

CUSTOMER EXPERIENCE MANAGEMENT:  
DOES A MORE FOCUSED APPROACH TO THE CUSTOMER EXPERIENCE LEAD TO  
STORE PERFORMANCE MEASURE INCREASES?

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**Title**

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**MASTER OF SCIENCE**

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## ABSTRACT

This project explored the principles of experiential retailing and how the retailer Lands' End is using these principles to increase key performance indicators in their retail locations. The types of experiential retailing are defined and of these the lifestyle retailing concepts are applied to strategies employed in Lands' End retail stores. Specifically the development and implementation of a customer experience management program launched in Lands' End retail stores are shared. The results of key performance indicators: average transaction, units per transaction, and conversion, are shared for a single retail location to illustrate the success or failure of the program. Suggestions for changes to the program are also shared.

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## INTRODUCTION

The United States' retail apparel industry is almost a four trillion dollar business (U.S. Census Bureau, 2011) and the amount of store space per capita in the United States has grown from 18 square-feet of retail shopping center space in 1990 to over 40 square-feet in 2010 (Stripped, 2011). This growth has created a condition within the United States that leaves consumers with many choices causing a highly competitive retail environment (Kim, Sullivan & Cardona Forney, 2007). As a result, retailers need to find ways to differentiate themselves from the competition, and one method has been experiential retailing (Sullivan & Heitmeyer, 2008).

Experiential retailing is a consumer experience that considers not only the transaction but also the value added to the shopping trip (Kim, Sullivan & Cardona Forney, 2007; Sullivan & Heitmeyer, 2008). Experiential retailing can encompass an entire sensory experience for the consumer or it can appeal to the emotional or functional needs of the consumer. The important aspect for the retailer to consider is if the value they are looking to add matches what the consumer is seeking in their shopping trip (Josiam, Kinley & Kim, 2005; Sullivan & Heitmeyer, 2008).

The purpose of this project is to determine whether increased customer service in a Lands' End retail location leads to higher overall customer satisfaction and increases sales. Various aspects of experiential retailing will be explored including lifestyle retailing that focuses on the interaction between consumer and sales staff, consumer behavior and customer service models in place at specific Lands' End retail outlets. The success of these customer service models in relation to sales performance will be determined based on sales data from the Lands' End Minnetonka location.

## LITERATURE REVIEW

### Experiential Retailing

As stores look for ways to compete and differentiate themselves from one another they consider the value that they can add to the consumer's shopping experience (Reynolds, 2003). This is the premise behind the experiential retailing movement. Retailers are providing an environment that creates an experience for the shopper (Bellenger & Korgaonkar, 1980; Hoffman & Novak, 1996; Mathwick, Malhotra & Rigdon, 2002). There are a variety of methods that can be used to create an experience for the consumer. They include entertainment retailing, thematic retailing, lifestyle retailing, and value retailing (Kim, Sullivan & Cardona Forney, 2007). Retailers need to pick a format that not only works for their merchandise offering but also connects with the consumer and evokes an emotion within the consumer that will lead to repeat visits with the retailer (Meyer, 2006). The following explains the different types of experiential retailing and provides examples of how they are used.

The various forms of experiential retailing each have different characteristics that help create an experience for the consumer. Entertainment retailing is a shopping experience that not only considers the final transactions but also the stimulation that the consumer encounters throughout the store (Gottdiener 2001; Mathwick, Malhotra & Rigdon, 2002; Carpenter, Moore & Fairhurst, 2005). Entertainment retailers provide a place that consumers can purchase items and also provide amusement as they shop. Entertainment retailing can be achieved at shopping centers by combining stores with other forms of enjoyment such as movie theaters, amusement parks, and ice skating rings (Kim, Sullivan & Cardona Forney 2007). The effect can also be achieved within a store through

lessons taught by employees, creative interactive displays, and special events within the store (Berry, 1999; Kim, Sullivan & Cardona Forney, 2007). A good example of entertainment retailing can be found at the sporting goods store Scheels. Within their flagship store in Fargo, ND they have integrated many aspects of retail entertainment. Examples of these aspects include a Ferris wheel, a connection with the local community in their North Dakota State University hall of fame display, areas to work on your golf swing, and special flooring so that consumers can test shoes prior to purchasing. These features create an overall experience for the consumer and help to add the value they were looking for in their shopping experience (Mathwick, Malhotra & Rigdon, 2002).

The next type of experiential retailing, thematic retailing, is similar to entertainment retailing in that it seeks to entertain and connect with the consumer. The difference is that thematic retailing does so with a more focused brand approach, i.e. they create a brand through the use of specific themes that are imbued through every aspect of their environment (Borghini, et al 2009; Kozinets, et. al 2008; King 2000). In using these themes, the retailers create a distinct environment in which the consumer can interact with and engage consumers in a way that creates memories for the consumer not just transactions (Sorescu, Frambach & Rangaswamy, 2011). Examples of thematic retailers include restaurants such as the Rainforest Café, American Girl Doll stores, and also shopping centers such as The Grand Canal Shoppes at the Venetian Resort in Las Vegas, Nevada (Kim & Sullivan, 2003).

Different from entertainment and thematic retailing, the goal of value retailing is to provide the retailer's target market with good prices and value for the money spent (Poloian, 2003). The experience created for consumers in this format is the "thrill of the

hunt” (Kim, Sullivan & Cardona Forney, 2007, p. 303). Value retailing isn’t just about getting the lowest price; it’s about getting the most for the consumer’s money. Examples of value retailing include discount retailers such as Target or Wal-mart but they also include marketing luxury items to the masses like the Vera Wang line of clothing in Kohls stores (Back, Haveron, Narasimhan, Rauch & Sneader, 2005).

The final experiential retailing format is lifestyle retailing. Lifestyle retailing is the offering of particular items based on the needs of a market segment (Blackwell & Talarzyk, 1983). Lifestyle retailing can include both the type of retailer and also the type of shopping center; both of these are chosen by the consumer based on the lifestyle choices they make. A lifestyle is the manner in which an individual chooses to live, how they allocate their resources, and how they define themselves through consumption patterns (Belk, 1988; Hawkins, Best & Coney, 2001; Soloman, 2002). A market segment that has influenced the structure of retail stores is the affluent suburban dwellers. Their influence has created a format of retailing called lifestyle centers where higher end stores are located in open air malls (Bhatnagar, 2005). The lifestyle center format is designed with ample parking and interesting architecture or landscaping features (Yan & Eckman 2009). The design characteristics of a lifestyle center provide an environment a consumer can either leisurely shop all stores or easily stop at a specific store depending on the focus of the consumer’s shopping trip. Just as where a consumer shops helps define who they are to society, so does how they dress. Fashion is an outward expression of how an individual can be defined within a society. For example due to more casual dress policies at work many Americans are living a more casual lifestyle (Armour, 2007). Therefore, consumers living

a more casual type of lifestyle will seek retailers such as Lands' End with offerings that match their lifestyle criteria.

The different categories of experiential retailing: entertainment, thematic, value, and lifestyle retailing are used to help stores differentiate themselves. It is not enough for a retailer just to pick a category to be successful; they must also consider the experience the consumer has within the store. An area that retailers can explore to further differentiate themselves is customer service.

### Customer Service

How a retailer approaches the customer service they provide can help define who they are as a retailer. The interactions that consumers have with a retailer leave an impression on the consumer. These impressions can help the consumer choose retailers based on the type of shopping experience they wish to have. There are four main categories that contribute to the customer service experience: “physical presence and appearance, cognition, emotion or attitude, and connectedness” (Rayport & Jaworski, 2004, p. 49). The manner in which a company manages these categories can contribute to the positive experience of the consumer, thus creating a better relationship with the consumer. The physical presence and appearance of employees contributes to the customer experience in many ways including speed of service, marketing and availability for social interaction, or information seeking. For those consumers with the goal of speedy transactions, the perception of easy access of help from an employee creates a positive experience. Allowing the customer to achieve their shopping goals within the consumer's timeframe can create additional value for the transaction (Cottet, Lichtlé & Plichon, 2006). The appearance of employees, especially in a clothing retailer, can provide a marketing tool for

the company in that its employee's dress code includes products available to the consumer for purchase. Employee dress communicates the personality of the individual and also the store (Yurchisin & Damhorst, 2009). This not only gives the consumer an idea of how the clothing from a retailer can be worn, but also gives the employees experience with the goods allowing them to provide the consumer with first hand testimonial about the product.

Cognition can be achieved in a number of ways as well. One example is the recognition of the consumer by the employee. An employee who remembers the names of consumers and also products that they may enjoy can more easily interact with the consumer. This personalized service creates a more meaningful experience for the consumer (Dalavai Scott, 2011). Another example of cognition is the ability of the employee to recognize the type of shopping experience that the consumer is seeking once they have engaged in interaction with the consumer. By engaging and learning what the consumer is searching for, the employee can help create the type of experience the consumer wishes to have, whether that is being left alone or helping the customer find an outfit for a special trip.

The emotion and attitude of employees helps create an impression of the business. Employees who enjoy working for their company are more likely to show a higher level of enthusiasm (Schneider, Macey, Barbera & Martin, 2009). This enthusiasm can be seen in the manner in which the employees engage in their job. Employees are more likely to perform at a higher level if they feel they are having a positive impact on the business (Schneider, Macey, Barbera & Martin, 2009). Therefore if employees in a retail store can see the positive impact of their interactions with consumers they are more likely to

continue to engage in the same types of behaviors, thus creating a positive experience for both the employee and the consumer.

Connectedness is the ability and ease with which the consumer can interact with the retailer (Kim, Sullivan and Cardona Forney, 2007). Consumers have the ability to shop for products through a variety of channels: in person, over the phone, or via the internet. The consumer also uses these channels as a way to do research and learn about products and prices making the consumer more informed. These channels also provide a variety of access points a consumer has with a company and all of them can leave an impression on the consumer. It is important that the different access points provide the same type of experience so that the consumer can form a complete brand impression of the company (Tate & Johnstone, 2010).

### Consumer Behavior

The customer service provided by a retailer can influence the consumer's decision to continue shopping with a retailer. In a similar manner, the consumer also learns processes about buying behavior through their interactions with others. The influences on consumer behavior are vast; therefore it is important to understand what can influence consumers in order to turn more consumers from casual shoppers to purchasers. This project will consider the following factors in relation to consumer behavior: utilitarian need versus hedonic need, the influence of a consumer's reference groups, and the role of conspicuous consumption.

One aspect of consumer behavior depends on a consumer's motivation to purchase an item and whether that particular item is a want or need. Items that are purchased based on a need are termed utilitarian. The products have features that satisfy a specific function

that the consumer is looking to fulfill (Addis & Holbrook, 2001; Hirschman & Holbrook, 1982; Micu, 2010). Products that fall into the utilitarian category are those items a consumer deems necessary to continue their expected quality of life on a day-to-day basis, such as food, clothing, cleaning products and toiletries (Kim, Sullivan & Cardona Forney, 2007). The intent of a shopping excursion can change based on the type of products that are required. This intent can also be viewed as either utilitarian or hedonic. Utilitarian motivation is created when the consumer wishes to satisfy basic physiological needs with a minimum level of time invested (Childers, Carr, Peck & Carson, 2001; Hirschman & Holbrook, 1982; Sullivan & Heitmeyer, 2008).

Unlike utilitarian products, hedonic products are those that a consumer chooses because they fulfill non-tangible desires and create the experience that the consumer wishes to achieve (Hirschmann, 1982; Kim, Sullivan & Cardona Forney, 2007). The hedonic motivation for a consumer is when the intent of the shopping excursion is based on entertainment (Sullivan & Heitmeyer, 2008). The goal of the trip is pleasure and enjoyment, the experience of the trip is more important than purchasing any specific product (Hirschmann & Holbrook, 1982). The hedonic intent can influence the types of products purchased. Hedonic products are more tied to a consumer's emotions; attachment to a product can be linked more to how it makes the consumer feel than its tangible attributes (Addis & Holbrook, 2001; Hirschman & Holbrook, 1982; Kim, 2001).

The utilitarian or hedonic motivation of a consumer is a process that they learn over time and is heavily influenced by a person's reference groups. A reference group is "any person or group that serves as a point of comparison for an individual in forming general or specific values, attitudes, or a specific guide for behavior" (Schiffman & Kanuk, 2007, p.

312). The social comparisons can influence the decision making process as choices are visible to others within the reference group (Amaldoss & Jian, 2008; Orth & Kahle, 2008). These groups can encompass a wide variety of individuals, but the most instrumental in the development of consumer behavior patterns are the reference groups of friends and family. These are the groups that most directly influence the values one has as a consumer. The values a consumer possesses are learned via their reference groups, but the reference group's values are heavily influenced by culture.

Cultures have a set of norms that guide an individual's response to situations but also help distinguish one reference group from another (Cialdini, 2001; Hofstede, 2001). Geert Hofstede developed cultural dimension model through his research on IBM employees' values in over 40 countries (ITIM, n.d.) The results helped him develop five cultural dimensions: power distance index, individualism, masculinity, uncertainty avoidance index, and long-term orientation (ITIM, n.d.) These dimensions give insight into the motivational factors behind consumer purchases. The basis Hofstede's work is that all people share characteristics that are built from their cultures and they use these characteristics to guide their decision making process (Blodgett, Bakir & Rose, 2008). The following examines individualism, uncertainty avoidance, and the masculinity dimensions and how they are influential in consumer motivation.

Individualism is the extent to which a member of a group or culture seeks to distinguish themselves as independent from the group (Steenkamp, Hofstede & Wedel, 1999; Tifferet & Herstein, 2010). Members of a culture with individualistic characteristics would seek out products that help them define who they are to both themselves and others. A collectivist culture, on the other hand, would place more value on consumption that

reflects the same sentiments as the group. Collectivist cultures place a higher value on actions that contribute to the welfare of the group in order to maintain harmony amongst members of the group (Blodgett, Bakir & Rose, 2008; Watkins & Liu, 1996). A consumer in the collectivist culture would consider how the purchase they make would affect the group they belong to, such as their family, and how it would benefit that group. This type of thinking heavily influences a consumer's motivation and can be displayed in the type of product purchased and in the method of shopping.

Uncertainty avoidance is the degree to which a culture is adverse to risk. The level of uncertainty avoidance a culture has is dependent on the level of comfort the culture has with the unknown (Kailani & Kumar, 2011; Yenyurt & Townsend, 2003). The level of uncertainty avoidance for a consumer can influence their acceptance of new products, willingness to try different brands or stores, and willingness to try different methods of shopping such as ordering via a catalog or internet. Societies with higher levels of uncertainty avoidance place greater value on security and stability, are resistant to change, and are intolerant of deviations from the norm (Blodgett, Bakir & Rose, 2008; Kailani & Kumar 2011).

Consumers' reference groups and their cultural dimension characteristics also influences the types of spending consumers are compelled to do. This is best exemplified in the type of spending known as conspicuous consumption. Conspicuous consumption refers to the purchase of an item not because of functionality, but for its ability to be noticed by others; that by purchasing certain items status can be gained (Carolan, 2005; O'Cass, 2002).

The need for conspicuous consumption created by reference groups is due to an inequality in the consumer's actual self-image, their ideal self-image, and their ideal social self-image. A consumer's actual self-image is how consumers view themselves, their ideal self-image is how they would like to view themselves and their ideal social self-image is how a consumer would like others to view them (Schiffman & Kanuk, 2007). Consumers attach meanings to products and brands. In doing so a consumer's possessions help communicate an individual's identity to other members of society (O'Cass 2002; Wong 1997). The purchase of certain products can assist a consumer in aligning their actual self-image with their ideal social self-image.

Hofstede's cultural dimensions can also help explain a consumer's need for conspicuous consumption, specifically the individualism and masculinity dimensions. Consumers that are part of an individualist society or dimension purchase items that assist them in creating an identity, and feel that can be done through the purchase of items that reflect their competitive nature and display their success and achievement (Wong, 1997). Similar to individualistic societies, those that are strong in the masculinity dimension will also be highly competitive (ITIM, n.d.). In a society that views goods as a measure of success a consumer may participate in conspicuous consumption in order to display their success to other members of society.

Thus far we have discussed needs and wants that develop within a consumer, but there are times when these needs and wants are created due to marketing and promotions presented by a company. Marketing is achieved through a variety of media, and it helps the consumer recognize brands and products that can help them achieve their ideal social self-image. Promotions offer incentives that encourage consumers to purchase sooner

rather than later. “Sales promotions provide utilitarian benefits including savings, quality and convenience, and hedonic benefits including value expression, exploration, and entertainment” (Raghubir, Inman & Grande, 2004, p. 25). Marketing and promotions can spur consumers to purchase an item they most likely would need at sometime by offering an incentive, and reminding them of their need for the item. Marketing and promotions can also suggest an item that may provide a hedonic benefit. It may offer a trend or brand that assists a consumer in projecting an image, or it may provide some sort of status that can be fulfilled by conspicuous consumption.

Consumer behavior can influence the type of shopping experience that a consumer wishes to have, therefore it’s important that they first begin with choosing a retailer that can match their needs. We will now look at how one retailer is trying to create a complete customer oriented environment.

### Lands’ End History

Lands’ End is a company that originally started with the intent to sell high quality sailing equipment. It was important that the quality was high as sailor’s lives depended on the equipment. Eventually the line expanded to include clothing gear that could be used while sailing. The popularity of the clothing gear pushed the retailer to shift its focus from sailing equipment to clothing. The product focus of the company may have changed, but the commitment to quality never waned. Their policy reads as follows, “If you are not satisfied with any item, simply return it to us at any time for an exchange or refund of its purchase price” (Company History, n.d.). This policy is simply stated, “Guaranteed Period®” and it has helped build a brand image with the Lands’ End customer. This also translates into the level of customer service Lands’ End representatives seek to provide for

the customer. Lands' End's founder, Gary Comer, once said that he could never fault anyone who is acting in the best interest of the consumer. These two aspects helped develop a brand image of Lands' End for the consumer. These relationships were largely forged via the catalog and interactions with Lands' End representatives.

The majority of Lands' End customers built their relationships with the company through the catalog as there were very few retail outlets, and the internet site had yet to be developed. A few customers had access to stores that were largely outlets, and this allowed them to put a face to Lands' End. Sears purchased Lands' End in 2002 and has implemented 250 Lands' End shops within Sears' stores. This has increased the number of places that consumers can interact with Lands' End representatives. There are three basic brick-and-mortar store formats where Lands' End consumers can purchase products. One is the Lands' End shop concept in Sears, where current catalog product can be purchased. The other two formats include Lands' End Inlets and Not Quite Perfect® Stores. These two carry a selection of current catalog items along with overstocks and Not Quite Perfect® merchandise, which is slightly damaged or doesn't meet first quality standards.

No matter the channel with which the customer chooses to shop with Lands' End, it is still very important to the company that exceptional customer service is provided. It started with Gary Comer and continues today. In 2011 Lands' End was named to the National Retail Federation's list of top ten customer service providing retailers, an honor they also received each year from 2007 through 2010 (NRF, n.d).

#### Lands' End Target Market

According to Amelia Dunlap, a Senior Manager in Market Research with Lands' End, its target market includes mainly consumers that fall in the baby boomer bracket

(personal communication, January 24, 2012). Baby Boomers were born during the years of 1946-1964, after the World Wars and share common experiences such as, “postwar expansion and prosperity, unprecedented employment and educational opportunities,” (Keiser & Garner, 2008, p. 77). These consumers are now age 47-65. Boomers also experienced events such as Woodstock, the Vietnam War, Kennedy and King Assassinations and Watergate (Rice & McDonald, 1995). Baby Boomers are currently in the middle stages of their lifespan, with the older part of their generation reaching retirement age. “They are unlike their parents, in that age is not something to which they readily admit. [Boomers are] young at heart, they have redefined lifestyles at every life stage and will undoubtedly fight the aging process every step of the way” (Keiser & Garner, 2008, p. 81). These characteristics match up well with the target market description I received from Amelia Dunlap, which included, “our customers are established, they know who they are, and what they like” (personal communication, January 24, 2012). Baby boomers have the largest spending power of any generational group in America, and accordingly own 70% of the wealth which totals over seven trillion dollars (Baby Boomers, 2011). Similarly, Lands’ End’s customers come from more affluent households with an average income of \$65,000 or more (Dunlap, personal communication, January 24, 2012).

The characteristics of Lands’ End’s target market can help explain the methods they choose to market their products, and the type of customer service they provide. The following will look at how Lands’ End is doing this in regards to the characteristics of experiential retailing.

## Lands' End and Experiential Retailing

There are many ways for retailers to incorporate aspects of experiential retailing into their business models. Two of these types of experiential retailing, value and lifestyle, can be applied to the practices of Lands' End. Value retailing refers to the amount of value that can be found within the shopping trip, not the price of goods. One example of value retailing is being able to accomplish shopping goals in a short amount of time. Lands' End adds value to a customer's transaction through their "Guaranteed Period"® policy. By guaranteeing the quality of their products the risk for the consumer is reduced, thus increasing the value. Another area where risk to the consumer is reduced is through the ability to return catalog or internet purchases to a Sears store. When ordering a product without the ability to touch, feel, or try on, there is a level of uncertainty for the consumer. Customers can often take advantage of free shipping on orders to their home, and then can try on the items in the comfort of their own home at a time that works in their schedule, then items that do not work can be returned to any Sears store, reducing the investment of shipping costs to touch, feel, and try the products. In the past, Lands' End's website offered the option of a virtual model, where customers could create a model using their personal measurements and body shape. They could actually try different Lands' End products on the model to see how they would fit. Currently Lands' End's website offers live help via video chat and live chat service where consumers can instant message with Lands' End fit experts about products. These services can help a consumer answer product questions, but also it provides a more personal experience when online shopping, mimicking the type of help a consumer would find within a store.

The other type of experiential retailing that Lands' End uses is lifestyle retailing. Lifestyle retailing involves matching a retailer's target market with a method of shopping that is congruent with their lifestyle. This can include where a retailer locates their stores, but it can also include how they communicate with their customers. With the growth of technology and social media, retailers need to communicate with their customers differently. Lands' End is using these methods to reach their customers. Currently Lands' End has a facebook page, a twitter account, an application for shopping via an iPad, and they also send promotional information via text message. For those customers that are trying to live greener and reduce their impact on the environment they now have the option of browsing the Lands' End catalogs online or through an application on their iPad, which eliminates the need for a paper catalog.

The above are examples of how Lands' End is using experiential retailing with its website and marketing. The website, however, is not the only place that customers interact with Lands' End; therefore it is also important that their retail outlets offer services that align with the needs of its consumers. Currently customers can also receive text message alerts about specials at Lands' End stores, they can also place catalog orders within the store for free shipping, and they can return items that they have ordered at the store for free shipping back to Lands' End. Recently a program was also developed to be used within the stores to increase customer service levels. The following explains the premise of this study, and also the customer service program developed by Lands' End retail management team.

## Study Background and Development

The purpose of this study is to learn whether an increased focus on the customer experience can produce higher customer satisfaction and store sales. Lands' End was chosen as the retailer to study as I am a part of the Lands' End store management team. As part of that team I have been working closely with a newly developed customer service initiative that we call the Customer Experience Management (CEM) program. I, along with the other managers, wrote and developed the program during a meeting in March 2011. My store manager and I are also responsible for incorporating the program within our store location in Minnetonka, MN. For the purpose of this study, only the results from the Minnetonka, MN location will be examined as I understand the implementation and use of the CEM program within that store and cannot control the implementation of the CEM program in other Lands' End locations.

The following will discuss the purpose behind the development of the CEM program, the development process, and the results in customer satisfaction and sales after incorporating the CEM program. Results will be measured by analyzing sales and other performance index measures.

## DEFINITION OF TERMS

The following terms will be used in the explanation and results portion of the study, and are vernacular used within the Lands' End language, to help in the understanding of the study they have been defined here:

**Customer Experience Manager (CEM):** The manager in charge of watching all aspects of the sales floor to ensure all customers are being helped.

**Net Sales:** overall store sales

**Average Transaction (AVT):** The average transaction is the average amount spent per customer within the store. It is found by dividing net sales by the number of transactions.

**Units per Transaction (UPT):** The units per transaction are the average number of units sold per customer. It is found by dividing the total number of units sold by the number of transactions.

**Conversion:** Conversion is the percentage of customers that come to the store that make a purchase. It is found by dividing the total foot traffic count through the front door by the number of transactions.

**Key Performance Indicators (KPIs):** Is a group of store measurements that indicate overall store success and includes net sales, average transaction, units per transaction and conversion.

**Sales per Hour (SPH):** Overall store sales divided by the number of hours worked by employees in a given day or year. The measure can be used to give a goal to associates for what they need to contribute to a day's business.

**Inlets:** Free-standing Lands' End store locations.

## CUSTOMER EXPERIENCE MANAGEMENT PROGRAM

### Purpose

Customer service is a focus for all areas Lands' End's business. In an effort to increase the level of customer service provided in Lands' End Inlets, the store managers and assistant managers put together a program at their meeting in March 2011. The goals of the program were to increase customer service levels within the store, improve the selling culture, and to provide an additional tool to help Inlets achieve sales goals. In 2011 Inlets were given sales budgets that included an eight percent increase in sale and also included goals for Key Performing Indicators (KPIs) such as Average Transaction (AVT), Units per Transaction (UPT), and Conversion.

There are challenges in achieving the sales budgets given to the Inlets. These stores are given a limited marketing budget which affects overall traffic to the store. The majority of the marketing budget at Lands' End is focused on the Lands' End shops within Sears, the Lands' End catalog, and internet site. Promotional events are often sent with minimal lead time with which to inform customers, making it difficult to increase traffic to take advantage of promotions. As managers we are not able to completely control how our employees interact with customers. We can however, control the types of employees that we hire, and the training and direction they are given for providing customer service. This is the mission of the Customer Experience Manager (CEM) program. By improving the service provided to customers that shop at Inlets the hope is that they will return more often and purchase more per visit.

## CEM Program Development Process

Store managers and assistant managers were divided into three separate committees: one focused on writing the parameters of the program, one on tracking and accountability, and the third on developing rewards and recognition. The groups met for two days at a meeting and also scheduled conference calls for the month following. The program was completely rolled out to all stores in May 2011.

## CEM Program Parameters

The goal of the committee that developed the parameters of the CEM program was to provide the direction as to how the program should be used in stores. Their purpose statement was, “Committed to a complete focus on leading and inspiring selling behaviors that will deliver KPIs and drive sales performance as well as enhancing the customer experience in our store. Guaranteed Period. ®”

Members of the team that were expected to follow these guidelines included: store managers, assistant managers, associate managers, and keyholders. During the hours that stores are open, these members of our leadership teams are scheduled for CEM duties. CEM shifts are scheduled and tracked for all hours that a store is open. It was found during the testing period that CEM shifts should try and be kept to two hour increments. The reason two hour increments were chosen is that shorter increments were easier to keep energy levels up and focus on just the CEM duties, and one hour wasn't enough time to make an overall impact. This can vary based on the number management members scheduled on a particular day.

Each day the members of the leadership team can refer to the daily zone schedule to see when they are CEM for the day. The daily zone schedule (see Appendix Figure A.1) is

a communication piece used by the stores to plan out the day for both members of management and employees. It provides sales information from the day prior and goals for the current day. It also has the day's promotional activities, selling tips, and when employee breaks occur. It was recommended by the committee that one person within each store writes the zone schedule and assigns the CEM shifts. This ensures that each person is CEM during a variety of shifts throughout the week thus balancing out busier and slower hours throughout the business day. For example many stores experience a large amount of returns early in the morning or spikes in business during the lunch hour. Rotating the CEMs through different scheduled shifts helps level out the sales peaks and valleys thus creating a more even comparison of CEM capabilities between leaders in an individual store.

The committee that developed the parameters of the CEM program wrote the following expectations of what the acting CEM should do while they are working in that zone:

- Update staff on key performance indicators (KPIs) throughout the day including net sales and units per transaction (UPTs).
- Touch base with staff as they begin their shifts throughout the day. Be sure to share with them sales goals, the promotions for the day, and KPI progress.
- Look for opportunities to team sell throughout the store.
- Manage service in the fitting room.
- Model selling behaviors for sales associates.
- Be aware of what is occurring on the sales floor.

- Be on the sales floor for entire CEM shift; if you must step away, it is your responsibility to find another leader to cover temporarily.
- Lead by example in providing superior customer service.
- Direct and re-direct floor coverage as business needs change. Move associates to different areas of the floor, or during slow periods direct them in task projects such as refilling the floor and straightening.
- Observe associate behavior with customers and provide coaching in the moment to help develop their customer service skills or recognize great customer service.
- Share success stories with other associates, members of management, and district manager.
- Be aware of possible theft situations on the selling floor.
- Provide and share product knowledge and training with the staff.
- Walk the floor with associates to make them aware of new product and product placement changes.
- Recognize excellent customer service through the use of the Lands' End recognition programs.
- Keep the sales floor neat and clean for all customers.
- Answer the phone only when all others are with customers in order to comply with the three ring rule.
- Do not work on tasks or projects.
- Do not work on floor changes.
- Do not do any product filling, but you may get an item for a customer from stock room as necessary.

- Do not go behind register or catalog areas unless absolutely necessary.
- Do not be stationary; keep moving to be available to customers and maintain floor awareness.
- Do not do operational tasks; no “behind the scenes work” which includes not working in the stockroom, office, supply ordering, boxing up charge sends, monogramming, or catalog returns, etc. These tasks can be delegated while you are CEM or can be completed either before or after CEM shift.
- Do not take any phone calls; take a message and return the call after your CEM shift is complete. In case of emergency, find someone to cover your CEM duties and take the call.

### CEM Program Tracking

The members of the tracking committee were tasked with creating a way to measure the results of the CEM program that were detailed above. Their mission statement was, “To build functional, usable tools to establish accountability to our CEMs for meeting sales and key performance indicator (KPI) goals.” This committee felt that it was very important that the tracking devices were easy to use and functional so as not to inhibit the adoption of the CEM program.

This committee came up with what areas needed to be measured, and how the figures would be obtained. They worked with the committee that developed the CEM program guidelines and created forms that would line up with their shift expectations. As a member of this team, I developed all of the Excel spreadsheets. The members of the tracking committee tested the forms in their stores for the month of April 2011 in order to work out any problems and make any changes so that all forms were ready when the

program was rolled out to all stores in May 2011. Three forms were rolled out to all stores in May 2011, and an additional piece was added in June 2011, in order to make the rewards and recognition process more efficient.

The first form is one that is used daily by the CEMs to track sales and KPI progress throughout the day. It is called the CEM Daily Tracker (see Appendix Figure A.2). The form has the day's sales goal and is broken down into sections for each of the CEMs to track sales progress for each hour the store is open. It also contains the sales per hour (SPH) goal employees based on the total number of hours scheduled for the day. This goal shows everyone what their contribution to the business needs to be for each hour and helps illustrate how they can contribute to the overall sales for the day. The form also contains a section for "hits" and "misses." This section is for CEMs to recognize associates that have done something well or areas that everyone can improve on as a whole for the day. This form differs from the rest that were developed because it tracks the entire store's performance for the day, whereas the other forms track an individual's performance as CEM. When this form was introduced, the committee explained that everyone would be measured individually, but ultimately we are all a team, and in order to achieve goals, we must work together. They also pointed out that one can see an individual's performance based on the increase and/or decrease of KPI achievement during their shift.

The second form is the CEM Performance Tracker (see Appendix Figure A.3). This form is used to track the daily contributions of each CEM. Every morning stores print reports from the previous day's business. One of the reports breaks down store productivity by the hour, including sales, units sold, and number of transactions. The opening manager takes this report and fills in the results for each CEM, referring to the

prior day's zone schedule, to ensure filling in the correct shifts. This spreadsheet has a sheet for each individual CEM and is broken down into fiscal weeks. Stores would use either four or five depending on the month. As results are filled in they roll into totals for both the week and the month. At the end of each fiscal month, the month's totals for sales, units, and transactions for each individual are transferred into a year-to-date tab so that yearly results can be tabulated.

The third form looks much the same as the year-to-date tab on each store's individual performance tracker. It is called Fiscal Year CEM Performance Tracker (see Appendix Figure A.4). The purpose of this form was to have all stores' results for CEM performance in one location. It was designed to look like the year-to-date tab of the CEM Performance Tracker form so that there was familiarity with the form increasing efficiency when entering results. This form is located on a shared drive so at the end of each fiscal month all stores have to do is transfer the individual CEM results from their year-to-date tab on their CEM Performance Tracker to the Fiscal Year CEM Performance Tracker tab for their store. Each store's tab also contains their store's KPI goals so they can easily refer to them and see which of their CEMs were successful in achieving the goals. In addition the form tabulates conversion, average transaction, and units per transaction results for the stores so they have monthly results in one location. Since there is a tab for each store it allows for comparison of results. The hope was that this would lead to collaboration between stores. For example, a store not doing so well might ask what is working in a store that is performing well.

The final form was added later as a result of a CEM contest. Although all CEM results are located in the Fiscal Year CEM Performance Tracker, it still takes some time to

go through the results to see which CEMs achieved KPI results. Since every store has different goals, we also wanted a way to compare CEMs on a level plane. In order to evaluate all CEMs evenly results need to be calculated as a percentage increase over a store's KPI goals for units per transaction and average transaction. This form is called the CEM Results vs. KPI Goals (see Appendix Figure A.5). During the manager meeting where the CEM program was developed, it was decided that mediocrity would not be rewarded. Because of this, individuals are only recognized for performance if they have surpassed store goals. Therefore, the CEM Results vs. KPI Goals form only needs to be filled out for those managers that surpassed both AVT and UPT goals for their store. Average transaction and units per transaction goals are listed on each store's Fiscal Year CEM Performance Tracker tab so it is easy for the person filling out the forms to compare and transfer any results. If no one surpassed goals, then there are no results to transfer. The CEM Results vs. KPI Goals form makes it easier for the person calculating recognition results, because they only have to compare results for those managers that surpassed their store goals. Also the percentages automatically calculate when results are entered into this form, so there is no need to figure them out; all that needs to be done is compare.

The explanations for these forms might seem to go against this group's mission statement of functional, usable tools. In actuality the forms are very simple to fill out; it should take only a couple of minutes each morning and then maybe five to ten minutes at the end of each month is needed for transferring results.

### Rewards and Recognition

Once the forms are completed, they can be used for rewards and recognition as mentioned above. A third committee was in charge of creating this portion of the CEM

program. Their mission statement is, “To create rewards and recognition that foster an environment that keeps staff strongly motivated to achieve results and displays a strong sense of ownership in the CEM program.”

There are three separate areas for recognition within the CEM program: recognition within the store each month, recognition for top performers from all stores, and additional CEM contests. Each store is responsible for recognizing their top CEMs for the month within the store. The frequency and method of recognition is up to the store to determine. It is also at the store’s discretion to come up with additional incentives for the month. For example, one month in the Minnetonka store there was a contest that the manager with the worst CEM results had to wear an outfit of the other CEMs choosing for a day. The store should also keep the district manager informed of CEM results and highlights throughout the month. At the end of each month the CEM Results vs. KPI Goals form is used to determine the top five CEMs for both the associate manager and keyholder positions. These CEMs will be recognized in the division with a note or other reward from the district manager along with the posting of top CEM results in the weekly communication piece following fiscal month end. The district manager will also inform the senior vice president of retailing in Lands’ End of CEM results. The senior vice president may also be asked to recognize top performers with a note. The top store manager and assistant manager will be mentioned during the next conference call after fiscal month end. Finally the rewards and recognition committee will develop contests throughout the year with additional incentives. For example to help boost back-to-school sales, an extra incentive was offered in August. The top five associate manager CEM results and also the top five keyholder CEM results

received gift cards; in addition, they could have doubled their winnings by beating their store manager and assistant manager's CEM results.

All of the Lands' End stores have different goals to achieve throughout the year based on their volume and past performance. As a result we felt it was important to compare CEM results as a percentage increase over goal so that all CEMs were judged on the same criteria. The CEM Results vs. KPI Goals form calculates the percentage over UPT and AVT for each individual entered. Then the form adds the two percentage increases together which is the number that is used when comparing CEMs from different stores. The committee also thought it was important that CEMs have at least 15 CEM shifts during a month in order to be eligible. This helps balance out the types of shifts they have and helps make results more comparable across different stores.

Since the CEM program was developed as a way to help stores achieve their budget goals for the year, CEM results can also be used to evaluate an individual's performance when it comes time for mid-year and year-end reviews. CEM results can help justify an individual's contribution to the business which can justify their overall rating at year-end. These ratings are used by Lands' End for both wage increases and percentage of bonus payout.

So far the discussion has been the measurement of an individual's CEM performance, but there are also ways in which to measure the success of the program based on store results. The methods used for this project include overall store sales results.

#### Key Performance Indicator Results/Comparison

Results were tracked based on a number of Key Performance Indicators (KPI), which include average transaction and units per transaction. Since the goal of the program

is to increase these KPIs, a comparison of results should indicate whether or not the efforts are producing positive results. For the purpose of this study, a comparison of these KPIs for the months that the program has been fully in place at the Minnetonka store was gathered. These months include April 2011 through January 2012 and were compared to results from April 2010 through January 2011. These results are shown in Table 1.

The goal of the CEM program was to help stores achieve their 2011 budgets. By increasing the focus on customer service the hope is that stores will also increase their key performance indicators (KPIs). The results in Table 1 show that thus far the CEM program is producing positive results in the KPIs at the Minnetonka location.

Table 1 Comparison of Key Performance Indicator Results in Minnetonka Store

	Totals	Variance
Transactions Fiscal Year 2011	51,574	0.66%
Transactions Fiscal Year 2010	51,238	
Traffic Count Fiscal Year 2011	97,833	-6.33%
Traffic Count Fiscal Year 2010	104,445	
Conversion Fiscal Year 2011	52.72%	7.46%
Conversion Fiscal Year 2010	49.06%	
Units Sold Fiscal Year 2011	114,836	2.97%
Units Sold Fiscal Year 2010	111,522	
Units Per Transaction Fiscal Year 2011	2.23	2.30%
Units Per Transaction Fiscal Year 2010	2.18	
Average Transaction Fiscal Year 2011	\$42.22	3.72%
Average Transaction Fiscal Year 2010	\$40.70	
Net Sales Fiscal Year 2011	\$2,177,293	4.40%
Net Sales Fiscal Year 2010	\$2,085,556	

During the months, of April 2011 through January 2012 that the CEM program has been in place at the Minnetonka store results showed increases in all the KPIs measured. Units per transaction (UPT) are at 2.23 items in 2011 compared with 2.18 items sold last year for a 2.30% increase. Average transaction (AVT) is also up \$1.51 this year as compared with last. Conversion, which is the number of customers that come through the door that purchase items, is also up 7.46%. The increases in UPT, AVT, and conversion have lead to an increase in net sales in 2011. Net sales are up 4.40% for 2011 for the months compared to 2010. However, the number of shoppers coming to the store was down in fiscal year 2011 by 6.33% as compared to the traffic in 2010.

#### Recommendations

Thus far the Customer Experience Manager program seems to be producing the results that were intended. The KPI results from the Minnetonka store show that an increased focus on the customer experience can increase net sales. Some changes should be made to enhance the program. First would be setting a UPT and AVT goal for each month that better reflects the business trends during the month. Currently every month the managers are trying to beat the UPT and AVT goals that have been set for the fiscal year's budget. Although a focus on the year end goals and increasing the KPI results as compared to the prior year should help the store achieve the yearly budget for UPT and AVT, each month's business is different and therefore should be reflected in the store's goals. By changing the goals to reflect a particular month's business, they would become more meaningful, realistic, and possibly achievable which can be more motivating to the managers.

A second recommendation would be to create a better system to capture and measure the customer experience. In 2010 Lands' End stores did three rounds of customer experience surveys that employees handed out to customers. Currently the only method of capturing customer feedback is if customers visit a website address they can find on the back of their receipts. The survey method in store had flaws. For example, employees were aware that the surveys were being handed out to customers and could choose which customers to hand the survey, based on the interactions that they had with the customers. This method could skew the results. It would be beneficial for Lands' End set up a continual customer experience survey that people could fill out over the internet. A store related incentive could be offered for completing the survey. This would provide more continued feedback; participant's responses would be chosen at random creating more authentic results. This method could also drive additional traffic back to the store to take advantage of the incentive.

Third it would be beneficial to set up a program to motivate the sales associates for higher performance. Currently sales associates are not paid on commission; they have not received a bonus in over two years; and wage increases have also been few and far between in the past few years. It is difficult to motivate the associates to higher sales performance when there is no incentive to perform at a higher level. It would be beneficial to create a rewards and recognition budget for each store. A program could be created where associates can earn points towards a reward. These rewards would come from the rewards and recognition budget. Since the CEM program is focused on KPI performance, the points program should be based on KPI performance. For example, each day that the store surpasses its UPT, AVT, or SPH goals the associates working that day would earn a point

for each KPI goal that was reached. The associates can then collect the points and redeem them for rewards.

Finally, it would be beneficial to evaluate how merchandise flows into stores. Often there are product outages and customers are unwilling to order the item that is missing or substitute the item with an alternate product. This affects all of the KPIs so it is important that merchandise is available in store.

## CONCLUSION

As the amount of shopping space per consumer has continued to grow (Stripped, 2011) in the United States, retailers have looked for ways to differentiate themselves from the competition. One way retailers can differentiate themselves is by creating an environment that enhances the overall customer experience (Sullivan & Heitmeyer, 2008). That is the premise behind experiential retailing. The types of experiential retailing include entertainment retailing, thematic retailing, value retailing, and lifestyle retailing (Kim, Sullivan & Cardona Forney, 2007). Just as retailers create environments to entice consumers, consumers seek out retailers that match their needs. These needs can include utilitarian and hedonic motivations. Utilitarian motivation is created when trying to satisfy a basic need (Childers, Carr, Peck & Carson, 2001; Hirschman & Holbrook, 1982; Sullivan & Heitmeyer, 2008). Hedonic motivation is created by an emotional need for entertaining, pleasurable shopping experience (Hirschman & Holbrook, 1982; Sullivan & Heitmeyer, 2008). Part of a pleasurable shopping experience is customer service that helps a consumer meet the goals of their shopping trip (Cottet, Lichtlé & Plichon, 2006).

This project looked into how one retailer, Lands' End, is integrating aspects of experiential retailing, specifically, value and lifestyle retailing to create a more service oriented environment, to better meet the needs of their target market. Lands' End managers created a Customer Experience Management program to improve customer service on the sales floor. The theory was that improving the overall customer service would lead to increased store sales and key performance indicator measures such as units per transaction and average transaction. It was found that at the Minnetonka store the

improved focus did in fact increase net sales and other key performance indicators even with a decrease in overall store traffic.

Although the customer experience program seems to have improved store performance it may not be the only factor in the improvements. This study did not consider factors that could also affect the store's key performance indicators. These factors include changes in the economy within the Minnetonka's store market and the types of sales promotions that were run within the store. In order to better understand why the consumer in purchasing in store, it is recommended that a better system to capture customer comments about their shopping experience be created. This will help the leaders of Lands' End better understand why customers are purchasing and how they can make changes to increase store purchases in the future.

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Figure A.2 CEM Daily Tracker

CEM DAILY TRACKER				
			Date:	8/31/2011
			Sales Goal:	\$6,758.00
	CEM	Sales Goal	Running Sales Total	UPT
AM	KATHIE	\$1,757.08		
MID	DEBBIE	\$2,094.98		
AFTERNOON	KATHIE	\$1,621.92		
EVENING	DORT	\$1,216.44		
<b>SPH GOAL</b>				
	Selling Hours	57.5		\$99.87
WINS:				
MISSES:				

Figure A.3 CEM Performance Tracker

Date	Shift 1	Shift 2	Shift 3	Shift 4	Shift 5	Shift 6	Shift 7	TOTALS	MTD
J U L Y  W E E K 5	Sales	\$849.27	\$655.43	\$69.68					
		\$833.60	\$629.48	\$691.76					
			\$902.28						
			\$587.98						
		\$1,682.87	\$1,284.91	\$2,251.70	\$0.00	\$0.00	\$0.00	\$0.00	\$5,219.48
	Units	51	36	3					
		60	36	33					
				50					
				37					
		111	72	123	0	0	0	0	306
Transactions		19	17	3					
		20	20	17					
				20					
			16						
	39	37	56	0	0	0	0	132	
ADS	\$43.15	\$34.73	\$40.21	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	\$39.54	\$39.54
UPT	2.85	1.95	2.20	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	2.32	2.32

Figure A.4 Fiscal Year CEM Performance Tracker

2011 Goals	UPT	2.48	ADS	\$46.68				
		February	March	April	May	June		YTD Totals
	Sales		\$7,454.40	\$26,717.19	\$29,529.94	\$69,835.38		\$133,536.91
	Units		348	1287	1492	3951		7078
	Transactions		145	592	595	1638		2970
Debbie	ADS	#DIV/0!	\$51.41	\$45.13	\$49.63	\$42.63		\$44.96
	UPT	#DIV/0!	2.40	2.17	2.51	2.41		2.38
		February	March	April	May	June		YTD Totals
	Sales		\$16,329.66	\$32,886.57	\$34,037.21	\$45,855.11		\$129,108.55
	Units		764	1547	1848	2701		6860
	Transactions		323	651	722	1079		2775
Corrie	ADS	#DIV/0!	\$50.56	\$50.52	\$47.14	\$42.50		\$46.53
	UPT	#DIV/0!	2.37	2.38	2.56	2.50		2.47
		February	March	April	May	June		YTD Totals
	Sales		\$14,352.32	\$31,444.49	\$40,901.91	\$63,210.28		\$149,909.00
	Units		676	1478	2035	3649		7838
	Transactions		283	658	841	1457		3239
Kathie	ADS	#DIV/0!	\$50.71	\$47.79	\$48.63	\$43.38		\$46.28
	UPT	#DIV/0!	2.39	2.25	2.42	2.50		2.42

