



MANAGING *for* HIGHER RETAIL SUCCESS

DMSRetail



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Managing for Higher Retail Success

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Managing for Higher Retail Success

by

DMSRetail

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RETAILING BIGGEST CHALLENGES

Managing for Higher Retail Success

- ✓ Competition from Other Companies
- ✓ Coping with Changing Economics
- ✓ Meeting the Demand for High Quality Service
- ✓ Effective Utilization of Technology



PERFORMANCE TRAITS

Managing for Higher Retail Success

In this section, personal performance characteristics that make up a good foundation for successful retail management are discussed. They are:

- PLANNING FOR SUCCESS
- LEADERSHIP
- DECISION MAKING
- MANAGING HUMAN ASSETS
- COMMUNICATION SKILLS
- SUCCESS MODELING

PLANNING FOR SUCCESS

- ✓ Statement of Direction for Your Store(s)
- ✓ Effective Goal Setting for You and Your Staff
- ✓ Performance Inhibitors
- ✓ Measuring Success

STATEMENT OF DIRECTION

There are many ways you can describe the direction of your retail business to your employees. The important thing is to have well thought out, meaningful and written



statements which describe the major areas of business activities to give solid direction to your employees. Here is a compilation of the more important vehicles:

The Mission Statement: The basic foundation document of the business. Tells what kind of retail business you're in, what market you serve, what you bring to that market, and in particular, the special way in which you approach that market.

Mission statement takes its form from company's stated vision. It should contain the following dimensions in a crisp and concise way.

- ✓ Shared Values (What is Important)
- ✓ Beliefs (How Things Work)
- ✓ Behavioral Norms (the Way We Do Things)

Company Values: A set of precepts, principles, beliefs, or statements of advocacy to which top management pledges its adherence. The human factors that drive the conduct of the business. Often published and posted prominently for everyone's benefit.

The Service/Product Strategy: May be contained in the mission statement or in a separate document. Specifies the



personality of your service or product and explains the unique selling proposition that defines your positioning in the market. It is initially helpful in launching a service quality program, but ideally it should become an intrinsic part of the mission statement and the accepted definition of the service or product.

The Strategic Plan: Defines the company's next moves over a period of one to several years. May set forth a few critical key result areas that guide the development of implementing objectives and the annual tactical planning process. Some managers prefer to set a few major strategic objectives in the strategic plan rather than specify key result areas. The plan is subject to revision or updating on an annual basis, but tends to transcend the annual planning process.

The Annual Business Plan: This tactical plan implements the strategic direction for the year. It specifies major objectives for the business and tells generally how to achieve them. The plan is broken down by major organizational division, department or store.

The Operating Budget: The operating budget spells out expected revenue levels and anticipated expenses for carrying out the business plan, and it is broken down by division, region and store as well as by product line.



With a clear and valid set of charter documents in place, people in the organization sense that their leadership has a clear direction and an appropriate plan, and speaks with consistency. This is one of the important conditions that must prevail for people to get turned on about a major initiative based on sales, productivity, profitability or service quality.

EFFICIENT: Doing things right.
EFFECTIVE: Doing the right things right.

“Success comes from doing the really important things critical to obtaining results.”

EFFECTIVE GOAL SETTING

One of the most important performance drivers is setting up appropriate objectives. In a retail environment these objectives can take many forms, like total sales, units per transaction, sales per square foot, etc. (see KPI's at www.dmsretail.com/kpi's.htm)

Whatever form they may be;



GOALS SHOULD BE:

- ✓ Specific
- ✓ Measurable
- ✓ Time-Framed
- ✓ Realistic and Achievable
- ✓ Personally Meaningful and Supportive of Other Goals

Apart from setting the goals, retail managers must pay specific attention to make sure the limited time available to their staff and themselves is not nibbled away by actions, events and other interruptions that if not handled properly will hinder the success of the store operations. We call them "The Top Time-Wasters"

THE TOP TIME - WASTERS

Significant performance degradation may result from unsuspected sources, if store management is not observing the staff behavior closely, or themselves not paying attention to time-wasters like:

- ✓ Telephone Interruptions
- ✓ Drop-in Visitors



- ✓ Meetings (Scheduled and Unscheduled)
- ✓ Crises
- ✓ Lack of Objectives, Priorities, Deadlines
- ✓ Cluttered Back Room, Desk and Personal
- ✓ Disorganization
- ✓ Attempting Too Much At Once
- ✓ Lack of or Unclear Communication
- ✓ Inadequate or Inaccurate Information
- ✓ Indecision or Procrastination
- ✓ Ineffective Delegation
- ✓ Confused Responsibility and Authority
- ✓ Leaving Tasks Unfinished
- ✓ Lack of Self Discipline

CAUSES OF PROCRASTINATION

Procrastination is a major performance suppressor especially for junior managers that have not developed the sense of urgency for certain important tasks. They end up in crises usually because too many important issues accumulate especially when they are Customer or Head Office related.



Generic causes of procrastination are:

- ✓ Unpleasant Tasks
- ✓ Difficult Projects
- ✓ Indecision

HOW TO STOP PROCRASTINATION

- Recognize Procrastination
- Break-Up Large Tasks into Manageable Sizes
- Consider Creating a Team for Larger Projects
- Plan and Complete a Start-Up Task
- Make a Wager
- Devise a System of Rewards
- Try the Hardest Part First
- Tailor Your Store Environment for Efficiency

RESULTS MATTER... EFFORT DOESN'T.

"Management is judged by the results it achieves and not by the obstacles it overcomes." - Peter Drucker



Contrary to popular opinion; "Trying your best" in retail business just does not cut it, unless your best is good enough. Retail employees specially must be clearly shown that their efforts must be directed in effective tasks at all times instead of just doing stuff they like or trying to look busy. It is important to note here that in majority of cases in retail the effective effort involves customers in some shape or form and must be regarded as the highest priority.

LEADERSHIP

With a few exceptions, business success is all about leadership.

This is even more valid in retail because of the heavy human interaction nature of this business. All managers at any level of retail are required to perform satisfactorily in the following traits:

- Vision
- Empowering Others to Act
- Leading by Example
- Situational Leadership

SUPER LEADERS

Great Leaders excel in the following skills/traits/efforts:



- Vision
- Communication
- Persistence
- Energy
- Organization

GOOD LEADERSHIP CHARACTERISTICS

The following is very much like a recipe for success for your leadership and is self explanatory:

THE BEST LEADER:

- Is Honest
- Respects Others
- Is a Good Listener
- Sets Performance Goals and Standards
- Encourages and Supports
- Is Personally Competent
- Sets a Good Example
- Is Committed to Goals



- Is Consistent
- Is Available to Subordinates
- Knows People Want and are Able to Contribute
- Acts as a Coach

MANAGING PERFORMANCE

- Set Relatively High Performance Expectations
- Relate Expectations to Goals
- Give Recognition and Reward for Good Performance
- Encourage Employees to Discuss Work Concerns
- Give Useful Feedback about Work Performance

INGREDIENTS FOR A SUCCESSFUL VISION

- Depicts a Preferred Future State of Being
- Expresses the Essence of the Organization and the Values of Its Management
- Should be Compelling, Inspiring and Empowering
- Should Have Meaning to All Stakeholders
- Should Provide Basis for Planning and Decision Making
- Should Provide a Guide to Day-to-Day Behavior



- Should be Simple, Straightforward
- Easy to Remember, Articulate
- Easy to Explain and Understand

ROLLING-OUT YOUR VISION HOW TO GET BUY - IN

- Thorough Understanding of Company Vision
- Employees Create Personal Vision Aligned to Company Vision
- Fine-Tuning Company Vision to Include Employee Input
- Create Awareness of Behavioral Skills required to Move towards Vision
- Create Motivation to Develop these Skills

Another very important leadership trait is being able to make quality decisions. The following is to give you a brief blue print for decision making.

THE DECISION - THINKING PROCESS

- Stage 1: **Understand the Issue**
- Stage 2: **Know Your Values**



- Stage 3: **Set Your Goals**
- Stage 4: **Expand Alternatives**
- Stage 5: **Seek Information**
- Stage 6: **Predict Outcomes**
- Stage 7: **Take Action**

COMMON ERRORS IN DECISION MAKING

- Decide Too Quickly
- Not All the Facts are "In"
- All Alternatives Not Considered
- Little Thought to Consequences
- Little Consideration to Staff Reaction

MANAGING HUMAN ASSETS

Retail is all about Human Interactions. Once this is understood, it becomes crystal clear that your staff is a critical factor in your retail business's success. Overall quality and effectiveness of your staff is a reflection of your quality and capability as a Retail Manager. Following areas are



critically important to get down-pat right:

- Hiring the Right People
- Corrective action-When, Why and How
- Importance of Staff Continuity-Cost of Staff Turnover
- The Performance Interview

CORRECTIVE ACTION: When, Why & How

In this section, we are going to look at the reasons for performance problems. We are first going to give you the highlights and later take each point and expand on that point.

There is a lot of good advice here because we not only look at problems themselves but also discuss solutions and methods to remedy most performance issues that are typical in retail stores. We also cover areas that management has the ultimate responsibility to set an environment that is truly motivational and not just one driven by slogans with no substance behind them.



IDENTIFYING THE PROBLEM

- Skill Deficiency (Lack of Training / Experience)
- Motivational Problem (Area of Management Responsibility)
- Behavioral Problem (Area of Individual Responsibility)

Skill deficiency is usually the easiest to deal with, and can be resolved through appropriate training.

Motivation of course covers a wide range of factors and influencers and it is the manager's responsibility to create a motivational store environment.

MOTIVATIONAL PROBLEMS

- ✓ Performance is punishing
- ✓ Non-Performance is Rewarding
- ✓ Does Performance Matter?
- ✓ Obstacles

Behavioral issues are the most difficult to overcome; they are a total sum of individual's upbringing, educational level and experiences.



HOW TO CORRECT BEHAVIOR PROBLEMS

- Clearly Communicate Expectations
- Use Appropriate Leadership Style
- Give Descriptive, Corrective Feedback

Depending on the nature and the severity of problem, you may want to take one or more of the options listed below that are available to you as the leader/coach/manager. Detailed explanation of each option is available later in the book.

OPTIONS WHEN FACING A PROBLEM EMPLOYEE

- Shut Up and Love It
- Neutralize the Person
- Neutralize Yourself
- Threats, Bribes, Guilt Trips
- Do Nothing & Complain
- DEAL WITH THE PROBLEM



Once you decide to deal with the problem, you need to sit down with the person and have an open, straight forward conversation about the issue(s).

PLANNING FOR THE PROBLEM SOLVING INTERVIEW

- Describe the Specific Behavior to be changed
- Describe the Behavior You Like to See
- Determine Who Owns the Problem
- Consider the Time Frame

CONDUCTING THE PROBLEM SOLVING INTERVIEW

- State Your Concern
- Help the Person Identify the Problem
- Help the Person Identify a Solution
- Get Commitment around Results
- Restate Performance Expectations
- Set a Firm Follow-Up Time and Date

IMPORTANT POINTS

- Deal with the Behavior Not the Personality



- Problem Solving is Not a Win/Lose Deal
- Look for Win/Win Situations
- Make it Safe, Comfortable, an Open Atmosphere
- Create a Contract environment
- Don't Be the Only Person Working on a Solution

CORRECTIVE ACTION- WHEN, WHY AND HOW:

The first step with any situation is to define the problem, and a useful way to start is by differentiating between a "Performance" problem and a "Behavior" problem.

Performance problems are those deficiencies relating directly to the performance of a task or a group of tasks, such as: failing to achieve sales numbers, incomplete tasks, errors, low productivity, poor work quality, etc. Quite often with a performance problem the manager or supervisor has a part in the problem. For example, by not communicating performance expectations or using an inappropriate leadership style, we contribute to the situation. As a result, to correct a performance problem the supervisor and the employee will need to work together to correct the performance.



Behavior problems are those situations of inappropriate or unacceptable actions that violate established norms, practices and policies. Examples include: frequently arriving to work late, chronic absenteeism, arguing with customers or other staff, and the more serious problems of theft, alcoholism and/or drug abuse.

Before taking any action the supervisor needs to identify the problem as either a performance or a behavior problem and then analyze the problem in an attempt to find the "cause".

Identifying the problem: The first step in identifying the problem is to establish clearly the nature and extent of the performance discrepancy. This is done by describing the difference between the expected level of performance and what the employee is presently doing. Naturally, this means that you need to be very clear on what your performance expectations are. You also need to be sure that you have communicated these expectations to the employee. Here are some examples:

Performance Expectation: Sell eight customers a day.

Present Performance: Jane is only making two sales.

Discrepancy: Not meeting the expectation by



six sales.

Performance Expectation: Drive the company car safely, with "no" accidents.

Present Performance: Dick had three accidents this month.

Discrepancy: Three accidents is three too many.

Performance Expectation: Begin work at 9:00 am. each day

Present Performance: Joe arrives at 9:00, but really doesn't get started until 9:30 am.

Discrepancy: Half an hour delay in starting work.

When you've defined the discrepancy, and you're certain that your expectations are known, you need to ask yourself: "Is the performance discrepancy important?" Well, all problems are important, however, decide if it's serious enough to spend time and energy dealing with the problem. If you do attempt to correct the situation, will you, in fact, create more problems?

If it's a situation that doesn't affect the productivity of the employee or other employees; or doesn't affect the



morale of the sales team, or the employee is to retire in six months, it may not be important enough to fix it. If this is the case-no, it's not important-ignore the problem.

In two of our three examples there may be other factors that could be relevant. If Jane's sales are double her monthly quotas in selling to repeat customers, the problem may not be worth fixing. If Joe is slow in starting but he stays extra hour everyday, always works the weekends and those hours which nobody wants to be in the store, his productivity is high and the other salespeople don't seem to mind the situation at all, this problem may not be important either.

The key is to think the issue through and to use common sense. Always remember-if it isn't important, don't spend time to fix it. However, if these factors aren't present, (Jane's not getting the sales and Joe doesn't work extra time) then you have to decide whether the problem is a

- i) Skill Deficiency
- ii) Motivational
- iii) Behavioral



In deciding if the problem is the result of a skill deficiency, the crucial question to ask yourself is:

"Could the employee perform the task correctly if his/her life depended on it?" Does the employee have the required skills; has s/he received the proper training? Don't make assumptions about the answer, but rather give it some serious thought. If your answer to the question is "Yes, the employee can give the required performance if his/her life depended on it, but s/he doesn't," you're dealing with either a motivational or a behavior problem. Motivational problems are those which pertain to the performance of tasks-whether or not a job is done, whether it's done correctly or it's done on time. Behavior problems are those which have to do with the overall demeanor of the employee. His actions, dress, or conduct are somehow not meeting the general expectations, norms and standards of the organization.

Each of these three types of problems requires a different approach to assess and resolve them.

Skill Deficiencies: When confronted with a possible skill deficiency the first question to ask is "Did the employee used to do it?" Has s/he ever performed this task? If the answer is "NO" then the obvious fix is



to arrange a formal training. If the answer to the question is, "Yes, s/he used to do it." The next question is, "Is this a skill that's used often?" If the answer is "NO", we need to arrange some supervised practice. If the answer is "Yes, this skill is used quite often," we then need to give feedback. Provide the employee some corrective feedback so s/he can adjust or correct the performance.

Motivational Problems: Motivation has to do with desire, wanting to do the job. There are four possible reasons why employee doesn't want to perform:

a) **Performance is punishing:** Some times, employees receive some form of punishment or negative consequence for performing well. *The one who works hard and efficiently, will get more work to do while the less achievers get less work.* In the case of a large airline company, the baggage handler who delayed the plane to correctly route the luggage, got punished. If he did not care, all baggage would have ended up in wrong destinations but nobody would have singled out this particular handler.

b) **Non-Performance is rewarding:** This is



the converse of the previous situation. Slower you work, the less you have to do and you sure get a lot of attention from your supervisor or you'll have more time to chat. If you are the last to arrive at a meeting, you become the center of attention.

c) **Does Performance Matter?** : Is there some consequence to the employee? Some accountability, some reason to be important to the employee? This is quite often the problem when the priority and importance of tasks are not communicated to the employee. Supervisors can not afford to assume "they should know ". You need to communicate your expectations clearly and provide consequences for performance. To express this differently, the employee needs to experience consequences when performance is good and different consequences when it is inadequate. If the employee can say "No one seems to care, if I do it well or poorly, no one notices!" Then performance really doesn't matter, does it?

d) **Obstacles:** Are there obstacles or something in the way that prevents the employee from achieving the results? Does the employee have proper tools, equipment to do the job? *An example for this would be, a manager going home early with the cash drawer keys preventing*



the assistant manager from cashing out on time.

Check to see if there is some obstacle preventing the employee from performing. If there is, "remove the obstacles".

Behavior Problems: Supervisors are often confronted with behavior problems such as lateness, chronic absenteeism, conflict with co-workers, abusive to customers, causing destruction to equipment and property, excessive late lunches and other actions that are creating problems. The first question to ask is: "Has employee been told specifically what the acceptable standards of behavior are?" If you have not personally communicated these expectations to the employee, then do so and also outline the reasons why these expectations exist. In serious situations, it may be wise to also tell the employee what consequences will ensue if the behavior does not change.

If the employee has been told what the acceptable standards of behavior are and s/he is still not meeting these standards then you need to provide some consequences. The consequence should equal the seriousness of the infraction.



Before taking action on a performance problem, the manager needs first to give some thought to "Who owns the Problem?" To identify that, you should ask yourself some pointed questions:

1. Have I communicated my performance expectations clearly to the employee and am I confident that the employee has a clear understanding of these expectations?

2. Am I using the effective and appropriate leadership style for the employee's development level?

3. Have I openly discussed with the employee his or her performance and given descriptive, corrective feedback?

If the answer to any or all of these three questions is "No" then you, the manager, own some part of the problem and you need to make appropriate changes to the training, job environment, your leadership style, or communicating your expectations.

If the answer to all of the three questions is "Yes". (you've done all those things and the problem still exists,) then the employee owns the problem and you need to



conduct a Problem Solving Interview.

DEALING WITH PERFORMANCE PROBLEMS AND PROBLEM EMPLOYEES:

When facing a problem with a person there are six options to choose from to deal with the particular problem or person. They are:

1. SHUT UP AND LOVE IT: This is an appropriate choice to make when the problem is so minor it is not worth the energy to fix it, and trying to do something about it may only make things worse. Remember the last two words of this option are "Love it". Find something humorous in the situation that will ease or eliminate the tension caused by the problem.

2. NEUTRALIZE THE PERSON: This is similar to burying the cat in the neighbor's backyard. Or the transfer, promotion or lateral arabesque. Transferring or promoting the person at times is a very effective option- the employee may work very effectively under another supervisor.

3. NEUTRALIZE YOURSELF: Take yourself out of the problem situation by transferring yourself, getting a



promotion, or choosing another career path. This may be necessary if you have an irreconcilable difference with your boss. After all, it's very difficult to have your boss transferred.

4. THREATS, BRIBES and GUILT TRIPS: These are options quite a number of people choose. Unfortunately, the success rate is pretty poor and the long term effect is often resentment and frustration, which may compound the problem.

5. DO NOTHING & COMPLAIN: This ulcer producing activity is also very common. By doing nothing the problem never gets solved. By complaining, the effect is throwing energy into a bottomless pit. This is the most impotent of all the options.

6. DEAL WITH THE PROBLEM: As most people are pretty adept in the other five options, training is not required. Yet, good management is all about facing and dealing with problems and fixing them successfully.

The following is a guideline for "Planning for and conducting a Problem Solving Interview."

Problem Solving: The objective in engaging in a



problem solving activity with an employee is: To seek a change in behavior as it relates to job performance. Purpose is to work with the employee to help the person do something different (better) than they are presently doing.

Planning for the Problem Solving Interview:

1. Describe the specific behavior you would like to see changed.

- What is the person doing that I don't like?
- How does this behavior affect his/her performance?
- How does this behavior affect the performance of others?
- What are some examples? When does this occur? When did it occur last? Where does this happen? Who is involved?

It is imperative that this description be what the person is doing and not an overall assessment or conclusion by the supervisor.

Example: Right: Mary, when a customer comes in I see you put your head down, pick up some papers, back away from the customer and remain out of sight until another salesperson serves the customer.



Wrong: Mary, you are greeting the customers improperly.

The second statement gives Mary little or no information as to what it is she is doing wrong.

2. Describe specifically the behaviors you would like instead:

- What are your performance expectations?

Example: Right: Mary, when a customer comes in, I want you to raise your head, smile, walk toward the customer and greet them by saying, "Good afternoon. What can I show you today?"

Wrong: Mary, I'd like you to greet the customers properly.

Mary's idea of "properly" may differ a great deal from the supervisor's expected performance.

3. Who owns the problem?

- Is a Problem Solving Interview required?
- Does the employee have a complete understanding of my performance expectations?
- Am I using the appropriate leadership style for this employee?
- How long has this problem been occurring until now? What options have I chosen in the past and



why haven't they been effective?

4. Time Frame: If the behavior has been repeated for a period of time, it may require more than one interview before the behavior changes. Ensure that you are willing to work with the employee until the problem is solved-if not don't begin. Plan for an uninterrupted time frame to conduct the interview. Never, ever confront the employee in front of his/her co-workers or customers.

Conducting the problem solving Interview:

The following guidelines will increase the effectiveness of the interview. However, it is a guideline, each situation will vary and there may be times that discussing each item may not be necessary. The model is effective when it is adapted to your style as a manager, adapted to a situation and adapted to a particular employee. The most important aspect of this technique is effective, open communication. Simply having a problem with an employee is no excuse for not listening, or not expressing yourself honestly.

1. State your concern. Without much preamble, describe the specific behavior or performance you want to see



changed. This opening statement must be clear, direct, and brief; no more than 30 seconds before the employee has to respond. Discuss the situation in an open, candid manner, without judgment or evaluation of what the person is doing. You may increase the intensity by disclosing your feelings to the person. Example: "I feel really frustrated when I see you doing this." However, this may not always be necessary.

2. Help the person identify the problem: Ask an open question like "Charlie, why have you been slow at getting started work?"-Wait for the answer! It is important for the person to identify the reasons for the behavior. You may believe you know but you may be wrong. When the person identifies the reasons for their behavior, at that point they are also accepting responsibility for the problem. From time to time, you may come up against a person's "denial system", when even after a description of what it is s/he is doing, the response is:" don't do that." or "It's not me, it is because..." If this happens, restate your concern again. If there's still denial after two or three tries, restate your performance expectations and review the consequences of the behavior remaining the same.



3. Help the person identify a solution: As the person has identified the reason(s) for the behavior, why it's happening, you now want them to find a way to solve the problem. You, as the manager, may have a wonderful way of solving the problem, however, the person's bizarre, mixed-up solution is better than yours, because they'll be committed to using it. If they have some difficulty finding a solution, allow some time to think about it. Don't give them solutions and remember: Suggestions from supervisors are often interpreted as orders by employees.

4. Get a commitment around results: Ask the person what s/he will commit to do. When will they implement the solution and what the results are going to be.

5. Restate performance expectations: In some cases it may be necessary to review the consequences of the behavior remaining the same. What is your next course of action if the person's behavior does not change?

6. Set a firm follow-up time and date: This is essential for two reasons: First, this provides a time frame for the employee to implement the solution previously committed to. Second, it is necessary to provide the person with feedback to reinforce the behavior change, as well as



strengthening the boss/subordinate relationship. If the problem behavior is repeated prior to the time of the follow-up, confront the situation immediately.

Prior to and during a Problem Solving Interview,
remember these important points:

- Deal with what the person is doing (their behavior or performance). The purpose is problem solving, or correction, and you're not trying to "get" the person.
- Problem solving is not a win/lose deal.
- Look for win/win situations.
- Make it safe; make it comfortable and an open atmosphere.
- Create a contract environment.
- Don't take responsibility for the problem by being the only person working on a solution.

EFFECTIVE PERFORMANCE REVIEW

Performance review is extremely important because it facilitates communication between the staff member and the manager. Good managers know how important the feedback is for their staff. They conduct brief performance reviews many times during the day naturally. For those who have not figured out the importance of manager's



feedback, Human Resources usually legislates minimum time frames for performance reviews.

Focus: Employee's Behavior vs. Job Requirements

Objective: Evaluate Job Performance

Individual's Role: Listen, Clarify, Communicate

Manager's Role: Appraise, Evaluate, Feedback

Climate: Anxiety, Open, Comfortable

"I Succeed" Retail Employee Performance Evaluation System is a great tool to conduct successful performance reviews.

<http://www.dmsretail.com/performanceevaluation.htm>

COMMUNICATION SKILLS

- Importance of a Clear Objective
- Knowing the Audience
- The Approach
- Communication Styles



A FACT ABOUT COMMUNICATIONS

Research has shown that an important source of conflict between people is subconscious resistance to the manner in which a person communicates, as opposed to what is being communicated.

PRINCIPLES OF EFFECTIVE COMMUNICATION

- Have a Clear Objective
- Know the Audience
- Have the Right Approach
- Get Attention
- Know the Subject
- Close Your Message

THE OBJECTIVE

- The Goal
- The Destination
- The Purpose
- The End in View



FINDING YOUR OBJECTIVE

- What to Achieve?
- Why Have that Conversation?
- Why Write that Memo?
- Why Conduct that Interview?
- Why Address this Meeting?

THE AUDIENCE

- Go to Right People
- Know Your Audience
- Identify With Your Listener
- Know What They Want

APPROACH

- Subject (What am I Talking About?)
- Game Plan
- Core Delivery (What are the Core Statements?)
- Single Best Statement
- Relate to Audience



COMMUNICATION STYLES

Communication styles identifies 4 distinct type of approach humans take based on their characteristics. This analysis is similar to Type A, Type B etc. or Colors methodologies. Important thing to keep in mind is that there are no better or worse distinct types. They all have equal success potential. They are just communication styles and each and every one of these styles can be very successful or a huge failure regardless. Idea is to know these distinct styles and identify the style of the person you are trying to communicate with and apply the appropriate technique to get the most out of that communication.

Here are the 4 distinct communication styles:

- Thinkers
- Feelers
- Intuitors
- Sensors



TO SUCCEED WITH THINKER

- Organize Presentation
- Use Alternatives
- Be Specific
- Provide Data and Back-Up Information

TO SUCCEED WITH FEELER

- Be Personable
- Make Eye Contact
- Consider Others
- Relate to the Past

TO SUCCEED WITH INTUITOR

- Emphasize Future
- Be Unique
- Allow Ample Time
- Encourage Discussion



TO SUCCEED WITH SENSER

- Get to the Point
- Limit Alternatives
- Emphasize Action
- Give Concrete Examples

COMMUNICATION BARRIERS:

1. General Barriers:

- Failing to understand personal motives
- Showing unconcern or not giving feedback
- Exhibiting feelings of self righteousness
- Perceiving one's superiority or inferiority
- Protecting your prestige
- Employing improper role playing
- Being distracted by noise, lack of privacy
- Having a hidden agenda or message
- Lacking clarity in intent and meaning
- Failing to express conviction
- Showing poor listening habits
- Telling half-truths



2. Downward barriers: (Supervisor to subordinate)

- Intimidating employees
- Not finding time to listen
- Lacking concern for employee's values or interests
- Showing weak leadership
- Being untrustworthy
- Talking down to employees

3. Upward barriers: (Subordinate to supervisor)

- Being suspicious, fearful, mistrustful
- Lacking confidence
- Being prejudicial against people in power
- Limiting oneself to one's own value system
- Using improper language

SUCCESS MODELING

Role models can inspire you with a sense of possibility—"If he or she can do it, than it is possible for me." This sense of possibility is an essential ingredient in developing the power of self-discipline. Role models also shorten your process of learning through trial and error. Through observation and analysis you can identify and acquire the achievement behaviors exhibited by your role models.



A good plan would be finding a role model within the same company. Many people are open to mentoring and some in fact enjoy doing it.

Yet another way is to find and read the autobiography of a role model of your liking. There are many books written about successful people.

Specifically in retail environment, success modeling largely depends on leading by example. In ideal circumstances, the store manager is the person to be modeled by everyone on store staff. It would be even more powerful if district or region managers could show and illustrate the traits of success. A good example for this would be, district manager stepping onto the floor and making a really successful sale either in terms of amount, number of items sold or huge customer satisfaction.

In the absence of role models in the immediate store environment, possible examples from other stores or regions can be used with caution knowing that different geography and circumstances of another store and/or district may hinder the impact you want to create.



SECTION II

SALES MANAGEMENT

Managing for Higher Retail Success

- MANAGING SALES
- RELATIONSHIP SELLING
- EFFECTIVE USE OF TELEPHONE IN RETAIL SALES
- SALES MEETING AS AN EFFECTIVE TOOL
- SALES FORECASTING
- COMPETITIVE STRATEGIES



MANAGING SALES

- Review of Fundamental Sales Skills
- Sales Training and the Store Manager's Role
- How to Set the Right Sales Targets
- Motivating Staff to Achieve Sales Objectives

CRITICAL SALES SKILLS

- Approaching the Customer (Greeting)
- Identifying Needs
- Presenting and Demonstrating Options
- Trial Closing
- Handling Objections
- Closing
- Sales Follow-Up

SUCCESSFUL SELLING IN 10 STEPS

- Offer Alternatives
- Honestly Describe the Pros and Cons of Each Alternative
- Handle Objections in a Non-Defensive and Non-Argumentative Manner



- Get the Customer Involved
- Consider the Customer's Psychological and Functional Needs
- Ask Open-Ended Questions
- Give the Customer Lots of Air Time
- Establish a Truthful Selling Relationship
- Have Excellent Knowledge about Service or Product you are offering
- Sell Yourself as Part of The Package

MAGIC PHRASES

- **"I'll take care of that for you."**
- **"I take full responsibility."**
- **"We want and appreciate your business."**
- **"Thanks for shopping at our store."**
- **"Consider it done."**

SALES TIPS:

- Actions count, not words. Results count, not promises.



- Promise a lot and deliver even more. Make big commitments, fulfill them all, and then give a little extra.
- Don't compete, create! Find out what everyone else is doing, and then don't do it. Be unique. Approach your retail sales in a way that sets you apart from others.
- Create positive pictures with the words you use. Avoid these: contract, buy, pitch, deal, sign it, pay for it, money and price. Replace them with: agreement, invest, presentation, opportunity, approve, investment.
- Use fourteen most powerful words: advantage, discovery, easy, guarantee, health, love, money, new, proven, positive, results, safety, save and you.
- Selling is a science. Certain things must happen before a sale is made. Every customer/prospect must answer six questions: Do I want the product? Do I want this particular one? Do I want it now? Do I want to pay the price? Do I want to get it from you? Do I want to get it from your company?
- Sell benefits not products. Use units of conviction in which you: Describe a feature of your product, explain its function, explain the benefit of that function, prove the benefit by providing evidence, and ask a nail-down question to get your prospect's verbal acceptance of the benefit's value.
- Benefits help you tune-in to your customer's mental radio station, WIIFM, "What's in it for me?"



- It is your obligation to close, and provide your customer with an opportunity to make a decision.
- You will know where you are with your customer's "will-invest-line" by closing throughout the presentation and gauging the responses. As customer gets closer to the "will-invest-line", you will receive more positive responses.
- Think of a balance scale as representing the way your customer's mind operates-weighing need, use and value against the required investment.
- Remember to close early and often, so you won't buy your product back.
- Effective closing questions should be natural, sincere, yet assumptive. Include physical action. Offer a choice between alternatives. Be sure your question requires a response. And after asking a closing question, be quiet.
- Objections do not mean "no". They mean your customer is interested in seeing more need, use, and value.
- Whenever possible, you want to raise objections before your customer does. Anticipate and make them your objections. Build into your presentation the answers to the objections that are often raised.
- For ridiculous objections that do not deserve a response, just cushion, bypass the objection and continue your presentation.



- The READY formula suggests five ways to respond to an objection: reverse it, explain it, admit it, deny it, or ask "why?"
- Develop a sense of conviction about your service or product. Conviction alone is sometimes enough to handle even a major objection.
- Maintain the right attitude by visualizing the positive end result of your work. Even in the face of resistance, remember that your effort will be appreciated once your customer realizes you are there to help.
- Commit yourself to "three-every twenty one-times four". That's three after-sale contacts, one in person (if applicable), one by mail, and one by telephone-every twenty one days, repeated four times. Do not tell your customers you are going to do this, just do it.

MANAGER'S ROLE IN TRAINING

- Determine the Training Needs
- Evaluate the Training Needs
- Develop the Objectives
- Gain Agreement from Upper Management



TECHNIQUES FOR DETERMINING TRAINING NEEDS

- Performance Testing
- Observation
- Customer Complaints
- Staff Survey
- Task Analysis

IMPORTANCE OF TRAINING OBJECTIVES

- Good Objectives Insures that Training Matches the Requirements of the Job
- Good Objectives become a Communications Vehicle to Potential Trainees
- Top Management is Highly Responsive to Well Written Training Objectives
- Written Objectives Provide a Means of Measuring the Success of Training
- Written Objectives are an Aid in Setting the Priorities



ELEMENTS OF TRAINING OBJECTIVES

- **Conditions** (Elements Required to Perform)
- **Behavior** (Performance)
- **Standards**
(Acceptable Level of Performance)

FOUR FACTOR THEORY OF MOTIVATION

Climate:

All Positive, Non-Verbal Communication

Feedback:

Clues about Performance

More Reaction

More Praise

More Constructive Criticism

Input:

Teach More

Give More Responsibility

Output:

More Response



More Time

Benefit of the Doubt

MANAGEMENT TRAITS FOR MOTIVATING STAFF

- Confidence
- Talent/Skill Development
- Communicating Expectations
- Delegation
- Pride Over Sub - Ordinate Achievements

UNDERSTANDING SALES FORCE ATTITUDES

- Sales Style
- Work Habits
- Sales Training Needs
- Compensation and Incentive Needs
- Personal Characteristics
- Common Customer Objections
- Major Reasons for Losing Sales
- Comparison to Competitors



- Sales Support Needs
- Internal Communication Needs
- Sources of Satisfaction
- Sources of Dissatisfaction
- Work Attractions
- Work Experience
- Improvement Suggestions

MEASURING FEELINGS (QUALITY OF WORK LIFE)

- A Job worth Doing
- Safe and Secure Working Conditions
- Adequate Pay and Benefits
- Job Security
- Competent Supervision
- Feedback on Job Performance
- Opportunities to Learn and Grow in the Job
- A Chance to Get Ahead on Merit
- Positive Social Climate
- Justice and Fair Play



RELATIONSHIP SELLING

- Knowing Your Customers
- How to Convert Customers into Friends
- Methodology

KEEPING IN TOUCH WITH YOUR CUSTOMERS

- Establish Routines
- Be Patient
- Develop Tools and Strategy
- Anticipate, Plan and Respond

RELATIONSHIP SELLING

Relationship selling can be defined as a selling process which focuses on long term satisfaction and repeat business maintenance for both parties (seller and buyer). This selling philosophy is in total contrast with one shot sales blitz and other fast-buck selling tactics.

On-going selling processes are highly dependent upon the salesperson's knowledge of the customers, their life-styles, their buying practices and the history of their purchases.



Success of relationship selling is contingent upon the ability of the salesperson in nurturing and strengthening the bond between himself and the customer. Therefore, it becomes vital to recognize from the outset the necessity of *managing* the relationship with the customers.

Hotels with thousands of customer details in their databases can communicate a returning customer's preferences to the front desk staff to make sure that the doorperson can greet him/her by name upon

arrival, prepare a room to his/her liking and turn the whole experience into a very enjoyable if not an exhilarating one.

When you call for reservations at some restaurants, do not be surprised if they ask you if you would like to have the same menu or the same table as you had during your last visit a few months ago!

Among the buzz-words are "close-to-customer" and "high-touch". These words mean that in today's and tomorrow's fragmented markets, ultimate forms of personalized customer contact is the strategic direction.

What is the secret or is there really a secret? The answer



is no. These establishments like many others joining the practice, have understood what their function is and they are utilizing the tools to deliver what they have to do in a competitive environment. They practice relationship selling through meticulous collection of information regarding customer preferences and commitment to use that information.

For companies whose existence and/or prosperity depend on repeat business, acquiring-building-maintaining the relationship with the customer is critical.

How do we develop a relationship with the customer? It has many parallels to developing friendships. From the first step customer takes into your store, you have the foundation of building the relationship. There is obviously a common interest in terms of the merchandise you have in the store. That is the ideal starting point to be used as a base for a long term association if you handle the customer properly according to the fundamentals of sales skills which were discussed previously.

This initial contact has to be utilized to get as much information about the customer as possible. It is the information you collect about the customer which will give you the leads for further conversations and contacts. This



is why advance planning of customer interfaces is so important. Information gathering should then become a regular part of your selling skill set.

Having collected the information, it is the utilization of it which makes the difference and will create a loyal following for your services and/or products. Remembering the important days in their lives, sending relevant articles about their hobbies, coming up with suggestions to improve their satisfaction out of the merchandise/service they bought from you long ago...These are just a few examples for gaining their friendship and patronage for life!

The purpose of relationship selling is more sales, more referrals and repeat customers through knowing the customers as humans-not just as bodies who buy merchandise at your store.

RELATIONSHIP SELLING IS A WIN-WIN SITUATION

The end result of relationship selling is a satisfied customer on one hand and a successful salesperson on the other. They have reached the best outcome. The best return on investment (ROI) for both parties.



Customer ROI: The customer receives the product s/he needs/wants. The customer interacts with a salesperson who is honest and knowledgeable, who is listening and interested in the customer's needs. The customer leaves the store emotionally, psychologically and financially satisfied.

Salesperson ROI: Apart from having made the sale, salesperson reaps the rewards of a satisfied customer which results in repeat and referral sales and profits.

It is helpful to internalize the following concepts and procedures for maximum effectiveness in relationship selling:

1. Establish routines that assure the right kind of customer contacts. These should be well practiced and must be specific to the situation, responsive to the issue at hand and sensitive to the customer needs. Inquiries and complaints must be handled with a personal touch in a disciplined and/or controlled manner.
2. It is important to be patient throughout the process of relationship building. It takes time and thought to give special attention conducive to nurturing relationships.



3. Develop your own tools and strategy with which you are effective and comfortable and work with them religiously-consistently.

4. Regard the absence of customer complaints as an indication of low level contact with the customer.

5. Try to stay up-to-date with your customers' future intentions to be able to anticipate, plan and respond.

With the philosophy of relationship selling in mind, analyze the high pressure selling situations and develop your own critique for the conventional wisdom of selling.

TELEPHONE SELLING

- Creative Openers
- How to Handle Incoming Calls
- Characteristics of Successful Telephone Selling
- Coping with Vague Response

OBJECTIVES OF TELEPHONE SELLING

- Selling to Existing Customers where Face to Face Contact is not essential



- Contacting Marginal Customers
- Reminding Customers about Ad or Mail Campaigns
- Selling to Potential Customers who respond to Promotional Efforts
- Calling Back a Customer after Solving Problems and Determining other Requirements
- Qualifying Prospective Customers to Determine their Degree of Interest
- Reactivating Inactive Customers

COMPONENTS OF OPENING STATEMENT

- Identify Yourself and Your Company
- Give Reason and Include a Benefit
- Get Them Involved

CREATIVE OPENERS

- Basic Cold Call Opener
- Hypothetical Question Opening
- Related Opening



- Idea Opening
- Referred Opening

ANSWERING INCOMING CALLS

- Greet
- Listen
- Express Willingness to Help
- Capture Relevant Information
- Answer Inquiry
- Ask Questions
- Present Solutions
- Ask for Action
- Summarize Action to be Taken, Wrap-Up
- Take Action, Follow Through

PLAN FOR DEVELOPING POSITIVE TELEPHONE PROCEDURES

STEP 1: PLANNING

- a. Decide what time of day and what times of the week are the best for making your calls.



- b. Considering what you decided in item a, and your own evaluation of your ability to maintain concentration, decide whether you will make your quota of calls at one sitting or at several shorter sessions.
- c. Set up a system for keeping records of your calls including name, number, and comments regarding the appointment made, reason for no appointment, and when you plan to call again.
- d. Make a list of customers/prospects you want to call.
- e. Devise a way of making the call beneficial to the customer either by offering a special or introducing a new product and/or service.
- f. Carefully select opening words or phrases you will use when connected with the customer.

STEP 2: PREPARATION

- a. Set up a situation in which you can make calls without being interrupted or distracted.
- b. Have paper, pen, telephone list, diary or appointment book and so on arranged for easy use.



STEP3: TESTING

- a. Select a dozen or so customers to call.
- b. Call each one and after each one, make notes on how well your opening worked, how well you reacted to a negative attitude from the customer and so on.

STEP 4: REVIEW

- a. Analyze your notes on the first group of calls.
- b. Change anything that did not work or that you think could be improved.
- c. Test your modifications on the next batch of calls.
- d. Repeat this process until you consistently get the results you wanted.

STEP 5: FOLLOW-THROUGH

- a. When you have developed an effective approach, set up a daily or weekly routine for making calls.
- b. Don't be afraid to try variations on your approach. Changes will prevent this task from becoming tedious and will help you get better at it.



SUCCESS TRAITS for SALESPEOPLE

- Goal Orientation, Vision
- Persistence
- Discipline and Passion
- Knowledge, Self Improvement
- Time Management
- Risk Taking
- Ability to Handle Rejection

LEARN FROM REJECTION

- Accept Failure, Don't Let It Deter You
- Be Objective, Evaluate Yourself
- Recognize Strong Points and Retain Them
- Put the Past behind You
- Don't be Unrealistic



VAGUE RESPONSES FROM CUSTOMERS

"We're going to give it some consideration."

"It is not exactly what we're looking for right now."

"It looks pretty good."

"The idea met some resistance internally."

"Your price is right in the ballpark."

"The timing just isn't good now."

HOW TO COPE WITH VAGUE RESPONSES

- Vague Response:

"We're going to give it some consideration."

- Say:

"Great! Which factors are you going to give the most weight?"

Or

"I'm happy to hear that. Let's talk about what's most important to you."

Or

"Good. What exactly does 'consideration' mean

- Vague Response:



"Your price is right in the ballpark."

- Say:

"That's good. What ballpark?"

Or

"Specifically how close are we?"

VALUE ADDED SELLING:

Historically, "value-added" is a concept in which one company purchases the goods and does something to these materials that adds value to the buyer. This could be a manufacturer of commodity products or a retailer of highly differentiated products, or anything in between. "Value-added" refers to how the manufacturer or retailer changes, enhances, or improves the basic product to increase its value to the buyer.

Value-added selling is built around a value-oriented philosophy. The salesperson discovers what is valuable to the buyer and seeks ways to increase the value of his offering. Value-added selling also means taking the initiative to proactively seek ways to increase the value of your company, product, and yourself to the buyer. The value-added salesperson has two objectives. First he wants to satisfy the buyer's needs and then some!



Second, he wants to do this in a way that is profitable for him and for his organization.

Myths of Value-Added Selling:

Some believe that value-added selling applies to only very complex technical sales with lengthy sales cycles. Wrong! Some of the most successful stories we have witnessed have come from organizations that sell commodity products or companies that retail exactly the same product as six other companies in their area. These companies have discovered ways of differentiating their "bundled package".

Another myth is that value-added selling applies only to the product. Wrong! These people have not recognized the importance of the retailer who brings the product to market or the salesperson who acts as the liaison between the customer and the company. Closely related to this myth is the belief that only management or product managers can design and deliver added value for the customer. Wrong! Again, the salesperson can shape the value of his offering with his contribution.

Yet another myth is that just because everyone offers a special feature or benefit, it's not worth mentioning. Wrong! Just because everyone else does it does not



make a particular feature less important. Also, it should not be assumed that just because the competition has it, they flaunt it.

SALES MEETING AS AN EFFECTIVE TOOL

- A Team Sale
- Setting Objectives
- Six Step Formula for Successful Meeting

WHY HOLD A SALES MEETING?

- Improve Communications
- Introduce New Products or Policies
- Motivate the Sales Staff
- Solve Problems
- Instruct and Train

A TEAM SALE

Use "AIDA":

Get Attention

Arouse Interest



Create Desire
Get Action or "Buy-In"

SETTING SALES MEETING OBJECTIVES

The Basic Objectives:

- Inform
- Communicate
- Motivate
- Sell

Specific Objectives

- Inform and Instruct on a New Product or Service
- Stimulate Greater Sales Effort on an Old Product or Line
- Present a Plan for Getting More Sales
- Uncover Problems the Sales Force Might be having
- Change an Attitude on a Product, Policy or Procedure



SIX STEP FORMULA FOR SUCCESSFUL MEETINGS

- Tell Why the Meeting is Held (Objectives)
- Tell What the Meeting is About (Agenda)
- Give Advance Notice for Time and Place
- Ask for or Assign Participant Preparation
- Encourage Discussion but Stick with the Agenda
- Summarize Decisions / Conclusions / Commitments

THE SALES MEETING AS AN EFFECTIVE TRAINING TOOL

When was the first sales meeting? We're not quite sure, but it could have been when Eve and the serpent sat down in the Garden of Eden and mapped out ways to get Adam's attention, arouse his interest, create his desire for an apple, and develop the strategy for getting him to take action. The sales meeting was a success-they closed the sale.

Ever since selling became a science that calls for planning, training, and mental conditioning, the sales meeting has been accepted as an important management



tool for accomplishing those objectives.

The ability to hold an effective sales meeting has become an important measurement of sales managers at any level.

Since planning and conducting sales meetings demands time and effort of a store manager that could be devoted to other phases of store management, why do the more progressive operations consider it worth the effort? Here are a few reasons:

- To improve communications: Modern retailing calls for better communications between management and the selling team. Salespeople don't consider themselves part of the team when they have to hear everything through the grapevine.
- To introduce new products or policies: A meeting attaches more importance to the new policy or product, permits exchange of ideas, and prevents misunderstandings.
- To motivate the sales staff: Motivation is a vital ingredient in any sales plan.
- To solve problems: The sales meeting makes it possible to



call together those involved in the problem and those who

can contribute to the solutions.

- To instruct and train: The major benefit of a sales meeting is the opportunity it provides for group instruction and development. It makes possible the use of training techniques that are not possible on an individual basis.

SUBJECTS FOR SALES MEETINGS

WHAT THE SALESPERSON MUST KNOW

PROFESSIONALISM

- How to develop enthusiasm
- Distribution in our industry
- Staff teamwork builds sales
- This is your company
- Our duties & responsibilities
- Who are our customers?
- Who are our competitors?
- Who are our suppliers?
- Company policies
- The Salesperson's job
- Develop a selling personality
- Organizing your total sales effort
- Quoting prices and discounts
- Developing creative imagination
- Multiplying your effectiveness
- Price, discount and credit policies
- Personal habits
- Practical sales psychology



KNOWING YOUR PRODUCTS AND SERVICES

- How to sell your product
- Sources of product information
- Manufacturers' aids
- Coordinating deliveries

KNOWING YOUR CUSTOMER

- What makes people buy?
- Find the REAL buying motive
- Problem solving as a sales tool
- Planned vs. impulse buying
- Favorite stores & salespeople
- Why buy from us?
- What to know about the customer
- Keeping customer records

WHAT THE SALESPERSON MUST DO

QUALIFYING PROSPECTS

- How to qualify prospects
- What to know about prospects
- Telephone techniques

GETTING THE OPPORTUNITY TO SELL

- Establishing the prospect's needs
- Opening the presentation
- Favorite ice-breakers
- Dealing with interruptions
- The first three minutes



- The person who can say "yes"

MAKING THE SALES PRESENTATION

- Planning your sales story
- Building your sales talk
- Favorite sales presentations
- Good presentations
- Sell benefits, not features
- Using the right words
- High pressure vs. low pressure
- Sentences that sell
- Demonstrating
- Trade-in tactics
- Selling creatively
- Sizzle selling
- Dramatize your presentation
- How to sell quality
- Sell by asking questions
- Be a good listener

HANDLING OBJECTIONS

- How to prevent objections
- Most common objections
- Getting ready for objections
- Turn objections into questions
- The great art of listening
- Overcoming price objections
- Overcoming product objections
- Handling putoffs and stalls
- Turning 'no' into 'yes'
- Handling the bargain shopper

CLOSING THE SALE

- Trial closes



- Closing techniques
- Favorite closing techniques
- What if they don't buy?
- Increase the average sale
- Selling through financing
- Writing the order
- Closing on resistance
- Recognizing buying signals
- Ways to avoid lost sales
- Helping the customer buy
- Why did I lose the sale?

PURPOSE OF SALES FORECASTING

- To Set Goals; Combining
 - a) Assessment of the Market,
 - b) Store Potential
 - c) Revenue, Gross Margin and Profit Objectives
 - A Realistic Statement of What it is to be Accomplished in the Year Ahead, How (Marketing Plan) and what Tools will be needed (Promotions)
 - As a Base for Profit Planning
 - A Basis for Inventory Requirements and Cash Flow
- Forecasts
- Ensure Proper Staffing, Right Inventory and Maximum Profits



COMPETITIVE STRATEGIES

- Concept of Competitive Advantage
- Three Generic Strategies
- Factors in Implementation of a Strategy

COMPETITIVE STRATEGIES

First and foremost, to be competitive, retailer has to deliver some kind of value to customers for the amount they invest. The recognition of this value by the customers is what generates sales and at a more positive end; loyal following.

Competing companies usually have similar value equations which make the selection by the customers somewhat more complex. If you take certain physical attributes like distance, ease of access and similar comfort factors challenge becomes identifying the generic competitive strategy that would deliver the best value for target customer and type of retail service or product company provides.

To maintain above average performance a company must have sustainable competitive advantage.



Though a company may have many strengths and weaknesses compared to its competitors, there are two basic types of real competitive advantage: low cost or differentiation.

The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation and focus. The Focus strategy has two variants, cost focus and differentiation focus.

The notion underlying the concept of generic strategies is that competitive advantage is at the heart of any strategy, and achieving competitive advantage requires a firm to make a choice - if a firm is to attain a competitive advantage, it must make a choice about the type of competitive advantage it is trying to attain. Being "all things to all people" is a recipe for mediocrity and below-average performance; because it usually results in a company having no competitive advantage at all.

COST LEADERSHIP

Cost leadership is perhaps the clearest of the three



generic strategies. In it, a firm sets out to become *the* low-cost retailer in its merchandise group. A low-cost retailer must find and exploit all sources of cost advantage. Low-cost retailers typically sell a basic product and put in a great deal of effort to obtain major cost advantages from vendors and other sources of products or services.

Any firm that can sustain cost leadership will enjoy above average performance within its industry.

The strategic logic of cost leadership usually requires that a firm be *the* cost leader, not one of many. Rivalry among companies trying to be the cost leader is usually quite fierce and none are willing to give up even the smallest portion of their market share.

DIFFERENTIATION

The second generic strategy is differentiation. In a differentiation strategy, retailer seeks to be unique in its industry in some way that is perceived as valuable by buyers. It chooses one or more attributes that

many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. Because of



the fact that they are unique and desirable, they can charge a higher price.

The means for differentiation are peculiar to each industry. Differentiation can be based on the product itself, the delivery system by which it is sold, the marketing approach, and a broad range of other factors.

A retailer that can achieve and sustain differentiation will be an above-average performer in its industry if its price premium exceeds that extra cost incurred in being unique. A differentiator, therefore, must always seek ways of differentiating that lead to a price premium greater than the cost of differentiating.

The logic of the differentiation strategy requires that a firm choose attributes in which to differentiate itself that are *different* from its rivals'. A firm must truly be unique at something or be perceived as unique if it is to expect a premium price. In contrast to cost leadership, however, there can be more than one successful differentiation strategy in an industry if there are a number of attributes that are valued by buyers.



FOCUS

The third generic strategy is focus. This strategy is quite different from the others because it rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segments, the focuser seeks to achieve a competitive advantage in its target segments even though it does not possess a competitive advantage overall.

The focus strategy has two variants. In *cost focus* a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on *differences* between a focuser's target segments and other segments in the industry.

SUMMARY

A firm that engages in each generic strategy but fails to achieve any of them is "stuck in the middle". It possesses no competitive advantage. This strategic position is usually a recipe for below-average performance. A firm



that is stuck in the middle will compete at disadvantage because the cost leader, differentiators or focusers will be better positioned to compete in any segment.

SECTION III CUSTOMER SERVICE

Managing for Higher Retail Success

- ✓ CUSTOMER SERVICE STRATEGIES
- ✓ DETERMINANTS OF SERVICE QUALITY
- ✓ CUSTOMER SERVICE ACTION PLAN



CUSTOMER SERVICE MANAGEMENT

A total organizational approach that makes quality of service, as perceived by the customer, the number one driving force for the operation of the business.

SERVICE EXCELLENCE

A level of service quality, compared to your competitors, that is high enough in the eyes of your customers that it enables you to charge a higher price, gain a significantly larger market share and be more profitable than your competitors.

Customer Satisfaction

You have probably heard the phrase, rule #1: 'the customer is always right', and the rule #2: 'If the customer is wrong, refer to rule #1'. Well, that is not always true.

The customer is, however, the person who makes it possible for your employer **to stay in business**. The **customer pays your wages** and returns profit to the owner(s) or shareholders of the business. If the customer does not buy whatever it is you are selling, the business will fail – it's that simple.



Customer satisfaction ultimately determines success or failure. Everyone knows that providing customer service is essential. The problem is that most people talk about it, but fail to achieve any real results on the service front. Generally, the problem is one of focus, understanding and commitment.

So, what does it take for a customer to be satisfied? There are many answers to that question. Everyone has different expectations. What you need to do is to provide enough positives during the customers' shopping experience to make them feel happy about parting with their hard earned dollars. They must perceive value in your offering.

So how do you do this?

You start by doing everything you can to ensure a **POSITIVE SHOPPING EXPERIENCE** for every customer.

The following basics are required if a customer is to have a **positive shopping experience:**

- ✚ clean environment
- ✚ orderly set-up

- ✚ friendly, well groomed, knowledgeable staff
- ✚ a greeting and welcome into the store
- ✚ clear signage
- ✚ efficient check out
- ✚ perceived value of merchandise or services



TRENDS IN CUSTOMER RELATIONS:

More than 80% of consumers stop using a company if they are dissatisfied with its customer service, and 69% tell their friends of their displeasure. These statistics are the result of a study, commissioned by Learning International, about consumer attitudes toward customer service.

Learning International found a fundamental and important shift in the underpinnings of customer buying decisions. Increasing numbers of consumers are turning to, or away from, companies on the basis of customer service quality. This movement has produced seven major trends that influence directly the success or failure of corporate customer relations.

1. Customers don't want to read lengthy instructions

The average consumer doesn't read or take the time to follow assembly and operation instructions. This can prove very expensive to corporations. In fact, several companies report that up to 40% of all warranty repair and service visits would not be necessary



if customers read instructions.

More than 73% of the calls to a company are placed to ask questions or discuss problems. If a competent customer service team is available to answer inquiries and resolve consumer troubles properly, the amount of unnecessary service calls can be cut dramatically.

2. Customers don't want ownership responsibilities.

In an attempt to reduce operating costs, many businesses delegate assembly and/or maintenance tasks back to the customer. For example, some hotels require customers to program their own wake-up calls into a computerized wake-up system. As profitable as this shift may seem, it confuses the consumer and assumes both mechanical ability and willingness on the part of the public to serve themselves.

An increasing number of consumers see their responsibility under warranties or guarantees as an unnecessary burden. For example, many people expect a car to run for five years without any extra maintenance costs and do not like the fact that oil changes are not covered.



It is clear that the customers need to be alerted to, and educated about, the intricacies of warranty obligations. Every time a consumer misinterprets his or her responsibilities as a product owner, it is costly to the corporation in both dollars and reputation. On the other hand, effective customer service prevents customer anger, educates and informs in a positive manner, and turns an angry customer into a loyal consumer.

3. High technology and product complexity make product differentiation difficult.

As products and services become more complex, people have more difficulty making choices. Financial services and computers are prime examples. A company that gives perceptibly better service differentiates itself from its competitors even if its products are the same, and as a result, can often charge a premium for them.

Previous experience with a company greatly influences prospective customers. Consumers tend to be extremely loyal to those manufacturers from whom they've received good service. In fact, a leading automobile manufacturer contends that a loyal customer is worth more than \$100,000 during his or her lifetime.



4. Consumers have higher expectations for products and services.

Customers are increasingly cynical about the quality of the products and services they purchase. Over the past four years, surveys by the American Society of Quality Control indicate that the public believes the quality of most products and services has declined and will continue to decline. Indeed, three out of four people questioned feel that the value received on most products and services is significantly less than it used to be.

Customer service can have an enormous impact on consumer confidence levels. A positive interaction increases confidence among 20% of those registering a complaint, while a negative interaction decreases confidence among 40%.

Unfortunately, negative experiences are far more common than positive experiences. Over half the consumers who complain are dissatisfied with initial customer service response. As a result, more than half lose trust in the product and refuse to repurchase another product manufactured by the same company.



These statistics show, rather vividly, the significance of either good or bad customer service.

5. High quality service has become a product attribute.

An increasing number of consumers are rating qualitative service factors as more important than product cost and features. In fact, eight of the top nine reasons consumers buy a certain product pertain to service (e.g. responsiveness, technical skill, and professional attitude).

As competition increases, companies across the board looking at incorporating good service as an additional attribute. Advertising quality services is a new trend. However, advertising can only be as effective as the customer service provided.

6. Consumer attention is drawn to negative publicity.

Never before has the public been so aware of the shortcomings of the industry. The media often underscore consumer suspicion, but word of mouth is even more detrimental. A consumer who has a good experience with a product or service tells four other people about it.



However, details about a bad experience are relayed to eight friends.

To complicate matters, most consumers never complain to the company, which gives corporations little chance to make amends. In fact, for every complaint registered, there are 10 to 50 others, depending on the product, that go unreported. More than one third of the dissatisfied customers don't take action. Instead, they merely switch brands and spread the bad word.

7. Consumers believe they are not getting their money's worth.

Inflation, combined with recession, has prompted most corporations to raise prices and cut costs. This atmosphere should encourage more vigilant corporate attention to consumer response, yet customer service is often neglected or undervalued.

An example of the effect of cost reduction is the transaction charge that banks now impose. At the same time, many discourage personal teller service by substituting automated teller machines. As a result, a consumer's only personal contact with the bank is when problems arise.



Improved customer service can play a major role in changing consumer perceptions about the product and service value and directly affect a company's success and profitability.

CUSTOMER SERVICE STRATEGIES

- Importance of Customer Perceptions
- Best Ways to Keep Customers Coming Back
- Developing Your Own Service Strategy

NOT KNOWING WHAT CUSTOMERS EXPECT

- Insufficient Market Research
- Inadequate Use of Marketing Research Findings
- Lack of Interaction between Management and Customers
- Insufficient Upward Communication
- Too Many Levels between Contact (Store) Personnel and Management



FIVE WAYS TO KEEP CUSTOMERS COMING BACK

- **Be Reliable**
- **Be Credible**
- **Be Attractive**
- **Be Responsive**
- **Be Emphatic**

CUSTOMER PERCEPTIONS

"It is not the quality of service that you give but the quality of service the customer perceives causes him/her to buy and come back"

"Perceived service quality is the difference between what they get and what they expect"



"Every single contact the customer has with your business is shaping his/her perception for better or worse"

SHAPING CUSTOMER PERCEPTIONS

- Develop a Customer Profile
- View Your Business through Customers' Eyes
- Beware of over promising
- Use Problems as Opportunities
- Develop a Unique Relationship with Your Customers
- Keep in Touch and Keep Them Informed

Remember that Customer Service is a Show Biz



CUSTOMER PERCEPTIONS:

It is not the quality of service that you give but the quality of service that the customer perceives that causes him/her to buy and come back.

Perception is how we make sense out of what we experience.

Your interpretation of what you see and hear is just that - your interpretation. And the same is true for the customers.

Did you know that no human being ever comes into direct contact with reality? Everything we experience is the product of what our sensory devices and our nervous system manufactures.

In as much as no two people have the same physical and emotional make-up and past experiences, no two people perceive anything the same way. Yet for any one person, what s/he perceives is reality to him/her.



When it comes to successful retail customer service, it's the customer's perception of the quality of service that determines how successful your store will be. Now the big question: What causes customers to perceive service as good or bad? Here is a very important concept to remember:

Perceived service quality is the Difference between what they get and what they expect.

Every business, regardless of size, has a reputation for the quality of goods and services it delivers. What quality of service do you associate with IBM, Sony and Disney? Pretty high, right? Now what quality of customer service do you associate with your local water company, electric company or the post office? Chances are you rated this group lower. It's not that the second group fails to give good service. In fact they give excellent service for a very reasonable price. Think about it. You can drop a letter into any corner mail box and send it anywhere in the country for the price of a stamp. And for nominal monthly charge, you have water and electricity at your disposal almost always without fail. One key reason that the companies listed above have an excellent reputation is that they



have learned the subtle art of reminding their customers of the great service they give.

With a little bit of an effort, you can shape your customer perceptions in a positive way too. Just remember that you have to make your customers aware of the good deal they are getting for doing business with you and keep reminding them in many subtle, different ways. In reality, there's no such thing as a good deal or a bad deal. Only the customer's thinking makes it so.

Whether it's planned or not, every business has an image and the most successful have learned that a positive image doesn't just happen. It's the result of a lot of planning, hard work, and doing a number of things consistently well. Here are some essentials to shaping a high quality image (perception) in the customer's eyes:

1. Develop a customer profile: Get a clear picture of the kind of customers you want to win and keep. What are their age range, income level, sex, marital status, educational level, occupation and life style? What products and services are most important to them? The more you can precisely define which customers you are trying to serve, the easier it is to perceive your business through their eyes. Conversely, a business that tries to



be all things to all people runs the high risk of becoming nobody to everyone. If others who don't fit the profile become customers, that's great. But target your efforts for a particular segment of the market you want to reach.

2. Look at your business through your customer's

eyes: And when we say look, we mean that literally. 85% of what we remember comes through our eyes, 11% comes through our ears and the rest through our other senses. Have you ever noticed how clean Disneyworld is? It's no accident. Rather, it's a subtle way of building employee morale and telling the customer, "We take pride in our work." Take a visual inventory of your operation. Start by evaluating your own appearance. Do you dress and make the effort to look like someone that your customers would come to for an advice? Next, look at your facilities. Does the customer see a clean, neat, professional operation or one that looks poorly maintained? Next, evaluate all communication that customers receive from you. Are your business cards, stationery, and printed materials crisp, professional, and neat? Are letters neatly typed and free of grammatical and spelling errors? Telephone your place of business posing as a customer and see how you get treated. Is this the kind of operation where you would like to spend your hard-earned



dollars or can you think of some other place that would give you a better feeling?

Every single contact the customer has with your business is shaping his/her perception for better or worse.

3. Beware of overpromising and building unrealistic expectations:

It may make you a sale but will likely cost you customers. The higher you build customer expectations, the harder it becomes to meet and exceed them. You run the high risk of customers feeling short-changed, not coming back and telling others. It's a sure road to a bad image.

3. Use problems as opportunities to demonstrate just what great service your company gives:

Customers judge the quality of service in two basic ways: a) how well you deliver what you promise and b) how you handle exceptions and problems. Most businesses treat problems like bad colds. They simply treat the bad symptoms and hope they go away. But the smart ones go the extra mile for the customer and show him just how dedicated they are to making sure



that he feels good about doing business with them.

5. Develop a unique relationship with your customers and treat each one as someone special:

A customer received a statement from a computer that read, "If you fail to pay this bill within thirty days we are turning your account over to a human." Treating every customer in the same

impersonal manner is one sure way to destroy a company's service image.

6. Keep in touch and keep them informed: If you fail to stay in touch with your customers, they won't be aware of the good service you're giving them until something goes wrong and they don't get it. Periodic phone calls, personal letters, newsletters and occasional social calls are all good vehicles for staying in touch. But by all means stay in touch and let them know that their satisfaction is number one priority with both word and deed.

7. Remember that a large part of good service is show biz: An important part of giving good service is to entertain, amuse, and make the customer feel good in as many ways as possible. When you're in the presence of a customer you're on stage and the spotlight is on you. Part of doing your job well is giving a good performance when



you do it.

In summary, the acid test for the success of any business is the perceived overall value that customers think they are getting. The companies that offer value consistently to their customers are the ones that win and keep them. But when perceived value disappears, so do the customers. When it comes to customers, what matters most isn't what you know or whom you know, but how you are known to them.

WHAT IS A SERVICE STRATEGY?

"A service strategy is a distinctive formula for delivering service, such a strategy is keyed to a well chosen benefit premise that is valuable to the customer and that can establish an effective competitive position."

DEVELOPING YOUR OWN SERVICE STRATEGY

- Get the 'Basics' Down pat
- Create a 'Belief System



- Know Your Customers
- Focus on Customer Satisfaction vs. Task
- Develop a WIT (Whatever It Takes) Attitude
- Devise a Problem Recovery Procedure
- Never be satisfied with the Service Performance

KEY INGREDIENTS OF SERVICE STRATEGY

(Customer Bound):

- ❖ Keep All Your Promises. If You Break It, Fix It Fast, Promise a Lot
- ❖ Show Unvarying Care and Concern
- ❖ Solve Problems When and Where They Occur
- ❖ Use Customer-Friendly Systems
- ❖ Stay Close to Your Customer

(Organization Bound):

- ❖ A Vision of Service Excellence That is



Clearly Developed, Communicated and
Marketed

- ❖ Customer-Friendly Systems
- ❖ Visible Management
- ❖ Recruit, Hire, Train and Promote for
Service
- ❖ Measure Service, Report Results and
Celebrate Victories

SERVICE STRATEGY FUNDAMENTALS:

What is a service strategy? Why do you need one? And what does it do for you?

Service strategy is just like a product strategy. You are positioning a service product in its marketplace in the same sense that you would position a conventional physical product. Think about the elements of the definition given above: distinctive formula, benefit premise, valuable to the customer, competitive position. These are the things you decide on when you determine what part of the market you are going to tackle and how. You can't be all things to all people, so you have to decide



what you're going to be and to whom. That's what you are deciding when you select your service strategy.

An effective service strategy meets the following criteria:

- *It is non-trivial; it has weight. It must be more than simply a "motherhood" statement or slogan. It must be reasonably concrete and action-oriented.*
- *It must convey a concept or a mission which people in the organization can understand, relate to, and somehow put into action.*
- *It must offer or relate to a critical benefit premise that is important to the customer. It must focus on something the customer is willing to pay for.*
- *It must differentiate the organization in some meaningful way from its competitors in the eyes of the customer.*
- *If at all possible, it should be simple, unitary, easy to put into words, and easy to explain to the customer.*

In the simplest possible terms, the service strategy answers the question:



Why should the customer choose us?

Some companies can arrive at a clear and compelling service strategy quickly and easily, based on the prospects in their industries. But for many, it's a struggle. It's not always easy to pinpoint a red-hot service strategy at the drop of a hat. Sometimes it takes time, careful review of customer's interests and a realistic appraisal of what the organization can do.

For some firms, it seems especially hard because of the structure of their industries or the ways they typically relate to their customers. Sometimes a complete mental block stands in the way of a simple and compelling strategy. But it has been the experience that with a determined attack on the problem, armed with good customer perception analysis and a bit of imagination, it is usually possible to come up with something that will work well.

SETTING OF A STRATEGY:

Some organizations face particularly difficult circumstances



in trying to arrive at a strategy formulation because of the nature of their business. One of the most common problems is lack of differentiation in the basic service product. If your product is basically a commodity in the eyes of your customers and competitors, it is difficult to give it a personality or a special touch. This is often the case with financial services. To most people, a bank account is a bank account; one certificate of deposit is like another-only the interest rate is important; one insurance policy is like another; one individual retirement account is like another.

But to say the product is a commodity is just another way of saying the providers of the product have failed to differentiate themselves in the eyes of the customer. The fact that there is little perceived difference among the competing products can be just as much an opportunity as a handicap. If your competitors are pushing a personality-less commodity at the customer, you may be able to build a significant competitive edge by building a personality into your total service product.

Typically, the place to look in the commodity situation is not the commodity itself, but something to do with the way the customer experiences the product. You need to explore the service context, the key relationships, the



unusual situations that come up, the dissatisfiers, and the unrecognized needs customers may have. These are the areas in which you are more likely to find a hidden opportunity for putting something special into the way you do it.

Another special problem area in selecting a service strategy is in the case of an organization that has few clearly identified competitors. This is the case, for example, with most public utilities, especially gas and electric companies. This type of utility usually operates as a natural monopoly, i.e. it enjoys a guaranteed monopoly status conferred by government in exchange for a fully regulated profit structure. Utility executives typically sense the need to become more service oriented in order to maintain a positive public image that can help them when they go through the highly politicized process of rate review.

In such a case, it makes sense to see the service strategy as a business concept that has the promise of getting the results the company needs-favorable public opinion that can disarm most of the more aggressive opponents that have a vested interest in attacking the utility.



Another confusing situation for service strategy thinking can arise in organizations that have significant anti-customer-service value systems. The example of some hospitals, in which medical people conceive of what they do as somehow above the crass, commercial levels of revenues and profit. Many hospitals still lack a significant orientation toward marketing and competitive thinking. The idea that each person is serving customers ranges from mildly offensive to distasteful to some health care people. Educational institutions often have the same kind of conflict. It is very difficult for many academic people to look upon education as a product they create and deliver for a price.

In such a situation, the problem is not one of strategy, but a problem of values. The top managers of such an organization must work on the attitudes that block the transformation in consciousness that must come.

If one is trying to formulate a service strategy and doesn't seem to be getting anywhere, probably the most beneficial action is to go back to customer perceptions. More often than not, lack of a satisfying strategy points to a lack of adequate market definition. The more intimately you understand your customers and better you understand what they are trying to buy, the better your



chances of identifying a critical positioning factor.

Of course, the world won't come to an end if you don't find a service strategy that turns you on. You've been surviving without one, so you must be doing things basically right. And indeed there is something intrinsically wrong with deciding that doing the basics as well as you possibly can is your strategy. But a market position that is distinctively your own can make life much more satisfying. It gives you a clear promise you can take to your market; and it gives you a clear concept for action that you can convey to the people in your organization.

Arriving at a strategy is a critically important step, and it needs proper attention and participation by all members of the team. A strategy concept is more likely to stand the test of time if it arises from a strong consensus among the team members. If they all play a part in creating it, and all of them have the time to think it through and appreciate its merits, they are much more likely to get behind it and sell it to the others and the customers.

The first step in the process is to immerse yourself in the market research data. What does the customer perception research tell you about your customers, your total service product, and the product of your competitors?



Somewhere in all this information, may lie hidden a benefit premise of such significant potential value to the customer population you want to reach that you can transform it into the main personality factor of your product. Or it might be staring at you, asking to be recognized.

There is no real formula for this thinking process; it becomes a matter of your own perceptions and realizations about what might constitute a key positioning opportunity. In this process, we need to look at the information with innocent eyes. We must pretend we have never seen it before and take it on face value.

The next step is to apply a bit of right brain thinking and try to extract some alternative possibilities for a service strategy. What are the major positioning options? Is price positioning an attractive avenue? Would a premium-price position with tremendous added value sell? Does efficiency count? Accuracy? Is customer trust a big factor in perception? These questions are of course generic. They might not fit your situation completely. But they convey the kind of thinking process that has to go on.

Once you have a service strategy you believe in, it's a good idea to subject it to a few test criteria to make sure it's



likely to hold up over time. Ask yourself at least the following questions about the strategy you have in mind:

- Can it clearly differentiate you and your service product from the customer's other choices? Is the benefit premise behind the strategy clear and compelling?
- Can you commit to it? Is it something the team members believe in and work to support?
- Can your organization make it work?
- Can you communicate it to your customers in very concrete, unique terms?
- Can you dramatize it to your employees?
- Can you make it real operationally? Can you make it concrete and experiential to both employees and the customers?

A final and very important test of your service strategy is to see whether it is congruent and compatible with the customer report card you developed as a result of your market research. Does the strategy you have in mind zero in on certain critical attributes of the total customer



experience? In other words, will the customer pay for it?

CUSTOMER SERVICE ACTION PLAN

- 10-Point Action Plan
- Developing your Competitive Advantage
- Value-Added Concept
- Service Audit

10-POINT ACTION PLAN

- Study Your Customers
- Define the Needs of Your Customers and Prioritize
- Study the Customer Interface(s)
- Develop Criteria of Performance
- Discuss Your Criteria with the Customers
- Train Your Staff on Service Criteria
- Conduct Service Audit
- Correct/Improve



- Encourage Customer Communications
- Praise/Reprimand Staff

DETERMINANTS OF SERVICE QUALITY:

RELIABILITY Involves consistency of performance and dependability. It means that the company performs the service right the first time. It also means that the company honors its promises. Specifically, it involves:

- Accuracy in pricing
- Keeping records-paperwork correctly
- Performing the service and/or delivering the product at the designated time (in stock?)

RESPONSIVENESS concerns the willingness or readiness of the employees to provide service. It involves timeliness of service:

- Mailing a transaction slip immediately
- Calling the customer back quickly
- Giving prompt service



COMPETENCE means possession of the required skills and knowledge to service the customer. It involves:

- Knowledge and skill of the salespeople
- Knowledge and skill of the support personnel

ACCESS involves approachability and ease of contact. It means:

- The service is accessible by telephone (lines are not busy and they don't put you on hold)
- Waiting time to receive service (i.e. line-ups) is not extensive
- Convenient hours of operation
- Convenient location of service facility

COURTESY involves politeness, respect, consideration, and friendliness of the sales and support personnel (including receptionist, telephone operators etc.). It includes:

- Consideration for the customer's comfort
- Clean and neat appearance of the salespeople

COMMUNICATION means keeping customers informed in language they can understand and listening to customers. It may mean that the company has to adjust its language for different



customers-increasing the level of sophistication with a well educated customer and speaking simply and plainly with a novice. It involves:

- Explaining the service/products
- Explaining the costs/charges involved
- Explaining the tradeoffs between various product and service options and cost
- Assuring the consumer that a problem will be handled satisfactorily, giving details of the problem handling procedures, warranties, etc.

CREDIBILITY involves trustworthiness, believability, honesty. It involves having the customer's best interests at heart. Contributing to credibility are:

- Company Brand
- Company reputation
- Conduct of the salespeople
- Consultative selling

SECURITY is the freedom from danger, risk or doubt. It involves:

- Physical safety
- Financial security (i.e. credit card information)
- Confidentiality (privacy)



UNDERSTANDING / KNOWING THE CUSTOMER

involves making the effort to understand the customer's needs. It involves:

- Learning the customer's specific requirements
- Providing individualized attention
- Recognizing the regular customer

TANGIBLES

include the physical evidence of the service:

- Physical facilities
- Appearance of personnel
- Tools or equipment used to provide the service
- Convenience items
- Other customers in the facility

DETERMINANTS OF CUSTOMER SERVICE COMMITMENT:

To determine the extent of your company's commitment to customer service, consider the following checklist. Many elements may be in place in your firm; others may need to be added, depending on the dynamics of your business.



PHILOSOPHY:

- Do you consider no news good news? (Hint: A sure sign of a decaying customer relationship is the absence of complaints.)
- Who is the customer?
- Do you monitor the pulse of your customers to anticipate their needs?
- Is customer care an integral part of each person's job, and is each person aware of this responsibility?
- Do you believe in providing added value, better quality, and extra service?
- Have you articulated vividly your philosophy so that each person in the organization understands the goal?

PEOPLE FACTORS:

- Do your people take pride in their work? Do they go out of their way to do little extras for customers?
- Do your people view the customer as a nuisance or as their reason for being?
- Are head office people as concerned about the customer as the store staff is?
- Have you given people adequate training? Or is customer service left to the lowest paid, lowest skilled group?



- Is high turnover disrupting your customer service operation?
- Do salespeople and support personnel take the initiative to solve problems? Do you reward them for doing so?
- Do employees generate a high volume of good ideas for improving quality of service?
- Is your sales force consultative? Do they keep customers' needs in mind?
- Do your people keep their promises to customers?
- Do your people know how to diffuse emotional customers?
- Do your people listen?
- Do your people keep customers informed as to what to expect and when?
- Do your salespeople initiate customer calls to make suggestions, follow-up, and show appreciation after the sale, rather than just to sell?
- Are the store managers trained to motivate their people and solve problems?
- Who answers customer calls? Are those people well trained and knowledgeable?
- Does your company attract and retain high-quality people?
- Do top management people and other head office staff, spend time with customers to understand their needs better?



PROCEDURES:

- Is customer service part of your people's performance criteria? Does your compensation plan encourage customer care?
- Do you have standards for quality, cleanliness, and timeliness so that customers get consistently good service?
- Are standards based on actual customer expectations rather than arbitrary factors?
- Is valuable customer service time eaten up by numerous management reports, forms and procedures?
- Do you reinforce the importance of customer service in staff communications?
- Do you recognize and reward employees who go out of their way to help customers?
- Is all correspondence from customers answered? By whom? How quickly?
- Do your people work in a pleasant environment? Do they have attractive uniforms or drive special vehicles to give them a sense of professionalism?
- Do you have a process to capture customer complaints and use them as an early warning system?
- Do you regularly survey customers to establish benchmarks for service and solicit customer suggestions?



- Do you make it easy for customers to contact your firm?
Do you have a toll-free number? Is it well publicized?
- What freedom do your people have to bend a rule in order to serve a customer better?

GOOD SERVICE DEPENDS ON GOOD PEOPLE

"The purpose of a business is to get and keep a customer" states Theodore Levitt, professor of marketing at the Harvard Business School. He explains, "The sale merely consummates the courtship. How good the marriage is depends on how well the relationship is managed by the seller."

The quality of the service you provide depends largely on your people-not only those with direct customer responsibility, but also their managers, supervisors, and support staff.



SEVEN DEADLY SINS OF CUSTOMER SERVICE:

1. Apathy: A just don't-give-a-damn attitude on the part of the salesperson or an impression conveyed to the customer in terms of "Do I look like I give a damn?". Some people get this way when they get bored with their jobs and nobody is reminding them that their job priority is to serve the customers.

2. Brush-Off: Trying to get rid of the customer by brushing-off his or her need or problem; trying to "slam-dunk" the customer with some standard procedure that doesn't solve the problem but lets the service person off the hook for doing anything special.

3. Coldness: A kind of chilly hostility, curtness, unfriendliness, inconsiderateness, or impatience with the customer that says, "You're a nuisance; please go away." It is amazing to find that so many restaurants carefully select the most moody, depressed, hostile person they can find for the hostess-cashier job, making sure the customer's first and last moments of truth are good ones.



4. Condescension: Treating the customer with a patronizing attitude, such as many health-care people do. They call the doctor "Doctor Jones," but they call you by your first name and talk to you like you're four years old.

5. Robotism: "Thank-you-have-a-nice-day-NEXT." The fully mechanized worker puts every customer through the same program with the same standard motion and slogans, and with no trace of warmth or individuality. A variant of this is the smiling robot who gives a permanent "star" smile, but you can tell nobody's home upstairs.

6. Rule Book: Putting the organizational rules above customer satisfaction, with no discretion on the part of the service person to make exceptions or use common sense. Banks are famous for this; they usually do everything possible to eliminate all traces of human thought and judgement, with the result that no one is authorized to think. Any customer problem with more than one moving part confounds their system.

7. Runaround: "Sorry, you'll have to call (see) so-and-so. We don't handle that here." Airline people have made this into an art; the ticket agent tells you the gate people will take care of it, and the gate people tell you to see the ticket agent when you get to your destination, and the



agent at your destination tells you to have your travel agent take care of it.

TASK VS PERSONAL ACTIONS- THE T-CHART:

One of the most useful service management tools, and one that can make every customer-contact employee more effective, is the T-chart. The T-chart is a very simple job aid that enables the employee to analyze his or her retail job and find ways to personalize it and make it more human in dealing with the customer. It is especially effective in making employees who have become robotized in their jobs aware of the fact and in showing them how to put warmth and concern back into the way they handle each moment of truth.

To use the T-chart model, the employee simply draws a T-shaped diagram on a sheet of paper, with two columns, as in figure below:



The T-Chart

<u>Task Actions</u>	<u>Personal Actions</u>
1. I explain procedures 2. We fill out form 3. Customer reviews 4. Customer approves 5. Etc.	1. Greet customer 2. Make conversation 3. Use humor 4. Etc. 5. Etc.

On the left column of the chart, the employee lists the specific task actions involved in the moment of truth, which might be receiving the customer's payment at the cash register, answering a telephone request, filling out a form with the customer, administering a medication, taking an order for a meal, handling a credit card transaction, or any other task of similar magnitude. These are the mechanical, non-personal parts of the moment of truth.

On the right side of the T-chart, the employee lists specific personal actions-things he or she can say or do



that make the customer feel at ease, comfortable, appreciated, and special. These might include a smile, a friendly greeting, a touch if appropriate, a little joke, or some polite conversation. All of these can add a personal touch to the moment of truth and take it out of the impersonal, mechanized transactions that make up so much of the mediocre service people complain about.

The T-chart has its place in the basic training of service quality. Introducing it during the training sessions sets the stage for its use by virtually all employees. Store managers can meet with each of their employees and help them diagram their jobs using the T-chart.

And when a manager sees that a particular front-line service employee is turning into a robot, he or she can sit down with the person and use the T-chart to explain the problem and show the person how to become less robotic and more natural.



SECTION IV

HOW TO INCREASE YOUR BUSINESS BY 20 % IN 180 DAYS

1. Develop a Mission Statement for Your Store

Make it brief, to the point, meaningful, nontrivial, and comprehensive. Share it with the people who report to you and make sure they fully understand it. Have regular meetings with them to evaluate your results, and remind them at each meeting about the priorities defined in your mission.

2. Set Specific Goals

Set goals and objectives for the store and for each individual salesperson in terms of:

- Sales (New)
- Repeat Sales
- Customer Referrals



- Product Knowledge
- Expense Reduction
- Customer Follow-Up

3. Develop a Successful Salesperson Profile

Establish a profile for the type of salesperson you want to hire through a careful study of your top performers and hire new staff accordingly.

4. Make Training Your Priority

Apart from the training of the new staff, look for ways of increasing the skill level of your senior staff, not only to improve their performance but also to keep their motivation as high as possible at all times.

5. Use Effective Leadership Style

Gradually build up your expectations to suit the level of task maturity of your staff. Always expect more from every individual compared to their past performance. Communicate these expectations clearly.



6. Establish Client Records (Electronic or Manual)

Use relationship selling through establishment of the necessary tools. Utilize manual or computerized Customer Relationship tools and make sure salespeople are on the phones for follow-ups or to generate new business whenever they are not involved in direct selling or other in-store activities.

7. Have Regular Sales Meetings

Conduct meetings to praise and celebrate the successes. Utilize the gatherings to discuss the issues relating to staff problems. Always include some training to make sure the knowledge of your staff does not remain stagnant. Be religious about the frequency and punctuality of these meetings.



8. Set up Customer Service Improvement Seminars

Apart from training the sales force on sales skills, set aside specific time to talk about improving your customer service with your staff. Invite new ideas and try to implement as many of them as possible.

9. Study Customer Interfaces

Examine the customer interfaces with a view to reducing the response time to fulfill customer requests (inquiries, order processing, check-out, etc.)

10. Show Employees Commitment to Customer Care

Be clear about your own commitment and seriousness about customer service and care. Communicate and prove your commitment on an on-going basis. Post all customer letters -good and bad - at the back office for all employees to see.



11. Develop Overkill Response Mechanisms

Make sure customer complaints are handled promptly. Ask all your staff to get you involved with the customer complaints. Call or talk to every customer who complained to make sure the situation is handled to their satisfaction. Once the complaint has been taken care of, initiate calls to the customer from various authority levels like store manager, regional manager and even the CEO. If applicable, send the customer an appropriate gift etc. Shower the customer with goodness.

12. Implement Clear Rules for Customer Satisfaction

All promises made to the customers are kept, period. Develop internal incentives which will make the quality of service an obsession throughout your staff and let your customers know that you operate under this basic principle.



13. Measure Your Performance

Develop solid measurement criteria for every aspect of the store operation. Sales, expense control, customer service, appearance of the store and the staff. Stick to the standards under any circumstance and do not give in.

14. Lead by Example

Your credibility is in your personal behavior with respect to all the issues listed. Be consistent in providing an ultimate example to your subordinates.

15. Provide Consequences for Good and Bad Performance

Do not let any deviation from the expected behavior go by-the-way side. Your staff should be crystal clear about the consequences of their good and bad performance. They should expect you to praise stellar performance immediately and in front of others, and they should also know that you will be there to reprimand them in



private when they fail to live up to the set and agreed upon performance.

16. Utilize Monetary and Non-Monetary Incentives to Promote Over-Achievement

Depending on the policies of your company, as a leader, you may or may not be able to control the monetary rewards. However, designed carefully, monetary rewards can play a significant role in promoting over-achievement especially for high performers. Therefore use any opportunity to effectively utilize monetary rewards.

Apart from the monetary rewards, as a Store, District or Region Manager, you have a tremendous set of rewards at your disposal which can be put to use very effectively. For example, how about letting the top salesperson choose which day he or she wants a particular day off that week or month. When you think about it there are a lot of non-monetary ways to reward the performers. Important part of the execution



of this tactic is to let everyone know that all these perks are up for grabs and priority is given on the basis of performance. Key is to stay rock solid consistent in terms of the principles when distributing the rewards.



If you execute in all of the above 16 points flawlessly, it is almost guaranteed that you will achieve 20% minimum increase in any performance area of retail (sales-margin-inventory turns-customer satisfaction) you choose.



RESOURCES and RECOMMENDED READING

AT AMERICA'S SERVICE; Karl Albrecht; Dow Jones-Irwin

COMPETITIVE ADVANTAGE; Michael E. Porter; The Free Press

DELIVERING QUALITY SERVICE; Valarie A. Zeithaml, A. Parasuraman and Leonard L. Berry; The Free Press, A Division of Macmillan Inc.

HOW TO GET YOUR POINT ACROSS IN 30 SECONDS - OR LESS; Milo O. Frank; Simon and Schuster, a Division of Simon & Schuster, Inc.

HOW TO WIN CUSTOMERS AND KEEP THEM FOR LIFE; Michael LeBoeuf, Ph.D.; G.P. Putnam's Sons

"I CAN SEE YOU NAKED"; Ron Hoff; Andrews and McMeel, a Universal Press Syndicate Company

LEADERSHIP AND THE ONE MINUTE MANAGER; Kenneth Blanchard, Ph.D., Patricia Zigarmi, Ed.D., Drea Zigarmi, Ed.D.; William Morrow and Company

MANAGEMENT OF TIME, THE; A. Dale Timpe, Editor; KEND Publishing

MANAGING PEOPLE; A. Dale Timpe, Editor; KEND Publishing

SALES MANAGER AS A TRAINER, THE; Jared F. Harrison, Editor; National Society of Sales Training Executives

VALUE ADDED SELLING TECHNIQUES; Tom Reilly; Congdon & Weed Inc., A subsidiary of Contemporary Books, Inc./Beaverbooks, Ltd.



Other DMSRetail Success Guides and Tools for Your Retail Management Success:

Retail Math Made Simple:

dmsretail.com/RetailMath/retail-math-made-simple/

Winning at Store Management:

<http://dmsretail.com/RetailSuccessGuides/winning-at-store-management/>

Retail Customer Service Fundamentals:

<http://dmsretail.com/RetailSuccessGuides/retail-customer-experience-fundamentals-2nd-edition/>

Store Manager's Organizer – Planner:

<http://dmsretail.com/RetailSuccessGuides/organizer/>

Retail Employee Performance Evaluation System:

<http://dmsretail.com/RetailSuccessGuides/i-succeed/>

22 Ways of Highly Successful Retail Managers:

<http://dmsretail.com/RetailSuccessGuides/22-ways-of-highly-successful-retail-managers/>

Retailer's Guide to Emotional Hot Buttons:

<http://dmsretail.com/RetailSuccessGuides/retailers-guide-to-emotional-hot-buttons/>

Super Retail Success Bundle:

<http://dmsretail.com/RetailSuccessGuides/super-retail-success-bundle/>

Ultimate Retail Success ToolKit:

<http://dmsretail.com/RetailManagementCourses/ultimate-collection/>



Training Workshops & Self Study Programs

Workshops:

Retail Operations Management Workshop:

<http://dmsretail.com/RetailManagementWorkshops/retail-salesoperations-management-workshop/>

Retail Brand & Category Management Workshop:

<http://dmsretail.com/RetailManagementWorkshops/retail-bran-category-management-workshop/>

Retail District Management Workshop:

<http://dmsretail.com/RetailManagementWorkshops/retail-district-management-workshop/>

Store Management for Maximum Success Workshop:

<http://dmsretail.com/RetailManagementWorkshops/store-management-max-success-workshop/>

Self Study Courses:

Retail Operations Management *YourTime* Study Course:

<http://dmsretail.com/RetailManagementCourses/operations-management/>

Retail District Management *YourTime* Study Course:

<http://dmsretail.com/RetailManagementCourses/district-management/>

Store Management for Maximum Success *YourTime* Study Course:

<http://dmsretail.com/RetailManagementCourses/store-management-success/>

Retail Selling Skills & Customer Service Fundamentals *YourTime* Study Course:

<http://dmsretail.com/RetailManagementCourses/sales-customer-skills/>