Customer Service in the Retail Revolution

Retailers deeply understand the direct impact customer service experiences have on business outcomes. Modern technology has created drastic changes for both shoppers and stores. Online stores, social media, mobile shopping, and shopping apps have all impacted the way retail companies interact with their clientele, markedly increasing the focus on customer service within an industry that has always excelled in this area.

This paper, based on 15 interviews with customer service leaders around the world, examines practical implications for retailers operating with heightened customer expectations in an environment that is more global, and public, than ever before. We examine both the opportunities presented and the challenges faced by modern retail technologies and trends, with a specific focus on social media, holiday shopping, and customer advocacy.

RETAIL: A TRADITION OF CUSTOMER SERVICE

"The customer is always right" was a philosophy of customer service championed by famous retailers including Marshal Field and Harry Gordon Selfridge, both founders of the department store chains named for them. At the time, the prevailing attitude towards customers was buyer beware, so this philosophy of treating customer complaints seriously was a refreshing change.

Throughout the last century, the retail industry continued to lead in delivering customer service excellence. Nordstrom gained fame for their extreme customer service, including the frequently told anecdote of a customer in Alaska who was allowed to return a set of automobile tires for a full refund—even though the store has never sold tires!

"The customer service piece of our business is how we stay ahead of our competitors – knowing what went right and wrong and then making adjustments to delight our customers and drive more business."

Today, customer service remains a key differentiator in an increasingly crowded and competitive retail landscape. As technology has enabled retailers to reach broader and more diverse audiences, customer service delivers a vital personal connection to the ever changing wants and needs of buyers.

These evolving buyer expectations have created both a challenge and an opportunity for modern retailers. Experiences with online services that let you place an order one day and have the product on your doorstep the next have set a very high bar, while social media enables unhappy customer complaints to have a greater audience than ever before. On the flip side, because buyers frequently hear these complaints and have terrible customer service interactions themselves, receiving an amazing experience can be a delightful surprise that they talk about and can spread widely, resulting in a very positive business outcome.

This paper examines the practical implications for customer service teams dealing with this retail revolution. We examine the real life experiences with modern retail technologies and trends of 15 individuals from around the world responsible for delivering customer service in a retail environment.

SOCIAL MEDIA

The most important trend impacting any customer service organization today is social media. Twitter, Facebook, and hordes of online comment sites have given every customer a megaphone for sharing both their displeasure and their happiness. Retail is no exception. In interviews with customer service managers, each talked about issues their teams are facing, and the steps they are taking to capitalize on the positive aspects of these very public interactions, while mitigating downside effects.

The bottom line is that no one can hide bad customer service in a social media world. Giving great service, always a requirement in retail, has become an absolute imperative.

Adam, a customer service manager for a home safety products company in Canada, has taken advantage of an unexpected benefit of social media—more honest feedback in a country that culturally is hesitant to give direct criticism. "Canadians have an international reputation for politeness.

"Customers won't bash you on social media if they've been delighted. Our best strategy for making social media work is to do a great job, same as always."

It is a very positive thing about our culture, and it certainly makes life easier for my team. However, if a customer is unhappy we need them to tell us so we can do better. It's a regular occurrence that we close a ticket with a customer who has been very polite and said thank you, but then find out later that they're not happy. We usually find out because they told their friends, or even worse, never find out about it. With social media we have a chance of finding out about what we're not doing right and then we have an opportunity to fix it for them or the next customer."

An ongoing challenge for customer service teams is working out the best place in the organization to be responsible for social media. While customer service teams are skilled to react quickly and do what is right for individual customers, marketing organizations excel in public communications and general outreach. Ownership of social media varies greatly in today's retail organizations who are working out the best approach for their teams' strengths.

Pelle, the director of customer service for a company selling fashion accessories, is the sole owner of all social media activities. Beth works for a company selling high end housing items. Her team shares ownership of social media with marketing taking point on Facebook, Instagram, and Pinterest and customer service owning Twitter and all other social channels. Roseanne's company's marketing team promotes their consumer technology products via social media while the customer service team reviews the campaigns and supports the inbound inquiries.

Shared ownership of social media, like Beth and Roseanne's approach, can cause problems, and many companies have tried multiple approaches to figure out what works for them. "Somebody has to respond to every customer in a timely way," Beth explained. "Even if it's just a thank you, people remember that. So somebody needs to be responsible for ultimate follow up. We started with customer service owning everything, then

> *"Communicating in a public forum like Twitter is not the same as a phone call or a personal email. You have to choose your words wisely and think carefully about how your intention can be misunderstood. Not every agent has that skill."*

tried marketing owning everything, then we tried splitting responsibilities by types of inquiries and outreach. Having tried basically every possible combination, we feel having specific owners by social platform is the most effective for us. The key is to over communicate with marketing and make sure there is no question if an interaction has been handed off."

Pelle emphasized the need to have the right types of people responding in public forums. Not all agents have the skill of communicating with the entire world, even if they are excellent with individual customers. "I had a good upbringing and was taught respect, but I learned the hard way that trying to make a joke doesn't always come across right. You can't be tone deaf to that kind of thing if you're going to be the voice of your company. I think marketing knows this instinctively, but our customer service team needed some trial and error. But we found our groove and developed an authentic but inoffensive way of speaking to customers publicly."

THE "HOLIDAY DIP"

According to the National Retail Federation, it is not uncommon for retailers to bring in 20-40% of their annual sales during the weeks leading up to Christmas. Key shopping days such as Cyber Monday and Black Friday are so important that even those outside the industry watch to see what happens and plan their shopping around these days. A unique challenge for retail customer service organizations is dealing with this sudden and temporary increase in volume of sales transactions while maintaining customer satisfaction levels, all while dealing with the reality of budget constraints.

"Q4 is our busiest time of year, and every parameter that impacts a successful customer experience is strained."

To add to the challenge of pure volume faced during the holiday season, teams must deal with customers that can be more difficult than usual. They are often more unpleasant because of stress, make purchase decisions less thoughtfully, and have less experience with retail processes such as coupons and returns.

"During the holidays, customers don't understand how things work as well as our typical customer. We have to spend more time on education and misunderstandings at a time when we're busy anyway."

Ellen, the manager of a small customer service team at a company selling personal hygiene products, emphasized that the holiday rush is about much more than pure volume for her team. "Yes, we're busy in Q4. But what is worse is the customers are different. They are more stressed and we have to up the positive energy to calm them down. But we can't take more time with customers since they are all just as busy as we are. People are buying less thoughtfully so there are more purchase regrets and returns that we have to deal with." Adam echoed this sentiment. "During the holidays we find we get a large number of customers that just aren't shoppers. They don't know things that we expect most people know like finding the return label in the box or using the coupon before they pay."

The Zendesk Benchmark has tracked the impact of the holiday rush on customer satisfaction. There is a clear trend: satisfaction with customer service interactions measurably and consistently drop during the holiday season.

81%

73%

81%

79%

81%

76%

Q3

Q4

2011

2012

2013
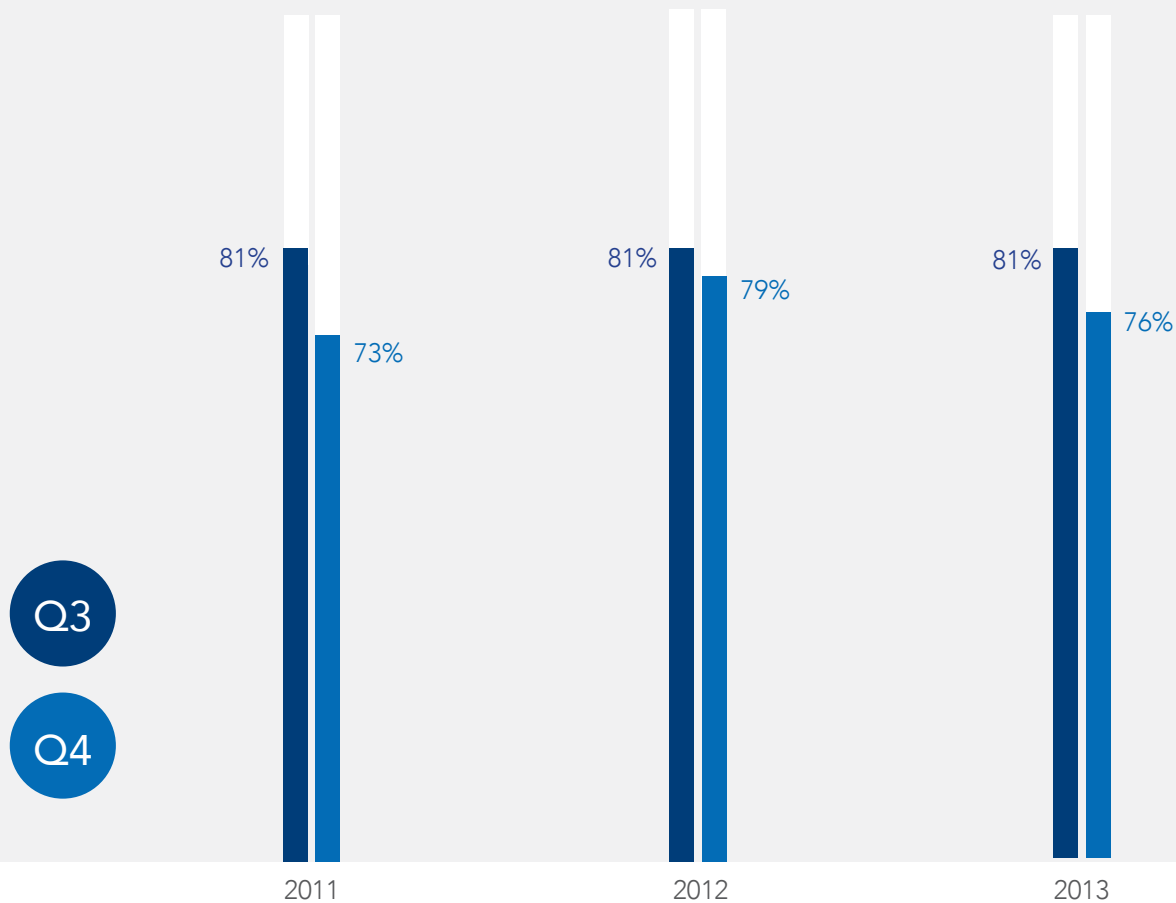
The Zendesk analysis further drilled down into the data to examine the cause of this "dip" in satisfaction during the holiday season. They found a clear correlation between the drop in satisfaction and the number of tickets per agent. As tickets per agent increased, satisfaction decreased.

The retail customer service managers we spoke with agreed that the Q4 satisfaction dip is a significant issue. They frequently described planning for the holiday rush as one of the most strategic activities they do each year. Pelle, the director of customer service for a company selling fashion accessories, had just finished his annual performance review when we spoke. "If I look back at last year, my biggest strategic mistake was my Q4 forecast. I got it wrong and my team wasn't ready. We're already making changes to do better this year."

Pelle's approach for the coming holiday season included an investment in a customer service platform that will enable more self-service capabilities and streamline workflow so each agent can handle more tickets. This option was a good choice since he had time to implement and test the systems and train his agents well before the Q4 rush started.

Lucia took a different approach to dealing with the holiday customer service rush. She brought on an outsourcing partner for the holiday season. This was a good option for her company, which sells non-perishable food items, as agents do not require additional product expertise. Their company has used this approach for several years, and each time they optimize the way they work together to create a more seamless experience. "We have a great outsourcing

partner, and having them deal with basic issues like shipping, let us focus on the things that are unique to our business. However, when we first started working together we operated too independently. Tickets that were escalated from the outsourcer to us created a real speed-bump for the customers as they were passed up the chain. We invested in a service platform that allowed us to buy temporary licenses for the outsourcer so we are all on the same system all the time. That eliminated that problem, plus gave us greater insight into what was going on with the outsourcer. For example, we were able to identify a quality problem with one outsourcing agent that was just not the kind of person we wanted representing our company."

Clay, director of call center operations at a furniture and appliance chain based in Australia, chose to hire additional permanent staff for the holiday season. While this was the most expensive option available, his company's large ticket items made a focus on personal contact very important and made this the best option.

Claire, who works for a Scandinavian electronics retailer, deals with the Q4 rush by temporarily assigning responsibilities of staff outside of the regular customer service team. "During the holiday season, nothing is as important as ensuring sales are made. From our CEO to the teenager who cleans the kitchen, we were all working the service queue last December. I know this wouldn't work everywhere. We have a small company with people who are willing to pitch in and do whatever it takes. We are very careful to have procedures and training in place so we don't end up creating more work cleaning up mistakes made by employees who usually aren't customer facing."

Clearly, there is no single "right way" for retailers preparing for the holiday rush. What is never an option is to simply hope that existing resources can manage when activity increases dramatically. However, there are two important strategies that work well for all customer service managers:

01 **Be ready early:**
Experienced managers who have been through many holiday seasons consistently recommend having all additional resources in place one month before the rush starts. This gives the opportunity to have everyone trained, all processes in place, and all hiccups ironed out before the real rush begins and it becomes complicated to make changes.

02 **Use data to influence management:**
Customer service teams who have been through a bad year usually have an easier time convincing their management to invest in resources for the next year. Using data from prior years, such as ticket volumes and customer satisfaction trends, combined with resources like the Zendesk Benchmark can be very influential in having management approve customer service investments for Q4.

CUSTOMER ADVOCACY IN RETAIL

One of the most valuable roles in any organization is representing the voice of the customer in business discussions. In retail companies, this is a role that is increasingly being taken by the customer service team.

When managers walk the floor of their stores, they naturally interact with customers as part of their day without any special effort. However, as retail companies increasingly interact with customers online, via kiosks, and over the phone, management loses that personal contact. This loss of customer input is a serious detriment for a retail organization, unless the customer service team—the organization that consistently hears directly from customers—becomes their advocate.

"Half of my job is presenting the company to the customers in the best possible way. The other half is presenting the customers to company stakeholders in the best possible way."

"The information we get from customer surveys and feedback from email is carefully distributed so other organizations can make changes. It's paramount to our business that we get that piece right."

Adam, service manager for a home safety products company, emphasized that he needs to proactively advocate for the customers. "Management didn't come to me and say 'Adam, you talk to the customers every day, what do you think about this?' I spent the early part of my career waiting for that moment before I realized that I had to just go and tell them. The amazing part was that as soon as I started to do that, I was immediately promoted and my profile in the organization grew." Robin, call center operations manager for a children's' clothing company in Europe, emphasized that there were right ways and wrong ways to communicate with the rest of the organization. "I'll confess, I started this the wrong way. I had all this data from the reports in my customer service system and I would spend hours looking at the graphs or reading the details of interactions that had both positive and negative ratings from customer satisfaction surveys. I love that kind of data and thought everyone else would too, so I set up read-only user access for everyone in the company. Luckily I reviewed the access files and realized that nobody

logged in. So I changed gears and that's when I started my weekly voice of the customer meetings where I proactively pushed out the data to our management and my peers in other organizations."

Successful customer advocates recommend communicating to management in a thoughtful and consistent way. To be most influential, it is important to use a mix of metrics along with interesting anecdotes in the words of the customer to give it color. Carl, who runs customer service at an automobile parts company in Europe, made two recommendations:

01 Don't overwhelm managers by sending them everything. Carefully pick and choose the metrics and anecdotes that are most important, while tracking all the details and follow up with more information if needed.

02 Share both the good and the bad. Customer service teams can easily get the reputation for being the bearers of bad news, or for self-promotion if they share only the good stuff. Be balanced with communications.

CUSTOMER ADVOCACY
FOR DIRECT-TO-CUSTOMER

The role of the service organization in customer advocacy plays different roles in different types of retail organizations. Direct-to-customer businesses have a unique opportunity to deliver customer experience since they own every aspect of the end-to-end process, from product features and manufacturing, to ordering and distribution. Once an issue is identified by a customer service team, direct-to-customer businesses can respond quickly since they own the whole process.

"Our job is to mitigate the bad reasons why people contact us. Of course we need to close tickets, but if we do our jobs right we identify and fix so we get fewer calls. We're the best touch point in the company to understand and influence that."

Roseanne, a 30-year industry veteran who has run customer service for a variety of small companies selling consumer technology, measures herself on how she impacts the overall business. When she joined her current company, the product shipping was an early version, and the level of support inquiries was too high to support the price point. It was clear something needed to be done as profits were being cut by support costs. It was clear to the customer service team that the problem was the large number of options the product offered. "Our challenge is that we are dealing with the general public," Roseanne explained. "Some of our customers are tech savvy and can figure it out on their own or with the FAQ on the website. But some really just don't understand even the most basic concepts. There was no way to fix that with process, we had to fix our product."

Roseanne's recommendation to simplify the product went against the instincts of the engineering team, who were all tech savvy and believed that more options gave the customers more flexibility. Roseanne was able to pull reports on issues and sample questions from the customer service system in order to make her case for simplifying the product. It worked! Service calls dropped from over 20% of customers when Roseanne started to under 5% for the next version of the product that presented fewer options. "If you sell only to engineers you have a limited market. Our sales went up once we had a product that was accessible to more types of users."

Ellen, customer service manager at a personal hygiene company, prefers to work in direct-to-customer because of the increased opportunity

to impact business operations. Her team answers any questions that come in through any channel. There is no distinction between customer service and sales. "We field everything. It allows us to do a lot of value added work to improve the experience —not just customer service but everything. Of course we want to have a good response when bad things happen, but our job is to mitigate the bad reasons that people contact us."

Ellen focuses her time on creating a personal connection with customers in any way she can from top notch distribution to an amazing website. Her efforts have driven the reputation of her team in the organization from being perceived as a cost center, to a revenue driving organization. "When I joined, the perception was that customers came because of marketing's efforts. Now they see our role as a key reason why customers buy."

CUSTOMER ADVOCACY FOR CHANNEL DISTRIBUTION

For retail companies with more complex product sources and channels, customer advocacy can be more challenging. There is little direct control over business partners and relationships vary greatly. However, the role as customer advocate is even more important since it is easier for problems to hide in the details. When a company doesn't have complete control over the end-to-end customer experience, it can be harder to impact change. For example, a store focused on distribution will need to work with partners to impact product features, and a central office may have limited visibility into the activities of their distributors.

One of the unique challenges for these companies is that there isn't always a clear line between various purchase channels. In a survey conducted by Dimensional Research, 77% of mobile phone owners reported that they had checked online for information about a product when in a store.

Beth is a customer service manager working for a company selling high end housing items with a complex distribution system including an online store, name brand stores, as well as department stores. "Customers do not care about your business arrangements with partners, customers care about their issue and want you to fix it," Beth emphasized. "Although we try, perfection isn't really a possibility. But finding opportunities for consistency are key, especially in the basics— having the item the customer wants, fulfilling it quickly, and ensuring the customer has a pleasant experience with whatever channel they choose."

Beth did emphasize that no matter how complex the distribution channels, her store website always remains the central brand owner and so her team must be prepared to deal with inquiries from customers no matter where they actually made their purchase. "Our formal policy is that customers are sent back to their place of purchase with problems. Our job is to make that policy work and still have happy customers. We empower our agents to confidently and quickly make the referral so there is no frustration at lengthy runaround experiences, or quickly determine if a situation is about to get out of hand and then go around the policy if needed."

Craig's experience at a specialized sporting goods store showed the other side of this experience. They were traditionally only a physical store, then

they opened a very successful online store. Once the online systems were in place Craig described his in-store staff as being at a disadvantage by not having immediate access to a customer's history the way the call center team did. He addressed this by delivering a mobile app so staff on the floor could access the customer service database just as easily as an agent on the phone.

SCALING WITHOUT SPENDING

Customer service in a retail environment has a particularly challenging combination of factors:

- Very high volume of transactions
- Working with the general public

As retail companies grow, these two factors make the ability to scale in a cost effective manner imperative. While every executive will agree that customer service is a priority, they still require their customer service teams to operate within a budget. The customer service systems used can be a key factor in delivering great support without breaking the bank.

The key requirements in a customer service solution for a retail environment map back to the unique factors in retail. They must easily scale to support a high number of individual transactions without growing headcount. Processes must be simple so even customers and agents who are not technology savvy can use them.

"The information we put together as a team has completely changed customer loyalty."

Features in customer service solutions that are particularly important in a retail environment include:

- Templates to enable agents to respond very quickly to standard inquiries
- Ability to spot-check agent performance, particularly during the holiday rush when new agents and outsourcers are brought on
- License model that enables adding and subtracting of new agents easily
- Self-service capabilities like FAQs
- Ability to offer a consistent experience through any channel—phone, email, web, text, or social media

The most important capability when discussing tools is reporting. Customer service managers working at scale require reliable data to know where to focus investments, and to impact company decision making. Key metrics tracked by participants included top contact reason, contacts per week, call wait time, time to first response, time to close, and satisfaction.

Pelle took time to emphasize that while satisfaction numbers are important, those numbers alone can be misleading if underlying trends aren't understood. Tools must enable drill-down to figure out the root cause of problems. "A low satisfaction score can be a customer service agent, or it could be the product they purchased. It's important to know what underlies the metrics or you can't fix it."

The retail industry has gone through dramatic changes in recent years, each increasing the need for excellent customer experience. Retail purchases are often emotional. Delivering excellent customer service that leads to happy customers and positive interactions will result in more sales and good word of mouth. Having a plan to address specific issues with retail customer service, including social media, holiday rush, and customer advocacy, as well as the proper tools for cost-effective scalability, will go a long way to meet these goals.

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