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(When) Is it Worth Investing in the Personal Service Encounter?

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(WHEN) IS IT WORTH INVESTING IN
THE PERSONAL SERVICE ENCOUNTER?

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Introduction

Technology has had a strong impact on the retail sector. We have built customer journeys that are incredibly simple and independent in which customers interact comfortably and efficiently with self service technologies (SST) rather than store employees (Meuter *et al.*, 2000; Bitner *et al.*, 2002; Curran and Meuter, 2005; Kelly, Lawlor and Mulvey, 2011). However, when it comes to physical stores, research suggests that a personal service encounter—i.e. personal contact with knowledgeable and helpful store employees—is an important part of the customer journey (Burke, 2002; Bäckström and Johansson, 2006; Sousa and Voss, 2006; Ahearne and Rapp, 2010; Dabholkar and Spaid, 2012; Resnick, Foster and Woodall, 2014; Alhouti *et al.*, 2015; Lee, 2015; Scherer, Wünderlich and von Wangenheim, 2015; Pugh and Subramony, 2016). Many retail chains, hence, spend considerable resources trying to provide as many customers as possible with a personal service encounter. In this study, we ask when it is worth investing in the personal service encounter and when self service technologies are more appropriate.

Purpose

Getting the right balance between personal service encounters and SST is clearly important for retailers. Relying too heavily on SST may lead to customer dissatisfaction (Dabholkar and Spaid, 2012) or eventual defection (Scherer, Wünderlich and von Wangenheim, 2015). On the other hand, investing heavily in personal service encounters is relatively costly and, furthermore, some customers may prefer a more autonomous in-store experience (Alhouti *et al.*, 2015). In this paper, we explore the situations in which a personal service encounter—defined as a discrete, dyadic interaction between a customer and a service provider at a moment in time (Surprenant and Solomon, 1987; Bitner and Wang, 2014)—is an essential part of a customer journey. In other words, we highlight when, and for which types of customer, a personal service encounter increases the chance of a sale and when a more independent customer journey might be more effective.

Methodology

Our findings build on 3 500 exit interviews conducted with customers of five Swedish fashion retailers in 2019. Interviews lasted an average of 4 minutes and were conducted at a variety of physical store locations. Customers were questioned about their motivation for visiting the store, the type of service encounters they experienced, and the value of their purchase(s), if any.

Findings

We identified different categories of customers based on their stated reasons for visiting the physical store. 60% stated that they were looking for a specific product when they came to the store and were, hence, categorised as *product customers*. 33% were categorised as *inspiration customers* because they stated either that they wanted to get some inspiration and ideas or that they wanted to see if there was something new in store. The remaining 3%, categorised as *return and refund customers* or *click and collect customers,* are not discussed in this extended abstract due to space limitations.

When we compared how many of each customer category chose to buy (converted) during their visit, we saw that product customers converted at just over twice the rate of inspiration customers—32% versus 14%. The conversion rate for each category of customer without a personal service encounter is very low—only 16% of product customers and only 3% of inspiration customers who didn't get help from store employees bought something in store. This seems to make the case for the importance of the personal service encounter. However, we argue that it also indicates something else.

A very small percentage of the reported personal service encounters involved selling in the traditional sense—i.e. classic customer service with all its elements in the form of greeting, active contact, questions, presenting alternatives, persuading, closing. While such encounters do generate high conversions, they take time that store employees do not always have. The percentage of *product* customers who were converted without a personal service encounter was considerably higher than the percentage of *inspiration* customers, illustrating that product customers, who know what they want, do not necessarily require a personal service encounter as part of their journey. If they cannot find what they want themselves, they may need assistance to locate a particular item or perhaps information about size or fit but this does not necessarily imply that they need help from a store employee. In fact, our findings suggest that store employees would be more effectively deployed to assist inspiration customers, who are

converted at a much lower rate than product customers when a personal service encounter is not part of their customer journey.

Our findings also suggest that product customers could be converted at a higher rate if their journeys included more effective self service technologies in store. Product customers can easily meet their needs using SST and are accustomed to simple and independent customer journeys so, if service is slow, they may leave and make an online purchase instead (Postnord, 2019), perhaps from a competitor. Hence, retailers may see increased sales if they provide effective SST in store, which are not limited to interactive digital technologies but may also include signage, images and informative ways of presenting goods and information about those goods.

Contributions

Our findings complicate theoretical discussions about the personal service encounter. While many authors suggest that a personal service encounter is an important (perhaps *the* most important) element in the customer journey (Burke, 2002; Bäckström and Johansson, 2006; Sousa and Voss, 2006; Ahearne and Rapp, 2010; Dabholkar and Spaid, 2012; Resnick, Foster and Woodall, 2014; Alhouti *et al.*, 2015; Lee, 2015; Scherer, Wünderlich and von Wangenheim, 2015; Pugh and Subramony, 2016), our findings suggest that a personal service encounter is important only for certain categories of customers. For others, adding in-store touchpoints with store employees may not lead to increased sales and may even make customers less likely to buy in-store.

Practical implications

Many retail chains believe that the personal service encounter is the solution to declining sales figures. Our findings show that retailers can potentially save money and convert more customers by providing a more automated journey, which includes self service technologies, for some customers and reserving personal service encounters for those for whom it will lead to increased sales. The retail industry has a lot to gain from facilitating a more mechanical customer acquisition combined with streamlining and prioritising store employees' time.

Research limitations and outlook

Our empirical material was collected prior to the Covid-19 pandemic. In a post-pandemic retailscape, the increase in familiarity with online shopping during the pandemic and the ongoing anxiety regarding infection may increase the likelihood that customers crave a more independent customer journey. They may actively avoid personal service encounters due to the risk of infection. And, if they cannot easily meet their needs independently in store, they may be even more comfortable with moving online instead. Repeating our research could provide further insight here. Furthermore, given the rapid increase in online shopping during 2020 (Postnord, 2020) in a subsequent study, we might reasonably expect to see an increase in the proportion of *return and refund customers*—returning an item previously bought in store or online—and of *click and collect customers*—collecting items ordered online.

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Keywords