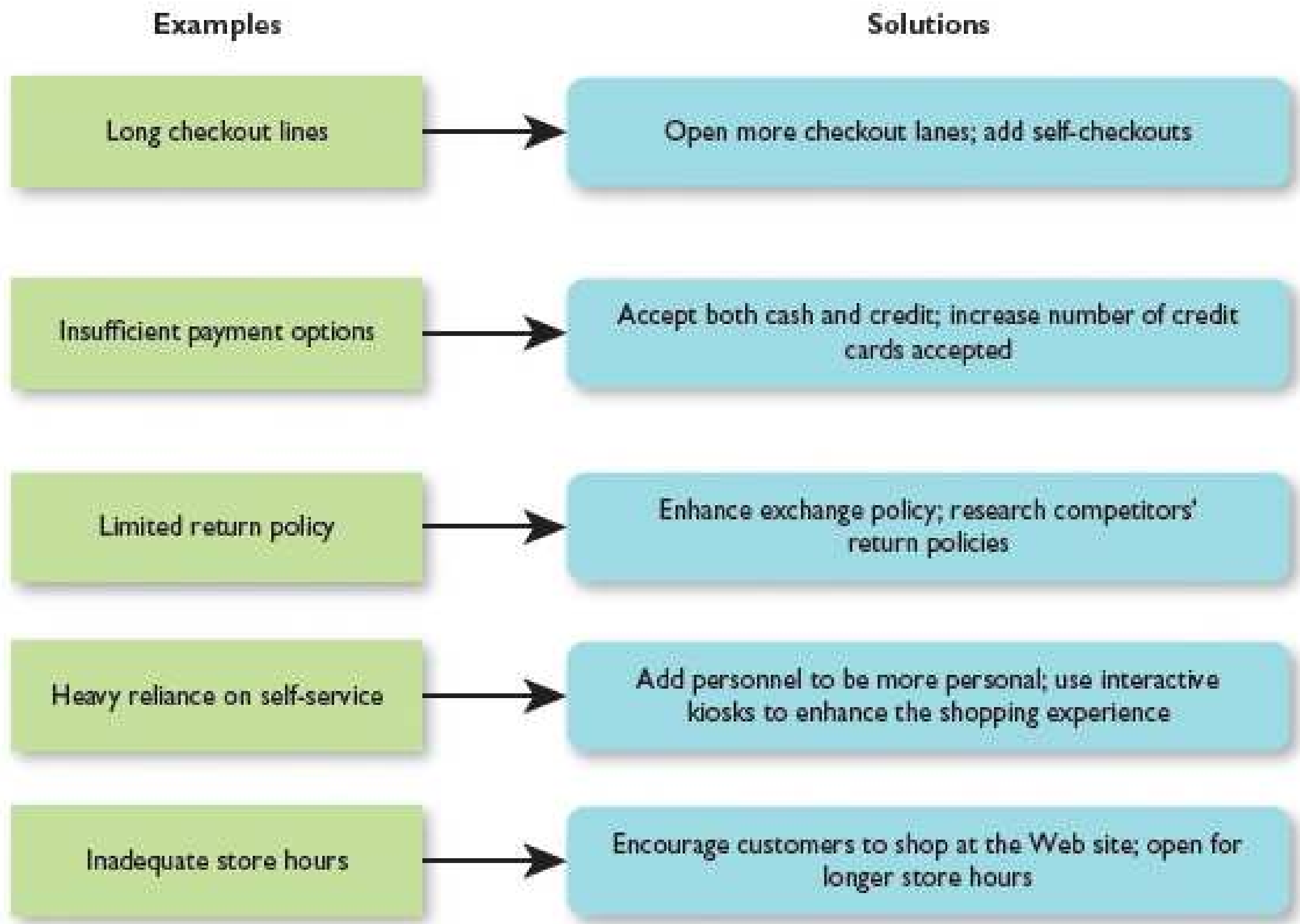
Table 2.1 Typical Customer Services

- Credit
- Delivery
- Alterations/ Installations
- Packaging/gift wrapping
- Complaints/Returns handling
- Gift certificates
- Trade-ins
- Trial purchases
- Special sales
- Extended store hours
- Mail/phone orders

Table 2.1b Miscellaneous Customer Services

- Bridal registry
- Interior designers
- Personal shoppers
- Ticket outlets
- Parking
- Water fountains
- Pay phones
- Baby strollers
- Restrooms
- Restaurants
- Babysitting
- Fitting rooms
- Beauty salons
- Fur storage
- Shopping bags
- Information

Figure 2.6 Turning Around Weak Customer Service



Types of Loyalty Programs

- Additional discounts at register
  - Not a real loyalty program
- 1 free with every “n” items purchased
  - Easily copied, no customer database
- Rebates based on cumulative purchases
  - Customer maintains records
  - Can develop “heavy half” programs like Hilton
- Targeted offerings and mailing based on purchase history
  - Tesco example “Market research staff know more about my customers than board chairperson”

Rewards Program Categories

- Economic
- Hedonistic
- Social-relational
- Informational
- Functional

Types of Economic Loyalty Programs

- Additional discounts at register
  - Not a real loyalty program
- 1 free with every "n" items purchased
  - Easily copied, no customer database
- Rebates based on cumulative purchases
  - Customer maintains records
  - Can develop "heavy half" programs like Hilton
- Targeted offerings and mailing based on purchase history
  - Tesco example "Market research staff know more about my customers than board chairperson"

Principles of Category Management

- Retailers listen more to customers
- Profitability is improved because inventory more closely matches demand
- By being better focused, each department is more desirable for shoppers
- Retail buyers are given more responsibilities and accountability for category results
- Retailers and suppliers must share data and be more computerized
- Retailers and suppliers must plan together

Category Management: Juice

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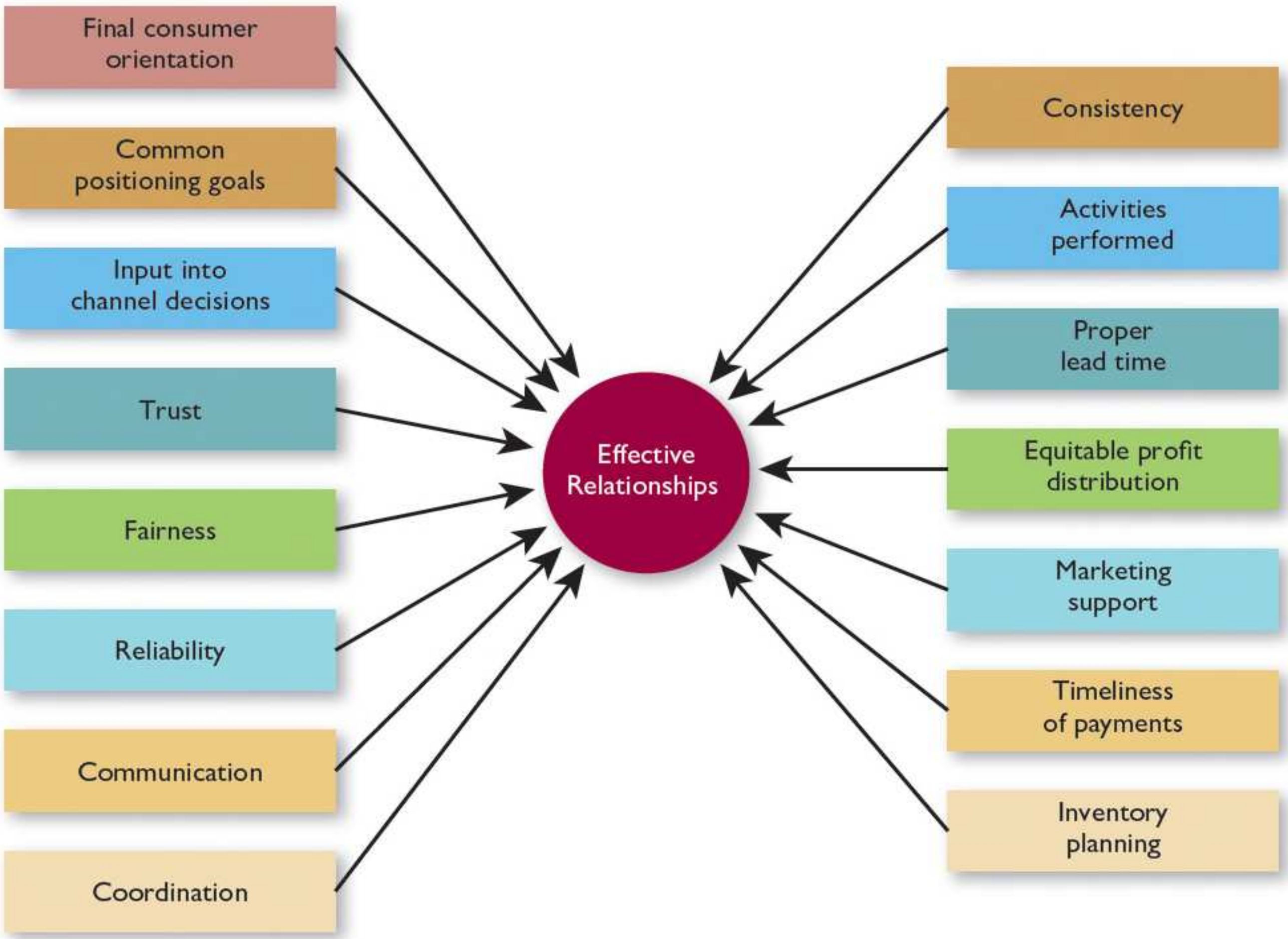
Figure 2.7 Elements Contributing to Effective Channel Relationships



Three Kinds of Service Retailing

- Rented goods services– leased cars, hotel rooms, carpet cleaning equipment
- Owned goods services– plumbing, appliance repair,
- Non-goods services– haircut, professional services (physician, lawyer)

Four Characteristics of Services Retailing

- Intangibility
- Inseparability
- Perishability
- Variability

Figure 2.8a Managing Unique Characteristics of Service Retailing

Intangibility

- Display/distribute customer testimonials.
- Explain in detail how the service will be performed and what the expected results will be.
- Have strong, clearly stated guarantees of performance.
- Be competitively priced.

Figure 2.8b Managing Unique Characteristics of Service Retailing

Inseparability

- Prominently promote major points of distinction with competition
- At the time a service is completed, encourage customers to schedule appointments for a follow-up service visit or call.
- If possible, rotate employees who interact with customers each time they buy a service so that customers do not leave if a popular employee goes elsewhere.
- Call customers after a service is performed to demonstrate the firm’s interest in them.

Figure 2.8c Managing Unique Characteristics of Service Retailing

Perishability

- Carefully plan each work day to optimize service visits or calls.
- Be prepared to do alternative tasks if the weather is bad.
- Offer appropriate other services that are popular during off-season.
- Be willing to work longer hours during peak periods and fewer hours during slower times.

Figure 2.8d Managing Unique Characteristics of Service Retailing

Variability

- Develop and implement systematic procedures for performing each service—including a series of steps to be undertaken every time the same service is requested.
- Train employees well.
- Computerize as many steps as possible, such as inputting customer information, verifying that each step has been completed, and billing.
- Regularly observe employee actions to be sure they are done correctly.

Figure A2.1 Lessons in Service Retailing

Figure 2.10 Technology Icons

Retail Challenge: Service Strategy Through Technology

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Examples of Consumerism in Retailing

- Proper testing of items for safety issues
- Programming cash registers not to accept payment for recalled goods
- Charging fair prices for goods in short supply—Home Depot plywood example in hurricane
- Age labeling of toys, warning labels on goods beyond legal requirements

Figure 2.11 Store Sale

Figure 2.12 Understanding the Americans with Disabilities Act

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