REPUBLIC OF TURKEY
BAHCESEHIR UNIVERSITY

CUSTOMER EXPERIENCE AND

IT’S IMPACT ON BUSINESS RESULTS IN RETAIL

A CASE STUDY FOR AN APPAREL RETAILER

Master Thesis

ERKAN YAPRAK

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I certify that this thesis meets all the requirements as a thesis for the degree of Master of Arts.

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ABSTRACT

CUSTOMER EXPERIENCE AND
IT'S IMPACT ON BUSINESS RESULTS IN RETAIL: A CASE STUDY FOR AN APPAREL RETAILER

Erkan Yaprak

THE GRADUATE SCHOOL OF SOCIAL SCIENCES
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Many interaction points in different channels influence the total experience of a customer with a retailer. The customer who comes to retail stores also has retail experience in many different places. The experiences that customers experience when purchasing from retail stores are largely positive experiences; those who have not bought it are not satisfied with some issues.

The customer who enters a retail store experiences many issues and these experiences are reflected to the customer, so they are the factors that can be seen by the customer. The company's support operations are working to create these factors. The target is to offer the best service, product, operation to the customers and to increase sales in parallel with the corporate strategies.

There are three main factors that increase sales; number of people entering the store, how percent of them converting to customers and average spending per customer. Retailers should aim to increase sales by considering all three factors. Projects for measuring customer experience provide a better understanding of these factors.

The focus of this study is on the way in which the players in the retail sector should give their customers an experience that leaves "positive impressions" so that they can stand out in the competitive environment and how they can provide it.

In the last part, mentioned as "Company X", the project of a Turkish company operating in UK in the field of women's ready-to-wear retailing, has been taken as an example of application from the real sector. In the project, surveys were conducted with consumers who visited the company's selected stores and tried to understand the experience they had in the store. The effects of store experience elements on sales conversion rates are examined in detail and development recommendations are set for each element. In this direction, the company's customer experience management strategy has been redesigned.

Keywords: Customer Experience Management, Apparel Retail Management, Conversion Rate,

ÖZET

PERAKENDEDE MÜŞTERİ DENEYİMİNİN SATIŞ ARTIŞINA OLAN ETKİSİ: HAZIR GİYİM SEKTÖRÜNDE BİR UYGULAMA

Erkan YAPRAK

SOSYAL BİLİMLER ENSTİTÜSÜ
İŞLETME PROGRAMI

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Bir müşterinin perakendeci ile oluşan toplam deneyimi farklı kanallarda yer alan birçok etkileşim noktası tarafından etkilenir. Perakende mağazalarına gelen müşteri de birçok farklı noktada perakende deneyimini yaşamaktadır. Perakende mağazalarından satın alma yaparak çıkan müşterilerin yaşadıkları deneyimler büyük ölçüde pozitif deneyimlerdir; satın almadan çıkanlar ise belli konulardan memnun olmadan çıkmaktadırlar.

Bir perakende mağazasına giren müşteri birçok konuda deneyim yaşar ve bu deneyimler müşteriye yansır, dolayısıyla bunlar müşteri tarafından görülebilen etkenlerdir. Bu etkenleri yaratabilmek için şirketin destek operasyonları çalışmaktadır. Hedef ise kurum stratejileri paralelinde en iyi hizmeti, ürünü, operasyonu müşteriye sunabilmek ve satışları artırabilmektir**.**

Satışı artıran üç ana faktör bulunmaktadır; mağazaya giren kişi sayısı, satışa dönüşüm oranları ve kişi başına ortalama harcama tutarları. Perakende firmaları her üç faktörü de göz önünde bulundurup satışları artırmayı hedeflemelidir. Müşteri deneyimini ölçümlemeye ilişkin gerçekleştirilen projeler bu faktörlerin daha iyi anlaşılmasını sağlamaktadır.

Bu çalışma temel olarak, perakende sektöründeki oyuncuların rekabet ortamında öne çıkabilmeleri için müşterilerine "sonlandığında geride olumlu çağrışımlar bırakan" bir deneyim yaşatmaları gerektiği ve bunu hangi yollarla sağlayabilecekleri üzerine kurgulanmıştır.

Son bölümde ise, reel sektörden bir uygulama örneği olarak ise İngiltere kadın hazır giyim perakendeciliği alanında faaliyet gösteren bir Türk şirket projesi ele alınmış, çalışma içerisinde "X Şirketi" olarak ifade edilmiştir. Projede şirketin seçilmiş mağazalarını ziyaret eden tüketicilerle anketler yapılmış ve mağaza içerisinde yaşadıkları deneyim anlaşılmaya çalışılmıştır. Mağaza deneyimini oluşturan unsurların satışa dönüşüm oranları üzerindeki etkileri detaylı olarak incelenmiş ve her bir unsur için gelişim önerileri belirlenmiştir. Bu doğrultuda şirketin müşteri deneyimi yönetimi stratejisi yeniden tasarlanmıştır.

Anahtar Kelimeler: Müşteri Deneyimi Yönetimi, Hazır Giyim Perakendeciliği Yönetimi, Satışa Dönüşüm

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ABBREVIATIONS

CEM	: Customer Experience Management
CX	: Customer Experience
CAGR	: Compound Annual Growth Rate
EBITDA	: Earnings before Interest, Tax, Depreciation and Amortization
OCX	: Omnichannel Customer Experience
Mn	: Million
Sq.	: Square
Ft.	: Feet
VM	: Visual Merchandising

1. INTRODUCTION

Challenging industry margins, changing local competitive landscape, threat of new players have put pressure on apparel retailers. So customer experience management is not only another dimension of development it is also a necessary to have competency for them.

This study prepared to explain why it is important to provide a unique experience to be able to succeed and to be able to fully satisfy customer expectations.

In the case study, the obtained data was at the level that would allow quantitative analysis, so analyzed in Microsoft Excel environment, and the results presented in a visualized format.

1.1 AIM AND OBJECTIVES

The aim of this paper to examine customer experience concept in retail and what is the link between an apparel retailer's sales revenue and experience its customers have in its stores. In order to answer those questions listed below, an apparel retailer's store operations analyzed by customer interviews and in store observations.

i. What makes important customer experience for retail industry?
ii. How important for customers the experience they get when they visit an apparel retail store?
iii. What are the key factors converting "visitors" to "shoppers" in an apparel retail store?

2. THEORETICAL FRAMEWORK

2.1 RETAIL INDUSTRY ANALYSIS

According to Emre Yılmaz from Konya Chamber of Commerce (KTO), "Retailing is an intermediary service that transfers goods between producers and consumers. In other words, the activities related to marketing directly to the final consumer are the whole, if they do not use or sell the goods or services for commercial purposes or for their personal needs. The retail sector is now the representative of producers and the guarantor of consumers. In addition to cash, the goods also determine when and how much the goods should be prepared."[1]

Leading retailer organizations are;

i. Independent Stores: This concept is about the retailer's ownership and legal status of their businesses. The business owner may be a single person or it may be in the form of a partnership. If the business is too small, the owner alone sees all the business; grocers, greengrocer store, etc.
ii. Integrated Retailing: Generally, this category emerged as a result of the reaction of businesses operating in the distribution of foodstuffs, classical food retailers and wholesalers to chain stores and supermarkets. They are aimed at collecting orders for joint purchases, finding suppliers with the best price and quality terms, and competing with modern retailers. There are three main products; voluntary chains, retailer cooperatives, retailer groups.
iii. Storeless Retailers: The type of retailer where buyers and sellers do not shop face-to-face. Since the goods do not pass through a certain wholesaler, they are also referred to as direct sales.

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[1] http://www.kto.org.tr/d/file/perakende-sektoru-raporu.pdf

iv. Supermarkets: According to supermarket industry, the supermarket channel is "a food store that sells at least 20,000 a week or $ 1,000,000 a year and has different departments in it.

v. Hypermarkets: The sale of other categories in supermarkets also led to the development of hypermarkets. Sales are self-serviced, payments are made in the in store checkout points, and sales areas are at least 2500 m². They usually address customers who have a large car park, especially outside the city center. Also known as superstores and super-supermarket.

vi. Discounters: Shops, which are usually opened by manufacturers, are examples of such discount stores. In these stores, goods are sold at a lower price than the list and advertisement prices.

vii. Chain stores: They are groups that are attached to a single center whose activities are controlled to some extent from the center. They are usually of the same type of retailer stores. All kinds of goods and service retailing including food retailing can be established.

viii. Malls: It is the 20th century style of the historical marketplace. Designed as a single unit, it consists of retail stores, service units and a parking lot. Restaurants, banks, theaters, bureaus, service stations can be found in these centers. The aim is to attract the customers to the center by taking advantage of the prestige of lined, side-by-side shops. There are three types: neighborhood, community, and regional shopping centers.

ix. Cash & Carry: In the packages delivered from the factory, the goods given in the unit can be received in cash and carry manner from the end of a consumer wholesaler or retailer. In this method, which is a self-service sales method, it is made from the packaging pieces sent by the salesperson. In terms of packaging and personnel, marketing costs can be cheaper than selling at a lower price. Metro is a store that sells with this method.

x. In the packages delivered from the factory, the goods can be received in cash and carry manner from the warehouse of a wholesaler or a retailer. In this method, which is a self-service sales method, customer buys the whole package as it is delivered from the factory. As a result of lower packaging and personnel costs, selling prices are also lower compared to regular retail stores.

xi. Drug Store: These stores, which are common in the US, usually have a small restaurant, a sandwich shop and other facilities. Drug-store activities are carried out in two ways, namely over-the-counter consumption and purchasing.[2]

2.1.1 Global Retail Industry

In the past five years, the retail industry has been at the center of a maelstrom. Part of this can be ascribed to the recent and prolonged economic downturn, of course. However, there have been other elemental forces at play, such as the changing structure of the industry brought about by multichannel retailing and the combination of social and technological forces that is the consumerization of retail. From both a business and technology viewpoint, the consumerization of retail is the overarching driving force that will now pave the way for yet more change. The next stage in the retail revolution will take the form of the digitalization of retailing.

The retail sector differs from other sectors by its unique structure, whose dynamics are similar across the globe. Customer demands and customer behaviors, which are the two most influential forces driving the industry, become independent of the geography and demography they emerge and quickly become a form of behavior on a global scale. Firms operating in the retail sector are struggling with similar effects and problems created by their customers' demands and behaviors.

The main challenge in the industry is facing is changing customer behavior and journeys. Customers can access all kinds of information and all sorts of shopping using many channels. For this reason traditional retailers operating from a single channel, are under threat.

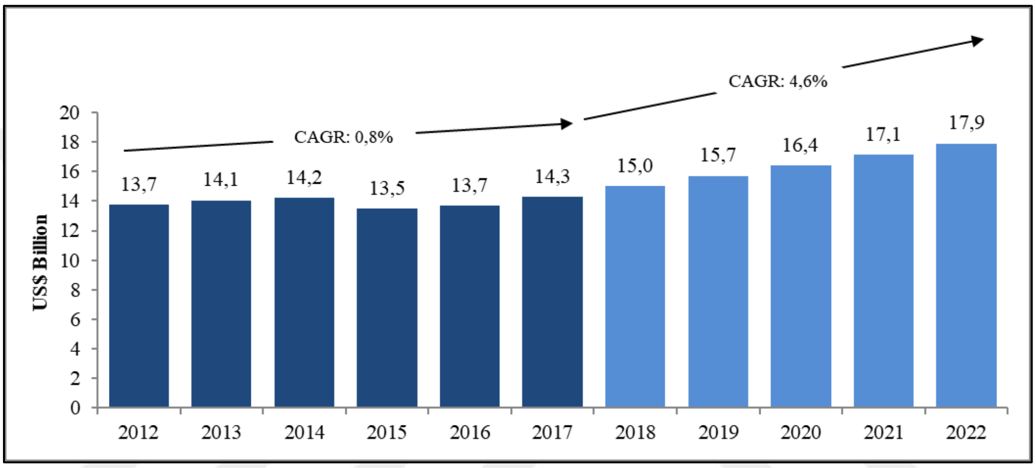
Online shopping, rising mobile shopping and social shopping, which is often mentioned nowadays, are affecting the results of traditional physical merchandising largely. With Omnichannel retail applications, companies that integrate physical merchandise with

[2] http://www.kto.org.tr/d/file/perakende-sektoru-raporu.pdf

social media accounts, e-commerce sites, and mobile applications are increasing their sales and profitability by reaching a larger audience.

According to Euromonitor International, data global retail market size reached 14.3 billion dollars by a compound growth rate of 0.8% during the period between 2012 and 2017. It is expected to be growing by 4.6% from 2017 to 2022 and to reach 17.9 billion dollars.

Figure 2.1: Global retailing value sales, 2012-2022

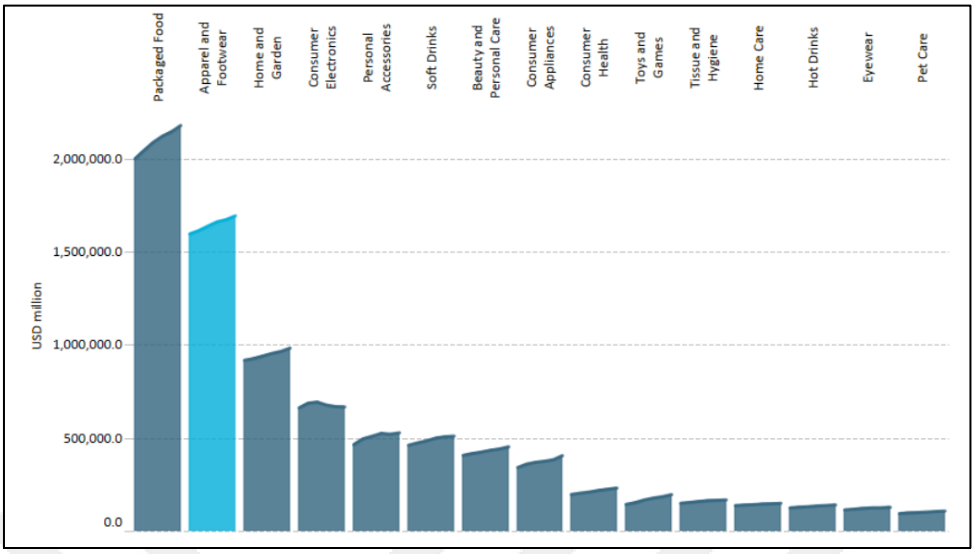


Source: Euromonitor International

Although share of store-based revenues is 87.5 % over the whole market size in 2017, it is predicted to decrease by 4.5 points and reach 83% at the end of 2022.

2.1.2 Apparel Retail IndustryAnalysis

Figure 2.2: Global consumer goods by industry size and growth, 2011-2017



Source: Euromonitor International, World Market for Apparel and Footwear

The apparel and footwear industry posted a CAGR of 1% at constant 2017 prices over 2012-2017. Thanks to positive developments in China and Europe, the global market is rebounding after recording its weakest growth since the global recession in 2016. In the forecast period, volume growth is expected to continue outpacing value growth. Fast fashion brands continue expanding across emerging regions, while the majority of consumers still rank price as a top factor in their fashion purchasing decision. These two trends are effectively fueling the industry through strong volume sales and low prices.

2.1.3 Retail in United Kingdom

In 2017, the apparel and footwear market grew steadily in value terms in the UK. Despite uncertainty around the implications of Brexit, the UK economy proved to be more resilient than feared during the year. For instance, the unemployment rate continued a downward trend to reach 4.6% in 2017, according to Euromonitor International estimates. Depreciation of the pound also attracted a significant number of overseas tourists to the country, as it became a cheaper destination. International tourists, often from China and North America, shopped for bargains, and showed a special interest in luxury goods that are now available at better prices than in their respective countries. These two factors, endogenous and exogenous, helped support sales growth in 2017.

Athleisure has become a lifestyle as consumers are increasingly looking after their health, fitness and appearance. Consumers are increasingly embracing sportswear as daily clothing, which they match with fashionable items. Apparel and footwear designs are becoming more sophisticated and look more like daywear. Moreover, there is an emphasis on fabric used to make the products more comfortable, such as softer and stretcher.

Fast-fashion brands gained momentum in the UK during 2017 with players, such as Primark Stores, H&M, and Inditex, progressing well and continuing to win new customers from rivals. This was largely attributable to their strong ability to react quickly to emerging trends and to market new products in a very limited amount of time and at relatively low prices. UK consumers tend to trend down when it comes to buying apparel and footwear. Although they are fond of products that are in line with the latest trends, they are also looking for affordable prices, which explains the success of fast-fashion players and disappointing results of midmarket ones. The fact that fast-fashion players often offer clothing and footwear for the whole family also gives them a competitive advantage over other players.

In 2017, internet retailing within apparel and footwear continued to increase in the UK in a reflection of consumer demand for a convenient shopping experience. Online retailers, such as Asos, Missguided, and Boohoo.com, are particularly successful in engaging with their customers and in responding to the demand for newness among younger generations.

Over the forecast period, apparel and footwear in the UK is expected to be stagnant in terms of value sales at constant 2017 prices. This stagnation can be explained by market maturity but also by a high degree of uncertainty around the consequences of Brexit, very likely to affect consumer confidence and level of spending in the forecast period.

Table 2.1: Sales of apparel and footwear by category, volume 2012-2017

mn units	2012	2013	2014	2015	2016	2017
Apparel	2,007.0	2,044.2	2,068.4	2,096.6	2,127.7	2,159.3
Footwear	257.5	262.8	268.4	271.8	274.0	274.9
Apparel and Footwear	2,264.5	2,307.0	2,336.8	2,368.5	2,401.7	2,434.3

Source: Euromonitor International, Apparel and Footwear in the United Kingdom, March 2018

Table 2.2: Sales of apparel and footwear by category, value 2012-2017

GBP million	2012	2013	2014	2015	2016	2017

GBP million	2012	2013	2014	2015	2016	2017
Apparel	40,054.6	41,060.7	41,756.0	42,064.6	42,436.0	42,896.3
Footwear	7,700.7	7,905.1	8,140.0	8,292.9	8,344.5	8,393.8
Sportswear	4,988.8	5,292.9	5,728.1	6,325.1	6,870.8	7,388.1
Apparel and Footwear	47,755.3	48,965.8	49,896.0	50,357.5	50,780.4	51,290.0

Source: Euromonitor International, Apparel and Footwear in the United Kingdom, March 2018

Table 2.3: Distribution of apparel and footwear, % value 2017

% retail value rsp	2014	2015	2016	2017
Marks & Spencer (Private Label)	6.3	6.2	6.1	6.0
George (Private Label)	5.6	5.5	5.5	5.4
Next	4.7	4.7	4.7	4.7
Primark (Associated British Foods Plc)	4.4	4.5	4.5	4.5
Nike (Nike Inc.)	2.2	2.5	2.7	2.8
Tesco (Private Label)	2.3	2.3	2.3	2.3
New Look (New Look Group Plc)	2.1	2.2	2.2	2.3
Matalan	2.2	2.2	2.2	2.1
Clarks (C&J Clark International Ltd)	2.0	1.9	1.8	1.7
H&M (H&M Hennes & Mauritz AB)	1.5	1.5	1.6	1.6
Adidas (Adidas Group)	1.2	1.3	1.4	1.5
Tu (Private Label)	1.4	1.4	1.5	1.5
River Island	1.3	1.3	1.3	1.4
Topshop	1.1	1.1	1.1	1.1
Zara (Inditex, Industria de Diseño Textil SA)	0.8	0.8	0.9	0.9
Dorothy Perkins	0.7	0.7	0.7	0.7
SuperDry	0.6	0.6	0.6	0.6
Hugo Boss (Hugo Boss AG)	0.6	0.6	0.6	0.6
Asos	0.4	0.5	0.5	0.6
Peacocks (Edinburgh Woollen Mill, The)	0.6	0.6	0.6	0.5
Gap (Gap Inc., The)	0.5	0.5	0.5	0.5
Tommy Hilfiger (PVH Corp)	0.4	0.4	0.4	0.4
Tophan	0.4	0.4	0.4	0.4
Puma (Kerning SA)	0.3	0.3	0.4	0.4
Ted Baker	0.3	0.4	0.4	0.4
Monsoon (Monsoon Accessorize Ltd)	0.4	0.4	0.4	0.4
Adidas Kids (Adidas Group)	0.3	0.3	0.3	0.3
Lidl (Private Label)	0.3	0.3	0.3	0.3
Miss Selfridge	0.3	0.3	0.3	0.3
Phase Eight (Foschini Group Ltd, The)	-	0.3	0.3	0.3
Other Private Label (Private Label)	2.7	2.7	2.5	2.5

% retail value rsp	2014	2015	2016	2017
Others	52.0	51.2	51.1	50.9
Total	100.0	100.0	100.0	100.0

Source: Euromonitor International, Apparel and Footwear in the United Kingdom, March 2018

2.2 ROLE OF CUSTOMER EXPERIENCE IN RETAIL

2.2.1 What is Customer Experience?

Traditional marketing; is an environment that focuses on product features and benefits that are product categories and competitiveness that are addressed to rational entitlement customers, analytically, quantitatively, and qualitatively evaluated (Babacan ve Onat, 2002). The focus of the experiential marketing approach is to provide the customer with special and different experiences. For this reason, the focus has shifted from marketing to service and from service to customer experience (Maklan ve Klaus, 2011). The difference in quality or functionality in the 1970s, while the brand in the 1990s and at the beginning of the 2000s, information and distribution were made. In 2010, the experience for brands has become a differentiating factor (Yuan ve Wu, 2008). The marketing literature has not considered customer experience as a separate structure. Researchers are more focused on measuring service quality. Nevertheless, customer experience it is not an untamed area. Holbrook and Hirschmann (1982) for the first time stated that they are experiential aspects of consumption. In his book "Experiential Marketing" Schmitt (1999) compares experiential marketing with experiential marketing with the productive focus of traditional marketing on functional features and usefulness. He indicates that customers are acting only with emotions, not with objective criteria. According to economist Tibor Scitovsky, it can be said that the main reaction to the increase of human wealth is the increase in the frequency of special moments; the number of special moments that are valued is increasing they eventually become a routine. The same is true for experience, and the likelihood of purchasing brands, which provide more experience, is increasing (Pine and Gilmore (1998 and 1999)). Pine and Gilmore (1998 and 1999) addressed the term of the customer experience (CX) in their paper in 1998, “Welcome to the Experience Economy”. They stated that in the earlier times mothers used to purchase the ingredients of a birthday cake to bake themselves at home for their children. After some time, they started to buy the cakes from bakery shops by paying much more. Finally, they decided to outsource all the activity, from cake to organization of the birthday celebration by paying at least ten times more. As a conclusion, the transition from baking at home to outsourcing the whole event led the emergence of the experience economy. Pine and Gilmore referred this newly emerged customer experience as; "An experience is not an amorphous construct; it is as real an offering as any service, good, or commodity."

The customer have experience with any brand or product; through the impressions and observations that they perceive when they see and feel the product, when they see the product through any communication channel like television advertisement, brochure, newspaper advertisement, web page or when they are in the store where the product or service is offered. Companies no longer must offer just goods or services, but an experience enriched by customer emotions. Experience occurs within an individual, emotional, bodily, intellectual, and even spiritual. Two people can never experience the same experience. Every experience is the product of the interaction between the event and the physical and mental state of the person Pine and Gilmore (1998 and 1999). Carbone and Haeckel (1994) describe the customer experience as the total and cumulative customer perception created during the process of learning, acquiring, using, and sometimes eliminating a product or service from the customer identified.

Companies can become indispensable with the desires, feelings and emotions that they evoke in their customers. Today, branding is a necessary step to be successful in establishing emotional ties with customers. Keller (1993) stated that the brand is the sum of the feelings and experiences of the product. The experience created by the relationships that customers build with the brands they use provides a competitive advantage to the brand. As a result, businesses have begun to focus on customer experiences (Dirsehan, 2012) and have begun to plan for some activities (Yuan and Wu, 2008) that will help customers to have various experiences (Gordon, 2006) brand management and relational marketing (O'Neill and Palmer, 2003).

The focus on "experience" is certainly a new point of view that organizations are discovering, along with the rising domination of services in the world's economies.

Hence, increasingly, many service organizations are placing the customer experience at the core of their service offering (Pine and Gilmore, 1999)

Concurring to Noci et al. (2007), “total customer experience” plays a fundamental role in deciding the customers’ preferences, which at that point influences their purchase decisions. Giving compelling customer experiences is additionally seen as an important factor affecting client devotion, for customers are more likely to form repeat purchases and grant positive word of mouth when they had a great involvement. Thus, business success lies not only with the perceived incremental value of a business’s products and services, but also with the perceived value of the experience, the business gives its customers (Moore, 2002).

To summarize, it is imperative for firms to center on client encounter, because differentiation techniques based on benefit and cost are now not adequate (Verhoef et al., 2009). In reality, Berry, Carbone and Haeckel (2002) state that it is exceptionally difficult for competitors to duplicate the all-encompassing nature of these experiential plans and the emotional bonds they frame between companies and clients. Thus, the experience is the extreme conveyer of the business’s value recommendation (Moore, 2002) and for that reason; it gets to be inescapable for an organization to position itself in compliance with the standards of the unused “Experience Economy”.

Firms can no longer compete solely on providing value through their core products, but rather they must create long-term, emotional bonds with their customers through the co-creation of a cohesive, authentic and sensory-stimulating total customer experience that resonates, pleases, communicates effectively and differentiates the organization from the competition (Bitner et al., 2008; Berry and Carbone, 2007).

As a result, if a company delivers an impressive experience to its customers, it results in a real competitive advantage. Brands get stronger and market share grows. If the boundaries between marketing, sales, service and technology are exceeded, even if they cannot be completely removed, all of this is likely to happen. A customer strategy based on the information provided by the customers brings together business intelligence, excellence of experience and technical knowledge of technology. According to Haeckel et al, Experience Audit is a tool that is used to systematically investigate the present experiences of the customers and to elucidate the emotional responses of customers ’toward any particular clue.

The Customer Experience (CX) statement has been tried to be defined by many experts with its importance towards the end of the 20th century. In 2007, Gentile, Spiller ve Noci defined CX as “The customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer’s involvement at different levels (rational, emotional, sensorial, physical, and spiritual)” (Gentile, Spiller, and Noci 2007, p. 397).

On the other hand again in 2007 Meyer ve Schwager defined CX as “Customer Experience is the internal and subjective response customers have to any direct or indirect contact with a company. Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representatives of a company’s products, service or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth.” (Meyer and Schwager 2007, p. 118). Customer experience, which is regarded as a value element, is defined as a collective economic value that is different today from service and products. (Pine and others, 1999: 13). Although experiences are abstract, they have the ability to be remembered. When a company uses its service capability as a scene and products as the supporting material of this scene a customer experience begins to develop. (Pine and others., 1998: 2).

Today, most of the authorities refer customer experience as the interaction between a customer and a company / brand as perceived through the eyes of the customer. It measures an organization’s observable and objective performance against the customer’s expectations now of contact. Customer experience considers not only rational considerations, but also incorporates emotional and sensual aspects of the interaction. It is shaped by both conscious and unconscious elements of perception.

The interaction between the customer and the company / brand can happen across any interface at any time – through all sales and marketing channels, in all sales phases, in any setting, etc.

The most important factors affect the overall customer experiences seems to be customer service quality (sales force, alteration, return, cashier etc.), product displays and store layout, promotions, ability to find what one’s looking for, product variety, price ranges, and inventory levels. Today, most of the major global retail companies are designing and implementing customer experience projects in order to identify the factors that impact sales conversion and to enhance overall customer experience.

2.2.2 Customer Experience in Retail Industry

In today's economic environment and the increasingly tougher competition in the retail industry, retailers need more than adequate prices and innovative products to survive. In order to keep up with the circumstances, it becomes inevitable to focus on the customer's shopping experience. However, in order to effectively manage the customer's shopping experience, it is necessary to first understand what the "customer experience" concept means exactly.

Customer experience includes all points of contact with the company that provides the customer with the service, the product or the product / service. Customer Experience Management (CEM), in turn, represents processes managed by strategies that create a value exchange environment for both the retailer and the customer.

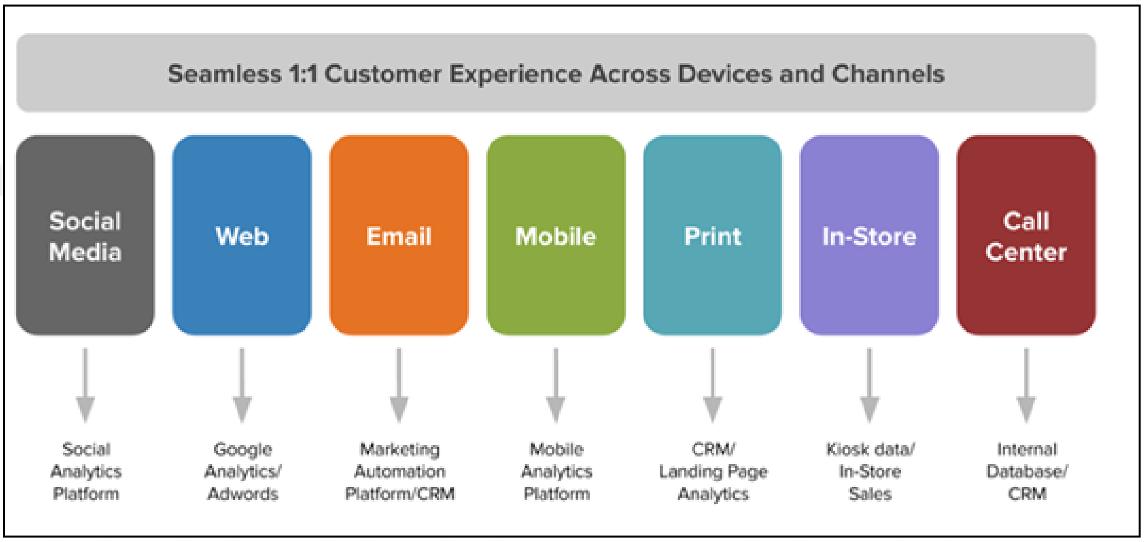
It is a reality that the industry that is most affected by technological developments is the retail sector, and with every new mobile device launch it can be seen more clearly. The fact that people spend more and more time online - with their age limit extending in the altitude and upwards - also shapes their shopping habits and expectations.

Omnichannel Customer Experience (OCX) – which means integrated customer experience; essentially every different phase of the customer's shopping experience can be carried out from any different channel that the retailer can contact. When the customer purchases the product from the retailer's online shopping site, the pick-up process is carried out from specially designed kiosk-like delivery points; returns are also can be made from any store.

Furthermore, the client can terminate any process step on a channel it is executing and continue the same process on another channel. An example of this is to leave the store after finding out that it is too late to make an appointment while browsing products and prices in the store, and to browse the products through the mobile application.

As seen on Figure 2.3, customer experience has not only become a store-only definition, it has become a topic that encompasses all touch-points, from social media to call center applications.

Figure 2.3: Seamless one to one customer experience across devices and channels



Source: http://dijitaldonusum.net/butunlesik-musteri-deneyimi-yonetimi/

In such a structure, two basic elements for a retailer stand out. First, the ability of quick and sincere returns to the customer's request, suggestion, and complaint. The second is to provide an uninterrupted experience by understanding how the different channels used by the customer are interwoven with each other.[3]

2.2.3 Why Customer Experience Matters

As global and Turkey's retail industry grows rapidly with the emergence of new competitive brands, continually meeting customer's needs is key to become a champion in customer experience. Within marketing applications, management and design of

[3] http://dijitaldonusum.net/butunlesik-musteri-deneyimi-yonetimi/

experiences; is seen as a key element for the efforts that companies have made to differentiate themselves from their competitors and gain competitive advantage (Chang and others, 2010: 2401-2402).

In a global, information-rich economy, traditional avenues to sustainable competitive advantage are becoming less and less effective. Product commoditization and decreasing brand loyalty are making it harder to compete on product differentiation. The internet is creating complete price transparency, with limited to no opportunity for differentiation. In parallel, demographic shifts are favoring more experience-based propositions. The traditional consumption patterns of the silent and baby boom generations will become increasingly irrelevant as their relative share of the population declines. By contrast, generations X, Y and Z will gain in importance – as will their experience-based and socially constructed decision making processes.

It is very important that companies understand the shopping habits of this new target segment in depth with the increase of the power of the new generation, especially in the retail industry. For this new generation, which has much more information access than previous generations and wants to spend less time making quick purchasing decisions, experience reaches more critical levels than anything else. According to the research conducted by Başkol and Köse, customer experience also turns the buying process, which is perceived as complex and costly, into a quick or impluse decision-making process. As a result building brand loyalty becomes much easier when it comes to the new-generation.[4]

Therefore, in order to maintain a sustainable competitive advantage, superior customer experience must be created by combining a variety of capabilities, e.g. retailing, product

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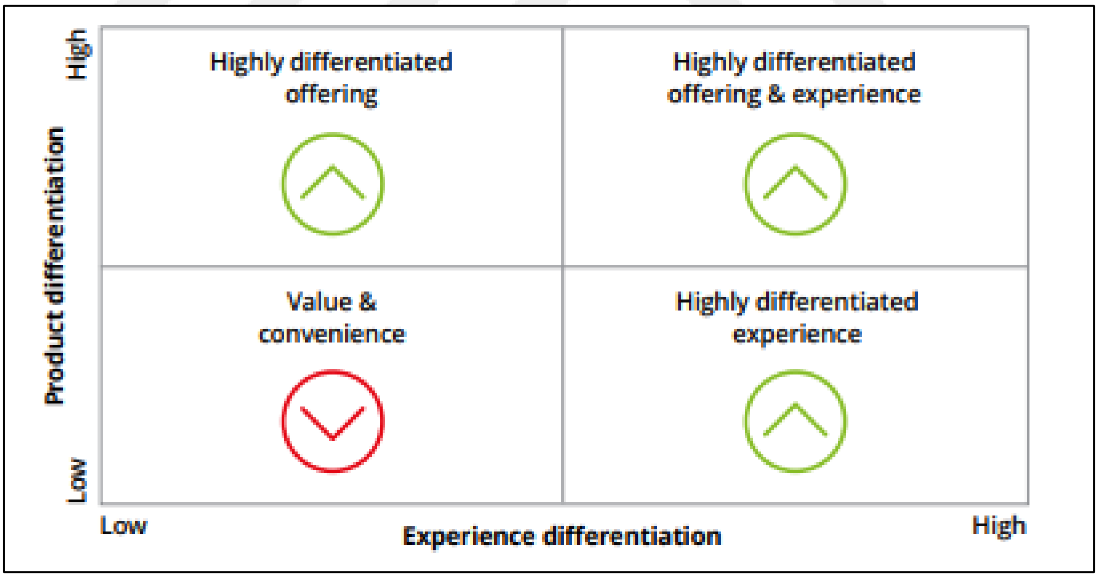
[4] http://iibfdergi.bartin.edu.tr/wp-content/uploads/2016/07/Melih-BA%C5%9EKOL-%E2%80%93-Mehmet-Said-K%C3%96SE-M%C3%BC%C5%9Fteri-Deneyim-Kalitesini-Belirleyen-Boyutlar-Yap%C4%B1sal-E%C5%9Fitlik-Modeli-ile-Boyutlar-Aras%C4%B1ndaki-%C4%B0li%C5%9Fkilerin-%C4%B0ncelenmesi-283-299.pdf

design and marketing. Combining these capabilities creates a unique constellation of activities that is very difficult to imitate by other companies.

The companies that get the economic value of their experience will not only gain the hearts of their customers, but they will also gain the financial value of those customers. (Pine and others, 1998: 2). A good and coherent customer experience leads to higher customer value and subsequently to an increase in business value. If customer experience is not carefully managed across channels, lost sales, customer dissatisfaction, and long-term brand deterioration can ensue.

According to research conducted by Deloitte Consulting in the US retail sector, customer experience and diversification in offered products and services significantly increase the financial performance of firms. The companies evaluated by the research team were scored in terms of experience and product diversity and a comparison was made on a table.

Figure 2.4: Product vs. experience differentiation



Source: The Deloitte Consumer Review CX marks the spot: Rethinking the customer experience to win

Figure 2.4 shows that in the first group are a number of retailers competing predominantly on value and convenience. These retailers center on driving down working costs to offer clients superior esteem and comfort. The moment bunch of retailers center on making profoundly separated encounters but offer a set of items not that separated and frequently accessible at numerous other retailers. They too center on giving simple and agreeable intelligent with staff, advertising instruction and excitement, and personalized substance. The third gather of retailers compete with profoundly separated items and administrations that cannot be found somewhere else, in spite of the fact that the brand involvement advertised is less separated. At last, there are a little number of retailers who effectively offer both exceedingly separated items and encounters. They get it shoppers and offer encounters and interesting items or administrations that address, or indeed outperform consumers' needs and desires. The examination too appeared that retailers competing on both exceedingly separated offerings and encounters, conveyed strong EBITDA development of nearly 15 per cent per year and income development of about 11 per cent. In differentiate, retailers competing on esteem and comfort had compound yearly income development of 3.5 per cent and experienced a negative compound yearly EBITDA development of 3.2 per cent.[5]

Today, major companies are developing new departments responsible for collecting and analyzing customer experience data coming from all offline and online channels. According to Meyer and Schwager, managing customer experience data provides companies with saving more money, protection of customers from unnecessary and repulsive offerings during shopping at the stores or online, and it gives a much wider perspective on customers to understand their behavior individually.[6]

The focus on "experience" is certainly a new point of view that organizations are discovering, along with the rising domination of services in the world's economies. Hence, increasingly, many service organizations are placing the customer experience at the core of their service offering (Pine and Gilmore, 1999)

Concurring to Noci et al. (2007), "total customer experience" plays a fundamental role in deciding the customers' preferences, which at that point impacts their purchase decisions. Giving compelling customer experiences is additionally seen as an important factor

[5] https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-consumer-review-customer-experience.pdf

[6] http://www.dlls.univr.it/documenti/Avviso/all/all999201.pdf

affecting client devotion, for customers are more likely to form repeat purchases and grant positive word of mouth when they had a great involvement. Thus, business success lies not only with the perceived incremental value of a business's products and services, but also with the perceived value of the experience the business gives its customers (Moore, 2002). To summarize, it is imperative for firms to center on client encounter, because differentiation techniques based on benefit and cost are now not adequate (Verhoef et al., 2009). In reality, Berry, Carbone and Haeckel (2002) state that it is exceptionally difficult for competitors to duplicate the all encompassing nature of these experiential plans and the emotional bonds they frame between companies and clients. Thus, the experience is the extreme conveyer of the business's value recommendation (Moore, 2002) and for that reason, it gets to be inescapable for an organization to position itself in compliance with the standards of the unused "Experience Economy". According to Haeckel et al, Experience Audit is a tool that is used to systematically investigate the present experiences of the customers and to elucidate the emotional responses of customers' toward any particular clue. Firms can no longer compete solely on providing value through their core products, but rather they must create long-term, emotional bonds with their customers through the co-creation of a cohesive, authentic and sensory-stimulating total customer experience that resonates, pleases, communicates effectively and differentiates the organization from the competition (Bitner et al., 2008; Berry and Carbone, 2007). As a result, if a company delivers an impressive experience to its customers, it results in a real competitive advantage. Brands get stronger and market share grows. If the boundaries between marketing, sales, service and technology are exceeded, even if they cannot be completely removed, all of this is likely to happen. A customer strategy based on the information provided by the customers brings together business intelligence, excellence of experience and technical knowledge of technology.

Retail companies should ask themselves the following crucial questions to identify their current state on providing excellent customer experience:

i. Can we predict customer needs proactively and meet their expectations?
ii. Do we have a clear understanding of our customer journey and the most important moments that effects overall buying decisions?

iii. Are we providing our customers with a multichannel experience where they can communicate with us whenever they want?

iv. Are all our channels integrated with each other in order to provide seamless and consistent customer experience?

2.2.4 How to Deliver Better Customer Experience

Increasing competitiveness of brands in Global and Turkey retail sector brings experience as a hot topic and a unique strategy of increasing customer loyalty. According to Customer Experience Research conducted by Deloitte's in the US, having a customer experience vision will not be enough unless the governance is in place to implement and reward it. The customer experience needs to be a strategic priority, not only at board level, but also across the entire company where every function works towards and believes they play a critical role in the overall customer experience. Where the company begins on the way to changing the customer experience, the objective is twofold, to begin with to form the client encounter vision a need and moment to create it a work characteristic within the business model.[7]

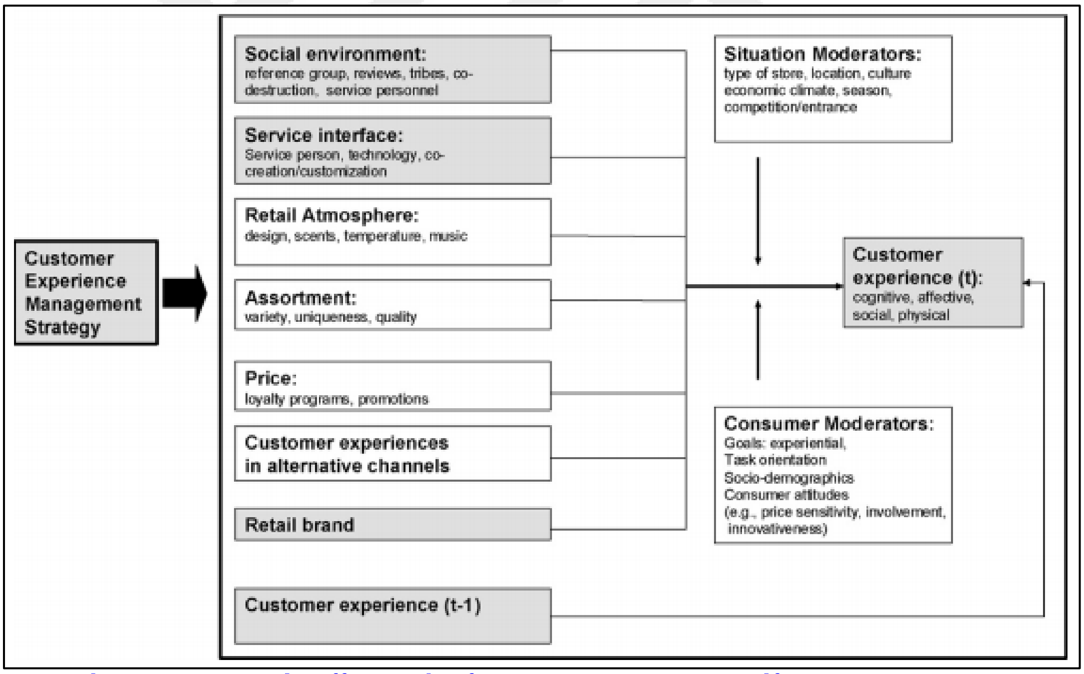
[7] https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-consumer-review-customer-experience.pdf)

3. LITERATURE REVIEW

3.1 CONCEPTUAL MODEL OF CUSTOMER EXPERIENCE CREATION

According to article about customer experience published on Journal of Retailing at 2009, definition of targeted customer experience levels starts with the development of CEM strategy. Then the company should assess the social environment, service interface, retail atmosphere, assortment, price, customer experiences in alternative channels, retail brand and previous customer experiences. Situation moderators such as type of store, location, culture, economic climate etc. and consumer moderators such as socio-demographics, attitudes etc. must be taken into account. Finally, targeted customer experience levels covering cognitive, affective, social and physical factors will ve developed.

Figure 3.1: Conceptual model of customer experience creation



Source: https://www.rug.nl/staff/p.c.verhoef/jr_customer_experience.pdf

3.1.1 Focusing on Customer Experience as a Corporate Culture

Global retail companies of Turkey and the customer experience means to maintain their competitive position experience a one-time measure, as well as project-based approach, focused on customer experience is necessary to establish a culture within the company.

In this context, if the strategic planning studies that have been carried out periodically are now the sine qua non of the companies, it is important that the customer experience oriented approach and the strategy application are carried out in a continuous life cycle. In 2015, EY Consulting published an article on customer experience which presents the seven main steps of continuous experience measurement and improvement.

i. Baseline: Definition of the strategic objectives and key performance metrics to track throughout the year. C-Level engagement is crucial at this stage.
ii. Listen / Assess: Company analysis in terms of sales and service capabilities, global and local benchmark analysis and voice of the customer research in order to identify different customer segments' needs and expectations to understand their experience drives.
iii. Innovate: Designing new experiences for all touchpoints and/or improving the current applications by observing market / customer trends and adopting new technologies. At this level, companies may establish idea pools in order to contribute each department to the innovation process.
iv. Design: Development of target experience maps and conducting simulations.
v. Enable: Definition of the necessary capabilities in order to enable targeted experience maps. Generally, technology, budget, human resources are the most critical capabilities that should be addressed during this stage.
vi. Plan: Prioritize capabilities, develop implementation roadmaps and governance models, and define quick wins / pilot opportunities.
vii. Deliver: This final stage covers the implementation part where the improvements are made on business and technology to enhance customer experience.

These seven steps should be considered as a lifecycle and be a part of a company's main business processes.[8]

[8] http://www.ey.com/Publication/vwLUAssets/Customer_and_Growth_Capabilities_-_Customer_Experience/$FILE/EY-customer-and-growth-capabilities-customer-experience.pdf

3.1.2 Employee Impact on Customer Experience

The activities related to human resources management have to be taken into consideration in retailing as well as in other fields of production and service sector. It should never be forgotten that those who will create a loyal customer group are, in fact, happy and loyal domestic customers who love doing their job.

The quality of the service offered in retailing is closely related to the appearance of the store and its employees in general, the desire of the staff to help them with their customers, courtesy and closeness, reliability and providing a safe shopping environment for the store. Salespeople create the face of the business facing the market. Therefore, they are the vitrines of the company.

It is inevitable for salespeople to determine what their customers need and to determine the way they need it. Salespeople must have some special features to be able to do this.[9]

i. Listening to the other party.
ii. Paying attention to the language used.
iii. Speech should be supported by facial expressions.
iv. Issues related to the privacy of the other party should be avoided.
v. Good and advantageous aspects of the offered products and services should be revealed.
vi. Listen, understand and respect the other party's thoughts and suggestions.

In 2016, Eric Feinberg of ForeSee presented a session at National Retail Foundation (NRF) about the relationship between customer experience and employee engagement. He stated that these two terms are dependent from each other; instead, they are highly related. According to Feinberg, maintaining a successful employee engagement is cruical for delivering excellent customer experience.[10]

[9] http://acikerisim.deu.edu.tr/xmlui/bitstream/handle/12345/11304/220248.pdf?sequence=1&isAllowed=y

[10] https://www.zendesk.com/blog/retail-employee-satisfaction/

In this manner, there may be basic covered up dangers that companies tend to supervise whereas fair centering on expanding the transformation rates.

i. Reputation – whether you have hundreds or thousands of employees, each one of those talks to family and friends about their employment experience from time to time. A bad day at work or a cathartic sounding-off about a bad boss can quickly be shared with hundreds of social friends – with an ever-present risk of going viral. Each is a brand ambassador that you neglect at your peril.
ii. ROI – it's all very well investing in an all-singing, all-dancing retail information system that supercharges the checkout, or to equip in-store representatives with tablet-based apps, but your return on that investment could be affected if the till operator or store rep is disenchanted. The take-up of new technology also depends very much on building appetite and supporting staff onto new systems to get the maximum benefits.
iii. Reactions – the employment experience is transmitted to your customers by staff through the look on their face, their speed of response, the tone of their voice and the service they provide. It does not matter if they are customer facing. Sluggish warehouse teams and slow, disinterested administrators directly affect your fulfilment speed and whether you keep brand promises.[11]

3.2 MEASURING CUSTOMER EXPERIENCE IN RETAIL STORES

Retail companies aiming to enhance their customer experience levels must leverage measurement activities periodically. The most prominent applications in the industry are:

[11] https://www.salesforce.com/uk/blog/2016/11/why-retail-employees-are-as-important-as-customers.html

i. Customer Exit Surveys: Surveys conducted immediately after the end of shopping allow the customer's experience to be completely unintelligible. The data pool we have created; some segments of the customer set out their needs, expectations, preferences, considerations and position in competition.

ii. Customer Observations: It is used to understand customer behaviors in all interactions during shopping. Analyzes performed with the obtained data; with the detection of in-store hot / cold zones resulting from customer navigation routines; the time spent in the department, cabinets and cabinets, and the interaction of the employees with the customer and the conversion to sale.

iii. Employee Observations: The daily activities of the sales staff on the basis of the department and the effects of these activities on the customer experience are observed. The data obtained shows the team productivity and labor needs at the changing store intensity levels, to determine the initiatives necessary for improvement.

iv. Mystery Shopper: various customer behavior scenarios based on the various questions, problems posed by previously conducted surveys, and surveys are applied by this method. It enables the in-store experience and store employee behavior to be evaluated with the customer's eye.

v. Competitor Analysis: visit of competitor stores and shop layout plans, purchasing experiences, service behaviors, store design are evaluated. Because of the evaluation, comparing the existing customer experience with the competitors, it is possible to learn the best practices and to differentiate the mark from the competitors in the target customer's eyes.

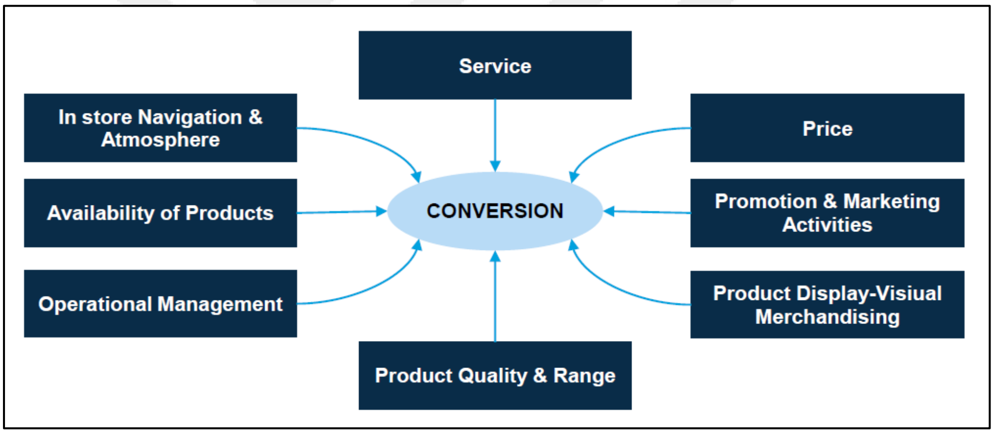
In this way, customers are provided detailed information about their behavior, preferences, thoughts, needs and desires in the store. In addition, by analyzing all factors that affect customer experience, such as employee productivity, product placement, store design, it is aimed to improve the customers' journey to the store from end to end.

Making the measurement system an administrative part of company that will ensure continuous measurement of the customer experience will ensure sustainability as previously mentioned.

According to Meyer and Schwager, retailers can follow a variety of interaction patterns with customers to understand the performance of their experience with customers better. Depending on the specific information a company is looking for, it may choose to analyze past, present, potential patterns, or a combination. Each model requires a separate method of collecting, analyzing and analyzing data, and will present different assessments of customer experience.

The overall experience of a customer with a retailer is influenced by the many touch points involved in different channel. Customers visiting stores experience the brand in many different places. The experiences of customers who shop at a store are largely positive however, those who have not purchased are not satisfied with some of the following issues.

Figure 3.2: Key factors of conversion rate



Source: Deloitte, Factors of Conversion in Instore Customer Experience

Figure 3.3: Tracking customer experience

Pattern and Purpose	Owner	Data Collection Frequency and Scope	Collection and Analysis Methodology	Discussion and Action Forums
Past Patterns: Captures a recent experience. > Intended to improve transactional experiences > Tracks experience goals and trends > Assesses impact of new initiatives > Identifies emerging issues Examples: Post-installation or customer service follow-up, new-product-purchase follow-up	Central group or functions	**Persistent:** > Electronic surveys linked to high-volume transactions or an ongoing feed-back system > Automatically trig-gered by the comple-tion of a transaction > Focused, short-cycle, timed data collection > Feedback volun-teered by users in online forums	> Web-based, in-person, or phone surveys > User forums and blogs	> Analyzed within functions, central survey groups, or both > Cross-functional issues directed to general managers > Strategic analysis and actions directed by general managers
Present Patterns: Tracks current relationships and experience issues with an eye toward identifying future opportunities. > Keeps a consistent yet deeper watch on state of relationship and other factors > Looks forward as well as backward > Used with more critical populations and issues Examples: Biannual account reviews, "follow them home" user studies	Central group, business units, or functions	**Periodic:** > Quarterly account reviews > Relationship studies > User experience studies > User-group polling	> Web-based surveys preceded by preparation in person > Direct contact in person or by phone > Moderated user forums > Focus groups and other regularly scheduled formats	> Initial analysis by sponsoring group > Broader trends and issues forwarded to general managers' strategic and operat-ing forums > Deeper analysis of emerging issues at the corporate, busi-ness unit, or local level
Potential Patterns: Targets inquiries to unveil and test future opportunities. Examples: Ethnographic design studies, special-purpose market studies, focus groups	General management or functions	**Pulsed:** > One-off, special-purpose driven > Interim readings of trends	> Driven by specific customers or unique problems > Very focused > Incorporates existing knowledge of cus-tomer relationship	> Centered within sponsoring group, with coordination by and support from central group

Source: Understanding Customer Experience, Harvard Business Review

4. DATA ANALYSIS

4.1 COMPANY INFORMATION

The aim of this paper to examine customer experience concept in retail and what is the link between an apparel retailer's sales revenue and experience its customers have in its stores.

In order to answer those questions listed below, an apparel retailer's store operations analyzed by customer interviews and in store observations. Due to privacy of information, the company, which the project is conducted in, would like its name to be kept confidential and represented as COMPANY X.

Company X Fashion is a high-street women's-wear retailer aimed at 18-35 year olds. With up to 4,000 products (clothing, footwear and accessories), and new lines added each week, Company X offers quality products inspired by the latest fashion trends at an affordable price. Currently with over 180 UK stores and rapid expansion plans in place, our key focus is on opening more prime trading stores throughout the UK. Company X's product range covers key fashion needs, from trendy clothing to footwear and accessories.

From the season's must-haves to essential items, every young woman will find her perfect match. Company X's website provides a great online fashion shopping experience and allows its customers to get their items delivered free in the UK if they spend more than £45. Company X also delivers to over 30 European destinations, including France, Germany, Spain, Greece, Netherlands, Denmark and Italy. Company X constantly engages its customers and keep them up-to-date with the latest trends and offers through weekly newsletters, Facebook, Twitter and Youtube.

With over 102 stores nationwide and ambitious retail growth plans including 20 new openings by the end of 2017, Company X is rapidly establishing itself as one of the fastest growing young fashion retailers on the UK fashion landscape.

Offering a mix of ever-evolving on-trend seasonal collections and fashion forward wardrobe basics with prices starting at just £5.00, Company X is the go-to store for budget conscious style hunters who want all the key looks for the season without splashing the cash.

Boasting slick interior fits, creative merchandising and unrivalled customer service, Company X stores offer a vibrant and inspiring shopping environment for the young modern.

4.2 RESEARCH METHOD

The project intended to understand the in-store experience of the customers and setting off from this, to improve the overall customer experience. The areas questioned are;

i. What makes important customer experience for retail industry?
ii. How important for customers the experience they get when they visit an apparel retail store?
iii. What are the key factors converting "visitors" to "shoppers" in an apparel retail store?

To this extent, it was planned to:

i. Understand the connections between the experience that Company X provides to its customers and the customer behavior
ii. Discover the variables that impact the purchase decisions and conversion rates in the Company X stores and comprehend the effects of these variables on sales figures
iii. Identify and prioritize in-store elements that help enhance the customer's overall experience
iv. Get insights in definition of brand identity and strategy

To this extent, it's been carried out:

i. Customer Exit Surveys: Through the customer exit surveys conducted, the differences between the purchasing and non-purchasing customers were seen and the factors impacting conversion during the customer experience were determined.
ii. Customer Observations: Through the customer observations carried out, factors such as the route of the customers in the stores, the departments visited and the

time spent per department, as well as the impact of the service recieved on customer behavior were examined.

iii. Operational Sampling: In this section, through the results of the hourly samplings, the effectiveness of the shift scheduling and the daily distribution of the labor were observed.

A research project conducted to help company:

i. Evaluate and analyze current Customer Experience-related capabilities
ii. Determine the “desired state” of the Customer Experience
iii. Identify near-term / long-term Customer Experience improvement opportunities

The project aimed to understand and improve the shopping experience of customers visiting stores.

The project rolled out to help company:

i. Identify and prioritize in-store elements that help enhance the customer’s overall shopping experience

ii. Understand the customers’ needs in terms of service, store layout and operations

iii. Identify factors that influence the purchase decision

iv. Determine what leads the customers to leave the store satisfied with its overall experience

Current maturity level of customer experience in Company X retail stores questioned through three-stepped approach.

a. Customer Exit Surveys: Understanding reasons for purchase or non-purchase to identify factors affecting conversion. Differences between purchasing and non – purchasing customers and the experiential factors effecting conversion rate have been identified with the customer surveys.
b. In Store Customer Observations**:** Identifying customer routes and time spent in the store and understanding which service level affecting conversion rate. The goal is to identify customer routes and time spent in the store and understanding which service level affecting conversion rate. The effectiveness

of workforce / shift planning has been observed with the operational samplings.

c. Operational Sampling: Determining store shift planning based on hourly footfall and identifying improvement areas. Current situation of Company X stores, positive factors, the improvement areas and the effects on customer experience have been identified with the store audits.

4.3 PROJECT PHASES

4.3.1 Applications by Numbers

i. 1141 customer surveys
ii. 398 customer observations
iii. 725 operational samples

Store #	City	Retail Selling Area *square meter*	Store Format	Location
1	Birmingham New St	429	Single storey	Shopping Center
2	Stratford	175	Double storey	Street
3	Thanet	68	Double storey	Street
4	Middlesbrough	376	Triple storey	Street
5	Liverpool	71	Single storey	Shopping Center
6	Newport	378	Single storey	Shopping Center

<u>Demographics</u>

Gender	Share
Women	94%
Men	6%

Age Group	18-24	25-29	30-34	35-44	45-54	55-64
Share	16%	17%	12%	27%	18%	10%

a. Customers received a 20% discount code valid in online store for participating in the survey.
b. Customer Surveys have been conducted in six different COMPANY X stores around UK as a sample representing COMPANY X's entire store portfolio and customer profile.

4.4 CUSTOMER EXIT SURVEYS

A questionnaire prepared to understand current customer experience level and improvement areas in COMPANY X retail stores to ask store visitors when they just attempted to leave the store. Questionnaire uploaded to iPads and logical flow -next questions according to the answer of previous question- is structured. Exit surveys ran including both purchasers and non-purchasers.

Highlights of the Exit Survey Results

a. 1,141 surveys were conducted over the time.
b. Surveys were split between 52% purchasers and 48% non-purchasers.

Surveys covered all hours of store operations.

4.4.1 Exit Survey Questionnaire

1. Do you live in UK?
2. How often do you visit COMPANY X store?
3. When was the last time you visited a COMPANY X store?
4. Have you ever purchased from COMPANY X before?
5. For what type of merchandise do you need usually, visit COMPANY X?
6. What was the purpose of your visit today? (Read the choices to customer)
7. What are three major brands that you prefer other than COMPANY X?
8. Did an associate greet you when you entered the store today?
9. Were you able to comfortably walk and browse through the store?
10. If no, why not?
11. Did you receive assistance from an associate?
12. Why did not you receive assistance from an associate? (If the answer is No)
13. In what way was the associate able to assist you? (If the answer is Yes)
14. Did you use the fitting rooms?
15. What are the improvement points of the fitting rooms in COMPANY X?
16. Did you make a purchase today?
17. Why not? (If the answer is No)
18. What did you purchase today? (If the answer is Yes)
19. Were you satisfied with the cashier service?
20. Why not? (If the answer is No)
21. Did the cashier greet you when you approached the cash point?
22. How was the attitude of the associates when you were leaving the store?
23. Did the cashier take your email - phone number for further communication?
24. Based on your visit today, how often do you intend to shop at COMPANY X in the future?
25. Would you positively or negatively refer a friend or family member after your visit today?
26. What are the top three categories that COMPANY X excels?
27. What would you primarily recommend to improve the customer service and sales associates' performance?
28. What three aspects of an COMPANY X store needs the most amount of improvement?
29. Which of the following defines clothes that make you feel good about yourself?
30. What does the COMPANY X brand automatically make you think of?
31. What is your profession?
32. What age group do you belong?
33. Did you have university education after graduating from high school?
34. What is your marital status? (Marriage)
35. Whom are you shopping with today?

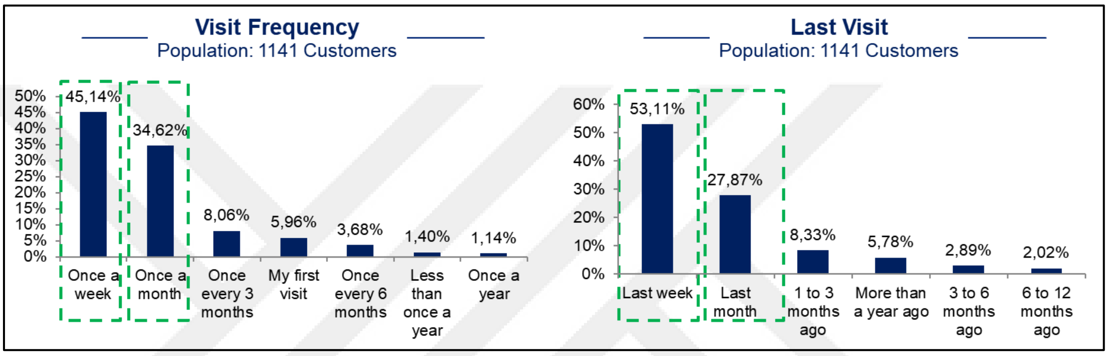
4.5 ANALYSIS OF RESULTS

4.5.1 Visit Frequency and Last Visit

i. 45.14% of the participants' visit COMPANY X stores once a week and 34.62% of the participants visit COMPANY X stores once a month.

ii. Moreover, the participants' last visits were last week and last month at the highest percentage.

Figure 4.1: Customer visit frequency



Source: Store Exit Survey

The analysis shows that COMPANY X has a loyal customer base who visit COMPANY X stores every week or month. Therefore, COMPANY X should focus on providing them with fresh garments and lines for each visit in order to maintain the loyalty and increase the conversion rate, and experience index.

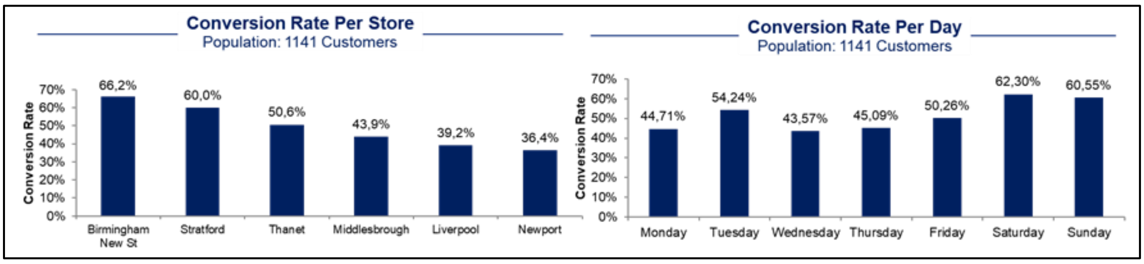
4.5.2 Total Conversion Rate per Store and Per Day

i. Average conversion rate – the percentage of purchasing customers in the total number of surveyed customers – were 51.4%.

ii. Birmingham New St. store has the highest conversion rate where Liverpool and Newport have the lowest rates.

iii. The conversion rates of the stores increased on the weekends as expected. In addition, Tuesday has the highest average conversion rate between the weekdays.

Figure 4.2: Conversion rate per day and per store

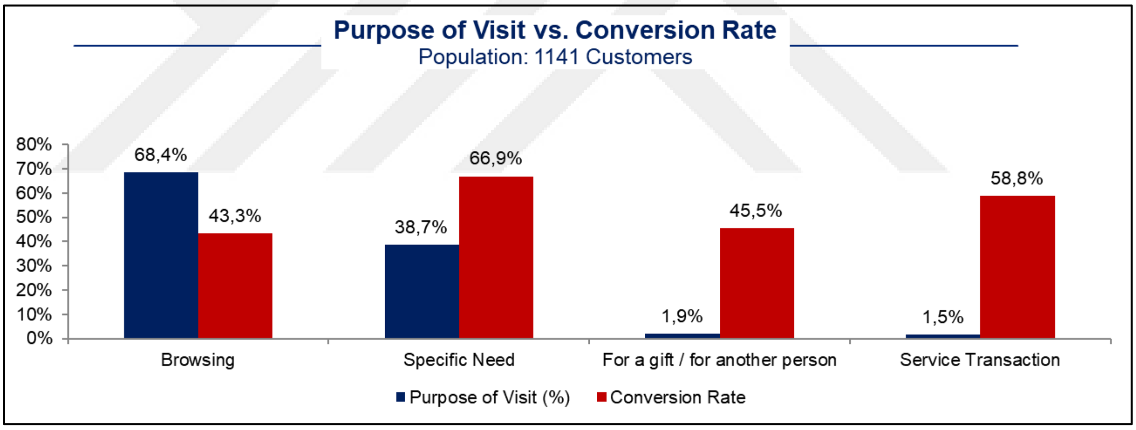


Source: Store Exit Survey

4.5.3 Purpose of the Visit and Conversion Rate

Participants' purpose of visits and their conversion rates have been analyzed. 68.4% of the participants have visited COMPANY X stores for browsing. On the other hand, the share of participants who visited the store for a specific reason is also near 40%.

Figure 4.3: Relation between purpose of visit and conversion rate



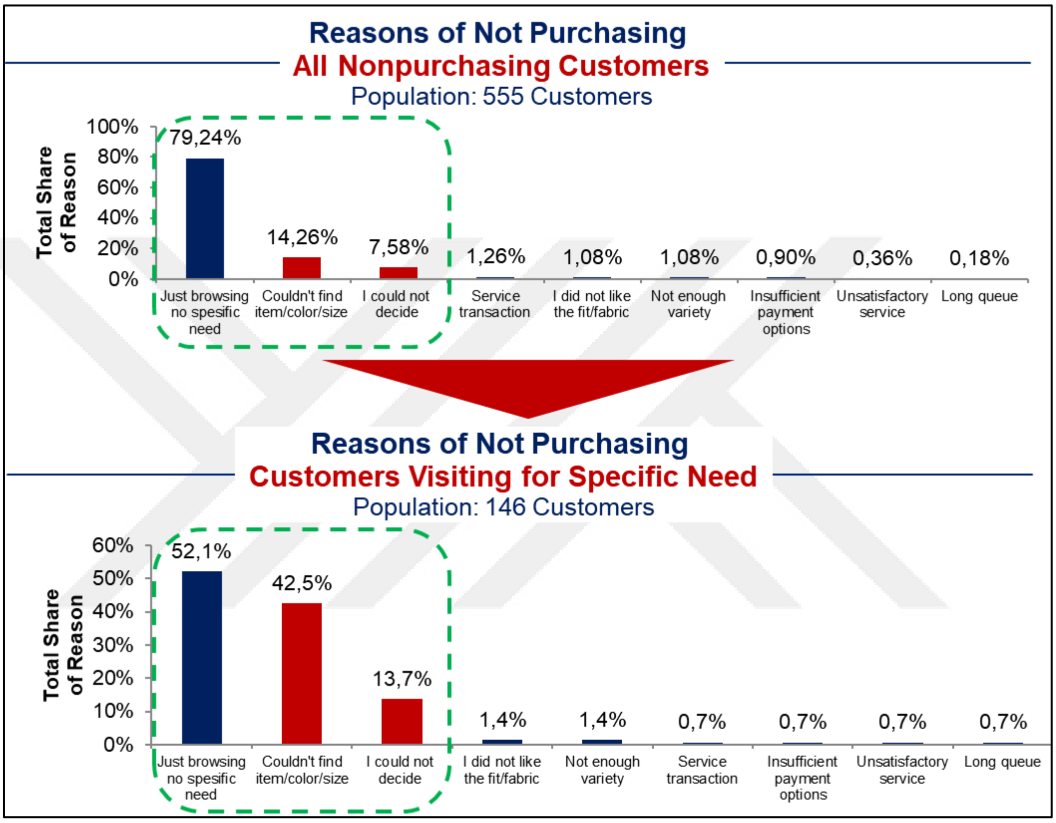
Source: Store Exit Survey

When the average conversion rates are analyzed based on visit purposes, the highest conversion rate belongs to the customers visiting COMPANY X stores for a specific reason. In addition, COMPANY X achieves to convert customers visiting just for a service transaction and for a gift / for another person.

4.5.4 Reasons of Not Purchasing

The main reasons of not purchasing from COMPANY X stores are having no specific needs, not being able to find the desired item/color/size and inability of making a final purchasing decision.

Figure 4.4: Reasons of not to purchase



Source: Store Exit Survey

i. 555 participants did not make a purchase from COMPANY X and when the reasons are observed, the highest share belongs to 'Just browsing, no specific need', 'Couldn't find item/color/size' and 'I could not decide' options.

ii. When the reason of not purchasing analyzed for participants visiting for a specific need, the same results occur.

4.5.5 Greeting Customers

The analysis correlates the greetings and conversion rates shows that greeting customers while entering to an COMPANY X store, does not directly effects the conversion rate.

i. 38,2% of the participants were greeted by a sales associate and the 58,8% were not.
ii. The average conversion rate of greeted customers were 55,5% while the conversion rate is 48% for the customers were not greeted.
iii. However, 3% of the participants did not remember whether they were greeted or not and their conversion rate is 64,7%
iv. This analysis shows that the greeting does not directly conversion rate as much as the other experiential factors which will be observed in the following slides.

Figure 4.5: Greeting customers and its impact on conversion rate

Were you greeted by an associate when you entered the store today?				
Metric	**Baseline**	***Yes***	***No***	***I Don't Remember***
Conversion Rate	51,4%	55,5%	48,0%	64,7%
Population	100%	38,2%	58,8%	3,0%

Source: Store Exit Survey

4.5.6 Assistance from Store Associates

Most of the participants did not receive assistance from a store associate. However, the minority of participants' conversion rates who received assistance from an associate is much higher.

Figure 4.6: Receiving assistance and its impact on conversion rate

Did you recieve assistance from an associate?			
Metric	**Baseline**	***Yes***	***No***
Conversion Rate	51,4%	69,6%	46,0%
Population	100%	22,8%	77,2%

Source: Store Exit Survey

i. 22,8% of the participants received assistance from an associate while the 77,2% did not received any assistance.

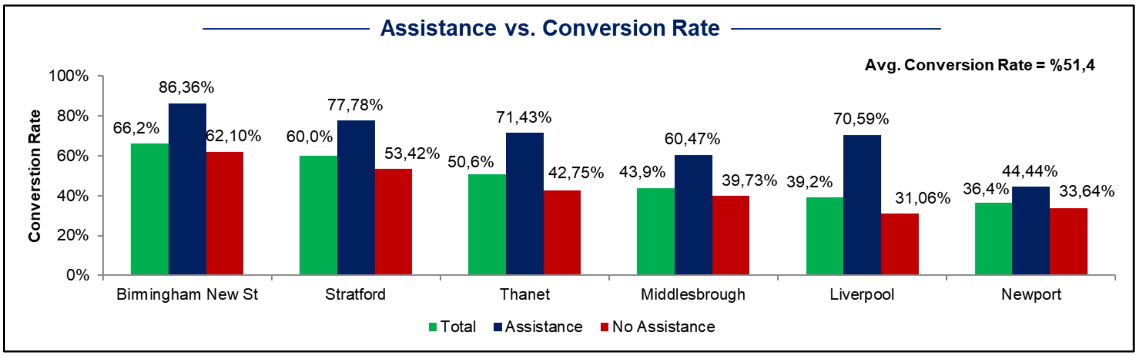
ii. The conversion rate of the participants who did not received any assistance are 46% which is lower than the average conversion rate.

iii. However, the conversion rate of the participants who received an assistance from an associate is 69,6% which shows that customer service is one of the key factors affecting customers' conversion rates.

4.5.7 Assistance from Store Associates per Store

The effect of customer service on conversion rate can also be seen when the results are analyzed for each store.

Figure 4.7: Impact of assistance from sales representative on conversion rate



Source: Store Exit Survey

i. There is a significant difference between conversion rates for the participants received assistance and not receive assistance in each store's analysis.

ii. The biggest difference occurs in Liverpool store while the lowest difference occurs in Newport store.

4.5.8 Assistance from Store Associates – Type of Assistance

The most effective types of assistance are offering Complementary Products and making Product Recommendations to the customers.

Figure 4.8: Type of assistance vs. conversion rate

In what way was the associate able to assist you?							
Metric	Baseline	*Finding a Product*	*Product Sizes - Combinations*	*Product Information*	*Product Reccomendations*	*Complementary Products*	*Fitting Rooms*
Conversion Rate	51,4%	69,6%	77,3%	70,5%	80,8%	89,5%	66,7%
Population	100%	50,0%	38,8%	24,4%	10,4%	7,6%	2,4%

Source: Store Exit Survey

i. 50% of the customers received assistance for finding a product and their conversion rate is 69,6% - which is above the average rate.

ii. Only 7,6% of the customers received assistance for complementary products and 10,4% for product recommendations but their conversion rates have the highest values.

4.5.9 Fitting Rooms Effecting Conversion Rate: Usage of Fitting Rooms

Participants who used fitting rooms have a significantly higher average conversion rate.

Figure 4.9: Usage of fitting rooms and ımpact on conversion rate

Did you use the fitting rooms?			
Metric	**Baseline**	***Yes***	***No***
Conversion Rate	51,4%	81,6%	40,3%
Population	100%	26,7%	73,3%

Source: Store Exit Survey

i. 73,3% of the participants did not use the fitting rooms within the stores. Their average conversion rate stays below the total average conversion rate with 40,3%.

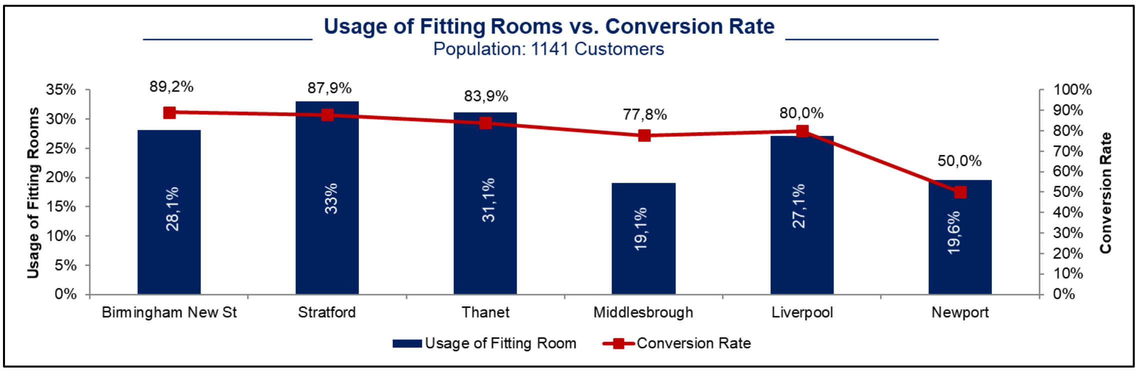
ii. On the other hand, only 26,7% of the participant used the fitting rooms and their average conversion rate is 81,6%.

iii. This analysis shows that the positive effect of using fitting rooms on conversion rates. The number / availability / condition of the fitting rooms should be considered in detail and associates should encourage customers for using the fitting rooms.

iv. Stratford store has the highest share of customers who used fitting rooms during their visit and the conversion rate of these customers are one of the highest values in our analyses.

v. Newport store stays behind the other stores for both usage of fitting rooms and conversion rates. However, the same effect can be seen on this store as well – the usage of fitting room increases the average conversion rate.

Figure 4.10: Usage of fitting room vs. conversion rate



Source: Store Exit Survey

Most of the participants who proposed an improvement point indicated that the fitting rooms of COMPANY X stores are satisfactory.

i. 54,8% of the participants find fitting rooms satisfactory and their conversion rate is 81,4%.

ii. Size, Cleanliness, Maintenance, Number of Fitting Rooms are the other improvement points suggested by the participants.

iii. The analysis shows that Cleanliness of the fitting rooms have the most negative effect on conversion rate while the rest of the conditions do not significantly affect purchasing decisions.

Figure 4.11: Comments on fitting rooms vs. conversion rate

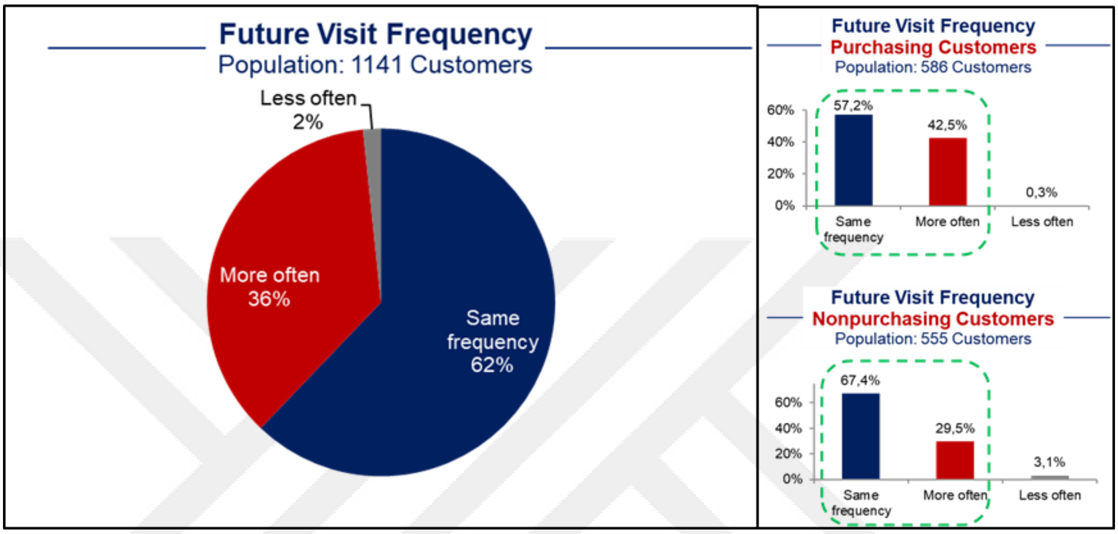
What are the improvement points of the fitting rooms in Select?							
Metric	**Baseline**	***Size***	***Cleanliness***	***Maintenance***	***Number of Fitting Rooms***	***Fitting Rooms Were Satisfactory***	***NR***
Conversion Rate	51,4%	80,0%	33,3%	71,4%	100,0%	81,4%	82,6%
Population	100%	3,3%	1,0%	4,6%	1,3%	54,8%	35,7%

Source: Store Exit Survey

4.5.10 Future Behavior: Visit Frequency in the Future

62% of the total participants will visit stores at the same frequency in the future. The participants' share who will visit more often is 36%.

Figure 4.12: Visit frequency and conversion rate



Source: Store Exit Survey

i. 42,5% of the purchasing customers will visit COMPANY X more often in the future.

ii. More importantly, 67,4% customers who leave the store without purchasing will continue visiting COMPANY X at the same frequency. In addition, 29,5% stated that they would visit even more often.

4.5.11 Future Behavior: Visit Frequency in the Future

Transactional service at the cash point area and the unsatisfactory customer service from the sales associates have the most negative effects on future visit frequency of COMPANY X customers.

Figure 4.13: Future visit frequency no purchasing customers

Future Visit Frequency of Nonpurchasing Customers *Based on the Reasons of Not Purchasing*				
Reason of Not Purchasing	# of Customers	*Less Often*	*Same Frequency*	*More Often*
Just browsing no spesific need	441	2,3%	70,1%	27,7%
Couldn't find item/color/size	79	3,8%	54,4%	41,8%
I could not decide	42	2,4%	71,4%	26,2%
I did not like the fit/fabric	6	0	66,7%	33,3%
Not enough variety	7	0	71,4%	28,6%
Service transaction	7	42,9%	28,6%	28,6%
Insufficient payment options	5	0	100%	0
Unsatisfactory service	2	100%	0	0
Long queue	1	0	100%	0

Source: Store Exit Survey

i. Highest value of visiting COMPANY X stores more often in the future take place when the customers did not make a purchase as a result of couldn't finding a desired item/color/size. This shows that the other reasons effect visiting frequency more negatively.

ii. Participants who did not make a purchase because of insufficient transactional customer services are effected negatively and they may visit COMPANY X stores less often in future.

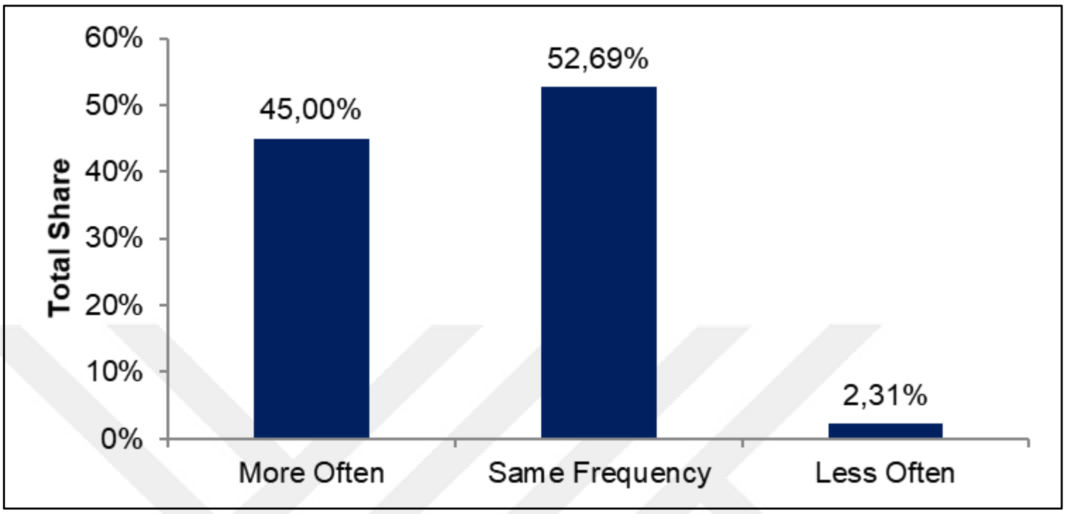
iii. Therefore COMPANY X should focus on service levels for avoiding a decrease in visit frequency.

4.5.12 Future Behavior: Visit Frequency in the Future

i. Receiving assistance from an associate positively effects the future visit of customers. 45% of the participants who received assistance stated that they will visit COMPANY X stores more often in the future.

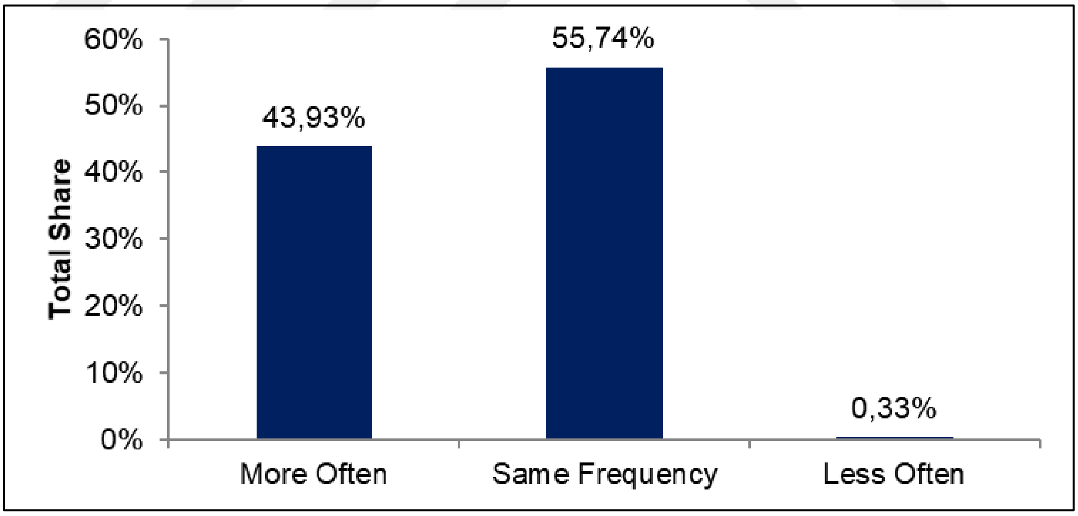
ii. Using fitting rooms also positively effects the future visit of customers. 43,93% of the participants who used fitting rooms stated that they would visit COMPANY X stores more often in the future.

Figure 4.14: Future visit frequency of customers received assistance



Source: Store Exit Survey

Figure 4.15: Future visit frequency of customers used fitting rooms



Source: Store Exit Survey

4.5.13 Future Behavior: Referral of COMPANY X Brand

i. Unsatisfactory Service, Service Transaction and Insufficient Payment Options have the highest rate of negative referral.

ii. When the correlation between the reasons of not purchasing and the type of referral are analyzed, only unsatisfactory service, service transaction and insufficient payment options reasons create negative referrals for COMPANY X customers.

iii. Over 80% of the customers will refer COMPANY X positively when their reasons of not purchasing are just browsing no specific need, could not find item/color/size, could not decide, and did not like the fit/fabric and not enough variety.

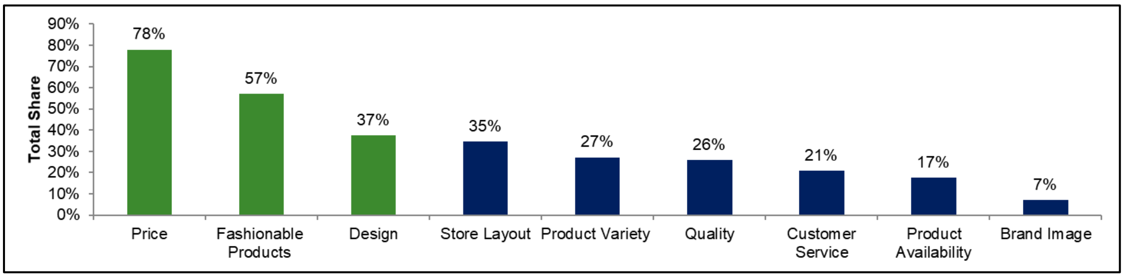
Figure 4.16: Reasons of not purchasing vs. referral of Company X brand

Reasons of Not Purchasing	# of Customers	Positive Referral	Neutral	Negative Referral
Just browsing no spesific need	440	93,2%	5,7%	1,1%
Couldn't find item/color/size	79	92,4%	7,6%	0%
I could not decide	42	92,9%	7,1%	0%
I did not like the fit/fabric	6	83,3%	16,7%	0%
Not enough variety	7	85,7%	14,3%	0%
Service transaction	7	42,9%	28,6%	28,6%
Insufficient payment options	5	80%	0%	20%
Unsatisfactory service	2	0%	0%	100%
Long queue	1	100%	0%	0%

Source: Store Exit Survey

Price, Fashionable Products and Design categories chosen as the categories that COMPANY X brand is excels in.

Figure 4.17: Top 3 categories Company X excels ın



Source: Store Exit Survey

4.5.14 Improvement Points of Stores

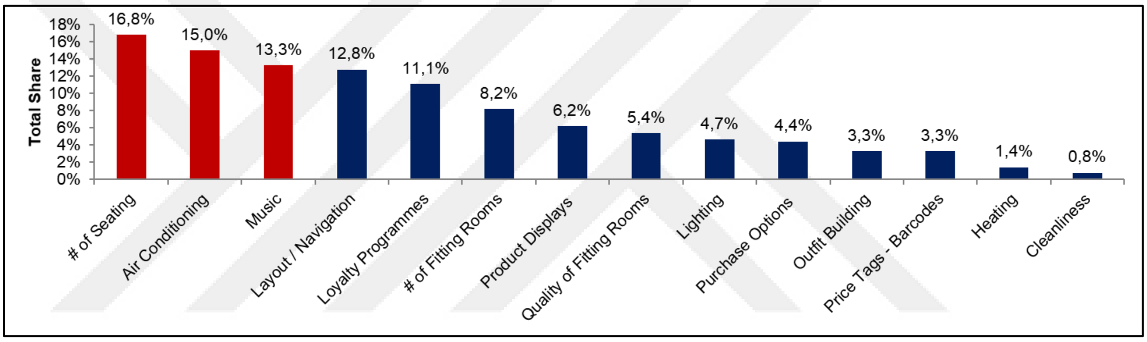
i. 50,7% of the participants find COMPANY X stores satisfactory and have no suggestions as improvement points.

ii. 45,1% of the participants state that # of seating, AC and music are the top three categories that should be improved in COMPANY X stores.

iii. AC problems in most of the stores and the loud music comments of participants justify the result of this analysis.

Number of Seating, Air Conditioning and Music categories should be improved in COMPANY X stores according the survey participants.

Figure 4.18: Top three ımprovement categories recommended for stores

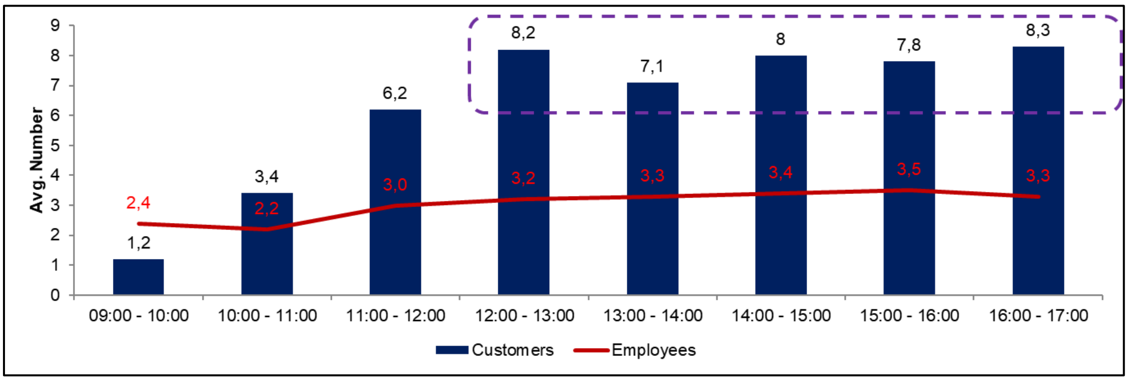


Source: Store Exit Survey

4.5.15 Customer and Employee Density

Average number of customers increases after lunchtime. However, average number of the store employees stays nearly the same. Part time store associates could be hired for these busy hours in order to improve operational efficiency and customer service level.

Figure 4.19: Average number of customers vs. employees, weekdays



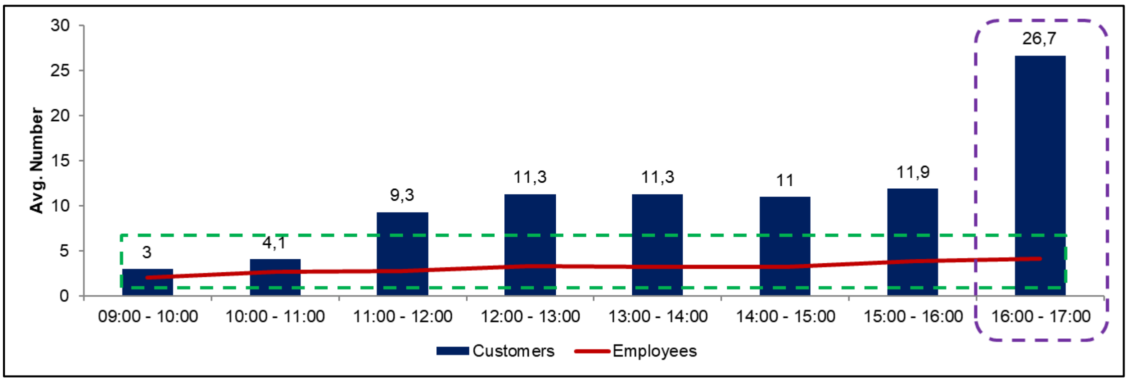
Source: Store Exit Survey

i. Average number of customers stays low before lunchtime and the average number of employees during these hours are unnecessarily high.

ii. Customers' density increases after lunchtime and peaks after 16:00. However, the density of employees stays the same during the day and the rush hours are being operated inefficiently.

iii. As recommended for the weekdays, part time employees should also be hired on weekends.

Figure 4.20: Average number of customers vs. employees, weekends

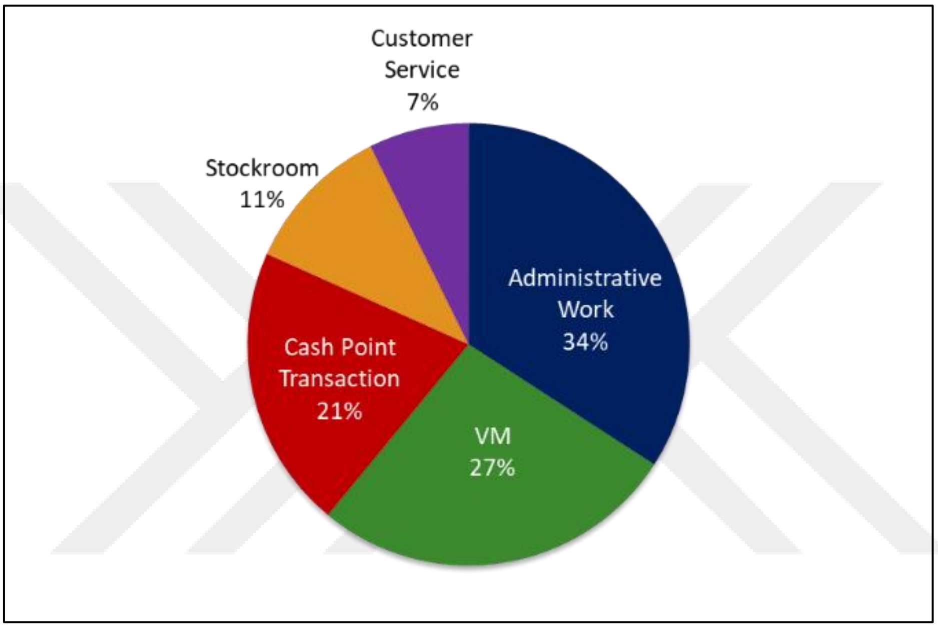


Source: Store Exit Survey

4.5.16 Employee Activity Distribution: Store Manager

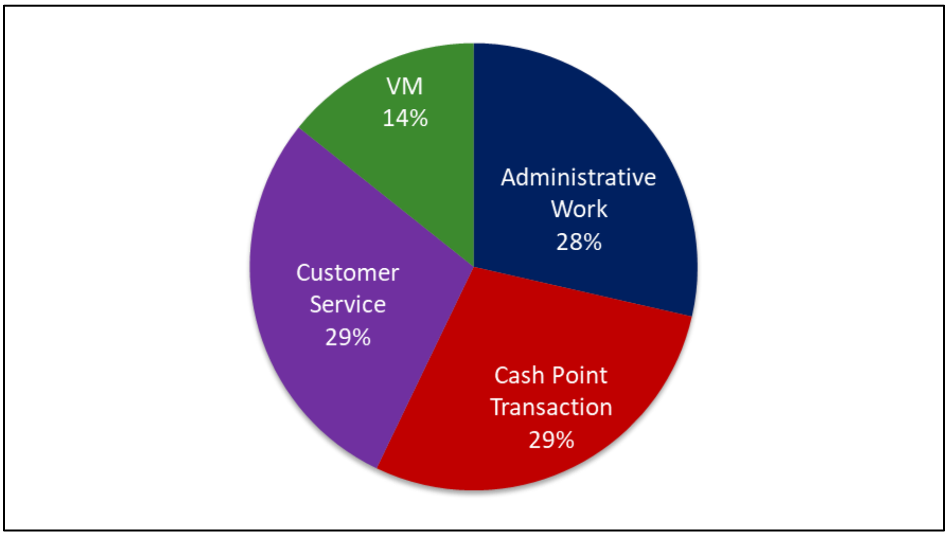
Store Managers are significantly active on Visual Merchandising, Cash Point Transactions and Customer Services in addition to their core responsibilities on Administrative Work. Improvements on workforce planning and operational procedures would increase the efficiency of Store Managers.

Figure 4.21: store manager activity distribution, weekends



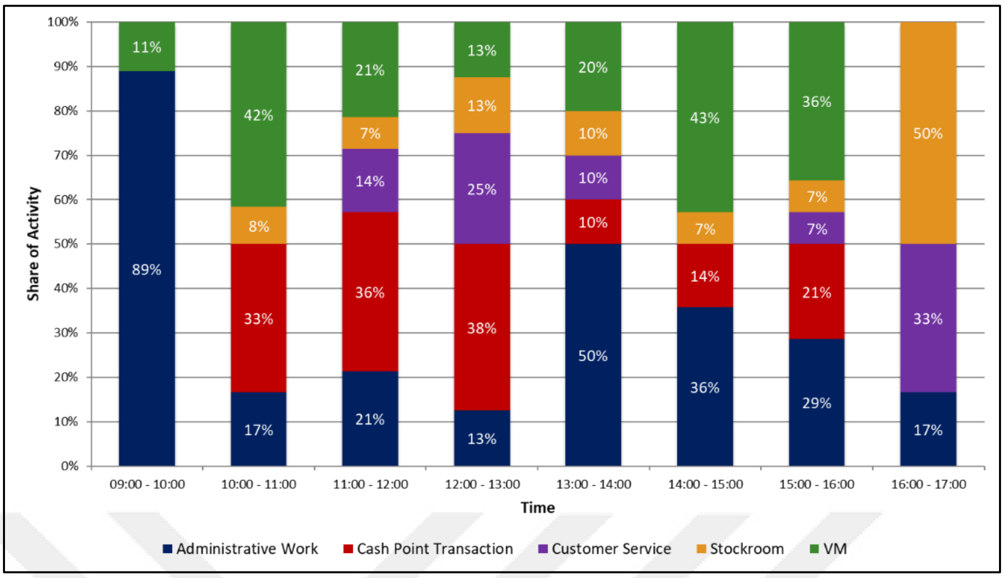
Source: Store Exit Survey

Figure 4.22: Store manager activity distribution, weekdays



Source: Store Exit Survey

Figure 4.23: Employee activities by hour, store manager activity distribution



Source: Store Exit Survey

5. CONCLUSION AND DISCUSSION

There are crucial findings of the project that will advance customer experience and increase sales performance.

The overall findings of project have been grouped under three categories:

i. Customer service management
ii. Store atmosphere and visual merchandising
iii. Operational excellence

5.1 CUSTOMER SERVICE MANAGEMENT

5.1.1 Definition of the Optimal Customer Service Level

Defining optimal customer service levels, training of store associates and development of innovative value added services in order to improve customer experience and increase conversion rate.

Defining optimal customer service levels, training of store associates and development of innovative value added services in order to advance customer experience and increase conversion rate

Figure 5.1: Assistance and its impact on conversion rate

Did you recieve assistance from an associate?			
Metric	**Baseline**	***Yes***	***No***
Conversion Rate	51,4%	69,6%	46,0%
Population	100%	22,8%	77,2%

In what way was the associate able to assist you?							
Metric	Baseline	*Finding a Product*	*Product Sizes - Combinations*	*Product Information*	*Product Reccomendations*	*Complementary Products*	*Fitting Rooms*
Conversion Rate	51,4%	69,6%	77,3%	70,5%	80,8%	89,5%	66,7%
Population	100%	50,0%	38,8%	24,4%	10,4%	7,6%	2,4%

Recommendations

i. Identification of optimal customer service procedures such as greeting, providing product information, recommending alternative / complementary products etc. and documentation of the standards.

ii. Development of a training team for store employees. Training both current and newly hired sales employees about standard service procedures. Supporting trainings with the in – store scenario based role-playing applications.

iii. Development of the performance management model, which also includes evaluation of customer service performances of sales employees. His / her superior would evaluate each level of employee.

iv. Evaluation of each value added customer service procedures in pilot stores and implementation of the successful ones in every COMPANY X store as a standard.

5.1.2 Development of Customer Experience Organization

Development of an organization – team for continuous development of customer experience and identification of ‘Customer Experience Performance Criteria’ for consistent surveys and monitoring.

Recommendations

i. Development of a central organization and definition of its roles – responsibilities – procedures for consistent management and improvement of customer experience in COMPANY X stores.

ii. Definition of the action plans needed for the improvement of customer experience based on the exit surveys, operational samplings and store audits. Development of implementation plan including responsible and deadlines.
iii. Development of performance criteria in order to track customer experience periodically and react effectively for the necessary improvement points.
iv. Criteria should be measurable and easy to understand by the store employee
v. Criteria should be suitable for developing action plans according to the results of measurements
vi. Criteria should be effective on customer experience and conversion rate
vii. Criteria should be grouped such as financial and operational criteria and each of them should be prioritized.

5.1.3 Development of Corporate Culture Focused on Customer Service

Development of the competency framework model containing customer service related competencies and skills by HR, execution of recruitments based on the identified competencies and development of performance evaluation system in parallel with competency model for store employees in order to diffuse the service – focused culture within COMPANY X business units.

Recommendations

i. Review recruitment procedures and hiring criteria of retail team - recruitments should be based on the identified competencies in order to diffuse service – focused culture within COMPANY X business units.
ii. Retail team's personal development and sales competencies should be enhanced by sales and service focused effective and periodic trainings.
iii. Development of retail team's personal performance criteria and evaluation model. Performance criteria should also include non-financial KPI's, which also track customer experience and conversion rate within COMPANY X stores.
iv. Development of bonus system for retail team in order to motivate them for realizing service and conversion focused performance criteria.

5.1.4 Development of Leadership and Coaching

Training store managers enhancing the leadership skills and standardizing the coaching practices.

Key recommendations are as listed below:

i. Development of store managers' competencies and skills by trainings covering management, leadership and customer management topics for diffusing the strategic decisions made on customer experience from head office to store operations.
ii. Development of coaching system and training store managers on coaching in order to manage the possible changes effectively, support sales employees' personal and professional developments and decrease store turnover rates.
iii. Store managers should also be a leader in terms of managing the communication between the ''head office – sales employees'' and ''sales employees – customers''. All the sales employees should understand the importance of implementing the service standards set by the top management and their service behaviors will effect Company X's overall brand image.

5.2 STORE ATMOSPHERE AND VISUAL MERCHANDISING

5.2.1 Development of Store Atmosphere Standards

Development of store atmosphere standards to attract customers, impose desired brand image and improve the shopping experience.

Key recommendations are as listed below:

'Music', 'Air Conditioning' and 'Number of Seating' are the top three categories that are recommended to be improved by the exit survey participants.

i. Music standards should be revised for stores according to the desired store atmosphere and brand strategy. Standards should include both the genre of the music and sound volume. Company X should also consider local preferences of customers in terms of music – so local adaptations can be done in addition to standards.

ii. Customer surveys pointed AC problems while store audits identified there are stores with bad smell because of these AC problems. Therefore Company X should chose a standard store scent in parallel with its brand strategy and desired brand image – standard scent should be used in each store. Moreover, stores with AC problems should be identified and the necessary maintenance should be carried out.

iii. Exit surveys also show that customers need more seating in stores – especially in the shoes department. Company should provide its' customers with more seating furniture without ignoring visual merchandising standards.

iv. Store audits point both internal and external lighting problems at stores. Lightening is one of the key factors effecting store atmosphere significantly – especially for the product / color presentations. Therefore, company should audit each store and implement necessary improvements.

v. Company should identify the optimal store audit criteria and audit each store periodically by an independent auditor (other than area managers). This way, store atmosphere will be managed consistently and necessary actions will be taken proactively.

5.2.2 Improvement and Implementation of Visual Merchandising Standards

Revision of visual merchandising standards for each store based on their layouts. Development of store's VM standards documents and the implementation of refits based on the improvement areas.

Key recommendations are as listed below:

i. Store audits point that some of the stores have the necessary merchandises but the layout is not compatible with the visual merchandising standards. Therefore, should review current stores' layouts for necessary updates or develop for the newly opened ones and adopt the visual merchandising standards for each layout plan.

ii. Visual merchandising standards should be documented for each store and store employees should be trained for effective appliance of the standards. As a result of periodic store audits, action plans should be developed in order to maintain the identified standards and area managers should track the execution of the actions.
iii. Some of the audited stores have graphics belong to older lines – all the graphics in the stores should be consistent with the current lines.
iv. The in store signs for both navigation and current promotions should be available in each store.
v. Each department should have sufficient number of mirrors – some of the current stores contain only a single mirror in the middle of the store. Number of mirrors are also a significant factor effecting both the atmosphere and the customer experience.
vi. There are stores with missing fixtures for product placement - the identification of visual merchandising standards and the periodic audits will overcome this problem.

5.2.3 Implementation of Necessary Maintenance Work in Each Store

Identification of each stores' maintenance needs based on customer surveys and store audits. Development of action plans and implementation for each store.

Key recommendations are as listed below:

Store audits indicated several maintenance needs in most of the stores.

i. All stores should be audited to identify maintenance needs after the development of the optimal store audit criteria checklists. Area Managers should increase the effectiveness of the action plans prepared for each store and track the progress based on the deadlines.
ii. Some of the maintenance areas that are specified by the store audits can be seen below:

a. Fitting rooms: Availability, lighting, holes on the walls, wallpapers peeling off
b. Lighting: Both internal and external lights are off
c. Heating, Air Conditioning and Smell: Most of the stores' air conditioning systems are out of order
d. Cash Point: Layout and overall maintenance should be improved

5.3 OPERATIONAL EXCELLENCE IN RETAIL

5.3.1 Development of Store Operational Standards

Revision of the store operational standards and procedures for each store based on their location, total area, target customer segment, desired service level.

Key recommendations are as listed below:

i. Revision of store operational procedures, identification of improvement points in order to focus on value added operations and designing the optimal procedures based on the improvement points. Development of job descriptions of store employees according to the designed operational procedures.

ii. Identification of store – head office communication standards that will improve the efficiency of operations.

iii. Evaluation of operational standards in pilot stores and implementation of the successful ones in every COMPANY X store.

iv. Development of store operational standards for each store category and combining these standards in a 'Retail Operations Hand Book'. Retail Operations Hand Book should include;

   a. COMPANY X Brand and Product Strategies
   b. Store Operational Procedures - Work Flows
   c. Customer Relations And Procedures
   d. Visual Merchandising Standards
   e. Product – Line Strategies

f. Performance Evaluation System
g. COMPANY X Department İntroductions

5.3.2 Increasing the Efficiency of Stock Room Management

Definition of the maximum capacities of stock rooms in consideration of operational efficiency and revision of the allocation plans according to the capacity constraints.

Key recommendations are as listed below:

i. Analysis of the sq. ft. efficiencies of product categories in stock rooms and definition of the maximum capacities, which will enable efficient sales and operational management in stores.

ii. Development of the product placement plans including each category in stock rooms.

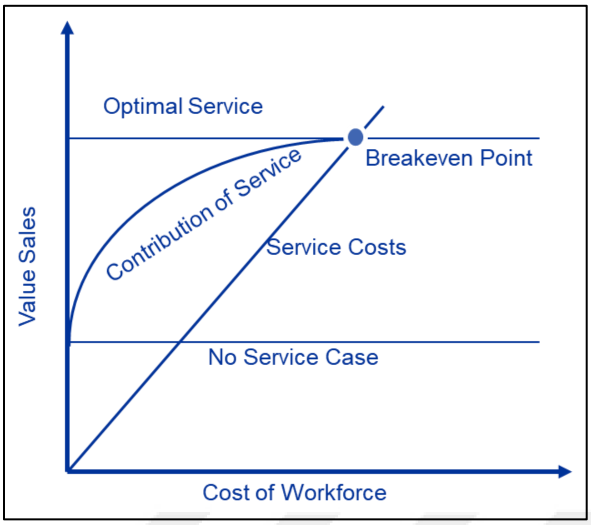
iii. Providing each store’s stock rooms with the necessary fixtures – currently, most of the stores have insufficient fixtures for product placement and most of the garments are kept in boxes, which occupy unnecessary space.

iv. Definition of the performance criteria for analyzing the efficiency of stock room management in stores. Development of the methodology for performance evaluations and reporting.

5.3.3 Improvement of Workforce Management

Identification of optimal shift plans in each store according to the COMPANY X operational standards and operational sampling analysis – in consideration of desired customer service levels and employment costs.

Figure 5.2: Definition of optimal service level



Source: pwc.com

Key recommendations are as listed below:

i. Additional investment on workforce will increase the value sales to a certain level.

ii. The positive effect of additional workforce and quality of customer service will be limited after a certain level of value sales – at the breakeven point.

iii. At this level, retailer will reach the optimal capacity of workforce and customer service.

iv. COMPANY X should firstly identify this optimal level of workforce and customer service. Then, workforce plans should be developed for each store category. Staff rota will also be developed according to the optimal level and the workforce plans.

v. Definition of store employees' roles and responsibilities for each position according to the defined customer service standards and procedures

vi. Revision of staff rota according to the roles and responsibilities, operational samplings and customer service standards.

vii. Evaluation of revised staff rota in pilot stores and finalization of the model.

viii. Development of workforce planning performance criteria and evaluation model.

ix. Criteria for developing desired staff rota; density of customers by hour, service needs of local customers, difference between weekdays and weekends, seasonality effects, etc.

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