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**CUSTOMER SERVICE IN RETAILING :**

**THE CASE OF DOWNTOWN DEPARTMENT  
STORES IN SINGAPORE**

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# CUSTOMER SERVICE IN RETAILING :

## THE CASE OF DOWNTOWN DEPARTMENT STORES IN SINGAPORE

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## **ABSTRACT**

Eating and shopping are Singaporeans' favourite past-times. However, in recent years, the retail sector performed poorly. Department stores, the dinosaurs of Singapore's retail scene because of their large size and long establishment, faced difficulty in adapting promptly to the environmental changes. Unless these retailers know how to capitalise on their large size with the right merchandise and service staff, being big can be a barrier.

The focus of this thesis is twofold: Firstly, it assesses the potential of excellent customer service as a viable strategy to help these department stores in a fiercely competitive retail market. Another area of interest is to track the current service level of department stores for areas of improvement. Secondly, it is an academic exercise to contribute to the understanding of retailing by examining the impact of customer service in improving sales in a non-western context - Singapore.

The earlier chapters outline the forces of change in the retail climate that promote strategic planning in retailing. Literature survey shows that various retail strategies are used to address the different business trading conditions over the years. With the intensification of competition and a saturated market in the 1990s, the effectiveness of using customer service as a functional strategy in increasing sales is examined.

Because the scope of study is on downtown department stores, a study on the characteristics and peculiarities of these stores is conducted to better understand the working mechanism of this retail concept. Concepts on customer service are examined to assess how department stores can use this service tool.

The later chapters deal with the selection and modification of an appropriate service measurement tool to track the current service level and to propose areas for improvement. Adopting the Servqual model of service quality, an external survey is conducted to examine the shoppers' views on the importance of customer service in their shopping decision and to track the current service performance of downtown department stores in Singapore. Internal audits comprising of a managements' and a front-line staffs' surveys are conducted to seek areas for service improvement. The findings are analysed using the SPSS software and recommendations are proposed.

The external survey reveals that 12% of the respondents rated service as their top consideration in affecting their decision on where to shop. Besides, a department store may stand to lose as much as 39% of its customers in the event of poor services rendered.

The external survey indicates a service gap for the Singapore's department stores industry. Shoppers rank responsiveness as the most important attribute.

However, responsiveness receives the poorest ratings for its performance. Tangibles is ranked as the least important but it receives satisfactory performance rating. CK Tang emerges as the best department store based on its good service performance.

Further investigations on the service gap show that managements need to improve on their efforts to solicit feedback from their shoppers in order to respond to their changing lifestyles and preferences.

Front-line staffs' survey reveals that a fairer compensation package, more role congruence, more empowerment and a better reward system can minimise Gap 3. Limitations for the surveys are also highlighted and areas for future research work are proposed.

Service has become a key factor in this fiercely competitive environment cluttered with many similar retail offerings. These surveys confirm that there is much room for improvement in this service element. This sentiment towards offering excellent service is also shared by Mr. Kazuhide Kimoto, Managing Director of Takashimaya Singapore Limited who feels that good location, varied and quality merchandise and *excellent service* will ensure a good future for department stores (SRA The Retailer, 1996,7). With the sophistication of today's shoppers who are widely travelled and the easy accessibility of goods



through technological advancement, the service element will become increasingly important as they learn more about the western world of retailing.

The author feels that giving excellent external customer service is only possible when there is excellent internal customer service. Internal customer service refers to the well-being and positive group dynamics of staff who can work together to help the shoppers. Service stems from service providers. If staff are truly happy, they will be motivated and committed to share the same joy with their external shoppers. Therefore, treating internal staff well promotes external customer service excellence. Given that one happy customer would share his/her experience with five more people whereas one unhappy customer would share with nine others in a TARP study, it pays to solve an external service problem before it surfaces. Therefore, a proactive approach to giving service may mean delighting one's employees first. A service culture which promotes excellent service delivery with a system of service awards and a constant service tracking system are critical for any retailers who want to give good service.

Currently, most department stores professed to provide customer service. In reality, the customer service concept in Singapore is not clearly understood and hence, its potential undermined. Most department stores perceive customer service as a list of services to be offered to their shoppers.

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Finally, this thesis contributes to the academic understanding of retailing in Singapore by documenting the retail scene in Singapore from the 1960s to 1990s with emphasis on the downtown department stores and testing the applicability of Servqual model as a tool to track service level in a non-western region i.e. Singapore. The findings from the 3 surveys conducted on downtown department stores revealed the local shoppers' behavioural preferences, sentiments and the most important service dimension in retail using the Servqual Model, a first report in retail customer service.

- End -

## CHAPTER 1

### INTRODUCTION

*Good service is now even more important as retailers and restaurants compete globally. Singaporeans travel a lot. Inevitably, they are going to shop overseas and compare service and prices there versus what they get here. Shops here must find their own ways to keep their Singapore clientele satisfied so they come back."*

*- Mr. Yeo Cheow Tong, Trade and Industry Minister -*

*(Kan, 1995, 32)*

### RELEVANCE AND OBJECTIVES OF STUDY

The increase in retail space as more building projects are nearing completion in Singapore is aggravating an already saturated retail market. As new stores come on stream to absorb this space, competition is keen in terms of sales performance, staff recruitment and maintenance in this tight labour market. As a consequence, existing retailers are pressured for higher pay rises in an attempt to minimise staff turnover and to attract newcomers. On the other hand, rentals have not dropped significantly despite the increase in shop space, lamented Mr. Moti Melwani of M B Melwani Private Limited (SRA The Retailer, 1995, 6). Both higher staff remuneration and rentals are escalating the retailers' operating costs.

The implementation of a full day Area Licensing Scheme (ALS) and Goods and Services Tax (GST) by the Singapore government in January and April 1994 respectively are further causes for concern to downtown retailers who serve tourist shoppers along the affected business areas. The emergence of foreign



retailers such as Takashimaya, with their size and expertise, has intensified the competition. The strengthening of the Singapore dollar has dampened tourists' spending in Singapore. The local shoppers also find it attractive to shop in the neighbouring countries backed by the strong Singapore currency. In addition, the high residential property and car prices leave these locals with less disposable income for shopping because of their loan payments. As a consequence, people prefer value-oriented over luxury merchandise.

With tough times predicted for the local retail industry, every retailer is searching for new and effective strategies to maximise profits. To try and sustain the otherwise depressed industry, new retailing formats have emerged in the form of giant discount stores such as Kmart, and integration of leisure and retailing concerns such as Bugis Junction.

In Singapore, many chief executive officers of leading retailing firms echoed the same need to combat this intensified competition. They advocated the need for higher productivity; more astute promotional efforts; better merchandise mix and mostly, greater customer service to give customers "value for money" (SRA The Retailer, 1993, 6 & 7; 1996, 6 & 7).

The time has come for all to examine the service concept as a viable option to cope with this downturn. But are retailers merely paying lip service to customer service or are they serious about considering this strategy? Are local

shoppers ready for this service treatment? How important is the service element in their purchasing decision? To the shoppers, what constitutes customer service and how do they distinguish good service from bad?

Currently, there is no academic study done to understand the level and importance of customer service in Singapore. Different retail concepts have different customer service orientations. For example, specialty stores offer more personalised service than discount stores which focus on low prices. Hence, the author proposes a formal research study on customer service in retailing and limits the scope of this research study to department stores.

The department stores industry is singled out because of its deep losses incurred in the past years. For example, in its financial reports for 1995, C.K Tang suffered a net loss of S\$17.8 million while Isetan's loss amounted to S\$15.3 million. Metro was able to offset its poor retail performance with its rental income from Ngee Ann City, with a net profit of \$9.9 million. (Annual reports of C.K. Tangs, Isetan and Metro, 1995). Even newcomer Lane Crawford shrunk its store size by almost half because of its disappointing performance in Singapore in 1995 and eventually closed in 1996. Galeries Lafayette, France's largest retail group, closed its Singapore branch for the second time on 31 March 1996 (Rashiwala, 1996, 48) because of the gloomy retail scene and a lease disagreement. Department stores are also badly affected by the emergence of new retailing formats such as discount stores (e.g. Kmart) which are better able to satisfy the shoppers' needs in

term of lower prices. Though department store is a well established retail concept, it lacks behind in addressing the changing needs of the shoppers in a timely manner. Its inefficient use of its large floor space, poor merchandise mix, shortage of sales staff and unclear positioning image affect its popularity as a shopping destination.

To survive, these retailers must find areas where they can seek dominance and differentiate. It is in this light that the author is keen to examine the viability of customer service as a strategic tool to adopt.

Orchard Road is selected as a study site because it represents Singapore's prime shopping belt, bustling with retail activities. Most of the major department stores are located along this stretch. Retailing concerns operate differently based on their locations. According to a survey commissioned by NETS in 1992, downtown shoppers have higher expectations than suburban shoppers in terms of service level and merchandise mix. Currently, there are a few department stores located in the suburbs. To be consistent for data comparison, the author only examines department stores located along Orchard Road.

The aim of this thesis is twofold: It is an academic exercise to research and understand retailing and customer service in Singapore. Though retailing in Singapore started in the early years and is considered an important contributing sector to the economy, it is not reflected in the curriculum of the education



system. Retailers learnt from their trade by doing. They are always busy managing their retail businesses. Retailers in Singapore lag behind in retail innovations compared to the western regions. Therefore, the author wants to contribute to the academic understanding of retailing and customer service in a non-western region i.e. Singapore. The academic exercise includes a pioneering effort to document the evolution of the retail trade in Singapore and an assessment on the applicability of western service concepts to Singapore.

With globalisation, it is important to be able to link retailing on an international basis by sharing knowledge and getting mileage on research efforts. In this aspect, guidance and advice from overseas expertise, namely the University of Stirling, will enhance the quality of this academic study.

Secondly, because of the amount of investigative work to be done, the aim of this thesis is an applied research effort to share the findings with the department stores so that they can enhance their service strategies. The findings may help to elevate the local retail platform by providing precise, current information on local market responses for better decision making at that point of study. An appropriate measurement tool will be customised to track service level on a continuous basis.

To achieve the overall aim of this thesis, the following research objectives are identified:

- To contribute to the academic understanding of retailing and customer service in a non-western region:
  - To document the retail evolution in Singapore and to highlight on the problems faced by retailers today.
  - To assess the applicability of western service concepts in Singapore.
  - To customise a service measurement tool for Singapore's retailers.
- To assess the potential of using customer service as a strategic tool by examining shoppers' likely reactions to any unsatisfactory service.
- To determine the impact of customer service as a factor in influencing where to shop.
- To determine the current service level and identify areas of improvement.

The Marketing Department of the Network for Electronic Transfer (S) Private Limited (NETS) (refer to appendices) is keen to sponsor this customer service-related survey which is part of the thesis. NETS' earnings are pegged to their clients' (i.e. retailers) business turnover based on the usage of NETS cards for payment. Through this customer service survey, NETS hopes to propose ways

for better sales. As such, NETS agreed to sponsor the primary research component financially though they have no say in the research methodologies.

After establishing the relevance and objectives of this study, the next section traces the need for strategic planning in retailing and shows the link between customer service as a strategic tool via literature survey.

## **THE NEED FOR STRATEGIC PLANNING IN RETAILING**

Retailing is a people-oriented business that is closely linked to the customers. Customers' propensity to spend varies accordingly to the changes in the environmental factors. Hence, retailing has experienced numerous and profound changes because of these influences.

Traditionally, retailing focused on the tactics of selling and merchandising. They adopted a reactive management style (Moyer, 1983 and Walters, 1979). The channel of distribution was well defined and the functions included buying, stocking, promoting, displaying, selling, delivering and financing the transfer of goods from the producers to the end-users.

Also, the marketing management literature showed that the use of marketing is heavily biased towards manufacturing firms. Retailers are treated as mere distribution outlets for these producers (Greenley and Shipley, 1988). However, while retailers remained as a major distribution channel for

manufacturers, they slowly achieved prominence as a major source for the shoppers to attain their wants (Dawson 1979).

Retailing is not only about the acquisition of goods by the shoppers. According to Tauber (1972) and Buttle and Coates (1984), people have other shopping motives besides the mere acquisition of goods when they go shopping. Some of the shopping motives are self gratification, social encounters, peer pressure, etc.

Greenley and Shipley (1988) suggested that retailers should reflect these four levels in their retail offering in order to satisfy the other shopping motives:

- Merchandise
- Physical nature of store – appearance, organisation and layout
- Service staff
- Total tangible and intangible atmospheric environment that is made available for gratification of all the shopping motives.

Besides, Walters (1989) felt that retailing has been affected by an “expressive revolution” where:

*“Because of the demographic and socio-economic changes that have occurred, aspirations and expectations feature largely in consumers’ buying motives. Large*



*groups of consumers seek to use their purchasing behaviour to express their views of themselves. In an age of conspicuous consumption, the marketing opportunities are often based more upon consumer attitudes than on anything else."*

Based on this hypothesis, retailers would do well if they understand their customers' needs. The wide array of merchandise available to today's shoppers in the modern and user friendly malls reveals the increasing sophistication in retailing. Over the years, retailing has become complex and faces sharp changes in the business environment. Strategic and marketing skills are gaining significance in retailing. Retailers need to anticipate these environmental changes and deploy scarce company resources to attain their profitability by achieving the maximum level of customer satisfaction.

The next section illustrates the complexity in retailing. The structural change in the retail industry and the general environment influences such as social, economic and technological promote the need for strategic planning in retailing (Figure 1.1).

The structural change in the retail industry supported the need for strategic retailing. According to Samli (1989), four retail strategies evolved over time namely: mass retailing, differentiating, segmenting and positioning.

In the beginning, retailers exploited the market aggregation strategy (Samli, 1989). This was evidenced during the 1950s, after the World War II, whereby demand was greater than supply. Retailers were concerned about production rather than selling or marketing. They focused on merchandise availability since people needed little persuasion to buy. All retailers shared the same marketing mix and based their appeal via convenience and ease of shopping. They served the total market by offering a wide assortment of products. All customers were viewed alike. Each store did not develop any unique characteristics (Berkowitz et al, 1986).

Corstjens and Corstjens (1995) linked discounting to mass retailing. Mass retailing makes the merchandise accessible to the mass and hence, generates high volume that is needed to keep prices low. Adopting a product-focused strategy, discounters developed large site and maximised their operating efficiency. Based on their high volume, they negotiated for appropriate discount with their manufacturers to price their products low. They invested in technology to reduce their logistics cost. The advancement in the transportation system enhanced the shoppers' mobility. As a consequence, these discounters replaced the smaller high street retail units. Mass retailers were pre-occupied with their own operation. Market share was affected with the emergence of more mass retailers.

Gradually, the supply equated the demand at the end of the 1950s. Retailers started to focus on selling and used TV advertising to differentiate

themselves (Smith, 1956). Retailers adopted the product differentiation strategy to combat their declining market share. They differentiated their marketing mixes from their competitors. They became interested in creating and promoting their store image that distinguished them from their competitors (Knee and Walters, 1985).

This stage was also termed as the selling orientation by Corstjens and Corstjens (1995). Retailers adopted this selling orientation to improve their market share. They intensified their selling efforts via price cutting, promotion, etc. They focused on the effectiveness of their hustling techniques and pressured their suppliers for better prices. Because they competed on price, this differential advantage was easily eroded by price wars.

At the end of the 1960s and 1970s, retailers realised the importance of customer loyalty by adopting a marketing orientation (Walters, 1989; Corstjens and Corstjens, 1995). Market segmentation strategy views all customers as heterogeneous. Growth is possible by dividing the mass market in sub-markets. Retailers identified the sub-market that they would like to serve and customised their retail offer to the segment's specific needs. For example, K-Mart targets at the lower middle class (Knee and Walters, 1985).

Adopting a marketing orientation means understanding the varied needs of the sub-markets well and directing the company resources to producing what



they wanted. By mid-1980s, retailers were strong and powerful. They created brands around themselves and took over the marketing tasks from their manufacturers. Hence, the marketing orientation resulted in many store brands. To stay ahead of competition, the marketing orientation led to strategic marketing.

Strategic marketing focuses on how customers perceive and evaluate competing brands. Hence, strategic marketing requires an additional step i.e. understand the strategies of the competitors well in order to create one's own differential advantages (Corstjens and Corstjens, 1995). The aim is to offer a better mix than one's competitors.

In strategic marketing, retailers adopted the positioning strategy to take away a good share of the market from their established competitors (Knee and Walters, 1985). Positioning is based on an identification of how well the company can match a marketing opportunity with its skills and how these are used to develop lead over competitors to form a competitive advantage (Walters, 1989). Retailers need to develop their differential advantages in order to create customer loyalty for their stores in a sea of keen competition.

Retailing evolved from the unstructured mom and pop stores with unprecedented growth in the early years to a matured market with keen competition. The retail structure changes accordingly. The complex business

environment pressurised the retail managers to adopt strategic planning in their retail operations in order to delight the discriminating shoppers.

Davies and Kirby (1984) showed a decline in the shops in Britain from 583,000 outlets in 1950s to 354,000 in 1980, a 40% reduction. Burns (1983) showed that the top ten grocery firms hold over 40% of the sales in Great Britain. Hence, there is a trend towards having bigger stores. Larger stores often have high overheads and need high sales to justify their existence. Retailers need to plan strategically to achieve the high sales in a mature market.

In addition, the large retail store would mean the need for specialisation of jobs. Hence, there is more levels of management. Hiring of professional managers results in dilution of control for owners. Decision making, co-ordination and speed are critical areas that may affect the effectiveness and efficiency of the retail company. Managing a larger store is a complex matter that needs strategic planning (Knee and Walters, 1985).

The high capital investment in setting large stores and the lease of a large site are expensive and risky investment decisions that cannot be reversed easily. Retailers need to plan carefully to calculate the break-even schedule and formulate strategies to achieve the targeted sales and volume.

With the information technology at hand, retailers are better informed of their business operation than the manufacturers (Piercy, 1983). By 1980s, many of the large retailers including the majority of supermarket in Britain gathered enough information to develop and retail their own private brands which are selling in competition with the manufacturers' brands. These private brands are used to generate store traffic as well as build store loyalty. Hence, retailers have expanded their role from mere distributors to production and brand management. Strategic planning is needed in these new roles.

There is a power struggle in the supply chain. Large and established manufacturers are able to exercise price fixing on retailers. This affects retailers' flexibility in their pricing strategy. Also, in recent years, some manufacturers have integrated forward to being their own retailers. They opened their own retail arms in order to control their merchandise better e.g. Calvin Klein and Esprit.

Retailers face keen competition in a mature industry that showed symptoms of take-overs, mergers, decline in gross margins, falling return on investment and increase in price competition (Richards and Smiddy, 1985). Pledged with slow growth in their domestic market, the western retailers expand their operations to the other parts of the world. Established in their retail operations, these western operators bring with them retail expertise and financial



power. Affected retailers need to adopt strategic planning to spruce up their operations to compete with these international players or any new retail formats.

The state of the economy and government regulations affect retailing. If the economy is stable, people are more willing to spend, thus the retail scene is vibrant. During recession, people reduce their spending. Regulations may promote or prohibit retailing. Retailers have to plan and respond to these uncontrollable forces.

Other factors that supported the need for strategic planning stemmed from the general environment influences such as social, economic and technological factors. Under social and economic factors, shoppers have changed over the years. In the 1950s, people were class bound with few aspirations. They focused on bread and butter issues. Car ownership was scarce (Walters, 1989).

Slowly, the general environment reflected a rise in the standard of living, increased participation of women in the workforce, urbanisation of the population and technological advancements in transportation and information processing (Howe, 1992). Shoppers evolved to a different breed. They are likely to be highly educated in an era of stability, abundance and many studying options. With their skills, they command better salary. This affluence translates to higher purchasing power (Knee and Walters, 1985). People travel more and read widely. Technology made the world more accessible and people are well



informed. Consumers of the 1990s expect quality, choice, reasonable price, convenience, service, reliability, longer store hours, product information and entertainment (Akehurst and Alexander, 1995).

Mr. John A Morris, General Manager, Distribution Industry of IBM Asia Pacific Service Corporation shared the same view. He observed that today's shoppers have less time to shop and are pre-occupied with career achievements. Hence, they make less frequent trips and visit less shops. They go for convenience and enjoy home delivery. They look for instant gratification in their purchases and like excitement. They want more product information and expect staff to be able to explain them. On the other hand, they are not willing to pay for profit.

As a result, retailers are serving a group of intelligent and discerning shoppers. Different retail formats are needed to help retailers satisfy the needs of this new class of customers. Hence, retailers have to adopt strategic planning to formulate and implement these new retail formats. They can no longer be reactive. Instead, they need to anticipate any changes in their customers' needs in order to be able to capitalise on these opportunities.

Technological advancements impacted on what is consumed by the people and the retailers' way of operating. Innovations such as microwaves, television, computers, etc influenced the types of goods people buy. Advancement in vehicular transportation helped retailers to expand their catchment areas by

making people more mobile (Akehurst, 1983). Hence, retailers need to be strategic in their merchandise offerings and their communication programmes when serving shoppers coming from a wider catchment area.

Retail-related innovations such as the electronic point of sale (EPOS) and electronic funds transfer at the point of sale (EFTPOS) influenced retail activities profoundly. EFTPOS and easy credit terms facilitate spending and payment. Shoppers are able to buy based on their earning abilities and are no longer constrained by the amount of savings in their bank accounts. Buying of high value merchandise is possible. The ability to pay in a cashless mode promotes non-store retailing such as catalogue sales, direct retailing and internet retailing. Retailers have to grapple with these new retail formats that promise convenience to today's time-scarce shoppers.

The EPOS technology enables retailers to sharpen their decision making especially in the areas of merchandising and inventory management. Retailers are able to integrate the sales movement data for better decision making. This availability of updated information aids strategic planning. Retailers are now being assessed on how well they tap their information system to enhance operating efficiency and satisfy their shoppers' needs better. Hence, this tool helps them greatly in segmenting and serving their target market.

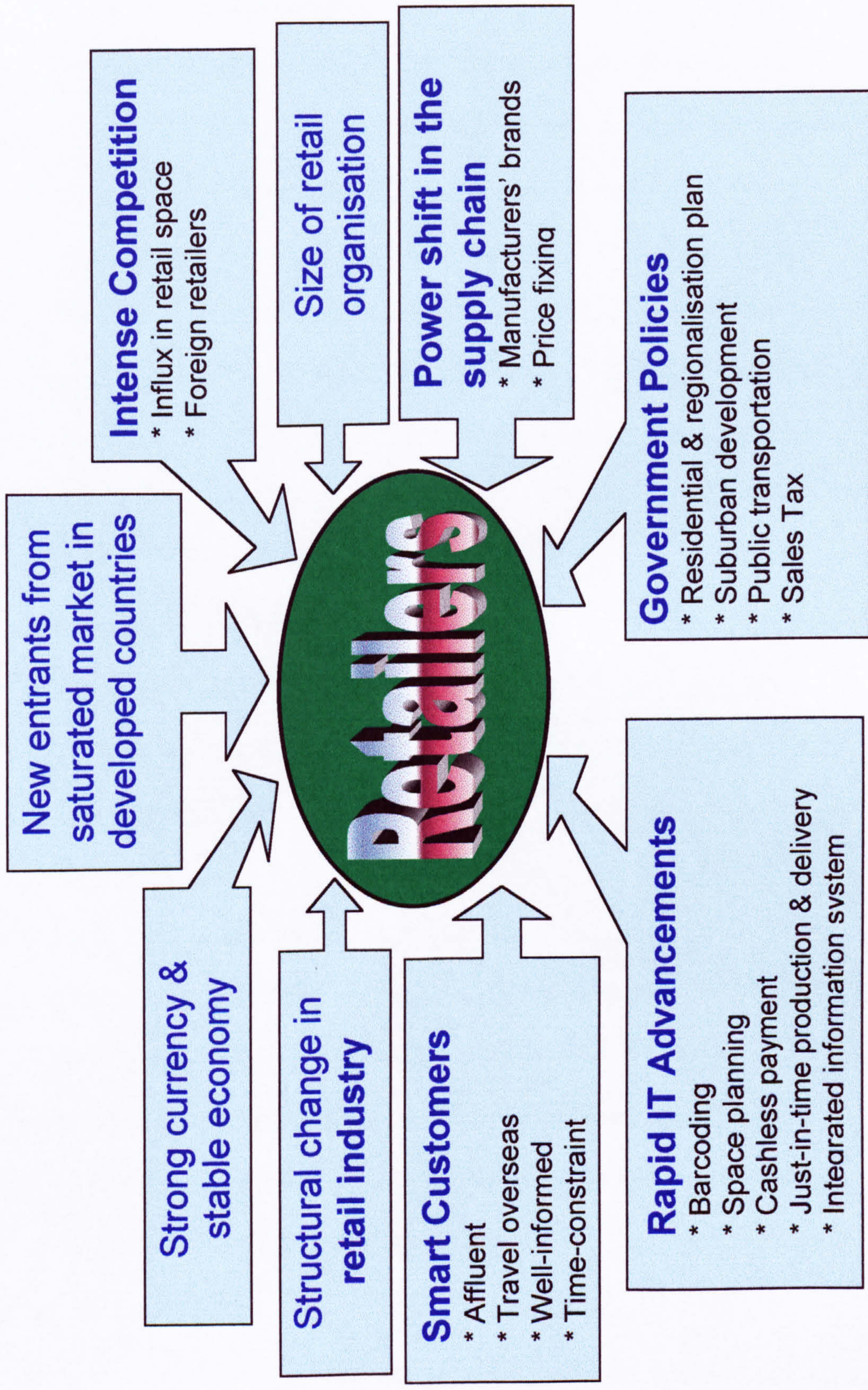
To survive in this complex environment, successful retailers use their expertise in merchandise selection and their standards of quality, reliability and variety to add up value rather than those of their suppliers. They develop strong customer loyalty by being customer-led. They use marketing research to understand and to be able to respond to the needs and desires of their specific groups of customers well. A positioning statement of merchandise selection, trading format and customer service is drafted to provide unified direction and consistency.

Strategic planning is used to develop and manage these store brands. Retailing assumes a marketing outlook rather than be a stock list for many suppliers. Positioning images of retailers are reflected in their functional strategies and reinforced by effective customer communication. Ultimately, these store brands become a reference point for loyal customers and to attract new customers.

Therefore, unless retailers think in terms of strategic planning and act accordingly, chances of survival, growth and prosperity are limited in view of the competitive and saturated market. Creating and maximising differential advantages are important processes that the retailers must excel in. Strategic planning are needed in these process (Mason et al, 1985; Samli, 1989). The next section proposes a strategic retail marketing model for retailers.



**Figure 1.1 Forces of change in Singapore's retail environment**





## **The strategic retail marketing model**

In this competitive phase, retailers need to plan strategically to deal with the complex forces (Harris and Walters, 1992; Bell and Salmon, 1996; Knee and Walters, 1985; McGoldrick and Davies, 1995). Literature on strategic marketing calls for a firm to identify its competitive advantage as a base of differentiation (Walters, 1989; Anderson, 1993 & Berman and Evans, 1995). Retailing assumes a marketing outlook and is no longer merchandise-led. Retailers are now concerned with their abilities to please their customers by satisfying their needs better than their competitors.

Good retail strategy starts with an adequate knowledge of one's externalities. Market opportunities are established during the environmental scan. Using strategic planning, retailers match the uncontrollable external forces with their internal controllable tools to achieve profitability.

According to Cook and Walters (1991), the age of mass merchandising is over. Shoppers are categorised into groups of people with similar preferences. Retailers decide on the segments that they prefer to serve by matching the lucrativeness of the chosen segments against their distinctive competencies to serve. Target marketing and clever positioning became important tools to help them serve the needs of their customers better.

Having decided on the segments to serve, retailers must plan and design retail offers to reach these groups. Positioning dictates the precise nature of the retail offer in terms of merchandise selection, trading format, communication and customer services (Cook and Walter, 1991; Andersen, 1993; Samli, 1989; Schroeder, 1997). Retailers hope that this customised plan will make their shoppers feel more comfortable with their stores. This may in turn help to increase the frequency of shoppers' visits and spend per visit. Ultimately, retailers hope to gain their customer loyalty by satisfying their needs well. Retailers will continue to monitor the market and shoppers' behaviours for strategic and operational planning as an on-going process.

This strategic approach to retailing prompts the retailers to plan systematically from addressing general to specific issues. In the first level of strategic planning, retailers have to map out their general corporate strategies in response to the environment issues that they face.

Based on the strategic retail marketing model in Figure 1.2, retailers begin by scanning their environment for opportunities and threats. By anticipating these environmental influences, they will be more prepared to cope with the changes. Based on the environment scan, potential segments are identified. Customer profiles in these segments are outlined. At this stage, the retailers need to assess their internal resources and decide on their strategic corporate options.

This first level in strategic planning is the formulation of corporate strategies that involve broad macro issues such as identifying what business to be in and identifying each firm's competitive advantage. Literature survey revealed a handful of popular models in the business and marketing contexts. However, the author focuses on discussing four models that are applicable to the retailing context namely: Ansoff's product-market matrix, Retail Life Cycle, Porter's Three Generic Model and the Boston Consulting Group (BCG)'s growth-share matrix.

Table 1.1 exhibits the modified Ansoff's product-market matrix for the retailing context. Ansoff's model shows the present and future directions for any firm by assessing the product-line and the customer types. The product dimension is expanded to retail offer such as merchandise and trading format. The customer-mission dimension is expanded to market segments.



**Figure 1.2: A Strategic Retail Marketing Model**

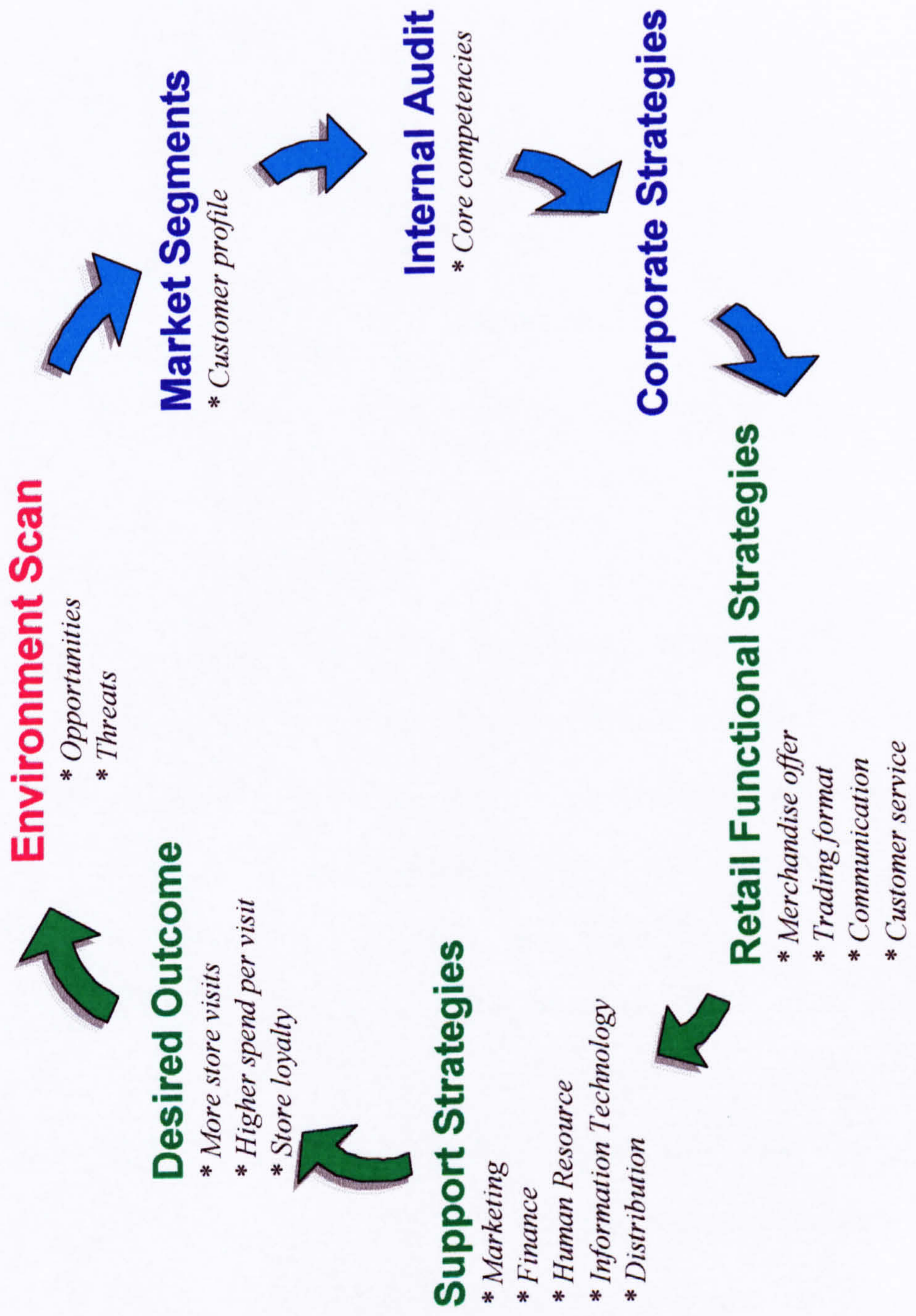




Table 1.1: Modified Ansoff's product-market matrix for retailing

		<b>Retail Format</b>	
		<b>Existing</b>	<b>New</b>
<b>Market Segment</b>	<b>Existing</b>	Consolidation Productivity Repositioning	Growth Product-led
	<b>New</b>	Growth Market-led	Diversification

Source: Knee and Walters, 1985, 11

Operating the existing retail format in the existing market, retailers adopt the market penetration strategy by consolidating, improving productivity or repositioning their retail offer. Consolidating refers to dropping off the unprofitable stores or merchandise. Improving productivity refers to managing better margins and lowering costs. Repositioning refers to modifying the current marketing mix for a better fit with the market segment.

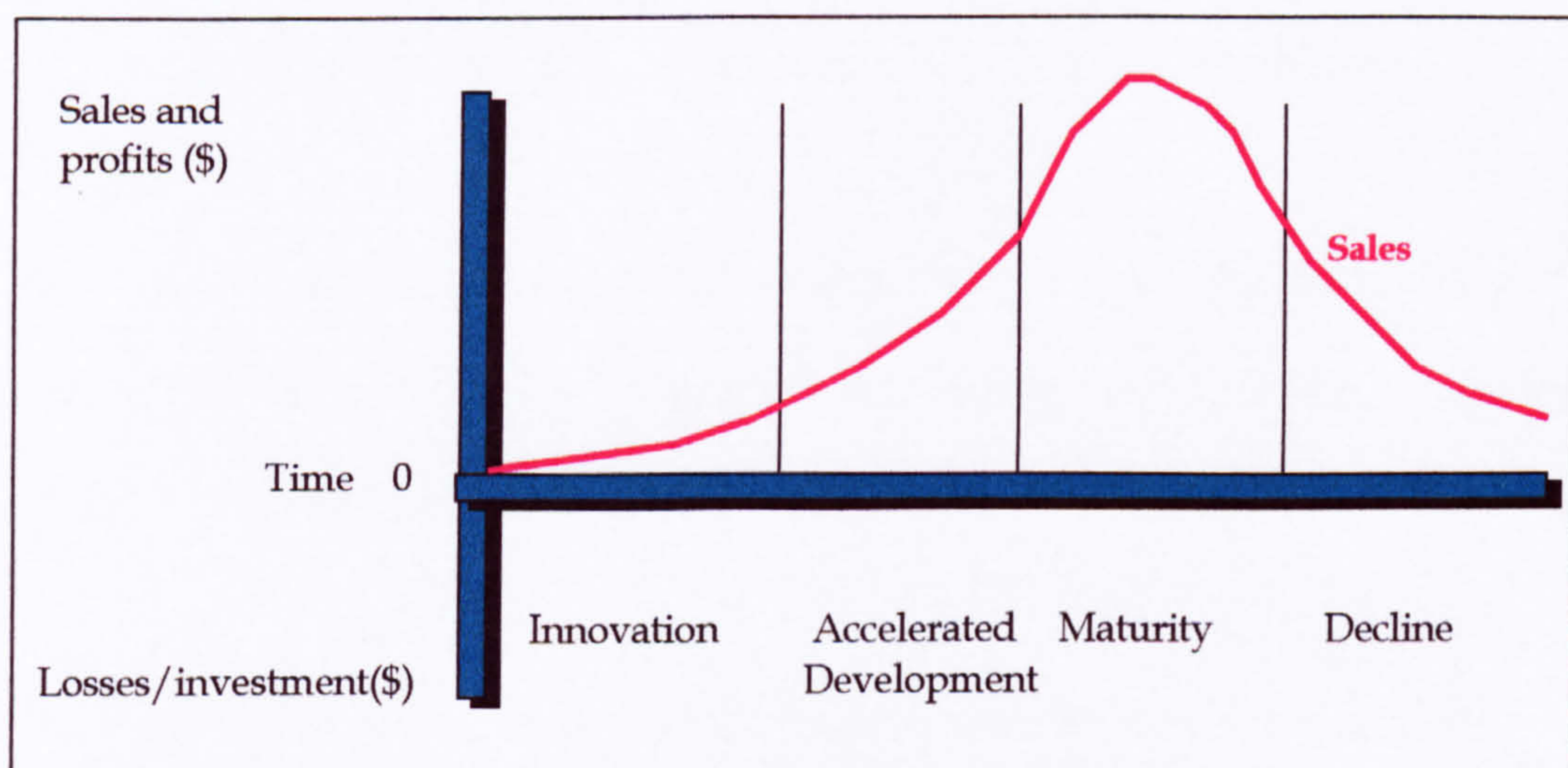
For growth strategy, retailers may pursue market development or product development. Market development refers to offering the existing retail format in a new domestic or overseas market such as opening new outlets. Product development refers to introducing new retail format in the existing market segment such as internet retailing. Diversification is the most risky



strategy that calls for a new retail offer in a new market. The choice of which corporate strategies to adopt is constrained by the retailers' core competencies.

The Product Life Cycle (PLC) model can be applied to the retailing context for strategic planning (Figure 1.3). The PLC model states that a product progresses through four stages in a life cycle namely: introduction, growth, maturity and decline. Each stage has its own characteristics and requires different strategies (Knee and Walters, 1985). Davidson et al (1976) and Alderson (1965) considered four stages for retail institutions namely: innovation, accelerated development, maturity and decline. A set of appropriate retail marketing strategy is needed for each of these stages.

Figure 1.3: Retail Life Cycle





Innovation is the first stage of the Retail Life Cycle (RLC). Growth is rapid and productivity is likely to be low or moderate due to many teething problems. Management style tends to be entrepreneurial. Advertising is informative. Prices tend to be low and introductory to induce trial.

Accelerated development is characterised by increasing competition. Sales and profits are increasing steadily. This generates economies of scale. Retailers seek to establish a pre-emptive position to build loyalty. On the other hand, operating overheads increase due to bigger capacity and more staff.

Maturity is characterised by slow growth or even a slippage. Managers may encounter problems controlling their large and complex organisation. Firms face keen competition as more retailers enter the market. Hence, retailers may adopt market-led or product-led strategies to try and increase sales.

Decline is the final stage and is plagued with losses. This is the result of poor management, inefficient operation and obsolete retail offering. Retailers refrain from investing and adopt a status quo approach.

The third model is the Porter's three generic strategies. It offers 3 approaches for retailers namely: cost leadership, differentiation and market segmentation.

Table 1.2: Porter's three generic strategies

## Strategic Advantage

		Uniqueness	Low Cost
		Strategic Target	Differentiation
	Industry Wide		
	Particular Segment Only	Focus	Focus

Source: Schnaars, 1991, 113

Cost leadership is a strategy that earns profits based on market penetration approach by selling low. The low price generates high turnover that reaps economies of scale. These retailers must operate in an highly efficient manner. They offer standard merchandise, narrow lines and avoid marginal accounts. They avoid heavy R&D and advertisement expenses. This strategy is only successful based on the interplay of production costs, low prices, low margins and high market share. An example is Carrefour, Wal-Mart.

Cost leadership reduces the power of suppliers because of the large order placed by these retailers that trade in large volume. The power of



customers is reduced since they are attracted to the low prices. Substitutes are less attractive because of the low margins and the large size of the retailers.

Differentiation strategy is based on the product concept that boasts of product superiority. It stems from the philosophy that the product is of a high quality that selling becomes superfluous. People are willing to pay for this quality. Therefore, retailers can charge premium prices e.g. Rolex and Gucci. This strategy is based on high margin and low turnover. The exclusivity endorses the up-market appeal of the retail offer.

Differentiation leads to brand loyalty. Hence, it is difficult for the competitors to enter based on this brand barrier. Being brand loyal, customers are also willing to expend effort to get the product. Because of the superior quality, it is difficult to find a close substitute.

The third strategy is market segmentation. Porter proposed target marketing. Retailers should focus on segments where their strengths are highlighted and weaknesses minimised. Segmentation seeks to appeal to a small but viable portion via customised offering. Because of the ability to satisfy the needs of these target customers better, there is brand loyalty. Substitutes become less attractive. Competitors need to have a good understanding of the needs of the target segment and be able to address these needs better in order to succeed.

The fourth model is the BCG's model (Table 1.3). Based on a four cell matrix, BCG's matrix guides retailers in their portfolio and cash flow planning. The logic of BCG's model is based on the assumption that retailers must operate in a high market growth segment to achieve high market share gains. The high market share will lead to accumulated experience. Costs will be lowered due to the experience curve and the economies of scale. By being price competitive, retailers will enjoy higher profits.

Table 1.3: BCG's Growth-share matrix

		<b>Market Share</b>	
		High	Low
<b>Market Growth</b>	High	Star	Question Mark
	Low	Cash Cow	Dog

Source: Schnaars, 1991, 56



The BCG's matrix describes four major types of businesses with their unique characteristics:

- Cash cows refer to businesses with large market share and low growth. As such, they generate a lot of surplus cash. Their need for funds is low because they compete in a low growth market.
- Question marks are the opposite of cash cows. They are small market share businesses in a high growth market. They need a great deal of money to gain market share and generate very little cash.
- Stars are ideal businesses with high market share and high market growth. As such, they generate much cash but need to plough them back to the businesses to defend their position.
- Dogs are the opposite of stars. They are businesses in the low share and low growth quadrants. Their current standing is low and their future is bleak. They generate little cash and also use little cash to defend their position.

Based on the four types of businesses, BCG's matrix suggests that retailers must make strategic decisions to balance their portfolio with the right amount of cash cows, question marks, stars and dogs. They should not over-invest in cash cows and under-invest in question marks. Retailers must have a number of stars that they can manage to become cash cows. The current cash

cows are used to finance the question marks to turn them into stars. Dogs should be minimised.

Though the four models differ in some aspects but share some striking similarities too. Each of the models shows a series of boxes with the best strategy prescribed for each scenario. The next section discusses the overlap in these models and offers an integrated approach.

Table 1.4: Overlap of strategic options

<b>Ansoff's Matrix</b>	<b>Retail Life Cycle</b>	<b>Porter's Model</b>	<b>BCG's Matrix</b>
Market penetration	Innovation	Cost leadership/ Differentiation	Question Marks
Market development	Accelerated development/ Maturity	Cost leadership/ Differentiation/ Segmentation	Stars/Cash Cows
Product development	Accelerated development/ Maturity	Cost leadership/ Differentiation/ Segmentation	Stars/Cash Cows
Diversification	Decline	Cost leadership/ Segmentation	Dogs

Table 1.4 highlights a range of similar strategies underlying the four models. For example, during the first stage in the RLC, retailers could penetrate the market by pricing low (cost leadership) or offer a premium product (differentiation). Assuming few competitors at this early stage, there is no need for segmentation. "Question marks" type of businesses are most ideal



at the innovation stage because of their potential to become high share and high growth.

For the accelerated development stage, retailers may seek to expand into other territories or segments such as opening more outlets (market development). Again, they can offer cost leadership or differentiation based on their strategies in the innovation stage. At this stage, they may use segmentation to create differential advantages for themselves. Stars and cash cows suit this quadrant well. "Stars" businesses are expanded via market development because of their potential. "Cash cows" businesses offer the needed funds for expansion.

At the maturity stage, retailers tap growth strategies by expanding into other territories or segments (market development) or refine the product (product development) via cost leadership or differentiation. Segmentation is an attractive option in order to distinguish them from their competitors. . "Stars" businesses are expanded via product development because of their potential. "Cash cows" businesses offer the needed funds for expansion.

At the decline stage, retailers may diversify their business due to falling sales. If they choose to stay in the business, cost leadership enables them to price low and appeal to the price-sensitive customers who may continue to patronise due to the low prices. Alternatively, retailers may try to segment the

market and serve the remaining people in that segment. “Dogs” businesses are found here to fade away slowly. Cash cows that become dogs eventually are housed here. Question marks that did not become stars may turned out to be dogs and are housed here too.

After corporate strategies, the next level of strategic planning is the formulation of the functional strategies to interpret the positioning statement. These functional strategies comprised merchandising, trading format, communication and customer service of any retail firm (Walters, 1989). The functional strategies are elaborated in the next section.

After the functional strategies are the support strategies needed to ensure the smooth implementation of these functional strategies. Activities such as Marketing, Finance, Human Resource, Information Technology and

Distribution facilitate the implementation of the retail activities. Lastly, the feedback loop links the performance of the retail business to continuous environmental scanning to ensure that the stores stay competitive and in tune to the changes ahead.

The next section discusses the functional strategies for retailers. The recession of many Western economies in the 1980s brought a change to the consumer attitudes. The “aspirational eighties” is replaced by a “value-led



nineties" (Walters and Laffy, 1996). Retailers look for strategies to increase profits in a difficult market. The fundamental belief of retailers is to build customer loyalty. Customer service became a viable tool in the 1900s since it is all about attracting, retaining and enhancing customer relationship (Sparks, 1992). Hence, the next section traces the importance of each functional strategy based on the environmental forces and shows the importance of customer service in modern retailing.

### **The role of customer service as a functional strategy**

Merchandising is an important functional strategy in the early years. In the 1950s after the war, there were more customers than retailers. As such, people needed little persuasion to buy. Retail operation was relatively simple. It was the merchandise that counts. Hence, retailers focused on mass merchandising as the major retail variable in trading (Walters, 1989).

Slowly, more retailers gained access to the same merchandise source. Hence, the competitive advantage based on merchandising was eroded. Besides, large retailers exerted influence to obtain exclusivity from manufacturers.

Merchandising is also restrictive for certain categories of goods. For example, adults prefer traditional clothes for work. As such, retailers are unable to exercise the taste and range component in their merchandising

decisions (Bell and Salmon, 1996). Besides, people indulge in other things such as home, health, food, fitness and travel. Dressing is only one factor. Hence, retailers are not able to tap their merchandising strategy to the fullest.

Shoppers prefer to buy based on brand names because of the assurance on quality. Retailers respond by stocking the popular brands. As a result, the merchandises of most retailers are similar. With similar merchandise, retailers turned to pricing as the next important retail variable (Schroeder, 1997).

Some retailers assume the roles of landlords by leasing spaces in their stores to concessionaires. Besides a fixed amount of "rental", these retailers are freed from inventory, store fixing and labour matters. However, they face the risk of losing their competitive advantage in their merchandising strategy.

Competition became keener with the opening of more stores in the 1960s and 1970s. Being big was a top priority because big retailers were able to buy in bulk and enjoyed economies of scale in their operation. As a result, they were able to lower their selling prices and passed the savings to their shoppers. The ability to price lower became crucial in attracting shoppers (Walters, 1989).

People usually compare prices for products which they buy frequently such as groceries. Hence, pricing is an effective tool for these retailers. On the other hand, price fixing by manufacturers restricts the retailers' flexibility in



pricing low. For high value and infrequent purchases, shoppers prefer to buy from quality stores because of the reputation and assurance they provide (UK retailing: Structure & performance). Therefore, pricing is secondary for these higher value goods.

Price competition became an important functional strategy after the demise of the resale price maintenance policy (rpm). The rpm is a practice by the manufacturers to determine the prices at which retailers could sell the products to their shoppers. As such, retailers were restricted in their pricing strategy then. However, retailers produced their own brands and priced them at 10-15% cheaper than these manufacturers' products. These private labels offer customers with a lower cost alternative and helped the retailers to compete based on their prices (Howe, 1992).

Heavy discounting and intensive price competition hurt retailers' margins and forced them to search for new ways to compete. Therefore, in the 1980s, retailers improve on their trading format to titillate the shoppers. The concept of value for money is gaining popular when shoppers start to look beyond price and consider factors such as quality, design and style of goods and shopping ambience (Berman and Evans, 1995; Schroeder, 1997).

Price cannot be a true differential advantage because shoppers expect all retailers to excel in this variable by giving a good deal. Besides, the pricing

strategy can be copied easily and may spark off price wars. In the end, it does not create customer loyalty (Corstjens and Corstjens, 1995).

In the 1980s, retailers focused on their trading formats to create a brand proposition. Store location factors such as accessibility, convenience, public transportation, parking facilities, travelling and driving time were addressed. Inside the store, retailers paid attention to their visual merchandising to make shopping more exciting and hassle-free. Floor layout, clear signages, logical and cross merchandising were implemented to make the stores more user friendly and inviting.

Customer communications is important to advise customers of the retailers' positioning image and new merchandise offer. Retailers focus on their marketing and advertising and promotion activities to excite their shoppers. The availability of new retail technologies enable retailers to communicate in an effective and efficient manner through database management and sales movement data (Berman and Evans, 1995).

Operating in a keen environment, retailers imitate each other in order not to lose out. As such, retailers need a breakthrough in their retail strategies that not only please the customers but also not readily discernible to their competitors. In the mid 1980s, customer service became a popular buzzword.



Harris and Walters (1992) propose that retailers define business in terms of service rather than product orientation. Retailing, being a people business, has at its core the customers who will decide on the livelihood of the business. It is the onus of retailers to delight their customers so that they will stay with the firms. Customer loyalty is very important in an intense market where there are more retailers than customers.

Using customer service as an enhancer, retailers can re-examine the other functional strategies to improve by adding value. Retailers try and understand the essence of customers' perceived value and offer facilities to encourage them to buy.

According to Dawson (1989), customer service is used as a way to escape price competition and to improve the retail environment. Customers' perception on price has changed. They now focus on value for money. The role of customer service is to influence the store selection and purchasing activities of customers and help them along their search, selection, transaction and delivery process.

The overall objective of customer service is to add value to each encounter. In so doing, retailers can create a competitive advantage which cannot be imitated easily. This is because customer service is a corporate

**culture that is customer driven and permeates all levels of staff (Dawson, 1989).**

**As such, it takes time to implement.**

**The advancement in retail technologies such as barcode scanning, exception reporting system, on-line interactive system and database management make tracking customers' needs and wants possible. This is important in the provision of customer service. To delight a customer, retailers must get as much information about them.**

**Sales movement data at the tills sharpens the retailers 'merchandise buying decision. The integrated information system links and co-ordinates the various departments and enhances communication quickly and accurately. As a result, retailers are able to fill the sales floor with the right merchandise that the shoppers want. Also, the right communication materials in the right medium are sent to the right profile of shoppers who would be interested in the customised messages.**

**Retail technologies also help to improve the space planning and layout of the stores by giving the right space to the merchandise that sells. Automatic re-ordering and just-in-time deliveries reduce the need for store-room and send the goods directly on the shop floor. In so doing, this helps to cut down on the storing costs. Customers are therefore able to benefit from this efficiency in work operation in terms of lower prices.**



Customer service is like adding a personal touch to each of the other retail variables to make sure that they are customer-driven. Used on its own, customer service as a retail variable varies in its effectiveness in increasing stores' sales. The next section looks at the various scenarios on the effectiveness of customer service in affecting sales.

### **Customers' propensity to customer service affects its ability to increase sales**

If customer service is about adding value, then it is important for retailers to know what their customers value. Arnold et al (1983) proposed two aspects of customer services namely the qualifying and determining services.

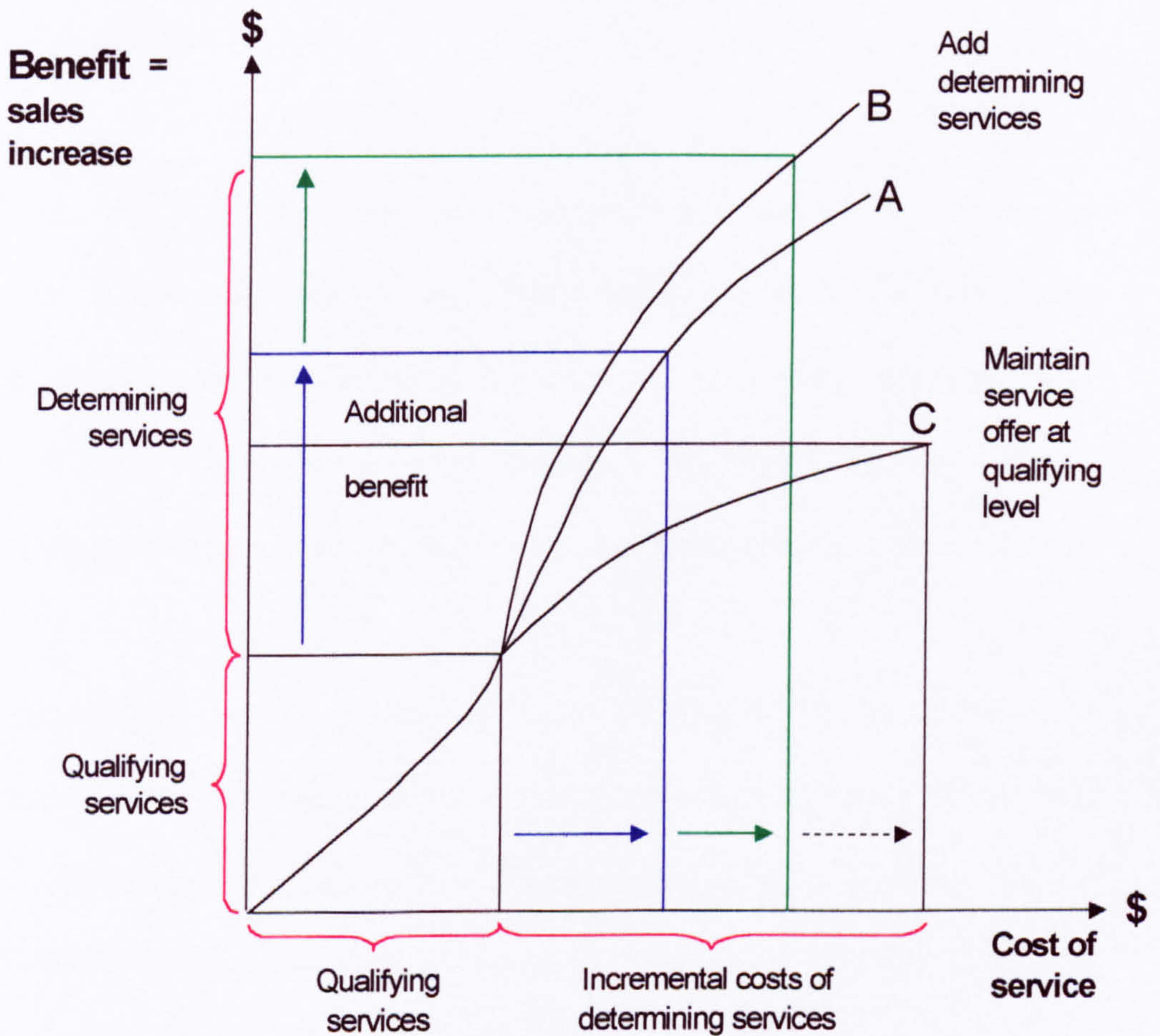
A qualifying service refers to the minimum customer service which the customer expect from the retailer in order to be considered in his perceptual mind. For example, a furniture retailer should offer delivery service.

A determining service refers to the customer service that influences the customer's preference and choice of stores. Commonly known as the extras, these services delight the customers. For example, a furniture retailer offers disposal service for the customer's old furniture. As such, determining service is the type of customer service that helps a retailer build its competitive advantage and makes it the preferred retailer.



Using the 2 classes of customer services, Cook and Walters (1991) demonstrates that the customers' propensity to customer service affects its ability to increase sales. Figure 1.4 shows three situations where customers respond differently to customer services.

**Figure 1.4: A cost/benefit approach to customer service decisions**



Source: Harris and Walters, 1992, 95.

Situation A shows that the customers are responsive to customer service. In other words, an increase in the level of determining services will increase the sales.



Situation C shows that the customers do not respond to customer service. An increase in the level of determining services did not result in the same proportional increase in sales.

Situation B shows that the customers respond well to customer service. An increase in the level of determining services result in more than the proportional increase in sales.

From this analysis, retailers need to know whether their customers are responsive to customer service before they decide on the extent which they want to use it as a major retail variable. If their customers are not responsive, adding of more services may prove dysfunctional. Therefore, these retailers should maintain their qualifying service in order to minimise dissatisfaction.

Department stores appeal to their customers in terms of their merchandise and under one roof convenience. As such, situation C seems to relate closely to this retail institution. Therefore, department stores are limited in their abilities to use customer service as a major retail variable. They still have to focus on their merchandising, pricing and convenience to satisfy their customers. However, this shopping behaviour may change with the times as more people travel and become more well-informed about service. As such, they may increase their service expectation. At this moment, department stores must focus on ensuring that they do not slack in their qualifying service.

Also, in recent times, there are many discounters such as Carrefour and Wal-Mart who are able to offer lower prices. Since department stores are not able to match these prices, they have to focus on the other retail variables in order to set them apart from these discounters. Hence, department stores operators began to offer determining services in order to attract the shoppers.

Retailers operating in an intense market would need to position themselves well. This positioning image will dictate the type of retail strategies needed. Customer service forms one of these retail variables. Its strongest point as a retail variable is that it delights the customers and makes the retailers very customer-driven. However, its effectiveness is limited by the extent of customers' responsiveness to customer service. At the end, retailers still need to focus on the other retail variables. Customer service is best summed up as an enhancer to add value to each of the other retail variables.

Based on the literature survey mentioned above, this thesis attempts to assess the customer service concept in a non-western region i.e. Singapore. The author is keen to know if there are cultural influences on the use of customer service as a strategic tool. Hence, the next section presents an overview of the chapters in this thesis to illustrate the framework for this study.



## **CHAPTERS OVERVIEW**

The main thrust of this thesis is to explore whether customer service can be a viable tool for department stores to adopt in this fiercely competitive local retail scene. The basic approach in answering this question is a survey of shoppers. Another area of interest is on assessing the quality of department stores' customer service delivery. This will help retailers to take stock of where they are in terms of quality service so that they can improve further.

Literature survey is undertaken from 1991 to 1995 which is relatively close to the time frame for the research survey project (October 1993 to February 1994). This is important to help the author structure a sound research design by factoring the current business environment. After the survey, the author focuses on the analysis of the research findings. Later developments on the retail scene are less significant since it did not affect the findings. Therefore, later retail developments after the survey period are not monitored and reflected in this thesis.

To address the aims, chapter 2 begins with a historical development of the local retail scene from the early years (refer to Figure 1.5). However, emphasis is placed on the recent retail development and challenges in the 1990s such as the implementation of GST, full day ALS, etc. in order for the reader to fully appreciate the current environmental influences faced by retailers. The

local market orientation is to assist the reader in interpreting the findings and its implications meaningfully in relation to the local context.

Chapter 3 focuses on the Singapore department stores industry. The department stores industry is singled because of its sluggish performance despite being an established retail concept for many years. The author also defines department stores as the scope for this thesis given the time, cost and manpower constraints. There is a general description of the major department stores operating in Singapore. Using the Retail Life Cycle concept, the author discusses the difficulties faced by department stores in Singapore today and offers some possible strategies for coping.

Chapter 4 addresses the viability of customer service as a likely option to improve department stores' poor retail performance. A literature survey on basic concepts of customer service as well as its importance is presented. In-depth knowledge of customer service is essential to appreciate its value to department stores.

Chapter 5 outlines the various models for measuring service quality. Department stores have to assess the quality of their customer service delivery in order to seek areas for improvement, if any. The unique characteristics of services impacted on the suitability of a measurement tool. A study on the various service measurement models is conducted. Ultimately, the Servqual



Model is selected as the tool to measure the quality of current service level in department stores. This chapter presents the rationale for choosing Servqual Model as a framework for this research project. It also discusses the criticism and limitations of this model.

Chapters 6 and 7 outline the research methodologies for the 3 surveys namely: shoppers, managements and front-line staffs in the Servqual Model. Shoppers' survey is conducted first to detect for any service discrepancy. If there is a service gap, then the managements' and front-line staffs' surveys will be conducted internally to seek for the main source of the service problem. Corrective action can then be taken.

Chapter 6 presents the research methodologies for the shoppers' survey. Pilot testing and subsequent fine-tunings of the questionnaire are highlighted. It also presents the limitation of the shoppers' survey.

Chapters 7 focuses on the internal surveys namely: managements and front-line staffs. The research methodologies for both surveys are discussed in details. Chapter 7 also covers the limitations of the internal surveys.

Chapters 8 and 9 present the findings and analysis of the 3 surveys. Using the SPSS software, further statistical testings are conducted to assess the dependency between the variables. Chapter 10 focuses on recommended

strategies for department stores based on this survey project. Chapter 11, being the final chapter, offers the concluding views of the thesis and presents some possible areas for future research work. Strategies on improving customer service delivery and service measurement tool are highlighted.

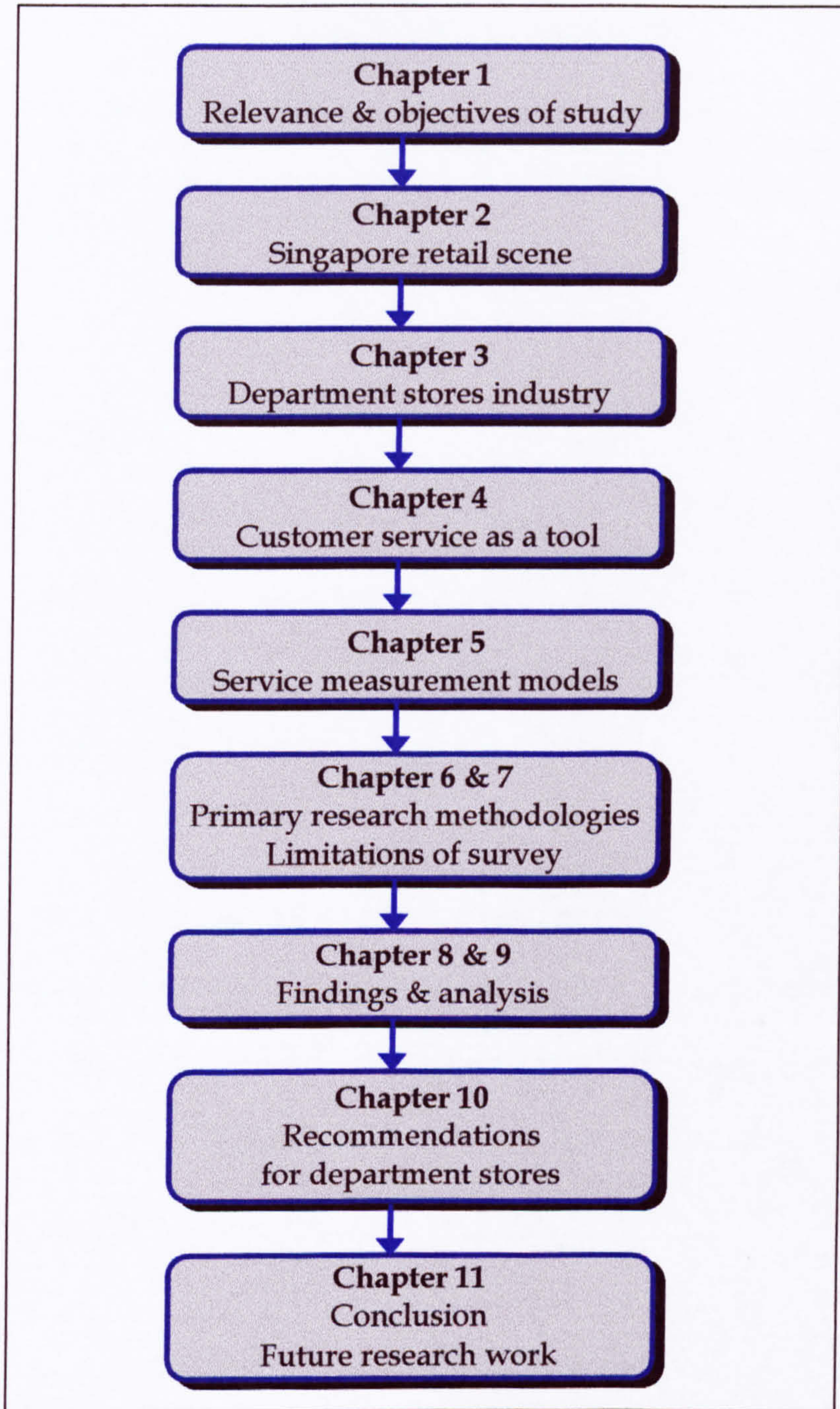
The approach of this thesis is to present a general appreciation of the local retail scene. Thereafter, the author examines the department stores industry which has been performing poorly. Theoretical concepts on customer service are gathered to assess whether it can be a viable tool to help department stores combat this keen retail competition. The latter part of this project focuses on measuring current service level with the intent to propose recommendations for improving current service standards for department stores.

## **SUMMARY**

This chapter introduced the relevance and objectives of researching customer service in this fiercely competitive local retailing scene. The forces of environment change are elaborated to support the call for strategic thinking in retailing. The various retail strategies are examined. A framework for a proposed research study on customer service in retailing in Singapore is drafted. Because the focus of this study is on department stores located along Orchard Road, it is important to understand the local retail environmental issues. Chapter 2 sets the first stage by introducing the local retail scene from the 1960s to 1990s.



Figure 1.5: Chapters Overview





## CHAPTER 2

### THE SINGAPORE RETAIL SCENE

*"The efforts of government agencies in the 1970s and 1980s moved the retail sector from a position in which it was decaying, with the greatest growth coming in the informal retail sector and hawkers, to a modern environment capable of attracting shoppers from other continents."*

*(Davies, 1992, 55)*

#### INTRODUCTION

From the early settlement years, retailing has always been an important function. By facilitating the movement of goods and services from manufacturers to the final consumers, retailing affects the distribution system and traffic patterns as well as creates employment in Singapore.

Singapore started off as a colonial base and entrepot because of her strategic location. Retailing in the early years centred mainly along the river-front. Today, the river-front has evolved into a financial and office district. Shopping has stretched beyond Orchard Road to specialty and ethnic trade areas such as Little India, Chinatown, etc. and the suburbs.

The focus of this chapter is to trace the retail development in Singapore from her early years in the 1960s to where she is today in the 1990s. By understanding this evolution, the reader will be able to appreciate the environmental challenges which department stores in Singapore are facing.



## **THE EARLY YEARS: 1960s, 1970s and 1980s**

### **Central Area**

After the second world war in the 1940s, 80% of the population and economic activities were concentrated in about 20% of the land area in the south-eastern sector of the island. According to Wang & Tan (1981), the population in 1947 was 938,000 of which 72% lived in the Central Area. The Central Area comprised basically of Raffles Place (Figure 2.1), the area along the river-front. Singapore's entrepot trade flourished at Raffles Place. Those who were unable to reside in the Central Area were spilled over to the fringe around the city. As a result of the above residence pattern, several neighbouring areas such as High Street, Chinatown, Middle Road, Serangoon Road, Arab Street and Geylang dominated the early retail scene (Maps 2.1 & 2.2).

Shopping activities were usually housed in two- or three-storey shop-houses and street markets. The range of merchandise offered in each shop was restricted to one or two major items. For example, a textile shop would sell only cloth. Shop-owners knew the advantage of locating their businesses along complementary lines such as textile and tailoring shops. Shops were small, poorly lit and without air-conditioning.



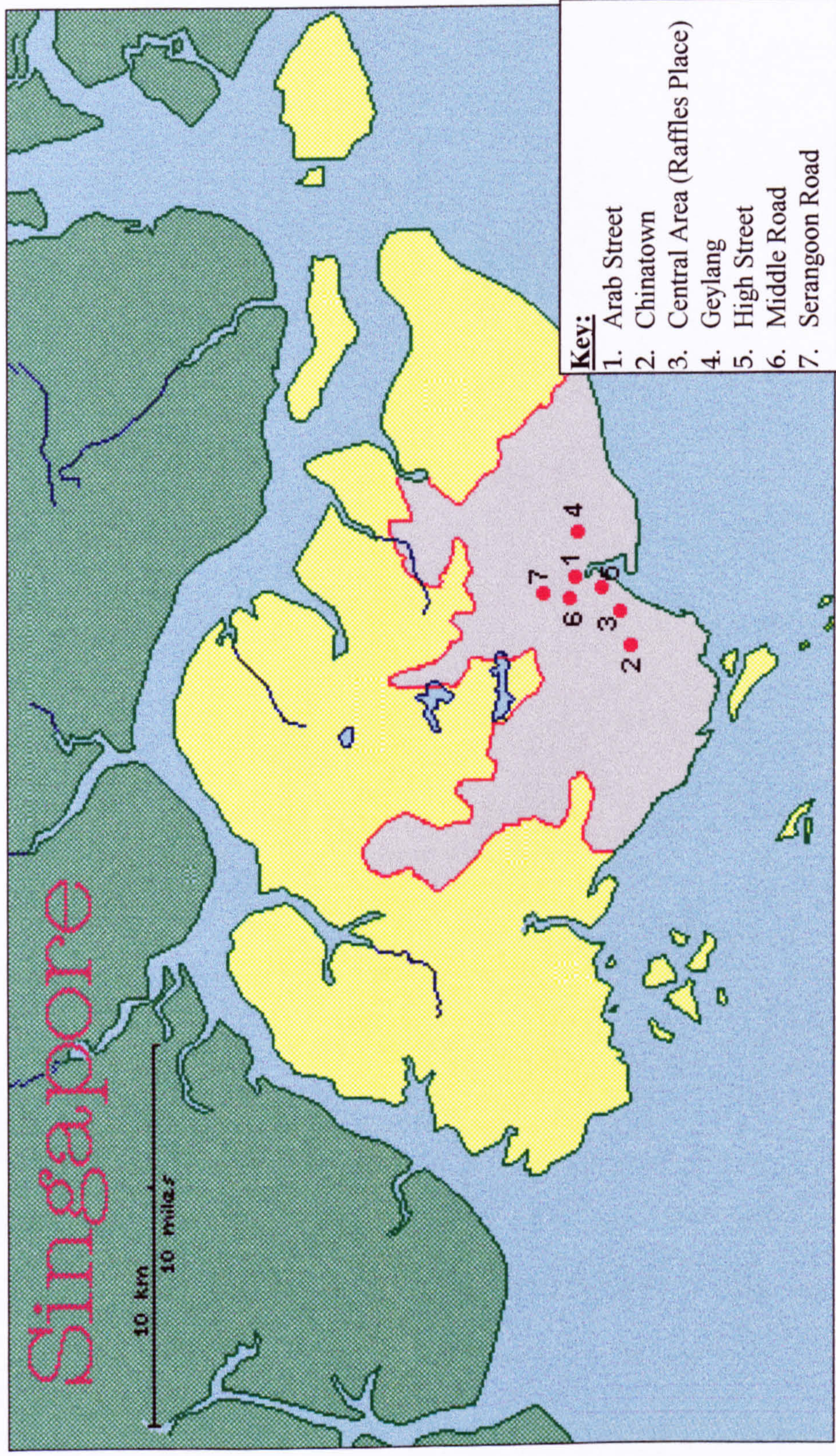
Figure 2.1 : Raffles Place in the 1960s



Source: Hoe, I (1997).



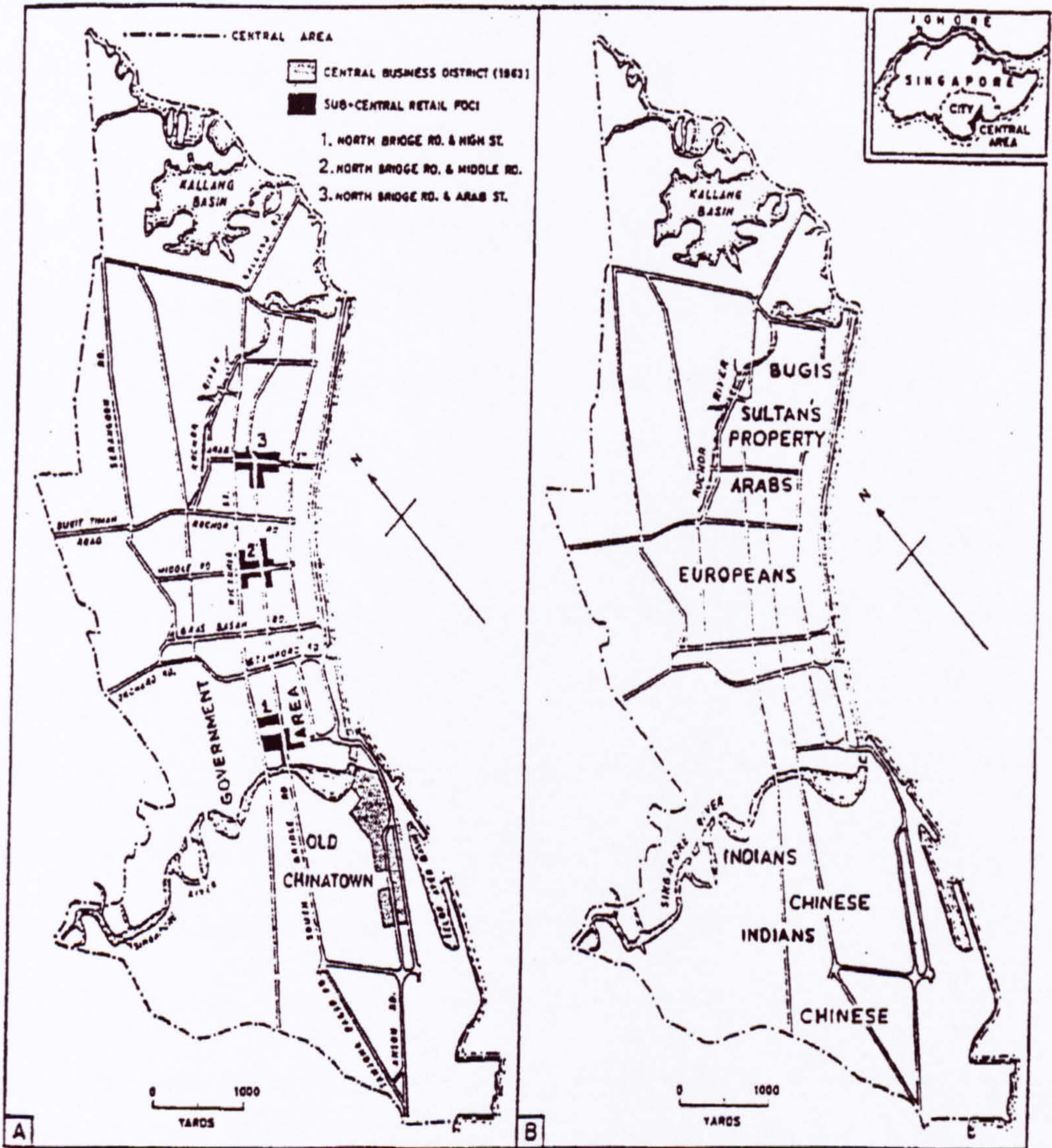
Map 2.1: Map of Singapore



Source: Modified from The Software Toolworks, World Atlas, 1994



Map 2.2: Map of Central Area in the early years



Source: Bellett, 1969 and Davies, 1992, 9.

Four major retail districts were identified. In the High Street area, retailers were modern and specialised in textiles. Because they served office workers, tourists and western clientele, these shops were air-conditioned with more up-market appeal in contrast to the other shop-houses which were often open-fronted and crammed. Middle Road area was the location for popular mass entertainment

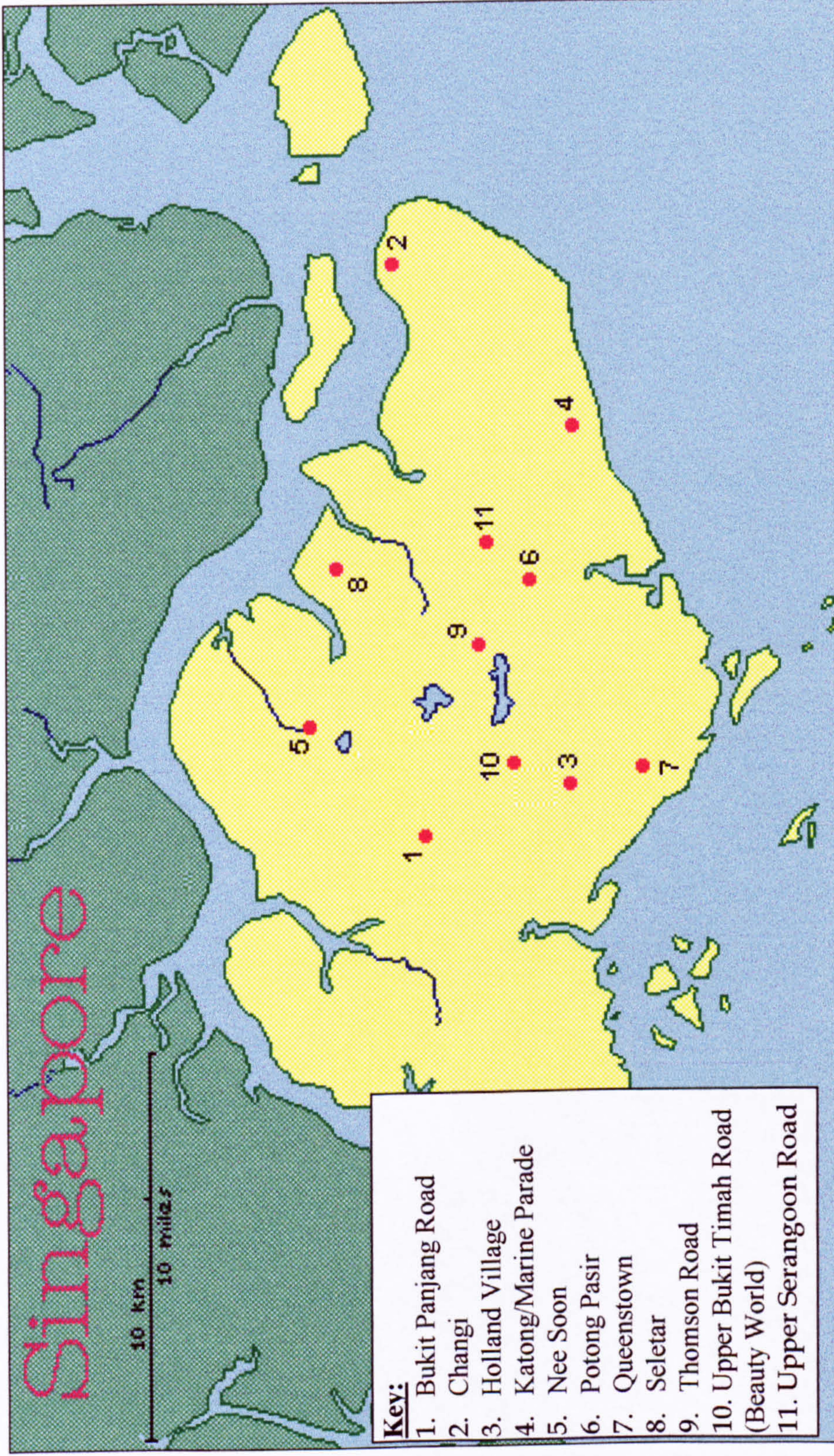


which catered to western and traditional tastes. Arab Street area which served mainly the Muslim neighbourhood around the Sultan's Place and Mosque, was ethnic in its retail offerings of medieval and religious wares. The fourth retail focus was Chinatown which was located at the south of the Singapore River. In this mainly jewellery and goldsmith district, business control followed the dialect lines of the Chinese who traded there. People's Park, an important textile market, influenced the clustering of related activities in this area (Dale, 1987/88).

Outside the Central Area, there was hardly any suburban retail development since the majority of Singaporeans lived in and around this densely populated city. Suburban retailing was unplanned and sprouted in response to local needs (Map 2.3). For example, Beauty World in Upper Bukit Timah Road and Bukit Panjang Road tapped shoppers' traffic commuting from Peninsular Malaysia since these roads were the main traffic arterial link between Singapore and Malaysia. Upper Serangoon Road was associated with fresh food markets which served more densely populated areas. Potong Pasir, an outlying and rural neighbourhood area, served the market gardening population in the less densely populated area. Changi Village, Seletar, Nee Soon & Holland Village were predominantly occupied by Westerners who lived in or near British military bases in these areas. Their retail offerings were western-oriented.



Map 2.3: Suburban retailing in the early years



Source: Modified from The Software Toolworks, World Atlas, 1994

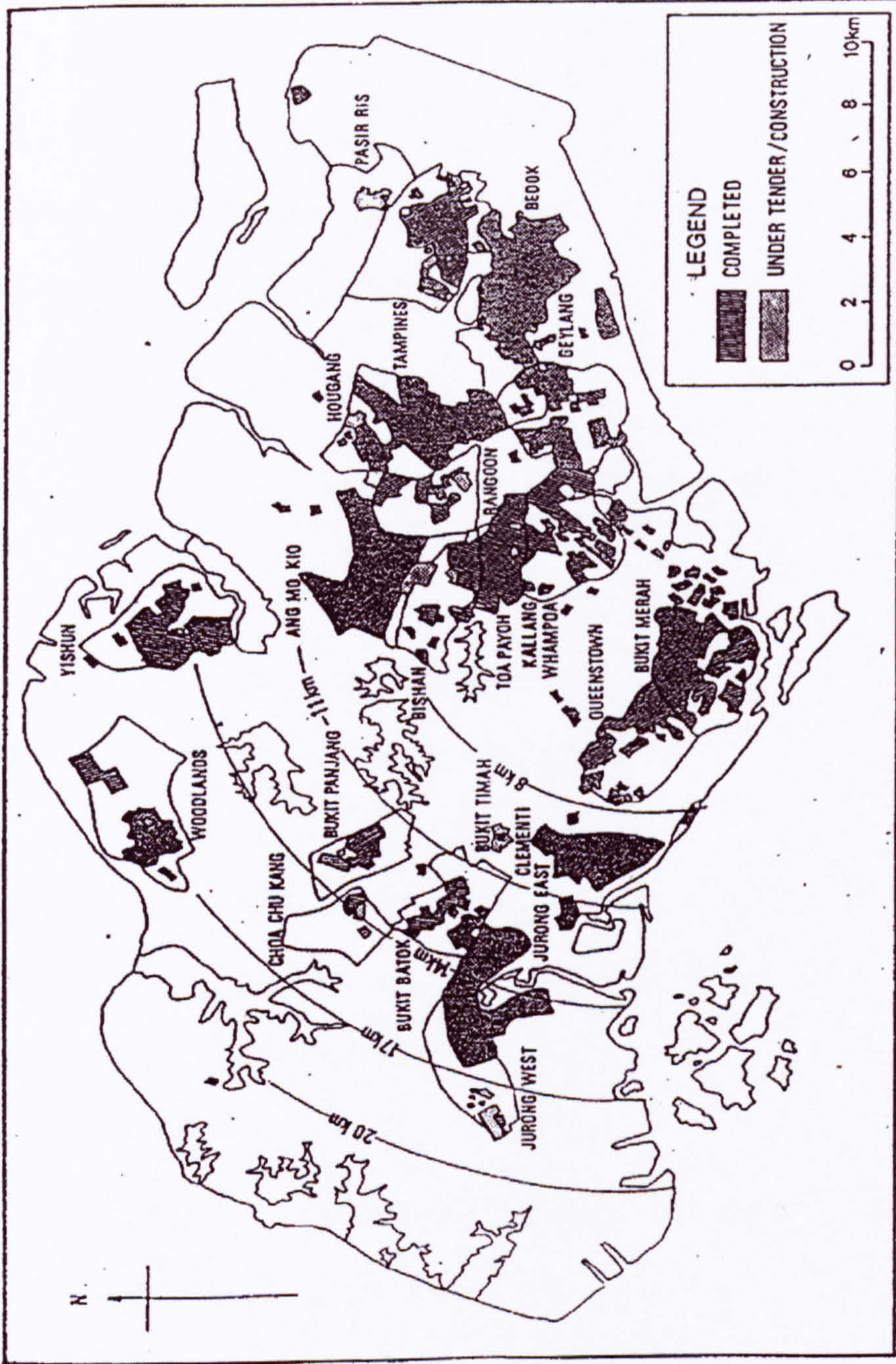


In view of the cluttered residence pattern, there was a need to decentralise and redistribute the population away from the congested Central Area. The first Master Plan was drafted in 1958 (Map 2.4). Its objective was to solve this congestion issue by reducing population in the Central Area by one-sixth and redistributing it to the suburbs to make better use of the land. The Housing & Development Board (HDB) was formed in 1960 to build low cost public housing in the outer fringes of the Central Area for the affected residents.

Following the HDB's move to build flats as a form of public housing, the development of new housing estates resulted in new retail opportunities to cater to the needs of these residents. The type and size of retailers needed vary accordingly. Firstly, each satellite town is formed round a central catchment area such as Clementi, Bedok, Ang Mo Kio, etc. With public transportation in these town centres, there are about 150 to 200 shops to serve 40,000 to 50,000 families. Within each satellite town are 5 to 6 neighbourhood centres, each with 50 to 100 shops to serve 4,000 to 6,000 families. At the outermost fringe are several precincts with 10 to 20 shops each (Yap, 1995, 2).



Map 2.4: Ring concept plan and HDB estates



Source: HDB Annual Report, 1987/88 and Davies, 1992, 12



As a result, larger retailers such as supermarkets, cinemas, emporiums, etc. are at the town centres while smaller retail businesses in the precinct cater to the daily needs of the residents such as provision/groceries, hair salons and food centres.

Because of the relocation of the population, planned private shopping centres sprouted in the mid-1970s in the higher income, accessible and high residential growth suburbs such as:

Katong	-	Katong Shopping Centre (1972) Parkway Parade (1983)
Bukit Timah	-	Bukit Timah Plaza (1976)
Queenstown	-	Queensway Shopping Centre (1975)
Thomson Road	-	Thomson Plaza (1979)

These private shopping centres posed threats to small businesses in the HDB towns and neighbourhood centres which lacked the variety and quality of shopping and specialty goods.

Business in the Central Area was affected by the shift in residential pattern to the suburbs. The small shops in HDB estates are able to provide a sufficient range of goods and convenience to the residents, thereby making trips to Central Area unnecessary except for the purchase of shopping and specialty goods. As a result, there was a decline in retailing activities in the Central Area.



The diversification of Singapore economy into manufacturing in the 1960s also meant that fewer people commuted to the Central Area as these industrial estates were located outside the Central Area due to cheaper rentals. By mid-1960s, retail business was so badly affected and ceased operation. The vacated space was converted to offices. Slowly, Raffles Place and Shenton Way evolved into general business areas with more commercial offices than retail stores (Bellett, 1969, 1 and Dale, 1987/88).

### **Orchard Road**

In the 1950s and 1960s, the majority of the shops along Orchard Road were involved in the automobile trade. Being the main thoroughfare for British workers who had to travel to and from their homes in Tanglin to their offices at the riverfront, retailers started to sell curios and commodities along this stretch of road. Tourists also frequented this area because the main thoroughfare linking Peninsular Malaysia to Singapore also led straight to Orchard Road. As a result, the automobile traders have to leave Orchard Road because of the competition for land for tourist-related retail activities and the government acquisition of land. The automobile trade was relocated to Bukit Timah Road and Leng Kee/Alexandra Road with bigger showrooms and servicing facilities.

To improve the structure of the Central Area which was decaying in retail terms, the Urban Renewal Department was set up to renew and revitalise this area. It was renamed the Urban Redevelopment Authority (URA) and focused on



facilitating the development of planned shopping centres and modernising retail facilities in the Central Area. The URA acquired small fragmented plots of lands, combined them and offered them for sale to private developers for building planned shopping centres, a new shopping phenomenon in the early days.

The early shopping centres such as Shaw Centre, Far East Shopping Centre and Supreme House were completed in the 1970s. Though strategically located along Orchard Road, they suffered from poor tenant mix and floor designs. However, the emergence of such shopping centres brought about the convenience of one-stop shopping by engaging large department stores and/or supermarkets as anchor tenants to draw the customer traffic. Table 2.1 denotes the distribution of planned shopping centres in Singapore over the years.

**Table 2.1: Distribution of planned shopping centres**

<b>Year</b>	<b>Central Area</b>	<b>Suburban Area</b>	<b>Total</b>
1969 - 73	13	2	15
1974 - 78	12	4	16
1979 - 83	21	18	39
1984 - 91	6	5	11
<b>Total</b>	<b>52</b>	<b>29</b>	<b>81</b>

Source: Sim, 1992, 2



The growing tourist trade and increasing local affluence also attracted foreign retailers to Singapore. In particular, Japanese retailers were very aggressive in coming into Singapore. Isetan, the first Japanese retailer, opened a 5,000 sq. m department store at Havelock Road in 1972. Two years later, Yaohan followed by opening its department store cum supermarket branch in Plaza Singapura.

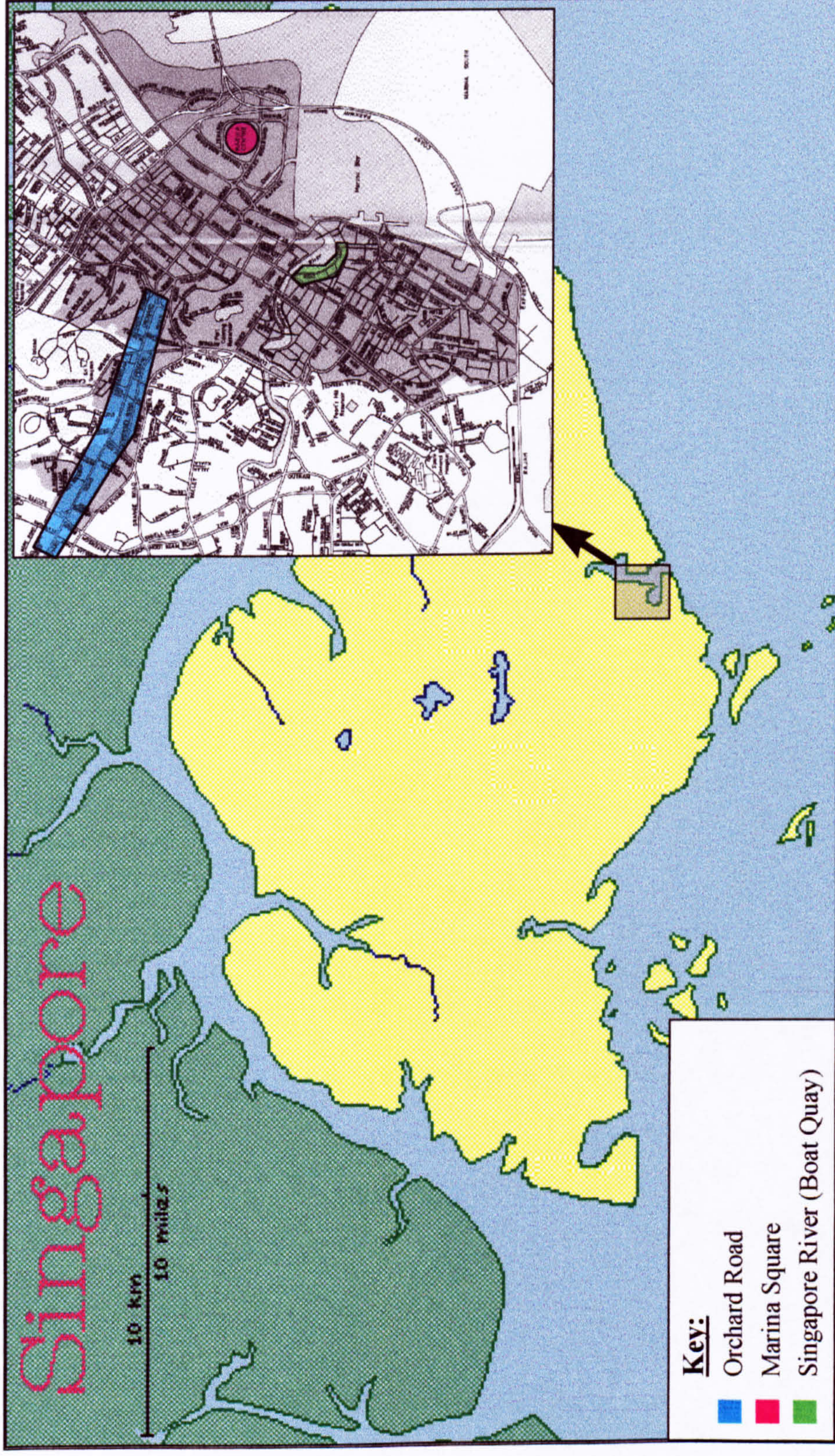
The early 1970s also saw the completion of a number of tourist hotels to cater to the influx of tourists. To tap the potentially high purchasing power of these visitors, more shopping centres were built close to these hotels. Therefore, Orchard Road slowly evolved into a prominent shopping district with many hotel projects.

Orchard Road eclipsed the Central Area to become the preferred shopping belt in Singapore. The distribution of the shopping districts in the downtown area was grouped as follows (Map 2.5):

- |                 |   |                                                                                                                                                                                       |
|-----------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Orchard Road    | - | which stretches from Tanglin Shopping Centre to Plaza Singapura. It can be subdivided into 3 clusters: Scotts Road/Orchard Road, Centre-point vicinity, and Plaza Singapura vicinity. |
| Marina Square   | - | which refers to the Stamford area which include the two largest developments namely Marina Square and Raffles City.                                                                   |
| Singapore River | - | which is known as the "Golden Shoe" area. The OUB office development at Raffles Place takes charge of this 7,000 sq. m shop space which caters mainly to office crowds.               |



Map 2.5: Shopping districts in the downtown area



Source: Modified from The Software Toolworks, World Atlas, 1994



Conservation projects were conducted along the river-front in the early 1990s. As a result, rows of old warehouses at Clarke Quay and Boat Quay were refurbished into a recreational and entertainment corridor along the Singapore River. Chinatown, Little India and Kampong Glam were refurbished to retain their traditional trades and ethnic characters. These old houses in a unique architectural setting became ideal for specialty retailing. The government hopes to project these shopping areas with a variety of specialised themes based on the different ethnic appeals and characters as follows:

Upmarket boutiques	-	Orchard and Marina South
Ethnic & specialty trades	-	Conservation areas
Tourist & leisure	-	The Singapore River

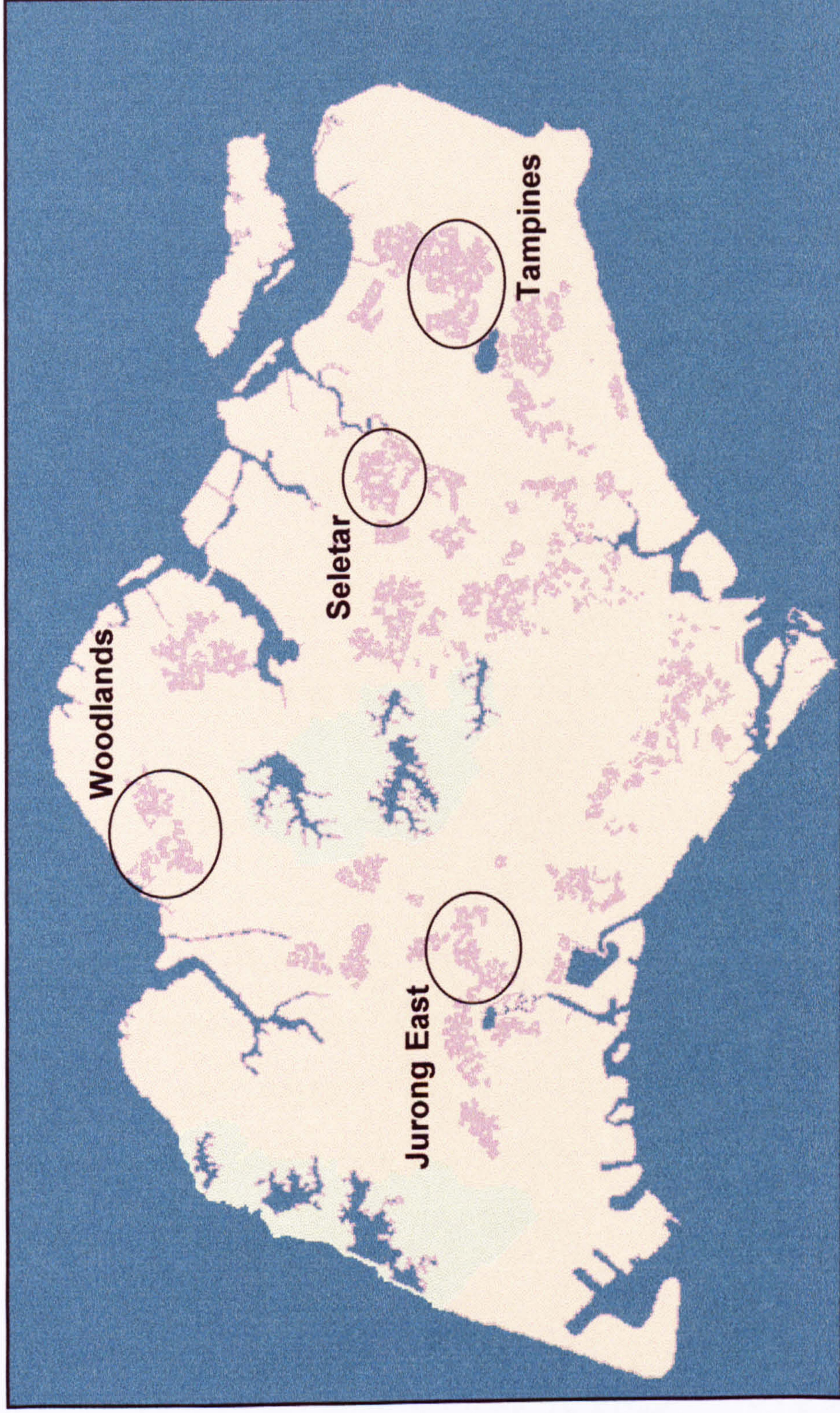
## **CHALLENGES IN THE 1990S**

### **Regional centres**

The Ring Concept plan did not solve the congestion at the Central Area. People who lived in the fringes commuted downtown for their work. In 1991, the URA drafted a revised plan. This new plan divides Singapore into 4 self-sufficient regional centres (Map 2.6).



Map 2.6: Regionalisation plan



Source: Geo Millennium System, Road Pilot Version 2.1.



The 4 regional centres are Tampines, Seletar, Woodlands and Jurong East. Each regional centre is expected to have 1.5 million sq. m of floor space for retail facilities, offices and hotels developing near Mass Rapid Transit (MRT) stations. The residents should be able to find work, live and seek leisure within each centre. Plans have been made to link these 4 regional centres to the downtown area by MRT lines. It is envisaged that this arrangement of living will reduce congestion in the downtown area since people do not need to commute to town for work and/or shopping.

### **Suburban shopping**

With the regionalisation concept plan, more people are willing to live in the newer suburbs because of the amenities. This shift in the residential pattern promotes suburban retailing. New shopping malls started to sprout in the suburbs namely: Northpoint in Yishun; Ginza Plaza in Clementi; Sin Ming Plaza in Upper Thomson; Junction 8 at Bishan; Kovan Centre in Serangoon; Siglap Centre in Siglap; Pasir Ris Mall and White Sands in Pasir Ris; and Century Square, Tampines Mall, Tampines Mart and DBS Tampines Centre in Tampines (Kwan, 1993 and The Straits Times, 30/9/95). These suburban shopping malls are tapping the catchment of residents living in these areas. Retailers are keen to try suburban retailing as an alternative to the saturated Orchard Road.

To restrict car ownership and road congestion on this small island, the government has constructed a Mass Rapid Transit (MRT) system with the aim of



providing efficient public transportation. By the end of 1980s, the first 2 lines linking the west and east sides of the island, and intersecting at the centre of the CBD, were operating. As a result, travelling time is reduced greatly and people became more mobile. Shopping in far out suburbs became popular because of this mobility and convenience. For example, it takes 20 minutes on the MRT to ride from downtown Orchard to Northpoint in Yishun. Therefore, suburban retailing is backed by an efficient transportation infrastructure.

The newer HDB estates in the 4 regional centres are integrated with private estates making the catchment area more attractive. The government has released land in the HDB new towns for private development such as Serangoon Avenue, Ming Walk and West Coast Link. This arrangement of public and private housing means that suburban retailing is no longer confined to the sale of food and necessities (Kwan, 1993). With changing shoppers' preferences for convenience over price, suburban shopping is favourable especially when the modern amenities of Orchard Road can be replicated in the suburbs. (Tan, 1992)

HDB retailers are upgrading themselves to a level that they now offer a real alternative to downtown shopping. Benefits of suburban shopping are convenience without the hassle of traffic jams, fewer parking problems and avoidance of long taxi queues commonly associated with downtown shopping.



Within the suburbs, shopping centres are also strategically built next to or above MRT stations to tap the high traffic flow. Known as MRT malls, these shopping centres are similar to the glitz and glamour of Orchard Road except that they are brought nearer to the door-steps of residents. Based on Figure 2.2, the up and coming MRT malls are:

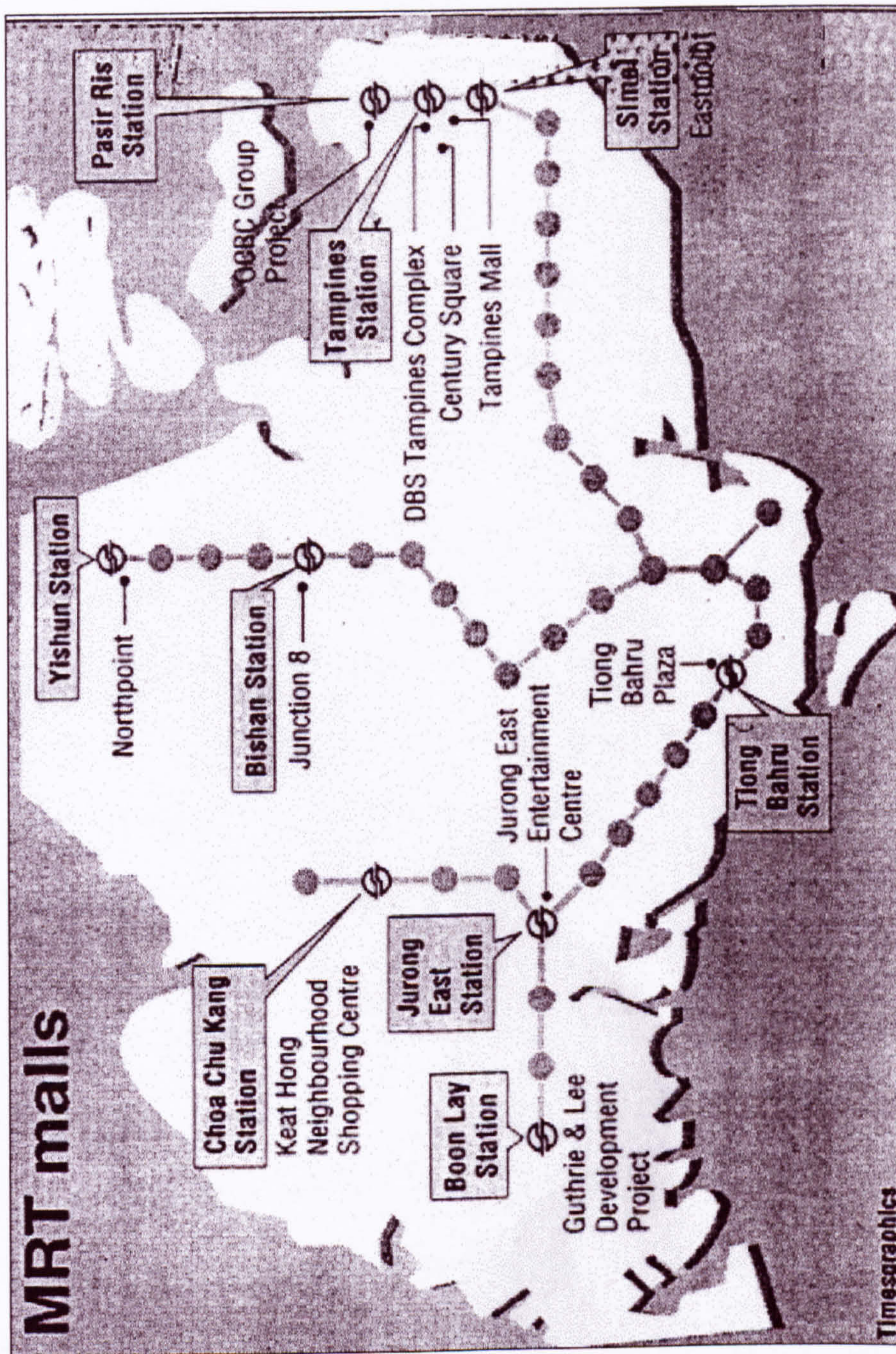
- Tiong Bahru Plaza above the Tiong Bahru MRT station
- Tampines Mall and Century Square in Tampines
- Eastpoint in Simei
- Project by OCBC group in Pasir Ris
- Project by Guthrie, GTS and Lee Development at Boon Lay
- Keat Hong Neighbourhood Shopping Centre in Choa Chu Kang

(Yeo, 1994, 4)

Major department stores are situated along Orchard Road because of its high traffic density. Now, given the potentials of the new suburban living and shopping, department stores have decided to venture to the suburbs too. The presence of Sogo, Daimaru, Isetan, Yaohan, Metro, JL, and Marks & Spencer in the suburbs supported the suburban retailing trend. To cater to the neighbourhood shoppers, department stores have modified their merchandise mix.



Figure 2.2: MRT Malls in Singapore



Source: Yeo, 1994, 4



The emergence of established department stores and cineplexes in these MRT malls threatened the survival of HDB shopkeepers. Because these new and modern shopping centres offer a pleasant atmosphere and one-stop shopping convenience, customers are reluctant to browse outside the complex where the HDB shops are located. According to Mr. Kwek Theng Swee, ex-Honorary Secretary, Federation of Merchants Association, 5 neighbourhood centres in Yishun have experienced a drop in their businesses from between 10% to 50% depending on their trade and location since the opening of Northpoint in November 1992 (Yeo, 1994, 4).

So, while suburban shopping creates excitement for the residents and department stores, small shopkeepers' days are numbered if they do not adapt to this new phase of competition. Also, department stores located downtown are affected by the popularity of suburban shopping which offers convenience. These downtown retailers must search for new ways to win back their customers.

### **Small retailers/HDB shops**

Because of the keen competition at the suburban level with the emergence of many modern retailers, HDB shopkeepers joined forces with the Retail Promotion Centre (RPC) and the government to compete. According to the Survey Research of Singapore (SRS), RPC and FMA, about one third of the existing 2,000 HDB provision stores may disappear in the next five years because of keen retail competition at the suburban level. The 3 island wide surveys by SRS (1985,



1990 and 1994) revealed that the number of grocers has dwindled by half to 2,000 over the 10 year period. At the same time, the number of supermarkets nearly doubled to 138, with provision stores losing about 120,000 core customers to them in 1994 (Yap, 1995, 2).

In retaliation to this keen competition, some small provision stores formed a voluntary chain named ECON (Economy, Convenience and No-nonsense pricing) Minimart. The parent company, Provision Suppliers Corporation (PSC), was floated in 1974 with the aim of procuring stocks through common purchases for its 1200 strong members in order to achieve economies of scale. In 1982, ECON Minimart brand was established with 49 retail outlets and grew to 180 stores by 1992 (Davies, 1992, 41).

The result of this voluntary chain has been effective as evidenced by operators recording sales increases of over 200% since they joined ECON Minimart. ECON offered competitive prices when compared to the modern supermarkets such as NTUC but lost out in terms of variety of merchandise (The Straits Times, 13/4/90, 35). The success in ECON Minimart has led other operators to follow suit. Provision Management & Supplies Limited (PMS) set up 60 chain stores in its Happy Family name, mainly in Yishun and Tampines (Hong, 1992, 4). NTUC also franchised out to small retailers to operate under the NTUC as well as the retailer's name. NTUC supplies merchandise to these operators and



even goes into private labelling in order to be distinctive and to create store loyalty.

A recent survey by the School of Building & Estates Management at the National University of Singapore revealed that half of the HDB shops sold less than S\$10,000 worth of goods in a month and had relatively low gross profit margins. Figures from Economic Development Board (EDB) showed that small local retailers achieved only S\$13,000 value added per worker when compared to large foreign retailers of S\$49,000 (Wong et al, 1992). As a result, HDB shopkeepers depended on family members to keep their businesses going. Their inability to offer competitive wages because of slow business and poor profit made it harder for them to upgrade and be more productive.

To help the small retailers upgrade and cope with the changing business environment, the government drafted a Retail Sector Development Plan (RSDP).

The main strategies are:

- Sale of HDB shop units to tenants so that they can enjoy capital gains and be more far sighted in their investments.
- Promotion of economic groupings to improve the attractiveness of neighbourhood centres through a franchise/co-operative centre set by up the National Productivity Board (NPB).
- Training programmes for small retailers conducted by NPB/Retail Promotion Centre (RPC).
- Availability of business consultancy services.



- Liberalisation of Ministry of Labour's current 20% policies on foreign workers.
- Computerisation expertise and financial schemes available through National Computer Board.
- Provision of financial and technical assistance.

For small retailers to compete with the big retailers, the following options are available:

- Provision of better layout, neater displays and good service are promoted by RPC. General sprucing up of premises is needed to stay abreast.
- Formation of management corporations by shop-owners to run shopping streets and hold promotion activities.
- Improvement of the shopping environments to enhance convenience and shoppers' comfort by the town councils.

(The Straits Times, 25/4/94, 5)

The HDB shopkeepers tried to imitate The Motomachi in Japan. Shopkeepers are keen to transform their neighbourhood shopping areas into "shopping streets" with covered malls, shady walkways, and an amphitheatre for communal gathering with the help from their town councils (The Straits Times, 26/4/94, 2). The RPC, set up in January 1993, has helped over 2,000 HDB shops changed their images to reflect neighbourly, friendly places through its "Pick of the Best" and "Choice Shop" promotions in 1995.



Small shopkeepers are also changing their trade mix to match the needs of their customers such as maid, travel and real estate agencies, sports shops, gymnasiums and educational centres for time, health and activity conscious Singaporeans (Yap, 1995, 2). These shopkeepers are fighting back with the intervention of government bodies.

### **Influx of retail space**

Competition is intensified by the influx of retail space. Property developers, lured by the lucrative of rental income, invested in shopping mall projects. Singapore will see her largest increase in retail space in this decade (SRA The Retailer, 1993, 16). Table 2.2 shows 505,409 sq. m of retail space available for use from 1993 to 1996.

The influx in retail space would result in more retail players to absorb this space. Retailing becomes more competitive. According to property consultants Jones Lang Wootton, the supply of retail space is projected to increase by 20% in 1995 but spending is not expected to keep up based on recent experience. In 1994, retail space grew by 17% while the volume of retail sales at constant prices (excluding motor vehicle sales) as measured by the Retail Sales Index rose by only 1.1% (Rashiwala, 1994, 39). As a consequence, discounting and promotional sales became common practices. For example, Pre-Christmas sales which are not needed in a month of festive buying became a common event among retailers because of the fierce competition.



Table 2.2: Retail space available in Singapore by 1996

Expected Completion	Proposed retail projects	Location	Net (sq. m.)	Total net (sq. m.)
1993	Apollo Centre	Havelock Road	5,167	172,835
	The Concourse	Beach Road	10,300	
	Ngee Ann City	Orchard Road	66,000	
	Pacific Plaza	Scotts Road	3,252	
	Shaw House	Orchard Road	16,215	
	STPB site	Tanglin Road	13,777	
	Four Seasons Hotel	Orchard Boulevard	4,387	
	Lane Crawford Place	Paterson Road	17,023	
	Savu Towers	Raffles Place	5,000	
	Clarke Quay	Clarke Quay	21,000	
	DBS Development	Tampines	6,507	
	Balmoral Plaza	Bukit Timah	4,207	
	1994	The Heeren	Orchard Road	
United Engineers		River Valley Road	10,300	
Kings Centre		Kim Seng Road	19,000	
Pontiac Marina		Marina Centre	28,600	
S'pore Technologies		Bishan Road	32,000	
Great World City		Zion Road	24,000	
Suntec City Phase 1		Marina Centre	11,148	
1995	TID Development	Tanglin/Tomlinson	9,300	174,081
	Tiong Bahru Plaza	Tiong Bahru Road	15,329	
	Bugis Junction	Bugis Street	39,000	
	DBS/NTUC Tampines	Tampines	33,000	
	FCC's Tampines	Tampines	18,581	
	Hong Leong City	Serangoon Road	31,000	
	Suntec City Phase 2	Marina Centre	27,871	
1996	Suntec City Phase 3	Marina Centre	19,510	19,510
Total sq. m.				505,409

Source: SRA The Retailer, January 1993, 16.

Property management firms have to be prepared to accept lower rents and think about strategic focus with regard to their buildings in order to create distinctive images to attract different customer segments. According to Wang



Look Tsui, Associate Director, Jones Lang Wootton, "marketing is no longer a matter of leasing space but charting out a convincing strategy of what the centre's position will be in the long term and how it will be pitched against the other retailers" (Mulchand, 1991, 14).

A new pattern has also evolved from this increase in retail space. Older shopping centres such as Forum Galleria, Lucky Plaza, Orchard Point and Supreme House were refurbished in order not to lose out to the appeal of newer buildings. Table 2.3 shows refurbishment projects. New shopping malls integrate leisure-related businesses, food courts and retailing to present a wider appeal.

Table 2.3: Completed and planned refurbishment for shopping centres on Orchard Rd

Centre	Date of scheme	Cost (S\$)	Age of bldg (years)
Shaw Centre	Oct 88 - Oct 89	5.0 m	20
Supreme House	Jun 90 - Oct 91	40.0 m	20
Orchard Point	Sep 90 - Sep 91	29.0 m	8
Scotts S.C.	Mar 91 - Apr 91	6.0 m	8
Peranakan Place	Apr 91 - Sep 91	1.5 m	8
Centrepoint	Jun 91 - Nov 91	4.0 m	8
Lucky Plaza	Jul 91 - Dec 91	5.0 m	13
The Paragon	Dec 91 - Mar 92	Not disclosed	5

Source: Ho, V. 1991, 27 and Davies, 1992, 31



## **Competition**

Retailing in this decade is also very challenging with the emergence of big league international players such as Takashimaya from Japan; Lane Crawford from Hong Kong; and Isetan Shaw House from Japan which opened in 1993. According to Tan, S (1993), Orchard Road became the "Ginza of Singapore" with a concentration of Japanese retailing. With Takashimaya at Ngee Ann City, flanked by Isetan at Wisma Atria and Sogo at Paragon, this stretch of Orchard saw the greatest influence of Japanese retailing concepts and the accompanying high service standards for which Japanese retailers are reputed for. This influenced the way retailing is originally done along Orchard Road as most retailers tried to match the high Japanese standards.

To compete with international retailers, local retailers upgraded their stores and streamlined their operations in order to catch up. 1993 saw many shopping centres such as Orchard Point, Park Mall and Forum Shopping Centre with facelift projects in order to keep up with the new and modern malls. To improve productivity at the floor level, scanning technology has been implemented at NTUC Fairprice, Cold Storage Supermarket, Metro Department Stores, CK Tang, Tangs Studio, Times Bookstores, and Esso-Mart.

Retailers also engaged in price wars by staging sale events. As a result, local shoppers had sales-filled years. According to Yeo, S (1992), there were at least 24 sales a week in 1992. However, launching a sale as a strategy to obtain



market share was not effective when every retailer was also having a sale. As a result, the consumer dollars were being spread among more shops. To stand out and prompt shoppers' action in a sales-filled period, Emporium Holdings upgraded their lucky draw prize of a terrace house in Johore Bahru for their 25th anniversary sale to a condominium apartment in Kuala Lumpur, the capital of Malaysia, for their 26th anniversary sale.

Pre-Christmas sales which are not needed in the peak month of frenzied buying, has been launched by many retailers. This strategy reversed the stand that promotional sales should be used to push sales in the off-peak months such as March and August.

According to Tan, S (1992), some shoppers were not drawn to these early sales events because they felt that these were not genuine sales but clearance sales of old stocks. Others stated that low price was not the main pull factor because people only buy when they are in the mood. In a survey conducted by Frank Small & Associates and commissioned by NETS in 1992, service was of greater concern to the shoppers than other factors such as the variety of merchandise and the shopping environment. 27% of the respondents considered price as the most important factor in deciding where to shop whereas 25% chose service. Customer service can be used as a non-price competitive strategy to draw shoppers to the shop. The strategy of using price alone to attract customers to buy is no longer effective enough to sustain



growth in this very competitive environment. Department stores who find that they cannot compete based on pricing should gear themselves for non-price strategies.

Table 2.4: Retail and wholesale companies in Singapore going overseas.

Country	Company	Notes
Australia	Datacraft Hour Glass	
Brunei	Guardian Pharmacy Yaohan	Franchise with Jasra Harrison Sdn Bhd
China	Parkway Holdings	Planning fashion merchandise mart
Hong Kong	Times Bookshops Parkway Holdings	Planning fashion merchandise mart
Indonesia	Emporium Holdings Guardian Pharmacy Hour Glass Metro Parkway Holdings Times Bookshops	Link with department store chain in Jakarta Finalising franchise with Rajawali Group  Planning fashion merchandise mart (1992)
Thailand	Cold Storage	Joint venture with Sina Food Services
Vietnam	Cold Storage	Establish Cosevina supermarket in Ho Chi Minh City (1989)
Malaysia	Apex Pharmacy China Silk House Cycle & Carriage  Hour Glass Metro Milano Pizza (Hour Glass) MPH Bookstores Noel Hampers Page One Robinson Sports Stop (Emporium Holdings) C.K. Tang Times Bookshops Robinson's Group	Franchise Bought Cold Storage (Mal) & Guardian Pharmacy (Mal) from parent company in 1990/91 Opened first store in 1982 Stake in Metrojaya Planning outlet in 1993 6 outlets in 1991 Franchise in Klang Valley Shop in Kuala Lumpur St Michael stores in Kuala Lumpur & Petaling Jaya (1992) Planning franchise (1991)  Store in Kuala Lumpur (1994) Marks & Spencer in Kuala Lumpur (1993)



Source: The Straits Times W.O.E. 15.6.91; 21.9.91; 1.12.91; 18.4.92; Quek, 1987a; Mehta, 1991, Davies, 1992, 35-36 and Davies, 1992, 35 - 36.

### **Geographic expansion**

The keen competition from an influx in retail space and a small local customer base prompt retailers to look beyond the international boundaries. Geographical expansion overseas is popular among neighbouring countries due to the high growth in the Asia Pacific Rim. Closeness in culture makes it easier to adapt in a foreign land. Malaysia is a favourite choice given its close proximity to Singapore. Its bumiputra laws which call for 50% Malaysian involvement are less restrictive than the laws of some other countries. Franchise arrangements with other nations are also favoured to minimise risk via lower levels of capital and local market knowledge. Table 2.4 shows a list of retailers who have ventured overseas. Department stores such as CK Tang, Metro, Daimaru, Sogo, Isetan and Emporium Holdings have gone regional because of the saturated local market.

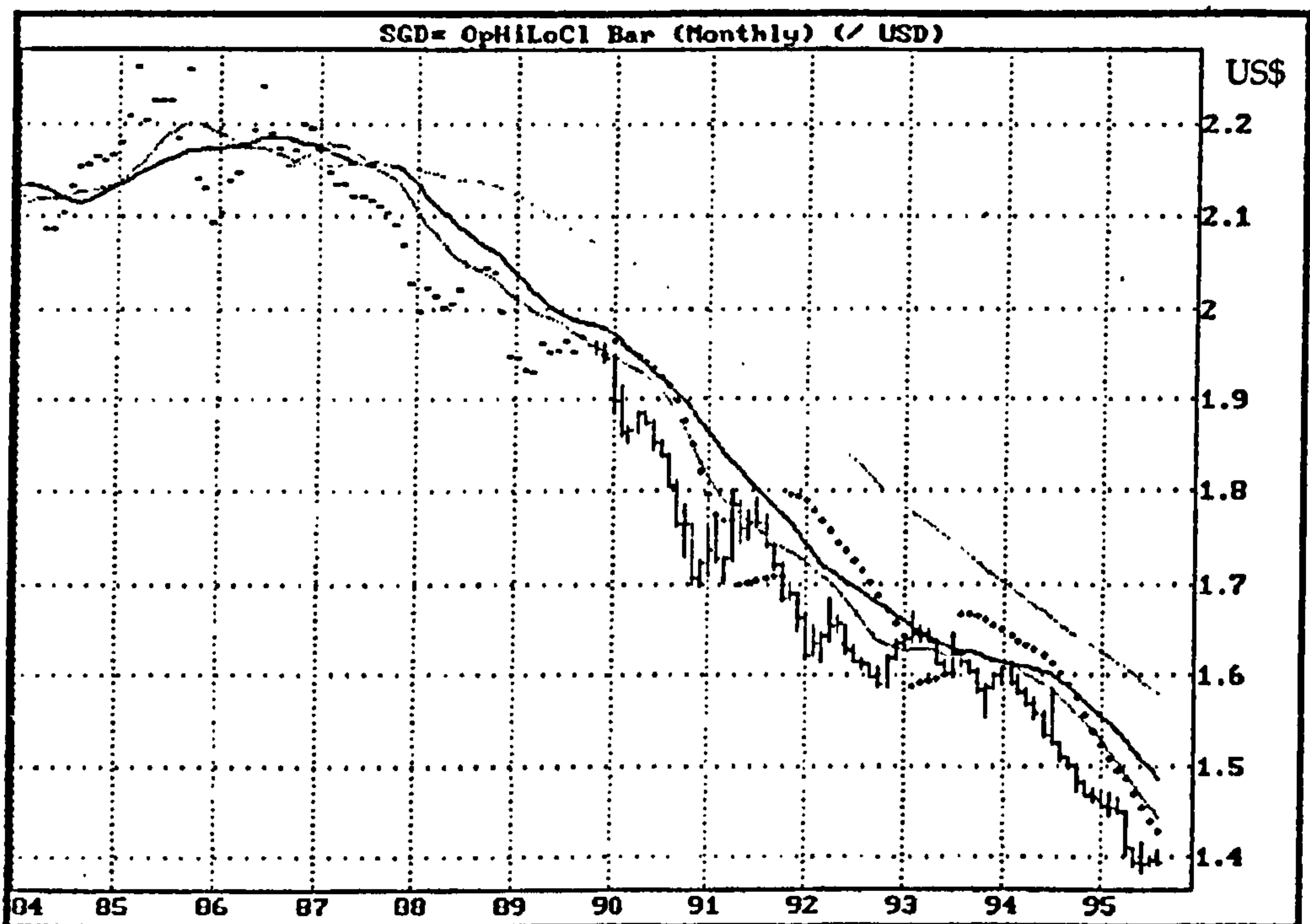
### **Strong Singapore Currency**

The Singapore Dollar has increased steadily since 1986 (Figure 2.3). This strong currency affects in-bound and out-bound travel-related businesses. Retailers along Orchard Road depend on tourist shoppers. However, tourists are finding it less attractive to visit and shop in Singapore. Moreover, the implementation of the Goods and Services Tax (GST) on 1 April 1994 erased Singapore's popularity as a duty-free shopping haven.



In 1992, 6 million tourists spent a record of S\$8.5 billion in Singapore - an average of S\$1,419 each. While the arrival rate of tourists has increased, the amount spent per visitor has decreased (Table 2.5) (Seow, 1993, 40). This means that each visitor is spending less.

Figure 2.3: Strengthening of Singapore dollar vs US\$



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**Table 2.5: Tourist arrivals and spending (1989-1994)**

Year	Total visitors arrival		Revenue (Hotel, food & beverage)	
		% change	S\$'millions	% change
1989	4,829,950	15.4	1,866.5	22.8
1990	5,322,854	10.2	2,245.7	20.3
1991	5,414,651	1.7	2,275.8	1.3
1992	5,989,940	10.6	2,408.9	5.8
1993	6,425,778	7.3	2,511.1	4.2
1994	6,898,951	7.4	2,704.6	7.7

Source: Singapore Tourist Promotion Board, Economic Survey of Singapore 1994, 70.

The slow down in tourist spending prompts most retailers to refocus on local shoppers. Isetan Scotts which opened on 28 May 1993, caters more to local shoppers by being less upmarket and more family-oriented complete with a supermarket (refer to appendices - company profile on Isetan). Robinsons has changed its merchandise to cater to young families with the need to spend and back up by their high earning power. Robinsons expanded its children's and toy's departments to occupy the entire top floor which was originally used to sell furniture and furnishings. Metro scrapped its up-market Metro Grand store concept and its specialist boutique known as The Beauty Boutique at Palais Renaissance shopping centre (Davies, 1992, 33).



Recent efforts by the STPB to promote retail trade include the setting up of a Tourism Related Retail Business Department. This department oversees the organisation of the annual sale event in Singapore known as the "Great Singapore Sale" (GSS) as a way to attract tourist shoppers to Singapore. Modelled along the same lines of annual sales in London, Paris and Hong Kong, the major shopping centres and stores along Orchard Road agreed to take part and offered discounts up to 70% from 17 July 1994 to 14 August 1994. The STPB spent \$3 million on selling campaigns to market this Sale to Indonesia, Malaysia, Brunei, Thailand, Taiwan and Australia.

Department stores who target to the tourist shoppers should capitalise on this event. Because most department stores are located on Orchard Road, the focal point for the co-ordinated sales event, they should benefit from their strategic location.

Mr. David Merriman, Director and General Manager of Alfred Dunhill (S) Pte Ltd, feels that Singapore retailers should set high customer service standards in Singapore since they are serving international customers who are well-informed and travelled. This strategy is in line with the STPB's strategic plan for growth which stated that excellence in service will continue to be pivotal to the growth of tourism in Singapore. The STPB wants to impress every visitor with its friendly and excellent service.



More Singaporeans are buying from overseas as a result of the strong Singapore currency. On a more regular basis, Johore Bahru experiences the largest influx of Singaporean shoppers. Besides the lure of a strong currency, Johore Bahru offers new shopping malls, wide range of merchandise and a better immigration process at the Causeway.

According to the Johore Tourist Information Department, as many as 40% of the shoppers in the main shopping centres were Singaporeans during weekends since 1991 (Khoo, 1991, 2). Popular shopping centres for Singaporeans are Plaza Pelangi, Plaza Kotaraya, Lien Hoe Complex and Holiday Plaza.

### **Government Policies: Goods & Services Tax (GST) And Area**

#### **Licensing Scheme (ALS)**

Recent government's policies affecting the retail industry are GST and ALS. The GST was implemented to reduce tax fluctuation in Singapore's direct taxation system. Starting from 1 April 1994, shopping in Singapore meant having to pay 3% more as part of the consumption tax locally known as GST. Simply put, GST is a form of tax on the final consumption of goods and services. It is charged at every stage of the production or distribution chain. The tax to be collected at each stage only applies to the value added. This avoids a cascade effect of taxation due to double counting.



The Singapore government set a low GST rate of 3% for at least 5 years with effect from 1 April 1994. Businesses, supplying goods and services in Singapore, with an annual turnover of at least S\$1 million are required to register as GST taxpayers.

The implementation of GST was first mooted in the Report of Economic Committee in 1986 at a time when government revenue from income tax was badly affected by the 1985 economic downturn. It was felt that the current income tax system fluctuated too widely with the economy. Implementing GST in addition to the current system ensures that Singapore is not over-reliant on its direct taxation system.

Unpopular as the GST may seem, this move is essential to help Singapore adapt to a changing environment and to remain successful. Retailers, in general, fear that the implementation of GST may dampen spending. Retailers hope that given time, shoppers will completely resume their shopping habits as they get accustomed to GST in the same way that they have accepted the Certificate of Entitlement for the purchase of vehicles and time-based telephone bills in Singapore.

Initially the government did not make any provision for the GST refund to tourists because of the low rate of 3%. Tourist-related retailers such as Alfred Dunhill, M B Melwani, Isetan, etc were affected. Singapore's position as



a duty-free shopping was threatened. Local retailers are already combating a strong Singapore currency which makes Singapore an expensive shopping destination.

The SRA and the STPB worked jointly to propose a tax refund system for tourists in order to increase Singapore's competitiveness as a shopping paradise. The government came up with a cost-effective refund system. Tourists are able to claim for tax refund at the points of exit from Singapore. The local tax authority at these points will ensure that the claimed goods actually leave the country.

With GST, registered retailers have to keep accurate records of daily transactions and tax invoices. The SRA estimated this cost of administration to be 2% of the retailers' respective turnover. This affects their margins. Retailers must watch their cost figures very carefully and find ways to enhance their productivity. Currently, most retailers absorbed the 3% themselves in their bid to hold on to their share of customers. This has resulted in higher costs for them to bear (Snodgrass, 1994).

To combat GST, retailers can consider non-price strategies with special emphasis on a value-added approach to distract customers from the seemingly higher purchase amount. They can provide extra value through quality customer service and products. According to Makorn Pruthikosit in his article



entitled "Customer Cultivation for the Competitive Edge" (Retail Asia, March/April 1992), other things being equal, shoppers tend to patronise stores whose services they are satisfied with. Retailers must create exciting promotional events to create the desire to buy. Promotions such as The Summer Flower Collection, The Sweet Cradle Fair, and French Impressions, etc will attract and prompt shoppers' participation. Takashimaya Department store even offer its tourist shoppers instant tax refund in its premises in order to reduce their resistance to buy.

The full day ALS was implemented to reduce traffic congestion in the Central Business District (CBD). ALS is a zoning restriction set to ease traffic congestion in the CBD during peak hours. Previously, the ALS hours were 7.30 a.m. to 10.15 a.m. (Mondays to Saturdays) and 4.30 p.m. to 6.30 p.m. (Mondays to Fridays). During this period, motorists have to pay S\$3 per vehicle in order to get into the affected areas.

On 3 January 1994, the government implemented the full day ALS. This means that ALS hours are extended from 7.30 a.m. to 6.30 p.m. for Mondays to Fridays and 7.30 a.m. to 3 p.m. for Saturdays. Depending on the time of the day, motorists have to pay between S\$2 and S\$3 to enter this zone.

As a result, retailers in the CBD area are affected by this zoning policy due to the drop in vehicular and pedestrian traffic. A survey done by the SRA



on the effects of the ALS on CBD retailers showed that both shoppers' traffic and sales turnover decreased by about 30% when compared to the same period last year. The drop in shoppers' traffic was most acute between 10.15 am to 4 PM on weekdays and between 12 p.m. to 3 p.m. on Saturdays. Map 2.7 shows the city areas affected by the ALS. Some shoppers work round the ALS hours by postponing their shopping to evenings and Sundays.

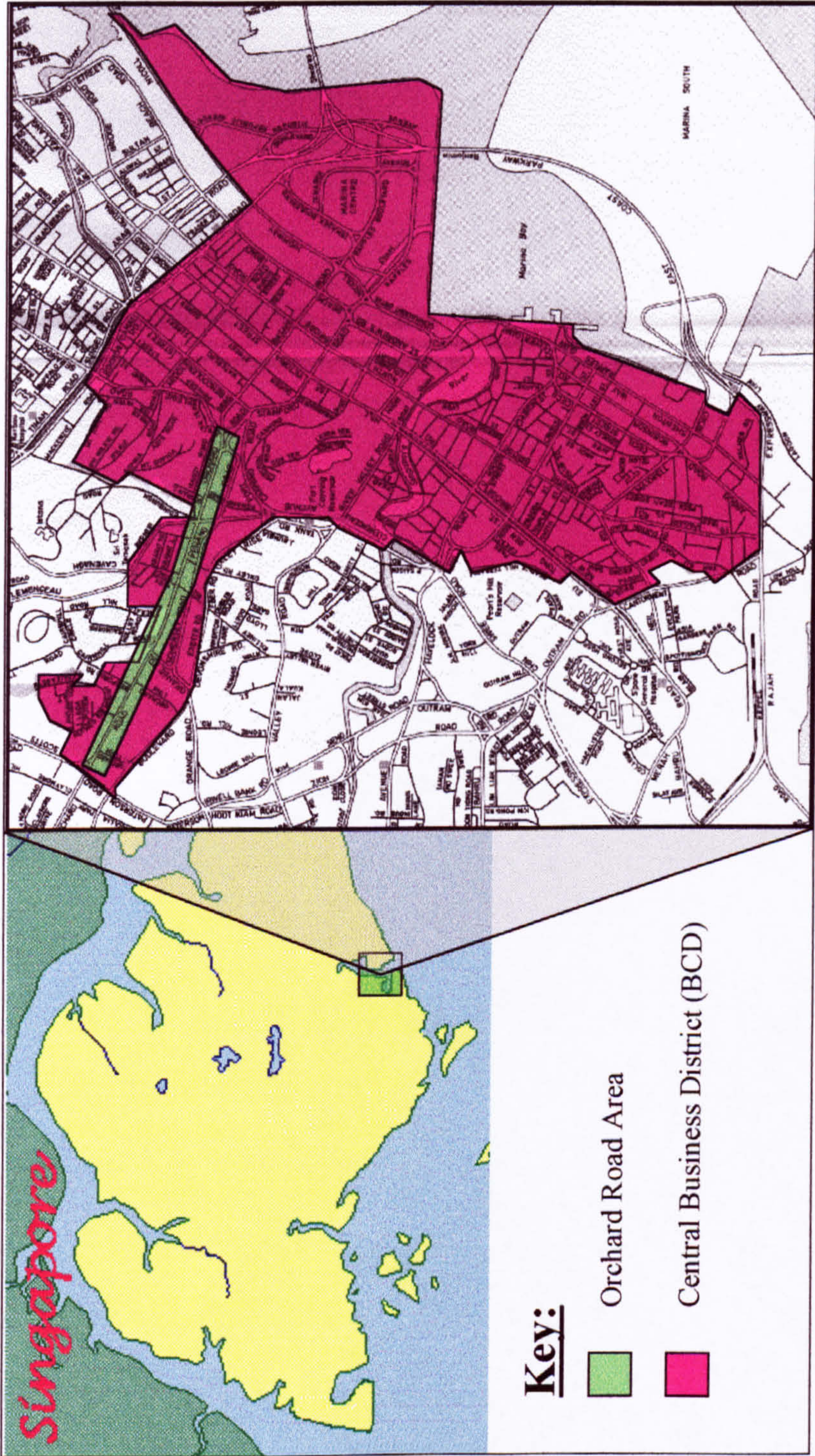
With the convenience of suburban shopping and the disincentive to shop downtown because of ALS, downtown department stores have to find ways to combat this unfavourable condition. For bottomline reasons, CK Tang broke its no trading on Sunday tradition and started Sunday trading to help solve this ALS issue.

From an unplanned, full of potential retail sector, today's retail environment are reaching saturation. All these environmental issues have triggered lengthy meetings at the boardroom as retailers brainstormed for the winning strategies to survive in this increasingly hostile industry.



Map 2.7

City areas affected by the ALS



Source:

Singapore Street Directory, 19th edition, 1992.



## **SUMMARY**

The early retail development was unplanned and grew in response to the local residence patterns. Retailers in the earlier days enjoyed tremendous growth in a relatively untapped retail market. Over the years, the Central Area evolved into a business office district while Orchard Road became the prime area for shopping activities.

Efficient transportation, regionalisation plan, ALS and saturated Orchard Road have promoted suburban shopping. The quiet suburbs are now bustling with retail activities which threatened the survival of small shopkeepers. Shopping activities became decentralised with modern malls and buildings being constructed in the suburbs. Government bodies are helping small shopkeepers to adapt and compete with this new wave of competition from established retailers operating in the suburbs.

In the 1990s, the growth rate for the retail industry has slowed down. Faced with many issues, retailers anticipate difficult times ahead. Retailers gear themselves for survival in an intensely competitive environment by dealing with the increase in retail space, new entrants, emergence of international retailers such as Seiyu, and new retailing format such as Carrefour.

Also, tourist shopping has declined due to the strengthening of the Singapore dollar. New shopping alternatives such as Johore Bahru, affordable



airfares and increasing affluence enabled many Singaporeans to shop abroad.

To combat the local saturated retail market, retailers expanded geographically.

This is the macro view of the environmental challenges faced by retailers. Retailers are under tremendous pressure to search for creative, effective and efficient ways to generate growth in an increasingly competitive retail market in the 1990s. Based on these general environmental issues, Chapter 3 takes a micro view on the relevant issues faced by department stores and their possible coping strategies.



## CHAPTER 3

### DEPARTMENT STORES IN SINGAPORE

*"A retailer must take a very long-term view of the market where the main aim is not only to be competitive and to make a profit but to offer consumers with an alternative. Only in this way can the whole retail market expand and grow in sophistication".*

*- Kazuhide Kimoto, Managing Director, Takashimaya Singapore -*

*(Rashiwala, 1995)*

#### INTRODUCTION

A popular shopping concept among the shoppers in the early years with their one-stop shopping convenience, wide assortment of merchandise, fixed price policy and modern air-conditioned facilities, department stores today are slowly losing ground. Continuing from chapter 2 which described the local retail scene, this chapter focuses on the Singapore's department stores industry, a main area of study in this thesis. Here, the author attempts to describe the evolution of this retail concept in Singapore using the Retail Life Cycle (RLC) concept. Challenges of these stores based on their life cycle stage are discussed and possible strategies are explored. Company profiles of department stores mentioned in this chapter are presented in the appendices section. Floor directories of the seven participating department stores in the survey are presented in the appendices section.



The Standard Industrial Classification (SIC) Manual (1972) defines department stores locally as:

"Retail stores carrying a general line of apparel, such as suits, coats, dresses, accessories, home furnishings such as table and kitchen appliances, dishes and utensils. These and other merchandise lines are normally arranged in separate sections or departments with the accounting on a departmentalised basis. The store's departments and functions are integrated under a single management. The store usually provide its own charge accounts, deliver merchandise, and maintain open stocks."

This definition of department stores is similar to the descriptions in many retail textbooks as a type of retail institution classification used by general merchandise retailers. Because these retailers carry an extensive range of merchandise in separate departments such as ladies, toys, infants, etc, for the purpose of buying, promotion, customer service, control and other operational functions, they are known as department stores (Beisel (1993), Burstiner (1991), Dunne et al (1992), Lusch et al (1990), Lusch et al (1993), Mason et al (1991)) and Pasdermadjian (1954).

Literature survey showed many versions on the development of department stores. Department stores were reported to be developed at an early time but the concept did not take off. It was ahead of its time and people had no means to commute and buy in bulk. Transportation is an important factor because these department stores need to draw more people to shop in their large stores.



According to Pasdermadjian (1954), the French developed the large size stores to offer different goods under one roof. In 1852, Aristide Boucicaut started a small shop named Bon Marche in Paris selling piece goods. He changed the high street retail strategies and offered small mark-up, high turnover and fixed price . There was equal treatment and no bargaining. Free entrance encouraged browsing. Stunning displays created the desire to buy and tapped on impulse purchase behaviours. A new form of liberty was introduced as anyone could walk in. Business was good. Gradually, other departments of goods were added. At around 1860, the first department stores framework was formed. A series of other department stores that emerged were Louvre by Chauchard and Heriot in 1855 and Printemps by Jaluzot in 1865.

According to Lancaster (1995), the British invented the department store concept in the first half of the 19th century, a period of industrialisation and urbanisation. Until 1830s, shops in the city centre in Britain were highly specialised with slow turnover and high margins. As a result, they charged high prices and served the better-off clientele who traded on credit terms.

Department stores in the UK originated from the drapery business but expanded to other non-drapery lines. The pioneers were able to link the purchase of drapery to creating demands for other products. For example, a new fabric to make a dress would result in a need for matching accessories such as shoes, bags and make-up. Over time, a series of new departments of merchandise were



added. The 2 major claimants of the pioneering department stores were Bainbridge's of Newcastle upon Tyne and Kendal, Milne & Faulkner of Manchester.

The pioneering department stores offered clearly marked prices, good quality products at cheaper prices on cash terms and an opportunity to browse (free entrance). Each merchandise line has its own location, buyers, sales force and accounts. It was like having many specialty shops at one place but trade on cheaper prices. This concept became an international phenomenon in the late 19th century. Paris was the country which developed the qualitative dimension of the department store concept. The British department stores copied the Parisian's exhibition style of displays in the early 1900s.

At the same time, key changes were also happening in America. The high rate of growth in the cities, new building technologies and a lack of differentiation between the high and low cultures enabled the American department stores to feature customer service, staff policy and highly innovative window display. Soon, Marshall Field (Chicago) became the largest department store in the world. Other successful American department stores included Stewart (New York) and Wanamaker (Philadelphia) (Pasdermadjian, 1954). Later, Gordon H Selfridge, Field's manager imported these American concepts to his Oxford stores in 1909. As a result, more British department stores were able to see, emulate and modify this formula in an attempt to make their stores more like community centres. By



adding activities, demonstrations, theatrical events, these stores hope to increase their customer traffic.

The windows in the British department stores were either left empty to allow natural light to come through or filled to the brim featuring large price tickets. There was little regard for aesthetics of display. Retailers in France, Germany, Japan and America were better at window display and became opinion leaders for the British stores.

Development in the construction business helped to create bigger stores via steel, iron, concrete and column spacing. As the stores became larger, they also needed more artificial lighting for better illumination. Besides, displays required sophisticated lighting. Oil lamps were quickly replaced by gas mantle served by growing labyrinths of small lead pipes. The ad-hoc development of these stores in size and poor lighting equipment resulted in many fire hazards among department stores: 4 fires in Whiteley's in Westbourne Grove from 1882 to 1887; 2 fires in Fraser and McLaren in Glasgow in 1872 and 1888; 2 fires in Wylie and Lockhead's building in 1867 and 1883 and the Harrods' fire in 1883.

Department store operators found themselves searching for technological developments in cashiering, vertical transportation, fixture and fitting and facilities. The first elevator appeared in Strawbridge and Clothier in Philadelphia in 1865. A new cashiering system was needed to replace the laborious task of



sending an errand boy to the counting house with the receipt and cash by the sales assistant. The cash register appeared in 1880s. As stores rose in height, mechanical lifts were needed to reduce fatigue from walking. Glass cabinets were introduced to ease the lighting problem inside the stores. Big glass plates were used for window displays. Toilet, café, tea-room were added to make shopping more comfortable. Delivery service was added to help the shoppers get their goods home. The birth of the GPO telephone system in 1902 also facilitated shopping using the phone.

However, things were not always rosy for department stores. Because most of the department stores were independent concerns, they were not able to achieve centralised buying and economies of scale enjoyed by chain stores such as C & A, Marks & Spencer. Any changes in disposable incomes by economy downturn, car and home ownership would prompt the shoppers to cut back on their consumption and keep buying to a minimum. Shoppers rely on second-hands purchases or make do and mend.

Department stores used to feature their own brands for example, a Harrods' bag or a Fenwick's dress. With the increasing popularity of manufacturers' brands, stores were losing their brand equity. At the same time, these manufacturers also tried to fix the retail prices for their goods, thereby affecting the department stores' flexibility in pricing. In Britain, this move was reinforced by the 1930 resale price maintenance law. As a result, department



stores must establish their own brands. For example, Marks & Spencer introduced St. Michael, their in-house brand, to stop the erosion.

In search for better profits and returns, departments stores were lured by the potentials in the other countries. In the early years, the Asian countries specialised in the trading of their exotic spices to their western counterparts.

Singapore, being a British colony, was also heavily influenced by the British.

The first department store, Robinson and Company, was set up in 1858 in Singapore. It was the first store in the Far East to be fully air-conditioned in 1955.

A premier store with quality imported merchandise and superior service Robinson introduced the department store concept to the locals. However, in 1972, a fire destroyed its Raffles Chamber branch in the Central Area. As a result, a new site was established.

Besides Robinson and Company, CK Tang was also another pioneering store in the department store concept. The Tangs empire grew from a tin trunk in 1923 to a shop house in River Valley Road in 1932 to a department store in the Gainum building in 1940 to their present premise at Orchard Road since 1958. Mr. Tang started by peddling his hand-embroidered linen from China. Focusing on value for money was his way to attract more customers. He also offered personalised service by serving any shoppers who stepped in from the entrance till they exit the store.



Shortly, Mr. Ong Tjoe Kim, an Indonesian, opened Metro, a department store targeted to the local shoppers, along High Street in 1957. As more merchandise were added, the store expanded in size and was relocated to the Golden Mile Plaza.

These department stores in Singapore operated in a very basic mode. Their main draw was their large size which offered the shopping convenience of having everything under one roof. The air-conditioning of these stores and fixed price were attractive features. It was the foreign department stores who introduced the concept of imported merchandise, store positioning and fashion images. The 1970s and 1980s saw many foreign department stores setting up in Singapore (Table 3.2).

## **THE SINGAPORE DEPARTMENT STORES INDUSTRY**

In 1992, there were 18,150 retail establishments employing about 78,000 people in Singapore. The industry turnover for 1992 was S\$19,427,000 of which department stores and supermarkets accounted for 16% (Table 3.1 and Figure 3.1).

Hence, department stores and supermarkets constitute one of the major retail formats in the Singapore's retail scene.

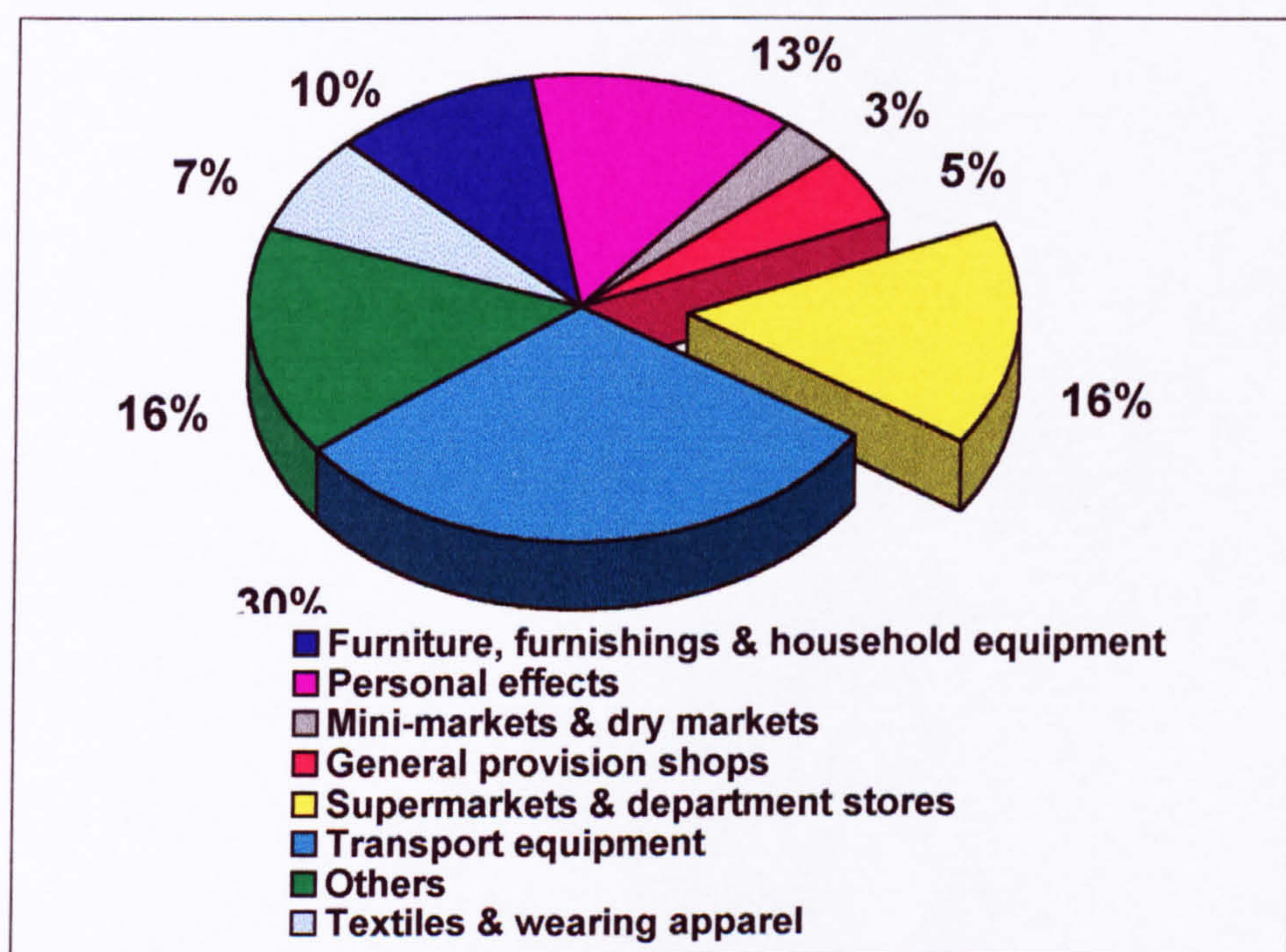


Table 3.1: Statistics on retail trade in Singapore, 1983 - 1992 (S\$)

Year	No. of establishments	Employment	Remuneration	Turnover(\$'000)
1983	16 029	66 096	465	
1985	14 521	59 590	475	
1986	15 503	63 103	451	
1987	16 535	66 452	496	
1988	17 992	73 586	606	
1989	18 638	74 815	713	
1990	17 708	74 875	808	16 890
1991	17 832	75 015	894	17 541
1992	18 150	77 896	1 004	19 427

Source: Economic Survey Series: Wholesale & Retail 1992, Department of Statistics, August 1994.

Figure 3.1: Turnover of major retail activities in Singapore



Source: Economic Survey Series: Wholesale & Retail 1992, Department of Statistics, August 1994.



In the early years, the department stores concept was a hit with its product assortment, fixed price policy, and air-conditioned facilities. Local retailers such as Metro, CK Tang and Emporium Holdings dominated the scene. Because of the tremendous growth potential, the department stores industry in Singapore experienced its first wave of foreign competition (Table 3.2).

Table 3.2: Foreign department stores in Singapore

Year	Retailer	Country	Location	Notes
1857	Spicer & Robinson	UK	Raffles Place	From selling food products to a department store named Robinsons
1958	John Little	UK	Specialist's Centre	Under Robinson's Group
1972	Isetan	Japan	Havelock Road	Closed in 1995
1974	Yaohan	Japan	Plaza Singapura, Orchard	
1977	Yaohan	Japan	Next to Sea View Hotel, Katong	Suburban Shopping. Relocated to Parkway in 1983
1979	Isetan	Japan	Liat Tower, Orchard	Closed in 1986. Relocated to Wisma in 1986
	Yaohan	Japan	Thomson Plaza	
1980	Shui Hing	Hong Kong	Next to Orchard Emerald, Orchard Road	Closed in 1985
1982	Le Printemps	France	Hotel Meridien, Orchard	Closed in 1989
	Galleries Lafayette	France	Goldhill Square	Closed in 1985
	Yaohan	Japan	Bukit Timah	
1983	Daimaru	Japan	Liang Court	
	Yaohan	Japan	IMM, Jurong	
	Isetan	Japan	Parkway Parade	



1986	Isetan Galeries Lafayette Sogo St. Michael	Japan France  Japan UK	Wisma Atria Liat Tower, Orchard Raffles City Centrepont	Closed in 1996  Franchise - Robinson's Group
1987	Tokyu St. Michael Galeries Lafayette	Japan UK France	Marina Square Marina Square OUB Centre	Relocated to Funan in 1994 Closed in 1995 Closed in 1996
1992	Sogo	Japan	Paragon	
1993	Takashimaya Isetan Daimaru JL St Michael	Japan Japan Japan UK  UK	Ngee Ann City Shaw House Junction 8, Bishan Northpoint, Yishun Northpoint, Yishun	Suburban shopping  Suburban shopping
1994	Sogo  Lane Crawford Kmart  Marks & Spencer Robinsons	Japan  Hong Kong  USA/S'pore  UK  UK	DBS-Tampines Building Orchard Road  Marina Square  Lane Crawford Place Centrepont	Suburban shopping  Reduced shop space by half (1995); Closed in 1996 Joint venture; Closed in 1996 Changed name from St. Michael to Marks & Spencer Launched Sportsgirl (1994)
1995	Seiyu  Isetan Kmart	Japan/ Hong Kong  Japan USA/S'pore	Bugis Junction  Tampines Mall Century Square	
1996	John Little  Marks & Spencer	UK  UK	White Sands  White Sands	Suburban shopping  Suburban shopping

Source: Davies, 1992, 28 - 29; Lee, Z, 1994/95 and Rashiwala, 1996, 48.



The Japanese were not the first foreign department store to operate in Singapore. Instead, it was the Robinson's Group who started first by selling basic food products such as teas and oatmeal in 1848. Lured by the potential in Singapore, the French, Hong Kong and Japanese retailers set up Galeries Lafayette (France - 1982); Printemps (France - 1982); Shui Hing (Hong Kong - 1980); Isetan (1972); Yaohan (Japan - 1974); and Daimaru (Japan - 1983).

The first Japanese department store was established in Singapore in 1972. Today, the Japanese retailers capture 35-45% of the department stores industry in Singapore. Table 3.2 shows that the Japanese stores form the bulk of foreign department stores operating in Singapore. The Japanese retailers are also doing very well in the neighbouring countries by capturing 40-45% market share of the department stores industry in Hong Kong and 25% in Thailand (The Straits Times, 28/5/1988; Phillips et al, 1992 and Larke, 1992).

The emergence of Japanese retailing in Singapore revolutionised the local retail scene through its high standards. For example, Isetan Havelock made a fashion statement in retailing in 1972 with its imported, high quality merchandise, expensive fixtures and stylish display. Yaohan introduced the concept of combining department store and supermarket under one roof to its shoppers. Shoppers were treated to a new way of retailing in its finest form and sophistication. These made Singapore an attractive place to shop. Local department stores tried to emulate the same high standards.



The Japanese department stores are very aggressive in venturing to countries in the Asia Pacific region such as Singapore, Hong Kong, Taiwan and Thailand because of the high growth rate and potentials in these countries. The strengthening of the yen closes the gap between foreign and domestic products in Japan. As such, Japanese department stores make use of their overseas retail branches, if any, to source for products and import to their home country. The rising yen also make it attractive for the Japanese to travel. Noting this trend, Japanese department stores ventured overseas especially in destinations which are popular among the Japanese in order to capture this group of shoppers. Isetan (Wisma) and Daimaru (Liang Court) in Singapore revamped their outlets to cater to these Japanese shoppers by carrying brand names popular to them. Their parent companies in Japan also organise shopping trips for the Japanese to shop in Singapore.

Japan's Large-Scale Retail Store Law, which limits the number of new stores and mode of retail operation, discourages retailers to set up more stores in a saturated Japan. Therefore, Japanese department stores look for growth by venturing overseas. Asia Pacific countries are favoured because of their weak retail developments. The Japanese department stores are able to contribute in these markets successfully. In addition, they like Singapore because of her strategic location, good infrastructure and availability of skilled labour force.



The Japanese retailing in Singapore emphasises on quality, service and price. Quality is ingrained in its entire retail operation including the merchandise. This has greatly increases shoppers' confidence to buy. Japanese retailers are price-competitive because of their abilities to buy in bulk given their size of operation. For example, Yaohan adopts a loss leader approach to draw its customers while Seiyu has its Muji products which are no frill, competitively-priced items.

In term of service, Japanese department stores never fail to impress their shoppers with their gift wrapping and packaging service. They also provide innovative ideas to enhance their shoppers' shopping experience. For example, Isetan and Takashimaya are the pioneering stores in having a nursery corner for parents to feed and change their children given that the majority of Singaporeans are at their child bearing and young parenting stage now.

Apart from the successful Japanese retailers, other foreign department stores are not so lucky. For example, Printemps, a French department store, closed its operation in 1989 after about 7 years of operation. Poor location and wrong merchandise mix were some of the reasons cited for this failure.

To compete with the foreign department stores, local stores opened bigger stores and ventured into new market segments. For example, CK Tang demolished its House of Tang to build a bigger Tangs Superstore (1982). Metro



opened 2 new stores: Metro Grand at Scotts and Lucky Plaza (1982) and went into suburban retailing by opening branches at Marine Parade (1976) and Bukit Timah (1978). Emporium Holdings opened its chain of Klasse Emporiums at Centrepoint, Lucky Plaza and Peninsular Plaza (1983).

The retail trade in the 1970s - 80s flourished with an increase in tourists' arrivals. Tourist shoppers are often constrained by their length of stay in Singapore. As such, most retailers opened many outlets in a bid to provide convenience and accessibility for these shoppers.

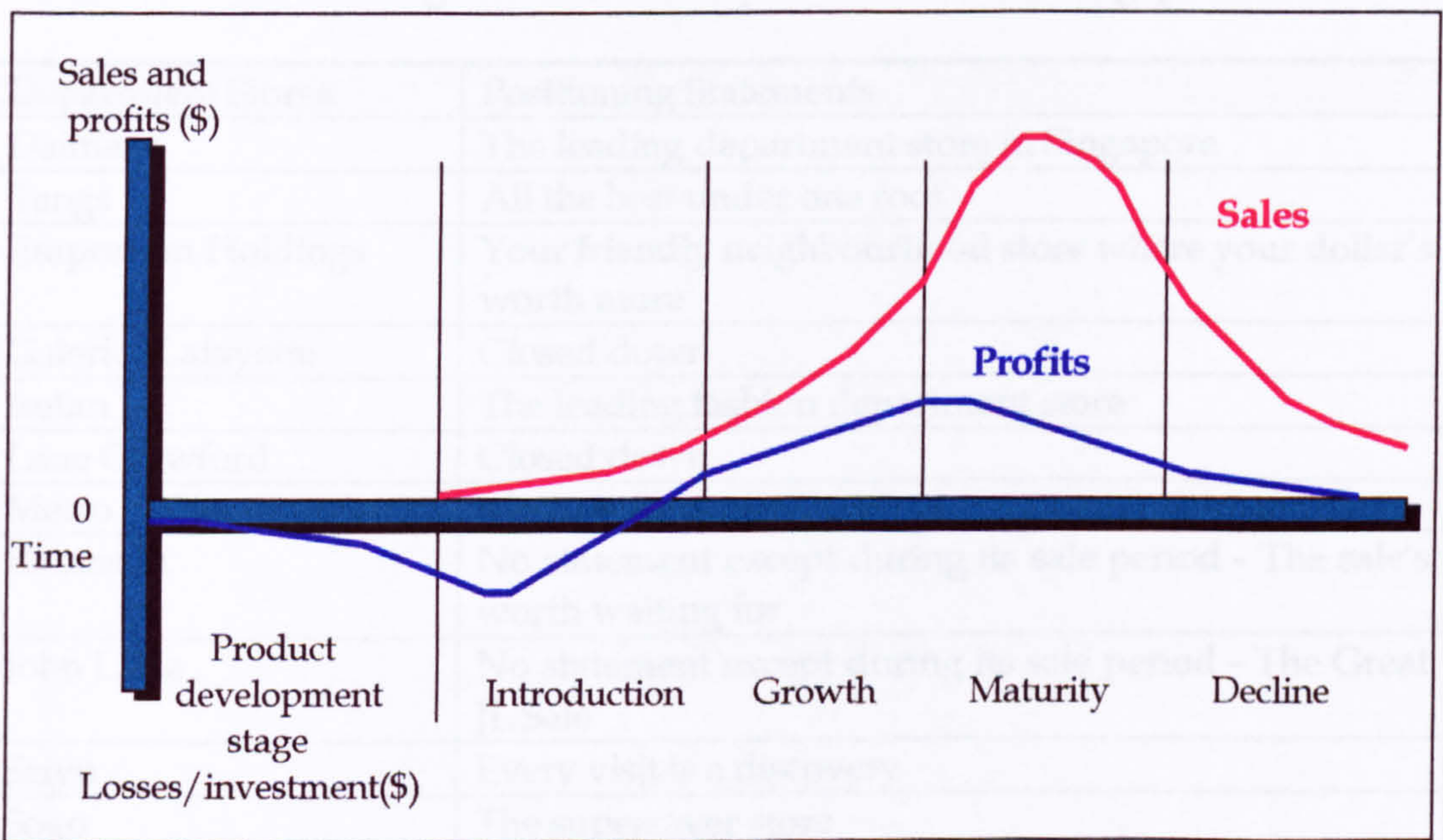
In 1985, the Singapore economy went into recession and claimed a few retail casualties: Shui Hing, Galeries Lafayette, Printemps and Emporium Holdings. In 1987, the economy started to improve and this sparked off the second wave of competition: Isetan relocated its Liat Tower branch to Wisma Atria (1986), Galeries Lafayette staged a comeback by opening branches at Liat Tower and OUB Centre (1986), Robinson's Group relaunched its John Little Store with a younger and more upbeat image (1987), Metro opened 2 more outlets: Metro Marina and Metro Paragon (1987), and CK Tang implemented a new lifestyle shop called Tangs Studio (1988). Foreign competitors emerging at this time were Sogo at Raffles City (1986) and Tokyu at Marina Square (1987).

In the 1990s, the Singapore's department stores industry reached the maturity stage of the RLC with decreasing marginal growth rate. The RLC theory



is a model that traces the evolution of a retail institution over time in a series of 4 distinct stages: development and introduction, growth, maturity and decline (Figure 3.2). Most of the department stores in Singapore continue to report losses for their performances (an in-depth discussion on stores' performances is presented under the difficulties faced by department stores section). Using the technologies available, department stores resorted to segmentation approach to serve their target markets better. Figure 3.3 shows the various target markets of the major department stores in Singapore.

Figure 3.2: Retail Life Cycle (RLC)



Source: Kotler & Armstrong, 1991, 299



Figure 3.3: Department stores' target markets in Singapore



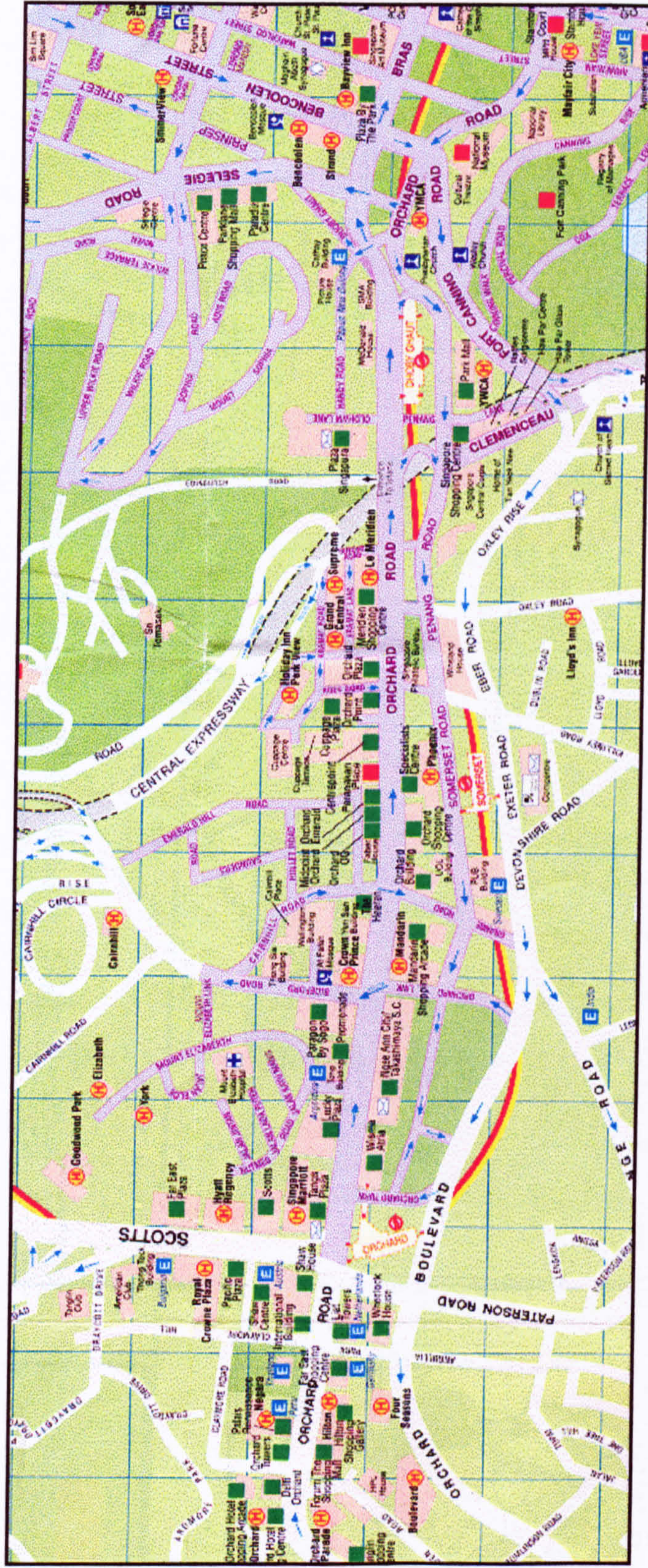
Source: Asian Retailer, 1992

Table 3.3: Positioning statements of department stores in Singapore

Department Stores	Positioning Statements
Daimaru	The leading department store in Singapore
Tangs	All the best under one roof
Emporium Holdings	Your friendly neighbourhood store where your dollar's worth more
Galleries Lafayette	Closed down
Isetan	The leading fashion department store
Lane Crawford	Closed down
Metro	Metro is Singapore
Robinson	No statement except during its sale period - The sale's worth waiting for
John Little	No statement except during its sale period - The Great JL Sale
Seiyu	Every visit is a discovery
Sogo	The supersaver store
Takashimaya	Service from the heart
Tokyu	No statement
Yaohan	Customer satisfaction is our business



Map 3.1: Downtown department stores



Source: The map of Singapore, Singapore Hotel Association, 1997.



Existing department stores engaged in price competition to try and increase their market shares and win their customers' loyalty (Table 2.4). Mr. Teh Ban Lian, Group Managing Director of Emporium Holdings (S) Limited, noted that department stores are using more sales gimmicks such as gifts, discounts, lucky draws, etc to woo their customers (SRA The Retailer, 1996, 6.)

Because shoppers are aware of department stores, management eased off their advertising efforts and spent more on promotions in order to try and stimulate purchases. They focused on deep discounts and quick-fix promotion to buy their way out of the depressed market. Advertisements were short-term and price-oriented with very little on brand building (Dallmeyer, 1995).

Department stores have consolidated their retail performances by closing sub-performing stores and focusing on promising outlets. For example, Metro closed all its branches except Far East Plaza, Marina and Paragon. Tanglin Place and Galeries Lafayette closed their outlets. Isetan closed its In, Inkids and Havelock branches. Because of the drop in tourist shoppers' spending, department stores are focusing on the local shoppers instead. From having many outlets as a form of convenience for the tourist shoppers who are time-conscious, today's department stores adopt flagship store concept as a way to stand out in the sea of competition via fewer but better managed stores.



Foreign competitors emerging at this stage included Takashimaya and Lane Crawford in Orchard Road in 1993 and 1994 respectively. The latest addition, Seiyu, a family-oriented department store noted for its Muji which literally means "no brand" brand, opened at Bugis Junction on April 7, 1995 (Yap, 1995, 2).

Department stores also face keen competition from the newer retail formats brought by the foreign retailers. Emergence of new retail formats such as specialty stores (The Body Shop, Guess?, Esprit), category killers (Ikea, Courts, Toys R Us), discount stores (Kmart, Pmart, Bargain Palace, The Two Dollars Shop, Carrefour) and home shopping (mail order catalogues, Internet and television shopping) offer new shopping experiences to satisfy the jaded palate of today's sophisticated shoppers.

Staying away from the department stores concept which is already heavily entrenched by the Japanese retailers, American retailers' approach in Singapore were category killers (Toys R Us) and discount stores (Kmart) concepts. Category killers are huge size specialty stores which offer shoppers with vast choices in the good category related to their purchase intentions. Category killers such as Toys R Us, Ikea and Courts are doing well with branches and bigger stores sprouting up in the other parts of Singapore. Besides, American's specialty store retailers are well accepted in Singapore. Agents handling American's brand names such as Liz Clairborne, Guess, Ralph Polo Lauren and Levis through franchise agreements

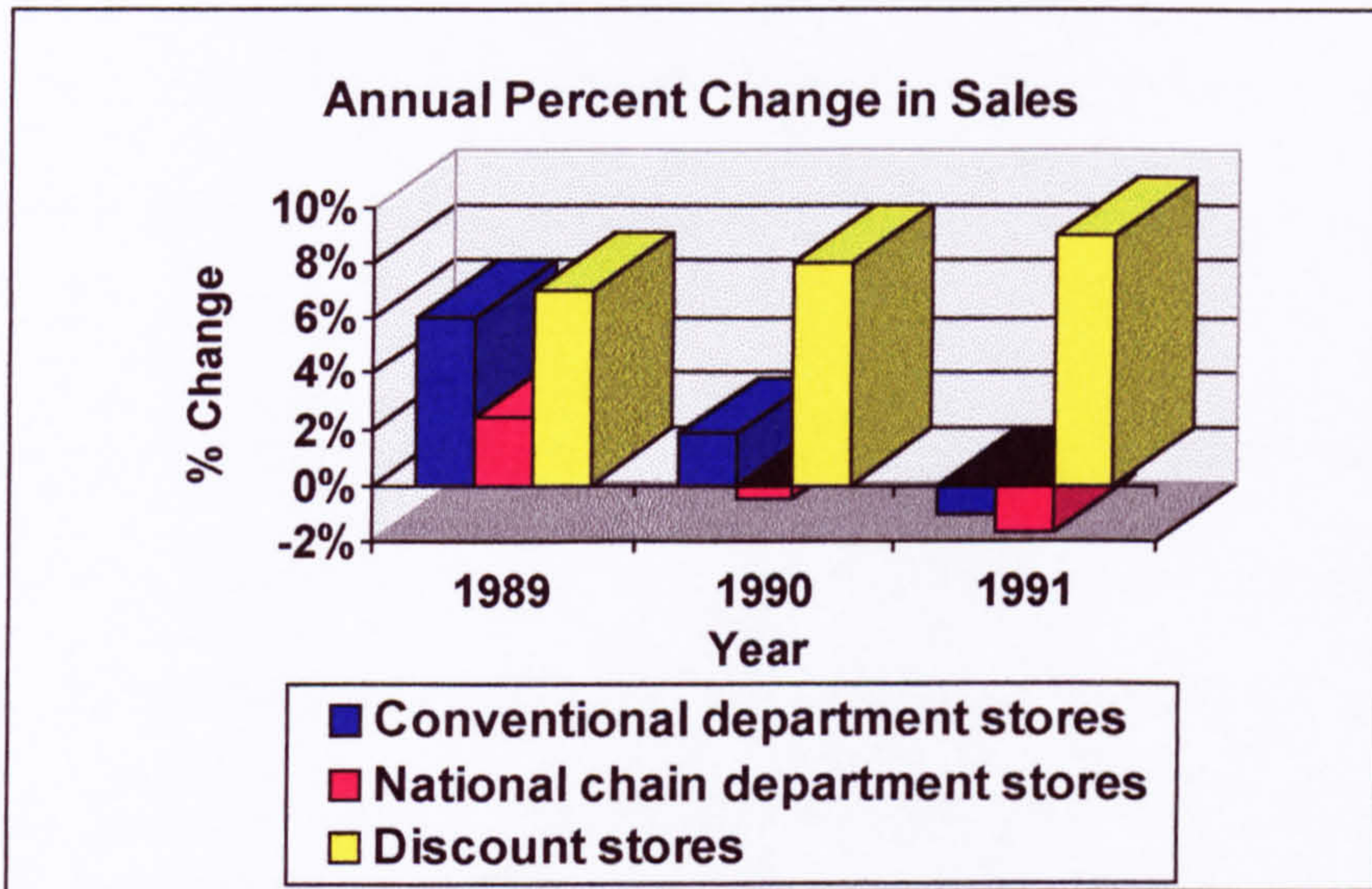


are doing very well. The product depth offer by these specialty stores are more appealing than those in the department stores.

In America, the 1990s is the decade of discounters as Americans become value seekers. Low price and high quality appeal to them (Figure 3.4) (Discount Merchandiser, 1992). Therefore, the Americans are experienced in managing these stores. In Singapore, the American's approach of these new retail formats are very appropriate and effective in an environment where retail offerings are very similar. Singaporeans are very interested and ready to be exposed to the other ways of retailing. Kmart which offers basic goods in a no-frill setting used to be a hit since its opening in Marina Square on 19 May 1994. Shortly, Kmart opened its second and third branches at Lucky Plaza and Tampines. This value-oriented retail format appeals to Singaporeans who have become more value-driven. Kmart's discount store concept is similar to any department stores in that it is also a departmentalised establishment but sells basic goods at low prices. This value approach of discount stores is threatening the price competitiveness of the traditional department stores. However, Kmart closed its Singapore branches in 1996 due to the local retail slump. The small customer base in Singapore affected Kmart's ability to customise its offerings to the local market. Instead, a French discounter, Carrefour is due to open its Suntec City branch in July 1997.



Figure 3.4: Department stores dethroned in USA



Source: Discount Merchandiser (1992) and Lee, Z (1994/95)

The presence of foreign competitors with their different levels of retail sophistication and expertise have made it necessary for local department stores to keep up with the dynamic pace and high standards set by them. Unless department stores measure up, they will soon be displaced by better managed stores and newer retail formats.



## **DIFFICULTIES FACED BY DEPARTMENT STORES**

The difficulties faced by department stores at the maturity stage of the RLC are market saturation, lack of store loyalty, lack of product depth, poor service, not price-competitive and shopping losing its attraction as a main leisure activity

Department stores in the maturity stage are feeling the thinning of their market shares. With the influx of retail space in this decade, new retailers are coming on-stream to absorb this space. Singapore does not restrict new entrants unlike the Japan's Large-Scale Retail Store Law which prevents an over supply of retailers.

The darkening retail outlook did not deter foreign retailers from coming into Singapore. The emergence of these new foreign department stores and the other retail formats have intensified the competition in a saturated market. As a result, department stores are fighting hard to maintain their market share.

Retail spending by shoppers has not been increasing at the same rate as the increase in retail space. In 1993, retail space grew by 34% while the retail sales rose by only 10% (Metcalf & Lee, 1995). Singaporeans' consumption patterns have also changed. According to the 1992/1993 Household Expenditure Survey conducted by the Department of Statistics, more people own cars, invest in stocks and shares, hold credit cards and country club membership. As Singaporeans spend more on these items, what is left for shopping from their disposable



incomes becomes minimal. Yet, they are not willing to compromise on the quality of the merchandise. As a result, they become more value conscious, hoping to pack as much in their dollar for every purchase (Chan, 1996; and Peralta and Lum, 1996).

Tourist spending has declined from S\$1,300 per capita tourist spending to S\$800 (Metcalf & Lee, 1995). Tourists are not spending as much as they used to. The Japanese tourist market, an important target group for most Japanese department stores, has shrunk following the implementation of a new Japanese sales tax system and a change in their distribution structure which make Singapore purchases less price-competitive. As such, Japanese shoppers are more careful with their purchases and are no longer spending freely as before. Department stores which target to this category of shoppers are adversely affected. Isetan and Metro reacted to this trend by focusing on being family stores (Siow, 1991). The latest Isetan Scotts focuses on local shoppers as its primary target group while tourist shoppers form its secondary clientele. The rapid development of the retail sector in the neighbouring countries and the strong Singapore dollar make it harder for Singapore to attract tourist shoppers' dollars.

In addition, the strengthening of the Singapore currency and affordable travel fares have lured many local shoppers to shop abroad in capitals such as United States, London and Paris where branded goods are priced lower than in Singapore. According to Peralta and Lum (1996), Singaporeans spent S\$12.50 out



of every S\$100 abroad in 1996 compared to S\$6.30 in 1985. Reasons for shopping overseas include cheaper price, unique merchandise and better service. Tour operators became interested to offer full day shopping trips in their packages. For example, Sino-America (UIC) Tours intended to introduce a full day shopping trip to factory outlets in Palm Springs in America.

As a result, department stores should consider regionalisation as an option given Singapore's small market base. Metro and CK Tang have ventured in Malaysia. However, to serve international customers well, department stores must provide service levels that are comparable to international standards.

From Table 3.4, the 4 department stores listed in the Singapore Stock Exchange (SES) experienced slow growth in their sales turnover over the past years. Such marginal growth confirmed the maturity stage of the department stores industry. With slow sales, profitability was affected accordingly (Table 3.5). Faced with high rentals, tight labour market and low tourist spending as discussed in chapter 2, profits were slashed even lower as evidenced by most department stores reporting red for their performances. In Table 3.5, CK Tang suffered a net loss of \$17.8 million while Isetan's loss amounted to S\$15.3 million for the financial year ended on 31st March 1995. This was due to the restructuring of outlets at both department stores. Metro was able to offset its poor retail performance with its rental income from Ngee Ann City. The Robinson's Group



performed well partly due to the payment of its imports with the strong Singapore dollar.

Table 3.4: Sales turnover of department stores listed on SES (S\$)

Sales (S\$'000 000)	1991	1992	1993	1994	1995
Isetan Singapore	215.4	199.3	193.4	229.4	233.9
Metro Holdings	362.6	402.4	397.9	430.3	303.4
Robinson's Group	145.8	173.1	197.7	208.7	215.5
CK Tang	158.0	161.1	165.1	180.4	181.3
<b>Total</b>	<b>881.8</b>	<b>935.9</b>	<b>954.1</b>	<b>1048.9</b>	<b>934.1</b>
<b>Percentage change</b>	<b>-3.8%</b>	<b>6.1%</b>	<b>1.9%</b>	<b>9.9%</b>	<b>(10.9%)</b>

Source: Annual reports of Isetan, Metro, Robinson's Group and CK Tang, 1991-95.

Table 3.5: Net earnings of department stores (S\$)

Department stores (S\$'000 000)	Year ended 31/3/93	Year ended 31/3/94	Year ended 31/3/95
Isetan Singapore	4.0	(3.0)	(15.3)
Metro Holdings	7.4	15.1	9.9
Robinson's Group	25.2	27.8	28.4
CK Tang	1.2	(13.9)	(17.8)

Source: Rashiwala, 1995, 32; Annual Reports of Isetan, Metro, Robinson's Group and CK Tang, 1993-1995..

Some department stores bowed out in this maturity phase while the others tried various strategies to compete. For example, Tokyu closed its Marina Square branch and relocated to a less upmarket location in Funan Centre after 3 financial



years of losses up to June 1992. Metro closed several of its branches: Grand at Lucky Plaza and Scotts; Bukit Timah, Marine Parade, Plaza, and Orchard. Isetan closed its 2 smaller stores for teenagers and kids: In and Inkids at the Orchard and Dhoby Ghaut MRT stations in July 1994 (The Straits Times, 25/6/1994) and its Havelock branch. Lane Crawford shrunk its store size to half from 100,000 sq. ft to 42,369 sq. ft after a year of operation in Singapore and eventually closed in 1996 (Rashiwala, 1995). Galeries Lafayette closed its Singapore branches for the second time on 31 March 1996. First opened in 1986 at Goldhill Square, Galeries Lafayette decided to close after 3.5 years of operation with a cumulative losses of S\$15 millions. Reasons cited for the first closure were poor location, image problem and merchandising difficulties. The reasons for the second closure were lease disagreement and keen competition (Rashiwala, 1996).

Another bane of department stores is the lack of store loyalty. Because department stores carry wide but similar goods, they lack brand exclusivity needed to create store loyalty. For example, cosmetics brands such as Revlon, Estee Lauder, Clinique, Aramis are available in most leading department stores. As such, shoppers are loyal only to the products and not the stores. Therefore, Mr. Kazuhide Kimoto, Managing Director of Takashimaya Singapore Limited, urged these department stores to fine-tune their merchandise selection, market positioning and image building in order to be distinctive (SRA The Retailer, 1996, 7).



Department stores adopt leased space concept by subletting part of their floor space to other smaller tenants to offer their merchandise. As such, they are passive in generating their own in-house private labels which can create store loyalty. On the other hand, Metro is very successful in using private labels such as Marissa, Sophis, Ananas, Chocolat in its ladieswear department and generates great store loyalty in return. To create store loyalty, department stores should differentiate themselves with more private labels.

Manufacturers serving department stores have indicated their displeasure with the way department stores handle their lines. Today, a growing number of manufacturers are opening retail outlets to sell directly to their consumers (Rauch, 1991). For example, Giordano, Esprit, Rest & Relax, Guess? and Hang Ten, just to name a few. As a result, department stores will lose these shoppers who are loyal to the brands.

There is also a lack of product depth among department stores. Known for their general appeal, department stores focus more on width than depth in their merchandise offering. On the other hand, specialty shops are able to pamper shoppers with a narrow but deep choice of product range which they are keen at and hence, are able to satisfy shoppers' needs better than these department stores.

One advantage of department stores is their one-stop shopping convenience with their general appeal and wide range of merchandise to cater to



everybody. However, with the sprouting of many specialty shops within the same shopping mall, shoppers can still enjoy the same convenience of one-stop shopping inside the mall instead of relying solely on department stores. Therefore, the power of department stores as a crowd puller is eroding.

Department stores are usually large because of their wide range of merchandise. As such, customers have to browse through merchandise unrelated to their purchase intentions before they can find what they want. For serious shoppers who are not interested in browsing or are time-conscious, the large size may turn them off. Managing this space efficiently with the right merchandise and staff is important given the high rental cost.

Because of its large size, department stores should be staffed with service personnel to help their customers in the stores. Lee et al (1995) reported on the poor level of service in the retail sector which drives customers away. The tight labour market with the high staff turnover affects retailers' abilities to recruit and train service personnel to give good merchandise presentation and customer relations.

A study by Dotson and Patton (1992) showed that people who shop in department stores like the personal touch which they provide. If this "high touch" element is lacking, most of them may turn to "high tech" shopping by participating



in direct marketing. Service has deteriorated to a stage which not only fails to attract customers but its absence is actually driving them away.

Department stores are also not price-competitive. With the emergence of discount stores, off-price chains and factory outlets, department stores are unable to match the low prices of these no-frills retailers. This is especially so for mid-priced department stores who are squeezed in the middle by specialty stores on the high end and discounters on the low end (Figure 3.3). Customers are getting more price conscious by searching for value-for-money deals and are attracted to these price-oriented retailers.

In the early 1960s where the other forms of leisure were limited, most people turned to shopping. Today, with the increase in leisure alternatives such as travelling, golfing, drama, etc, shopping may not be that fun any more. This is especially so if the malls and shops look alike, giving people the feeling that if they have seen one, they have seen all. The increase in the number of working women means less time for shopping too when they have to juggle with their family and career roles. Therefore, these department stores have to integrate shopping with the other forms of leisure to enable these shoppers to accomplish many roles in one outing (Chong, 1996). Department stores as anchor tenants in shopping malls are no longer sufficient. Food courts and entertainment activities have to be integrated with retailing too. Department stores must look beyond mere selling of goods to encompass more activities.



## POSSIBLE STRATEGIES FOR DEPARTMENT STORES

Managers are constantly seeking ways to improve sales. To survive, department stores must operate efficiently and effectively. Using the strategies matrix in Figure 3.5 shows the possible strategies that department stores can adopt.

Figure 3.5: Strategies for department stores

	Existing retail concept	New retail concept
Existing market	<p><b>Tighten cost control</b>  <b>Increase productivity</b>  <b>Improve retail setting</b>  <b>Improve customer service</b></p>	<p><b>Discounting</b></p>
New market	<p><b>Suburban retailing</b>  <b>Overseas expansion</b></p>	<p><b>Niche marketing</b>  <b>Youth market eg. Zone,</b>  <b>Nex.is</b></p>

Under the existing retail concept and target market, department stores can tighten their cost of operation. Slashing prices during sales will not buy market share in the long run without adversely affecting the stores' margins. Instead, stores must strive to offer merchandise at the lower and competitive prices in a low cost marketing concept within an organisation culture that is committed to cutting of costs. Increasing the staff productivity will also enhance the stores' bottom line.



Another way to cut cost is to scale back on the operations by dropping unprofitable product lines or closing branches with poor performances. In the 1980s, the trend was to have as many outlets as possible to cater to tourists who had limited days for shopping. In today's competitive world, the trend is to consolidate on a few good locations by creating exciting flagship stores to compete for the shoppers' attention. A flagship store is usually the biggest among the branches and is a showcase for a retailer's image and products by carrying the complete range with better interior decor and staff (Lam, 1995, 8). Adopting this consolidation strategy, Metro reduced its 10 branches (Supreme, Holiday Inn, Plaza, Marine Parade, Bukit Timah, Lucky Plaza, Scotts Shopping Centre, Far East Plaza, Marina Square and Paragon) to 4 branches (Far East Plaza, Paragon, Marina Square and Century Square). Isetan closed down its poorly performing stores namely: In, Inkids, Havelock branches and opened new branches at promising locations such as Scotts and Tampines.

To make shopping more fun and appealing, department stores may add more recreational value in shopping. A recent survey conducted by Lee, E. (1994/95) showed that frequent department stores' customers seek recreational value in shopping and tend to place high importance in the store atmosphere. They are quality, status and fashion conscious. To appeal to this segment of shoppers, the findings urge department stores to use attractive decor, interesting store displays, develop exciting promotion events and have a wide selection of



quality and fashionable merchandise. All these would make shopping a visually more appealing experience.

Improving on customer service programmes can help department stores to differentiate themselves and enhance their customer relations. After all, business survival depends on obtaining competitive superiority and giving customers something extra. This is important in a business environment with many similar retail offerings. Retailing is also a people-oriented business which emphasises on interactive marketing between the staff and the shoppers. Clearly, customer service is one option to provide more value to customers. For example, the pillar of Takashimaya's retailing concept is on the superb service and quality. Takashimaya emphasises on lifestyle as a commodity where all modern living can be bought in at one-stop. Giving service is a subtler form of competition than merely cutting prices. Competitors who wish to retaliate will need time to react and build a service approach. Overall, the local retail industry is still weak in this area.

To give good service, store policies should guide staff to be customer-oriented rather than bureaucratic and inner-directed. The sales floor and the return counter are intense areas for interpersonal contacts and should be staffed with competent staff. Managers and staffs should go back to the basics of being an "old-fashioned" store which is reputed for its highly personalised service. They must know their customers well in order to know what they want and to deliver it



well. Staff empowerment will enable staff to be more responsive to the needs of the customers.

The basics of good customer service is to know the customers well and to deliver the services which they want well. Also termed as “caring service”, retailers’ priority is to make customers happy. Knowing the customers well also enable retailers to spot new opportunities for service. For example, the setting up of nursery rooms within department stores are very appropriate when the majority of the Singapore population are at the child-bearing and parenting stage now. Those department stores who offer such facilities managed to draw the young parents to shop with them than those stores who do not have this facility.

Service responsiveness to the customers and merchandise presentation have become important in this era where demographics and lifestyle trends precede the merchandise category. To deliver good service, department stores must recruit people who are service-minded. In a tight labour market, retailers rely on part-timers who may not be well trained in service. This hinder the store’s ability to give good service.

Bringing an existing retail concept to a new market is another way to grow. Locally, suburban retailing is implemented to tap the potential of residential areas in the 4 regional centres. Big department stores have gone into suburban retailing: Isetan and Yaohan in Marine Parade (1983), John Little in Yishun (1992) and White



Sands (1996), Daimaru in Bishan (1993), Sogo in Tampines (1993), Isetan in Tampines Mall (1995) and Marks & Spencer in White Sands (1996). Modification in merchandise mix is important if the customers in the suburbs differ from those who shop downtown. In a recent survey conducted by Chong-Wee et al (1995), food, groceries and entertainment are crowd pullers for the suburban shoppers who spend an average of between S\$50 to S\$100 per trip. Department stores must adapt to the new markets which they are serving.

Department stores with expertise and resources can venture overseas into neighbouring countries in the Asia Pacific Rim (Table 2.5). Metro, Emporium Holdings, CK Tang, Robinson and Yaohan have already set up branches in Indonesia, Malaysia and Brunei.

Adopting new retail concepts in new markets is a viable way to expand. Niche-marketing can be implemented by re-defining customer segments and refining merchandise mix accordingly. For example, Isetan Wisma adopts a boutique style of having many branded shops within its umbrella to cater to its deep pocket tourist shoppers. On the other hand, Isetan Scotts caters to the young families and movie goers by being a total fashion house ranging from apparel to food to home furnishing.

Given the changing demographics in Singapore, the youth market has become a lucrative segment. According to the 1990 Census of Population report,



about 18.6% (562,884) of Singapore population are in the 15 - 24 years old category.

The 1991 Economic Development Board survey showed that a sizeable proportion of young shoppers along Orchard Road i.e. 57% of Orchard Road shoppers are 25 years and below. As a result, CK Tang set up Nex.is in Ngee Ann City to target to the 13 - 25 years old while Metro launched Zone in Marina Square to cater to the 15 - 25 years old. Robinsons has shed its middle-aged image and branched into the younger market. In 1994, Robinsons brought in Sports Girl, an Australian brand on female apparel targeting to the teens. Robinsons also replaced its fifth level which used to house furniture and carpets with toys, infant and children wears.

The existing market may change in its shopping preferences. People are becoming more value-conscious and convenience-oriented. Department stores which can address these emerging behavioural issues will be able to survive. A recent survey by National University of Singapore showed that people prefer to buy things with high social risk at department stores but not for products with low social risk. These low social risk products are usually bought at the discount stores or the small HDB shops. Department stores cater to these 2 shopping behaviours by setting up discount corners for low social risk goods (Lee, 1994/95) in addition to their regular priced lines. For example, CK Tang has a budget corner on its top floor and Takashimaya has its event hall for its super savers promotions.



For tourist-related department stores, profiles of tourist shoppers have changed. The Japanese, Americans and Europeans have ceased to be big spenders and instead promising tourists are coming from Taiwan, Korea, India and China. Again, department stores must be able to reflect these changes in order to serve these groups well.

In the end, depending on the department stores' internal strengths and weaknesses, they can adopt a combination of these strategies to address the challenges in this mature market.

## **SUMMARY**

The influx in retail space resulted in more retail players in a market with a small customer base. With the trend of late marriages and fewer births, the Singapore market remains small. Hopeful department stores anticipate tourist shoppers to bridge this gap. However, tourists' retail expenditure has been declining due to the strong Singapore currency. The local shoppers also take the opportunity to shop abroad in capitals such as London and San Francisco where branded goods cost only a fraction of the prices in Singapore.

High rental and labour costs with slow sales are reasons cited for poor performances among department stores. Once a popular retail concept with its large space, today's department stores face great pressure to utilise this space efficiently.



Mr. Tang Wee Sung, Managing Director of CK Tang Ltd, expects an industry shakeout. He feels that the intensification of competition will cause the market to find a new equilibrium (SRA The Retailer, 1993, 6). This affirms the maturity stage of department stores based on the RLC theory. Therefore, department stores will need to be more creative and innovative in order to stay afloat. Possible strategies for them are tighter cost control, more recreational value in shopping, better customer service programmes, market expansion and niche marketing.

An article in the Business Times proposed that “what entices customers and earns their loyalty are excellent service and value for money” (Business Times, 14/7/95). Looking more closely at customer service as one possible strategy for department stores to combat the maturity stage, the author structures a research survey to examine this hypothesis. Chapter 4 presents the literature survey on the basic concepts of customer service, a foundation which is instrumental to structuring this survey project.



## CHAPTER 4

### CUSTOMER SERVICE AS A VIABLE TOOL

#### Ten Myths of Customer Service

1. **The Quality Myth**  
"Pay attention to product quality and customer service will take care of itself."
2. **The Complaint Myth**  
"Good customer service is a matter of knowing how to handle complaints."
3. **The Island Myth**  
"If our customers are unhappy, we'd better shake up the customer service department."
4. **The Initiative Myth**  
"Front-line people aren't paid to think; they're paid to carry out our rules."
5. **The Policy Myth**  
"We need policies to shield us from the customers."
6. **The Turnover Myth**  
"High turnover prevents us from investing in customer contact people."
7. **The Selection Myth**  
"Don't worry about whom we hire - we'll train them later."
8. **The Smile Training Myth**  
"Smile and the world smiles with you."
9. **The Hero Myth**  
"Examples of heroism are enough to change service behaviour."
10. **The Quick-fix Myth**  
"Good service is simply good common sense."

#### The Greatest Myth of them all

##### **The Customer is always right**

Rule 1: The customer is always right

Rule 2: If you don't think the customer is right, read rule 1 again".

(Tsou, 1993, 6)



*"Too often, we perceive idea of service as a chore. Customers are sometimes made to feel like problems that have walked in from the street. In reality, customers are the reason we are in business in the first place".*

*Mr. Pek Hock Thiam, ex-Director,  
Singapore Tourist Promotion Board  
(Pek, 1990)*

## **INTRODUCTION**

Customer service has become an integral part of any retail offering because merchandise alone cannot sustain the long term business growth. This is important for department stores who are in their maturity stage. Customers are becoming more sophisticated and well-informed. They expect retailers to offer good service in addition to just selling their merchandise. The days of intensive price-cutting programmes alone are not enough and instead new buzzwords such as customer care, customer first and quality customer service programmes surfaced (Sparks, 1992, 165).

Today's shoppers expect to be greeted and served by courteous and knowledgeable sales staff promptly on entering a store. In the event of a purchase, they expect the store to wrap and bag their merchandise in carrier bags or even offer gift wrapping service. In fact, free gift wrapping offered by retailers in Singapore has become a norm during the Christmas festive month. Shoppers also expect to be able to return merchandise bought which they may later find unsuitable. Stores with longer operating hours and other forms of payment



facilities such as credit cards, in-house cards, etc appeal more to shoppers nowadays.

The significance of customer service in retailing prompts department stores to consider adopting this service strategy as a tool to compete in their maturity stage of the RLC. However, there are 4 basic problems associated with this service strategy:

- The definition of customer service is mind-boggling because no one agrees exactly on what constitutes a service. Most people think that service is a single, global construct reflecting how customers are being treated. Others may define customer service as the level of retail selling skills of sales staff or facility provisions such as a customer service counter.
- It is difficult to establish the importance of services since people vary in their needs. Given that managers of retail firms may not be on the shop floor, they may end up implementing services which are not required by their shoppers.
- Even if these managers decide on the right service to offer, there is always a concern on whether the service providers are competent and motivated enough to give their best in the service delivery.



- Service is a people-to-people process which require at least 2 parties to interact.

Even if sales people are prepared to serve well, the co-operation from customers is needed to ensure successful delivery. For example, it is difficult to repair an item if the customer cannot describe what is wrong with it.

McDonald's cannot be a successful fast food restaurant if its customers refuse to self-serve by buying their own food and clearing the trays after they have eaten. Kmart, a discounter, will not be able to lower its operating costs by hiring lesser sales staff if its customers refuse to self-serve by themselves.

Therefore, customers' involvement is important.

In this chapter, the author attempts to define customer service; discusses the types of customer service offered by department stores and its categorisation; and the factors promoting the importance of this service phenomenon.

## **DEFINING CUSTOMER SERVICE**

Literature survey revealed that customer service is defined by some people as the service provided by sales staff (Sparks, 1990/91, 30). If this is true, then staff training should elevate the level of customer service. Given the tight labour market locally, retailers face labour shortage and high turnover of the retail staff. It becomes difficult to justify the training costs and efforts in this highly volatile labour market. Training has been minimal and is mostly on-the-job. Wages of retail staff are generally low given the low skills requirement. As a consequence, the calibre of service staff recruited based on low wages is poor. In addition, people often shun retailing as a viable career option because of its low job image.



So if customer service is defined narrowly to service staff only, then a department store's level of customer service is highly dependent on its ability to attract quality people into retailing. For retailing which has been de-skilled in an attempt to reduce operating cost by introducing the self-service concept such as Toys R Us and Kmart, the "staff" definition of customer service will have an adverse impact. For customers who adopt this "staff" definition of customer service, they will rate the level of service in this retail firms as poor.

To another group, customer service may mean more than service staff and include a physical facility that is offered to the public. For example, a customer service counter is all about credit account management, buying concert tickets, goods return and exchanges. This approach seems to suggest that customer service is a counter or a separate department by itself. It includes these services with little else to do with the retail offering, store or other staff. If this is truly customer service, then it can be copied easily. For example, all the services such as goods exchange, credit account management can be imitated easily. This definition of customer service is too myopic and should correctly be termed as facility provision. Service provision means an encompassing customer-orientation towards retailing and not just providing these isolated facilities such as a counter (Sparks, 1990/91, 31).

A broader definition of customer service is the value-added orientation. Dunne et al, 1992, defined customer service as all activities performed by retailers



with the objective of enhancing their shoppers' shopping experience. This suggests that customer service is all about increasing shoppers' satisfaction by encompassing a wide range of activities designed to encourage purchase. This is crucial if a store wants to practise relationship retailing.

Along the same sentiment, Biesel (1993) defined customer service broadly as all activities performed to supplement or facilitate the stores' sales. Serving customers well can help to create new customers and strengthen the loyalty of present customers. Transient customers are those who visit a store and find the service below expectations or the product out of stock. In this case, quality customer service can convert these transient customers into loyal customers (Dunne et al, 1992).

Adopting the value-added definition of customer service, Mason et al (1991) explained that a true customer service programme should revolve round these 4 elements namely:

- Integrity such as warranties, product quality, return and exchange policies.
- Convenience and shopping ease such as store layout, convenient parking, store hours, mail- and phone-order services, etc.
- A pleasant shopping environment such as valet parking services, decor and lighting, fitting room privacy, music, credit account confidentiality.



- Personal shopping services such as knowledgeable sales personnel, merchandise availability and informative product signing.

(Mason et al, 1991, 558)

Having examined the various perceptions on customer service, the author prefers the value-added definition. The aim of retailing in this competitive arena is to ensure the retention of customers through repeat patronage. Therefore, the broader definition of customer service which comprises all activities in attracting, retaining and enhancing customer relationships is most indicative of this right philosophy. Customer service is an overall concept that encompasses the various aspects of retail operations. It can never be a stand alone component. To be truly successful in customer service, even the smallest and lowest retail tasks must also be service-oriented due to their interdependent relationship and their effect on the overall impression.

## **LEVELS OF CUSTOMER SERVICE**

Expanding on the value-definition of customer service, a retailer must know how to provide customer service. The next section examines the way customer service can be operationalised. It is important for retailers to categorise customer service into manageable portions for effective control.

One approach to categorise customer service is based on the retail selling process. Dunne et al (1992) categorised customer service into 3 levels namely: pre-



transactional, transactional and post-transactional services. Sparks (1991) also supported this manner of categorising customer services.

Pre-transactional customer service refers to the ease which a potential shopper can shop and learn about the store's offering such as convenient store hours, telephone service and information aids. Retailers have to decide what customers actually want and weigh the cost of providing these services against the additional revenues which can be generated (Dunne et al, 1992). Sparks (1990/91) stated that this phase of customer service is more inclined towards the positioning strategy such as store positioning in terms of physical location and facilities, product positioning in terms of range, depth as well as price, staff positioning in terms of level of knowledge, basic training, number and types of staff employed and finally, information provision in terms of the store, its facilities, products, staff and simple information (Sparks, 1990/91, 34-35).

Transactional customer service refers to the ease which a transaction can be completed once a shopper has decided to make a purchase. For example, other forms of payment modes, layaway plans, gift wrapping & packaging, cheque cashing, personal shopping, merchandise availability, and checkout process. Sparks (1991) reiterated the importance of selling skills of service staff and an efficient payment system at this stage so that customers will not be put off to close the sale. Data captured at the cash counters can help retailers to better understand



their customers' buying behaviours and improve on their merchandising decisions and operations.

Post-transactional customer service refers to the type of services offer after the sale has been made such as complaint handling, return policies, servicing & repair and delivery. Sparks (1991) felt that retailers are not making full use of this opportunity to tap customers' feedback for improvement. The current structure of most retailers depends a lot on the initiative of the customers to complain by writing or in person, only to find their complaints unattended. Furnell and Westbrook (1984) advocated that handling complaints effectively and efficiently is a good way to convert disgruntled customers into loyal customers as well as an opportunity to get actual marketing information about their operations.

Providing quality service at each of these 3 levels can help to generate demand for retailers. Poor service at the pre-transactional level will decrease the probability of a transaction from occurring. For example, poor telephone manners to a prospective customer who phones for an enquiry will surely drive him/her away. Poor service at the transactional level may cause customers to back out from their purchase decisions. For example, long queue lines at the cash counters tend to put customers off. Poor service at the post-transactional level will decrease the probability of a repeat purchase. For example, a retailer's refusal to exchange a defective merchandise.



Another school of thought is to categorise customer service into 2 types namely: essential and ancillary (Biesel, 1993). Essential customer service refers to service which is crucial to closing a sale. For example, providing delivery for bulky furniture is a critical service for a showroom furniture retailer. Ancillary customer service refers to service not required directly in closing the sale but helps to develop a positive store image such as free gift wrapping. In an increasingly competitive environment, retailers may offer more ancillary services to enhance shoppers' experience. However, retailers must be careful in distinguishing these services because what is perceived as essential and ancillary customer service depend very much on the nature of their trade.

A third approach is to categorise customer service based on the importance of the service attributes from the customers' perspective (Bates and Didion, 1985). Dotson and Patton III (1992) supported this view by proposing that customer services can be categorised into 3 types namely: risk reducers, basic services and support services (Table 4.1).

Risk reducers refer to services that involve significant levels of interpersonal interaction. Customers rate these services as most important. For example, a sales assistant serves as a risk reducer in the pre-purchase information gathering stage while the exchange policy provides for the post-purchase assurance. In essence, customers value service with high interpersonal interaction.



**Table 4.1: Categorising customer service based on Dotson and Patton III (1992)**

<b>Category</b>	<b>Service attributes</b>
Risk reducers	Sales staff Liberal return policy
Basic services	Repair service Alteration service Check cashing Car parking Public Restroom Special order service Information desk Gift wrap service Layaway service
Support services	Bill payment service Gift certificate availability Delivery service Telephone shopping service Mail order service

Source: Dotson and Patton III, 1995, 20.

Basic services are services which are expected by the customers but are often taken for granted. For example, customers would expect their department stores to provide for restroom facilities. This service does not increase their satisfaction but if absent, can create much dissatisfaction. Basic services are often convenience-related.

To enhance shoppers' satisfaction, department stores can offer support services such as mail order, delivery, gift certificates, etc. The provision of these services help to make shopping easier and are deem as supportive in nature.



The author prefers Dunne et al's approach of customer service because it follows closely to the usual and systematic process which a shopper shops. Using this approach, the author presents a list of customer service offered by department stores in Singapore in Table 4.2. Figure 4.1 shows the different levels of customer service mix.

Figure 4.1: Levels of customer service mix

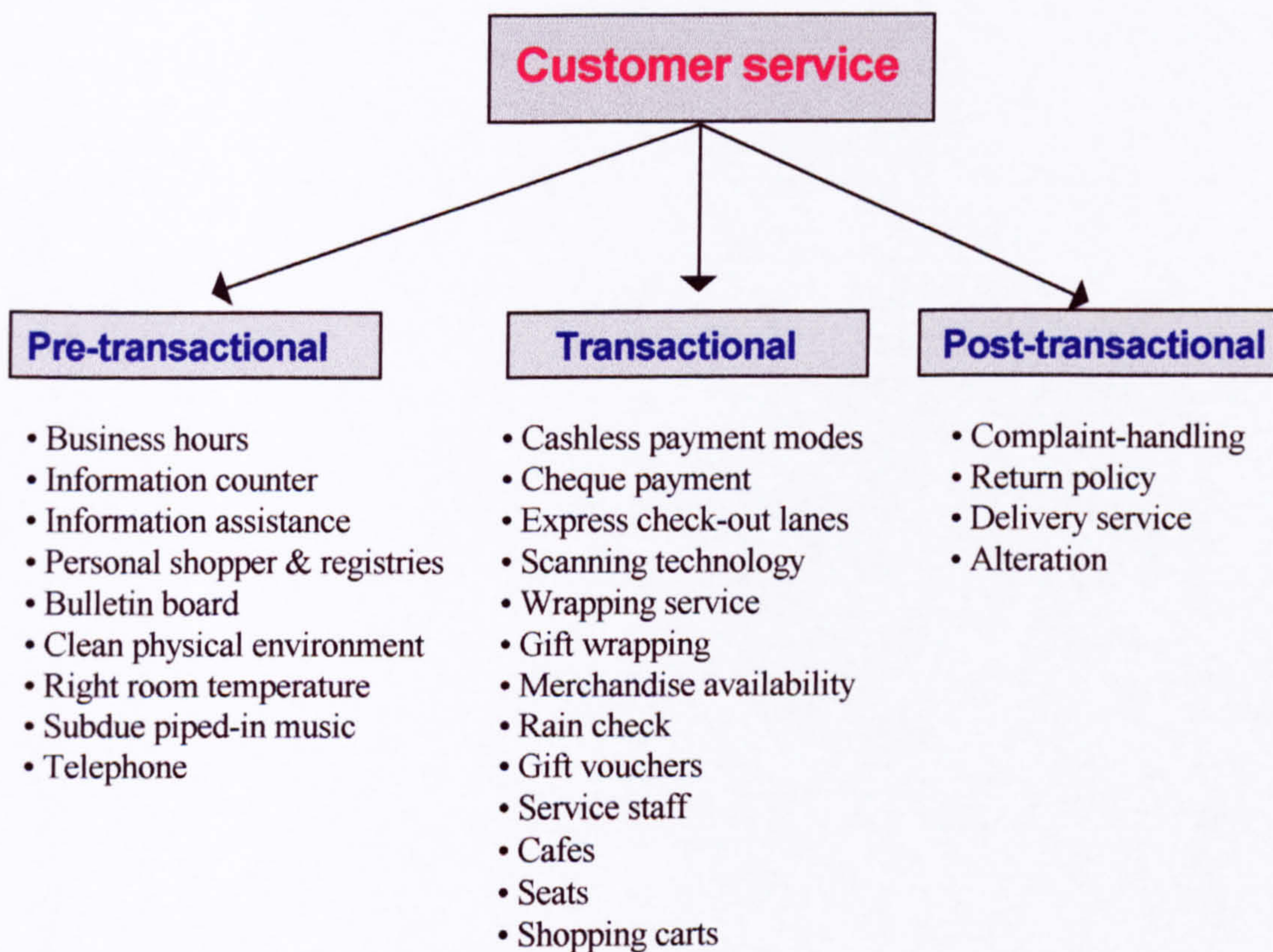




Table 4.2: Customer service mix of major department stores in Singapore

Customer Service	CK Tang	Daimaru	Emporium	Isetan	John Little	Lane Crawford	Metro	Robinsons	Seiyu	Sogo	Takashimaya	Yaohan
<b>Pre-transactional services</b>												
Store hours	Mon-Fri 10.30 am - 9.30 pm	10.30 am - 9.30 pm	10.00 am - 10.00 pm	10.00 am - 10.00 pm	10.00 am - 8.30 pm	10.30 am - 8.30 pm	10.00 am - 9.30 pm	Sun-Thurs 10.30 am - 8.30 pm	11.00 am - 10 pm	10.00 am - 10.00 pm	10.00 am - 10.00 pm	10.00 am - 10.00 pm
	Sat 10.30 am - 10 pm							Fri-Sat 10.30 am - 9.30 pm				
	Sun 12.30 pm - 8 pm											
Signages/ information	X	X	X	X	X	X	X	X	X	X	X	X
Customer service counter	X	X	O	X	O	X	X	O	X	X	X	X
Telephone service	X	X	X	X	X	X	X	X	X	X	X	X
Parking facilities	X	X	X	X	X	X	X	X	X	X	X	X
Personal shopper	X	O	O	O	O	O	X	X	O	O	X	X
<b>Transactional services</b>												
Food service	X	X	X	X	O	X	O	O	X	X	X	X
Reservation	X	X	X	X	X	X	X	X	X	X	X	X
Gift vouchers	X	X	X	X	X	X	X	X	X	X	X	X
Parcel bank	X	O	X	O	O	O	O	O	O	O	O	O
Parcel pick-up	X	O	O	O	O	O	O	O	O	O	O	O
Store cards	X	X	X	X	X	O	X	X	X	X	X	X
Gift registries	X	O	O	O	O	O	X	X	O	O	X	O
Carpark redemption	O	X	O	X	X	X	X	O	X	X	X	X
ALS redemption	O	X	O	O	O	X	O	O	O	O	O	O



Customer Service	CK Tang	Daimaru	Emporium	Isetan	John Little	Lane Crawford	Metro	Robinsons	Seiyu	Sogo	Takashimaya	Yaohan
<b>Transactional services (Continuation)</b>												
Loan baby strollers	O	O	O	X	O	O	O	O	O	O	O	O
Paging service	O	O	O	O	O	O	X	O	X	O	O	O
Nursery room	O	O	O	X	O	O	O	X	O	O	X	O
Dry cleaning & Laundry	X	O	O	O	O	O	O	O	X	O	X	O
Postal services	X	O	O	O	O	O	X	O	O	O	O	O
Photo processing	X	O	O	O	O	O	O	O	O	O	O	O
GST tourist refund counter	X	X	O	X	O	O	X	O	X	X	X	O
Video rental	O	O	O	O	O	O	O	O	O	O	X	O
Knitting classes	O	X	O	O	O	O	O	O	O	X	O	X
Carrier bags	X	X	X	X	X	X	X	X	X	X	X	X
Availability of sales staff	X	X	X	X	X	X	X	X	X	X	X	X
Bar code Scanning	X	O	X	X	X	O	X	X	O	O	X	O
Credit payment	X	X	X	X	X	X	X	X	X	X	X	X
NETS payment	X	X	X	X	X	X	X	X	X	X	X	X
Accurate billing	X	X	X	X	X	X	X	X	X	X	X	X
<b>Post-transactional services</b>												
Gift wrapping	X	X	X	X	X	X	X	X	X	X	X	X
Exchanges	X	X	X	X	X	X	X	X	X	X	X	X
Delivery	X	X	X	X	X	X	X	X	O	X	X	X
Alteration	X	X	O	X	X	X	X	X	X	X	X	X

Note: X means that the store offers this service O means that the store does not offer this service



## **RETAIL CUSTOMER SERVICE MIX**

Table 4.2 shows a list of customer service mix of department stores in Singapore. Each store offers a bundle of service mix under each of the 3 level of customer service adequately. However, having a comprehensive list does not guarantee excellent service. Customer service is not about a list of services or service promises. The staff must project the passion and professionalism to want to serve the shoppers well. As such, this list of services are means to an end - they are tools to help the staff please their shoppers. Usually, it is the staff who will make a difference and they must be motivated to do so. Handling of telephone inquiry at the pre-transactional stage, good selling skills and product knowledge at the transactional stage and complaints handling skills at the post-transactional are essential contact points which staff should do well in but are lacking in Singapore. This section looks at the service mix for department stores .

### **Pre-transactional customer service**

Business operating hours which are in line with the shoppers' lifestyles will make it conducive to shop. For example, most Singaporean office workers work from 8 am to 6 pm on weekdays and are left with the evenings and weekends to shop. If stores do not operate within these hours, they will lose the opportunity to serve these shoppers. Most retailers in Singapore open 7 days a week and from 10 am to 10 pm daily to cater to the public's working lifestyles.



Corporate philosophy, competitive pressures and shopping centre management ruling on operating hours impact on the type of hours which retailers should operate. For example, CK Tang broke away from its 63 years tradition of no trading on Sunday on 17 July 1994 in view of competitive pressures.

As a result, its Sunday trading became its second best trading day, performing 30% better than projected (Kan, 1994). The other exception is the Robinson's Group of companies which close early at 8.30 pm against the industry norms. Retailers in the financial district which serve the office crowds follow closely to the same operating hours as these offices: 9 am to 7 pm on weekdays, 9 am to 1 pm on Saturday and closed on Sunday.

Information counter providing general information about the store and its promotional offers serve to inform customers and help them make better decisions. As a good practice, Metro displays a panel of its printed advertisements at the side of its entrances to inform and remind its shoppers about its promotional offerings.

Information assistance such as free knitting classes, advice and tips on art supplies, auto care, sporting goods and audio equipment either in the form of personal instruction or printed information will enhance customers' satisfaction by ensuring that they know how to use these products correctly. This will minimise mishandling and the rate of exchange. For example, Takashimaya conducts baby care classes at its nursery corner for its shoppers.



Personal shopper is the activity of assembling an assortment of goods and services for a customer based on his/her needs. For example, assembling a list of groceries according to a customer's instruction and delivering to his/her home. The emphasis is on providing a package solution to solve shoppers' needs. In America, personal shopper, a service once reserved for the wealthy customers, has gone mass market by department stores. Because Americans have no time to shop, retailers decide to go to them instead. Shoppers who use personal shopper service are working women and men who need help in fashion trends (The Straits Times, 14/8/95, 6). Locally, CK Tang and Metro offer this personal shopper service.

Similar to personal shopper concept is registries. With computerisation, retailers are able to set up these registries for many occasions such as marriage, birth and house-warming. Interested shoppers can register with these retailers who will help them make up a shopping list of desired items. Registered shoppers can inform their friends that they are registered with that particular retailer. Their friends will be able to buy according to this shopping list at that retail store. Robinsons, CK Tang and Metro have implemented registries service but the usage rate is low due to poor awareness.

As a gesture to their shoppers, retailers may put up bulletin boards to facilitate communication between shoppers so that they can announce their needs to one another such as garage sale, part-time helpers wanted, etc. The board must



be carefully monitored to ensure that information are current and neat. Cold Storage Supermarket practises this concept.

Good housekeeping, correct room temperature, clean air and clean restrooms make the store more pleasant to stay in and encourage longer browsing period. Pleasant, subdued piped-in music serving as background music help shoppers to relax and to increase their receptiveness to buy. Shoppers also appreciate the ability to phone their friends for enquiry such as sizes of garment or calling for a cab. Hence, public telephones can be placed at dead corners as a form of service. Department stores along Orchard Road spend great effort in ensuring that their stores are clean and inviting for shoppers to come in and browse. This is important especially when department stores have to offer recreational value in addition to satisfying people's purchasing needs.

### **Transactional customer service**

Ability to pay via the cashless mode enables shoppers to shop without the need to carry large sums of money. Shoppers' purchases in the store will be limited by the amount in their bank accounts and their earning abilities rather than the physical cash with them. Credit allows them to buy now and pay later which will further stimulate the purchase for impulse goods and expensive items. Hence, most department stores accept cards payment such as credit, charge and debit cards.



Most department stores issue their own in-house store cards. These store cards provide cashless transaction convenience for their customers and offer incentives to encourage spending. For example, Isetan Credit Card offers a 5% rebate even on sales items for its cardholders. By rewarding loyal customers with benefits such as exclusive invitation to sales events, rebates and lower qualifying income, these cards help to bring customers back to the stores (Ho, 1995). Cheque cashing is another payment mode which enables customers to cash a cheque for the amount of their purchases. However, this is not popular in Singapore.

Layaway plan works by requiring shoppers to pay a deposit usually about 20% of the purchase price in order for the retailer to hold the item for them. Periodic payments will be made and on paying fully for the merchandise, shoppers can take the merchandise home. Kmart, a discounter, practises this concept which is useful to its target customers who are often value-seekers with financial constraint.

Better service can be provided by having speedier check-out lanes. In line with this, supermarkets which handle high volume check-out activities have implemented express check-out lanes. Scanning technology is also implemented to speed up processing time. Metro was the first department store in Singapore to use the scanning technology. In festive seasons and sale periods, it also set up extra cash counters to handle the high load.



Wrapping service must match the type of merchandise and the store's image. For example, specialty store tend to have fanciful and more elaborated form of carrier bags versus a supermarket chain. Besides, gift wrapping as a form of goodwill serves as a form of corporate advertising if an identifiable corporate wrapper is used. Major department stores offer this service free of charge.

Merchandise wrapping also means providing customers with bags to ease their carrying task and safeguard merchandise from prying eyes. Bags are also a form of security measure, distinguishing the paid and unpaid items. It can also be an excellent form of mobile advertisements for retailers.

Merchandise availability refers to the ability of customers to find the items which they want in the store. If the items are out of stock, management needs to focus on better merchandise management system. If customers cannot locate the items, management may have to focus on better store designs, layouts, displays and signages.

During an advertised sales event, a store may under-estimate customers' responses and under-order the merchandise on offer. When this occurs, shoppers are given a rain check which is a slip of paper that entitles them to buy the out-of-stock items at a future date but at the same sale price. Issuance of rain check will help to maintain goodwill to the otherwise disappointed shoppers in an out-of-



stock situation. This concept is new to the local shoppers. As such, many are not aware of this service and hence, they did not ask for it.

For those shoppers who do not know what gifts to buy, gift certificates or vouchers may be bought so that the recipients can spend it in the stores to buy whatever merchandise they like. Metro is a pioneer in offering this service and promotes its gift certificates aggressively.

Personal selling refers to a strong customer-oriented retail sales force providing product knowledge and suggestive selling that may result in need-satisfying experience to enhance shoppers' satisfaction. This service varies according to the type of merchandise. High-end retailers with specialised goods will need to have knowledgeable and more sales staff to service their shoppers.

Tired shoppers may appreciate a place to rest their feet from shopping and when waiting for their partners to finish shopping. Seats placed near the fitting rooms or aisle that do not obstruct customer flow will be a good service to offer. In addition, in-house eateries/cafeterias within the department stores provide refreshment and rest to the tired shoppers without having to leave the stores.

Examples of such eateries are:

Tangs - Espresso Bar and Treats  
Daimaru - Suzuki Coffeeshop  
Isetan - Petit Monde  
Metro Plaza - Sari Jaya  
St. Michael - The Terrace  
MPH - MPH Cafe

(Chan, 1992, 4)



Shopping carts are an excellent way to help shoppers move easily within the stores without having to carry all their intended purchases. Because the goods are placed in the carts, this will freed their hands to examine other goods. Discount stores such as Kmart and supermarkets offer carts. In view of high trolley theft and abuse, a coin deposit is needed to release a trolley from its lock.

### **Post-transactional customer service**

"Those who buy, support us.  
Those who flatter, please us.  
Those who complain, teach us - that we may please others so that they'll buy.  
Only those who are displeased but do not complain, hurt us - for they deny us the chance to correct our errors and thus improve our service."

(Pruthikosit, 1992, 28)

The above quotation affirms the value of complaint for department stores as a second chance to rectify their mistakes and win back their customers. Hence, complaints should be seen as an avenue for stores to improve themselves through constructive feedback. For large stores, a central complaint department staff with specially trained personnel may handle the process and free the sales force to perform selling task.

According to Mr. John Goodman, President of Technical Assistance Research Programmes (TARP), the tip of the iceberg phenomenon states that complaints voiced are only a small percentage of the actual dissatisfaction experienced as follows:



5% shoppers will complain to top management  
45% shoppers will complain to agent/brand or front-line personnel  
50% shoppers who encountered problems but do not attempt to voice their dissatisfaction.

(Goodman, 1993, 2)

Reasons for the unpopularity of complaints from the perspective of shoppers are as follows:

- Too much hassle
- Lack of knowledge on where and how to complain
- Lack of trust that company will respond
- Fear of retribution

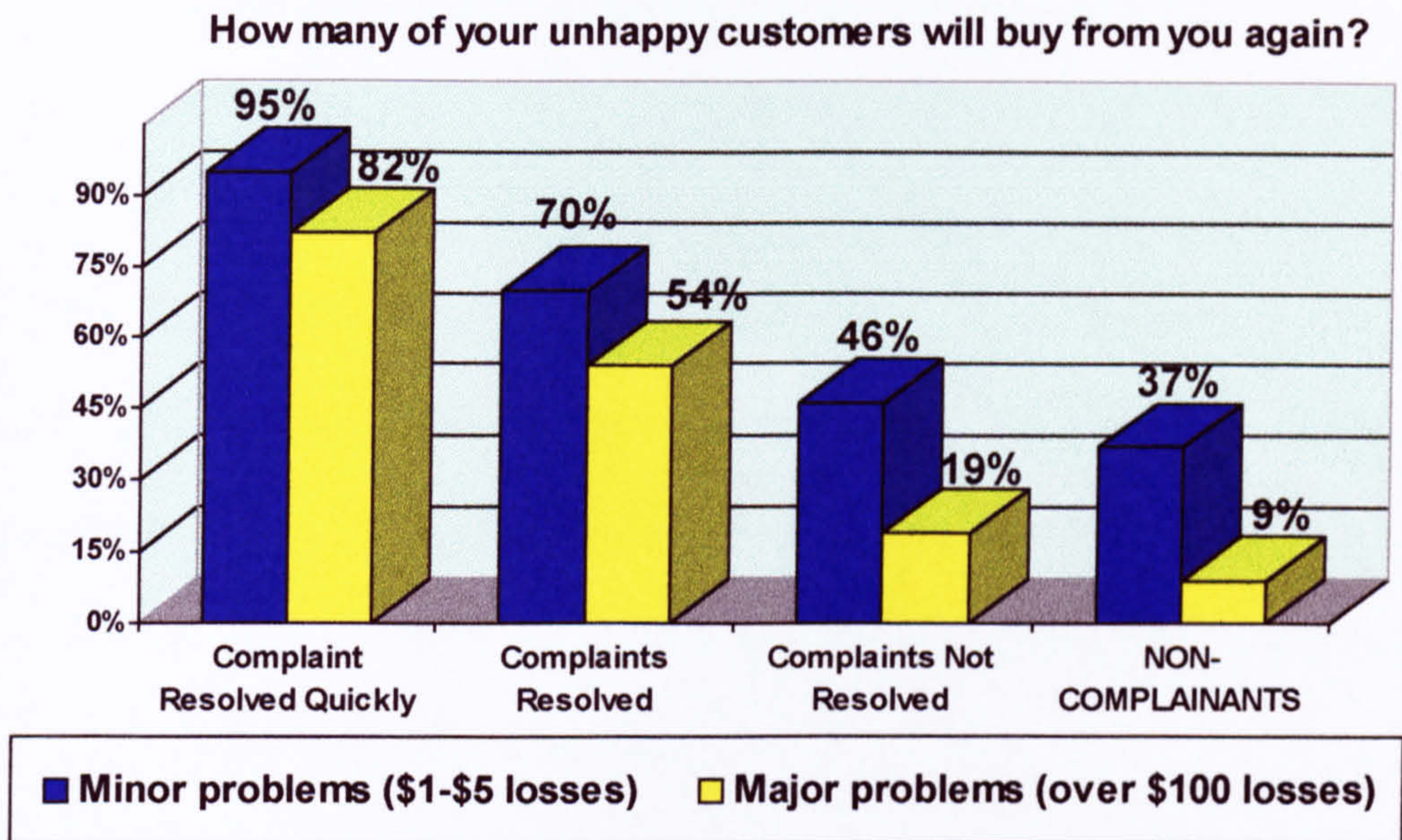
(Goodman, 1993, 3)

Complaints must be perceived as a valuable opportunity for further improvement. To facilitate the flow of complaints and improve on the tedious process to complain via writing, the ability to phone and complain orally is a much quicker way to solicit complaints, if any, in a timely manner. For example, Giordano sets up toll-free hot lines to make it easier for its customers to complain.

In handling complaints, stores must provide courteous treatment, fair settlement and prompt action to restore the faith and confidence of the affected customers. Based on Figure 4.2, if complaints are handled correctly, retailers can restore the faith of these unhappy shoppers and increase their probability of repeat patronage.



Figure 4.2: Repeat patronage of unhappy customers



Source: National Consumer Survey

Return policy for retailers ranges from no returns, no exchanges to no-question-asked returns and refunds. For example, Metro has implemented a no-hassle exchange and refund policy as part of its Service Plus Concept in October 1990. Signs with the following message "If you are unhappy with what you have bought from us for whatever reason, we will gladly exchange or give you a refund" sprouted at all Metro outlets to inform shoppers of this new exchange philosophy. This policy is also adopted by Metro wholly-owned Factory Outlet as well as its 50.1 percent-owned Toys R Us outlets (Koh, 1991).

In a small store, returns may be handled by the owner/manager. In a large store, a customer service department may be set up to handle such task. The



reason for returns will be recorded, investigated and on valid grounds, customer will be granted a refund either by credit voucher or cash or an exchange.

Delivery service is important especially for bulky merchandise, customers who travel by public transportation, elderly customers and telephone and mail orders. Offering this service free of charge or at a nominal fee will enhance shoppers' experience. Sogo offers free delivery service to its shoppers for minimum purchases of S\$100 while most department stores offer freight and delivery to other countries at a small charge.

Alteration service is offered for merchandise that requires the final touching up such as trousers and coat because of the need to fit precisely on customers. With rising labour costs, a small pool of good seamstresses, and the high cost of maintaining the equipment and workroom, most retailers turned to sub-contracting for this service (Beisel, 1993). In Singapore, most concessionaires in department stores have their promoters to offer alteration services.

To summarise, retailers can offer a range of different services under the 3 levels of customer service namely: pre-transactional (business hours, information, demonstration, personal shopper, registries, bulletin board, housekeeping, store ambience and telephones); transactional (cashless payment modes, layaway plan, checkout lanes, wrapping service, merchandise availability, rain check, service staff, eateries, and seats) and post-transactional (complaint handling, return policy,



delivery service and alteration). Table 4.2 shows the customer service mix of major department stores in Singapore.

According to Table 4.3, there are two spectrums of customer service depending on whether a retail store adopts a full service or self service approach. By and large, most average department stores' shoppers are expected to shop by themselves. The ratio of shoppers to staff is high. In other words, a department store staff needs to cover a larger floor area and serve more customers than a specialty store with full service approach. Hence, departments store operators need to strike a balance in the type of customer service that they are offering because of their service strategy.

In Singapore, most shoppers browse on their own in department stores. However, they do approach staff for help. These staff must embrace the service mentality to serve well. The visual merchandising and layout of the store are important to enhance shopping.



**Table 4.3: Value added customer service for store based retailing**

<b>Service Strategy</b>	<b>Customer Service</b>	<b>Emphasis</b>
<b>Full service</b>	<p><b>Personal shopping services</b></p> <ul style="list-style-type: none"> <li>• Competent sales staff</li> <li>• Product knowledge</li> <li>• Ratio of staff to customers</li> <li>• Sales people are order churners</li> </ul> <p><b>Pleasant environment</b></p> <ul style="list-style-type: none"> <li>• Ambience</li> <li>• Space</li> <li>• Exclusiveness</li> </ul> <p><b>Integrity of merchandise</b></p> <p><b>Flexible</b></p>	<p><b>Sales staff is key. Focus on how customers are helped through the selling process. Buyer-seller interaction is important. Customer service is service-provider based.</b></p>
<b>Self service</b>	<p><b>Ease of shopping</b></p> <ul style="list-style-type: none"> <li>• Store layout</li> <li>• Display and signage</li> </ul> <p><b>Sales people are risk reducers to answer any enquiries. They are order takers</b></p> <p><b>Integrity of merchandise</b></p> <p><b>More rigid and limited</b></p>	<p><b>User-friendly is key. Delight customers by ease of shopping in store layout and visual merchandising. Customer service is facility based.</b></p>

Today's department stores are pressurised to deliver good customer service in the face of a hostile and competitive environment. The sophisticated and affluent shoppers respond well to these services. The next section highlights these factors promoting the importance of customer service.

### **IMPORTANCE OF CUSTOMER SERVICE**

Customers are the reasons for being in business. They do not have to put up with shoddy products or services in this quality-conscious era. In a survey on



the hate list of people in 10 countries commissioned by the British-American Tobacco Company, poor service was ranked as the top pet peeve. A straw poll of 45 Singaporeans by the local press journalists using the same questionnaire revealed that Singaporeans also ranked poor service as their top pet peeve (Kaur et al, 1995). Therefore, it is important for retailers to project a good service image during any contacts with their customers.

The way retailers treat their customers will determine the rate of possible repeat purchases. According to a study conducted by a Washington D.C. company called Technical Assistance Research Programs Inc. (TARP), an average customer who has a problem will tell 9 to 10 people about it. Between 54% to 70% of people who complained will do business again if their complaints are handled well and each customer with resolved complaint will tell an average of 5 people about how he/she is treated (Han & Leong, 1996). Given that the lifeblood of retailers is repeat business, they must strive to attract new clients and make existing ones happy.

According to Tom Peters and Bob Waterman of "In Search For Excellence", the most successful and profitable companies provided customer service to their customers. Literature survey also showed that the most successful and profitable companies are service-oriented (Brown, 1992; Carlzon, 1987; Crosby, 1979; Davidow et al, 1989; Garvin, 1983; Glen, 1990; Gronroos, 1990; Heskett et al, 1990; Kaufman, 1992; Langevin, 1988; LeBouf, 1987; Peters et al, 1982; Smith, 1993;



Sparks, 1990/91; 1992; Tan, 1990; and Zemke et al, 1989). The survey by Strategic Planning Institute supported this view (Table 4.4).

**Table 4.4: Impact of service quality**

	Companies offering high quality products/services	Companies offering low quality products/services
Sales growth	17%	8%
Profit	12%	1%
Market share	6%	0%

Source: Strategic Planning Institute, Tsou, 1993, 1

By providing useful service to customers, the probability of them returning to buy is enhanced, thereby maintaining retailers' profitability. However, if customers' expectations are not met, they will take their business elsewhere. When a customer has a bad experience with a retailer, he/she will share this information with his/her friends. Being a more trusted source of information than any store-sponsored advertisement, the influence of word-of-mouth should not be undermined. Not only will affected customers not patronise the shop again, but potential customers may be lost due to negative word-of-mouth (LeBeouf, 1987).

A survey on shopping preferences and expectations conducted by Frank Small & Associates and commissioned by Network for Electronic Transfer (S) Pte Ltd (NETS) in 1992 supported this hypothesis. It was found that 70% of the respondents would not shop again with the same retailer whom they had bad



service from. 24% of the respondents would advise their friends not to patronise that shop.

Likewise, when asked for recommendation or shopping tips, most shoppers will only recommend deserving stores because their personal reputation are at stake. Even the slightest hesitation is not tolerated for they want to be certain that their friends will get the same pleasurable experience. In short, business grows with satisfied customers. Customers not only come back but they also bring their friends as well.

By fostering goodwill, stores stand to gain through repeat purchases as customers shop more frequently and in greater confidence. Besides, customers' purchases are largely based on input and advice from the others. In fact, building a regular clientele of loyal customers is so worthwhile that some stores in Singapore have implemented more liberal exchange policies with no time limit and money back guarantees as a first step to building trust.

In a bid to build goodwill, Metro has improved on its Service Plus Concept in October 1990. The Robinson's Group of companies which include Robinsons, John Little and Marks & Spencer offer satisfaction guaranteed and competitive pricing to its shoppers. Under the satisfaction guaranteed policy, customers are able to return goods purchased at any time if they are dissatisfied for any reasons.



Under the competitive pricing policy, customers are given a refund on the price difference if after buying the product, they can find it sold cheaper elsewhere.

Quality customer service can intercept transient customers and convert them into loyal customers. Transient customers are those who visit the stores and find the service level below expectation or the merchandise out of stock, hence, they are seeking for a right store with the appropriate level of customer service (Lusch & Dunne, 1990).

In a retail climate with countless retail outlets offering near identical range of merchandise, customer service can be used as a strategic tool to position oneself away from the competitors. Previously, retailers depend on price competition to differentiate themselves and attract customers. When price is cut, department stores focus on generating sales turnover needed to stay profitable. Alternatively, stores can also attract more customers by improving on their service level and by giving customers more than what they expect in a value-added approach.

Using customer service as a way to differentiate, Giordano Originals (Singapore) Private Limited positions itself as a service-oriented store which delivers value for money to its customers. Giordano sells reasonably priced, quality men's basic wear targeted to the 14 - 28 years old in great up-to-date styles, colours and value. Its main stock trade is T-shirts which offer little differentiation in comparison to the other similar retailers such as Bossini and U2. However,



Giordano adds value by adding quality service. The heart of Giordano is customer-centredness and this is reflected in all its operational aspects namely management, human resource management, business procedures, communication, feedback, product, flexible exchange policy, rent-an-umbrella scheme and free telephone calls service. Through this strategy, Giordano clocked an annual reported sales of S\$26.5 million which was 27% in sales growth and its after-tax profit was S\$1.5 million, a performance which contrasted sharply against bigger department stores such as Metro and CK Tang which reported lower sales and meagre profits for the same trading period in 1991 (Siow D., 1992). In addition, through its quality products, fine service and effective marketing communication efforts, the name "Giordano" has become synonymous to customer service in the local market.

Customer service is a total concept that involves everyone in the organisation (Bender, 1976). As such, customer service orientation does not happen over night but instead needs time and commitment to create. Hence, unlike other innovative merchandising techniques which may easily be copied by competitors, customer service as a strategic tool is not readily discernible.

Small retailers who lack the financial resources to compete may use customer service as strategic tool to niche. Neighbourhood shops in HDB estates often lack the expertise and resources to compete with big department stores in down town areas. However, neighbourhood stores can tap on their close



relationship with the local neighbourhood residents to build an on-going business relationship through better and more personalised services.

Offering good customer service can have a positive impact on the shoppers' purchase decision. This is because much of a store operations such as store environment, product selection, customer traffic through advertising, promotion and store location are pre-transactional that only anticipate the exchange process. According to Dallmeyer (1995), two-thirds of shopping decisions are made in-store and half of all purchases are made on impulse. It is the sales personnel, the human element, that actually impresses on the customers at the point of sale. Sales personnel provides a vital link between the buyers and the sellers by providing good customer service that may eventually help to close the sale (Peach et al, 1989).

With reference to the 3 levels of customer service discussed earlier, providing quality service at each level can help to generate demand for retailers. Poor service at the pre-transactional level will decrease the probability of a transaction from occurring. For example, poor telephone manners to a prospective customer who phones for an enquiry will surely drive him/her away. Poor service at the transactional level may cause customers to back out from their purchase decisions. For example, long queue lines at the cash counters will put customers off. Poor service at the post-transactional level will decrease the probability of a repeat purchase. For example, a retailer's refusal to exchange a



defective merchandise bought. Providing good customer service will not only close the sale but may enable retailers to increase the price which their customers are willing to pay or increase the quantities demanded or the distance which they are willing to travel because of their store loyalty.

Retailers' role has also changed in this competitive era. For example, Yaohan changed the local retailing scene in the early 1970s by its 2-in-1 concept of combining eating and shopping under one roof. Isetan Havelock introduced fashion retailing and exposed Singaporeans to the latest fashion trends from Paris, New York, London and Milan through its international links and know-how in 1972. At that time, Isetan was the only department store that did fashion advertisement while the others focused on budget advertisement (Tan, S., 1993).

Constantly surrounded by new ideas, retailing has evolved into more than mere merchandising in order to satisfy the jaded palate of today's sophisticated and affluent shoppers. Currently, retailing has to cater to the diverse interests of shoppers and be an all-encompassing experience: a one-stop shopping mall for all their needs - be it eating, banking, leisure or entertainment.

Beyond selling merchandise, current retailers are continuously anticipating and offering new lifestyle choices for the society in order to upgrade quality life and retailers hope to benefit indirectly by carving out these new market niches. For example, CK Tang launched a Spain promotion in 1992 in order to generate



interest on the Spanish merchandise ranging from pottery, furniture to fashion. According to Mr. Tang Wee Sung, Managing Director of CK Tang, today's shoppers are more confident, discerning with less shallow spending and shies from the pretentious, glitzy and superficial.

Given the new role which retailers have to play, it is essential that this concept be integrated with the right level of customer service for it to pull off successfully and to appeal to the sophisticated shoppers. Otherwise, despite this lifestyle innovation, shoppers will not buy because the thematic execution is not convincing due to the lack of service to back it up. Therefore, the service strategy is important to integrate the thematic retailing.

Today's shoppers also want to be treated well and can afford to pay for it. A study done by NETS and Acorn Marketing and Research Consultants in 1991 showed that many shoppers especially men, single customers, aged 30 and earning more than S\$2,000 per month are willing to pay for better services (Tan, E., 1991). Hence, it is prudent not to ignore this changing preference and instead build a relationship with them so that they will return. Retailers should take personal interest in their shoppers and accept responsibility to see that they are satisfied.

From the above discussion, the author concludes that customer service is important in order to increase profitability; to differentiate the stores; to impact on



**purchase decision at the shop floor; to keep up with the changing role of retailers; and to respond to the increased customers' expectation. However, customer service programmes are easier said than done. For a start, it requires commitment, dedication, conducive culture, money and time to put customer service into practice. For too long, Singapore's department stores have focused on merchandise mix and price. The emergence of foreign department stores, tourist shoppers and well-informed local shoppers have supported the need to be service-oriented. Giving good service has become a necessity and is no longer a luxury. Department stores must address this service trend.**

**Another area of interest is the shoppers' readiness in accepting customer service as a purchase decision making factor. Culturally, most Singaporeans do not kick up a fuss if treated badly. Their passive reaction is to simply ignore or boycott the shops. With the influence of media and a better educated population, Singaporeans may have higher expectations for better service. This survey project is useful in finding out the impact of customer service on shoppers' decision to shop.**

**If customer service is offered, how are service problems detected so that corrective actions can be taken? Today's shoppers are intelligent enough to differentiate the genuine customer-oriented retailers from one who merely pays lip service. As such, retail managers need to continually assess and measure their service performance in order to improve. Chapter 5 examines the possible ways to**



measure customer service so that the service levels can be constantly monitored with the ultimate goal of attracting and satisfying more customers.

## **SUMMARY**

This chapter focused on the basics of customer service. Customer service is defined as all activities performed by retailers with the objective of enhancing their shoppers' experiences so as to nurture relationship retailing via repeat purchase. Customer service concept should permeates all level of staff and is everyone's responsibility.

The classification of customer service into pre-transactional, transactional and post-transactional levels with a list of current customer services offered by local department stores were presented. The potentials of customer service include increased profitability, store differentiation, positive impact on purchase decision at the shop floor, responding to the changing role of retailers and increased customers' expectation. Therefore, this service strategy is a viable tool for department stores to consider adopting.

To be effective, customer service should encompasses a series of disciplined practices and behaviours that must endure consistently over time. Retail managers need to continually assess and improve along this service continuum. As such, the measurement of customer service level is essential. In this light, the focus of chapter 5 is to examine some possible measurement tools.



## CHAPTER 5

### MEASURING CUSTOMER SERVICE LEVEL

*"Customer relations that are based on analysing customer complaints will never provide world class results. To be effective, customer relations need to be based on profound knowledge of the customers' needs. The result is to provide for the customer without waiting for a complaint".*

*Joseph P. Broz, Vice President,  
James River Corporation  
(Katz, 1987)*

#### INTRODUCTION

The increasingly competitive retail market has propelled department stores to seriously consider customer service as a strategic tool to compete. Adopting this service strategy means that department stores will need to research and offer the right kind of customer service as desired by their target customers. In addition, management should also examine the level of service delivery of their staff to ensure effective implementation. Quality assurance programmes must be implemented to provide feedback on service performance. The focus of this chapter is to conduct a literature survey on the measurement models for monitoring the service level. Based on the models presented, the most appropriate measurement model for this research study is selected.

Service quality is an elusive, indistinct and complex construct which is difficult to define and measure (Parasuraman et al, 1985; Carman, 1990; Garvin, 1983; and Hogg, 1995). The way a person evaluates service quality is a relativism



phenomenon which varies with his/her needs and the way he/she values the alternative ways of fulfilling those needs (Hogg, 1995).

Evaluating tangible goods is easier than services. The tangibility of goods makes it easier for people to assess and compare on the actual physical features. For example, people assess a car by comparing its physical features with the criteria laid down in the manual. However, the decision to buy the car will require a subjective assessment i.e. they must assess these physical features against their expectations which are formed through many ways such as advertising, word of mouth, etc. Ultimately, the purchaser will decide on a car which exceeds his/her expectation, thereby delivering more satisfaction. A purchaser's definition of quality lies in the amount of satisfaction to be derived from the benefits of the car and not in the technical features. Therefore, it is important to know the expectation of the customers when assessing service quality (Hogg, 1995).

Though quality control on tangible goods are well researched and documented, these measures are inadequate for measuring service quality due to the differences between goods and services. The next section examines the differences between goods and services and their impact on the measurement models for service quality.



## **DIFFERENCES BETWEEN GOODS AND SERVICES AND THEIR IMPACT ON MEASUREMENT MODELS**

Services differ very much from tangible goods because of their intangibility, perishability, inseparability and heterogeneity (Lusch et al, 1993; and Zeithaml et al, 1990). An awareness of these unique characteristics of services is important for understanding the basic structure of any measurement model for service quality.

Services are intangibles which cannot be boxed, stored, placed on shelves and returned if defective. Services are performances and experiences rather than objects. Unlike tangible goods which can be perceived through the human senses of sight, smell, hearing, touch and taste, it is difficult for consumers to perceive services directly and generally agree on what is good.

Services perish the moment they are produced unlike goods which can endure through the passage of time. For example, goods can be manufactured today, stored tomorrow and sold whenever there is a demand for it.

There is also no separation between production and consumption of services i.e. they occur simultaneously. Service providers cannot hide the messy or unpleasant process of production from the consuming public. For example, clients going for their hair cut are subjected to the mess while cutting is in process. Service providers must also produce and sell their services at the precise moment where consumers demand for it. Inability to keep up will result in lost sales



opportunities. For example, the Personal Shopper Consultant in Tangs must render her services at the precise moment when a customer demands.

Service performance varies from providers to providers is known as heterogeneity. For example, the same hairdresser's performance varies for different times of the day and for different customers. Different hairdressers from the same hair salon will style one's hair differently too. As such, it becomes increasingly difficult to ensure the same level of high performance.

As a result of these special characteristics of services, the following themes emerge:

*Services, retailers of services, service staff and the selling environment are intertwined*

There is no distinction between the services provided and the retailer. If customers are dissatisfied with their purchases, they may blame it on the manufacturer and still patronise the same retailer if they are given good service. However, if they receive bad services, the retailer does not get a second chance easily. For example, the probability of going back to the same hairdresser in the event of a bad haircut is slim if there are other hair salons available. In other words, the delivery of bad services cannot be retracted easily like a refund for a



defective product. To ensure consistency and minimise the delivery of poor services, strict performance standards and quality control need to be administered.

Selling environment is important in the retailing of services. Customers often form their expectations based on the physical set-up of the retail facility. For example, Guess Boutique has a rugged Western look to reinforce its product offering of durability and style. Hence, it is important for the retailer to plan the physical appearance of a store carefully for this becomes the eventual tangible cues which help customers form their expectations.

Service staff are also an integral part of retailing of the services. According to Mr. Leong Siew Loong, General Manager, Service Quality Centre, Singapore Airlines(SIA) pays great attention to the recruitment of all their service staff with top management's involvement in the final stage. Successful recruits are put through a few months of intensive training to refine their service attitudes and techniques. The hiring of the right staff enables SIA to portray the Asian's warm hospitality which is one of the critical success factors to its superior inflight service.

Another example is Giordano. This clothing retail company is reputed for its high level of customer service for its positioning strategy. In order to bring out its customer service philosophy, it becomes crucial for Giordano to recruit the right staff to project the right image for the store. As such, Giordano equates professionalism with people while others focus on paper qualifications. According



to Mr. Danny Tan, ex-General Manager of Giordano, in this industry where attitude and experience count more than paper qualifications, his company believes in sparing no cost nor effort in training and developing its staff so that it can project the right customer service attitude in Giordano's corporate philosophy which is "Giordano means Service".

Because of this interdependency between services, service staff and the selling environment, department stores should create unique positioning images, hire the right staff with the right attitude and service mindset and focus on their visual merchandising and display.

### *Intangible services are undetectable*

It is important to create tangible messages which can serve as proxies for services in the customer's mind. Tangible cues will alert customers to the availability of various services and provide information by describing them, their potential benefits, instructions and where to buy them. For example, if the local Post Office did not display signages on the various types of services such as sale of different mail boxes, phonecards, etc, one will never go beyond buying stamps and mailing letters. Therefore, retailers of services should create attractive signage system to advertise their services in the most appealing manner. Because department stores are usually large in size, management should re-examine their signages and floor layouts to help their shoppers with better tangible cues.



### *Service delivery often forces customers to wait*

The inseparability and perishability nature of services result in waiting time. Customers' perceptions of an acceptable waiting time can be influenced by how quickly they are moving through the line or by activities which they can perform while waiting.

Therefore, it is important to create the impression that services are provided quickly. In the event that customers have to wait to be served, retailers should make use of this dwell time as prime opportunities to communicate or entertain their customers. For example, Pizza Hut has an information cum game table mat for its customers to be occupied during the waiting time. At the Singapore Post Office, video clips of their services and advertisement are shown to people who are queuing for their turn to be served. Metro has installed television set, hung from the ceiling, near the cashier counter to play music video clips to entertain the crowd as well as to create a fashionable ambience in the teens wear department.

## **MEASUREMENT MODELS FOR SERVICE QUALITY**

The differences between goods and services and their implications suggest that measurement tools for tangible goods are not suitable for measuring service level. The nature of intangibility, perishability, inseparability and heterogeneity of services make it more difficult to evaluate services than tangible goods.



Given the complexity of the service process, customers do not evaluate service quality based on the outcome of a service alone but also consider the entire process of service delivery. For example, in a gift wrapping service, a customer is not only evaluating the final output which is the wrapped item but also whether the service provider is helpful, friendly, well-mannered and the length of waiting time. Service quality judgements also result from a comparison of shoppers' expectations with the actual service performance.

The appropriate service measurement tool must cater to the continuous and subjective nature of services. The next section examines some possible measurement models of service quality for service retailers. As discussed earlier, a purchaser often refers to his/her level of satisfaction when assessing quality.

To deliver quality, it is important to know how to maximise satisfaction. The Disconfirmation paradigm states that people often compare their perceptions with their expectations to determine the level of their satisfaction. Oliver (1980) felt that people form their attitude about a firm based on their prior attitude and their current level of satisfaction. This attitude will affect their intention to purchase. Hence, satisfaction becomes a mediator. Therefore, for measuring service quality, the number of variants can be attitude- or satisfaction-based.



Most service measurement models are based on the Disconfirmation paradigm namely the Disconfirmation model, the Servqual model, Bitner's model, Gronroos' model and the service facility model (Table 5.1).

Table 5.1: Service measurement models

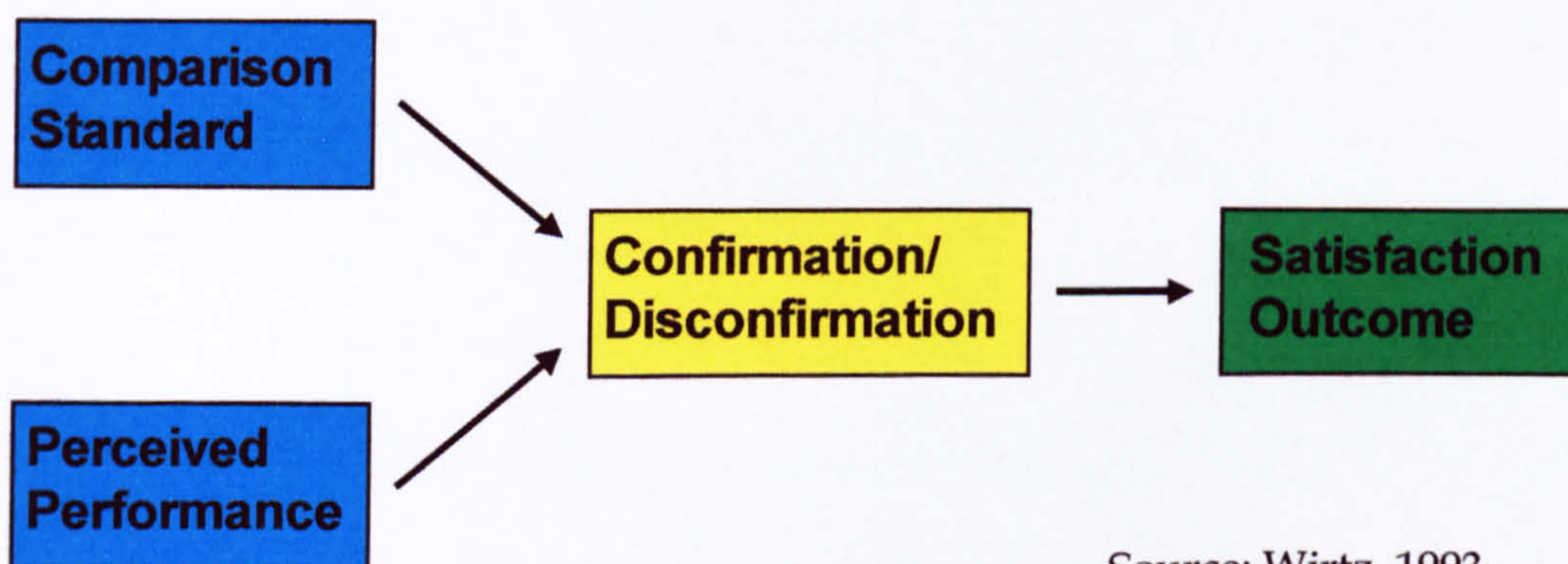
Models	Paradigm	Focus
Disconfirmation model	Difference score	Measures satisfaction on a transaction-specific basis
Servqual model		Measures Service Quality which is an overall evaluation based on the 5 dimensions
Bitner's model		Adopts an attribution factor to mitigate the perceived service quality score
Gronroos' model		Emphasises on the buyer and seller interaction to determine service quality. Expressive performance is important in determining service quality
Service Facility model		Measures service quality by assessing the user friendliness of the service facilities
Servperf model	Perception score	Uses perception scores to predict purchase intention
Critical Incident Technique	Analyse incidences	Creates a database of episodes to uncover specific events



## Disconfirmation model

In this model, customers evaluate consumption experiences and make satisfaction decisions by comparing perceived performance with some pre-consumption standards (Wirtz, 1993). Satisfaction occurs when perceived performance matches or is better than the pre-consumption standard. Dissatisfaction occurs when performance is less than the standard (Figure 5.1).

Figure 5.1: Disconfirmation model



Source: Wirtz, 1993.

There are 4 broad classes of pre-consumption standards namely expectations, ideal performance, needs and wants coined as value and experience-based standards. Expectation can only be a good pre-consumption standard if customers have free choices and sufficient pre-purchase experience or information. For example, due to their time constraint, people may opt to eat a quick hamburger at a fast food restaurant. While the meal meets their expectation, however, this does not reflect satisfaction since they have no free choices on what to eat. If people have their free choices to choose purposefully and match their



needs and wants, then fulfilling this expectation will lead to satisfying experiences.

Perceived performances refer to customers' subjective perceptions of actual product performances during the consumption experience. Confirmation/disconfirmation is the comparison between performances and standards. Confirmation occurs when service performance meets and exceeds standard, resulting in positive implications. On the other hand, disconfirmation occurs when service performance falls short of standard with a resulting negative impact. Hence, confirmation brings forth pleasure while disconfirmation causes displeasure.

The Disconfirmation model measures satisfaction and not service quality because it is transaction-specific. Satisfaction refers to transaction-specific outcome whereas service quality is a form of attitude which affects the long run overall evaluation of the store (Bitner, 1990; and Parasuraman et al, 1988). The Servqual model, based on Disconfirmation paradigm, attempts to measure service quality. Servqual model is superior by being more focus in diagnosing its service gap via the 4 internal gaps. It leads one to look internally for problem areas of the service gap from the macro level i.e. shoppers. On the other hand, the Disconfirmation model just stopped at the confirmation/disconfirmation stage indicating the presence of a service gap, if any. There is no further framework for troubleshooting this gap. Besides, the Servqual model attempts to cover all the aspects of



service quality across most industries with its 5 dimensions. The Disconfirmation model does not address this issue.

### **Servqual model of service quality**

The Servqual model evaluates the total business from the customers' point of view. Seeking customers' feedback is the best way to measure their satisfaction and ensuring their repeat patronage. As such, this model evaluates customers' views first for any service gap.

Zeithaml et al (1990) defined service quality from the customers' perspective as the extent of discrepancy between their expectations and perceptions. Criteria used in evaluating service quality are based on customers' expectations. They tend to judge actual service performance in the context of what they expect. Based on the Disconfirmation paradigm, Gap 5 or Servqual score is the deviation between customers' perceptions of actual service and their expectations. This model then examines the organisation internally for possible explanations for this gap from two angles namely: managements who are often the decision makers and front-line service staffs who are the ones who actually deliver the service (Zeithaml et al, 1990).

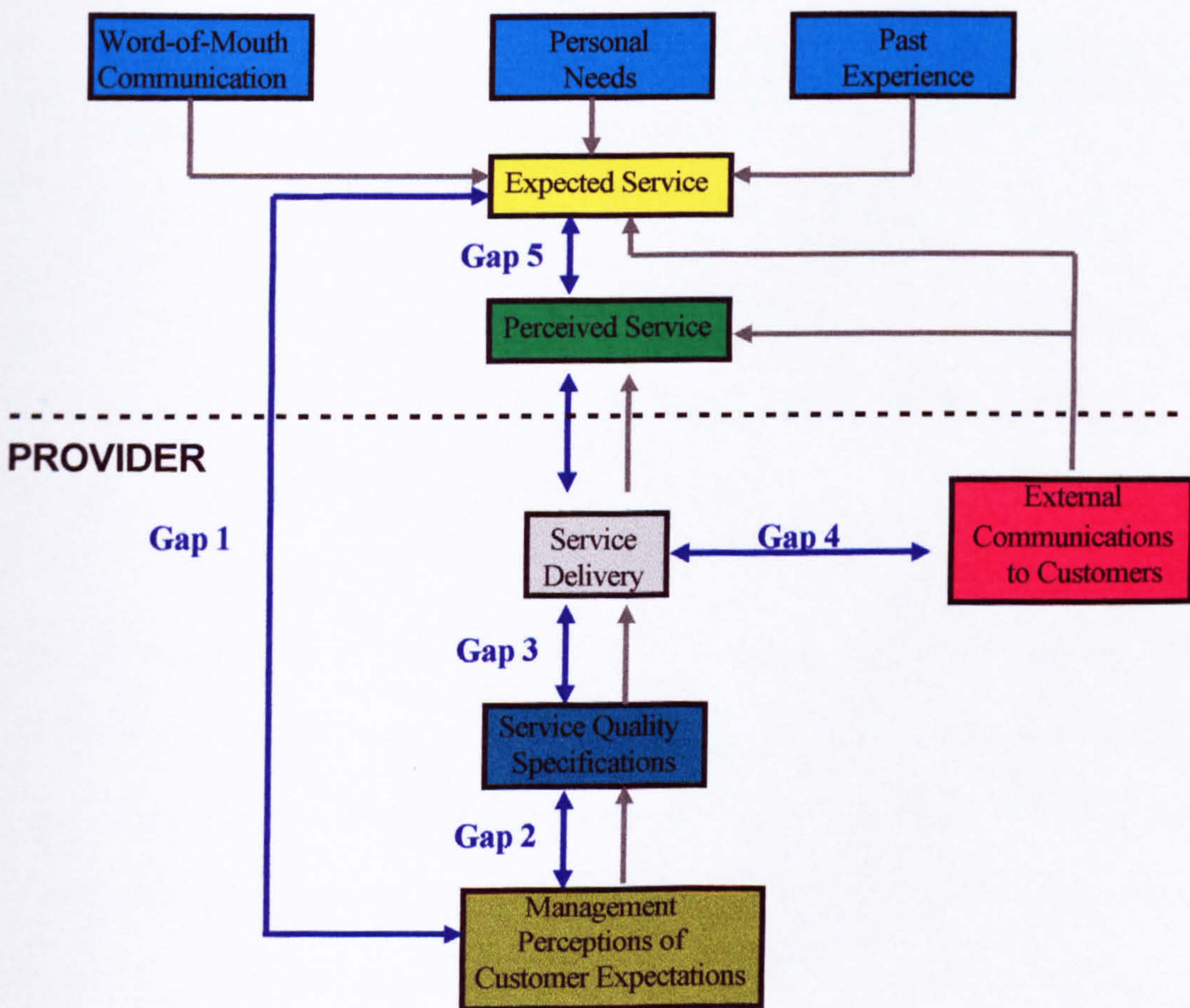
Evaluating service quality based on 3 perspectives namely: shoppers, managements and front-line staffs are important to strike a balance in this service equation and for understanding their interdependent relationships. The Servqual conceptual model is presented graphically in Figure 5.2. Servqual emphasises on



the human element in its design by highlighting on customers, managements and front-line service staffs and the linkages between them. Managers who wish to minimise service shortfalls should try and minimise the Servqual Score or Gap 5. The key to closing this gap is to close Gaps 1 to 4 which are managements and staffs-related issues. Gaps 1 and 2 are within the control of retail managers whereas Gaps 3 and 4 are within the realm of front-line staffs. Therefore, this model is also known as the Gaps Model.

Figure 5.2: Servqual conceptual model

**CUSTOMER**



Source: Zeithaml et al, 1990, 46.



The SERVQUAL is an instrument which measures service quality from the customers' perspective. In the beginning, Zeithaml et al (1990) developed a 97-items instrument from a wide range of service industries in order to generate a concise instrument that could assess service quality across a variety of firms. It was finally reduced to 22 statements covering 5 dimensions to ascertain the general expectations of the customers. In their customers' focus group study with many rounds of testings for reliability and validity, the following 5 dimensions surfaced as important criteria which customers use for judging service performance:

<b>Servqual Dimensions In Evaluation</b>	
<b>Tangibles</b>	Appearance of physical facilities, equipment, personnel and communication materials
<b>Reliability</b>	Ability to perform the promised service dependably and accurately
<b>Responsiveness</b>	Willingness to help customers and provide prompt service
<b>Assurance</b>	Knowledge and courtesy of employees and their ability to convey trust and confidence
<b>Empathy</b>	Caring, individualised attention the firm provides its customers

Source: Zeithaml, Parasuraman & Berry, 1990, 26.

Because of the principles of inseparability and intangibility, customers are often in the premise to interact with the service staff. Customers are searching for cues to determine the retailer's capabilities. Physical environment such as store setting, cleanliness, decor, signage, etc will give customers an overall impression of what to expect. Service personnel also present visual cues to what customers can expect in terms of their uniforms and non-verbal cues. The 5 dimensions cover



these 2 elements well with tangibles reflecting on the physical element and the other 4 dimensions relating to people skills.

In their model testing, Zeithaml et al (1990) found that reliability was rated as the most important dimension while tangibles was ranked as the least important. In other words, customers like neat and organised service staffs who are able to perform their promised service dependably and accurately.

Using the SERVQUAL instrument, managers can evaluate their service performance as a function of these 5 dimensions. Strategies can be formulated to improve on any deficient areas. There are 2 sections in the SERVQUAL instrument: the expectations section which consists of 22 statements and a perceptions section which consists of a matching set of company-specific statements to evaluate the company in particular. Respondents are asked to rate their expectations on a set of 22 expectations items. Agreement with each item is assessed on a 7-point Likert scale with anchors "strongly disagree" and "strongly agree" and no verbal descriptors for the intervening scale positions of 2 to 6. Next, respondents have to provide their evaluations of the actual service given by the firm on the corresponding 22 perceptions items. The Servqual Score is computed by subtracting expectations items from perceptions items.



For each customer, Servqual Score is computed as follows:

$$\text{Gap 5/Servqual Score for each dimension} = \text{Perception Score for each dimension} - \text{Expectation Score for each dimension}$$

$$\text{Overall measure of service quality} = \frac{\text{Summation of Servqual scores for 5 dimensions}}{5}$$

Managements and front-line staffs are critical in ensuring the delivery of service quality. Managements are the ones who make service decisions whereas the front-line staffs implement these decisions and eventually deliver service. To succeed in service quality, both managements and front-line staffs must work together to achieve synergistic effect.

Gap 1 arises when managements do not fully understand their customers' service expectations and as a result, make a chain of bad decisions based on their wrong perceptions of their customers. As a result, sub-optimal resources allocation on mismatched priorities happens. In short, Gap 1 is the extent of mismatch between what managements think their customers expect and what really matter to them (customers). This implies that service quality companies must provide the right service which their customers perceive as excellent and to do so, these firms must know their customers' expectations well.

Gap 2 refers to a lack of performance standards such that front-line staffs do not fully comprehend the stand taken by managements. This may be due to a



lack of managements' commitment to want to make service quality happen in an organisation; an unwillingness to change and improve customer relations; the lack of standardisation in service tasks; and an absence of goal setting. Having performance standard is important to evaluate the performance of services and signals managements' priorities to staffs, thereby motivating them to achieve this goal.

Gap 3 refers to the discrepancy between service standards and front-line staffs' performance. This happens when actual service delivery falls short of performance standards. This is critical if these standards truly reflect customers' expectations. Front-line staffs need to understand and accept the service standards set. In doing so, they may be encouraged to meet or exceed these quality goals which will emit a great sense of satisfaction on accomplishment of these targets. Some front-line staffs may be motivated to offer new ideas and a quality momentum may develop. Slowly, employees may be more motivated to take notice of such standards and be proactive since any responses received relate to their jobs (Chan, 1990). Possible reasons for Gap 3 include staffs' unwillingness to perform, role ambiguity, role conflict, poor employee-job fit, poor technology-job fit, inappropriate supervisory control system, lack of perceived control and lack of teamwork.

Retailers' external communications through media advertising, sales forces, prices, etc will raise their customers' expectations and be used as standards for

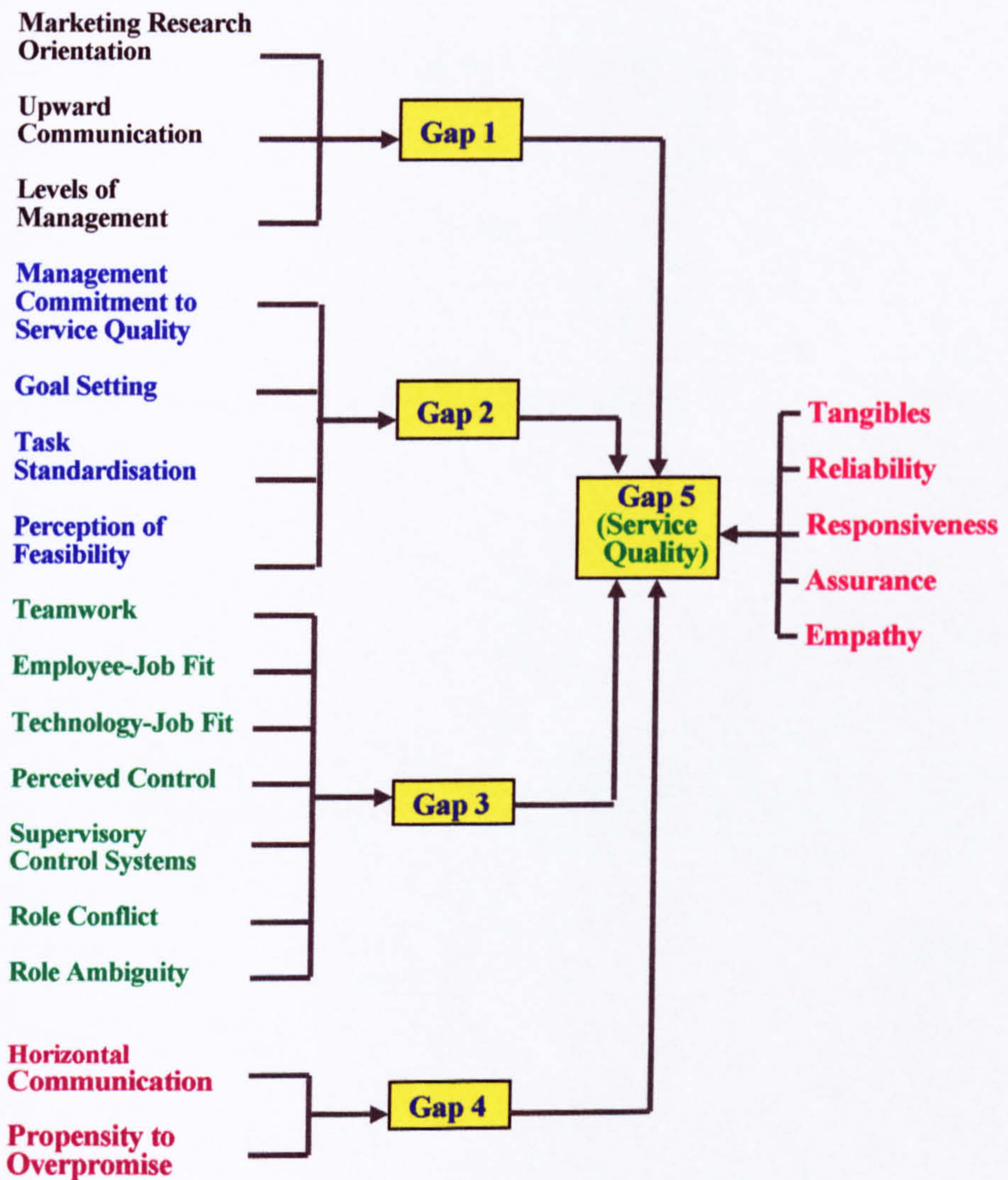


judging their service performances. When external communications result in unrealistic expectations where actual service delivery cannot meet up to, then customers will be misled. This discrepancy where stores' promises do not match the service delivery is known as Gap 4. Factors affecting Gap 4 include inadequate horizontal communication among operations, marketing; human resources, branch units and the propensity to over-promise in external communications.

In summary, the Servqual model adopts the Disconfirmation paradigm to compute Gap 5. The key to closing Gap 5 is to close Gaps 1 to 4 (organisational issues). Gap 1 arises because managers do not know what their customers expect from them; Gap 2 refers to the lack of service-quality standards; Gap 3 refers to the difference between service standards and actual delivery by service staffs and Gap 4 occurs when promises do not match the service delivery. Each of this service gap is important for understanding the service shortfall so that corrective action can be taken. The extended gap model (Figure 5.3) shows the four gaps on the organisational aspect which cause service shortfall from the shoppers' point of view. This framework serves as a useful tool in helping managers understand and research on the level of service quality in organisations in a systematic way.



Figure 5.3: The extended gaps model of service quality



Source: Zeithaml et al, 1990, 131.

### Bitner's model of service encounter evaluation

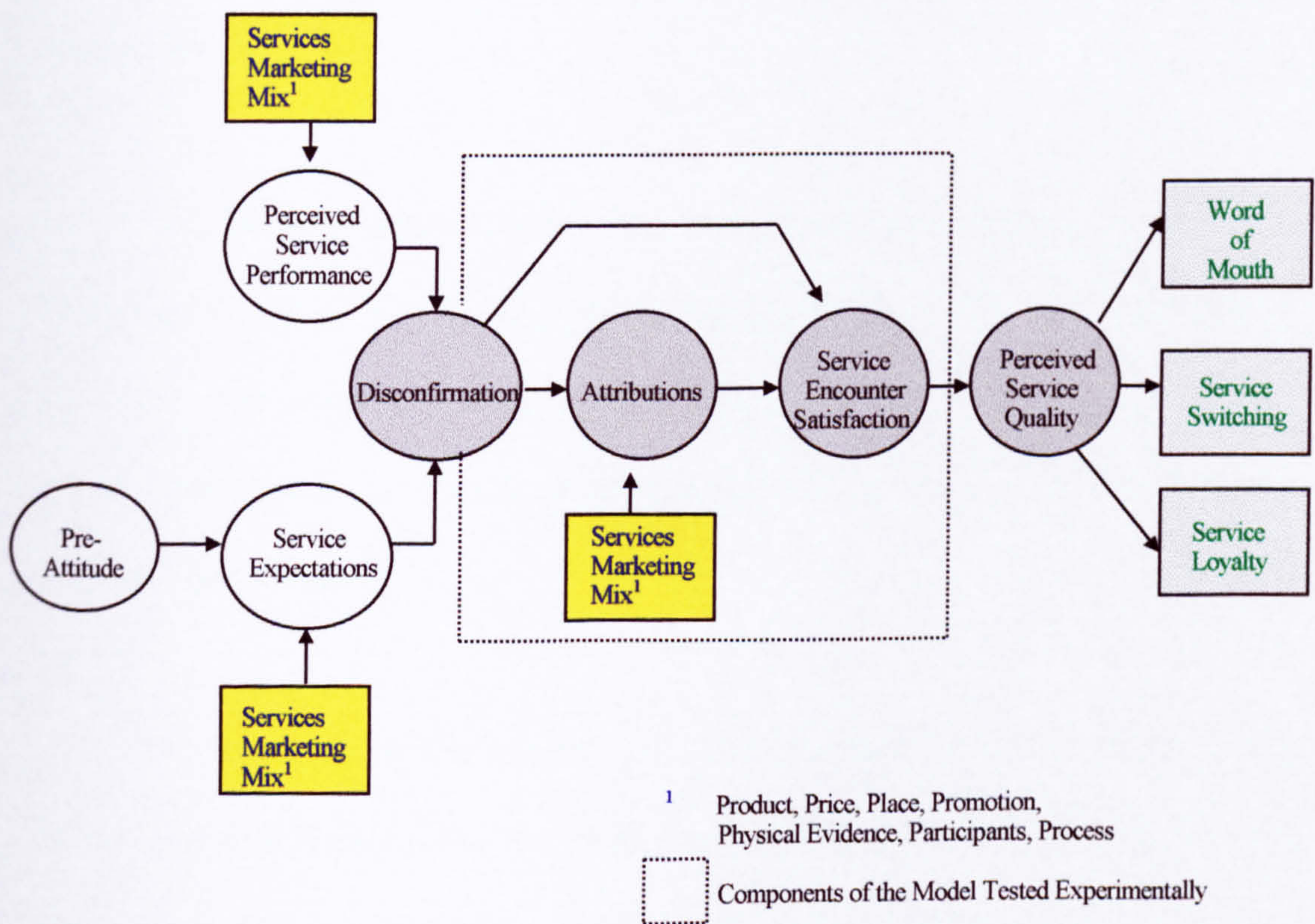
The Servqual model focuses on the 4 gaps to explain any service deficiency.

However, it does not mention any mitigation process which a customer may have when deciding on his/her satisfaction level. The unique element in the Bitner's



model is the attribution factor. Attribution refers to what customers perceive as the cause behind their behaviours, the behaviours of others or the event they observe. Causal attribution serves to mediate the Disconfirmation gap. Customers' satisfaction/dissatisfaction level will be modified accordingly (Figure 5.4). The Bitner's model is also based on the Disconfirmation paradigm.

Figure 5.4: Bitner's model of service encounter evaluation



Source: Bitner, 1990, 71.

The service encounter satisfaction/dissatisfaction after attribution affects the more general construct i.e. perceived service quality. This leads to behavioural intentions toward the retailer.



Bitner (1990) felt that customers would attribute less blame to the retailers if they provide external explanation for their system failures. Organised and professional physical environment implies competency, care and other positive attributes. This makes customers perceive the mistake to be accidental and not within the control of the retailers. In general, customers are dissatisfied if they perceive the cause of system failures to be within the control of the retailers. Retailers must offer explanation and ensure that the same mistake does not happen again.

The Bitner's model implies that every individual service encounter is important for enhancing the overall perception of service quality. Disconfirmation alone does not determine satisfaction/dissatisfaction. Attribution is a mediating factor. Managers need to understand how customers attribute so that they can minimise dissatisfaction.

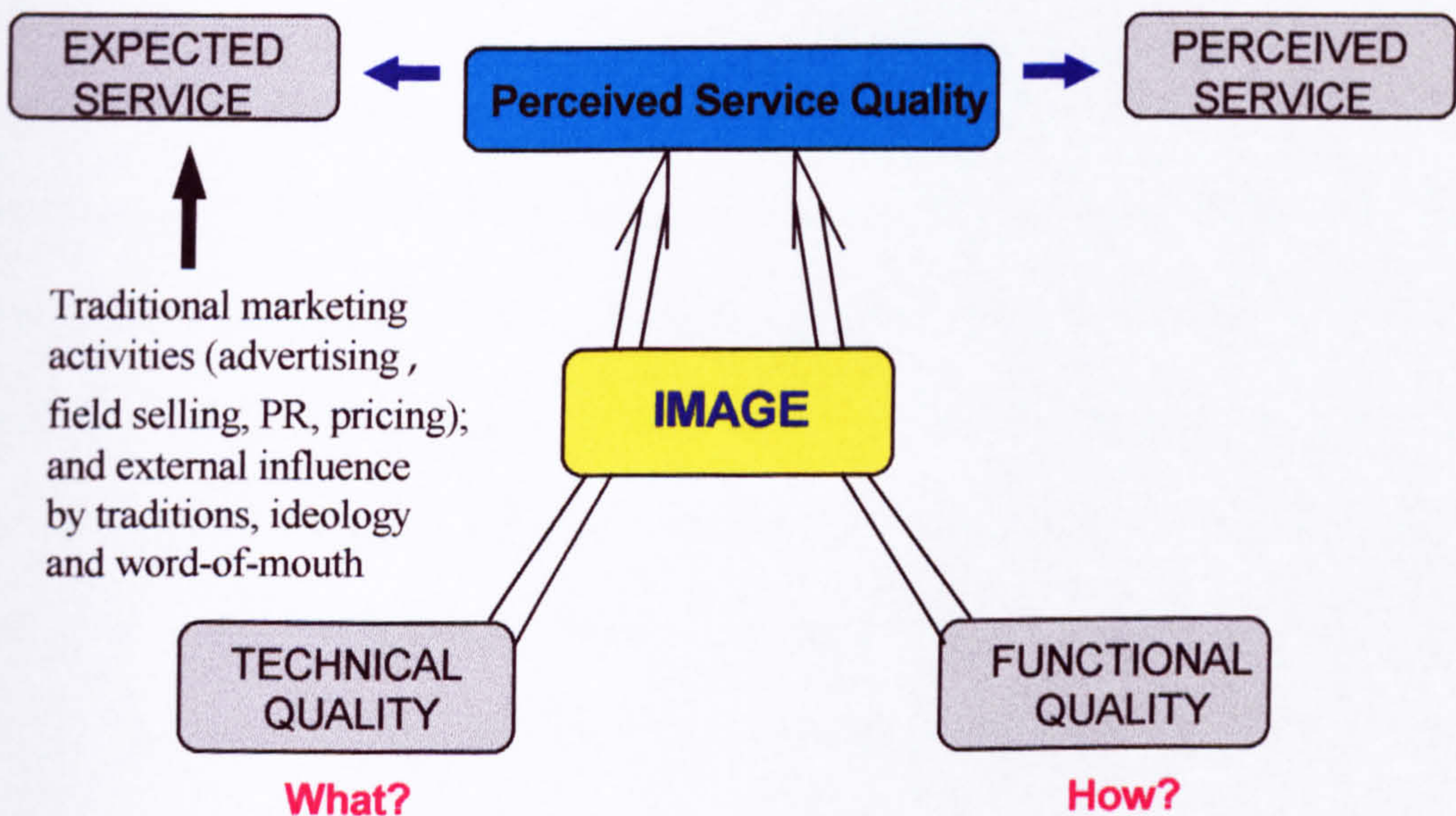
The limitation of this model is the lack of empirical substantiation. The model does not show all the causes and consequences of the service encounter satisfaction. For example, high service quality does not lead directly to service loyalty. Other factors such as money and time constraints may affect it. For example, dining in a fine restaurant with quality food and ambience is often associated with high service quality. But given the cost constraint, people may not eat there often and instead have to settle for more affordable meals with a relatively lower service quality.



## Gronroos' service quality model

Unlike the Bitner's model which focuses on the attribution factor, the Gronroos' model focuses on the importance of the buyer and seller interaction in affecting the level of service quality. Adopting the basic principle in the Disconfirmation paradigm, Gronroos (1984) proposed that service quality is a function of expected service, perceived service, technical quality, functionality quality and image (Figure 5.5).

Figure 5.5: Gronroos' service quality model



Source: Gronroos, 1984, 40.

Perceived service quality is formed by comparing expected service with perceived service. Expected service is the customers' feelings about an outcome



based on promises made by the retailers, ideologies, traditions, word-of-mouth, prior experience and corporate image.

Perceived service refers to actual performance as experienced by the customers. There are 2 types of perceived services: instrumental performance and expressive performance. Instrumental performance refers to the technical dimension of the product. It can be measured objectively. Expressive performance refers to the psychological level of performance which reflects the level of interaction between buyers and sellers.

To achieve positive perceived service quality, perceived service must exceed expected service. There are 2 types of perceived service quality: technical quality and functional quality. Technical quality refers to situation where the technical outcome of a product corresponds with its instrumental performance. For example, a user will rate the technical quality high if the automated teller machine is able to dispense cash in response to his/her instruction. In other words, technical quality refers to what customers will be getting. Functional quality refers to the process when the technical quality is being transferred to the customers. It focuses on the expressive performance of a service by looking at how customers are being served.

To be satisfied, Gronroos (1984) proposed that the functional quality is more important than the technical quality as long as it is satisfactory. For example,



automated teller machines are rated high in technical quality for handling transactions accurately and quickly. However, it may score poorly in functional quality if customers prefer human interaction instead of interacting with machines. This model underlines the importance of the buyer and seller interaction besides excellence in the technical quality.

### **Service Facility model**

The Servqual model emphasises on service personnel as its critical component in its design. Therefore, this model is suitable for people-oriented services where personnel interaction predominates. On a different angle, Turley and Fugate (1992) evaluated service quality based on the service facility. Personnel becomes secondary because this model assumes that satisfaction depends on customers' abilities to interact with the service facility and/or its technical core in order to produce a satisfactory experience.

In other words, customers must enter the service factory and actually participate in the manufacture and delivery of service (Principles of Inseparability). Customers often use cues emanating from this facility to evaluate its service. The facility itself becomes service to the customers. In contrast to this model, the Servqual model only addresses one issue that is tangibles.



Turley and Fugate (1992) hypothesised that the service facility has 5 dimensions. The degree to which the facility can integrate the appropriate dimension is known as facility congruence. The 5 dimensions are as follows:

<b>Dimensions</b>	
<b>Operational</b>	Concerns with producing and delivering a service. The core production technology must either be standard across all service locations or easily adaptable to all levels of customers' experience.
<b>Locational</b>	Refers to actual location of service facility in terms of accessibility.
<b>Atmospheric &amp; Image</b>	Refers to controllable factors associated with the internal or external environment of a service facility that elicits an emotional or physiological reaction from customers. Customers will use whatever cues that are available to them when evaluating a service and in such cases, they will place high importance on how it feels to them.
<b>Consumer Use</b>	Degree to which a facility is designed round customers than operation. Also known as the "user-friendliness' aspect of a service facility.
<b>Contact Personnel</b>	Even in facility-driven services, contact personnel should be there to monitor the various stages of the service process. Make sure that contact people are correctly located at these stages.

Source: Turley and Fugate, 1992

This model seems to focus on the facility aspect of customer service and only attempts to measure quality of service provision. Since customer service is a broader concept encompassing all activities for increasing shopping experience of any customer, this model becomes a little myopic.



## **Servperf model**

Instead of using the expectation-minus-perception scores as suggested by the Servqual model, Cronin and Taylor (1994) suggested that the perception scores by itself is a better indication of measuring service level.

They argued that customer satisfaction exerts a stronger influence on purchase intentions than service quality. Using t-values, Cronin and Taylor showed that customer satisfaction has a statistically significant effect ( $p$  was less than and equal to 0.01) in all 4 industries: pest control, fast food, banking and dry cleaning. They concluded that customer satisfaction is a better construct than Servqual for predicting purchase intentions. This is acceptable given that most people do not always buy the highest quality given their cost, budget and other constraints (Cronin and Taylor, 1994; and Babakus and Boller, 1992).

Servperf focuses only on the perceptions component. It provides a longitudinal index of service quality perception's constituencies over time. In this way, managers will be able to plot their service quality scores over time and monitor their performances.

However, the author feels that by tracking performances alone, managements are unable to gather information on their customers' expectations. Meeting and exceeding these expectations are fundamental to giving excellent service. Therefore, this model is restrictive.



## **Critical incident technique (CIT)**

CIT is a model which looks at successful and failed episodes in accomplishing service tasks. These experiences are known as incidences. Incident is defined as any observable human activity that is sufficiently complete in itself to permit inferences and predictions to be made about the person performing the act.

A critical incident is one which makes a significant impact to the general aim of the activity (Stauss, 1993).

CIT uses content analysis of episodes instead of quantitative solutions in its analysis stage. CIT takes episodes which the respondents have shared and analysed them into one of the 3 groups.

The basic method of CIT is a collection of incidences via direct open-ended interviews either by face-to-face or telephone interviews. Respondents are asked to recall experiences which are satisfying or dissatisfying. Interviewees must clarify the details of the episodes such as what, who, where, when and how.

After the data collection, the episodes which do not meet the 4 criteria are eliminated. The 4 criteria are as follows:

- Must have direct interaction between customers and service staffs;
- Episode must be very satisfying or dissatisfying;
- Be a discrete episode; and
- Have sufficient information to be fully understood.



The qualified incidences are then coded and classified into 3 groups with 12 categories as follows:

- **Group 1: Employee response to service delivery system failures**
  - A: Response to unavailable service
  - B: Response to unreasonably slow service
  - C: Response to other core service failures
  
- **Group 2: Employee response to customer needs and requests**
  - A: Response to "special needs" customers
  - B: Response to customer preferences
  - C: Response to admitted customer error
  - D: Response to potentially disruptive others
  
- **Group 3: Unprompted and unsolicited employee actions**
  - A: Attention paid to customer
  - B: Truly out-of-the-ordinary employee behaviour
  - C: Employee behaviours in the context of cultural norms
  - D: Gestalt evaluation
  - E: Performance under adverse circumstances

Source: Stauss, 1993, 414.

The episodes are sorted according to the similarities in the reported experiences. Different coders will conduct the categorisation process to ensure intercoder reliability. An examination of these 3 groups of critical incidences will shed light on the incidences which are necessary factors leading to customers' satisfaction and dissatisfaction. Bitner et al (1990) concluded from their study that customers attribute their dissatisfaction to system failures and unprompted employee actions. They attribute their satisfaction to unprompted employee actions and employee response to customer needs (Table 5.2). A CIT database can be created to store all the episodes. Analysis of the critical incidences will uncover specific events that cause satisfaction or dissatisfaction.



**Table 5.2: Positive and negative incidences**

	<b>Negative responses (%)</b>	<b>Positive responses (%)</b>
<b>Group 1</b>	42.9	23.3
<b>Group 2</b>	15.6	32.9
<b>Group 3</b>	41.5	43.8

**Source:** Bitner et al, 1990 and Stauss, 1993, 417.

CIT is abstract enough to be applied across many industries. Replication studies using CIT were as follows:

- Hotels, airlines and restaurants (Bitner et al, 1985 and 1989/90)
- Nursing homes (Nyquist and Booms, 1987)
- Mechanical engineering firm (Edvardsson, 1988)
- Bank (Olsen, 1991/92)
- Car repair service (Stauss and Hentschel, 1992)

**Source:** Stauss, 1993, 411.

Care should be taken when using CIT especially when reliability and validity may be affected due to the ambiguity of word meanings, category labels and coding rules. One major critic of the multi-attribute measurement tools is that it is not able to capture the "process" nature of service experiences. Instead, these experiences are recorded as a numeric score.



## ADOPTING SERVQUAL MODEL

Table 5.3: Comparative analysis of the service measurement models

Models	Analysis
Disconfirmation Model	Compares difference scores on a transaction-specific basis to determine the satisfaction level. This model only indicates the satisfaction/dissatisfaction level. It does not suggest ways to improve satisfaction or minimise dissatisfaction.
Servqual Model	Compares difference scores over 5 dimensions to reveal service quality which is a long term overall assessment. The 5 dimensions reflect people skills. This model emphasises on the human element by considering the shoppers, management and staff. It reflects the dependency of these 3 groups of people. It also offers ways to improve service quality through its gap model.
Bitner's Model	Uses an attribution factor as a mitigation process to adjust the satisfaction/dissatisfaction gap on a transaction-specific basis. Perceived service quality is a general construct based on the adjusted satisfaction/dissatisfaction score. This model only shows the outcome of the perceived service quality score and it does not propose ways to improve this score.
Gronoos' Model	Assesses service quality as a function of expected service, perceived service, technical quality and functional quality. Perceived service quality is affected by the instrumental performance (what customers are getting) and expressive performance (how customers are being served). This model focuses on the buyer and seller interaction. It is difficult to implement given the level of variables.
Service Facility Model	Examines the customers' abilities to interact with the service facility in order to derive at the satisfaction/dissatisfaction score. Looks at the user-friendliness of the service facilities. This model is ideal for highly automated form of retailing.
Servperf Model	Relies on perception scores only to predict purchase intention. Proposes that service quality is not important since people do not always buy on highest quality given their cost constraint. However, good quality enhances top of mind recall for most people. The model does not track on people's expectations. Service quality is about meeting and exceeding expectations. Therefore, it becomes difficult to know how to exceed these expectations.



CIT	Creates a database by analysing service episodes of satisfying and dissatisfying service encounters. This list reveals factors which will enhance satisfaction. To do so, one needs to have a large database of incidences. Difference in cultures must be reflected. There is no such database in the Singapore context.
-----	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Table 5.3 compares the different service measurement models for identifying a suitable model to track the service level of downtown department stores in Singapore. Based on these models, the Servqual model is perceived as the most suitable. Firstly, the Servqual model focuses on the human factor in the service process. 4 out of the 5 dimensions relate to people skills such as responsiveness, reliability, assurance and empathy. Besides, it reflects the 3 parties namely the customers(receivers), management (decision makers) and staff (implementers) in any service interaction. To be successful in customer service programmes, all 3 parties must work together. This models reflects the dependency of the 3 parties.

Besides, the Servqual model offers a systematic way to correct any service problem. It uses the shoppers' survey as the starting point for detecting any service shortfall. By comparing customers' expectations of customer service with their actual service performances, Servqual Scores are computed. Known as Gap 5, these scores indicate the extent of service shortfall, if any. A positive score means that customers are highly satisfied with the level of services rendered. A negative score reflects dissatisfactory performance and signals the need for service rectification.



For negative Servqual Score, the next step is to look internally for possible explanations. Decision makers of customer service policies (retail managers) and implementors of customer service (front-line staffs) are scrutinised to detect the main source of the problem. Thereafter, remedial actions can be taken. Servqual classifies service quality into 5 dimensions which enable managers to focus improvement specifically at the deficient dimensions. The movement from external shoppers to internal staff based on the 5 dimensions is a systematic way to assess service performance.

The SERVQUAL instrument provides richer information than the performance-based measure (Servperf model). Parasuraman et al (1991) showed that perceptions rating alone may not reveal the bigger picture in their customer samples of 5 nationally known companies. In Table 5.4, the performance-based measure shows that both responsiveness and empathy need to be improved. The Servqual method reveals that between the 2, responsiveness is worst off and needs remedial action more than empathy.

**Table 5.4: Mean scores of performance-based and Servqual approaches**

<b>Dimensions</b>	<b>Performance-based</b>	<b>Servqual</b>
<b>Tangibles</b>	5.3	0.0
<b>Reliability</b>	4.8	-1.6
<b>Responsiveness</b>	5.1	-1.3
<b>Assurance</b>	5.4	-1.0
<b>Empathy</b>	5.1	-1.1



**Source:** Parasuraman et al, 1993, 146.

Using the SERVQUAL instrument allows the managers to conduct comparative studies to better understand the dynamics of customers' assessments of service quality over time. If there is a change in service quality, managements are able to track whether it arises from a change in expectations, perceptions or both (Parasuraman et al, 1993).

The SERVQUAL instrument is also easy to use and administer (Asubontengetal, 1996). Given that its 22 items are core evaluation criteria that transcend most industries, they form the basic skeleton underlying service quality and can be supplemented with context-specific items, if any. The SERVQUAL has been tested widely in many industries:

- Appliance repair and maintenance firm (Parasuraman et al, 1991)
- Retail banks (Parasuraman et al, 1991)
- Long distance telephone company (Parasuraman et al, 1991)
- Securities broking firm (Parasuraman et al, 1991)
- Credit card companies (Parasuraman et al, 1991)
- Insurance companies (Parasuraman et al, 1991)
- Utility company (Babakus and Boller, 1991)
- Motor carrier services (Brensinger and Lambert, 1990)
- CPA firm (Bojanic, 1991)
- Physicians (Brown and Schwartz, 1989)



- Dental school patient clinic (Carman, 1990)
- Business school placement centre (Carman, 1990)
- Tire store (Carman, 1990)
- Acute care hospital (Carman, 1990)
- Public recreation programs (Crompton and Mackay, 1989)
- Real estate brokers (Johnson et al, 1988)
- Retail Stores (Finn and Lamb, 1991)
- Hospitals (Babakus and Mangold, 1992)
- Travel and tourism related companies (Fick and Ritchie, 1991)
- Hotel and catering (Saleh and Ryan 1991, Knutson et al 91, Oberoi and Hales, 1990)

Source: Parasuraman et al, 1991.

Most researchers advocated the need to fine-tune the SERVQUAL instrument for the firm under study as part of their replication studies using the Servqual model (Finn and Lamb, 1991; and Carman, 1990).

The SERVQUAL instrument has also been statistically tested and accepted.

According to Parasuraman et al (1988), the 22-item SERVQUAL instrument was tested empirically for its reliability, factor structure and validity based on 4 independent samples namely: a bank, a credit card company, a repair and maintenance company and a long distance telephone company.



Under factor structure, the overall patterns of factor loadings were highly similar across all the 4 samples. In addition, the instrument was guided by empirical criteria and by the goal of obtaining a concise instrument whose items were meaningful to a variety of service firms. In the test, both reliability and factor structures indicated that the final 22-item instrument and its 5 dimensions had sound and stable psychometric properties (Parasuraman, 1988).

Under validity, the instrument passed the evaluative test for content validity which refers to the ability of the scale to measure what it is supposed to. Under convergent validity which refers to the association between Servqual Scores and responses to a question which asks customers to provide a single rating of the overall quality service of a firm, it is found that Servqual Scores were very similar to the single rating score for all 4 samples (Parasuraman, 1988)

Face validity refers to the extent to which scale items are meaningful and appear to represent the construct being measured. Babakus and Boller (1991) confirmed the suitability of the Servqual model for the utility industry.

To summarise, the Servqual model is chosen as the framework for tracking service level of downtown department stores in Singapore because of the following:

- Heavy emphasis on the human factor



- Difference scores which monitor expectations and perceptions of customers
- Systematic approach to improving service gaps
- Ease of use and administration in the local context
- Ability to conduct comparative studies over time

## **CRITICS OF SERVQUAL MODEL**

The Servqual model has a few limitations which affect its ability to fully assess service quality. These limitations include the usage of the shoppers' survey as the starting point; usage of difference score, overlap of Servqual dimensions, lack of discriminant validity, length of Servqual and a forced choice scale.

The Servqual model uses the shoppers' survey as the starting point in tracking the service level. According to Han and Leong (1996), one happy customer would share his/her experiences with 5 others whereas one unhappy customer would share the experience with 9 others. Based on this statistics, retailers should try and recover any service problem before it reaches the customers. Internal customer service should be tracked first instead of the external customer service. Therefore, the starting point should be on the internal surveys. The external survey can be used to countercheck the accuracy of the service health of the retailers.



Cronin and Taylor (1992) and Brown et al (1993) questioned the conceptualisation and measurement approach used in developing the SERVQUAL instrument. They argued that perceptions items always outperform the Servqual scores. This led them to question the appropriateness of the Disconfirmation paradigm for measuring service quality. Peter, Churchill and Brown (1992) echoed the same sentiment.

High expectations scores as a result of the manner in which the terminology of expectations items are asked, are likely to result in negative Servqual scores. This affects the diagnostic ability of the instrument in improving service quality. Brown et al (1993) showed that SERVQUAL has variance restriction. Variance restriction occurs when 1 of the component score used to calculate the difference score is consistently higher than the other component. Wall and Payne (1973) explained that people tend to rate "what is desirable" on the high end in comparison to "what there is now". SERVQUAL often has its expected or desired level of service rated higher than the perceived level of actual performance. Teas (1993a, 3b) cautioned that the variance in the expectations items may be due to differences in respondents' interpretations of the question being asked rather than to the variance in their attitudes (Smith, 1995).

Replication studies and literature have suggested that it is inappropriate to assign 22 items in the questionnaire to the 5 dimensions because of their correlation (Babakus and Boller, 1992; Babakus and Mangold, 1992; Carman,



1990; Cronin and Taylor, 1992, 1994; and Parasuraman et al, 1991). Overlap among Servqual dimensions are present especially in responsiveness, assurance and empathy (Parasuraman et al, 1991; Babakus and Boller, 1991; Carman, 1990; and Finn and Lamb, 1991)

The SERVQUAL instrument lacks discriminant validity. Discriminant validity refers to the degree to which measures of theoretically unrelated constructs do not correlate highly with one another. Brown et al (1993) showed that the Servqual scores correlated highly with the perceptions items (0.79) and moderately with the expectations items (-0.31). This is not surprising given that Parasuraman et al defined service quality as a function of discrepancy between expectations and perceptions, which imply that the former construct is necessarily related to the latter 2 (Parasuraman et al, 1993).

Finn and Lamb (1991) challenged the generic usefulness of the Servqual model. They felt that the 5 dimensions should not be taken as "off the shelf" measures for service quality tracking for all the industries. Firstly, the 5 dimensions are not directly observable. They are theoretical constructs. For example, the quality of tangibles is dependent on the answers for question 1 to 4 out of the 22 items questionnaire. Hence, tangibles as a dimension is not directly observable. The situation is further complicated when these dimensions overlap in responsiveness, assurance and empathy (Parasuraman et al, 1991; Babakus and Boller, 1991; Carman, 1990; Finn and Lamb, 1991 and Asubonteng et al 1996). Finn



and Lamb (1991) conducted a study to assess the fit of the retail store data to the Servqual model. The presence of the large Chi-square value confirmed that service quality in a retail setting is not a function of the 5 dimensions as identified by Parasuraman et al, 1988. More fine-tuning on the 5 dimensions is needed to customise the measurement of service quality for each specific firm.

Most researchers commented on the length of the Servqual instrument: a total of 44 questions. This lengthy questionnaire affects the data collection method. Most replication studies were mail surveys with the exception of Finn and Lamb (1991). Because Finn and Lamb (1991) used telephone survey, they had to reduced the 7 point Likert scale responses to 5. This affected the range of responses collected.

Each item in the SERVQUAL instrument is measured on a 7 point Likert scale anchored by strongly disagree (scale = 1) and strongly agree (scale = 7). If a respondent would like to record a "don't know" response because he/she is unable to comment, there is no allowance for this response. Some respondents may choose scale 4 in this forced choice scale. This affects the gap computation and analysis (Smith, 1995).

## **FINE-TUNE THE SERVQUAL INSTRUMENT**

To address the critics on the 5 Servqual dimensions, Carman (1990) suggested that additional context-specific questions should be added. Wordings



of the questionnaire should be changed to reflect the situation of the study more closely. Along the same line, Finn and Lamb (1991) coaxed researchers not to take the Servqual instrument as an "off-the shelf" measurement tool. Much refinement is needed. For this research project, the 5 dimensions are carefully worded to reflect the service level of a department store context.

Replication studies showed that negatively-worded questions caused confusion among respondents (Carman 1990; Smith 1990; and Babakus and Mangold 1992). 16 positively-worded and 6 negatively-worded questions were pretested with a sample of 300 customers of a telephone company. Standard deviation of negatively-worded questions was consistently higher (mean standard deviation was 2.07) than positively-worded questions (mean standard deviation was 0.77). The results indicated respondents' confusion in answering the 2 types of questions. Also, managers of the 5 companies who reviewed the preliminary questionnaire felt that the negatively-worded questions sounded awkward and were not as meaningful as the positively-worded ones (Parasuraman et al, 1991). For this survey, all questions in the questionnaire are positively-worded.

The terminology for the expectations statements should be changed to minimise the biased response. Based on Parasuraman et al's pretest in 1988, expectations statements had higher mean of 6.22 out of 7. Parasuraman et al suggested that the "should" terminology encouraged responses at the high end. As a result, there were high means and low standard deviations. They



recommended that "would" be used instead. For example, the modified statement should read: "Excellent telephone company will insist on error-free records" (Parasuraman et al, 1991; and Smith, 1995). This change is also reflected in the department stores' modified questionnaire.

Parasuraman et al urged all researchers to use the SERVQUAL instrument in its entirety as much as possible. Deletion of some of the 22 items would affect the integrity and ability of this instrument to measure service quality. Context-specific questions should be added for clarity (Parasuraman et al, 1991 and Smith, 1995). In the department stores' survey, the questionnaires are administered to the shoppers at the store level. Given the level of distraction on the shop floor, the buying motive of the shoppers and possible respondents' fatigue, the number of items per questionnaire is reduced. Culturally, Singaporeans are not receptive to taking part in surveys. Too lengthy a questionnaire will discourage them. The author hopes that the large sample size of 2000 will give a good representation of the 5 service dimension.

To address the forced choice set where the Likert Scale did not cater for a "don't know" response for respondents who are not able to comment, the respondents for the department stores' survey are qualified by their purchases. In other words, the data collectors seek the views of shoppers who have completed their transactions. In this manner, respondents should be able to comment on most aspect of the stores.



The author decides to use the difference score to evaluate the level of service. Also, special attention will be channelled to see if responses among Singaporean shoppers bear the same trend as those reported in Cronin and Taylors' work whereby respondents gave higher scores for perceptions than expectations (Tables 8.4 and 8.6). Details on the modifications made to the questionnaire for the department stores survey are highlighted in chapter 6.

## SUMMARY

Measuring service quality is a complex task given its continuous and subjective nature. The differences between goods and services make measurement tools for tangible goods inappropriate for measuring service quality.

A few measurement models for service quality were examined namely: Disconfirmation model, Servqual model, Bitner's model, Gronroos' service quality model, Service Facility model, Servperf model and CTT.

The Servqual model was selected as the most appropriate measurement tool for this research study mainly because of its human orientation. Critics for this model included the usage of the external survey as the starting point, usage of a difference score; overlap of the 5 Servqual dimensions; lack of discriminant validity; length of questionnaire, and a forced choice scale. Possible areas for refinement to improve the Servqual instrument were discussed.



Chapter 6 sets the stage for the research work to be carried out amongst the 7 participating department stores in Singapore. It looks at the primary research methodologies based on the Servqual model. Being the first attempt to use the Servqual model in a non-western place, modifications are needed to cater to the local context and constraints.

Chapter 1 to 5 comprised mainly primary and secondary data to help the author understand the current retail challenges, department store concept, customer service concept and the service measurement models. Hence, the author is able to contribute to the academic understanding of the Singapore retail scene by her pioneering effort to document this retail evolution in Singapore with emphasis on the issues faced by retailers in the 1990s. The department store sector is documented to reveal its glorious past and its troubled state. The customer service concepts, most of which originated from the western regions, are examined to see if it can be applied to the Singapore context. Service measurement models are also considered for tracking the local service level. Modifications are proposed to customise the model for the local scene. Next, the author sets out to assess if the customer service concept and the Servqual model can be applied in a non-western region i.e. Singapore by carrying out a survey project.



## CHAPTER 6

### PRIMARY RESEARCH METHODOLOGIES - THE EXTERNAL SURVEY (SHOPPERS)

*"Never promise that you can't deliver and never assume that you can unless you measure the results".*

*(Katz, 1987)*

#### INTRODUCTION

The latter part of this thesis is survey-oriented. The application of the Servqual model in a non-western region such as Singapore required modification in the research methodologies to cater to the local context. Being the first attempt in tracking the retail service level, there is a lack of literature and historical data in this area. The author hopes to contribute to the academic understanding of using the Servqual model to track retail services in Singapore and document any modifications made.

This chapter begins with the shoppers' survey, a first step in the Servqual's 3-prong approach. If a service gap is present, internal surveys on the managers and the front-line staffs would be conducted to explain for this service gap.

#### RESEARCH FUNDING

The full financial costs for conducting this research study was sponsored by NETS. On completion, the exclusive proprietary right of this research findings



belongs to NETS. NETS intends to share the findings with their clients (retailers) to help them make better service decisions. By doing so, NETS benefits indirectly from the better sales performance of these retailers.

The research project was conducted from October 1993 to February 1994 and involved 8 department stores. Applying the Servqual model of service quality, a comprehensive survey was carried out on 2,200 shoppers, 400 front-line staffs, and management staffs of the 8 participating department stores. Though NETS sponsored the costs of this survey project, they did not interfere with the research methodologies. The only request which they proposed was to include Emporium Holdings because Mr. Teh Ban Lian, the Managing Director of Emporium Holdings, is also the Chairman of the Singapore Retailers Association. They also agreed that the findings of Emporium Holdings would not be reflected into the industry average since it is not a downtown department store.

## **SHOPPERS' SURVEY**

The external survey was the starting point in the Servqual model to track the current service level of department stores located along Orchard Road and to affirm the value of customer service on customers' purchase decision.



## **Objectives**

To understand how customers view customer service in terms of:

- | their likely reactions to any unsatisfactory service.
- | the impact of customer service as a factor in influencing where to shop.
- | their rating on the current service level of department stores located on Orchard Road.
- | assessing the importance of the 5 criteria dimensions used in evaluating service quality based on the Servqual model.
- | their expectations on ideal service level using SERVQUAL.
- | their perceptions on company-specific service encounter using SERVQUAL.
- | the presence of Gap 5 by computing the Servqual Score.

## **Methodologies**

Based on a survey conducted by Frank Small & Associates and commissioned by NETS in July/August 1992, service expectations of respondents in the city were higher than those shopping in the suburbs. The survey showed that respondents considered service as important as price in the city but ranked price and convenience ahead of courtesy for suburban shopping.



Addressing these different expectations of shoppers, only department stores located along the prime Orchard Road were selected for this survey to ensure consistency. NETS short-listed 11 retailers in order to make provision for some who might turn down the interviews (refer to appendices - Nets' authorisation letter). The following 8 department stores agreed to participate:

CK Tang Ltd

Emporium Holdings (S) Ltd

Isetan Scotts

Robinson & Co (S) Pte Ltd

Singapore Daimaru Pte Ltd

Sogo Department Stores (S) Pte Ltd

Takashimaya Singapore Ltd

Yaohan Singapore Pte Ltd

Emporium Holdings was included in this external survey even though it focuses on suburban shopping. Its Managing Director, Mr. Teh Ban Lian, was keen to participate in this survey. Being the Chairman for the Singapore Retailers Association, NETS felt obliged to invite his store as one of the participants. However, findings on Emporium Holdings would not be combined with the industry average which consisted mainly of downtown stores for this study.



The author has to design and organise the 3 surveys based on the local context and within cost, time and manpower constraints. Thirty final year Diploma in Business students of Temasek Polytechnic were engaged as data collectors at the shop floor. These students studied Marketing Research in their second year of study. Therefore, they are trained in data collection. In addition, they attended a day of pre-survey briefing to understand the survey methodologies and to role play. After the survey, they attended a post-mortem brief to provide feedback on the data collection phase.

At each of the participating department stores, face-to-face interviews with its shoppers were conducted by these students. The sample size for each retailer was 300. However, for Takashimaya and Emporium Holdings, only 200 shoppers per retailer were interviewed due to either low traffic or small size. Takashimaya opened in 1993. At the time of survey, the store traffic was low. Emporium Holdings in Hougang is a smaller store at the suburban level. Therefore, the total sample size for this shoppers' survey was 2,200:

$$\begin{array}{l} 300 \text{ respondents} \times 6 \text{ retailers} = 1,800 \\ 200 \text{ respondents} \times 2 \text{ retailers} = 400 \end{array}$$

However, since Emporium Holdings was outside the sample quota, the total sample size used for analysis would be 2,000.



The average sample size for most professional research firms on a project of this scale and nature is between 500 - 1,000. (Frank Small & Associates - 600, Acorn Marketing Research - 1,000 and Direct Consulting Group Limited - 500). This arrangement of 300 respondents per retailer was to gather company-specific responses. Company-specific feedback based on its 300 respondents could be given to each participating retailer in addition to the general industry average.

The confidence level and the sampling error of a total sample size of 2,000 were as follows:-

Sample size	Confidence level (%)	Sampling error (%)
2,000	90	1.83
2,000	95	2.19

NETS contacted the participating retailers directly to encourage them to participate in this service tracking survey. This strengthened the credibility of the survey project in view of NETS' support and endorsement. As such, participation rate was good.

Thirty final year Diploma in Business students of Temasek Polytechnic, trained in Marketing Research in their second year of study, were involved as data collectors in this massive external survey. Interviewers' biases were minimised given their market research knowledge in data collection, methodology and



survey briefings. Students were paid a nominal sum of S\$1 per completed questionnaire. NETS provided the premium which was a hand towel worth S\$1.50 as a token of appreciation to the interviewees for participating.

Instead of home visits which could be time-consuming and costly, store-based interviews were proposed. To minimise respondents' distraction on the shop floor, a precise questionnaire was structured to solicit the exact response. The purpose of the external survey was to gather general views on the service performance of department stores. Given the time, cost and resource constraints, the shopfloor interview was sufficient for this study. To gather a representative view for this interview, quota sampling was adopted.

Firstly, the target respondents should be active and familiar to the shopping scene in order to be able to give constructive comments. Given this requirement, respondents should be between 15 to 59 years old. For coding purpose, there were 3 broad age categories namely 15 - 29, 30 - 44 and 45 - 59. Using the Singapore population census figures as guide, the proportions of people in each age group and their sexes were computed (Table 6.1). This ensure that the proportion of the age and sex of the sample were reflective to the Singapore's population. According to the Yearbook of Statistics, Singapore 1992, the actual population ratios based on age and sex were as follows:



**Table 6.1: Population ratio: age vs sex**

Age Group (Years)	Total		Males		Females	
	No.	%	No.	%	No.	%
15 - 29	721.9	38	366.0	38	355.9	38
30 - 44	804.2	42	408.8	42	395.4	42
45 - 59	377.0	20	189.2	20	187.8	20
<b>Total</b>	<b>1903.1</b>	<b>100</b>	<b>964.0(51%)</b>	<b>100</b>	<b>939.1(49%)</b>	<b>100</b>

Source: Yearbook of Statistics, Singapore 1992, Department of Statistics, Singapore, 32.

Based on Table 6.1, a sample size of 300 respondents was gathered on this basis:

**Table 6.2: Sample for 300 respondents based on age and sex**

Age Group (Years)	Total		Males		Females	
	No.	%	No.	%	No.	%
15 - 29	114	38	58	38	56	38
30 - 44	126	42	64	42	62	42
45 - 59	60	20	31	20	29	20
<b>Total</b>	<b>300</b>	<b>100</b>	<b>153(51%)</b>	<b>100</b>	<b>147(49%)</b>	<b>100</b>

Based on Table 6.1, a sample size of 200 respondents was gathered on this basis:

**Table 6.3: Sample for 200 respondents based on age and sex**

Age Group (Years)	Total		Males		Females	
	No.	%	No.	%	No.	%
15 - 29	76	38	39	38	37	38
30 - 44	84	42	43	42	41	42
45 - 59	40	20	20	20	20	20
<b>Total</b>	<b>200</b>	<b>100</b>	<b>102(51%)</b>	<b>100</b>	<b>98(49%)</b>	<b>100</b>



Secondly, the respondents should have transacted at the participating stores in order to comment on the level of service extended to them in the sale encounter. This was done to minimise the “don’t know” responses. Interviewers were advised to single out shoppers who were carrying the stores’ carrier bags as an indication of their purchases.

Thirdly, the survey required the respondents to compare responses with the other department stores. Therefore, respondents need to be familiar with the local retail scene and tourist shoppers were excluded. Finally, to avoid duplication, respondents were asked if they have taken part in this survey before as a screening step.

The interview was conducted on the busiest day and time of the trading week of department stores to ensure a wide pool of respondents to select from. According to NETS, the busiest day and time was Saturday's afternoon from 12 p.m. to 9.30 p.m.. Students were stationed at the main doors of the stores. With structured questionnaires in hands, they approached every tenth customers who walked out of the store with carrier bags in their hands. Their role was to guide the participants by interpreting the questions and filling the responses for them. The average duration for each interview was 10 minutes. They followed this procedure and approached customers based on the quota outlined in Table 6.2 and Table 6.3.



The Statistical Package for Social Sciences (SPSS), a statistical software, was used to analyse the data based on frequency distribution, cross tabulation and central tendency concepts.

### **Questionnaire design**

The questionnaire was divided into 4 sections for gathering the profile of respondents; customers' views of customer service; their expectations of a department store offering excellent customer service and their perceptions of the service performance of a particular store.

Modifying the SERVQUAL instrument, only 5 questions were formulated. The SERVQUAL instrument has 22 items with a few questions measuring each dimension. Given the distraction on the shopfloor and the buying motive of shoppers, the complete SERVQUAL instrument of 44 questions was too lengthy to conduct. This might cause respondents' fatigue and solicit biased responses.

Parasuraman et al (1991) proposed that the complete SERVQUAL instrument be used to ensure its integrity as a measurement tool. The appropriate data collection method is mail survey where respondents will be able to participate without distraction. However, the response rate for mail survey is low and it will be difficult to control and verify the actual respondents who filled up the questionnaire. Finn and Lamb (1991) used the telephone survey and reduced the 7 point Likert scale to 5 in order to facilitate data collection.



Because marketing research in retail is at its novelty stage in Singapore, most people are not receptive to being interviewed. As such, to increase the response rate, the questionnaire has to be precise and short. The SERVQUAL instrument was shortened to reflect only the most relevant questions among the choices given for each of the 5 dimensions. The author hopes that the large sample size of 2000 would compensate for the lack of questions for each dimension. In addition, context-specific questions (Q1, Q2, Q23 to Q26) were added (Parasuraman et al, 1991 and Smith, 1995).

To ease data collection on the shop floor, all questions were positively-worded. Negatively-worded questions were removed. This move was supported by the replication studies in Carman 1990; Smith 1990; and Babakus and Mangold 1992 which showed that negatively-worded questions caused confusion among the respondents.

The new terminology for the expectations statements reflecting "would" instead of "should" was adopted for the expectations section. This would help to reduce the high ratings for the expectations section as evidenced in Parasuraman et al's pretest survey in 1988. (Parasuraman et al, 1991 and Smith, 1995).

The structure of the questions was as follows:

! About customer services



- Q1 - Q5 To find out customers' reactions to bad service encountered on a Likert Scale of 1 to 5.
- Q6 - 11 To find out which factors are important in influencing customers' decision making on where and which retailer to shop with on a Likert Scale of 1 to 5.
- Q12 To find out the importance (ranking) of the 5 dimensions in evaluating quality service from a customer's perspective.

;  
**Expectations of excellent customer service retailer**

Q13 - Q17 required the respondents to think about a local department store which provides excellent service. The objective of these questions was to gather customers' feelings on the extent to which such a store possesses the feature described by each statement (expectations). The 5 statements representing the 5 dimensions were as follows:

- Q13 - Tangibles
- Q14 - Reliability
- Q15 - Responsiveness
- Q16 - Assurance
- Q17 - Empathy



**! Perceptions of the department store which a customer has just transacted**

Q18 - Q22 measured the customers' perceptions of a particular store under study. For each statement, they would indicate the extent to which they believed that the store has displayed the feature as described by the statement:

Q18 - Tangibles

Q19 - Reliability

Q20 - Responsiveness

Q21 - Assurance

Q22 - Empathy

**! Profile of respondents**

Q23 - Q26 tapped the general basic information of the respondents.

**! Likert scale**

Given the distraction factor of a shop floor interview, a scale of 1 to 5 instead of 7 was adopted so that the respondents could interpret the scale easily.



## **Servqual Score**

To compute Gap 5/Servqual Score:

Gap 5/Servqual Score for each dimension

$$= \text{Perception Score for each dimension} - \text{Expectation Score for each dimension}$$

To compute the Overall Measure of Service Quality

$$= \frac{\text{Summation of Servqual Score for each of the 5 dimensions}}{5}$$

The Servqual Score for the industry would be computed based on all the responses.

### **Pilot test - Shoppers' survey**

On 2 October 1993, the shoppers' survey was pre-tested with 122 respondents at Emporium Holdings to ensure that the questionnaire was generally sound and effective in its data collection.

An analysis of the 122 responses showed that questions 1 to 11 should be rephrased to collect responses more meaningfully. The Likert Scale of 1 to 5 was problematic. Though user-friendly, the 5 scales were too limited in enabling the respondents to reflect their different intensities of feelings. For example, if one feels positively towards a dimension, he/she has only 2 scales namely agree (scale 4) or strongly agree (scale 5). According to Table 6.4, the mean and frequency of a



5-point scale were too close for questions 1 to 11. Most respondents indicated the scale of 5 for these questions. As such, the responses were not discriminating enough for analysis and interpretation. Responses to questions 13 to 22 were also too close with most respondents choosing scale 5 (Table 6.5).

Table 6.4: Mean & frequency table for questions 1 to 11 (Pilot Test)

Questions	Mean	Frequency (Scale 5)
Q1	4.37	78
Q2	2.84	36
Q3	4.33	81
Q4	2.98	31
Q5	0.00	Others
Q6	4.46	86
Q7	4.48	85
Q8	4.29	83
Q9	4.16	71
Q10	3.60	53
Q11	0.12	Others

Note: "Others" in Q5 and Q11 meant that respondents were asked to state other factors not considered in the questionnaire and ranked these "other" factors accordingly.

Frequency count was based on responses for scale 5.



**Table 6.5: Mean & frequency table for questions 13 - 22 (Pilot Test)**

<b>Questions</b>	<b>Mean</b>	<b>Frequency (Scale 5)</b>
Q13	3.71	58
Q14	4.50	82
Q15	4.30	73
Q16	4.43	82
Q17	3.73	57
Q18	3.81	43
Q19	3.87	49
Q20	3.90	48
Q21	3.88	45
Q22	3.43	39

**Note:** Frequency count was based on responses for scale 5.

### **Questionnaire design - REVISED**

Based on the above, the questionnaire was re-structured based on the followings:

**i About customer services**

**Q1** To find out customers' reactions to bad service encountered on a Likert scale of 1 to 7.

**Q3** To find out which factors are important in influencing customers' decision making on where and which retailer to shop on a Likert scale of 1 to 7.



**Q5 To find out the importance (ranking) of the 5 dimensions as judging criteria in evaluating quality service from a customer's viewpoint.**

**| Expectations of excellent customer service retailer**

**Q6 - Q10 required the respondents to think about a local department store which provides excellent service. The objective of these questions was to gather customers' feelings on the extent to which such a store possesses the feature described by each statement (expectation). The 5 statements used to represent the 5 judging dimensions were as follows:**

**Q6 - Tangibles**

**Q7 - Reliability**

**Q8 - Responsiveness**

**Q9 - Assurance**

**Q10 - Empathy**

**| Perceptions of the department store which a customer has just transacted**

**Q11 - Q15 measured the customers' perceptions on a particular store under study. For each statement, they would indicate the extent to which they believed that the store has displayed the feature as described by the statement:**



- Q11 - Tangibles
- Q12 - Reliability
- Q13 - Responsiveness
- Q14 - Assurance
- Q15 - Empathy

‡ **Profile of respondents**

Q16 - Q19 tapped the general basic information of the respondents.

‡ **Likert scale**

Likert scale has been revised to 7 points instead of 5 points to better reflect the range of responses.

Please refer to the appendices for copies of the pretest questionnaire and the revised questionnaire. The next section highlights and addresses the limitations of the external survey.

## **LIMITATIONS OF THE EXTERNAL SURVEY**

The Servqual model is based on the comparison of a customer's expectation and perception of any service encounter. However, using expectation as one of the key reference point is very tricky.

Expectations refer to the beliefs about the most likely performance of a product or service. It must be highlighted that what is expected does not necessarily correspond to what is wanted or desired. Product breakdowns and



improper functioning produce dissatisfaction regardless of whether they are expected or not. In other words, expectation does not equate to satisfaction all the time. For example, because of money and time constraints, one may have to eat a quick meal at a nearby, no-frill eatery. In this case, the experience will match the expectation but will not result in exact satisfaction sought by that person. Applying the Servqual model which compares expectation against perception, there will be no service gap. In reality, this person will not be as satisfied as the model claims him/her to be. Hence, using expectation as a reference point has its limitations in interpretation and implication.

Also, if a customer is very lenient by giving a low expectation score, this will distort the service measurement. Low expectation score will produce positive result, thereby reflecting no service gap. This is termed as leniency error. On the other hand, high expectation score will produce negative result which implies a service gap. To counter check, one should also examine the perception score. If all the perception scores indicate above average readings which contrast with the difference score, this inconsistency needs to be addressed.

Though expectations-perceptions scores have their limitations, this comparison spurs department stores to try and meet their customers' expectations, which is a motivational goal for all staff. The author would be comparing the difference scores to the perception scores to see if both scores have the same



reading. Based on this analysis, the author would then be able to draw her conclusion about the 2 methods.

The questions in the shoppers' survey were positively-worded to facilitate easy comprehension, faster data coding and minimise respondents' fatigue. The author is aware that a combination of positively- and negatively-worded questions would help to break monotony and alert respondents in their answers. This would minimise generalisation or halo effects in their responses. However, the replication studies of Carman (1990), Smith (1990), and Babakus and Margold (1992) showed that negatively-worded questions created confusion among the respondents. Given the distraction on the shopfloor and the fact that these questionnaires have to be administered in a short time, only positively-worded questions were used.

Because Gap 1 required the comparison of responses from the shoppers' and the managements' surveys, these 2 sets of questionnaires were worded in the same manner to facilitate comparison. Hence positively-worded questions were used in the internal surveys as well (Refer to chapter 7 for the managements' survey).

The questions in the shoppers' survey were worded in English and shoppers were assisted by students acting as field interviewers. For non-English speaking respondents, translation errors might occurred and would affect the



accuracy of the responses gathered. However, the language of business in Singapore is English. Most Singaporeans are able to converse in English and therefore, translation error was minimised.

The 7-point scale in the questionnaires might unmask subtle variation in the respondents' expectations and perceptions. For example, if a respondent feels that his/her expectation is between 5 and 6, he/she may record it as either 5 or 6 in the form. The author felt that the 7-point scale was an improvement over the 5-point scale used in the pretest. Going beyond the 7-point scale would be problematic for a shopfloor survey because of the element of distraction.

The lengthy nature of the SERVQUAL instrument, 44 questions, may cause respondents' fatigue. Ideally, for shopfloor surveys, the questionnaire should be precise and short. The author has to balance the amount of information needed with the constraint of the survey setting. As a result, only 1 question per service dimension was selected instead of the original 3 to 4 questions per dimension. The large sample size of 2000 may compensate for the accuracy of the response. Given that the local shoppers are not receptive to surveys, a short questionnaire would prompt better participation rate. Once the department stores' managers are fully convinced of this service tracking survey, the author hopes to persuade them to adopt the complete SERVQUAL instrument by sending mailed questionnaires to their customer database. In the privacy of their homes, respondents may respond well to the 44 questions.



The nature of the external survey required respondents to rate the level of service in general. They were not able to pinpoint the exact perception point where service was exceptional or poor. Service quality measures the overall assessment of the store. This general nature would limit managements' abilities to rectify these service gaps. For example, if customers rated the store as poor in reliability, managements would not know which part of the store caused that poor rating - was it the ladies department, toys' department or even the receptionist?

Shopping behaviours are physiological and psychological in nature. They tend to change over time with changing socio-economic factors as well as individual's purchasing power. The author's analysis was only reflective of the retail patterns at the time of study. Therefore, the author strongly proposed that this service tracking be carried out at a more regular intervals in order to reflect the changes in the customers over time.

One of the quota sampling was to survey respondents with carrier bags as an indication of purchases. While this was done to eliminate the "don't know" responses for the questionnaire, this approach excluded those who did not bought. This formed an important group who might shed lights on why they did not bought from the stores concerned. Therefore, the survey was biased to those who have transacted.



The author was very limited in her time, manpower, cost and industry contacts. Holding a full-time job at a Polytechnic affected the amount of time and energy which she would like to spend on this survey. The use of students as field interviewers instead of professional surveyors in view of budget constraints might affect the quality of the data collection since they lacked industry experience in this trade.

Quantitative information such as floor area, sales and profit figures were regarded as confidential by retailers. Hence, estimation was based on published statistics which might not be updated due to the time lag between data collection and publication. Literature survey was also restrictive as qualitative notes on the local retail industry was lacking. Being the first service tracking survey, there is no historic data available for annual comparative analysis.

The lack of industry contacts and co-operation affected the quality of these survey project. Most department stores were apprehensive about this project and were very cautious in revealing too much especially in a period where they were performing badly . They were extremely time-conscious and did not give this project priority. The author had to accommodate to the terms dictated by them. For example, the number of field interviewers allowed, time and exact location (floor) of survey were dictated by them. By not being able to persuade Metro, a big home-grown department store, to participate, this survey project was incomplete.



With more industry support/co-operation and funding, this survey project would have the potential to be fine-tuned to an acceptable benchmarking tool for the department stores industry. Associations such as the Singapore Retailers Association, Singapore Tourist Promotion Board (Tourism Related Retail Business Department) and NETS can sponsor a more regular service tracking for these department stores.

## **SUMMARY**

This chapter discussed the research methodology of the shoppers' survey, a first step in tracking the level of customer service of downtown department stores. The questionnaire for the shoppers' survey was modified from the SERVQUAL instrument to cater to the local context. Further fine-tunings were made based on the results of a pilot test on 2 October 1993. Limitations of the external survey were also highlighted.

In the event of a service gap, internal surveys on the managers and front-line staff would be launched to rectify the service problem. Chapter 7 describes the primary methodologies for the internal surveys namely: managements and front-line staffs to complete this service tracking cycle.<sup>99</sup>



## CHAPTER 7

### PRIMARY RESEARCH METHODOLOGIES

#### - THE INTERNAL SURVEYS (MANAGEMENTS' & FRONTLINE SERVICE STAFFS)

*Stew Leonard, of the much-acclaimed dairy store in Connecticut, believes that the suggestion box is the "pulse of the business". He empties it every day, compiles the list of recommendations and distributes it to managers and employees. "Criticism and approval are taken to heart", says Leonard.*

*(McGurin, 1986, 38 - 41)*

### INTRODUCTION

Using the external survey as the first step to detect any service deficiency, the Servqual model progresses to examine a retailer's internal factors for possible explanation for the service gap, if any.

In chapter 6, the author discussed the primary methodology for the external survey. Internal surveys on the managements' and front-line staffs' would be activated if there is any service deficiency. This chapter discusses the primary research methodologies for the internal surveys namely: the managements and the front line staffs.

According to the Servqual model, the existence of a negative Servqual Score may arise from managements- and front-line staffs-related issues. The managements and front-line staffs' side of the service equation comprise the following gaps:



- Gap 1 -** refers to the lack of managers' understanding on their customers' expectations.
- Gap 2 -** refers to managers' failure to set appropriate service standards.
- Gap 3 -** refers to the deviation of front-line staffs' performance from their service standards.
- Gap 4 -** refers to the deviation of front-line staffs' performance from the promises made to customers via the external communications.

Based on the above, the appropriate survey respondents for Gaps 1 and 2 should be the managers. Gaps 3 and 4 arise mainly due to the service staffs' performances, hence the appropriate respondents should be the service staffs. The next section discusses Gap 1 and 2 in details. With the understanding on these 2 gaps, a research proposal for the managements' survey is presented.

## **GAP 1 - CUSTOMERS' EXPECTATIONS VERSUS MANAGERMENTS' PERCEPTIONS GAP**

This gap arises when managers do not fully understand their customers' service expectations and as a result, make a chain of bad decisions based on their wrong perceptions of what their customers wanted.



Because of the managers' inaccurate understanding of their customers' expectations, sub-optimal resources allocation arises due to the misplaced priorities. In short, Gap 1 is the extent of discrepancy between what managers think their customers expect and what their customers really want. This means that service quality companies must provide the right kind of services which their customers demand. To do so, these firms must know their customers' expectations well. There are four possible explanations for the occurrence of Gap 1:

#### **Lack of marketing research orientation**

Companies tend to be more operation-oriented by focusing on procedures. They assumed that achieving excellence in operations will lead to success in their businesses. However, in reality, it pays to focus on customers, understands what they want and delivers it more efficiently and effectively than one's competitors. Therefore, companies who want to excel in service quality need to conduct market research to be closer to their customers and understand which features are important to them and react accordingly.

#### **Inadequate use of market research findings**

Market research findings, if use correctly, can greatly enhance managements' decision making by presenting an accurate picture of the market condition. However, some managers may not use the research data fully. One possible explanation is that managers may be bogged down by day-to-day



running of the shop and hence, they do not have time to do strategic thinking based on the research findings. In addition, the research data may be presented in a complex and technical format that is beyond their comprehension level. Even if managers are able to understand the findings, there may be a lack of trust if they doubt the accuracy of the results. Personal bias such as rationalising for one's own pet project even when research data shows negative returns is a likely reason for refusing to accept research findings.

#### **Lack of interaction between managers and customers**

Interacting with customers adds clarity and depth to managers' understanding. It enables them to make better decisions. However, managers' job tasks often remove them from the shop floor. The lack of this interaction deprives managers of the richness of any service encounter and over a period of time, their viewpoints may differ and the gap of mismatch widens.

#### **Too many levels between contact personnel and managers**

Too many levels of staffs between the service staffs and managers inhibit communication and understanding due to the long channel. It is important to link managers closely with their service staffs because one is responsible for decision making and the other is responsible for implementing that service decision. Without co-ordination, the 2 different viewpoints may clash.



To recap, Gap 1 occurs due to insufficient market research; inadequate use of research findings; lack of interaction between managers and customers; and inefficient upward communication between contact employees and managers. Questions were formulated to cover these antecedents in the managements' survey.

## **GAP 2 - MANAGERMENTS' PERCEPTIONS VERSUS SERVICE QUALITY**

### **STANDARDS GAP**

Having performance standard is important to evaluate the service performances and to signal managers' priorities to their employees, thereby motivating them to achieve these standards set.

More often than not, there is a lack of specific performance standard mirroring the managers' expectations on the service performance. Setting service standard looks impossible to achieve given the following conditions:

- | Customers' expectations are unreasonable.
- | Degree of variability inherent in services defies the ability to standardise.
- | Demand of service is erratic and hard to predict.
- | Difficult to change the organisational procedures and personnel's habit of doing things.

(Zeithaml, 1990, 40)



In other words, managers have this mindset that setting service standard is difficult and almost impossible. As a result, they are unwilling to change and accept new ways of restructuring, calibrating and monitoring services.

There are four possible reasons for the lack of quality service standard:

#### **Inadequate managers' commitment to service quality**

Managers tend to emphasise on standards that are easier to measure and track such as cost reduction and sales figure. Saying yes to service quality means providing service to customers based on what they want which is harder to determine.

#### **Perception of infeasibility**

Short-term and narrow thinking mentality of managers deter their creative and optimistic thinking about their customers' needs and endorse their preference to remain status quo. Their resistance to change is strong if they do not sense a need to change. To them, customers' problems are perceived as challenges and puzzles which are impossible to unscramble and solve.

#### **Inadequate standardisation of tasks**

Managers assumed that service tasks cannot be standardised and routinised because of the principles of intangibility and inseparability; and the need to customise to customers' specific needs.



## **Absence of goal setting**

Goals and standards must be present to guide staff in providing service quality. Moreover, these goals must be based on customers' requirements and expectations rather than internal company standards. In this way, features that matter to customer are taken into consideration. Absence of this goal setting procedure results in a lack of performance standard. There is no clear and unified service direction for staffs to follow.

To recap, Gap 2 stems from a lack of service performance standard. This is due to a lack of managers' commitment to want to make service quality happen in an organisation; an unwillingness to change and improve customers relations; the lack of standardisation in service tasks; and an absence of goal setting. Questions were formulated to tap these antecedents for Gap 2 in the managements' survey. The next section describes the research methodology for the managements' survey.

## **MANAGEMENTS' SURVEY**

The managements' survey was activated because of the negative Servqual Score in the shoppers' survey.

### **Objectives**

- ! To examine managers' views on customer service.



- | To assess how well managers understand their customers' perceptions on customer service.
- | To determine the factors affecting managers' abilities to understand their customers' expectations accurately.
- | To determine the factors why managements fail to set service standards.

### **Methodologies**

NETS contacted the participating retailers and explained the rationale for this research survey. Appointments were made with each of the 8 department stores. With a structured questionnaire, personal interviews lasting about 45 minutes each were conducted separately with the management staffs of the 8 participating retailers by the author.

The targeted management level for this interview was one who makes decision regarding customer service policies. The designation of such a person varies from retailer to retailer. He/she must be able to share constructively on his/her managerial views on the service concept. The retailers short-listed by NETS for the survey were listed in chapter 6.

### **Questionnaire design**

This questionnaire comprised 2 sections namely: the managers' views of their customers' expectations; and the managers' perceptions of their operations.



! **Managers' views of their customers' expectations**

**Gap 1 measurement requires a comparison of responses on customers' expectations of a excellent retailer from the perspectives of the customers (chapter 6) and the managements (chapter 7).**

**The following step should be followed to arrive at Gap 1:**

**(A) Compute the average expectations score along the 5 dimensions of the customers' sample (Refer to the external survey - questions 6 to 10)**

**(B) Compute the average expectations score along the 5 dimensions of the managements' sample (Refer to the managements' survey - questions 1 to 5).**

**(C) Compute the difference of  $(B) - (A) = \text{Gap 1}$**

**The more negative the value, the larger is Gap 1.**

**Q1 - Q5 To measure the managers' views of their customers' expectations for each of the 5 dimensions. The sequence of these questions followed closely to Q6 to Q10 of the external survey to facilitate the computation of Gap 1.**



**Q6 - To determine the managers' ranking of the importance of the 5 dimensions used to evaluate service quality.**

**! About their organisations**

**This section measured the managers' perceptions of their operations.**

**Questions were formulated to cover these antecedents so that any deficiency at any antecedents could be highlighted.**

#### **Antecedents of Gap 1**

**Q7 - Marketing research orientation**

**Q8 - Use of research findings**

**Q9 - Upward communication**

**Q10 - Levels of management**

#### **Antecedents of Gap 2**

**Q11 - Managements' commitment to service quality**

**Q12 - Goal setting**

**Q13 - Task standardisation**

**Q14 - Perception of infeasibility**

**Please refer to the appendices for the questionnaire used in the managements' survey. The next section focuses on Gap 3 and 4 which fall within**



the realm of front-line staffs. A front-line staffs' survey would explain these 2 gaps.

### **GAP 3 - SERVICE QUALITY STANDARDS VERSUS ACTUAL SERVICE DELIVERY GAP**

Gap 3 refers to the extent of discrepancy between employees/service staffs' inabilities to meet their performance standards. This happens when actual service delivery falls short of the performance standards and these standards truly reflect their customers' expectations.

Employees need to understand the service standards set. In so doing, they are encouraged to meet or exceed these quality goals which can emit a great sense of satisfaction on accomplishment of these targets. Some employees may be motivated to offer new ideas and a quality momentum may develop. Slowly, employees may become motivated to take notice and be reactive since responses received are related to their jobs (Chan, P.M., 1990). The possible reasons for the discrepancy between delivery and standards are as follows:

#### **Insufficient wage rate**

According to Schermerhorn, Hunt & Osborn (1985), equity theory states that when employees perceive an inequity in their work, they are aroused to restore this imbalance. Inequities exist whenever employees feel that the rewards



for their work input are unequal to the rewards which other employees receive based on the same level of inputs.

Therefore, paying employees insufficiently can cause them to alter their work inputs according to an equity ratio which they perceive as fair, thereby preventing them from contributing to their fullest.

### **Lack of training**

Training can greatly enhance workers' performance if performance deviation is due to insufficient skills and unfamiliarity with the work process. After training, employees may be able to cope with the demand of jobs better, thereby bringing about greater performance and job satisfaction.

### **Role ambiguity**

Role is defined through the expectations, demands and pressures communicated to employees by individuals who have vested interests in how employees should perform their jobs. When employees do not possess the information and training necessary to perform their jobs adequately, they experience role ambiguity. For example, employees should know what is expected from them; how to satisfy these expectations; possess the training and skill to provide the expected service; and know how they will be evaluated and rewarded.



### **Role conflict**

Role conflict arise when one cannot satisfy all the demands of all individuals at the same time. One example is having too many customers needing services from only 1 sales assistant working on the shopfloor at the same time. Hence, this sales assistant will not be able to serve all the customers as attentively as the way his/her manager would like.

### **Poor employee-job fit**

Poor employee-job fit happens because employees are not suited to their positions. Most of the customer contact jobs happen to be at the lowest level of the organisation chart such as the sales representative, the sales assistant, etc. In such a pyramid structure chart, most jobs are filled by sales personnel who are less educated and lower-paid. They also lack language and interpersonal skills to serve customers effectively. Given the high turnover rate of staff at this level, it is difficult to justify the cost of training. Finally in an increasing tight labour market, management may overlook the hiring and selection process in an attempt to fill up these vacancies quickly.

### **Poor technology-job fit**

Technology and equipment can enhance any service performance and enable the company to offer better quality service. For example, the scanner technology at checkout counters not only resulted in accurate prices but also shorter queue and faster checking out.



However, in some industry where technological changes happen very fast, employees may experience much difficulty in trying to keep up with the pace of constant technological changes.

### **Inappropriate supervisory control system**

Most of the control system focuses on output and things that are easy to measure and count such as piecemeal system and performance of individual based on company-defined goals rather than service quality delivery. Hence, the importance of providing service quality is undermined and there is no incentives to encourage employees to provide excellent service since it is not reflected in the control system.

### **Lack of perceived control**

Perceived control refers to the ability to make responses that influence threatening situations and the ability to choose outcomes or goals. When an employee is perceived to be in control of his/her situation, he/she will experience less stress due to the increase in his/her confidence over the things. On the contrary, an employee who does not feel a sense of personal control over the quality of service rendered will tend to feel helpless and discouraged about his/her job.



Organisational rules, procedures and culture may limit employees' flexibility in serving customers and decrease their effectiveness as service staffs to serve well.

### **Lack of teamwork**

All employees must work together before an organisation can deliver excellent service quality. "Support" employees must provide good service to the contact personnel in order to enable them to serve the external customers well. More often than not, customer-contact personnel are targets for the quality improvement effort. However, the providers of internal support services should not be overlooked. Without this support, customer-contact staffs' service performance are greatly affected.

### **Managing external customers**

Some companies seek the co-operation of customers in order to excel in their service quality conquest. For these companies, if their customers do not perform their roles in the service delivery, then service staffs have a harder task meeting their management standards. For example, in McDonalds, customers are encouraged to clear their own trays of food after eating. In so doing, the crew have more time to focus on other chores which management expects them to excel in. Another example is training the customers to do their own banking transactions with automated teller machines so that it freed the bank staffs to handle other non-routine bank transactions.



In summary, Gap 3 stems from the front-line staffs' unwillingness to perform; role ambiguity; role conflict; poor employee-job fit; poor technology-job fit; inappropriate supervisory control system; lack of perceived control; and lack of teamwork.

#### **GAP 4 - SERVICE DELIVERY VERSUS EXTERNAL COMMUNICATIONS GAP**

Expectations created from the external communications through media advertising, sales forces, prices, etc may raise customers' expectations and be used as a standard for judging the actual service performance. When external communications result in unrealistic expectations which actual service delivery cannot meet up, then customers are being misled by the act of over-promise.

Causes for this communication gap are due to the inadequate horizontal communications and the propensity to over-promise.

##### **Inadequate horizontal communications**

Horizontal communications refer to the extent to which communications occur within and between different departments of a company. Because of the differences in department objectives, there are opportunities for conflict. Good coordination between them is important. For example, if the company's advertisement is developed without any inputs from the operations staffs, then the



advertisement may not truly reflect the operations issues and service staffs will have a difficulty time trying to match the image portrayed in this advertisement.

Along the same concept, if there is no co-ordination between the delivery staffs and the sales staffs, then these sales staffs may end up promising more than what the delivery staffs can deliver in their zealousness to close any business dealings. When delivery staffs cannot live up to the promises made by these sales staffs, they (sales staffs) may feel that delivery staffs did not work hard enough to deliver to their customers' expectations.

For employees to deliver quality service, they must first be treated as customers by their companies. Companies must serve their internal "customers" through training, motivation, compensation and recognition so they will put forth their best when it comes to serving the external customers. The way employees are treated will reinforce the way they should treat their external customers.

Breaking down the walls of different departments is important to prevent the possibility of misunderstanding and mistrust from developing. For high quality service concept to work, the service philosophy must permeate through the company.

Consistency in policies and procedures across departments and branches are crucial in providing customers with the same level of service regardless of



outlets visited. For example, McDonald's promptness in taking and assembling orders at the counter should be practised by all its outlets. If an outlet fails in this task, customers may be disappointed with this tardy treatment. The inconsistency of service may generate poor word-of-mouth which eventually affects the McDonald's overall image.

### **Propensity to over-promise**

Propensity to over-promise refers to the extent which a company's external communications do not accurately reflect what the customers experience in the service encounter. In this competitive world, companies may over-promise in selling, advertising and other external communications in order to close their sales deals. However, raising customers' expectations to an unrealistic level may lead to more business initially but discourage repeat purchase due to the resulting disappointment.

Gap 4 is the discrepancy between the service delivery and the external communications which influence the customers' perception of service quality. Factors affecting the size of gap 4 include inadequate horizontal communications among the various departments; and the propensity to over-promise in external communications. The antecedents for Gaps 3 and 4 were reflected in the front-line staffs' survey ( appendices).



## **FRONT-LINE STAFFS' SURVEY**

### **Objectives**

- To understand the front-line staffs' views on quality service.
- To examine the factors that enhance as well as those that hinder their abilities to meet service standards in their service delivery.

### **Methodologies**

Based on the 8 participating department stores, NETS proposed a sample size of 50 front-line staffs per retailer to be surveyed. Most participating retailers were comfortable with this figure given the time and sensitivity constraints. This also minimised the disruption of work for these retailers. Therefore, the total sample size was 400. However, the revised sample size for analysis was 350 since Emporium Holdings does not form part of this study on downtown retailers. Quota sampling was used and the only qualification was that the employee respondents must have at least one year working experience on the shopfloor in order to be familiar with their organisation factors in dealing with their customers. Takashimaya did not have service staffs meeting this requirement since it only opened for business on 6 August 1993 and the survey was conducted in February 1994. On the other hand, Isetan Scotts, which opened on 28 May 1993 did not have the same problem as their staff are transferred from its Havelock Branch.

To ensure confidentiality and to facilitate more feedback, the questionnaire remained anonymous and an envelope was provided for the completed form.



Questionnaires were disseminated through the Human Resource (HR) departments. On completion, respondents returned the questionnaires in sealed envelopes to their HR departments which gave them to the author.

### **Questionnaire design**

Q1 - Q11 measured the staffs' perceptions of their companies and their operations on a Likert Scale of 1 to 7.

### **Antecedents of Gap 3**

- Q1 - Teamwork
- Q2 - Employee-job fit
- Q3 - Technology-job fit
- Q4 - Perceived control
- Q5 - Supervisory control systems
- Q6 - Role conflict
- Q7 - Role ambiguity
- Q8 - Wage
- Q9 - Training

### **Antecedents of Gap 4**

- Q10 - Horizontal communications
- Q11 - Propensity to over-promise



The next section highlights the limitations of the internal surveys. Knowledge of this segment is important for the reader when interpreting the findings in chapter 8 and 9.

## LIMITATIONS OF THE INTERNAL SURVEYS

Some of the limitations of the external survey such as positively-worded questions; time sensitivity; resource constraints; and confidentiality/lack of information apply to the internal surveys as well. The small sample size of the managements' and the front-line staffs surveys would affect the accuracy of the findings. The managers who were interviewed may not spent much time on the shop floor to provide meaningful disclosure. Also, certain managers are apprehensive about the amount of information to disclose. As such, they gave generic and safe responses.

The front-line staffs were able to bring their questionnaires home to do. Respondents' errors occur if different people filled up these questionnaires on behalf of the staffs. Because the questionnaires were handled out by the Human Resources Department, staff shy away from disclosing actual responses for fear of penalty.



## **SUMMARY**

Adopting the Servqual model of service quality, customer service should be examined from the 3 perspectives namely: the shoppers, the managements and the front-line staffs. In chapter 6, an external survey which involved 2,200 shoppers at 8 participating department stores was launched.

The existence of a negative Servqual Score activated the launch of the internal surveys which comprised the managements' and the front-line staffs' surveys. These 3 surveys completed the picture of the service tracking process. Limitations of the internal surveys included positively-worded questions; time sensitivity; resource constraints; confidentiality/lack of information and small sample size. Based on the research methodologies described in Chapter 6 and 7, Chapter 8 discusses the findings and analysis of the external survey.



## CHAPTER 8

### FINDINGS & ANALYSIS - THE EXTERNAL SURVEY (SHOPPERS)

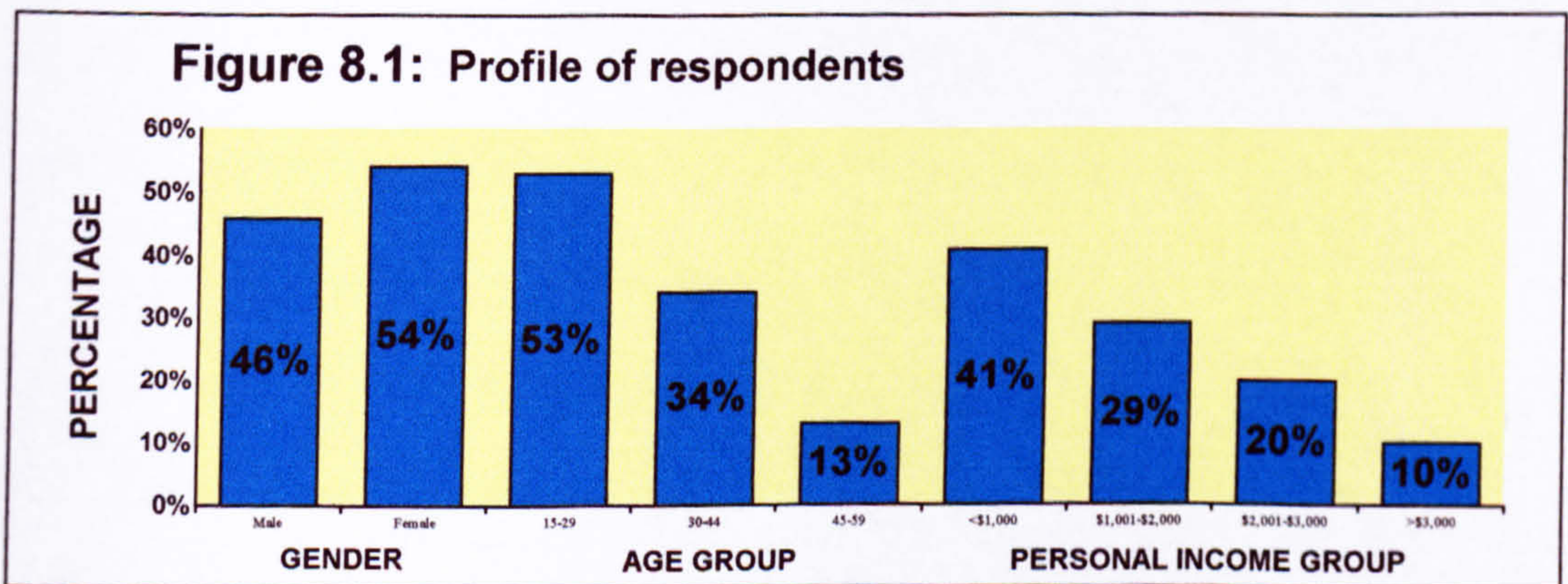
*"More than 85% of shoppers interviewed do not seek redress for bad service received from front-line retail staff. Instead 34% are just happy to bad-mouth the department store in question, while almost 50% simply avoid the issue altogether by boycotting the shops (39%) or doing nothing (14%)".*

*(Netslink, 1994, 1)*

#### INTRODUCTION

Being the starting point in the Servqual model for assessing the quality of service, the external survey was launched from October 1993 to February 1994 and covered 2,200 shoppers from 8 participating department stores. Since Emporium Holdings is not located downtown, the revised total sample size for analysis was 2,000 based on the 7 remaining downtown department stores (refer to chapter 6). The data collected was analysed using the SPSS software. The following themes are concluded from this external survey:

#### PROFILE OF RESPONDENTS





The respondents interviewed for the external survey deviated from the sample characteristics outlined in Table 6.1. The ratio of male to female respondents should be 51% : 49%. The data collectors interviewed more female than male respondents (Figure 8.1). The specified ratio for the 3 age groups of 15-29 years, 30-44 years and 40-59 years old should be 38% : 42% : 20%. However, more respondents in the 15-29 age segment were interviewed (Figure 8.1). Age is related to income. As such, the statistics on income would be affected too i.e. a larger proportion earning less than \$1000 (41%).

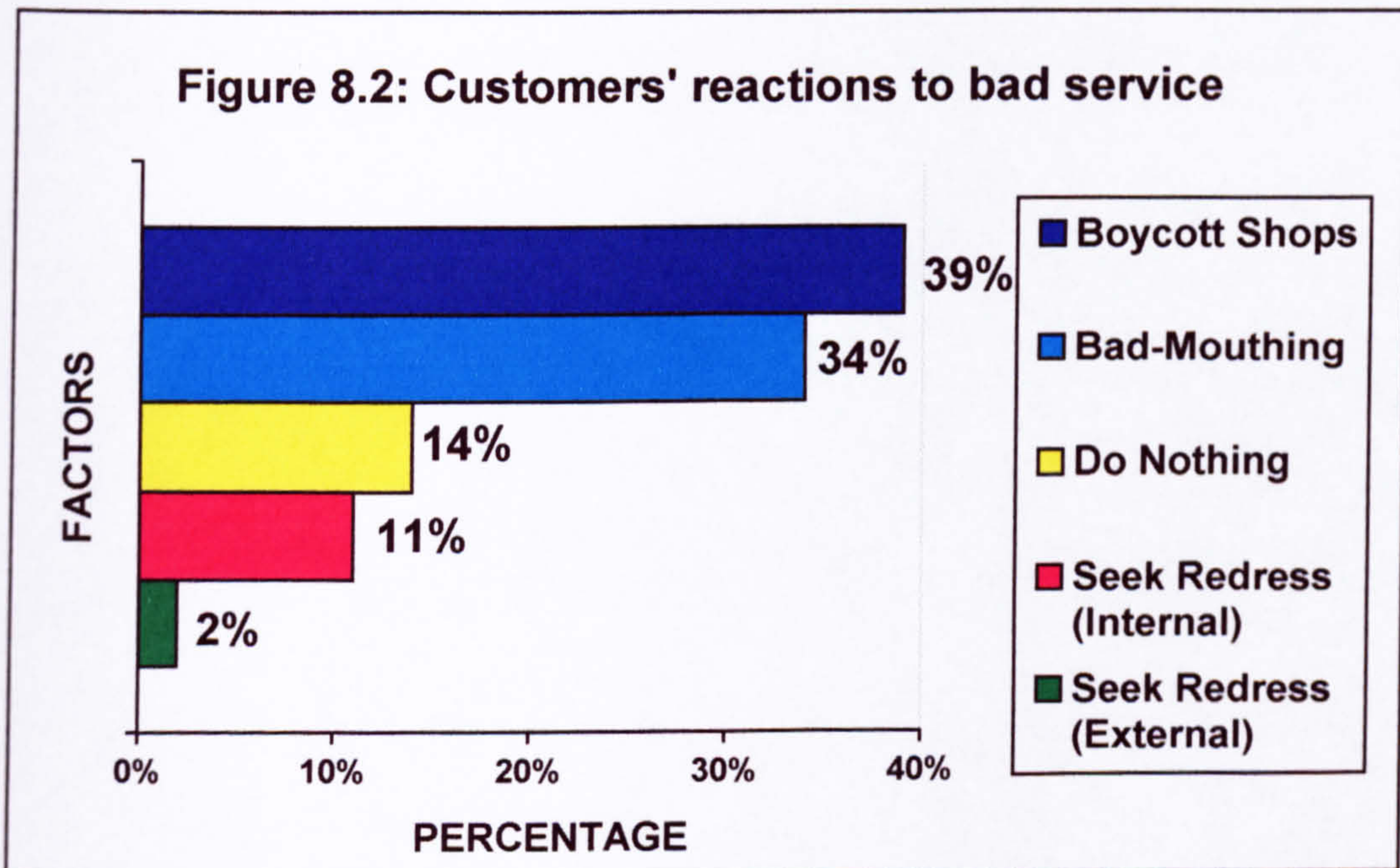
#### **CUSTOMERS' LIKELY REACTIONS TO BAD SERVICE**

Respondents were requested to rank their likely reactions when they received bad service from a retailer on a scale of 1 to 5 (1 - most likely; 5 - least likely) on 5 pre-selected responses.

Findings based on the frequency count are used for analysis since they reflect the shoppers' votes for their most likely responses for each of the option. From Figure 8.2, more than 85% of shoppers do not seek redress for bad service received from the front-line staff. 34% of shoppers prefer to bad-mouth in retaliation while almost 50% avoid the issue by either boycotting (39%) or do nothing (14%). This implies that managers would not be able to detect any loss of customers arising from the bad service rendered because Singaporeans tend not to kick up a fuss over unfavourable events - a local cultural biasedness. Besides, shoppers may not complain because they are unaware of their consumer rights



and/or they do not know how to and where to lodge a complaint. Others may hesitate because they doubt the sincerity and effectiveness of the managements in addressing their complaints. Therefore, no news from the shoppers does not necessarily mean good news.



Note: Based on "most likely" responses

Figure 8.2 highlights only a small percentage of less than 15% of shoppers who would voice their complaints. Managers should develop constructive linkages with this small but important group. Shoppers' reluctance to seek redress should be investigated and rectified so that more can be encouraged to participate actively. This form of feedback is extremely valuable for retailers to correct their deficient areas.



## CUSTOMERS' REACTIONS TO BAD SERVICE VERSUS DEMOGRAPHICS

Figure 8.3 to Figure 8.7 show the cross-tabulations of customers' likely reactions to bad service against the demographics variables. Chi-square statistical testing was performed to assess if the variables are independent (Table 8.1).

Table 8.1: Chi-square testing on customers' likely reactions to bad service and demographics variables (Significance level =10%)

Customers' Reactions	Levels of Significance		
	Age	Gender	Income
Boycott shops	0.37394 Accept	0.00053 Reject	0.22353 Accept
Do nothing	0.00028 Reject	0.01554 Reject	0.00012 Reject
Bad mouthing	0.000005 Reject	0.00005 Reject	0.00243 Reject
Internal redress	0.00058 Reject	0.24779 Accept	0.00023 Reject
External redress	0.09744 Reject	0.04532 Reject	0.91653 Accept

Table 8.1 shows Chi-square testing at significance level of 10%. Null hypothesis states that the 2 variables in the cross tabulations are independent. "Accept" in Table 8.1 means that the null hypothesis is accepted and that the 2 variables are independent. "Reject" means that the null hypothesis is rejected and that the 2 variables are dependent.

Table 8.1 shows that gender of the respondents affects one's decision to boycott shops. Figure 8.3 shows that male shoppers (43%) are likely to boycott shops more than female shoppers (35%) in the event of a bad service.



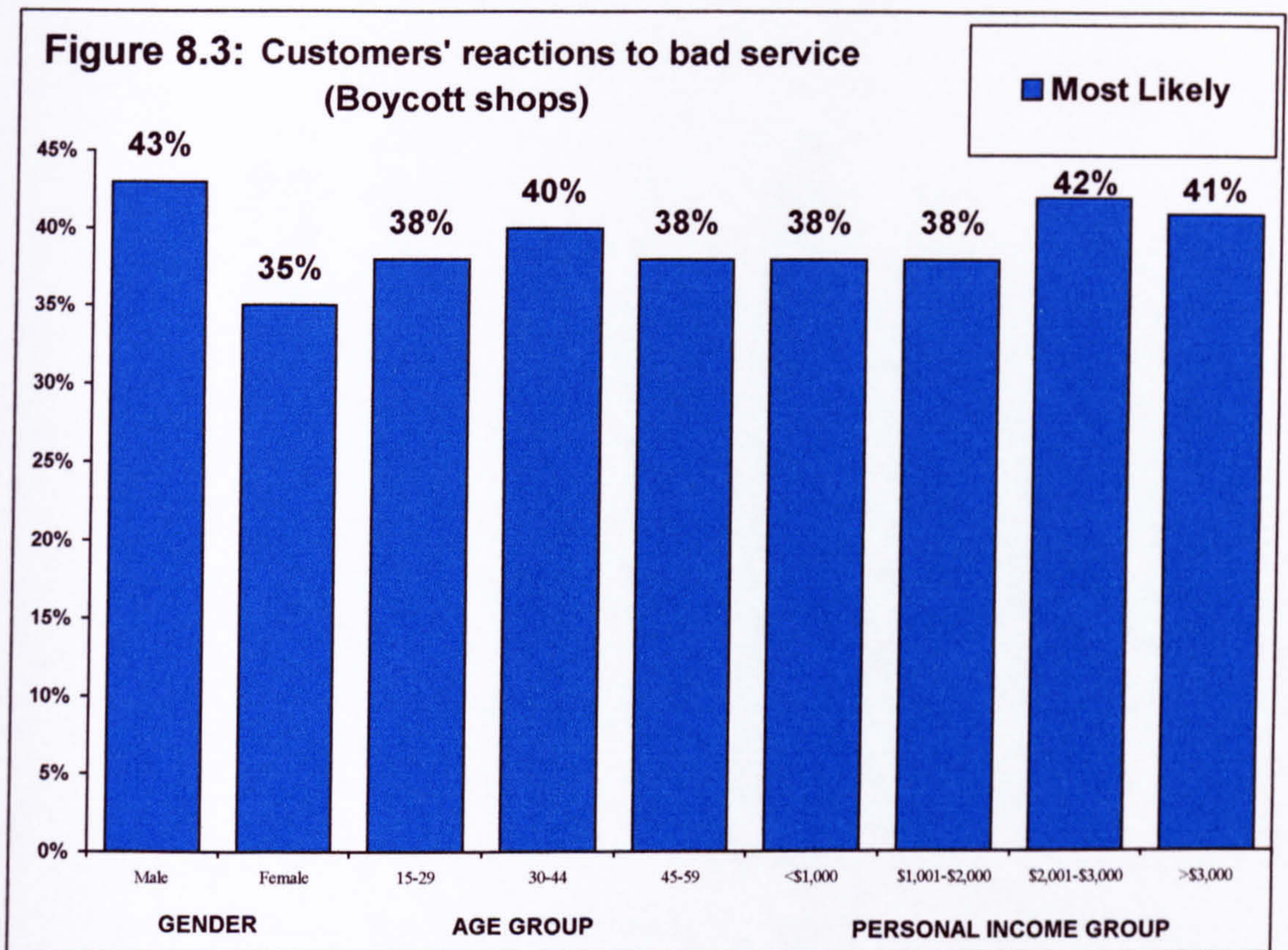


Table 8.1 shows that demographics variables such as age, gender and monthly income of the respondents affect their decision to bad mouth in the event of a bad service. Figure 8.4 shows that younger shoppers aged between 15-29 years old (38%) are likely to bad-mouth to their friends about their unpleasant experience in the event of a bad service. Female shoppers (39%) prefer to bad-mouth in retaliation. Assuming a positive relationship between people's income level and their education, one possible explanation for the preference to bad-mouth among lower income shoppers (38%) is due to their lower education. As such, they may be unsure of their rights and may lack the confidence to complain relative to the more assertive higher educated group.



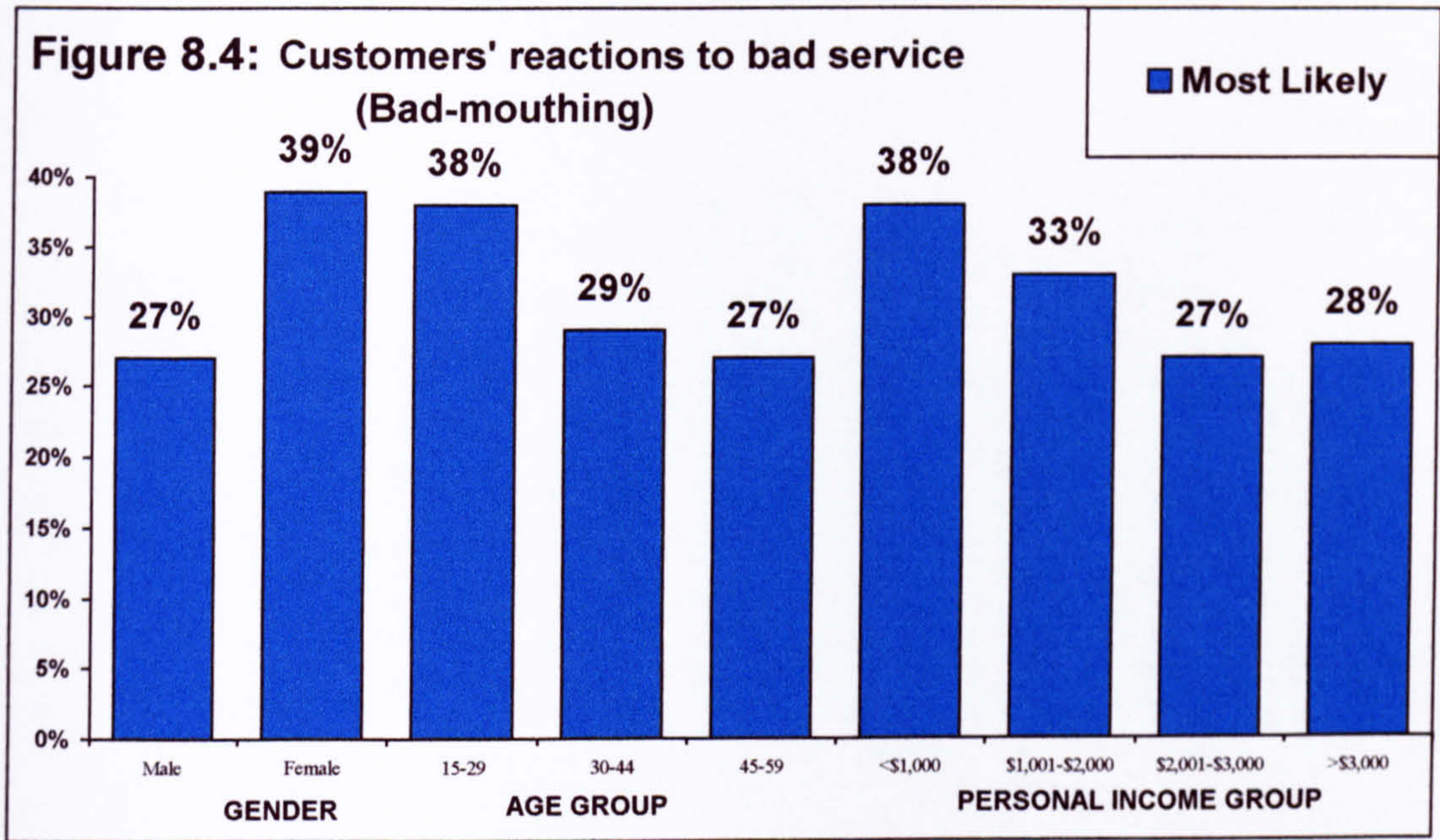


Table 8.1 shows that age, gender and monthly income of the respondents affect their decision to do nothing in the event of a bad service. Male shoppers (16%) are likely to do nothing in the event of a bad service. Older shoppers above 45 years old and those earning more than \$2,000 to \$3,000 per month are likely to do nothing (Figure 8.5)



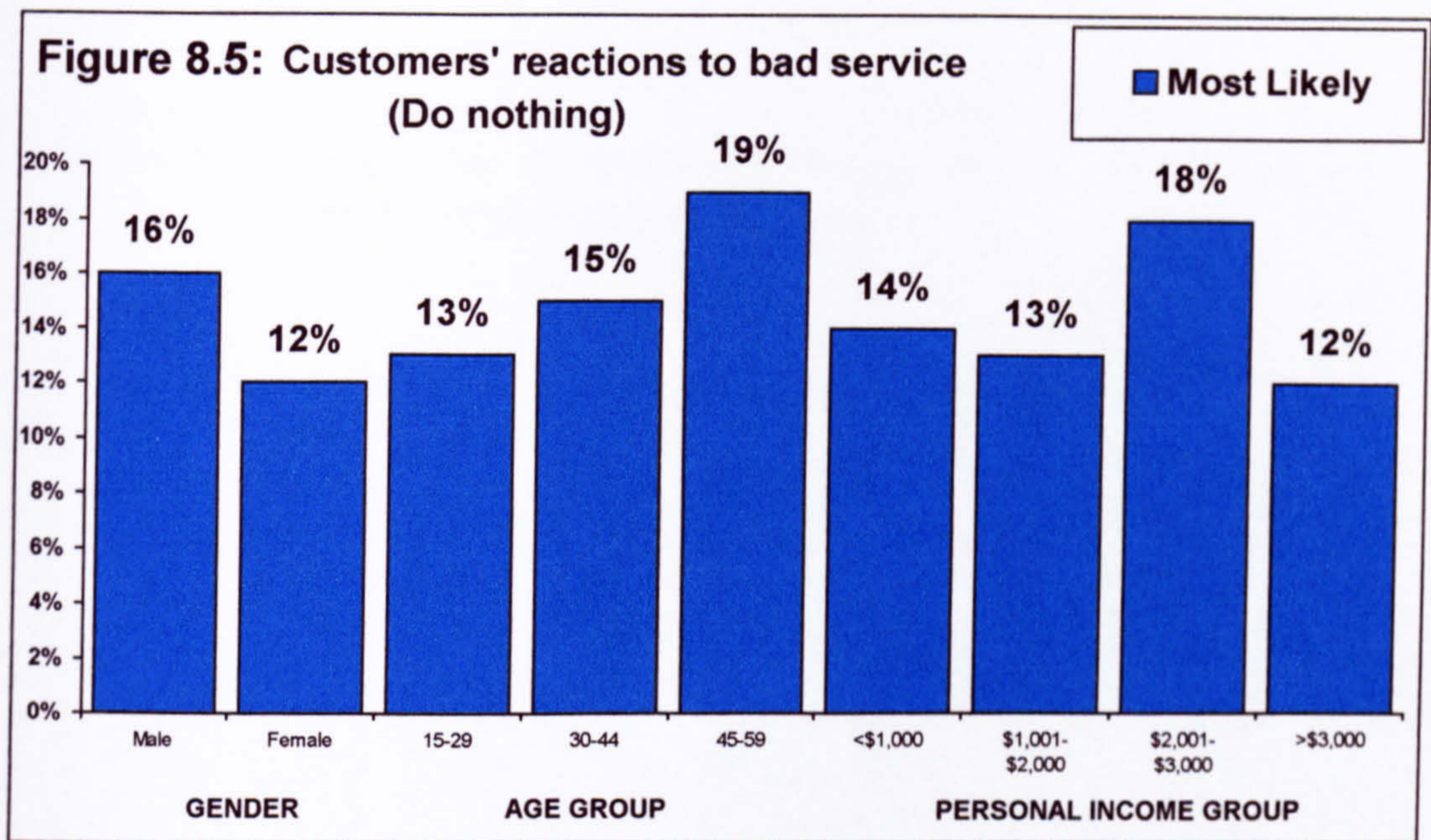
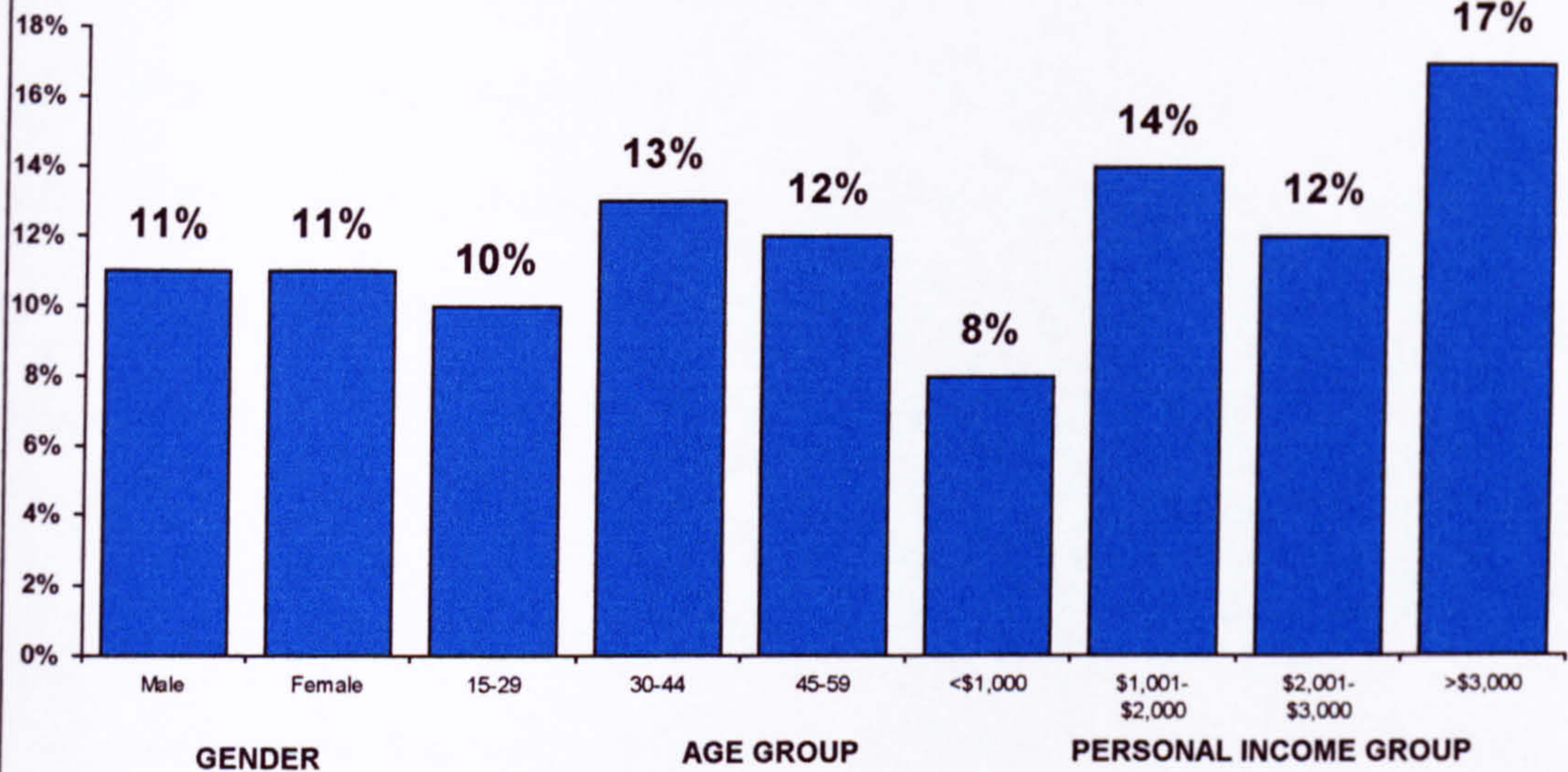


Table 8.1 shows age and income of the respondents affect their decision to seek internal redress. Figure 8.6 shows that shoppers aged between 30-44 years old prefer to seek redress internally. Those earning above \$3,000 are more assertive in seeking redress from the affected retailers. Seeking internal redress is a preferred course of action over seeking external redress (Figure 8.2). This may be due to the public's ignorance on the types of external authorities which they can report to. Besides, they may doubt the effectiveness of these external bodies in solving their service problems.

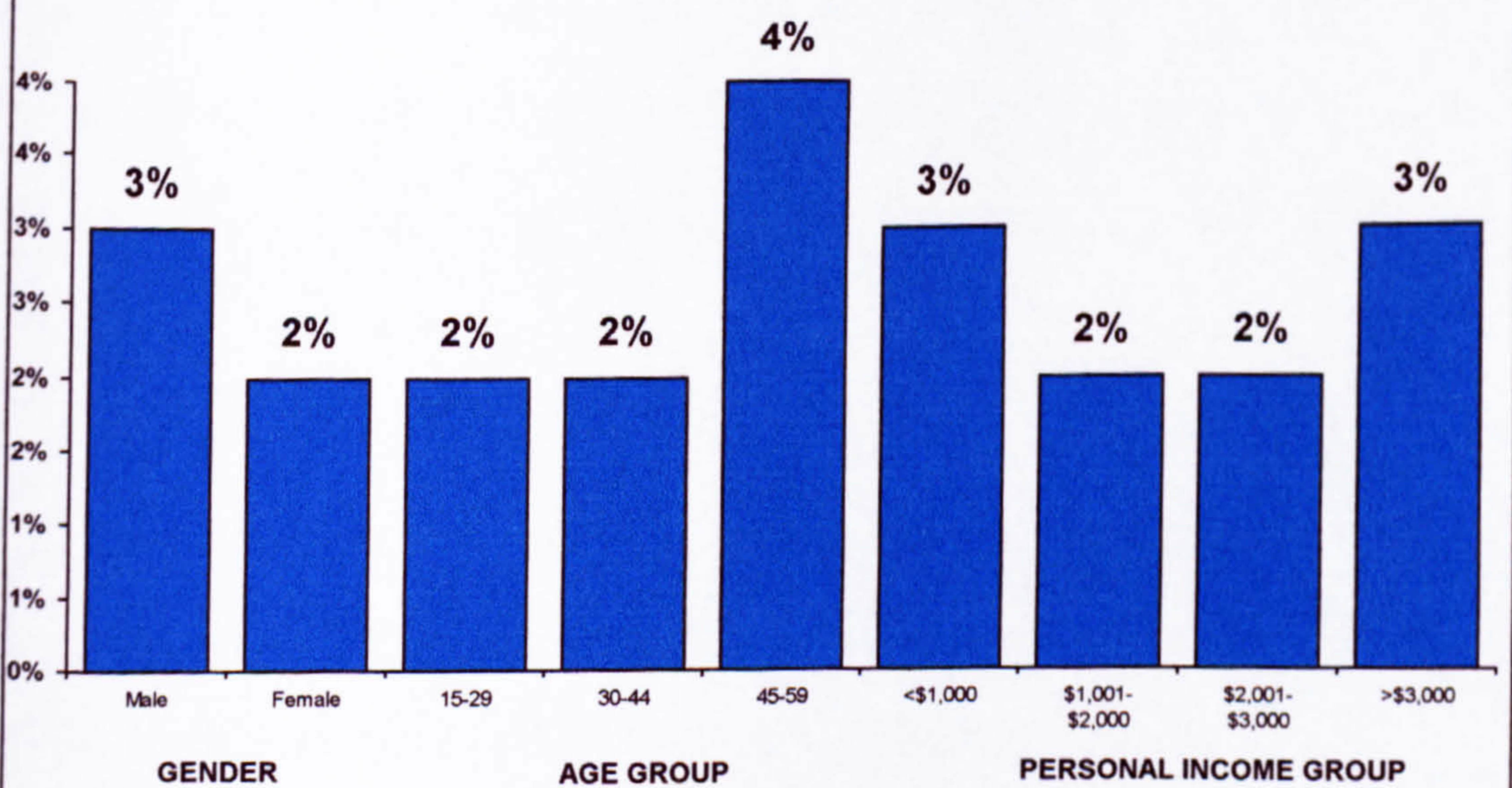
For seeking external redress, Table 8.1 shows that age and gender of the respondents affect their decision to seek redress externally. Figure 8.7 reveals that the older shoppers (above 45 years old) are more confident in exercising this option. Male shoppers also tend to seek redress externally.



**Figure 8.6: Customers' reactions to bad service  
(Seek internal redress)**



**Figure 8.7: Customers' reactions to bad service  
(Seek external redress)**





To summarise, the Chi-square testing shows that male shoppers tend to boycott shops while young shoppers, female shoppers and those earning below \$1000 tend to bad mouth in the event of a bad service. Male shoppers, aged above 45 years old and earning \$2,000 to \$3,000 are likely to do nothing in the event of a bad service. Shoppers between 30 to 44 years and those earning above \$3000 are likely to seek internal redress while older male shoppers would seek redress externally.

### **FACTORS AFFECTING WHERE TO SHOP**

Respondents were asked to rank the following 7 factors in the order of importance when deciding where and which retailer to shop (1 - most important, 7 - least important).

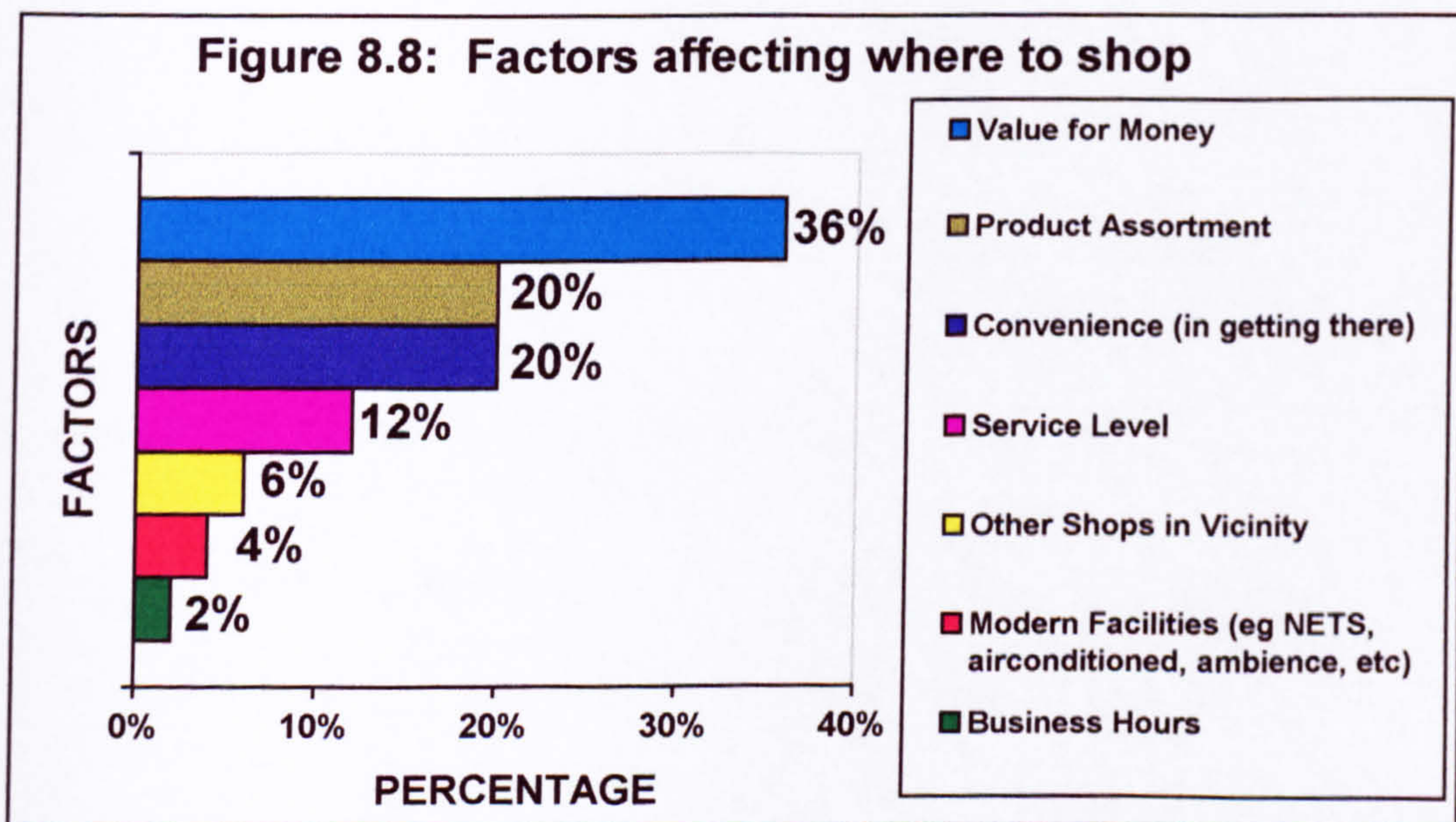
Figure 8.8 shows that value is ranked as the top factor in influencing shoppers' decision on where to shop. The survey reveals that 36% of shoppers prefer value; 20% prefer product assortment and convenience; 12% prefer service; 6% prefer the presence of other shops in the same vicinity; 4% prefer facilities; and 2% prefer business hours.

A study by Dotson and Patton (1992) showed that people who shop in department stores like the personal touch which they provide. If this "high touch" element is lacking, most of them may turn to "high tech" shopping via direct marketing. This explains why service is of paramount importance to 12% of the



shoppers who rank service as their top consideration affecting their choice of shops (Figure 8.8).

Service is ranked as the fourth factor affecting the shoppers' decisions in deciding where to shop. This may be due to the fact that the main attraction for department stores are their value and product assortment. Mr. Teh Ban Lian, Group Managing Director of the Emporium Holdings (S) Limited, feels that department stores still hold their appeal in terms of product variety and their under one roof convenience (SRA The Retailer, 19996,7). Hence, customers are willing to trade down their expectations on the level of customer services from these retailers. However, this attitude towards service may change in time to come given the increasing affluence of the population.

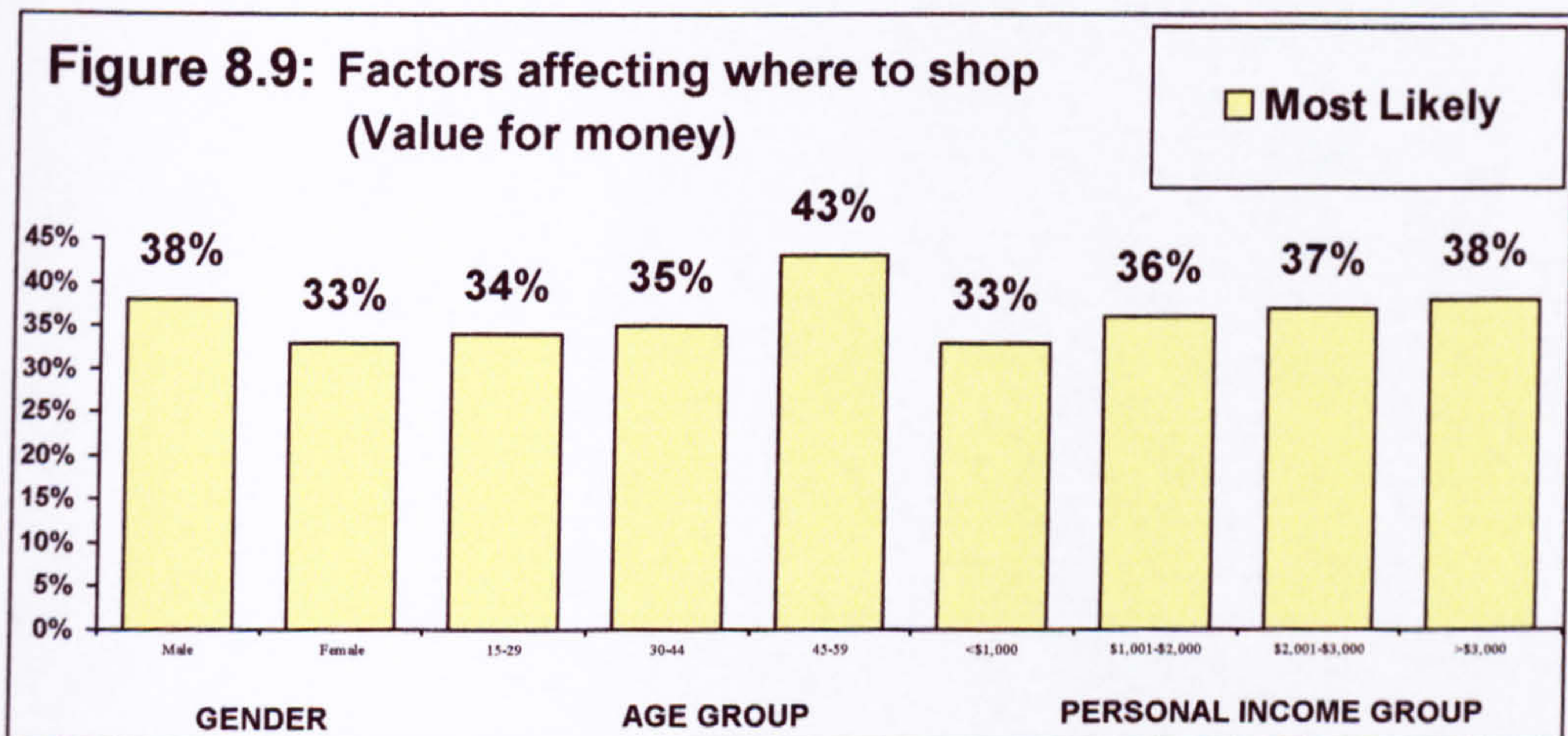


Note: Based on "most important" responses

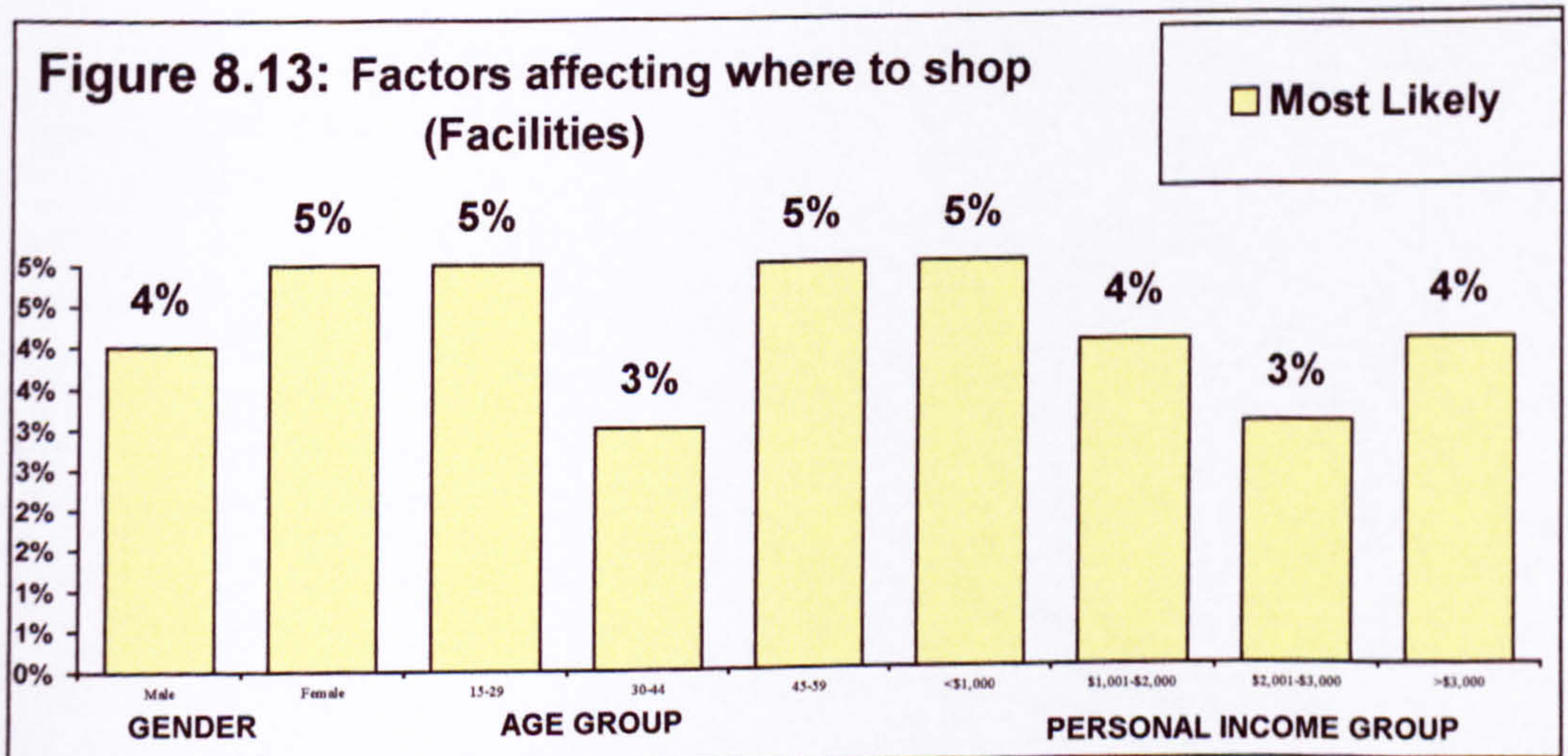
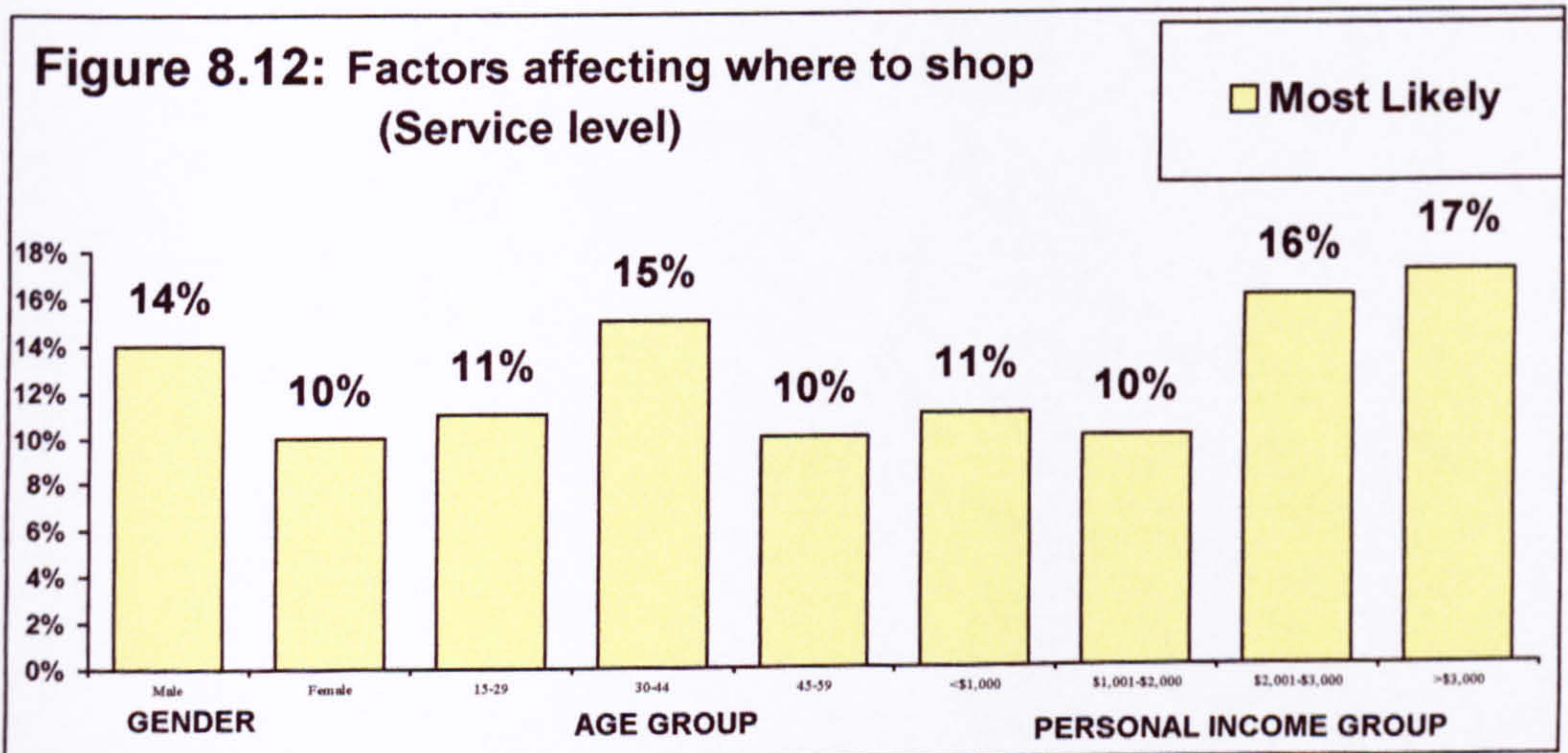
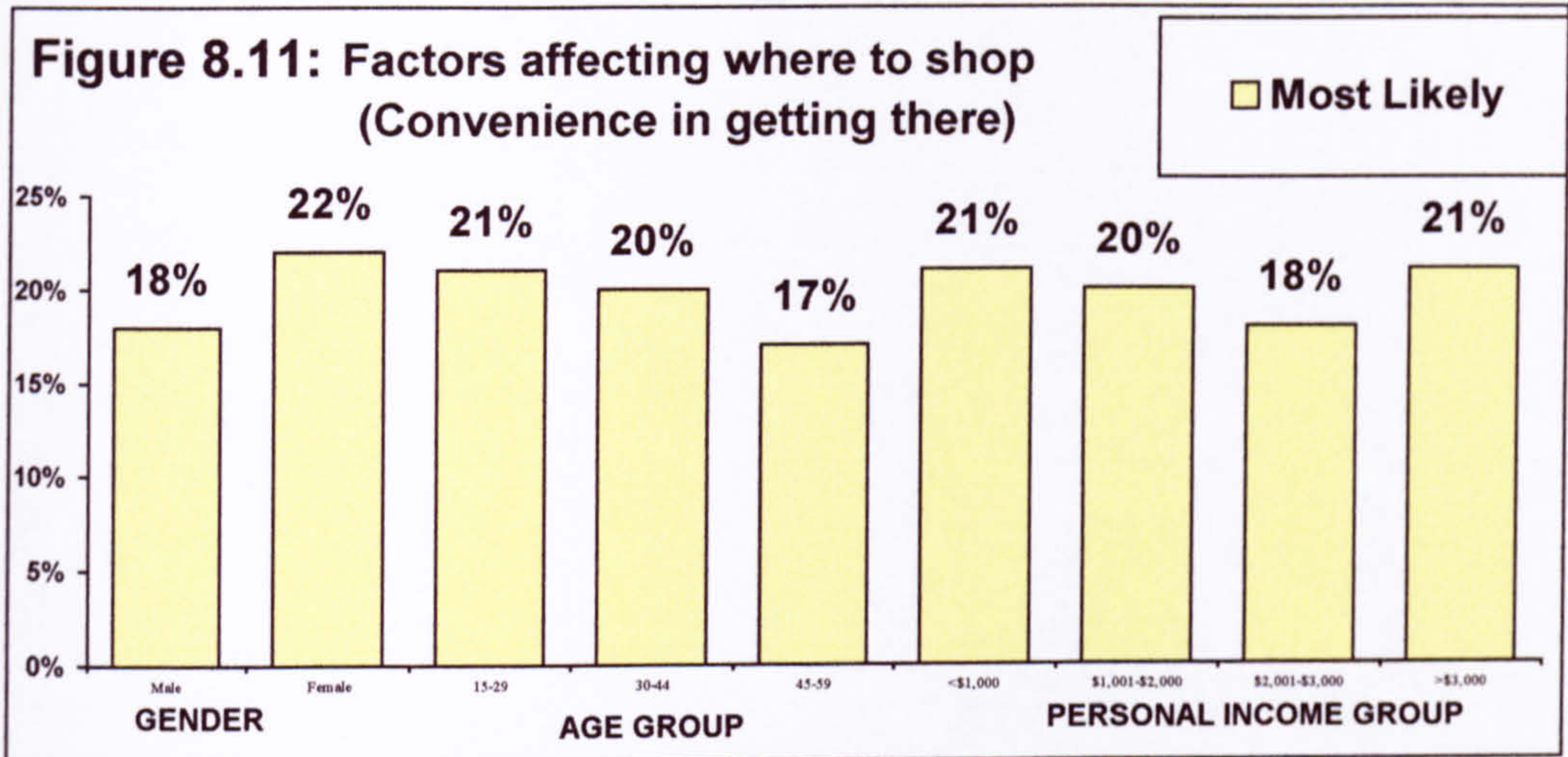


The sophistication of Singaporeans dictates the need for all service providers to be more service-oriented. In response, the government has launched PS21 programmes with the aim of delivering first class public service for the 21st century among its ministries. This will elevate the service platform in the nation. Over time, people will expect the same level of high service from all industries including the retail sector.

### FACTORS AFFECTING WHERE TO SHOP VERSUS DEMOGRAPHICS









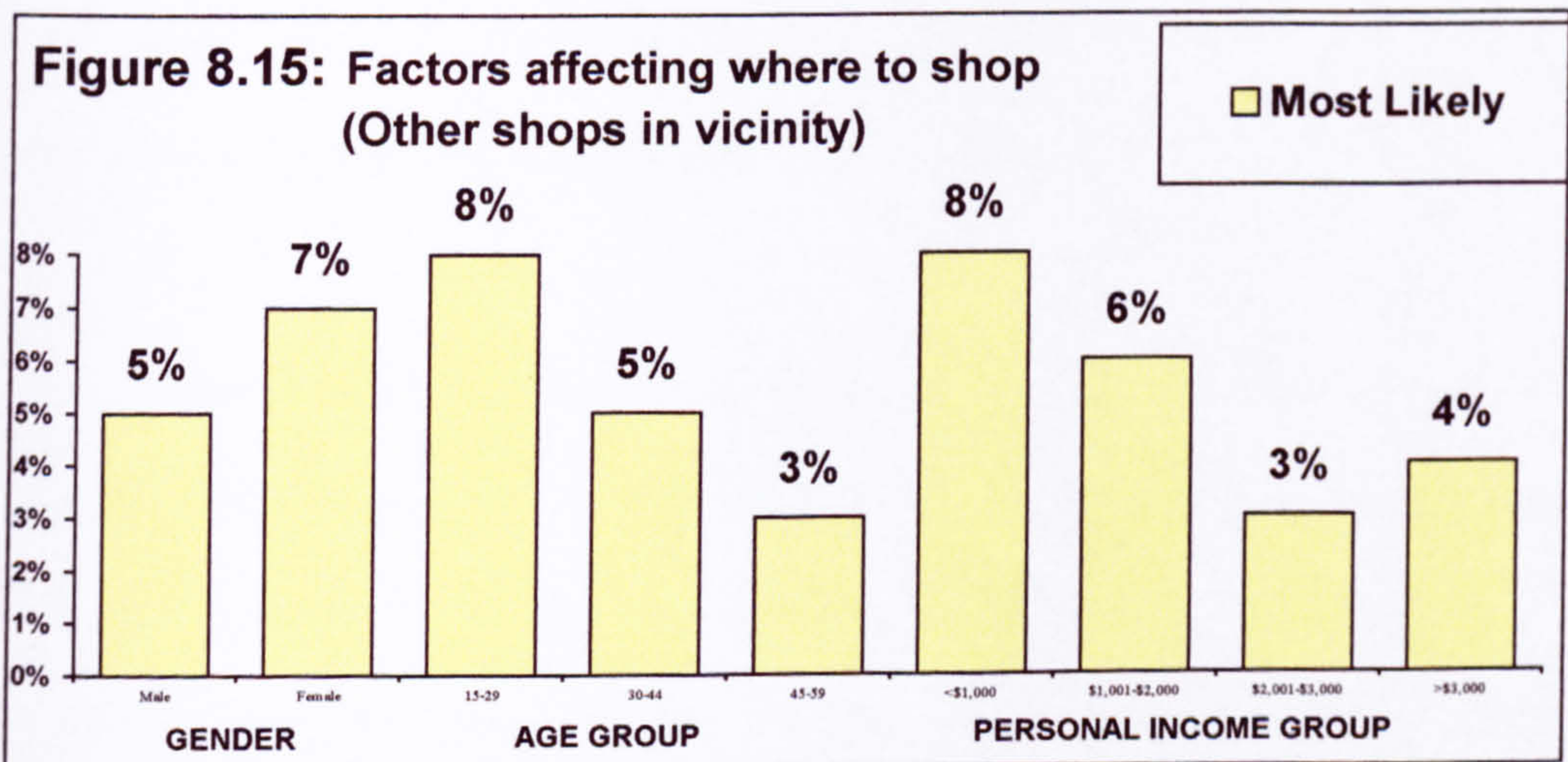
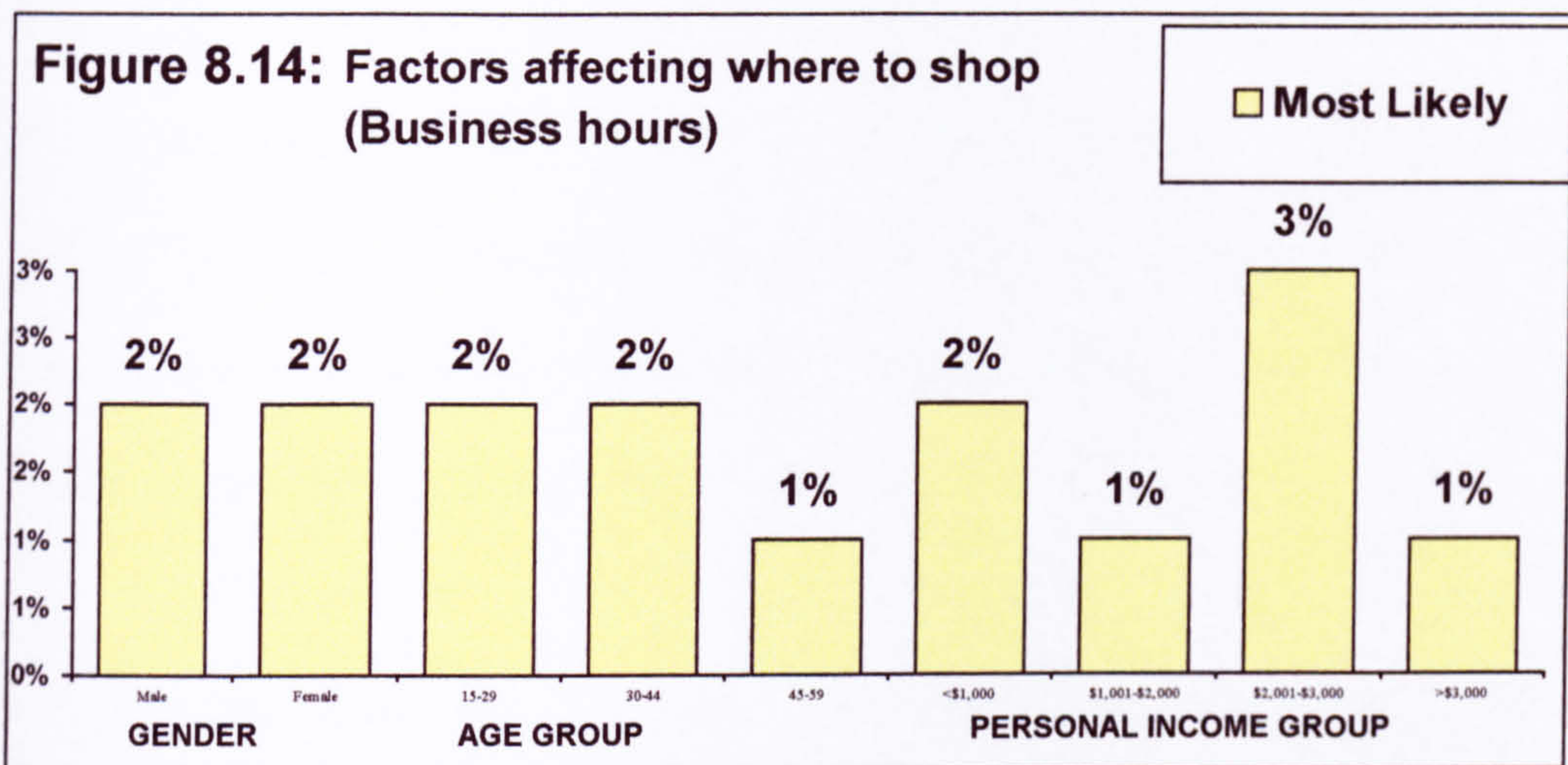


Table 8.2: Chi-square testing on factors affecting where to shop and demographics variables (Significance level at 10%)

Factors	Levels of Significance		
	Age	Gender	Income
Value for money	0.20346 Accept	0.28078 Accept	0.57016 Accept
Product assortment	0.00583 Reject	0.25621 Accept	0.0004 Reject
Convenience (location)	0.30189 Accept	0.16767 Accept	0.91885 Accept
Service	0.00107 Reject	0.06930 Reject	0.00310 Reject
Modern facilities	0.56525 Accept	0.12971 Accept	0.46682 Accept
Business hours	0.03464 Reject	0.99351 Accept	0.24728 Accept
Shops in Vicinity	0.0007 Reject	0.01497 Reject	0.00298 Reject



Table 8.2 shows Chi-square testing at significance level of 10%. Null hypothesis states that the 2 variables in the cross tabulations are independent. "Accept" in Table 8.2 means that the null hypothesis is accepted and that the 2 variables are independent. "Reject" means that the null hypothesis is rejected and that the 2 variables are dependent.

Table 8.2 shows the Chi-square testing on the variables affecting where to shop against the demographics variables. Age, gender and income of the respondents do not affect factors such as value for money (Figure 8.9), convenience (Figure 8.11) and modern facilities (Figure 8.13).

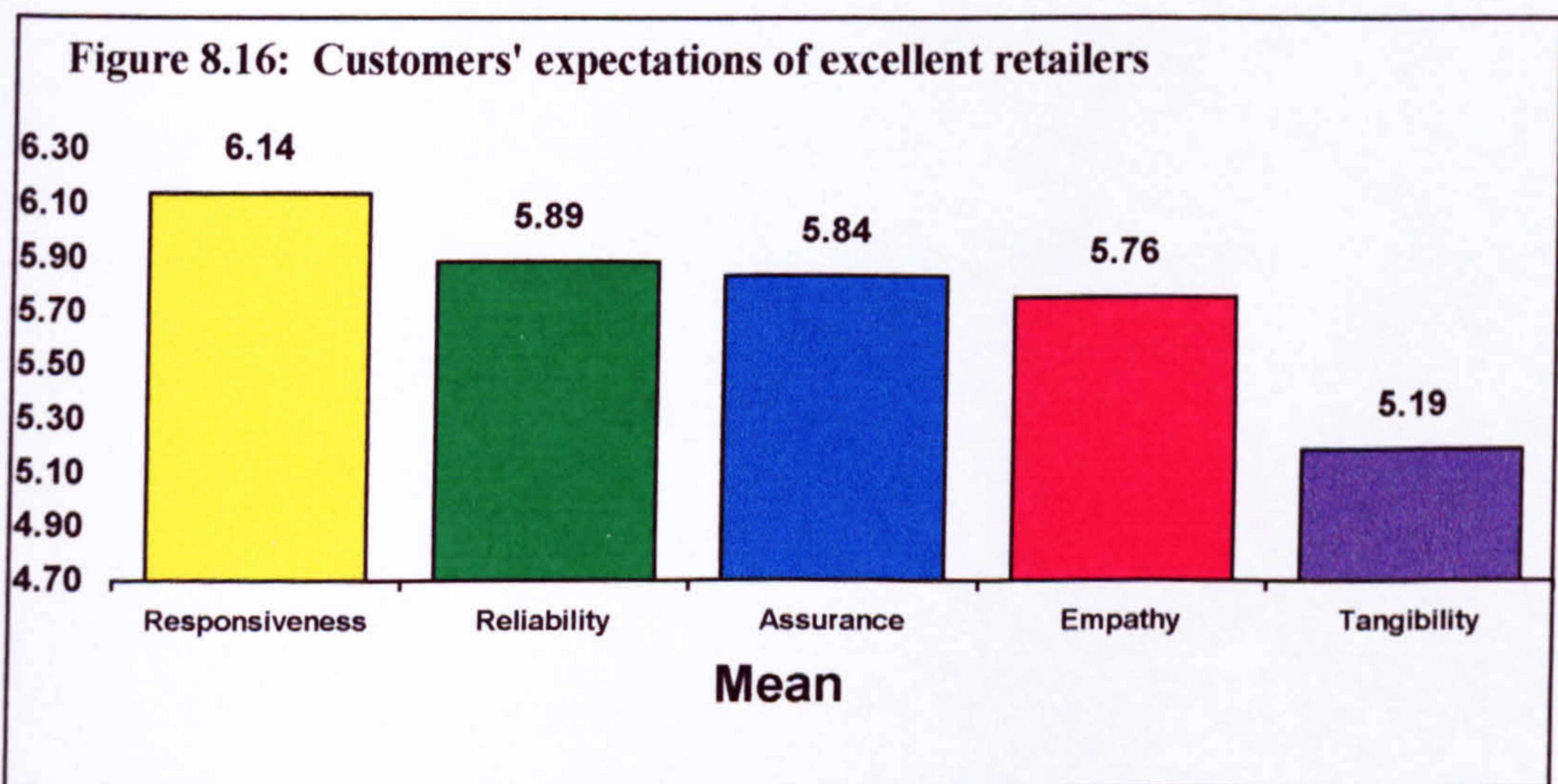
Figure 8.10 shows that shoppers above 45 years old and those earning between \$1000 to \$2000 per month prefer product assortment in deciding where to shop. This may be due to the time constraint of this category of working class people. As such, they like to be able to select from a range of assortment in their shopping trips. Figure 8.12 shows that male shoppers aged 30 to 44 years and earning above \$2000 prefer to shop at a place which offers good service. Given the changing role of men with more working women and the increase in single households, male shoppers may need assistance in their shopping activities. Their incomes also enable them to pay for the service which they desire. Figure 8.14 shows that younger shoppers below 30 years old are affected by the business hours. The main activities for this age group are work and school. Therefore, they only have specific time to shop and the range of business hours influence their



decision to shop. Figure 8.15 shows that female shoppers, 15-29 years old and earning less than \$1000 are attracted to shop at a place where there are other shops in the same vicinity. This facilitates comparative shopping.

### CUSTOMERS' EXPECTATIONS OF EXCELLENT RETAILERS

Respondents were asked to show the extent to which an ideal retailer would possess the features described by each statement (1 - strongly disagree; 7 - strongly agree).



Based on Figure 8.16, shoppers rate responsiveness as the most important evaluative dimension. Responsiveness refers to the willingness of service staffs to help customers and provide prompt service.



This finding differs from Zeithaml et al's surveys (Zeithaml et al, 1990, 27-28). According to Zeithaml et al (1990), reliability was ranked as the most important criteria in their surveys on 4 American companies namely a credit card company; a repair & maintenance company; a long-distance telephone company; and a bank. Reliability refers to the ability to perform the promised service dependably and accurately.

One possible explanation for this difference is that customers of department stores usually browse on the shop floor on their own. As such, it is more important to them to be able to get sales assistance when they require one. In other words, department stores should be staffed with the right number of sales staffs to provide prompt service. Availability of sales staffs is important to any shoppers who need assistance. Customers should not be made to hunt for sales staffs. Therefore, customers' focus centres on the responsiveness of these service staffs. On the other hand, the samples for Zeithaml et al's surveys dealt largely with pure services retailing such as credit-card; repair & maintenance; long-distance telephone; and a bank. For such industries, it is crucial for their customers to be able to trust their services. Hence, reliability i.e. the ability to deliver the promised service is important.

The external survey shows that shoppers rank tangibility as their least important criteria. This finding is similar to Zeithaml et al's surveys. It may be worthwhile to compare the findings on this section i.e. customers' perceptions of



the 5 evaluative dimensions with the managements' perceptions of what they think their shoppers would like to have. This comparison is a good indicator of the match/deviation of priorities between these 2 parties. Therefore, the comparison would be conducted in the managements' survey (refer to chapter 9).

### **CUSTOMERS' EXPECTATIONS OF EXCELLENT RETAILERS VERSUS DEMOGRAPHICS**

**Table 8.3: Chi-square testing on customers' expectations of excellent retailers and demographics variables (Significance level at 10%)**

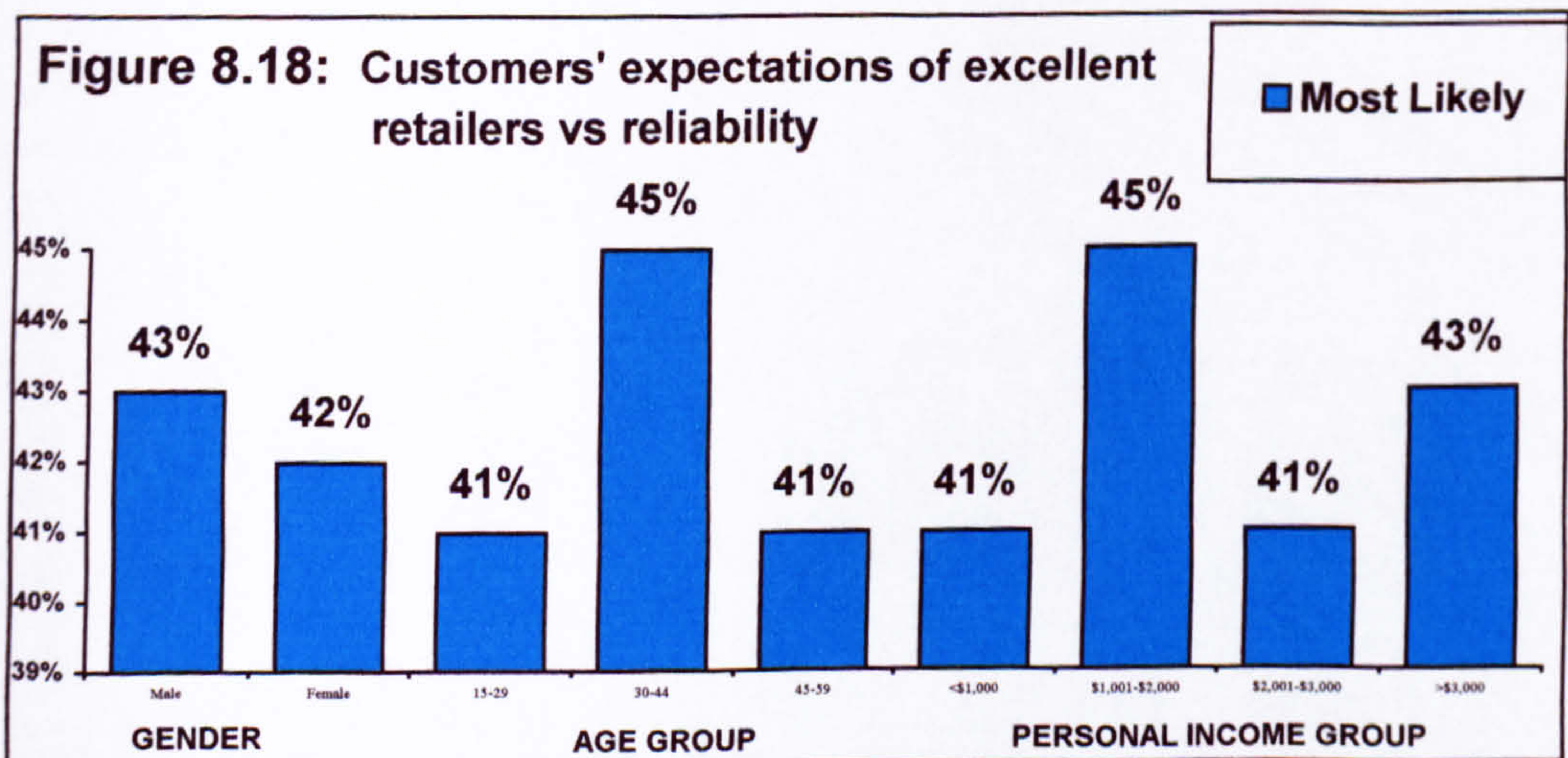
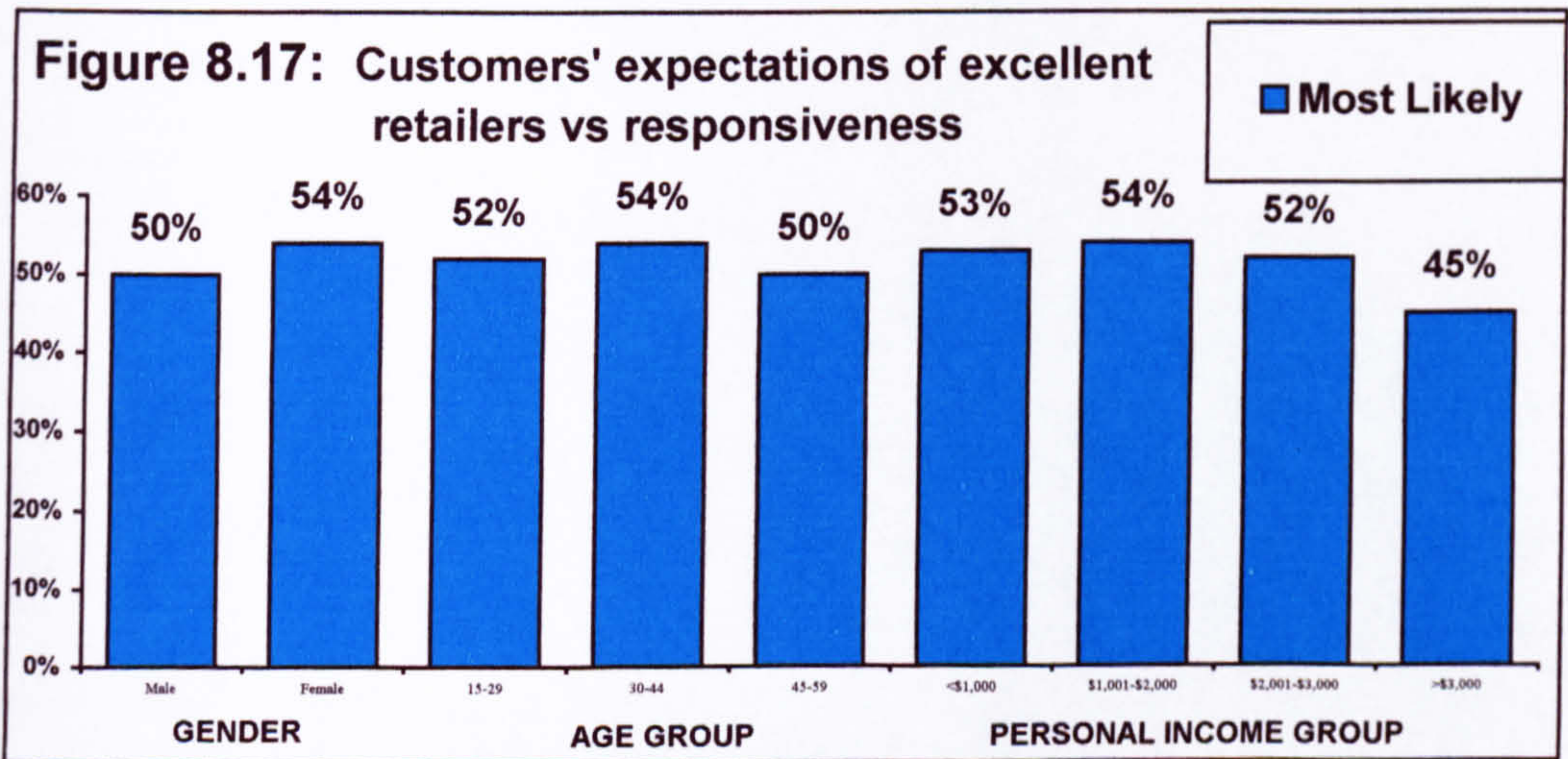
Dimensions	Levels of Significance					
	Age		Gender		Income	
Tangibility	0.1208	Accept	0.27946	Accept	0.13935	Accept
Reliability	0.11369	Accept	0.64639	Accept	0.39838	Accept
Responsiveness	0.50919	Accept	0.39944	Accept	0.36254	Accept
Assurance	0.02441	Reject	0.15032	Accept	0.43750	Accept
Empathy	0.26521	Accept	0.00555	Reject	0.42809	Accept

Table 8.3 shows Chi-square testing at significance level of 10%. Null hypothesis states that the 2 variables in the cross tabulations are independent. "Accept" in Table 8.3 means that the null hypothesis is accepted and that the 2 variables are independent. "Reject" means that the null hypothesis is rejected and that the 2 variables are dependent.

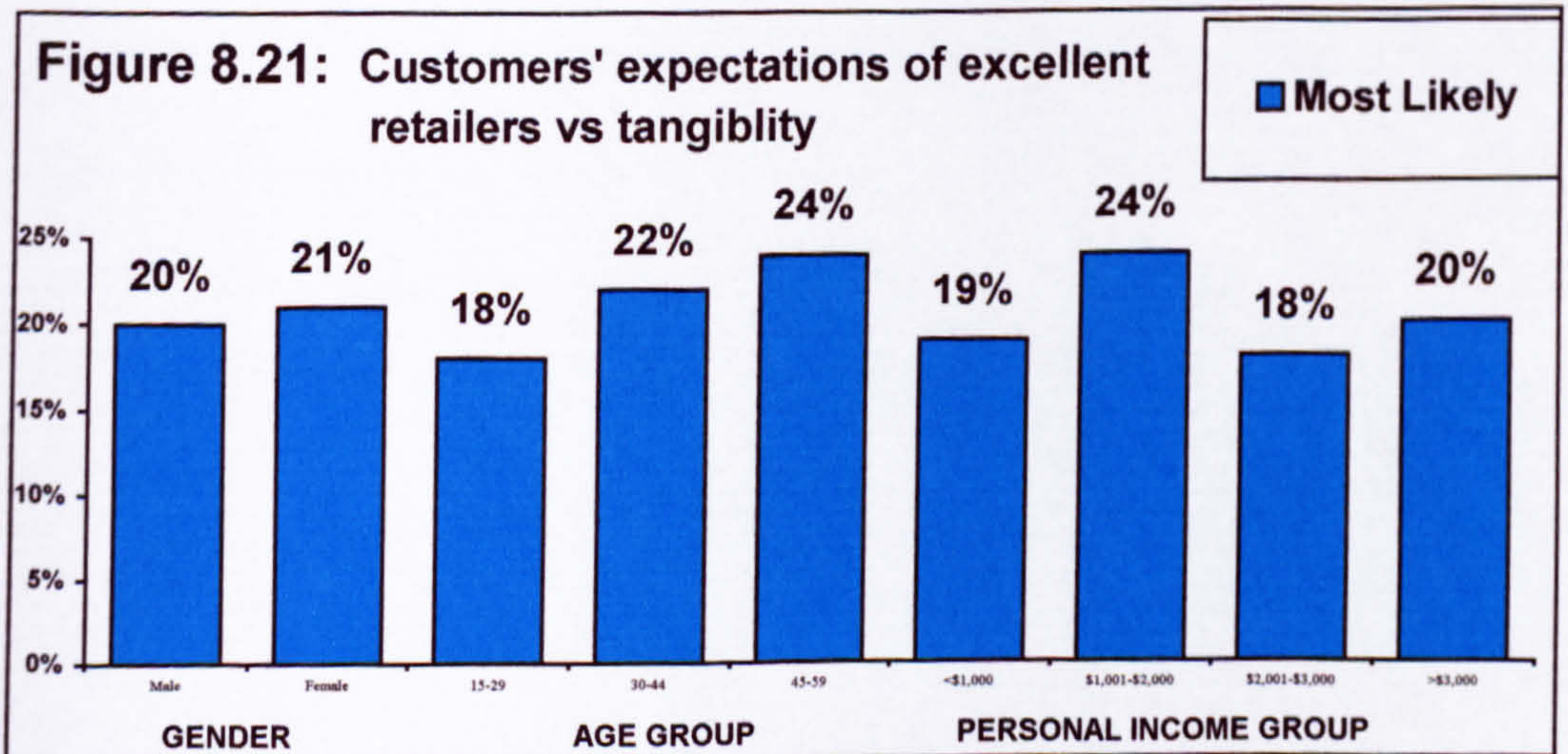
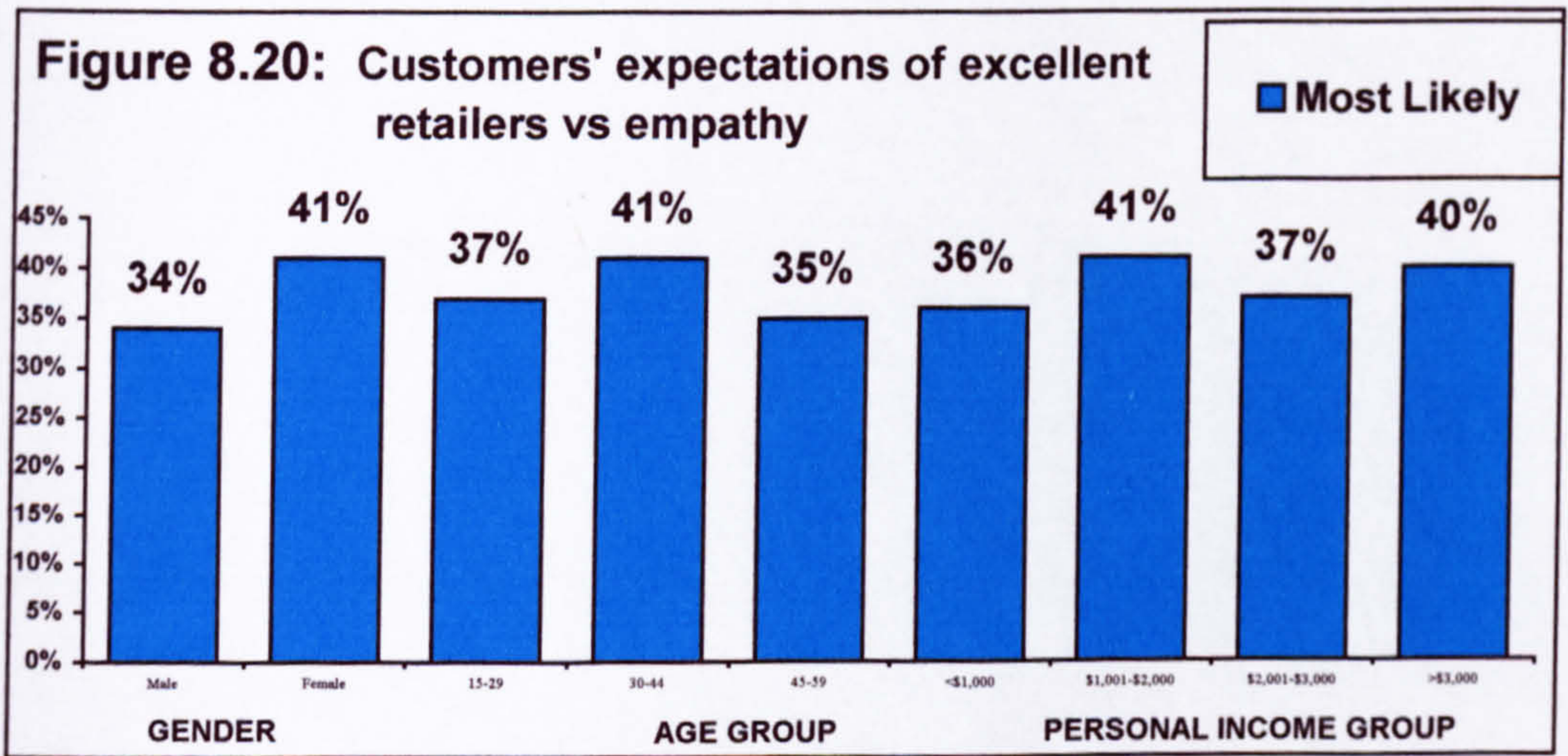
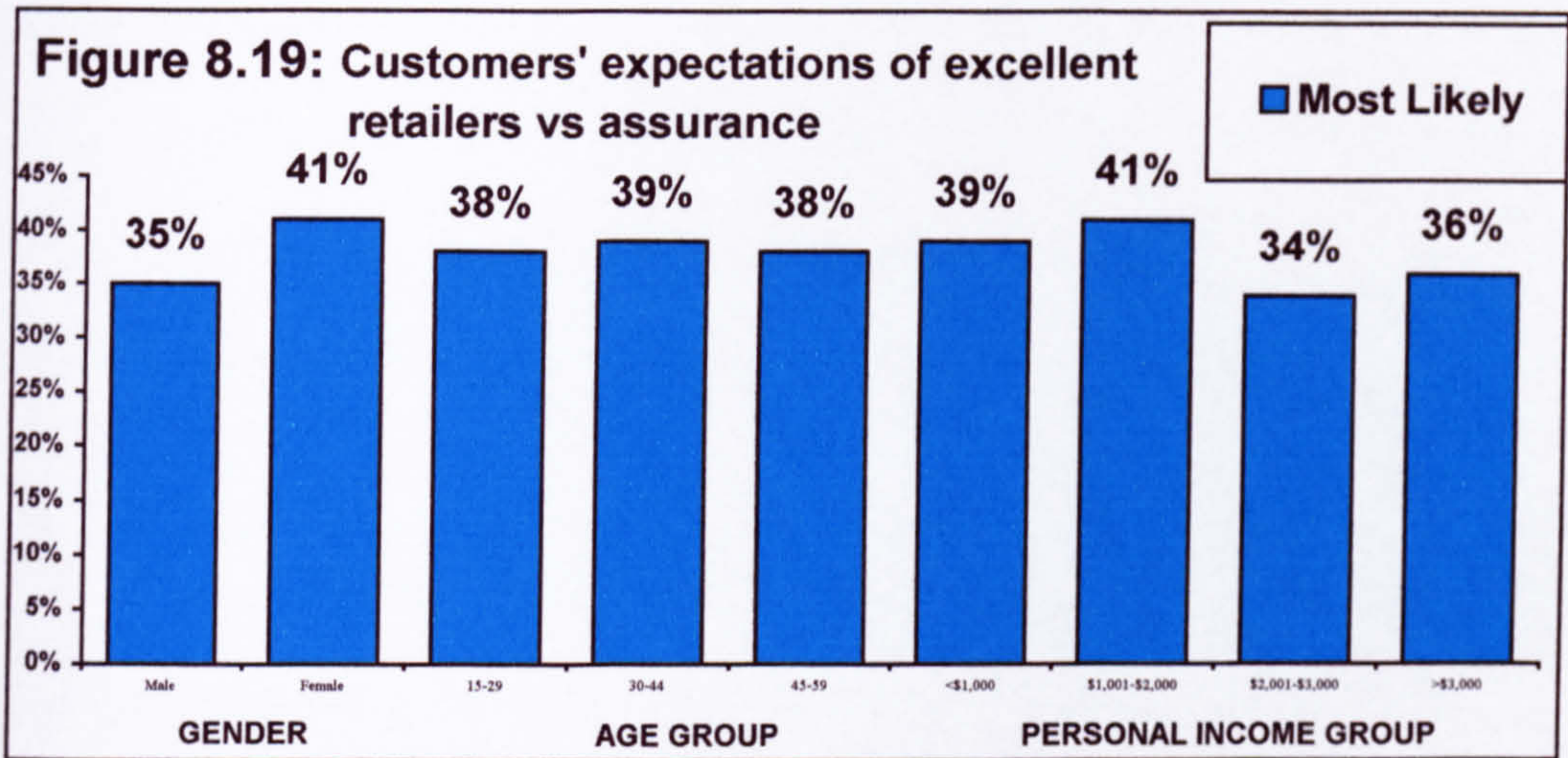
Table 8.3 shows that demographics variables of the respondents do not have an effect on 3 evaluative dimensions namely responsiveness (Figure 8.17), reliability (Figure 8.18) and tangibility (Figure 8.21). Figure 8.19 shows that 2



variables namely assurance and age of the respondents are dependent. 30-44 years old shoppers expect sales people to provide assurance for their transaction and dealing. Figure 8.20 shows that gender of the respondents and empathy are dependent. In other words, female shoppers expect sales staff to be empathetic in their service encounter.









## GAP 5 ANALYSIS

From the shoppers' perspective, actual service performance is judged in the context of what they expected. When their perceptions of actual service fall short of their expectations, a service performance gap known as Gap 5 exists.

To compute Gap 5, the expectations scores (Q6 to Q10) of the external survey are matched to the perceptions scores (Q11 to Q15):

Gap 5 for each dimension =

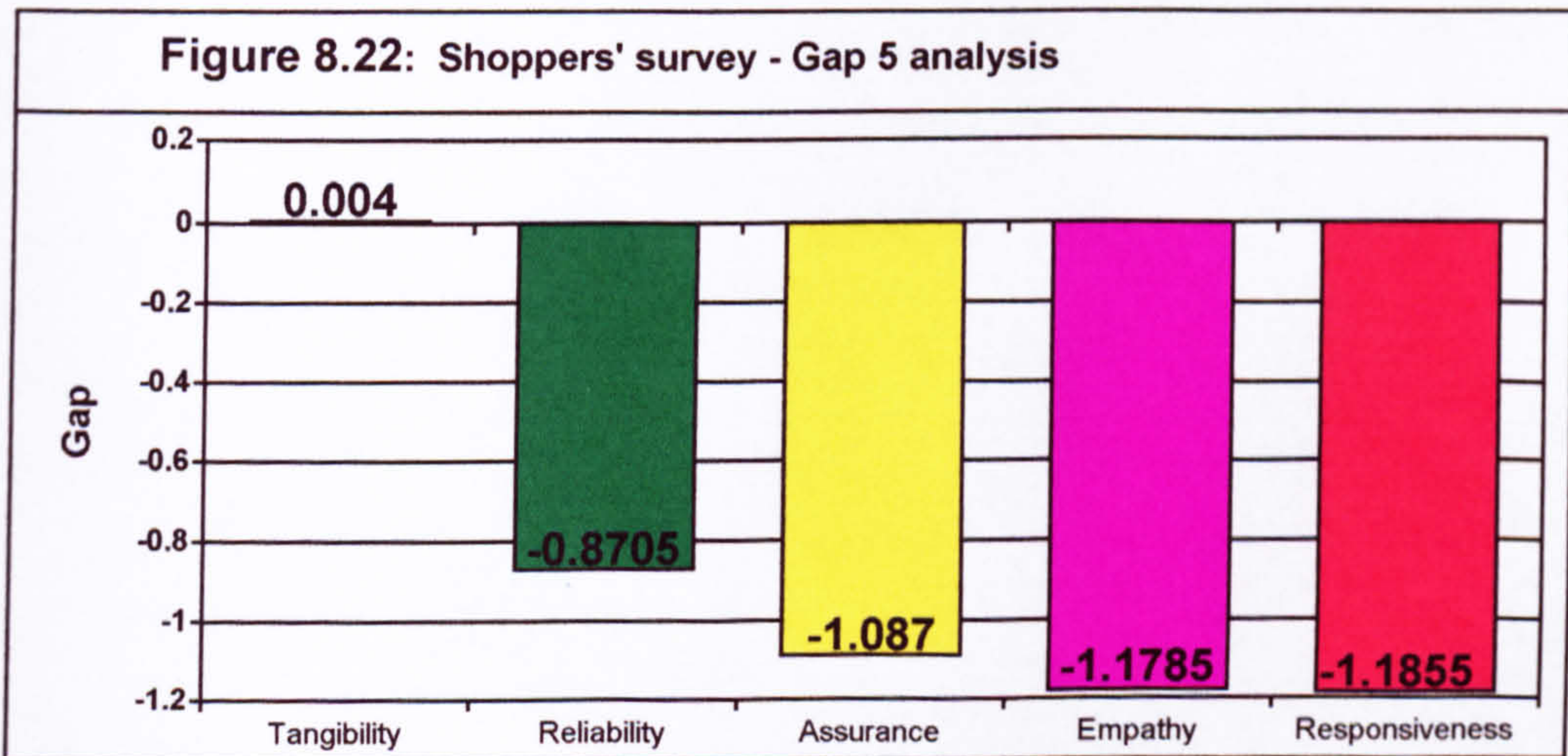
$$\frac{\text{Summation (Perceptions Scores - Expectations Scores)}}{2000}$$

Applying the above equation, Table 8.4 shows the computation of Gap 5. In general, shoppers are pleased with the tangibility dimension as evidenced by their perceptions scores exceeding their expectations scores. The worst gap is responsiveness with the largest negative score of -1.1855. This finding is very disturbing given that shoppers rank responsiveness as their most important evaluative dimension on retailers (Figure 8.16). Areas which need improvement greatly are responsiveness followed by empathy, assurance and reliability (Figure 8.22).



Table 8.4: Gap 5 analysis by industry

Rank	Criteria	Gap 5
1	Tangibility	0.0040
2	Reliability	-0.8705
3	Assurance	-1.0870
4	Empathy	-1.1785
5	Responsiveness	-1.1855



Overall measure of Service Quality =

$$\frac{\text{Summation of Gap 5 for each of the 5 dimensions}}{5}$$

$$\begin{aligned} \text{Overall measure of Service Quality} &= \frac{-4.3175}{5} \\ &= -0.8635. \end{aligned}$$



Table 8.5: Overall measure of Servqual Score - Comparison of department stores

Rank	Retailers	Overall measure of SQ
1	CK Tang	-0.4352
2	Robinsons	-0.7258
3	Takashimaya	-0.7420
4	Daimaru	-0.8552
5	Isetan	-0.9146
6	Sogo	-1.038
7	Yaohan	-1.2926

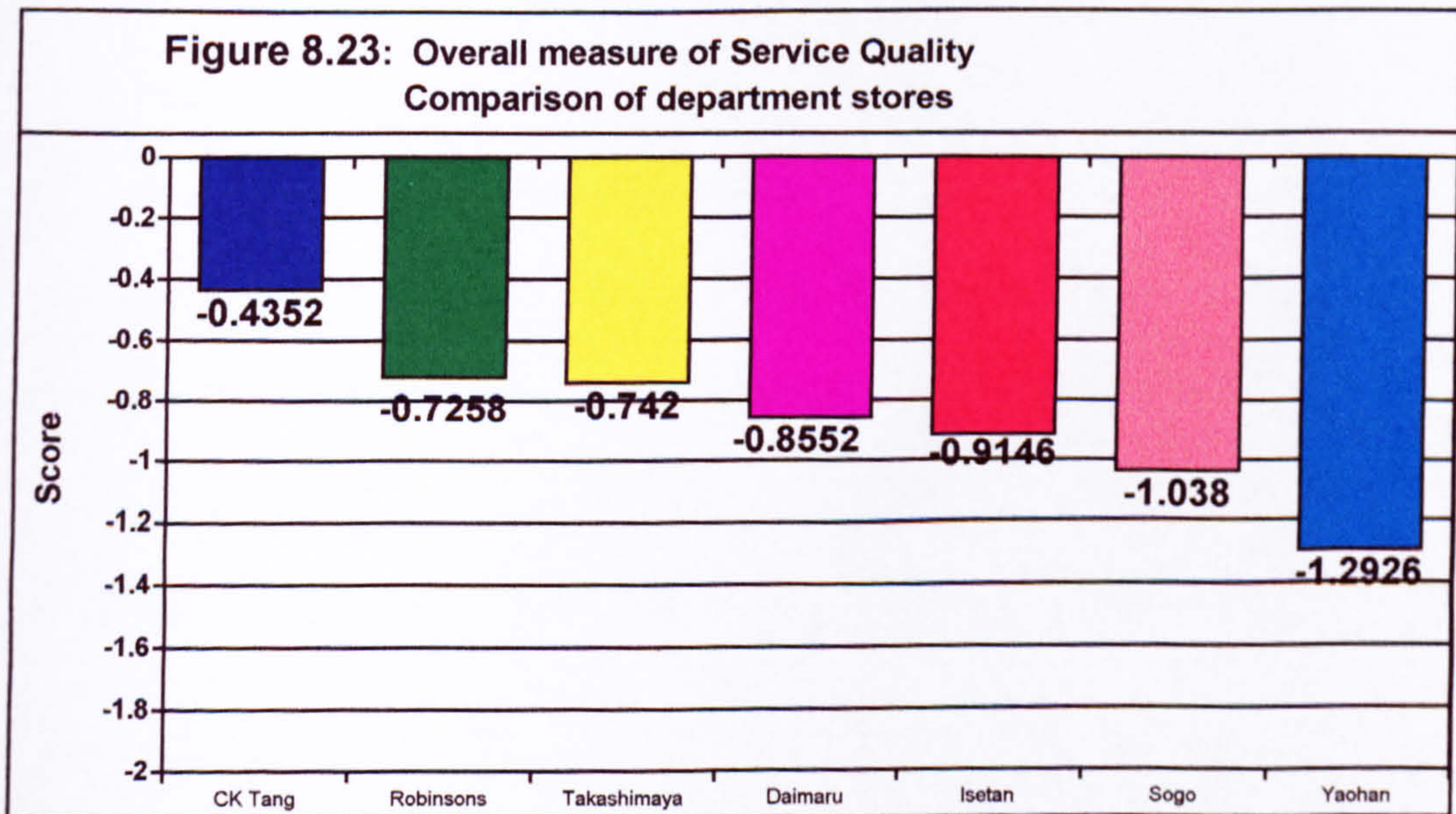


Table 8.5 shows the computation of the overall measure of Servqual Scores for the 7 participating department stores based on their sample sizes of either 200



or 300. CK Tang has the smallest measure of Servqual Score (-0.4352). The poorest performing downtown retailer with the largest Gap 5 is Yaohan (Figure 8.23).

A comparison with the industry average (Servqual Score = -0.8635) reveals that 57% of the participating department stores namely CK Tang, Robinsons, Takashimaya and Daimaru performed above average. The existence of these negative Servqual Scores necessitate the launch of the internal surveys (the managements and front-line staffs) to explore for possible reasons for this service deficiency (chapter 9).

#### USING PERCEPTION SCORES TO EVALUATE SERVICE LEVELS

Another way to evaluate service performance is the perception scores approach i.e. based on shoppers' perceptions on the actual service performance only. From the external survey, perception scores analysis shows a slightly more favourable picture than the perception-expectation analysis (Table 8.6).

Table 8.6: Service performance based on perceptions scores only

Rank	Criteria	Mean	Mode
1	Tangibility	5.195	5
2	Reliability	5.017	5
3	Responsiveness	4.956	5
4	Assurance	4.756	4
5	Empathy	4.582	4

Note: 1 refers to "strongly disagree"; 4 refers to "neutral"; and 7 refers to "strongly agree".



Table 8.6 shows that most shoppers perceive the 5 dimensions to be neutral and/or slightly positive whereas the difference score (Table 8.4) suggests poor ratings. Findings based on the perception-expectation analysis paint a more negative picture than the perception scores analysis.

Based on Table 8.6, one would conclude that empathy needs rectification most given its lowest score. However, Table 8.4 shows that the expectation score for responsiveness is the lowest. Hence, the perception-expectation score is a better measure as it shows the relative seriousness of the deviation by relating it to the shoppers' expectations.

## COMPARISON OF DEPARTMENT STORES

This section evaluates the inter-stores' performances. The frequency tables are used for comparison since they reflect the choices voted by the respondents. A score of 1 reflects the top rank while a score of 5 reflects the lowest score.

Table 8.7: Customers' reactions to bad service - Comparison of department stores

Responses	Daimaru	Isetan	Sogo	Yaohan	Robinsons	Takashimaya	CK Tang
Boycott shops	1	2	1	1	1	4	1
Bad mouthing	2	1	2	2	2	1	2
Do nothing	3	4	3	3	3	2	3
Redress (internal)	4	3	4	4	4	3	4
Redress(external)	5	5	5	5	5	5	5



Based on Table 8.7, shoppers of all the department stores except Isetan and Takashimaya have the same preference in terms of their course of actions against any bad services. Shoppers prefer to boycott shops as their most popular course of actions and to seek redress externally as their last resort.

Isetan's shoppers ranked "do nothing" as their 4th likely course of action against bad service. This means that its shoppers are more assertive in making known their dissatisfaction by being more action-oriented.

Takashimaya's shoppers ranked "boycott shops" as their 4th likely course of action against bad service. This means that there is a certain pulling factor in the store that makes them come back despite any bad services received. One possible explanation is that Takashimaya, being a new entrant at the time of survey, attracts shoppers' interest and curiosity. At this novelty stage, shoppers are drawn to Takashimaya despite any poor services. Infact, shoppers expect service mistakes to be inevitable since the store has just opened.

Table 8.8: Factors affecting where to shop - Comparison of department stores

Responses	Daimaru	Isetan	Sogo	Yaohan	Robinsons	Takashimaya	CK Tang
Value	1	1	1	1	1	1	1
Product assort	3	2	3	3	2	2	2
Convenience	2	3	2	2	4	3	3
Service	4	4	4	5	3	4	4
Other shops	5	5	6	4	5	6	5
Facilities	6	6	5	6	6	5	6
Business hours	7	7	7	7	7	7	7



From Table 8.8, "value" is ranked as the most important factor when deciding where to shop and "business hours" is ranked as the least important factor for all the department stores.

Because value is ranked as the most important factor, this explains why Yaohan still remains as a popular place to shop despite its low score for Gap 5 (Refer to Tables 8.5 and 8.10).

Shoppers are unaffected by the range of business operating hours set by different retailers (Table 8.8). One possible explanation is that business hours in Singapore are similar except for Robinsons which closes at 8.30 p.m., an hour earlier than the industry norm. In general, retailers do extend their trading hours during sales or festive seasons for the convenience of shoppers. Hence, shopping hours do not affect the shoppers' decision making greatly.

The service factor is ranked some where in the middle suggesting its importance after value, product assortment and convenience. The only exception is Robinsons. Robinsons' shoppers rank service as the third factor in importance. Robinsons, an upmarket department store, carries mostly imported goods targeting to the higher income group. This group of customers like to be served. Also, the expensive imported merchandise needs elaborate explanation by the sales staff. Hence, Robinsons' customers place great emphasis on its service levels.



On the contrary, Yaohan positions itself on its great value and adopts a mass appeal. As such, its customers are expected to "self-serve" on their own with minimum service assistance. Hence, Yaohan's customers do not place much emphasis on the service factor.

**Table 8.9: Customers' expectations of excellent retailers - Comparison of department stores**

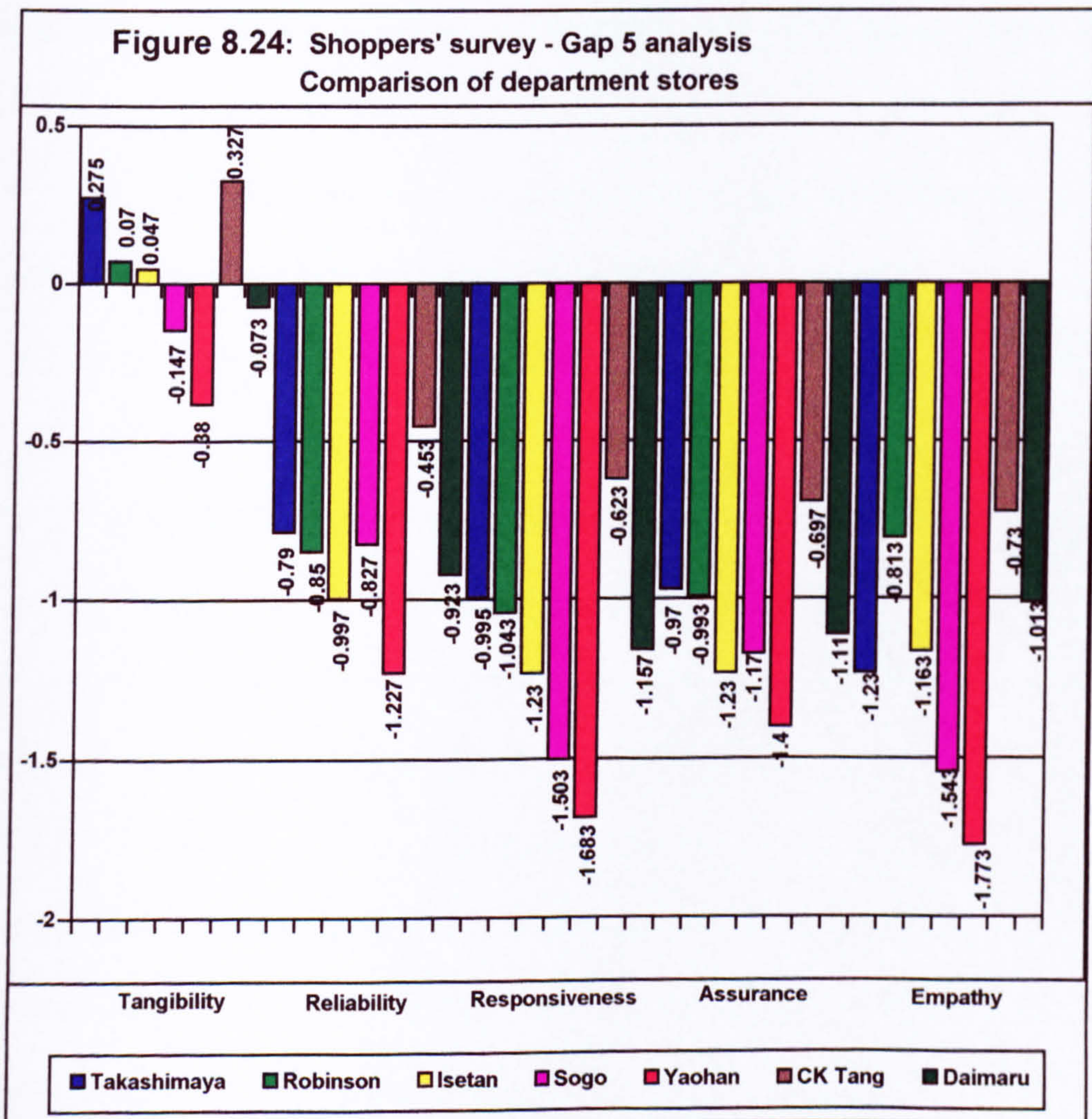
<b>Responses</b>	<b>Daimaru</b>	<b>Isetan</b>	<b>Sogo</b>	<b>Yaohan</b>	<b>Robinsons</b>	<b>Takashimaya</b>	<b>CK Tang</b>
Responsiveness	1	1	1	1	2	1	1
Assurance	2	3	3	3	1	4	2
Reliability	3	2	4	4	3	3	2
Tangibility	4	4	2	2	4	2	3
Empathy	5	5	5	5	5	5	4

From Table 8.9, "responsiveness" is ranked as the most important factor for all the retailers except Robinsons. Also respondents unanimously ranked tangibility as the least important factors for all the department stores. These are in line with the industry's findings which rate responsiveness as the top factor and tangibility as the least important factor (Table 8.4).



Table 8.10: Gap 5 analysis - Comparison of department stores

Rank	Tangibility	Reliability	Responsiveness	Assurance	Empathy
1	CK Tang	CK Tang	CK Tang	CK Tang	CK Tang
2	Takashimaya	Takashimaya	Takashimaya	Takashimaya	Robinsons
3	Robinsons	Sogo	Robinsons	Robinsons	Daimaru
4	Isetan	Robinsons	Daimaru	Daimaru	Isetan
5	Daimaru	Daimaru	Isetan	Sogo	Takashimaya
6	Sogo	Isetan	Sogo	Isetan	Sogo
7	Yaohan	Yaohan	Yaohan	Yaohan	Yaohan





Overall, based on Table 8.10, CK Tang is ranked as the top retailer with the smallest Gap 5 for each criteria dimension. Yaohan is ranked the lowest with the largest gap (Figure 8.24).

## **SUMMARY**

From the external survey, the author concluded that most shoppers are not vocal about any bad services. Less than 15% of the shoppers will come forward and seek redress. The rest prefer to bad-mouth (34%), boycott shops (39%) and simply do nothing (14%). Because the word-of-mouth is a more trusted source of information, more prospective shoppers will be lost via bad-mouthing (Figure 8.1).

To improve service, managers should encourage more shoppers to give feedback. Constructive link to these shoppers should be developed. Shoppers' reluctance to seek redress should be removed in order to facilitate more feedback.

For factors affecting where to shop for department stores, shoppers feel that service is important after considering value, product assortment and convenience. This may be due to the fact that the main attraction for department stores are their value and product assortment (SRA The Retailer, 1996, 7). Hence, shoppers are willing to lower their service expectations. However, service is still considered as of paramount importance to 12% of the respondents. In time to come, service will be increasingly important especially with the public service sprucing up their service element through PS21 programmes.



Applying the Servqual equation, the Servqual Score for the industry is computed at -0.8635. Shoppers are extremely dissatisfied with the responsiveness dimension. In general, 50% of the participating department stores performed better than the industry average. To close this Servqual Score, internal surveys comprising of the managements' and front-line staffs' surveys would be conducted. The perception-expectation analysis is a more comprehensive tool in measuring service level by relating the service shortfall to the respondents' expectations.

In the last section, inter-stores comparisons are described. Most of the shoppers of all the participating department stores show the same preference for their course of action against bad service except for Isetan and Takashimaya. Boycotting shops is the most popular choice of action (Table 8.7)

Key findings of the shoppers' surveys are as follows:

- More than 85% of shoppers do not seek redress in the event of a poor service.
- Value for money is a top factor in influencing shoppers' decision on where to shop.
- Service level is ranked 4th in importance for department store shoppers.



- Shoppers rate responsiveness as an important evaluative dimension while tangibility is least important. However, Gap 5 shows the largest gap in responsiveness.
- CK Tang has the smallest Servqual Score and is perceived as the best store while Yaohan has the largest Servqual Score.
- Perception scores reflect a more positive picture than the difference scores. However, the difference scores has more diagnostic value than the perception scores.

After an understanding of the level of customer service from the shoppers' perspective, chapter 9 explores the possible sources for this service shortfall by examining the managements and the front-line staffs.



## CHAPTER 9

### FINDINGS & ANALYSIS - THE INTERNAL SURVEYS (MANAGEMENTS & FRONT-LINE STAFFS)

*"A company can be successful in the long term only when it is committed to building a quality product; only when it is committed to and focused on its customers; only when it looks after its employees, invests in the training and upgrading of their skills. These commitments can only come about when a company has a clear vision and focus of its goals".*

*(Zemke, R & Schaaf, D., 1989)*

*"As Eliyahu Goldratt said: Tell me how you measure me, and I will tell you how I will behave. If you measure me in an illogical way, do not complain about illogical behaviours. Measurements and rewards are the predominant determinants of behaviour".*

*Gordon Loucks, CFPIM<loucks@primenet.com>*

## INTRODUCTION

Based on the external survey, the Servqual Score for the department stores industry is computed at -0.8635 (refer to chapter 8). This gap indicated the level of service dissatisfaction from the shoppers' perspective. To close this service gap (Gap 5), department stores must examine their internal factors namely: their managements and their front-line staffs.

The first part of this chapter focuses on the managements' perspective of service quality. Through the managements' survey, the author attempts to identify possible sources of Gaps 1 and 2. The rest of the chapter deals with the front-line



staffs' perspective of service quality. This front-line staffs' survey would highlight possible sources of Gaps 3 and 4.

## **GAP 1 - CUSTOMERS' EXPECTATIONS VERSUS MANagements' PERCEPTIONS GAP**

Gap 1 refers to the lack of managements' understanding on their customers' expectations. In the next section, the author attempts to calculate Gap 1 based on the findings of the external and the internal surveys.

### **Gap 1 Analysis**

#### **The external (shoppers') survey**

From the external survey (refer to chapter 8), the arithmetic means for each of the 5 dimensions are computed as follows: (External survey - Q6 to Q10)

Tangibility	=	5.19
Reliability	=	5.89
Responsiveness	=	6.14
Assurance	=	5.84
Empathy	=	5.76

#### **The internal (managements') survey**

From the internal (managements') survey, the arithmetic means of the same 5 dimensions are computed as follows: (Managements' survey - Q1 to Q5)

Tangibility	39 / 7 =	5.29
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Reliability	49 / 7 =	6.86
Responsiveness	48 / 7 =	6.57
Assurance	49 / 7 =	7.00
Empathy	45 / 7 =	6.29

Based on the Servqual Model,

$$\text{Gap 1} = (\text{Ave Expectation Scores of Managements}) - (\text{Ave Expectation Scores of Shoppers})$$

The more negative the answer, the bigger is Gap 1.

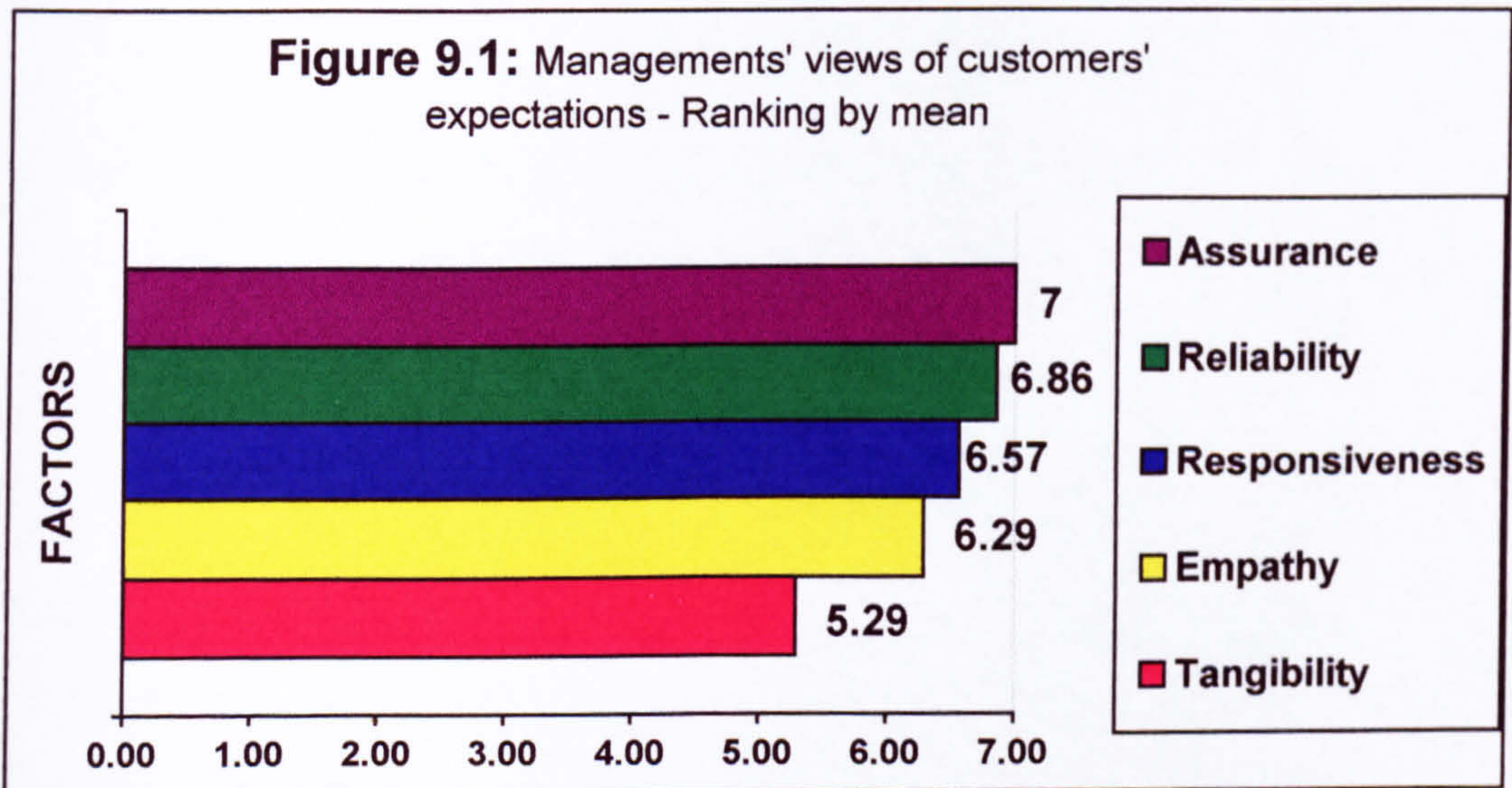
Table 9.1: Gap 1 analysis

Rank	Responses	Gap 1
1	Assurance	1.16
2	Reliability	0.97
3	Empathy	0.53
4	Responsiveness	0.43
5	Tangibility	0.10

From Table 9.1, the top 2 dimensions which managements have anticipated the needs of their shoppers well are assurance and reliability. However, the author proposes that the managements focus their effort on responsiveness. This is because shoppers have singled out responsiveness as the most important dimension to them (Figure 8.16). Table 9.1 shows positive scores which means that the managements of all the department stores performed very well in anticipating the needs of their customers. In other words, Gap 1 does not exist. However, Table 8.4 shows the presence of Gap 5 in all the dimensions except tangibility. This



may due to the fact that managers are able to anticipate the needs of the customers well i.e. no Gap 1, but there may be under delivery of service performance at the staff level (Gaps 3 and 4).



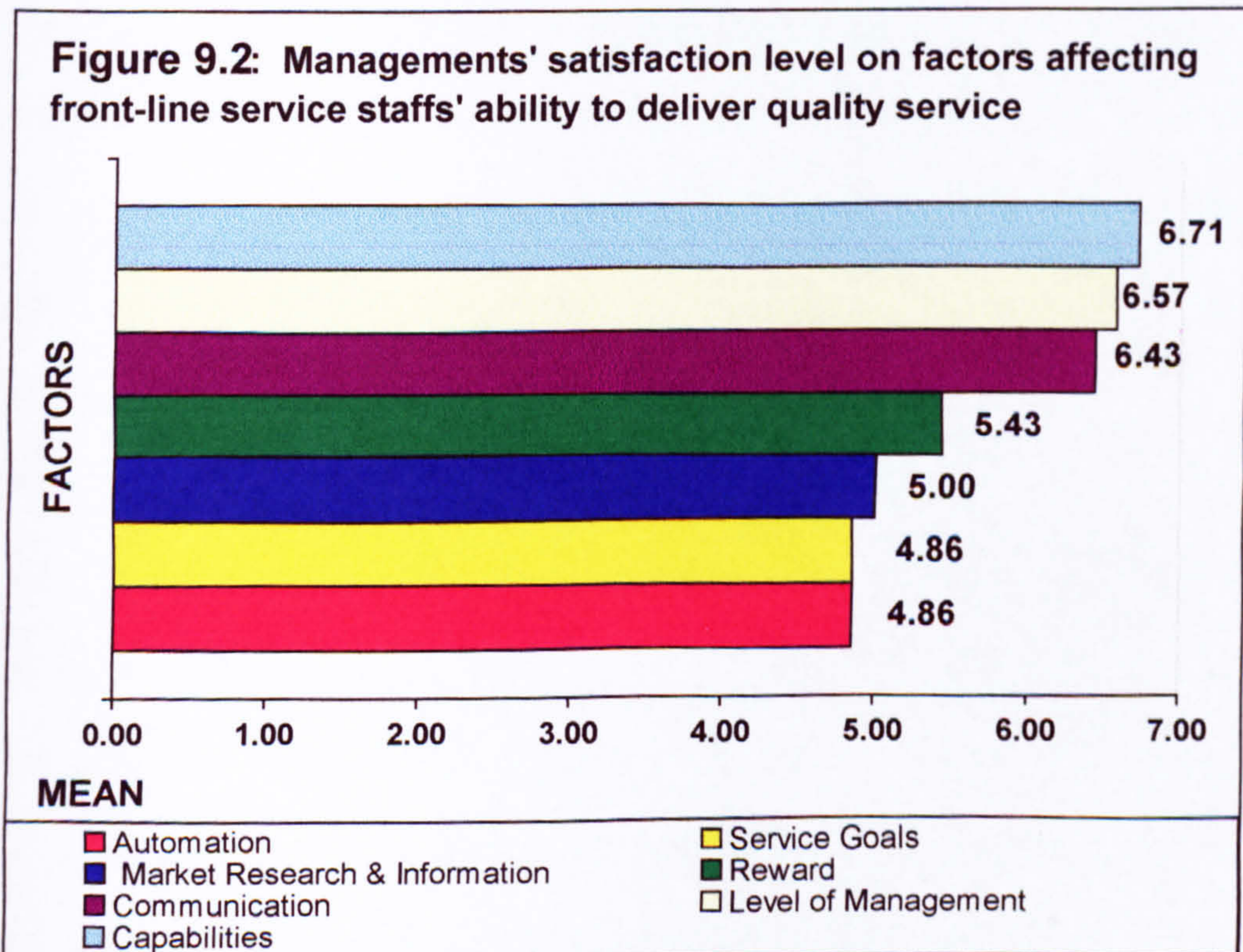
Note: 1 refers to "strongly disagree"; 4 refers to "neutral"; and 7 refers to "strongly agree".

Figure 9.1 shows the ranking of the 5 dimensions based on managements' expectations. Managements rank assurance as the most important factor followed by reliability, responsiveness, empathy and tangibility. However, from the external survey in chapter 8, shoppers ranked responsiveness as the most important criteria (Figure 8.16). This misperception suggests that managers should communicate more with their customers in order to keep up with their changing preferences. The author concludes that managers may have spent their resources on improving the assurance dimension while their customers focus on the



responsiveness dimension - a case of mismatched priorities. Table 9.2 shows how managers of the participating stores perceived each evaluative dimension.

The managements' survey also measured managements' perceptions about their department stores and their operations. By going through the antecedents for Gap 1, deficient areas can be identified for rectification. These include lack of marketing research orientation; inadequate use of market research findings; lack of interaction between managers and their customers; and too many levels between contact personnel and managers (refer to chapter 7).



Note: 1 refers to "strongly disagree"; 4 refers to "neutral"; and 7 refers to "strongly agree".



From Figure 9.2, managements are most satisfied with the capabilities factor. Automation and service goals received the lowest satisfaction score. Managements are satisfied with the communication process (mean = 6.43) and the level of management (mean = 6.57) between the front-line service staffs and their top managements. Common communication methods are weekly meetings, morning briefs and managements' random visits on the shopfloor. Such constant interactions promote the exchange of views between the 2 parties.

For market research and information antecedents which refer to the collection and usage of feedback on the service quality expectations of the shoppers, managements feel that they need to improve on their data collection and usage (mean = 5.00). Common methods are suggestion boxes, telephone complaints and in-house survey projects. Most of the participating department stores feel that more surveys should be conducted on a more regular basis to help them track their customers' responses as a form of continuous feedback.

The findings of this managements' survey differ from the surveys conducted by Zeithaml et al (Zeithaml et al, 1990, 68). Zeithaml et al's surveys on 5 companies namely 2 insurance companies; 2 banks; and 1 long-distance telephone company showed that the American companies are strong in their marketing research orientation but weak in their levels of management. On the contrary, this managements' survey shows that department stores in Singapore are weak in their marketing research orientation and strong in their communication and level of



management. One possible explanation is that market research is still relatively backward and under-developed in Singapore when compared to the other developed countries such as America. Marketing research is perceived as a relatively new concept with most organisations not willing to spend on gathering information.

In a depressed market, most department stores operate with minimum staff strength in order to control their costs. They focus more on operational issues rather than research. Since most stores reported red for their financial performances, it is difficult to allocate scarce resources for research activities. Hence, retailers in Singapore lag behind in their market research efforts.

## **GAP 2 - MANAGERMENTS' PERCEPTIONS VERSUS SERVICE QUALITY STANDARDS GAP**

Gap 2 refers to managements' failure to set appropriate service standards. The lack of setting service goals makes measurement of service performance difficult. Antecedents of Gap 2 include inadequate managements' commitment to service quality; perception of infeasibility; inadequate standardisation of tasks; and absence of goal setting.

Managements feel that they have the capabilities to cater to their customers' requirements for service depending on their special needs. In other words, they are empowered to make service decisions to serve the long term interest of their



organisations (mean = 6.71). Table 9.2 shows that managements of CK Tang, Sogo, Robinsons, Isetan and Takashimaya feel strongly about their empowerment to solve service problems.

The structure of a reward system can promote managements' commitment to service quality by linking rewards to service-oriented performance. However, in this survey, managements feel that their reward system are based on a seniority or sales quota system (mean = 5.43). Rewards for delivering service quality form only a small section of the many areas in the appraisal forms. Hence, this explains the lack of commitment among managers in their service quality conquest. Table 9.2 shows that management of Daimaru feels that their reward system is not pegged to the service performance.

From Figure 9.2, managements feel that they can improve on setting service goals (mean = 4.86) and in using automation (mean = 4.86) to achieve quality service. Service goals refer to setting specific service standards such as answering the telephone within the first 3 rings, etc are lacking. Managements view setting service goals as difficult given the difficulties in standardising services and the intangibility of services. However, most of them agreed that setting service standards will mean clearer instructions to their service staffs. Table 9.2 shows that managements of Sogo, Yaohan, Isetan and Takashimaya feel that they should improve on their goal setting.



For Zeithaml et al's survey, managements are most pleased with their goal setting (Zeithaml et al, 1990, 87). In Singapore, goal setting has not been in place. The fact that most retailers are trained on the job and by their predecessors may mean a lack of formal training to help structure goal setting.

Automation to achieve consistency in serving customers is only confined mostly to EFTPOS scanning and electronic directory. Managements feel that retailing relies heavily on human touch and there is not much that they can automate. They are reluctant to reduce this human touch. This is in line with a study done by Dotson and Patton (1992) which reveals that people like to shop in an environment with personal touch. Technology should only be used to increase the efficiency of retail operations so that the retail staff may be freed to focus on human interaction. For example, the scanning device at the point-of-sale automates the checking out process and enables the cashiers to interact better with the customers.

Automation can also be used for better inventory management and merchandising decisions. Purchasing pattern of existing customers can sharpen merchandising decision on what to buy and the appropriate stock level to carry. In this way, customers would be able to find what they want, thereby enabling the stores to give better service through availability of stocks. Table 9.2 shows that managements of CK Tang, Sogo and Isetan are keen to incorporate more technology into their area of work.



**Table 9.2: Managers' responses by stores (mean)**

	CKTang	Sogo	Yaohan	Robinsons	Isetan	Daimaru	Takashimaya
Tangibility	7	4	4	7	5	5	5
Reliability	7	7	7	7	7	7	6
Responsiveness	6	7	7	7	7	7	5
Assurance	7	7	7	7	7	7	7
Empathy	7	7	7	6	5	6	6
Information	5	5	4	7	4	7	3
Communication	5	6	7	7	6	7	7
Level of Management	6	7	7	7	6	7	6
Reward	6	6	5	6	5	4	6
Service goals	6	4	4	6	4	6	4
Automation	4	4	5	5	4	6	6
Capabilities	7	7	6	7	7	6	7

Note: 1 refers to "strongly disagree" and 7 refers to "strongly agree"

Table 9.2 shows how managements of different department stores assessed their retail operations and the 5 evaluative dimensions. CK Tang and Takashimaya seem to focus less on responsiveness which is considered as important by the shoppers (Figure 8.16). In general, most of the stores are less concerned with the tangibility. This is in line with the findings in Figure 8.16.

Management of CK Tang feels that they are empowered to solve problems but lag behind in tapping technology to improve their retail operations. Sogo's management feels that they need to work on setting service goals and using automation to improve their retail business. Yaohan's management is concerned about getting information about their shoppers in order to make better decision and setting realistic service goals. The management of Robinsons is pleased with their operations and would like to improve on their automation. Isetan's



management would like improvement in obtaining market information, setting service goals and using automation. Daimaru's management would like to tailor their reward system to reflect the staff's service performance. Takashimaya, the new kid on the block, would like to improve on obtaining market information and setting service goals for their new operation.

### **GAP 3 - SERVICE QUALITY STANDARDS VERSUS ACTUAL SERVICE**

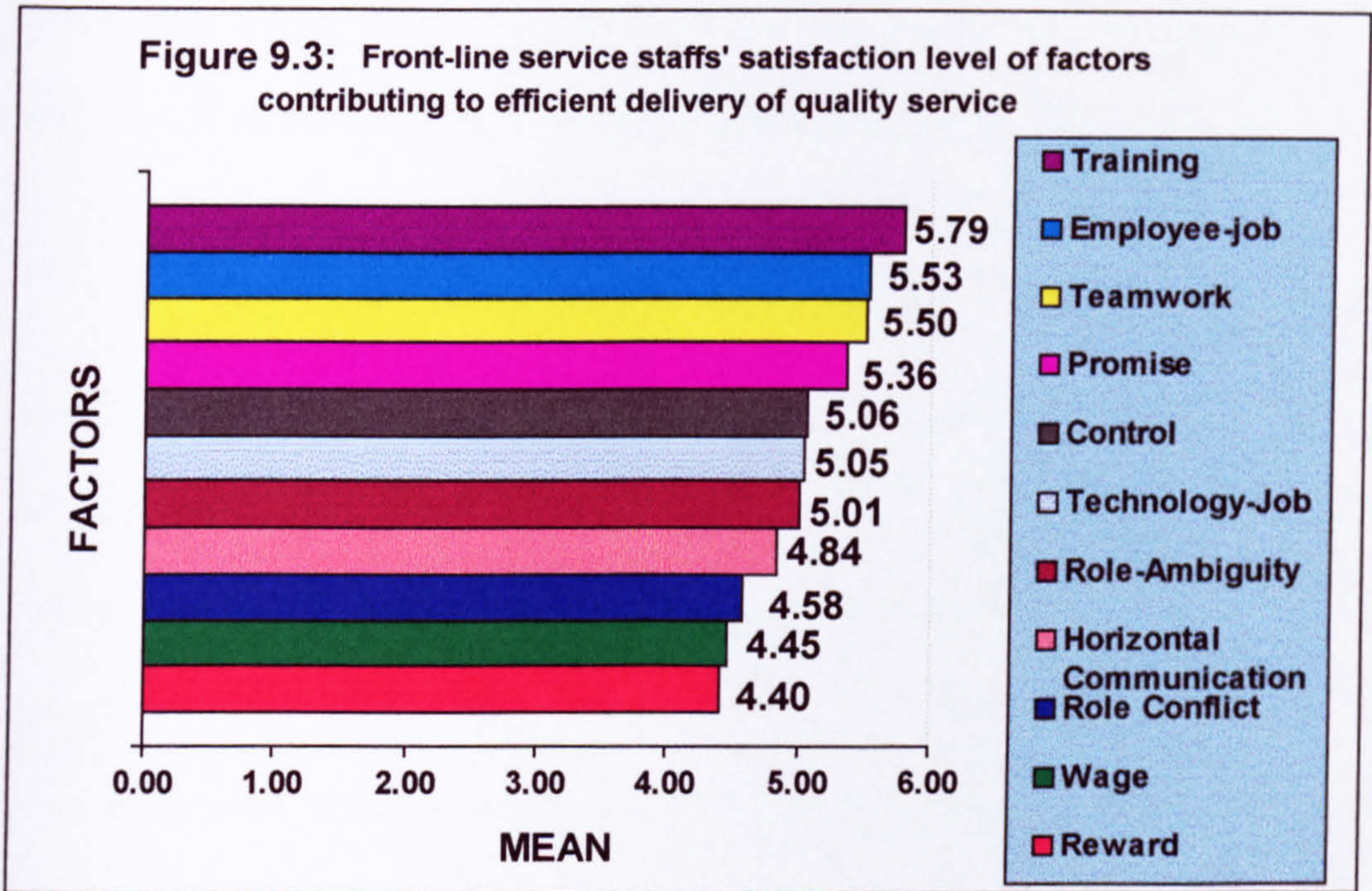
#### **DELIVERY GAP**

Gap 3 refers to the extent of service discrepancy arising from front-line staffs' inabilities to meet performance standards set. Antecedents for Gap 3 are teamwork, employee-job fit, technology-job fit, perceived control, role conflict, role ambiguity, wage, reward and training (refer to chapter 7).

From the front-line staffs' survey, 350 front-line staffs were surveyed on their feelings towards the nature of their jobs and their working environments.



**Figure 9.3: Front-line service staffs' satisfaction level of factors contributing to efficient delivery of quality service**



From Figure 9.3, service staffs are satisfied with the level of training provided for their jobs (mean = 5.79) but feel that they are not fairly compensated for the amount of work they do (mean = 4.45). This may implies that the service staffs are well-trained and therefore, should not encounter any service delivery problem based on their capabilities. As such, the decline in service level may be attributed to the withholding back of their work effort since staffs perceive their wages to be inadequate. Applying the pay equity theory, staffs would reduce their work effort to equate to the level of rewards which they received. Table 9.3 shows that staff at Yaohan feel that they are not compensated fairly.

For the employee-job fit antecedent, staffs feel that they are able to perform their jobs well (mean = 5.53). A better match between staffs' skills and



personalities to the demands of the job would enhance more productive result.

Table 9.3 shows that staff at Robinsons are pleased with their job placement.

Under the teamwork antecedent, service staffs feel a sense of belongingness in their organisations (mean = 5.50). They are satisfied with the level of unity and cohesiveness in their groups. Table 9.3 shows that staffs at Sogo, CK Tang and Daimaru feel a sense of belongingness with their organisations.

Under the control antecedent, service staffs feel that they should have more freedom in their jobs to truly satisfy their customers' needs (mean = 5.06). Hence, a majority feel that they are not empowered to make decisions on their own.

For the technology-job fit antecedent, service staffs feel they should be equipped with the tools and equipment needed to perform their job well (mean = 5.05). The rest are unable to catch up with the changes in technology. More training in technological aspects should be given to help staffs perform better.

For the role-ambiguity factor, service staffs feel that they receive sufficient amount of information from managements concerning what they are supposed to do in their jobs (mean = 5.01). Hence, managements should continue to hold more meetings to disseminate more information to their front-line staffs.



Under the role conflict antecedent, service staffs feel that the demands from their customers and their managements are different (mean = 4.58). Most of the times, these 2 groups exert different and conflicting demands on the service staffs, thereby creating confusion.

Service staffs believe that there is a positive correlation between rewards and the effort expended. They feel that they are not rewarded for doing their best in serving their customers (mean = 4.40). The reward system is based on seniority and sales quota which do not motivate them to work harder in the service element.

According to Zeithaml et al's surveys on 2 insurance companies; 2 banks; and 1 long-distance telephone company in America, the teamwork antecedent was ranked top while the role conflict antecedent was ranked last. Most staffs feel that expectations on them are inconsistent or too demanding (Zeithaml et al, 1990, 112). This is similar to the survey findings on department stores (mean = 4.577). However, training is rated top instead of teamwork for department stores' staffs in Singapore. Most department stores conduct orientation programme, classroom training and on-the-job training for their new staff.



## **GAP 4 - SERVICE DELIVERY VERSUS EXTERNAL COMMUNICATIONS GAP**

Gap 4 arises when actual service delivery does not correspond with what is promised in all external communications by that retailer. Antecedents for Gap 4 are inadequate horizontal communications and propensity to over-promise.

From Figure 9.3, service staffs feel that there is insufficient interaction with their operation staffs in discussing the level of service which they can deliver (mean = 4.84). This low mean reflects that more co-ordination should be initiated between departments to ensure better communication and minimise misunderstandings.

Under the propensity to over-promise antecedent, service staffs feel that they do not over-promise in their keenness to serve customers (mean = 5.36). This mean reflects that staffs do not over-promise. More staffs should be encouraged to deliver expectations realistically instead of quick gimmick that would not sustain relationship retailing.

The front-line staffs' survey reveals that there is a need to co-ordinate horizontal communication across departments (mean = 4.84). These findings contrasted to Zeithaml et al's survey which revealed that the front-line staffs are more likely to overpromise and inflate their customers' expectations in their highly competitive industries where they work (Zeithaml et al, 1990, 128-130).



**Table 9.3: Front-line staffs' responses by stores (mean)**

	Isetan	Yaohan	Sogo	Robinson	CK Tang	Daimaru	Takashimaya
Teamwork	6.10	3.72	6.04	6.38	6.02	5.46	4.80
Employee-job	5.72	4.40	5.94	6.48	5.84	5.16	5.16
Technology-job	5.60	4.00	5.20	5.76	5.66	4.68	4.42
Control	5.60	3.68	5.22	6.10	5.32	4.90	4.58
Reward	5.80	3.18	4.34	4.68	4.52	3.82	4.44
Role conflict	4.70	5.02	4.38	4.86	4.64	4.60	3.84
Role ambiguity	5.64	4.06	5.40	5.52	5.32	4.86	4.28
Wage	4.72	3.04	5.08	4.78	4.88	4.50	4.16
Training	6.22	5.02	5.96	6.50	5.96	5.42	5.46
Horizontal Communication	5.14	3.78	5.36	5.36	5.34	4.44	4.48
Promise	5.68	5.22	4.90	6.22	5.44	5.18	4.86

Table 9.3 shows that the front-line staffs' responses by stores for comparative analysis. Front-line staff of Isetan are satisfied with their training but experienced different demands while performing their jobs. Yaohan's staff do not over-promise just to please their shoppers but feel that they are not compensated well. Staff at Sogo feel a sense of belonging but feel that their reward system is not service-oriented. Robinsons' staff feel that they are well placed, having worked for there for many years but feel that the reward system is not service-based. Staff at Daimaru and CK Tang feel a sense of belonging but feel that the reward system is not service-based. Staff at Takashimaya are pleased with the training given but experienced role conflict which may arise due to cultural issues in store management. In general, staff from 4 department stores feel that their reward system does not reflect their service performance.



## **SUMMARY**

The ability to successfully provide excellent customer service is dependent on all 3 parties namely the customers who receive the service and provide feedback on the level of service; managements who are the decision makers of service policies and front-line staffs who are the implementors.

Using the Servqual model, the service shortfall or Gap 5 for the department stores industry is computed at -0.8635 (refer to chapter 8).

The managements' survey revealed that department stores should improve on their market research efforts in order to better understand their customers. Automation can be harnessed to increase productivity. It can also free front-line staffs from the routine tasks in order to perform more service-oriented jobs and provide the personal touch. Specific service goals are lacking and should be set to signal managements' priorities on the service element. Rewards should also be linked to the service delivery to signify its importance.

The findings of this front-line staffs' survey revealed that a fairer compensation package; more role congruence; more empowerment; and a better reward system could minimise Gap 3. In other words, compensation package should be adjusted to reflect fairly according to service staffs' inputs and be linked to the delivery of quality service. Managements should also exert the same demands as the shoppers so that service staffs can experience a greater level of role



**congruence. Empowerment of the front-line staffs also encourages more staffs to problem-solve creatively and promptly to their customers' needs.**

**To minimise Gap 4, more communication between operations and shopfloor staffs should be instilled. This co-ordination among various departments is essential to ensure a smooth and concerted effort to serve shoppers well. Also, service staffs should not inflate their service promises to shoppers. Realistic advice would minimise shoppers' disappointment.**

**The key findings of the 3 surveys are as follows:**

- Gap 5 occurred because department stores are not able to meet and exceed their customers' expectations.**
- Gap 1 occurred mainly because managements focused on assurance as the most important evaluative dimension while shoppers preferred responsiveness. This resulted in mismatched priorities.**
- The source of Gap 2 stemmed from the lack of service goals and the use of automation to help retailers operate effectively and efficiently.**
- Front-line staff felt that they are not fairly compensated and the reward system is not service-based. As such, they are not keen to excel in giving good service (Gap 3).**
- Gap 4 occurred because there is poor co-ordination among the various departments in a department store. Information flow lagged behind by relying on the circulation of paper memo.**



Having completed the 3 angles to assessing service quality, chapter 10 offers recommendations for department stores to improve on their service levels based on the 3 surveys.



## CHAPTER 10

### RECOMMENDATIONS FOR DEPARTMENT STORES

*"We wanted to empower our people, to encourage them to be thinkers as well as operators so that they could improve the quality of their work process."*

*Robert Hutchinson, Director of Operations,  
Mead Johnson in Nijmegen, the Netherlands  
(Arrington, 1992, 16)*

#### INTRODUCTION

The search for quality is first mooted in the manufacturing sector but has transcend to the service sector in today's competitive business environment. According to Babbar (1992), quality does not improve unless someone measures it. As a pioneering effort to track service level of downtown department stores in Singapore, the Servqual model was adopted. The key findings of the 3 surveys are as follows:

- Gap 5, the service gap, occurred because department stores are not able to meet and exceed their customers' expectations.
- Gap 1 occurred mainly because managements focused on assurance as the most important evaluative dimension while shoppers preferred responsiveness. This resulted in mismatched priorities.



- The source of Gap 2 stemmed from the lack of service goals and the minimal usage of automation to help retailers operate effectively and efficiently.
- Front-line staff felt that they are not fairly compensated and the reward system is not service-based. As such, they are not keen to excel in giving good service (Gap 3).
- Gap 4 occurred because there is poor co-ordination among the various departments in a department store. Information flow lagged behind by relying on the circulation of paper memo.

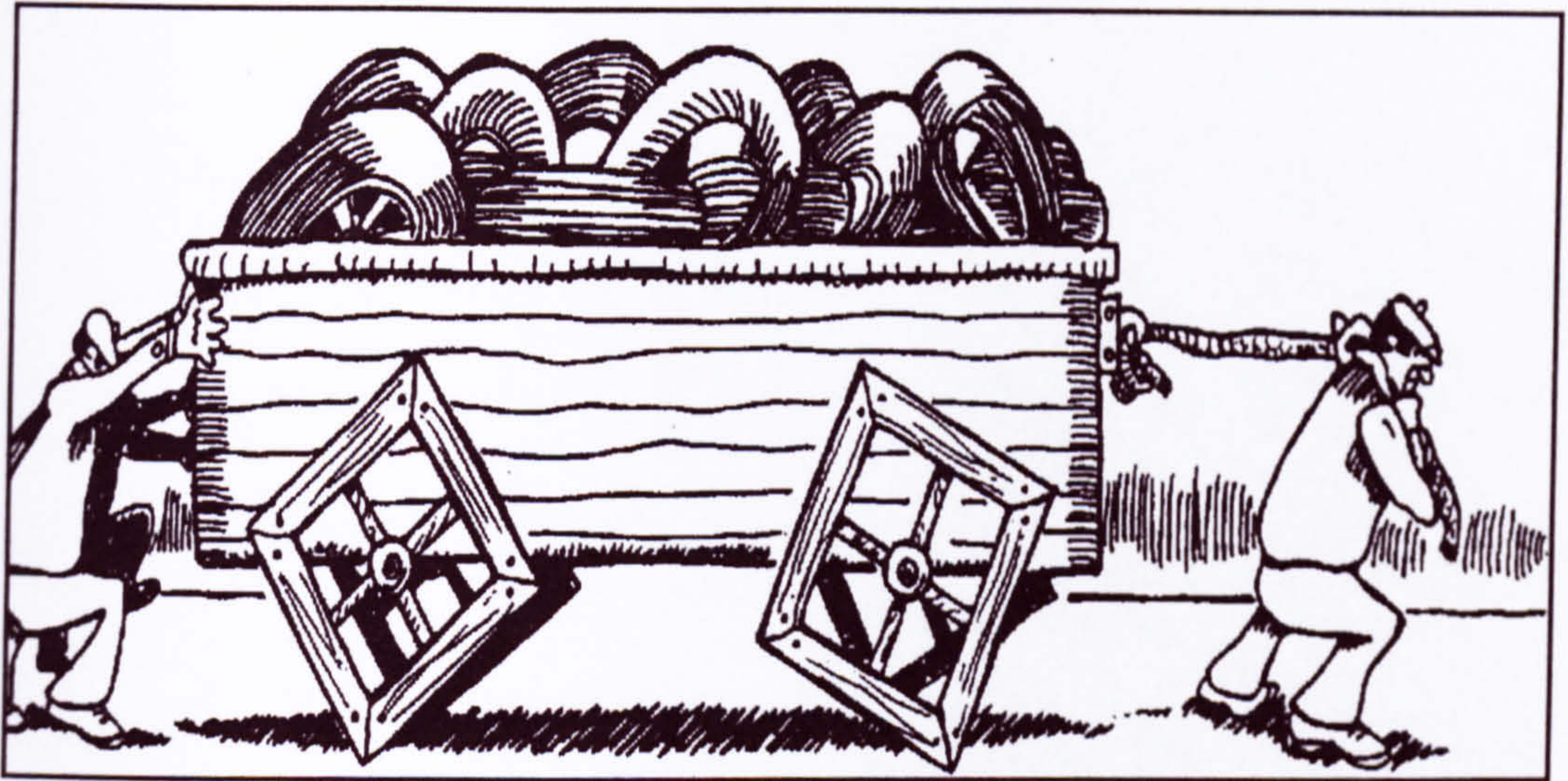
Integrating the findings from the 3 surveys, the author proposes ways to improve the quality of customer service for department stores in this chapter.

## **RECOMMENDATIONS**

The Square Wheels of Continuous Improvement and Team Building model by Dr. Simmerman, S.J. shows an inefficient mode of operation in any organisation (Figure 10.1). From the surveys conducted, the participating department stores seem to function in the same mode.



Figure 10.1: The square wheel of continuous improvement and team building



Source: Simmerman, 1993, 1

Based on Figure 10.1, the person pulling the wagon at the front represents the managements. Often known as retail managers, they provide leadership in steering their stores ahead. The managements' survey showed that managers have the capabilities to make decision that serve the long term interest of their organisations (mean = 6.71, chapter 9).

The person pushing the wagon from the back refers to the front-line service staffs who are responsible for getting the work done. With their limited view of where their organisations are heading, they often lack motivation to achieve the goals set by their managements. Yet, the link between managements and service staffs is crucial because of the staffs' close and constant contact with the customers.



This invaluable source of customer and market information via service staffs should enhance managements' decision making i.e. help to minimise Gap 1.

From the front-line staffs' survey, some staffs felt that they did not receive sufficient information from their managers concerning what they were supposed to do (mean = 5.00, chapter 9). This suggests that the communication link between these 2 parties should be reinforced.

The cart in the middle refers to the structure of most department stores. It should be adequate and sturdy to accomplish the corporate missions. Most department stores are well established and large in size with their own structure of store operation in place. Hence, the ability to manage the large floor space with the right merchandise and service level in the face of rising operating costs is critical to retailers.

The square wheels at the side of the cart signify the things and events which cause department stores to thump and bump over their service journeys such as rigid regulations, out-dated policies, traditions and systems. Over time, these things and events may have become major stumbling blocks if they do not keep up with the customers' changing preferences. It is interesting to note that in the managements' survey, managements felt that they lack market research orientation (mean = 5.57, chapter 9). Managements agreed that they need to improve in this area so that they can tune in closely to their customers. With this



knowledge, managers will be able to make better decisions. In this way, the chances of becoming a square wheel is reduced (chapter 9).

Round wheels in the cart refer to the new ideas for innovation and change from the staffs. Though present in most organisations, unfortunately these creative ideas may be undermined and untapped due to the antecedents of Gap 2 such as communication and reward structure.

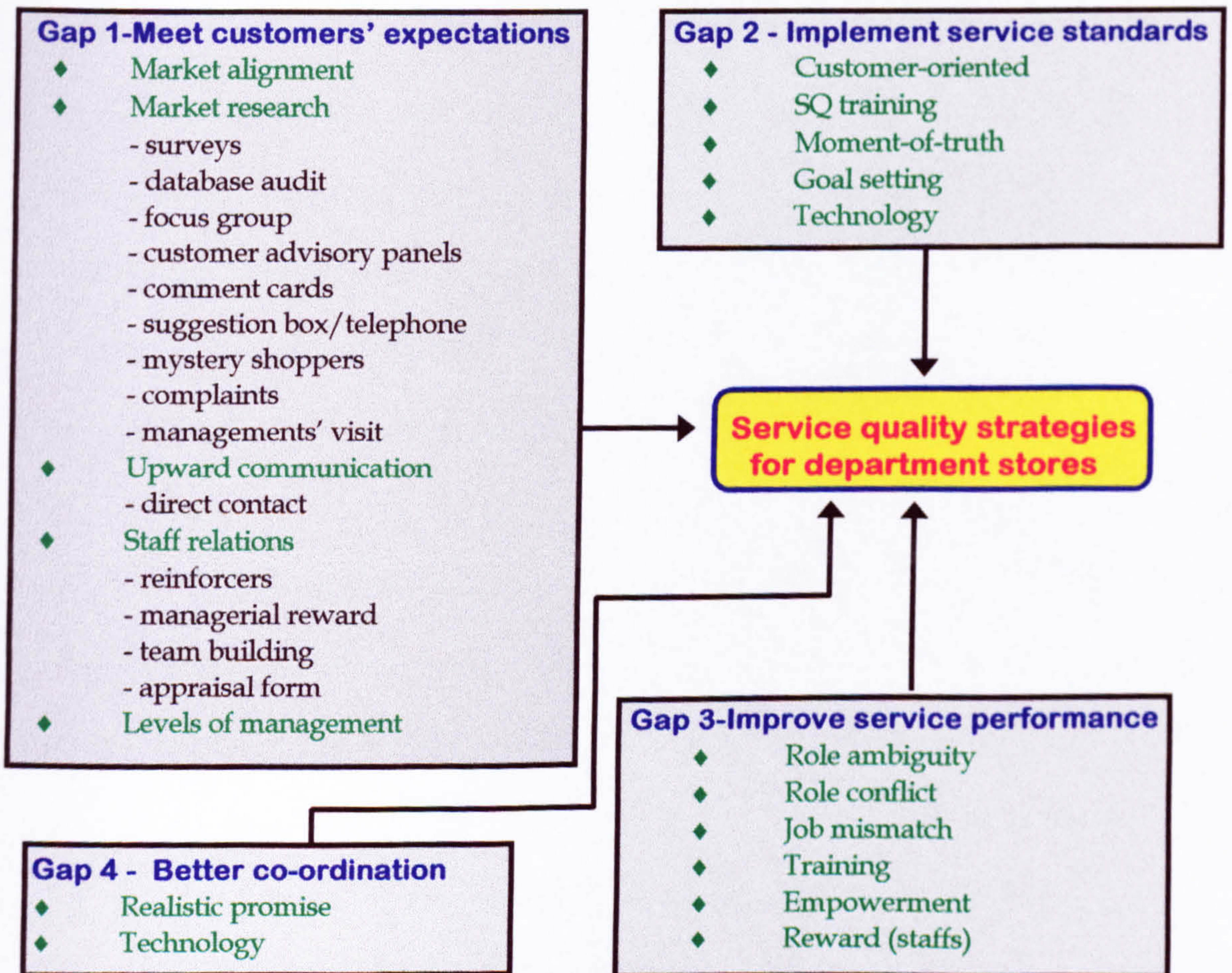
The front-line staffs' survey showed that the reward system was pegged to seniority and sales quota (mean = 4.86, chapter 9). The problem with such outcome-based control system is that staffs are evaluated and compensated based on the basis of the results (outcomes) rather than the behaviours utilised to achieve the results (Hoffman et al, 1992). As a result, staffs tend to focus their efforts on activities with immediate payoff. There is no incentive to excel and innovate in other areas where they will not be recognised. Therefore, the service element has been ignored.

In terms of communication, the managements' survey showed that managers were happy with their communication process with their front-line staffs (mean = 6.43, chapter 9). The reward system and communication channel can be improved to encourage more creative ideas generation especially on service orientation from front-line staff than the current situation (chapter 9).



This Square Wheels mode of operation in department stores is not conducive for achieving excellence in customer service because of the misalignment between customers, managements and service staffs. Department stores should re-engineer their operations to tap the synergy of these 3 parties. The next section highlights on areas for improvement which department stores should adopt in order to provide service excellence (Figure 10.2).

Figure 10.2: Achieving excellent customer service for department stores





## **GAP 1 - MEET CUSTOMERS' EXPECTATIONS**

Managements need to align all their resources in the same direction as their customers in order to serve better, thereby closing Gap 1. In the managements' survey, managers ranked assurance as the most important service dimension (chapter 9) while customers preferred responsiveness (chapter 8). This misperception would result in inefficient allocation of resources due to the mismatched priorities.

One possible reason for this misalignment may be due to the lack of market research to help managers understand their customers' needs and to continually meet these changes. Department stores should keep up with their customers' changing tastes and preferences. By examining their internal strengths and weaknesses against their evolving environmental opportunities and threats, managements can determine where they want to be and map out creative strategies that will bring them there.

Some department stores may conduct surveys to obtain market information. However, the problem lies in the infrequent collection periods. Implemented at arbitrary points in time, the findings only provide isolated static measure (Babbar, 1992). Top managements must design effective market research system and initiate the implementation on a regular basis. Findings should be analysed and channelled back to the staffs for their actions.



## **Market research**

Managements need to understand their customers through information gathering activities. Customers' behaviours can be monitored continuously in various ways. Specially commissioned shoppers' surveys e.g. mail surveys, telephone surveys and personal interviews can be conducted to gather the customers' views. In addition, for department stores with their own customer database, mailed questionnaire can be send to this group of shoppers on a regular basis to audit the service performance. It is essential that the department stores are able to satisfy their customers' expectations.

Focus group studies whereby selected customers are invited for a session which is chaired by a qualified facilitator can be implemented. This approach is extremely useful to unearth preliminary findings. From here, a structured questionnaire can be designed for a mail survey to reach a wider pool of people. Customer advisory panel consisting of a small number of randomly selected customers, meeting 3 - 4 times a year, can be arranged to discuss common customers' expectations and concerns.

Comment-cards and evaluation/suggestion slips can also be placed at the cashier points and other service points such as information counter for customers to respond. Service staffs can approach their customers informally for their views. Because of the need to keep this card precise and short, this service tracking method should assess a few key areas only. For example, Sears, a leading



department store in America, implemented a 60-seconds survey where customers are asked to rate the store within that span of time. Such short but frequent feedback on a few areas helps the staffs to gauge their service performance level and prompt them to do better.

To facilitate feedback under this approach, writing instruments such as pens or pencils and cards/slips must be available at these service points. To generate more response, incentives such as shopping coupons or gifts can be given to the respondents (Babbar, 1992).

Suggestion box and direct telephone lines serving as hot-lines can be implemented as additional avenues for customers to give feedback. However, prompt acknowledgement should be given to all respondents to show that their comments are being considered. Suggestion box must be cleared regularly and be dust-free to signify its importance to the customers and that it is being maintain regularly.

Mystery shoppers is a scheme whereby some members of the public, commissioned by the retailers, pose as customers to check on their assigned stores' services. They are briefed by managements on the areas to assess. Thereafter, they will submit reports to the managements for their necessary actions.



Complaint is another source of information by providing information on failures and breakdowns in the service system. All complaints should be documented, analysed and channelled back to the service staffs for their actions. Persistent complaints which keep showing up may indicate an urgent need for closer examination and immediate action. For example, Giordano, a local apparel retailer, placed a full page advertisement in the local newspaper in September 1992 to "pay" for criticisms from their customers. In return, 2,000 of its T-shirts were given away to those who responded (Kaufman, 1992). A week later, they took out another full page advertisement stating all the complaints received and proposed remedial actions to be taken. This has increased their customers' confidence in them as a store which is sincere in wanting to improve.

Managements should respond promptly to each and every complaint to show their sincerity in taking actions. Prompt action is essential to restore faith from these aggrieved customers. Information on how and where to complain should be made known so that customers know the procedure to air their grievances. However, relying on complaint is a reactive way to getting to know one's customers. Given the low redress rate of less than 15% in the external survey (chapter 9), receiving complaints merely reveals the tip of the iceberg with many issues not known since majority of the shoppers do not seek redress. In other words, the low percentage of complaints received does not mean that the department stores have no service problems.



Managements should try and find out the reasons for the low redress rate instead of letting their customers walk away and patronise from their competitors. According to the Washington DC-based Technical Assistance for Research Programme's (TARP) survey, usual responses for not seeking redress are not worth the hassle; ignorant on where and how to complain; do not believe that the companies would do anything; and fear of retribution (Goodman, 1993, 3). Department stores should research to find out the reasons for their customers' low redress. Remedial actions can then be taken. Service recovery at the complaint stage is critical in appeasing the aggrieved customers and turning them into loyal customers.

Customer loyalty and satisfaction are greater after the service problem has been put right (Bailey, 1994). Front-line service staffs need to be trained to handle complaints well since they are likely to be on the receiving end of these complaints. The reaction of the staffs will impact on the customers' perception of service recovery and their satisfaction level.

Other innovative ways to solicit feedback should be encouraged as they will increase a retailer's publicity as well as position it as a service innovator. Participation rate is usually higher as customers are often drawn to the new and novel approach of feedback. For example, World of Sports (WOS), a leading sportswear retailer, adopted an innovative way to measure its service performance. Customers are invited to ring a bell in the store if they are satisfied



with the service received. Next to a bronze coloured bell in the store, there is a sign bearing this message "If you are happy with our service, please ring this bell. It lets our staff know how you feel" (Tong, 1995). This method not only allows customers to make their satisfaction known but also serves as a morale booster for the staffs.

Managements are often the wagon pullers who do not feel the thumps and bumps of the service journeys as much as the wagon pushers i.e. front-line staffs. Because they are often not on the shopfloor, they lack the constant interaction with their customers when compared to the front-line staffs. A theoretical view on how things are supposed to work cannot substitute for the richness of any service encounter. Managements need to be on the shopfloor to confirm this theoretical view. Therefore, interacting with customers is vital for managements to understand their customers well.

One way to interact with customers is by having managers on the shopfloor more frequently. For example, CK Tang requires their managers to work shift hours on the shopfloor in order to understand their customers better. Such job rotation on the shopfloor enhances their managers' understanding greatly. Other methods include random visits on the shopfloor. Managers gain much insight by observing how their customers behave and their purchasing patterns. However, the random visits by managements may make sales staffs feel that they are being watched. In response, they may put forth their best behaviour which may not be their real behaviour. In other words, sales staffs may exhibit fear-directed



behaviour and not inner-directed behaviour. In the end, managements will still not be able to perceive the real scenario given the distortion.

Contrary to the belief that managers should stay in the back rooms, they can be role models and set good examples for their staffs by working on the shopfloor. Exemplary behaviour from a superior will exhort service staffs to perform better. When proper attitude has been inculcated among staffs, then good service-oriented behaviour becomes natural (Hoffman et al, 1992 ; Babbar, 1992).

Managements should use an array of the different types of market research. Each tool requires different levels of investment and is appropriate for meeting slightly different objectives. More importantly, the frequency of the research should be reasonable to provide for a continual assessment of the market and not static measures. In this way, managements can react to the new changes in a prompt manner.

After market research is conducted, managements must know how to use the research findings in a meaningful way. Misuse and nonuse of data will lead to wrong decision making and sub-optimisation of resources. Managements should not be too busy with daily routine tasks until they have no time for reading and digesting the research data. They should also be trained to interpret data findings competently. Finally, managements should have faith in the research methodology so that they will have more confidence in the findings.



## **Upward communication from front-line staffs to managements**

The managements' and front-line staffs' surveys confirmed that there was an adequate upward communication from front-line staffs to managements (mean = 6.43, chapter 9). Managements should continue to facilitate this flow of information by encouraging suggestions from staffs.

Customers direct their complaints to the front-line staffs due to their accessibility. Hence, these staffs should be trained to handle complaints well and to feedback this important source of information to the managements. Managements, on the other hand, are often in the back rooms which are inaccessible to the public. Therefore, they should tap their staffs' knowledge by being close to them. Communication barriers such as too many levels of management and remote offices should be minimised. Instead, adopting an open door policy, morning briefing and joining staffs at coffee breaks to listen to their concerns are positive steps toward better ties with staffs. For example, Hewlett Packard (HP) in Singapore has a confidential survey every 2 years in which the staffs rate their managements. There is a half-yearly division employees' survey where staffs have the chance to address management-related concerns. Teams are formed to look at employees' concerns. The staffs' faith is restored when they learnt that their views are being considered (Koh, 1995, 2).

Too many levels of managements between front-line staffs and managements will also affect the quality of communication as message gets



distorted along the way. Regular morning briefs where managements meet with service staffs will enhance the quality of communication. For big companies, retailers can use video clips to disseminate important messages instead of relying on the different levels to transmit the information.

Managements know what lies ahead but the rest of the staffs, the wagon-pushers, have very limited knowledge on this view. Not knowing where their stores are heading, front-line staffs' responses tend to be short-sighted, focusing only on immediate or daily tasks. These staffs would require much motivation from their managements to move on. Therefore, managements need to communicate their visions, missions and strategies to all levels of staffs and open channels for clarification. All the different levels can then work towards this unified direction. Communication would lessen role ambiguity.

## **GAP 2 - IMPLEMENT SERVICE STANDARDS**

After understanding the needs and wants of their customers through market research, managements must use this knowledge to set service standards for their stores.

### **Customer-orientation**

The old way of doing things in the past may no longer match up to the customers' changing expectations. Therefore, managements must adapt to these changes. However, managements may not be open to different ways of



structuring, calibrating and monitoring the service concept because changes entail uncertainties.

Because of this resistance to change, managements may not perceive service quality as a key strategic goal in today's environment. Instead, they rather focus on company performance objectives such as cost reduction, sales quota, etc. Also, the current reward system is linked to achieving of these standards. As a result, there is no incentive for staffs to give good service.

Top managements must show the way by initiating this change process - the service mentality. Reward should be changed to encourage managerial participation and focus on improvements that would foster high service quality instead of company performance goals. Managements should attend service quality training. This will make them more creative, decisive and responsive to the needs of their staffs. In turn, they will be able to motivate their staffs to excel in their service delivery. Managements must be open to innovation and better ways of doing things. Financial resource allocation should reflect this service priority in the stores.

Everyone in the organisation must also be truly service-driven. Customer service permeates all levels. Managements should create a positive environment towards customer service. Staffs should be excited on the absolute belief on



customer service and be truly convicted internally on this service philosophy (Babbar, 1992).

Often, customer service is perceived to be the responsibilities of front-line staffs only. In reality, customers come in contact with all levels of staffs in the department stores. Each encounter with a customer presents an opportunity to attract, retain or enhance the relationship, if it is well handled. These encounters are also known as moment of truth. Positive encounters will create favourable impression on the customers and enhance relationship retailing (Carlzon, 1987). Therefore, everyone in the organisation should be customer-focused in his/her dealings. Even the delivery person and toilet cleaners should not be overlooked since they do come in contact with the customers.

An article by Lee (1995) confirmed the importance of moment of truth. Her checks revealed that telephone enquiries among current retailers were not handled well. Most of the time, these calls were passed to many staffs because they were not sure who could handle the enquiry due to the lack of product knowledge. In the end, there was no sale because customers were put off by this lack of professionalism at the telephone enquiry level.

### **Staff relations**

Managements should ensure that customer service is valued by all levels of staffs in their stores. Resource allocation should reflect this service priority.



Constant feedback should be provided to their staffs so that they know how well they are performing. If done well, service champions and role models should be celebrated and rewarded. The Singapore Hotel Association (SHA), SRA and the Restaurant Association of Singapore (RAS) have implemented the “badge of excellence” scheme to give recognition to excellent service providers (Dhaliwal, 1995, 22). Service round-tables can be conducted on a regular basis where good and bad service deliveries are highlighted to create awareness. For example, Singapore Airlines makes use of its in-house staff newsletter to comment and compliment on its service standards.

Retail managers blame staff shortage for the service shortfall. According to them, training is unfeasible given the high staff turnover rate. (Lee et al, 1995, 29). The author felt that staff shortage should not be the only reason for poor service. Firstly, having many staffs do not equate to better service if all they do is just stand around and chat with each other. From the checks done by the journalists, most staffs did not display a customer-oriented attitude. Also, performance appraisals which focus on sales quota instead of relationship building tasks may send the wrong message (chapter 9). Staffs should internalise the fact that customers are the reasons for being in business. Without customers, there will be no jobs. Retail managers should bring about this conviction and reinforce this thinking. Training should be given and service heroics should be honoured, celebrated and hailed as role models (Dhaliwal, 1995). After every training session, managements should devise reinforcers to check for immediate and correct applications by their staffs at



their work environment. Such feedback will prompt staffs to put what they have learnt into practice with guidance provided.

To build teamwork, staffs can be taken out of office for team building games such as Adventure Learning programmes. Service Quality (SQ) Centre, a joint venture between Singapore Airlines and National Productivity Board, offers training programmes with team building exercises included: Delivering Service Quality (DSQ) and Service Quality Leadership (SQL) (Refer to appendices).

Job appraisal forms should reflect service responsibilities instead of just sales quota. Service targets such as developing clients' books, follow-up services, etc should be incorporated into the staffs' appraisal forms. For example, Citibank's service recognition and reward programmes include the following:

- **Citistars:** staff member who gives exceptionally good service to customers
- **Thumb Ups:** staff member who gives exceptionally good service to fellow colleagues
- **Citidelight:** team of staff who gives exceptionally good service to customers

(Toh, B. 1990)

### **Service standards**

Goal setting is important for each service task. With these standards, staffs are able to receive feedback on their performance. Goal setting should be based on



customers' expectations and not internal company standards. In this way, stores will be measuring and improving on standards which are important to their customers. Effective goals setting should encompass the following:

- Based on market research.
- Be specific, clear, challenging, realistic and measurable.
- Be accepted by staffs as fair and achievable.
- Be tracked periodically.

### **Technology**

Managements should try to standardise their routine service tasks. One way is to use technology. Technology can replace routine tasks, thereby freeing staffs to perform more service-oriented tasks. For example, bar code scanning at the point of sale frees the cashiers from the manual keying in and allows them to interact with their customers.

With technology, department stores are delegating decision making to the individual branch level. In the past, most of business processes were created and controlled at the headquarters and then passed down to the branches (Thompson, 1993).

Keen competition has forced department stores to be more responsive to their customers and in a timely manner. Therefore, more branch stores are



becoming drivers in their key decision making. By decentralising forecasting, planning and pricing, department stores are responding well to their customers' needs and expectations. This is especially important for department stores who have gone into suburban retailing and may be serving a different breed of clientele from their downtown branches (Chong et al, 1995).

Managements should tap on technology to serve customers better. Bar-code scanning has resulted in faster check-out and accurate pricing. Data movement captured at the cashier points help to improve merchandising decisions, thereby minimising stockout situations. With all the data integration, sales staffs may be able to advise the stock level on any merchandise at any branches to their customers should their branch run out of stock.

Technology can take care of routine job and frees sales staffs to perform more service-oriented tasks. Better integrated information enables managements and staffs to serve better by equipping them with up-to-date information on their stock levels. Integrated information system also improves co-ordination among the various departments. This will greatly reduce horizontal miscommunication or  
Gap 4. Wedding, birth and house-warming registries can be offered with the help of integrated information system. Therefore, technology helps sales staffs to extend their service capabilities and increases their customers' shopping experience.



### **GAP 3 - IMPROVE SERVICE PERFORMANCE**

Managements need to maintain a work force of staffs who are willing and able to perform at the required service level. Role ambiguity, the extent to which an employee does not know about what his/her manager expects from him/her and how to perform, can cause one to under-perform. The front-line staffs' survey revealed that some staffs experienced role ambiguity (mean = 5.011, chapter 9). Managements should clarify these roles by communication and feedback. Staffs must also be trained so that they can handle their tasks competently and confidently.

Role conflict refers to the different demands which staffs receive from their managements and customers. In the front-line staffs' survey, staffs experienced role conflict (mean = 4.58, chapter 9). Managements and staffs should share the same focus i.e. their customers and work inward to reflect that. Managements must convey the expected behaviours of their organisations to their staffs. This effective socialisation process should equip all employees with their role perceptions (Dubinsky et al, 1986; and Feldman 1976, 1981). Once the roles are understood and accepted, staffs will be more motivated to act on it, thereby increasing organisational commitment of the staffs (Hunt et al, 1985; and Kelley, 1993). In this manner, conflicting demands will be minimised since they share the same outlook and priority in satisfying customers first (Thompson, 1993; and Kelley, 1993).



In the front-line staffs' survey, most staff were suited for their work (mean = 5.53, chapter 9). Management should continue to give training. Front-line staffs should be trained in interpersonal skills besides selling skills since they need to interact with their customers frequently. Technical training on equipment and technology should be given to enable them to use these equipment competently (Kelley, 1993). This training will enhance staffs' knowledge and enable them to solve problems better if they are empowered to do so.

Sometimes, a mismatch of staffs to jobs happens because of wrong hiring decisions. For companies such as Singapore Airlines and Giordano, hiring the right person is a very important task for their service strategies. Hence, these firms are very strict in their hiring decisions. Once the right candidate is chosen, they will invest heavily in training and grooming them. Therefore, department stores should hire the right candidate with the right aptitude and personality for their retailing jobs. Compensation should be attractive and fair to retain them.

### **Training**

The external survey revealed that less than 15% would seek redress in the event of any bad service received (chapter 8). Some of these complaints may be directed to the front-line staffs. Given a second chance to rectify this service deficiency, staffs should be trained to handle such situations competently and professionally. Service recovery, if carried out satisfactorily, often results in customer loyalty (Bailey, 1994).



Front-line staffs must be trained on the working mechanism of being customer-focused. They must treat customers as the reason for their being in business. In all encounters, they must learn to empathise by seeing things from their customers' point of view. Next, the training should enhance their skills which are essential to delivering good customer service. Equipped with product knowledge, they will be in a better position to advise and serve. After training, follow-up and reinforcement sessions should be implemented to encourage staffs to apply what they have learnt into their work environment.

Training is extremely important to service staffs whom customers often interact with and depend on them for assistance. By having a customer-focused mindset, these staffs will then be able to add value to those whom they serve. Yet, most department stores rely on on-the-job training for their staff. The frequent turnover of staff does not justify the cost in training. Besides, the need for training is important given that a sizeable proportion of the staff are part-timers. Untrained staff are not competent to serve customers well and putting them on the shop floor is liken to sending a troop of untrained soldiers to a war whereby the results can be devastating. A poor encounter on the shop floor would wipe out whatever good image or advertising and promotion efforts which a store may have. Therefore, a store should not reduce on its training efforts.



## **Empowerment**

In service-oriented organisations such as department stores, staffs should be given a certain amount of autonomy to act. By doing so, they can respond to their customers in a more timely manner (Thompson, 1993). Most service staffs are not empowered to act and take responsibility for their decisions to serve their customers better. They follow closely to the work procedures which may not have kept up with changing customers' preferences. Sales staff should alert their managers on any work regulations or procedures which are obsolete and hinder their abilities to serve better. "Sorry, no more stock" is not a good enough answer for today's shoppers. They expect more follow-up services such as checking with other branches or providing alternative solutions.

If service staffs are given the authority to make decisions that can enhance their work environment, they will be more involved and motivated. Empowerment will make them more thinkers than doers. This mental challenge will bring forth pride, make the job more interesting and may help to retain these staffs. However, the challenge lies in department stores' abilities to hire the right quality of staff which is crucial for staff empowerment to work well.

Based on the front-line staffs' survey (mean = 5.06), staffs felt that they have the freedom to truly satisfy their customers' needs. The rest felt that this decision was not within their realm of control, therefore, they only gave superficial responses to customers' requests.



## **Rewards**

Performance appraisal often focus on seniority and sales quota. To be truly customer-focused, appraisal should include relationship building tasks of a sales job (Kelley, 1993; and Hoffman & Ingram, 1992). For example, development of a client book, sending thank you cards, follow-up calls, etc. Trophies, flowers, holidays, money, shares or enhanced staff discounts are other forms of rewards for applauding service heroics who excel in service delivery. By linking reward to service goals, staffs will be able to appreciate its importance in their jobs. Employees should also be paid fairly.

## **GAP 4 - BETTER CO-ORDINATION**

In their eagerness to close sale deals, front-line staffs should never over-promise. Customers are sophisticated and will be able to see through any quick sale gimmick. For relationship retailing to work, staffs should be realistic and truthful in what they said. From the front-line staffs' survey, most staffs felt that they did not oversell their products. This ethical approach should be reinforced (mean = 5.46, chapter 9).

To improve co-ordination between departments, an integrated information system whereby all data are linked together for an updated and accurate status report can be installed. From the front-line staffs' survey, staffs felt that they were isolated from the other departments. A structured information system to integrate all departments will enable them to respond faster.



Looking at the bigger picture, managers should focus more on Gaps 1 to 4 to improve on service delivery. In order to deliver excellent customer service to the customers, the internal systems of a store must be well co-ordinated with smooth operations. All the systems should be customer-oriented and not process-driven. All staff must be happy before they can extend the same level of joy externally. If there is excellent internal customer service, then service hiccups would be minimised. Therefore, managers should maximise internal customer service for a better external customer service.

Focusing on Gap 5 to signal the presence of service gap is a passive move. This is because by the time a service problem materialises, the company has to perform service recovery for the customers and then examine internally for the source of the problem. Given that only less than 15% of the shoppers would complain, the actual grievance rate is even higher. Also, the store would suffer from bad word-of-mouth. Hence, it is better to be pro-active and solve any internal problems first. Frequent surveys and discussions should be conducted among internal staff to assess the well-being of the staff.



## **SUMMARY**

The bureaucratic mode of operation commonly found in large and established organisations such as department stores hinders their abilities to give good customer service. Yet, giving good service is a viable option for them to stay ahead in this fiercely competitive environment. Therefore, department stores are urged to re-engineer their operations in order to align themselves conducive to deliver service quality.

Managements should be more research-oriented and make good use of their research data. Communication channel should be spruced to facilitate the flow of information between managers and front-line staffs. Service staffs possess excellent knowledge by interacting with the customers. They should pass this valuable information to the managers. With this knowledge, managers will be able to make better service decisions.

Service standards focusing on customer satisfaction should be set. Constant feedback should be given to service staffs. Technology should be tapped to integrate all retail operations for better productivity and co-ordination. Routine tasks can also be automated to allow staffs to provide better service. Training, reward system and empowerment are human relations issues which can enhance the service staffs' abilities and motivate them to provide excellent service.



Service quality takes time, hard work, energy and commitment to implement (Weitzel et al, 1989). It is a continuous process which needs benchmarking and fine-tuning. By measuring the level of customer service continuously, feedback can be given to the staffs for their actions. The current measurement model adopted in this research project should be improved further to reflect the needs of the local context. The next chapter proposes ways to improve the service tracking instrument and concludes this thesis.



## CHAPTER 11

### CONCLUSION

*"Excellence is possible if you care more than others think is wise, risk more than others think is safe, dream more than others think is practical and expect more than others think is possible."*

*Manager, Corporate Quality Office, AT & T, USA  
(Zuckerman, 1992)*

In the depressed retail market whereby department stores are badly hit, managers are spending endless hours in the boardroom brainstorming on how best to handle these environmental challenges. Because retailing is basically service-oriented, the issue of whether delivering excellent customer service can be a viable tool to adopt is worth exploring.

Throughout the world, customer service has become a popular buzzword. However, the suitability of this service strategy depends on the rate of development of the retail sector and the readiness of the shoppers. For example, in Russia, shoppers are accustomed to standing in long queue before they are being waited on. McDonald's outlets in China also have their share of customers who are willing to join long queue for their purchase. On the other hand, Nordstrom in the United States goes to great length in pampering their customers with excellent service.



If department stores are counting on the service element to help them stay ahead in the competitive market, then managers will need to know whether their shoppers are ready for the service strategy. They will also need to know the current level of service performance in order to improve.

Literature survey on retailing in Singapore is lacking. Embarking on this post-graduate study enables the author to contribute to the academic understanding of retailing in Singapore as follow:

- Documented the Singapore's retail scene by mapping the vast growth in the 1960s to the almost saturated market in the 1990s. Challenges faced by today's retailers are discussed. Literature survey on Singapore's retail scene is usually related to geographical, urban development and residential policies. As such, these retail research was conducted by people from the estate management specialty. To obtain the retailers' perspective of the retail industry, the author interviewed retailers, the Singapore Tourism Board, the Singapore Retailers Association and the Retail Promotion Centre. The department stores sector in Singapore was investigated and a conceptual framework for functional retail strategies is developed along the way. This serves as a good foundation for future researchers.
- Documented the department stores industry in Singapore by mapping its success in the early years to its troubled state today. Difficulties faced by



department stores and possible strategies are discussed. Company profiles on downtown department stores are presented in the appendices.

- Examined the retail customer service concept in the western region and compared it to a non-western region. Documented the way department stores in Singapore implemented their customer service strategy. Unlike the western counterpart, customer service concept is not clearly understood by department store operators in Singapore. These department store operators manage customer service as a facility provision boasting a stock list of possible service mix. They have not embraced the value-added concept of customer service. Hence, the potentials of customer service are undermined.
- Proposed a measurement tool for tracking customer service. Currently, department stores did not track their service performance. Various measurement models were examined. The Servqual model was tested in a non-western region to see if it worked.
- Administered the 3 surveys and analysed the findings to form the first collective market information on customer service of downtown department stores in Singapore. Findings shows the difference in preference between the local shoppers and Zeithaml et al's samples, and detects the presence of service gaps in the department stores industry. The Servqual model is a tool to measure service quality across all industries. Therefore, the 5 dimensions should vary in importance depending on the industry. In this case, the author



recommends the responsiveness dimension as the most important. The findings of this research served as a major input to the development a nation wide service assessment instrument - the Singapore Gold Circle scheme.

- Proposed areas of future work for other researchers.

Because of financial, time and manpower constraints, the author's work was confined to examining the impact of customer service of downtown department stores. Before the popularity and success of suburban retailing in the early 1990s, most leading department stores are located along the prime shopping area which is Orchard Road. Therefore, the downtown area is singled out because of the high concentration of department stores.

The literature survey on the local retail scene and interviews with retailers reveal the factors which caused the downturn of the retail industry in Singapore. The influx in retail space resulted in more retail players. The introduction of the All-Day Area Licensing Scheme and the Goods and Services Tax are banes to downtown shopping. The strong Singapore dollar and the lack of local tourist attractions failed to attract tourist shoppers to come and shop in Singapore. With the demographic trend of fewer births and late marriages, the local customer base remains small.



On the other hand, outbound travels of Singaporeans and propensity to spend overseas have increased. The purchasing pattern of the locals has changed. People are heavily burdened by their home and car financing, investing in share market and holding country club memberships. These have reduced their disposable income for shopping for luxury merchandise. As a consequence, local shoppers go for value-based purchases. In general, the customer base is perceived to be too small to justify the number of retailers in this crowded market place. In summary, the retail scene in the 1990s is extremely hostile and competitive.

Today's department stores have to compete with the newer retailing formats which promise novelty and better satisfaction of needs to the ever changing preferences of the customers. They are squeezed in the middle by specialty shops and discounters. Department stores are slowly losing ground to the small specialty stores with their impressive depth of products as well as personalised service. On the other hand, no-frill, large scale discounters such as Carrefour offer wide assortment of basic merchandise at lower prices. Department stores targeting to the tourists are affected by the less spending and more discerning tourist shoppers.

Department stores' greatest woe seems to be their inefficient management of their large floor space. These large selling areas are often stock with



merchandise which do not reflect the changing customers' lifestyles and preferences.

Travelling widely, today's customers are more informed on what is available overseas. The old general image of department stores did not appeal to them anymore. Department stores failed to carve out their niches and positioning statements through refurbishment, quality merchandise, service, ambience and style. According to Carlson (1991), the challenges for department stores in the 1990s are price, service, convenience, merchandise selection, merchandise presentation and a recognition of the changing population. Service and merchandise presentation became more important than the merchandise itself since most department stores carry similar labels. However, the shortage of manpower in the stores and the tight labour market hindered their abilities to hire and train competent sales staffs to give their best service.

Despite the bleak outlook, department stores must survive. Mr. Jack Schafer, a retail consultant who heads his own retail consultancy in the United States, feels that it is absolutely essential to keep the department stores anchors alive. He feels that a shopping centre needs a department store as anchor tenant for its survival. Many malls in Singapore are known by their anchor tenants e.g. Centrepoint and Robinsons; Wisma Atria and Isetan; and Ngee Ann City and Takashimaya (The Straits Times, 4/10/95, 38).



For most department stores, service can be their edge when they already have the right merchandise, location and minimum margin. Service is important to encourage repeat patronage as shoppers have plenty of choices on where to shop. Up-market retailers must provide excellent customer service to their target customers who want to be served. In addition, a survey on the top 10 peeves of Singaporeans by Kaur et al (1995) reveals that poor service in restaurants and shops ranked top on the hate list. Literature survey confirms that most successful and profitable companies in the western region are service-oriented. Therefore, department stores would do well by giving good customer service.

As the country grows more affluent with more highly educated people, the public realises the need to be well-mannered. Even the government is pushing its public service sector to excel in its service delivery in a programme known as PS21. As such, private organisations have to deliver better or at least equivalent level of service offered by the firms in the public sector. Customers will slowly expect better service delivery in the future.

A check by a team of journalists from the local press who acted as mystery shoppers to assess the current service level reveals that poor service was evidenced at most department stores. Contrary to saying that "customers are kings", these journalists were made to feel as if they were problems that have walked in off the streets (Lee et al, 1995, 26).



Department stores in Singapore offer customer service to their shoppers. Most department stores boast of a similar list of services. However, shoppers are not aware of these services since they are not publicly informed. This list is usually placed at a customer service counter which operates in isolation from the trading on the shop floor. There is no service measurement exercise and managers usually rely on complaints to determine their service level. Even the staff appraisal form does not assess service performance.

If department stores are truly service-oriented, they must have a control system to evaluate their service performance. Several measurement models were examined. The Servqual model was selected based on its systematic structure, comprehensiveness and ease of use. The author tested the applicability of the Servqual model as a pioneering effort to track service level of downtown department stores. The SERVQUAL instrument was modified to suit the local context. Instead of mailed questionnaires, 2000 shoppers were interviewed on the shop floor at 7 department stores. The length of the SERVQUAL was shortened to address the situational constraint. The questions were positively worded to facilitate the collection process. Findings were analysed using SPSS software.

The key findings of the 3 surveys are as follow:

- The shoppers' survey shows that more than 85% of the respondents do not seek redress in the event of a bad service. They ranked boycotting shops as



their most likely reaction to any bad service received. Therefore, department stores stand to lose for rendering poor service.

- Service was ranked 4th in importance for factors affecting customers' decisions on where to shop. The author concludes that soliciting customers' feedback is very important given that less than 15% of the respondents would seek redress. Department stores should improve on their ways in getting feedback such as setting up telephone hot-lines for complaints, better complaint handling process, etc. Though ranked 4th, department stores should not overlook the increasing importance of the service element given that most organisations are moving towards the PS21 trend. Shoppers are now more informed about retailing on a global scale. They would expect the same treatment. Department stores should be proactive in delivering high service standards now. The responses to these 2 questions affirmed the importance of customer service from the local shoppers.
- The shoppers' survey reveals the presence of a service gap for the department stores industry and the most important evaluative dimension for store-based retailing. Responsiveness was ranked most important by the shoppers but received the poorest ratings for its performance. In other words, people want to be attended to by the staffs in a prompt and willing manner. The managements' survey shows that managers ranked assurance as the most important dimension. This mismatch arises because managers do not understand the needs of their shoppers well. Therefore, lack of market



research affected Gap 1. Tangibles was ranked as least important and received satisfactory performance rating. Shoppers and managers are congruent on this finding.

- The source of Gap 2 stemmed from the lack of research orientation to help managers keep up with the changing tastes and lifestyles of today's shoppers. Specific service goals should be set to eliminate the subjectivity of performance and to achieve higher productivity in a unified direction. Automation should be adopted to increase the productivity as well as free front-line staffs from routine tasks in order to perform more service-oriented jobs. There is a pressurizing need for retailers to conduct regular research on their customers and to create a service culture to adopt a value-added customer service orientation.
- Front-line staffs' survey reveals that a fairer compensation package, more role congruence, more empowerment and a better reward system can minimise Gap 3. More communication between operations and shop floor staffs will enable better delivery of quality service for their customers (Gap 4). In other words, retailers should train their front-liners on the customer service concept, set up service reward system and improve customer communication to delight their customers.



The difference between the findings of the Servqual model in the Singapore's context against Zeithaml et al's samples are as follows:

- Local shoppers ranked responsiveness as the most important dimension while Zeithaml et al's samples chose reliability. This illustrates the difference in the evaluative dimensions between store-based retailing and pure services.
- For Gap 1, local managers ranked market research as most negative while Zeithaml et al's samples chose level of management.
- For Gap 2, local managers ranked goal setting as most negative while Zeithaml et al's samples feel that it was most positive.
- For Gap 3, local front-line staff ranked training as most positive and reward as the most negative. Zeithaml et al's samples ranked teamwork as most positive and role conflict as most negative.
- For Gap 4, local front-line staff ranked horizontal communication as negative while Zeithaml et al's sample chose over-promise.



## **Strategies to improve measurement tool**

Having conducted the service tracking cycle once, the author strongly recommends the followings for a better service measurement exercise:

- **Involve all the department stores in identifying and agreeing on the key service indicators/attributes for each of the 5 evaluative dimensions under the Servqual model. Emphasis is on context-specific factors i.e. peculiar only to department stores. In this way, the new questionnaire will feature a set of standardised key service indicators/attributes to facilitate inter-firm and intra-firm comparisons on a temporal, competitive or diagnosis analysis. For example, tangibility may be defined to include A&P materials, decor of building and ambience by all participating stores. In this way, inter-firm comparison becomes possible and meaningful. Within a store, intra-firm comparison based on its past year performance is also possible.**
- **Determine the weightage for the 5 service dimensions and to apply them to the perception-expectation scores for a more accurate picture. People value the 5 dimensions differently. Department stores should reflect this weightage in their assessment.**
- **Conduct surveys more frequently to track the service level over time. Any difference over each service audit period may reveals areas of strengths and weaknesses. Managements will then be able to gauge their service**



performances and use this index as a form of feedback for decision making and to motivate their service staffs. Surveys should include shoppers and non-shoppers.

- Form a retail customer service committee comprising of representatives from service-related organisations such as the department stores, SRA, SQ Centre, NETS, STPB, tertiary institutions, etc to manage the tracking process. Because of the sensitivity of individual store's findings, independent bodies such as SRA, SQ Centre, or a tertiary institution can be appointed to conduct the survey. Findings will be compiled on an industry basis and each store will receive 2 sets of reports namely: an industry and an individual store's performance. This committee also handles the funding of these projects.
- Convince all department stores on the value of the customer service tracking audit as a way to improve. This will facilitate active participation and financial sponsorship. Mailed questionnaires using the store's customer database facilitates the use of the SERVQUAL instrument in its entirety. More than one manager per store should be interviewed for better representation of views.



## **Future research work**

Some potential areas for future service-oriented research are as follows:

- **Improve on the current research methodologies by fine-tuning the service indicators/attributes; conduct more regular surveys; secure better participation rate; explore other data collection method (i.e. mailed questionnaires) and try to use the SERVQUAL instrument in its entirety as much as possible.**
- **Set up a retail customer service steering committee with service-related bodies such as SRA, SQ Centre, etc. This committee will plan, co-ordinate and seek funds to conduct service tracking activities with the aim of elevating the service level in the retail sector. Starting from department stores, the committee can consider looking at other types of retail institutions such as supermarkets, specialty stores, tele-marketing, etc. Eventually, a retail customer service index can be developed to facilitate comparisons.**
- **Conduct a similar survey on department stores at the suburban shopping sites. Compare the findings with the downtown department stores to see if there is a difference in service emphasis.**

**In conclusion, the time has come for department stores to implement a formal system to manage their customer service delivery if they are serious about**



their service strategy. To summarise, this thesis adds to the academic knowledge of retailing as follow:

- Documented the local retail scene and difficulties faced by department stores.
- Discussed the importance of customer service and how it could help the depressed department stores.
- Reviewed literature on service measurement models and selected the Servqual model as the basic framework for the primary research.
- Measured the current service level of department stores located along Orchard Road by conducting the 3 surveys namely: shoppers, managements and front-line staffs.
- Recommended strategies to close the service gap for department stores.
- Recommended ways to improve the service measurement tool.
- Proposed areas for possible future research work

The documentation of the literature on the local retail scene and the department stores from a total perspective is the author's contribution to retail knowledge. The research effort on tracking the service performance using the Servqual model on downtown department stores is a first attempt and revealed



characteristics of store-based retailing. Hopefully, other researchers can follow-up and refine on this instrument.

Through this thesis project, the author concludes that the customer service strategy is a viable tool for department stores to adopt in their maturity stage of the RLC. However, in reality, customer service is a facility provision concept in Singapore. These retailers need to move towards the value-added approach by setting a service climate, service reward system and move the staff to the quality of personal interaction.

With more new retail entrants and offerings emerging, department stores can retain their customers by offering excellent service. Department stores who want to offer excellent customer service must constantly come up with creative services; offer better service delivery; conduct more regular service tracking activities and reward their staffs accordingly. More importantly, department stores must not neglect their qualifying service and aim to innovate their determining service. They should assess their customers' responsiveness to customer service to determine the extent that they can use it as a differential variable.



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## APPENDICES

### COMPANY PROFILES

#### PUBLIC LISTED RETAILERS IN THE SINGAPORE STOCK EXCHANGE:

#### CK TANG

(S\$'000 000)	1993	1994	1995
Sales Turnover	165.1	180.4	181.3
Net profit (loss) after taxation	1.2	(13.9)	(17.8)
Share capital	41.3	41.3	41.3

Source: Annual report of CK Tang, 1993-95

#### Philosophy

Honesty, integrity and value-for-money via:

1. Set trends and respond to changing customers' needs.
2. Conduct activities with wisdom and professionalism.
3. Foster close relationship with customers, staff and business partners.
4. Believe in excellence of staff, the dignity of individual, commitment to teamwork and in rewarding accordingly.
5. Realise the social need to enhance the quality of life in the community.

#### Group of companies

1. Tangs
2. Tangs Studio
3. Nex.is
4. Associated Catering Pte Ltd (67.3% owned)
5. Clinton Pte Ltd (100% owned)



6. Gamut Trading Pte Ltd (100% owned)
7. Tangs-Gamut Trading (M) Sdn Bhd (100% owned)
8. Bianca (S) Pte Ltd (75% owned)
9. Togam Marketing Pte Ltd (49% owned)

### Department store

Department store	Target market
Tangs - Orchard Road	Middle-class family shoppers

### Background information

From door pedalling with a tin trunk loaded with Swatow's laces and linens in the 1920s, CK Tang's retail business grew into 3 prominent retail stores named Tangs, Tangs Studio and Nex.is today.

In 1934, business was conducted in a shop along River Valley Road. In 1958, CK Tang moved to its current premise in Orchard Road. In 1982, the old House of CK Tang was demolished in order to build a hotel cum shopping project. On completion, the store's name was changed to Tangs. Tangs carries quality, fashionable goods at affordable prices for the middle class family shoppers.

In 1988, CK Tang broke away from its long-held philosophy of a single-store retailer and opened Tangs Studio, a lifestyle department store which focuses on assembled display where bags, shoes, clothes, etc are displayed together rather than in its separate departments. Adopting niche marketing, Tangs Studio's positioned itself as a leading fashion store for the discerning shoppers who want



quality merchandise. Originally located at Scotts Shopping Centre, Tangs Studio was relocated to Ngee Ann City in 1993. Due to the poor retail climate, Tangs Studio was scaled down from 100,000 sq ft to 66,000 sq ft in 1996 (Lam, 1996).

CK Tang set up Nex.is in November 1993 to cater to the fashion needs of the growing youth by spotting a young, hip, trendy and spontaneous image. Merchandise are carefully selected to reflect the youth ever-shifting needs and budgets. CK Tang also set up an outlet in Malaysia known as Tangs Kuala Lumpur in 1995. As an anchor tenant in Star Hill Centre along Jalan Bukit Bintang, Kuala Lumpur, Tangs offers new merchandise, good value and a fresh shopping experience.

As the retail environment becomes more competitive in the 1990s with the implementation of full day ALS in 1994, CK Tang broke away from its no trading on Sunday policy and started trading on Sundays with effect from 17 July 1994. Other strategies include increasing productivity, improving information technology, achieving better stock utilisation, securing rental concessions and refine merchandise mix.

#### In-store Directory of Tangs

Level/Floor	Departments
B1	CDs & Cassettes Crystals Electrical Appliances Flowers Fun Stationery



	<p>Greeting Cards  Houseware  Kitchenware  Market Place  Picnic/Party Ware  Porcelain  Silverware  Tableware  TV Media  Watches</p>
1	<p>Cosmetics &amp; Fragrances  Handbags  Information Counter  Ladies' Designer Shoes  Ladies Fashion Accessories  Silk &amp; Batik  Singapore Souvenirs</p>
2	<p>Customer Service Counter  Ladies' Active Wear  Ladies' Apparel  Ladies' Shoes  Ladies' Swimwear  Lingerie  Men's Apparel  Men's Fashion Accessories  Men's Shoes</p>
3	<p>Arts &amp; Crafts  Bed &amp; Bath  Children's Apparel  Children's Shoes &amp; Accessories  Electronic Equipment  Furniture  Health Equipment  Infant Furniture  Luggage &amp; Travel Accessories  Stationery  Toys &amp; Games  Promotion Hall  Baby Care Room  Post Office</p>
4	<p>Mr. Minit  The Budget Shop  Treats Café</p>



Figure 12.1: CK Tang



ISETAN SINGAPORE

(S\$'000 000)	1993	1994	1995
Sales Turnover	193.4	229.5	233.9
Net profit (loss) after taxation	4.0	(3.0)	(15.3)
Share capital	16.5	16.5	16.5

Source: Annual report of Isetan Singapore, 1993-95

Philosophy

Quality goods and service at reasonable prices.



## Department store

Department store	Target market
Isetan	
- Scotts (Shaw House)	Middle class young family shoppers and teens
- Wisma (Wisma Atria)	Tourist and teens
- Parkway (Parkway Parade)	Suburban family shoppers
- Tampines (Tampines Mall)	Suburban family shoppers

## Background information

Isetan was established in Japan in 1886 but opened its first store in Singapore in 1972. Noted as the best-run department store with a strong fashion image, Isetan has 4 branches namely Wisma, Scotts, Parkway and Tampines. Isetan targets to the family shoppers with monthly household income of S\$3,500 to S\$4,000, aged 21 to 27 years old and holding mostly clerical to executives jobs. Each outlet has a slightly different market focus.

To cater to the booming Japanese tourist market in the early 1980s, Wisma branch adopts an upmarket merchandising strategy. The entire store operates as concessionaire boutiques for big brand names such as Chanel, Hunting World, Sonia Rykiel, Prada, Polo Ralph Lauren, etc. On the other hand, the newly set up Isetan Scotts on 28 May 1994 targets to local shoppers especially young families. Isetan has also ventured into suburban retailing (namely Parkway and Tampines)



and the merchandise of these stores reflect the residential needs of the catchment area.

Because of slow sales growth, Isetan closed 2 of its specialty children and teens boutiques located at MRT stations in July 1994: Dhoby Ghaut and Orchard. Instead, the children's and teens departments are now housed at its Scotts branch. The Havelock branch was relocated to Shaw House in 1994 because of its strategic location.

Figure 12.2: Isetan Scotts





## In-store Directory of Isetan Scotts

Level/Floor	Departments
B1	Supermarket Mos Burger Delifrance Kentucky Fried Chicken Videotheque
1	Chanel Polo Ralph Lauren Salvatore Ferragamo Gifts & Souvenirs Ladies' Handbags Ladies' Shoes Ladies' Accessories Costume Jewellery Cosmetics & Perfumery Watches Fine Jewellery Customer Service Counter
2	Ladies' Wear - Young Casual Ladies' Wear - Adult Wear Ladies' Wear - Intimate Ladies' Wear - Brands <ul style="list-style-type: none"> <li>• Seed</li> <li>• Authentic</li> <li>• Soda Jeans</li> <li>• Just B</li> <li>• Elle</li> <li>• Episode</li> <li>• Theme</li> </ul> Ladies' Wear - International Designers <ul style="list-style-type: none"> <li>• Anne Klein II</li> <li>• Vittadini</li> <li>• Max &amp; Co</li> <li>• Polo Ralph Lauren</li> <li>• Trussardi</li> <li>• Dolce &amp; Gabbana Jeans</li> </ul> Kose Beauty Centre Fauchon Cafeteria
3	Men's Wear - Casual Wear Men's Wear - Business Wear Men's Wear - Inner Wear Men's Wear - Brands <ul style="list-style-type: none"> <li>• Levis</li> </ul>



	<ul style="list-style-type: none"> <li>• Stussy</li> <li>• Converse</li> <li>• Bum Equipment</li> <li>• Soda Jeans</li> <li>• Seed Men's</li> <li>• Lawmen</li> </ul> <p>Men's Sundries</p> <ul style="list-style-type: none"> <li>• Shoes</li> <li>• Accessories</li> <li>• Ties</li> <li>• Luggage</li> </ul> <p>Sports Wear</p> <p>Golf</p> <p>Men's Wear - International Designers</p> <ul style="list-style-type: none"> <li>• Ermenegildo Zegna</li> <li>• Joseph Abbound</li> <li>• Valentino</li> <li>• Burberrys</li> <li>• Timberland</li> </ul> <p>Sony Audio Visual</p> <p>Kimpo-Do Optical</p> <p>Kinokuniya Bookstore</p>
4	<p>Children's</p> <ul style="list-style-type: none"> <li>• Wear/Shoes</li> <li>• Accessories</li> <li>• Toys/Stationery</li> </ul> <p>Nursery Room</p> <p>Household</p> <ul style="list-style-type: none"> <li>• Kitchenware/Tableware</li> <li>• Interior Accessories</li> <li>• Bedding/Towels</li> <li>• Friven/Sanderson/Sheridan</li> <li>• Royal Copenhagen</li> <li>• Wedgewood</li> <li>• Richard Ginori</li> <li>• Villeroy Doulton</li> <li>• Christofle</li> <li>• Bohemia/Lladro</li> <li>• Swarovski</li> </ul> <p>Restaurants</p> <ul style="list-style-type: none"> <li>• Petit Monde</li> <li>• Crystal Jade Kitchen</li> <li>• Hoshigaoka</li> <li>• Pasta Fresca Da Salvatore</li> </ul>



## METRO

(S\$'000 000)	1993	1994	1995
Sales Turnover	397.9	430.3	303.4
Net profit (loss) after taxation	7.4	15.1	9.9
Share capital	87.6	87.6	73.0

Source: Annual report of Metro Holdings, 1993-95,

### Philosophy

Offer value-oriented merchandise at the right price and service.

### Group of companies

1. Retail
  - Metro Pte Ltd
  - Kmart
  - Metro Factory Outlets Zone
  - Metro Pondok Indah
2. Property
  - Orchard Square Development Corporation
  - Metro China Holdings
    - Shanghai
    - Beijing
    - Guangzhou
    - Penang, Malaysia
    - Cairns, Malaysia
3. Construction
  - Metrobilt



## Department store

Department store	Target market
<b>Metro</b>  - Far East (Far East Plaza)  - Marina (Marina Square)  - Paragon (Paragon)	Family shoppers with a monthly household income of S\$2,500. Paragon outlet serves a slightly higher income group.

## Background information

Metro was set up by Mr. Ong Tjoe Kim in 1957. It was located on High Street. Occupying a modest 250 sq m then, Metro has grown to become one of the largest home grown department stores with 3 branches today: Far East, Paragon and Marina Square. Metro targets to the family shoppers aged 26 years old and above with a monthly household income of about S\$2,500.

Metro ventured into suburban retailing by setting branches in Marine Parade (1976) and Bukit Timah (1978). Both stores were closed down because of poor performance. Metro has been very adventurous in trying new retail strategies. In 1982, it implemented up-market stores known as Metro Grand to tap on the tourists' spending. In 1985, it closed its Grand stores due to a decline in tourist spending. Instead, it opened a chain of no-frill, low cost stores known as Metro Factory Outlets. To date, Metro has 16 factory outlets. Metro has also ventured regionally into Indonesia. Under a special licensing and technical



assistance arrangement, Metro set up its first department store known as Metro Pondok Indah in Jakarta, in December 1991.

To tap the children's segment, Metro secured a franchise agreement to operate Toy R Us and the exclusive right to retail McKids apparel from McDonalds. Metro set up Zone, a specialty store targeting at the youth in November 1994. It has a joint venture with Kmart to manage a big discount store in Marina Square which appeals to value-seekers. There were 3 Kmart outlets in Singapore: Marina, Lucky Plaza and Tampines before the closure in 1996.

The success in Metro's retailing was based on consolidation. Reducing 5 Metro department stores to 3; closing SA.GA, a specialty chain for designer clothes; and responding to the needs of the customers by opening Zone (for youth market) and Kmart (for value conscious customers). Fashion continues to be the main thrust for Metro through improvements made with its private label development for brands such as Ananas, Chocolat and Annabella.

Metro has also diversified into construction (Metrobilt) and property development (Orchard Square Development Pte Ltd). It manages and owns projects such as Ngee Ann City and other building projects in Shanghai, Guangzhou, Beijing, Malaysia and Australia.



Figure 12.3: Metro



## ROBINSONS

(S\$'000 000)	1993	1994	1995
Sales Turnover	197.7	208.7	215.5
Net profit (loss) after taxation	25.2	27.8	28.4
Share capital	59.7	59.7	59.7

Source: Annual report of Robinson & Company Ltd, 1993-95

### Philosophy

Source for quality merchandise at very competitive prices. Offer an exciting shopping experience to the shoppers by constantly improving its merchandise mix and a higher level of customer service.



### Group of companies

1. Robinsons
2. John Little
3. Marks & Spencer

### Department store

<b>Department store</b>	<b>Target market</b>
1. Robinsons - Centrepont	Middle to upper class family shoppers
2. John Little - Specialist's Centre - Yishun Northpoint	Middle class young family shoppers and youth

### Background information

Robinsons started its humble beginning in 1858 as a basic food products retailer managed by 2 partners named Philip Robinson and James Gaborian Spicer under the name Spicer and Robinson. In 1859, the company was dissolved and the shop's name was changed to Robinson and Company.

In 1941, Robinson and Company was located at Raffles Chambers where it was partly air-conditioned. In 1955, it became the first store in the Far East to be air-conditioned. On 21 November 1972, a big fire burnt down its Raffles Place outlet and Robinsons Department Store opened a new store in Specialist's Centre.

Robinsons is the premier department store with quality merchandise and superior service as its hallmark. Its merchandise are sourced internationally. It



offers competitive prices. The store is staffed with service personnel who are well trained in product knowledge and presentation. As such, Robinsons won the Service Excellence Award from the STPB, Diners Club International and American Express in 1994.

John Little (JL) appeals to the younger family shoppers. JL revamps its merchandise mix regularly to keep up with its shoppers' increasing sophistication, needs and tastes.

Marks and Spencer offers wide selection of ladies', men's and children's fashions and accessories, lingerie, cosmetics and toiletries and food with enduring quality and value for money. Robinson's Group secured the exclusive franchise to retail this UK retailer's products in Singapore. Today, M&S accounts for some half of the group's profits. With the strengthening of the Singapore dollar, the cost of imports for this specialty chain is reduced, thereby improving its margins.

In line with the environment trends, Robinsons has shed its mumsy-and-frumpy persona and takes on a young-and-funky look by bringing in brand names such as Whooz Blooz Jeans, Paris Blue, Zack, Rampage, Union Bay, Yes Men and Sports Girl. Also, its entire fifth level of home furnishings and carpets were replaced by children and teens wears.



Figure 12.4 Robinson



In-store Directory of Robinsons

Level/Floor	Departments
1	Cosmetics & Perfumery Toiletries Fashion Jewellery Ladies' Handbags & Accessories Ladies' Shoes
2	Ladies' Career Ladies' Boutique Ladies' Contemporary Fashion Ladies' Winter Wear Intimate Apparel Swim wear/ Active wear SportsGirl
3	Men's Accessories Men's Casual Men's Undergarment Men's Shoes/Socks Men's Business Wear Men's Suits and Trousers Men's Winter Wear Executive Pen Travel Goods
4	Gifts Silverware Crystal & Fine China



	Tableware Cookware Bedlinen & Towels Beddings
5	Children's Infants Nursery Equipment Stationery Credit Office Corporate Gift Services

## DAIMARU

Department store	Target market
Daimaru - Liang Court - Junction 8	Middle class family shoppers. For Liang Court branch, the store caters to tourist shoppers as well. For Junction 8 branch, the store caters to the residential shoppers.

Being one of the most prestigious department store in Japan since 1717, Daimaru opened its first branch at Liang Court on 19 November 1983. In 1993, Daimaru opened another store at Junction 8, a MRT mall in the suburbs. Daimaru targets to the 35 to 45 years old family shoppers with monthly household income of S\$4,000 and holding junior management and above jobs. Daimaru has an aggressive overseas expansion programme with stores in Hong Kong, Bangkok and Melbourne, Australia.



**In-store Directory of Daimaru**

Level/Floor	Departments
B1	Supermarket Event Hall Restaurants Medical Hall Camera Counter
1	Designers' Brands Ladies' Shoes Ladies' Bags & Accessories Cosmetics Information Counter
2	Ladies' Wear Lingerie Men's Wear, Shoes & Sundry Sports
3	Tableware Kitchenware Bedding Home Furnishing Electrical
4	Toys & Stationery Children's Wear Maternity Wear

**EMPORIUM HOLDINGS**

Department store	Target market
Emporiums - Peninsula - Kampong Ubi - Jurong East - Katong - Balestier - Ang Mo Kio (Ave 3) - Bedok - Bukit Merah - Geylang - Holland Village - Woodlands - Clementi - Ang Mo Kio (Ave 6) - Hong Lim Complex	Low income family shoppers and residential shoppers.



<ul style="list-style-type: none"> <li>- Pasir Ris</li> <li>- Serangoon Central</li> <li>- Toa Payoh</li> <li>- Kovan</li> <li>- Hougang</li> <li>- Orchard Hotel</li> </ul>	
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Founded by 2 brothers, Lim Tow Seng and Lim Tow Yong in 1966, Emporium Holdings was set up in Raffles Place. By 1977, there were 11 branches located mainly in the HDB estates. Noted for its imports from the People's Republic of China, Emporium Holdings was a hit among residential shoppers. Emporium Holdings targets to family shoppers with monthly household income of \$2,500 and secondary school education.

In 1985, Emporium Holdings was hit by the economic recession with debts amounting to S\$180 million. IHD Holdings Limited, a Hong Kong listed company bought over Emporium Holdings in July 1987. Today, Emporium Holdings is a diversified and dynamic company comprising 20 department stores cum supermarkets (Oriental), 1 Chinese emporium and 12 specialty stores (Sports Stop Boutique, Silk Route Boutique and Express Gifts and Hampers). Over the years, Emporium has become a household name in Singapore to be associated with quality and value. It is also popularly known as the friendly neighbourhood convenience store.



Figure 12.5: Emporium Holdings



**LANE CRAWFORD**

Department store	Target market
Lane Crawford - Lane Crawford Place	Middle to upper class family shoppers

Lane Crawford started in Hong Kong as a bakery in 1850 became a reputed top-end retailer selling luxury label goods. Its first branch in Singapore was opened on 8 May 1994 and housed in an attention-grabbing building with a 35 metres high inverted cone costing \$600 million. Located at the junction of Scotts and Orchard Road, Lane Crawford intends to woo Singaporean shoppers with its wide range of mid-priced items, apart from its luxury labels from Hong Kong (The Straits Times, 29/4/1994).



In April 1995, Lane Crawford occupied 2 levels instead of 5 in the building. Its floor area was slashed by half from 100,000 sq ft to 42,369 sq ft after one year of operation in Singapore due to poor performance. By down-sizing, it hoped to reduce its operating costs (Rashiwala, 1995). Lane Crawford as a department store succumbed to the retail slump and eventually closed its operation in 1996. At the same time, it started a small specialty store in Ngee Ann City retailing footwear known as Pedlar.

Figure 12.6: Lane Crawford



Author was unable to obtain the in-store directory of Lane Crawford because it ceased operation in 1996.



## **NETWORK FOR ELECTRONIC FUNDS TRANSFER (NETS)**

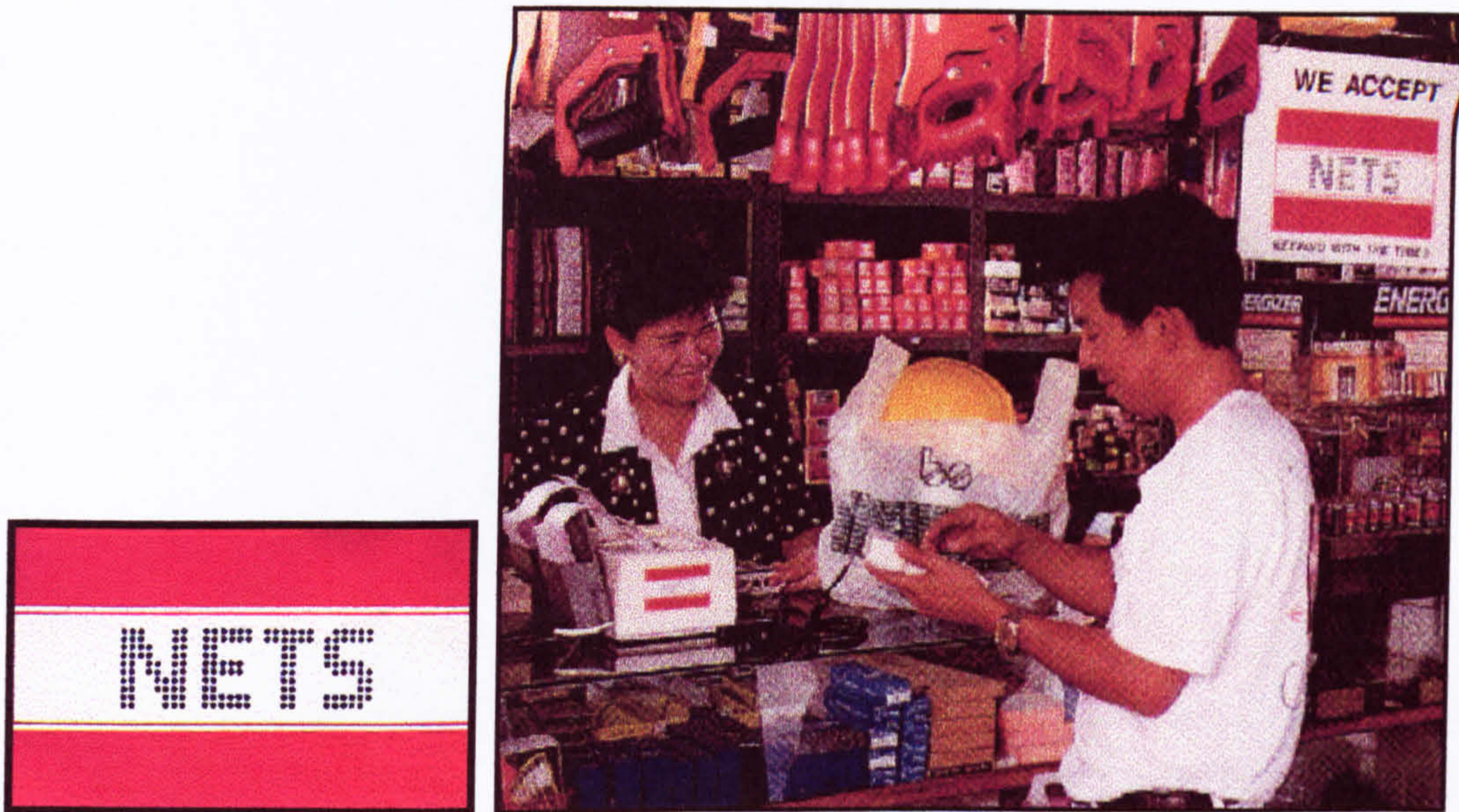
NETS was set up on 11 January 1985 as a private company owned by 5 banks to operate and manage a national on-line debit payment service that encourages cashless electronic payments. These 5 banks are DBS Bank, OCBC Bank, Overseas Union Bank (OUB) , POSBank and United Overseas Bank (UOB). In 1990 and 1992, Tat Lee Bank and Keppel Bank joined in respectively.

NETS is a cashless payment mode available to anyone with an ATM card from any one of the member banks. With their ATM cards and personal identification number, cardholders can pay for their goods at retail outlets electronically without carrying physical cash.

To encourage shoppers to spend, NETS' marketing department has been planning and implementing many activities such as "Shop with NETS" lucky draws between 1 November 1993 and 31 January 1994. To help retailers, NETS also conduct annual surveys on areas related to them so as to help them improve especially in the area of customer service.



Figure 12.7: NETS



### SERVICE QUALITY (SQ) CENTRE

Service Quality (SQ) Centre was set up by National Productivity Board and Singapore Airlines in June 1990 to upgrade the service standards in Singapore. With about 100 staff, SQ Centre trains their clients using games, role-plays, lectures and intensive post-mortem exercises as a form of feedback. To date, about 45,000 staff from more than 400 firms have been trained by them. Most of their clients comprised of civil service and financial companies. Retailers preferred to rely on their own in-house training programmes.

Costing from S\$450 for a two-day course for senior management to S\$1,000 for a 6-day course, the 3 courses are as follows: (The Straits Times, 3/7/1995).

- Outfly Rising Expectations (ORE)



Target to owners and senior managers, ORE is a 2-day course addressing the needs and concerns of this management level in the area of service quality.

- **Service Quality Leadership (SQL)**  
Target to middle managers, SQL is a 6-day course consisting of 4 modules: internal customer, leadership-by-example, recovery, empowerment and service standards.
- **Delivering Service Quality (DSQ)**  
Target to front-line service staffs, DSQ is a 7-day course consisting of 5 modules to transform participants and prepare them to deliver a level of service way above what their customers expect of them.

## SEIYU

Department store	Target market
Seiyu - Bugis Junction	Middle class family shoppers and tourist shoppers

The latest addition to the Singapore retail scene, Seiyu opened its store on 7 April 1995. Occupying 240,000 sq ft at the newly completed Bugis Junction, Seiyu is known for its Muji which literally means "no brand", no frills yet good quality goods selling at 20 - 30% lower than established brands. This store is jointly managed by Seiyu and Wing On, a Hong Kong based group.

Its retail strategies include avoiding operational mistakes on the shop floor, keeping costs low, aiming for the right crowd and focusing on the children segment (Yap, 1995, 2). Forecasted sales for the first 12 months of operation was projected at \$115 million or \$479 psf (Rashiwala, 1995). Seiyu's long term plan is to



operate its Bugis branch profitability and opening more mid-sized stores of around 40,000 to 50,000 sq ft in the suburbs. (Yap, 1995).

### In-store Directory of Seiyu

Level/Floor	Departments
B1	Stationery Food Junction Cold Storage Supermarket News Stand Florist
1	Shoes Costume Jewellery Handbags Customer Service Counter Muji Timberland Cosmetics French Casual Fashion British India Apparel
2	Ladies' Wear Lingerie Men's Wear Luggage Hisatomo Family Restaurant
3	Electrical - The Best Connection Stationery Children's Wear Babies Gifts Toys Baby Care Room Bedding Glassware Household



## SOGO

Department store	Target market
Sogo - Raffles Place - DBS Tampines Centre	Family shoppers with a monthly household income of S\$2,500 - S\$3,000.

Sogo's first branch opened in Singapore on 25 October 1986. Sogo has branches in Hong Kong, Bangkok and Taiwan. In Singapore, Sogo targets at family shoppers with monthly household income ranging from S\$2,500 to S\$3,000.

90% of its target market comprised of local shoppers and 10% tourist shoppers.

Sogo ventured into suburban retailing by opening a branch at Tampines in 1994.

## TAKASHIMAYA

Department store	Target market
Takashimaya - Ngee Ann City	Middle income family shoppers and tourist shoppers.

With more than 160 years of retail experience in Japan, Takashimaya started its first overseas venture in Singapore in 1993. Based on its philosophy of contributing to social and cultural lives of shoppers, Takashimaya allocated its floor space to community and cultural activity, art gallery, event halls and child care.

Targeting to middle income and above, Singaporean shoppers form 80% of its clientele while tourist shoppers make up the remaining 20%. Takashimaya



promises not to a store just for Japanese expatriates. Its concessionaire arm includes Harrods of London, often noted for its finest quality merchandise. Others includes Esprit, Bally, East India, etc.

Takashimaya Department Store achieved \$743 psf of sales in its first financial year ended 31 December 1994 (Rashiwala, 1995).

### In-store Directory of Takashimaya

Level/Floor	Departments
B1	The Disney Store McDonald's Kentucky Fried Chicken Fashion Lab - Young Fashion & Accessories & gifts Interior NTUC Radio Satellite Studio ATM & Autobanker
B2	Household Food Supermarket
1	Ladies' Accessories Ladies' Shoes Ladies' Handbags Cosmetics & Perfumery Watch Salon Salon Le Chic (Branded) Harrods Shop Florist Tourist Shop Information Counter
2	Customer Service Centre Salon Le Chic (Branded Fashion, Accessories & Tableware) International Collection (Branded Fashion, Accessories & Tableware)
3	Ladies' Wear -Executive Approach Ladies' Wear - Contemporary Expressions Ladies' Wear - Casual Combinations



	Ladies' Wear - Lingerie & Activewear Men's Wear - Branded Boutiques Men's Wear - Business Wear Men's Wear - Casual Wear Men's Wear - Accessories Men's Wear - Shoes Luggage Children's apparels Sundries Toys Maternity Wear Nursery Room Family Restaurant Quick Alteration Service
4	Golf Water Sports Gym Books & Stationery Fitness Club Restaurants Bank & Post Office Beauty Centre Hair Salons Travel Agencies Music & Video Optical

## TOKYU

Department store	Target market
Tokyu - Funan Centre	Low to middle income family shoppers.

Tokyu started its operation in Singapore on October 1987. Targeting to young people and young families, Tokyu also tries to cater to its Japanese tourist shoppers. Originally situated at Marina Square, Tokyu has relocated to a smaller space at Funan Centre in 26 April 1994. With a new name "Tokyu Scene", this



store is targeting to families. It has reduced its imported merchandise from Japan and instead offer local merchandise which are more reasonably priced.

### Yaohan

Department store	Target market
Yaohan - Plaza Singapura - Thomson - Bukit Timah - Parkway	Low income family shoppers who prefer value

Yaohan was established in Japan in 1962 but started its operation in Singapore in 1974. Yaohan was an instant hit among shoppers by being the first in Singapore to implement the 2-in-1 concept of combining eating and shopping under one roof. Positioned as a family store that stressed on great value, Yaohan adopted a loss-leader approach as a main crowd puller. Its best performing lines are food and household items. The main store was located in Plaza Singapura along Orchard Road. Because it was a strong anchor tenant, Plaza Singapura shopping mall was often termed as Yaohan Singapura by most shoppers. Yaohan expanded into the suburbs by opening branches at Bukit Timah, Thomson and Parkway. Yaohan has branches in Malaysia, Hong Kong, Brunei, and United States. In 1996, Yaohan closed down.



Figure 12.8: Yaohan



Author was unable to obtain the in-store directory of Yaohan because it was closed in 1996.



## SHOPPERS' SURVEY - PILOT TESTING

Retailer : \_\_\_\_\_  
 Date : \_\_\_\_\_  
 Time : \_\_\_\_\_  
 Interviewer : \_\_\_\_\_

### About customer services

Express your likely reactions when you receive bad service from a retailer

	Strongly Disagree				Strongly Agree
	1	2	3	4	5
1. Never patronise again	1	2	3	4	5
2. Do nothing	1	2	3	4	5
3. Share bad experience with friends	1	2	3	4	5
4. Seek redress, ask for right treatment	1	2	3	4	5
5. Others, plse specify _____	1	2	3	4	5

Examine the following factors in the order of importance in deciding where and which retailer to shop with.

	Least Important				Very Important
	1	2	3	4	5
6. Value for money	1	2	3	4	5
7. Product assortment	1	2	3	4	5
8. Convenience	1	2	3	4	5
9. Service staff	1	2	3	4	5
10. Modern facilities (eg. NETS, air-conditioned, ambience, etc)	1	2	3	4	5
11. Others, plse specify _____	1	2	3	4	5



12. Rank how important each of these features is to you when you evaluate the service level of an excellent retailer.

(1 - most important, 5 - least important)

- The appearance of the retailer's physical facilities, equipment, personnel and communication materials.
- The retailer's ability to perform the promised service dependably and accurately.
- The retailer's willingness to help customers and provide prompt service.
- The knowledge and courtesy of their employees and their ability to convey trust and confidence.
- The caring, individualised attention the retailer provides for its customers.

**Expectations on excellent customer service retailer**

Think about a local department store which provides excellent customer service. Show the extent to which you think such a retailer would possess the feature described by each statement.

If you feel that a feature is **absolutely essential** for excellent service, circle 5.  
 If you feel that a feature is **not at all essential** for excellent service, circle 1.

		Strongly Disagree				Strongly Agree	
		1	2	3	4	5	
13.	The physical facilities of an excellent service retailer will be visually appealing.	1	2	3	4	5	
14.	When excellent service retail staff promise to do something by a certain time, they will do so.	1	2	3	4	5	
15.	Employees in an excellent service retail firm will always be willing to help their customers.	1	2	3	4	5	
16.	The behaviour of employees in an excellent service retail firm will instil confidence in their customers.	1	2	3	4	5	
17.	Employees of an excellent service retail firm will understand the specific needs of their customers.	1	2	3	4	5	



**Perceptions on the local department store which you have just transacted with**  
 Think about the service you have just received. Show the extent to which you believe this retailer has the feature in the statement.

If the retailer has the feature described by the statement, circle 5.  
 If the retailer does not have the feature described by the statement, circle 1.

		Strongly Disagree			Strongly Agree		
		1	2	3	4	5	
18.	Physical facilities are visually appealing.	1	2	3	4	5	
19.	When the employees promise to do something by a certain time, they did.	1	2	3	4	5	
20.	Employees are always willing to help you.	1	2	3	4	5	
21.	The behaviour of employees instils confidence in you.	1	2	3	4	5	
22.	Employees understand your specific needs.	1	2	3	4	5	

**About yourself**

23. Age
- 15 - 29
  - 30 - 44
  - 45 - 59

24. Sex
- Male
  - Female



25. Your monthly income

- Below S\$1000
- S\$1001 – S\$2000
- S\$2001 – S\$3000
- S\$3001 & above

26. Frequency of shopping with this retailer

- More than once a week
- Once a week
- 1 - 2 times a month
- 3 - 4 times a year
- First time



## **SHOPPERS' SURVEY - FINAL**

Retailer : \_\_\_\_\_  
Date : \_\_\_\_\_  
Time : \_\_\_\_\_  
Interviewer : \_\_\_\_\_

### ***About customer services***

1. Rank your likely reactions when you receive bad service from a retailer.  
***(1 - Most likely, 5 - Least likely)***

- Never patronise again
- Do nothing
- Share bad experience with friends
- Seek redress, ask for right treatment from the retailer concerned
- Seek redress from other external bodies such as CASE

2. If you have other likely reaction than those stated in Question 1, please explain

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3. Rank the following factors in the order of importance when deciding where and which retailer to shop with.

***(1 - Most important, 7 - Least important)***

- Value for money
- Product assortment
- Convenience (in getting there)
- Service level
- Modern facilities (eg. NETS, air-conditioned, ambience, etc)
- Business hours
- Variety of other shops around this retailer



4. If you do consider **other** factors than those stated in Question 3, please explain

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5. Rank how important each of these features is to you when you **evaluate** the service level of an excellent retailer.

*(1 - Most important, 5 - Least important)*

- The appearance of the retailer's **physical facilities**, equipment, personnel and communication materials.
- The retailer's ability to perform the promised service **dependably and accurately**.
- The retailer's **willingness to help** customers and provide **prompt service**.
- The **knowledge and courtesy** of their employees and their ability to convey **trust and confidence**.
- The **caring, individualised attention** the retailer provides its customers.

***Expectations on excellent customer service retailer***

Think about a local department store which provides excellent customer service. Show the extent to which you think such a retailer would possess the feature described by each statement.

If you feel that a feature is ***absolutely essential*** for excellent service, circle 7.

If you feel that a feature is ***not at all essential*** for excellent service, circle 1.

		Strongly Disagree					Strongly Agree	
		1	2	3	4	5	6	7
6.	The physical facilities of an excellent service retailer will be visually appealing.	1	2	3	4	5	6	7
7.	When excellent service retail staff promises to do something by a certain time, they will do so.	1	2	3	4	5	6	7



		Strongly Disagree					Strongly Agree	
		1	2	3	4	5	6	7
8.	Employees in excellent service retail firm will always be willing to help their customers.	1	2	3	4	5	6	7
9.	The behaviour of employees in an excellent service firm will instil confidence in their customers.	1	2	3	4	5	6	7
10.	Employees of an excellent service retail firm will understand the specific needs of their customers.	1	2	3	4	5	6	7

***Perceptions on the local department store which you have just transacted with***

Think about the service you just received. Show the extent to which you believe this retailer has the feature in the statement.

If the retailer *has the feature* described by the statement, circle 7.

If the retailer *does not have the feature* described by the statement, circle 1.

		Strongly Disagree					Strongly Agree	
		1	2	3	4	5	6	7
11.	This retailer's physical facilities are visually appealing.	1	2	3	4	5	6	7
12.	When this retailer promises to do something by a certain time, it did.	1	2	3	4	5	6	7
13.	Employees in this retail firm are always willing to help you.	1	2	3	4	5	6	7
14.	The behaviour of employees in this retail firm instils confidence in you.	1	2	3	4	5	6	7
15.	Employees of this retail firm understand your specific needs.	1	2	3	4	5	6	7



*About yourself*

16. Age

15 - 29

30 - 44

45 - 59

17. Sex

Male

Female

18. Your monthly income

Below S\$1000

S\$1001 – S\$2000

S\$2001 – S\$3000

S\$3001 & above

19. Frequency of shopping with this retailer

More than once a week

Once a week

1 - 2 times a month

3 - 4 times a year

First time



**MANAGEMENTS' SURVEY**

Retailer : \_\_\_\_\_  
 Interviewee : \_\_\_\_\_  
 Designation : \_\_\_\_\_  
 Date : \_\_\_\_\_

***Your views on customers' expectation***

This section deals with how you think your customers feel about a departmental store that ***excels in service quality***. Please show the extent which you think your customers feel that excellent retailers would possess the feature described by each statement.

If your customers are likely to feel that a feature is ***absolutely essential***, circle 7.

If your customers are likely to feel that a feature is ***not at all essential***, circle 1.

		Our Customers Would Strongly Disagree					Our Customers Would Strongly Agree	
		1	2	3	4	5	6	7
1.	The physical facilities at an excellent service retail firm will be visually appealing.	1	2	3	4	5	6	7
2.	When excellent service retail staff promise to do something by a certain time, they will do so.	1	2	3	4	5	6	7
3.	Employees in an excellent service retail firm will always be willing to help their customers.	1	2	3	4	5	6	7
4.	The behaviour of employees in an excellent service retail firm will instil confidence in their customers.	1	2	3	4	5	6	7
5.	Employees of an excellent service retail firm will understand the specific needs of their customers.	1	2	3	4	5	6	7



6. Rank how important each of these features is to your customers when they evaluate the service level of an excellent retailer.  
*(1 - Most important, 5 - Least important)*

- The appearance of the retailer's physical facilities, equipment, personnel and communication materials.
- The retailer's ability to perform the promised service dependably and accurately.
- The retailer's willingness to help customers and provide prompt service.
- The knowledge and courtesy of their employees and their ability to convey trust and confidence.
- The caring, individualised attention the retailer provides its customers.

*About your organisation*

This section measures your perception about your company and its operations. Please indicate the extent to which you agree or disagree with each statement.

If you *strongly agree*, circle 7.  
 If you *strongly disagree*, circle 1.

		Strongly Disagree					Strongly Agree	
		1	2	3	4	5	6	7
7.	We regularly collect information about the service-quality expectations of our customers and use them well.							
8.	We often use marketing research information that is collected about our customers.							
9.	The front-line service provider in our company frequently communicates with management.							



		Strongly Disagree						Strongly Agree
		1	2	3	4	5	6	7
10.	Our company has few levels of management between front-line personnel and top management.	1	2	3	4	5	6	7
11.	Managers who improve quality service are more likely to be rewarded than other managers.	1	2	3	4	5	6	7
12.	We try to set specific quality service goals.	1	2	3	4	5	6	7
13.	We effectively uses automation to achieve consistency in serving customers.	1	2	3	4	5	6	7
14.	We has the necessary capabilities to meet customers' requirements for service.	1	2	3	4	5	6	7



## FRONT-LINE STAFFS' SURVEY

This section measures your perception about your company and its operations. Please indicate the extent to which you disagree or agree with each statement.

If you *strongly agree*, circle 7.

If you *strongly disagree*, circle 1.

	Strongly Disagree							Strongly Agree
	1	2	3	4	5	6	7	
1.	I feel that I am part of a team in my company.	1	2	3	4	5	6	7
2.	I feel comfortable in my job in the sense that I am able to perform the job well.	1	2	3	4	5	6	7
3.	My company gives me the tools and equipment that I need to perform my job well.	1	2	3	4	5	6	7
4.	I have the freedom in my job to truly satisfy my customers' needs.	1	2	3	4	5	6	7
5.	In my company, employees who do the best job serving their customers are more likely to be rewarded than other employees.	1	2	3	4	5	6	7
6.	What my customers want me to do and what management wants me to do are usually the same thing.	1	2	3	4	5	6	7



		Strongly Disagree					Strongly Agree	
		1	2	3	4	5	6	7
7.	I receive sufficient amount of information from management concerning what I am supposed to do in my job.	1	2	3	4	5	6	7
8.	I am fairly compensated for the amount of work which I do.	1	2	3	4	5	6	7
9.	Sufficient training provided will help me to perform better.	1	2	3	4	5	6	7
10.	Employees like me interact with operations people to discuss the level of service our company can deliver to our customers.	1	2	3	4	5	6	7
11.	We do not make promises which we cannot possibly keep in an effort to gain new customers.	1	2	3	4	5	6	7

Date joined : \_\_\_\_\_

On completion, please put it in the envelope provided and return to your Human Resource Department. Thank you.





YOUR REF:

OUR REF:

14 September 1993

Dear

### SURVEY OF CUSTOMER SERVICE IN DEPARTMENT STORES

We are pleased to inform you that NETS has commissioned Ms Lynda Chong-Wee, Section Head for Marketing and Retail Management at the Temasek Polytechnic to conduct a survey on customer service in major department stores and would like to invite your participation in the study. The results of the survey pertaining to your store will be released to you only and the combined results of all participants, ie. industry results, however, will be made known. Your store results will be compared to the industry average. We are sure that the study will provide additional inputs for your business strategy.

#### Objectives

The key objectives of this study are:

1. To better understand shoppers' perception and expectations of customer service in department stores and how they form their decisions on where to shop
2. To provide key NETS-accepting retailers like yourself better understanding of your shoppers' perception and expectations of the store's level of customer service.

#### Shortlisted Retailers

The following retailers, including your store, have been invited by us to take part in this study:

1. C K Tang
2. Emporium Holdings - Toa Payoh
3. Galeries Lafayette - Liat Towers
4. Isetan - Scotts
5. Metro - Paragon
6. OG - Elite
7. Robinsons
8. Singapore Daimaru
9. Sogo - Raffles City
10. Takashimaya
11. Yaohan - Plaza Singapura



## Survey Methodology

The survey will be divided into three categories: Shoppers' Survey, Management's Survey and Front-Line Service Providers' Survey. This manner of survey will enable us to identify the service shortfall ie. the difference between customers' perception of actual service received from your store and their expectations.

### 1. Shoppers' Survey

This part of the survey is to gather general views on the service performance of department stores. The interviews will be conducted by final year retail students of Temasek Polytechnic. A quota sample size of 200 representative of the Singapore adult population will be interviewed:

- a. Adults aged from 15 to 59 years
- b. Must be your shopper, ie. one who carries your store's shopping bag(s)
- c. Must be Singaporeans or residents

The interviews will be conducted over three Saturdays - 2 October, 9 October and 16 October. The interviewers will be stationed outside the main entrances to your store so as not to disrupt the traffic flow. After the interview, a souvenir from NETS will be given away to each respondent for participating in the survey. The interview will take less than 5 minutes to complete.

### 2. Management's Survey

This survey will examine issues that are more management-specific and within the realm of management's control. The targetted management level for this interview will be someone who has the authority to make decisions regarding customer service policies. The interview will be conducted by Ms Lynda Chong-Wee personally and will focus on management's views on customers' expectations, management's perception on their operations and other general issues. We require your store to identify such a person for the interview.

### 3. Front-Line Service Providers' Survey

This final part of the survey will help us understand the front-line service providers' views on quality service. It will also examine the factors that affect their service standards in their service delivery.

A standard questionnaire will be disseminated through your Human Resource Department where 100 front-line service providers (essentially your cashiers and sales assistants) will be selected to participate in this survey. The respondents must have at least one year shopfloor working experience for him/her to be familiar with your organisational factors that will affect their dealings with the customers.

3.../-



To ensure confidentiality and encourage them to voice their opinions, the respondents need not disclose their names on the questionnaires. On completion, they will return them in the sealed envelopes provided to the Human Resource Department. The interviewer will then make arrangement to collect these questionnaires.

### Period Of Survey

We target to conduct the surveys in October 1993 using the following timing:

1. For Shoppers' Survey  
- 3 Saturdays: 2 October, 9 October and 16 October
2. For Management's Survey  
- any working day (except Tuesday) after 2pm
3. For Front-Line Service Providers' Survey  
- within one week after the interview with management

We hope to complete the whole study before the end of October. Attached for your information are the 3 survey questionnaires and Ms Lynda Chong-Wee's biodata. Please feel free to contact Ai Sian, Angeline or myself if you need further clarifications. We are looking forward to working with you on this survey and will be calling you shortly to confirm your participation. We will be able to present the survey findings to you sometime in March 1994.

Thank you.

Yours sincerely



Lee Mee Lean (Mrs)  
Marketing Manager

Encs

\\sl\other\survey



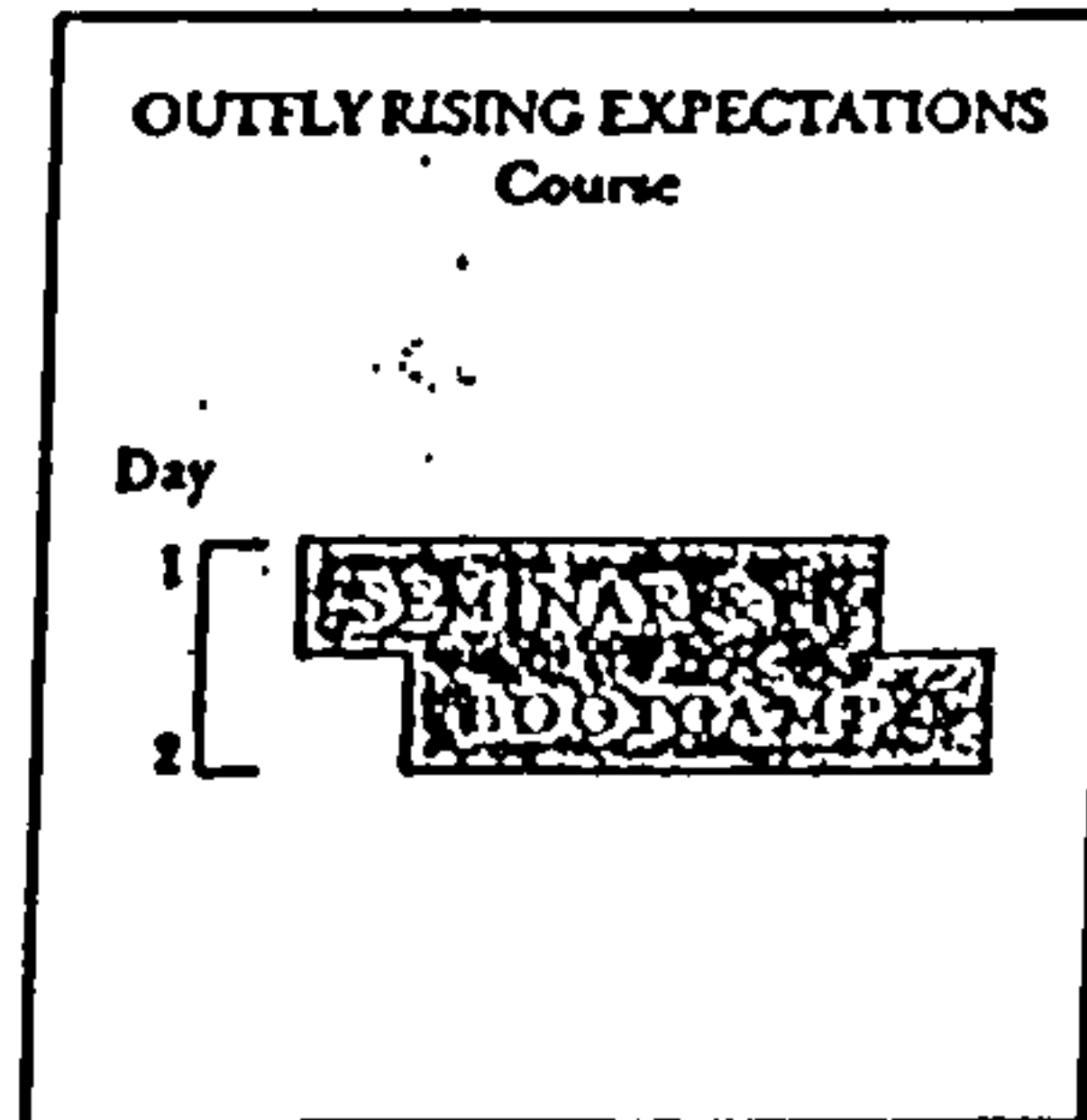
# OUTLINE OF SQ TRAINING PROGRAMME

## Outfly Rising Expectations – 2 Days

For those who have influence over strategic service policies.

### Main Topics

1. A practical service quality framework for the organisation.
2. Service quality standards that have value to customers.
3. Service consistency and recovery during service breakdowns.
4. Measuring service performance.
5. Service teamwork and ownership among staff.



### Key Objectives

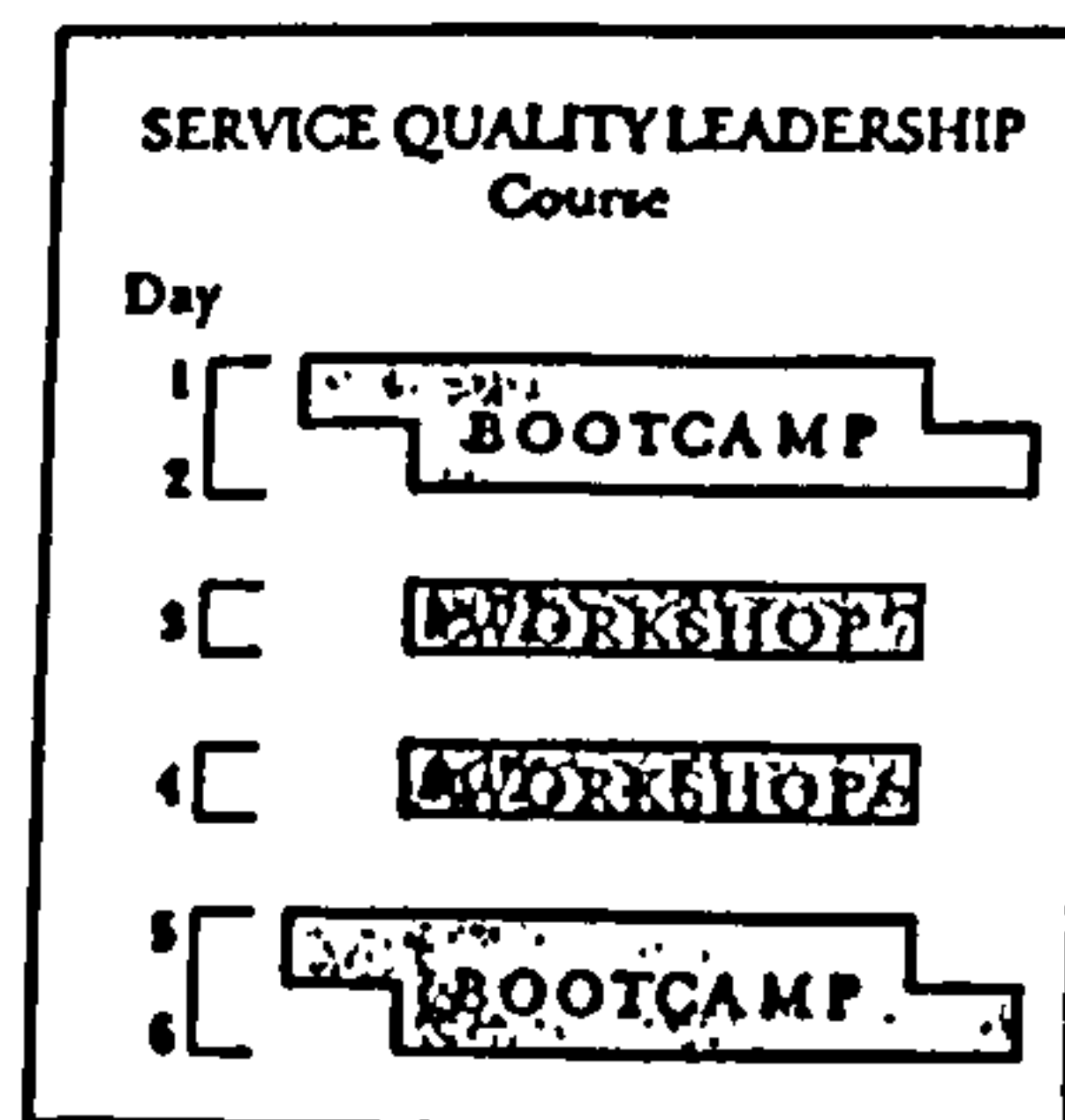
1. Sharing experiences in service excellence, successes and failures.
2. Identifying tried and tested action steps.
3. Getting your whole company started.

## Service Quality Leadership – 6 (2+1+1+2) Days

For those who have influence over day-to-day service procedures and systems.

### Main Topics

1. Being a customer champion by example.
2. Creating service ownership and pride.
3. Tracking service quality.
4. Developing excellent internal service partnership.



### Key Objective

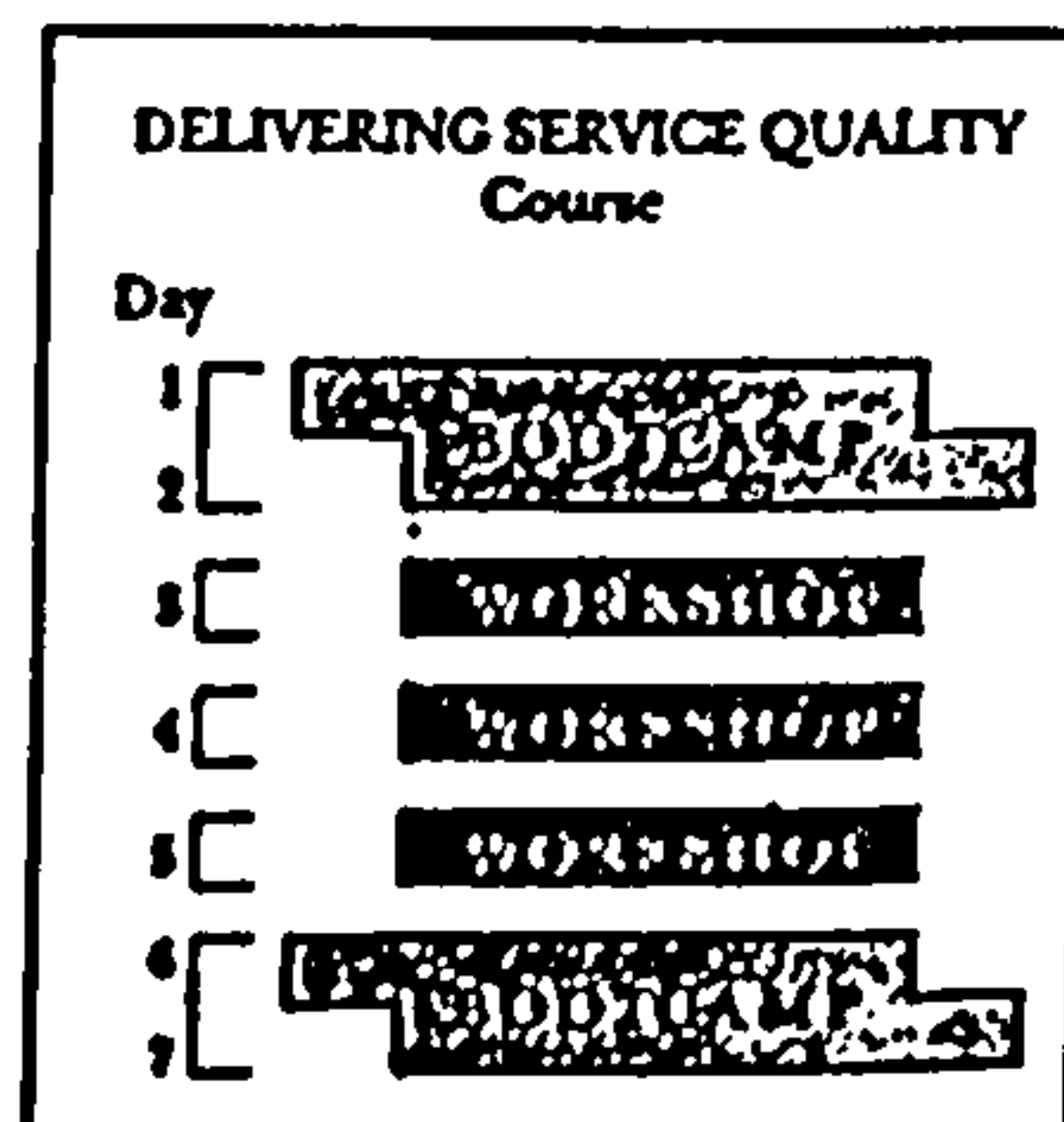
Changing to a service delight mindset and leadership style, through action learning.

## Delivering Service Quality – 7 (2+1+1+1+2) Days

For those who deliver service to paying customers or to service partners.

### Main Topics

1. Discipline in service.
2. Sensitivity to service.
3. Finesse in service.
4. Putting service principles into practise.



### Key Objective

Adopt a permanent, instinctive service delight mindset, through action learning.