

A discussion of the influence of employee satisfaction on customer service levels

Prof. M.C. Cant

*Department of Marketing and Retail
Management
University of South Africa
Pretoria, South Africa*

Dr. M.L. van Scheers

*Department of Marketing and Retail
Management
University of South Africa
Pretoria, South Africa*

ABSTRACT

The study examines the influence that retail store price levels and salesperson service characteristics have on store customers' repurchasing behaviour. Please note that the quality of the products sold at the retailer does not form part of the trade-off options that customers are presented with.

1 INTRODUCTION

The ever-changing retail environment creates several challenges for retailers, such as emphasising quality, value, customer satisfaction, and customer retention (Reichheld, 1996; Siu & Cheung, 2001). Since competition between retailers has increased due to the increase in shopping centres and the steep rise in product prices, retailers are forced to provide a level of service that would make customers return to their stores instead of going to competitors' stores.

This study examines the importance that customers place on the price of products purchased from retailers as well as on the service attributes of the sales personnel.

This is a retail patronage intention study conducted in Gauteng, South Africa amongst individuals who had purchased a DVD player to the value of at least R600 or more. The study was based on a similar study conducted in the United States of America by Darian, Tucci and Wilman (2001).

2 PURPOSE OF THE STUDY

The study aims to examine the effect of consumer price attitudes and retail patronage. As the South African retail markets move toward saturation and consumers take advantage of price competition, understanding the role of price as a driver of retail selection is key. Low prices, in the form of either price promotions or general price levels, can create store traffic and increase category sales but the extent to which consumers use price as an indicator of quality depends on the information available to the consumer. Therefore the following hypothesis was formulated:

H_{1a} : The price of a product is negatively related to retail patronage.

The study furthermore examines the impact of selected salesperson service attributes and levels on consumer patronage intentions in a consumer electronics store setting. Some studies found that various aspects of convenience can be influential on customers' satisfaction with the service received. Two of these are a customer's

reduced mental effort and perceived waiting time (Darian & Cohen, 1995; Darian et al., 2001). Therefore the following hypotheses were formulated:

H_{2a}: There is a positive correlation between salesperson's product knowledge and retail patronage.

H_{3a}: There is a positive relationship between salesperson responsiveness and retail patronage.

3 LITERATURE REVIEW

3.1 *Customer satisfaction and service quality*

Customer satisfaction is the degree to which a customer's expectations agree with the actual performance of the product and or service (American Marketing Association, 2007; Berman, 1991; Berry, 1988; Chang, 2006:209; Helgesen & Nesset, 2007:129 and Kong & Jogaratnam, 2007:279).

Customers form service quality expectations based upon previous retail store service received; they are further influenced by information provided by people that surround them and whose advice they would follow (American Marketing Association, 2007 and Gilbert & Veloutsou, 2006:298).

Dissatisfied customers generally do not enter complaints at the store but rather complain about the service received to friends, family and other people in their influential group. Furthermore, dissatisfied customers tend to either switch to another store or spend less time at the store that does not provide the expected service or price that the customer is willing to pay (Darian et al., 2001:205).

Retailers must determine the factors that customers evaluate when determining service quality (Sureshchandar, Chandrasekharan & Anantharaman, 2002:368; Yap & Sweeney, 2007:142).

3.2 *Sales people performance attributes*

In a retail store setting, the interaction between sales personnel and customers constitutes a unique and important

dimension of performance. This is due to the fact that customers form an image about the store and its service quality based upon the service provided by the sales personnel. As such, it stands to have a strong impact on retail customer satisfaction (Babakus, Bienstock & Van Scotter, 2004:727-723).

The interaction between the retail store's sales personnel and the customer forms part of the personal interaction dimension of a service and the price levels of the retail store form part of the reliability dimension of the service (Siu & Cheung, 2001:89). The personal interaction dimension of a service can include whether personnel are courteous, helpful, and knowledgeable and whether they inspire confidence and trust from the customer. The reliability dimension includes whether the retailer keeps promises made to customers through its various communication methods (Siu & Cheung, 2001:89).

Therefore knowledge about customer perceptions regarding the critical dimensions of salesperson performance is crucial if the retail firm is to provide quality, value and satisfaction (Robledo, 2001:26). Despite this, previous studies have shown 19% of salespeople receive no training, not even introductory training; resulting in sales personnel not considering the customer when delivering a service (Pettijohn & Pettijohn, 1994:21).

3.3 *Product price and value*

Value can be defined as a subjective process whereby the consumer weighs benefits received against sacrifices incurred, where the benefits include the entire service process, including emotional and social aspects (Roig, Garcia, Tena & Monzonis, 2006:270). Alexandris, Dimitiradis and Markata (2002:227) demonstrated the strong relationship between consumers' perceived value and their intention to purchase, as well as the effect of perceived value on word-of-mouth communications.

Literature suggests that retail customers perceive price in both positive and

negative cues that ultimately influence their purchasing behaviour. When price is perceived as a positive cue, it signals quality, prestige, or status to the customer. When it is perceived as a negative cue, it is perceived as an economic sacrifice. In both positive and negative respects, perceptions of price operate as marketplace cues that aid the customers in their purchase decision-making process (Moore & Carpenter, 2006:266).

Customers who are highly price conscious usually visit low-priced stores, mass discounters, and value-priced retailers; they tend to be more sensitive towards the prices that a retailer charges for a product (Moore & Carpenter, 2006:268).

4 METHODOLOGY

100 consumers in Gauteng who purchased a DVD player within the last six months, to a value of at least R600 were asked to evaluate their preferences with regard to service levels at retail stores. The service levels were:

- Prices compared to competitors (Prices about R120 above competitors; Prices about the same as competitors; Prices about R120 below competitors).
- Salesperson product knowledge (Poor product knowledge; Fairly good product knowledge; Excellent product knowledge).
- Salesperson's responsiveness (Not responsive – uses hard sell approach; Fairly responsive to customers' needs; Very responsive to customers' needs).

The above attributes were tested using a symmetrically designed conjoint table, rather than an asymmetrically designed conjoint table, such as the one used in the American study – the reason being that using a symmetrically designed conjoint table prevents biased answers by customers.

4.1 Sample structure

Respondents within LSM (Living Standards Measure) 6-10 segments were approached

with the objective of finding 100 who had purchased a DVD player within the last six months. The achieved sample was 109 with 9 rejections, although 545 respondents had been approached. All interviews were conducted on a personal basis.

4.2 Interviewing procedure

Conjoint trade-offs in an interview situation are often described by respondents as difficult and time pressured. This study therefore used a piloted approach in an effort to make the trade-off choices easier for respondents.

Each respondent was first asked to indicate on a 10-point scale how likely they would be to buy a DVD player from the retailer presented on the card, 10 indicating a definite purchase and 1 indicating a definite non-purchase. Respondents were then asked to assume that all other aspects would be similar for all retailers.

Respondents were then asked to rank the retailers in terms of preference from 1-18. This was done by systematically selecting, first, the retailers which had been rated as those that the respondent would definitely purchase from and ranking their preference of these retailers; then selecting retailers which the respondent had rated 9, and ranking these retailers following on from the last rank in rating level 10, and so on through the 10-point scale to the least preferred being ranked in 1. Thus the trade-off preferences presented no difficulty to respondents.

4.3 Testing of two conjoint tables

The final research output confirms that the results show specific differences in the asymmetrical design (original Tucci questionnaire) vs. the symmetrical design (changed questionnaire with equal number of statements). The summary of findings also then discusses the output of the symmetrical design as the most valid representation of customers' trade-offs when making a purchasing decision.

5 RESEARCH RESULTS

Figure 1 indicates retail customers' perception about the three attributes measured, namely

price level, salesperson product knowledge, and salesperson responsiveness.

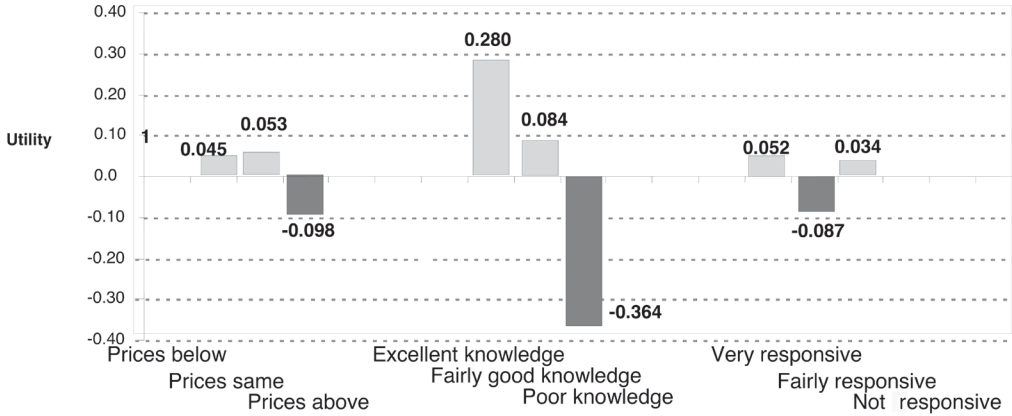


Figure 1: South African consumer preferences for retail salesperson abilities and price levels (LSM 6-10)

In Figure 1 it is evident that South African consumers (in Gauteng) purchasing electronic goods (such as DVD players) value excellent product knowledge in a salesperson at a much higher level than the salesperson/retailer offering lower or similar prices to competitors. In fact, prices below competitors emerged with the third lowest positive utility indicating that pricing, compared to other service attributes, contributes proportionately much less to a successful sale than product knowledge and responsiveness do.

It is also apparent in Figure 1 that poor product knowledge in a salesperson/retailer emerged with the lowest negative utility. This implies that lack of product knowledge in a salesperson/retailer will negatively impact on the purchase of electronic goods from such a retailer or salesperson.

Figure 2 shows the linear relationship between retail consumers' perceptions about the different levels of retail store prices.

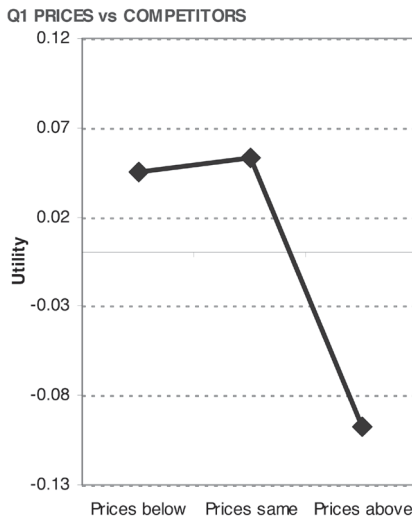


Figure 2: Consumer perceptions about retail store prices

Figure 2 indicates that it makes little difference whether prices are about the same as competitors or below those of competitors, but price above competitors (in and of itself) is viewed negatively by store consumers.

Figure 3 shows the linear relationship between retail consumers' perceptions about salesperson product knowledge.

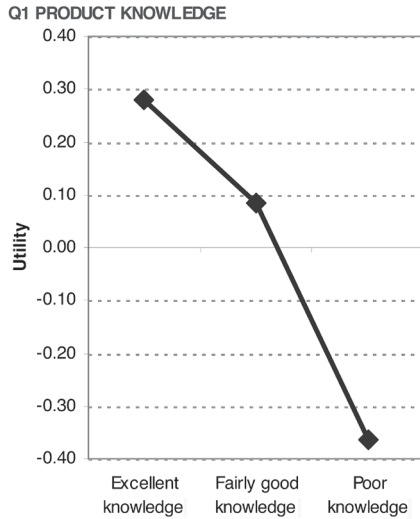


Figure 3: Consumer perceptions about salesperson product knowledge

In Figure 3 product knowledge has a reasonably linear relationship, although excellent product knowledge has three times the utility than fair product knowledge. Poor product knowledge is viewed extremely negatively. This shows that consumers are much less likely to

purchase from an outlet where there is poor product knowledge.

Figure 4 indicates the linear relationship between retail consumers' perceptions about salesperson responsiveness.

In Figure 4 responsiveness shows that there is little difference in the purchasing

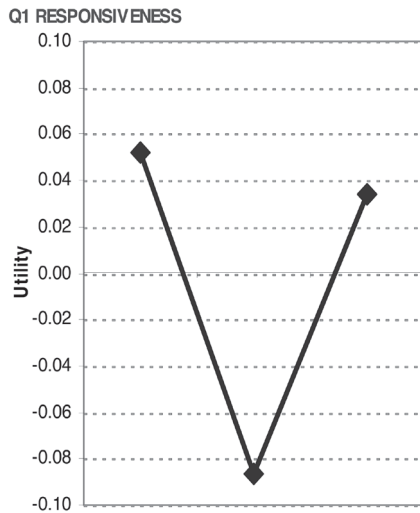


Figure 4: Consumers perceptions about salesperson responsiveness

intentions of consumers between a salesperson that is very responsive and not responsive, although the neutral option (fairly responsive) is viewed quite negatively.

6 MANAGERIAL IMPLICATIONS

The initial interpretation of the results shows that all variables are regarded as important by customers when making a purchase of electronic equipment of at least R600.

The above variables can be regarded as minimum standards or entry level requirements for any retail outlet if managed properly. Compared to the restaurant industry, for example, a clean restaurant serving fresh food will also be two variables that will be non-negotiable and be regarded as entry level requirements.

However, using conjoint analysis to determine a trade-off that customers will make when choosing a retail outlet to buy electronic goods does highlight preference as well as the extent of these preferences of variables that may on face level be regarded as equal in importance.

6.1 Prices compared to competitors

It will be beneficial for sales staff to know the prices of competitors and be trained with answers why a cheaper or more expensive price adds more value compared to competitors, either through warranties, after-sales service or the other variables.

6.2 Sales person product knowledge

This variable is regarded as the most important variable by Gauteng consumers which can be a function of risk, technophobia or peer pressure. It shows that consumers in South Africa (Gauteng) in general may not be as knowledgeable about electronic goods or do not always have the means (such as Internet access) to gather information to make informed purchasing decisions.

For many consumers a price tag of at least R600 does also offer a degree of risk and

reinforcement of the purchasing decision through proper product knowledge, and recommendation of a product (brand) to satisfy each individual consumer's specific needs is important when training sales people.

Although technical terminology may be of importance to use with certain customers that also have above-average knowledge of electronic goods, explanation of product features in everyday language will engender trust amongst the average customers buying an electronic product for the first time.

6.3 Sales person responsiveness

Responsiveness is a function of a specific situation and may differ from customer to customer. The golden rule may at least be for sales staff to offer their advice if so requested by the customer as well as what the specifics of the advice will be, such as:

- "I can give you a range of brands and prices that the store offers."
- "I can outline the price range of competitors."
- "I can explain the basic product features of the different brands and where they are manufactured."
- "If you tell me what your main purpose and use of the product is going to be, I can offer you a number of products to choose from to best serve your needs."

The conjoint trade-off shows that responsiveness should not be store policy, but should rather be one that serves the needs of the customers. Being visible and available when needed will likely be the first step that management should put in place to meet the different responsiveness needs that consumers might have.

7 LIMITATIONS OF THE STUDY

The results apply to individuals in the Gauteng province only. The relative importance of salesperson performance and price levels will only be applicable to electronic goods in a similar price range as conducted during the study.

Any other intended purchase at a much lower or higher price will likely result in different variables being of importance (such as location of retail outlet when buying basic commodities like milk and bread) and different importance of variables to prospective consumers (such as product characteristics that can offer a specific brand a monopoly in the market such as a service plan or warranty more favourable than competitors).

8 CONCLUSION

The study outlines differences between South African and American consumers making trade-offs during their purchasing decision of electronic goods. It is evident that product knowledge will have to form an important part of the literature review as this is regarded as the most important attribute for South African consumers.

It is advised that the study be replicated in the other provinces of South Africa to determine whether consumers in those regions value the same attributes as the consumers in the Gauteng province. Furthermore, the study should be replicated in other parts of the world to determine whether consumers in different countries value the same attributes as important when making purchasing decisions or not.

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