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

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Introduction

Technology has had an incredible impact on the retail sector. Contemporary retailers have built customer journeys that are simple and independent in which customers interact comfortably and efficiently with self-service technologies (SSTs), such as hand-held grocery scanners, automated check-outs, interactive screens, or price-checking kiosks, rather than with store employees. At the same time, when it comes to physical stores, research suggests that a personal service encounter—that

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is, personal contact with knowledgeable and helpful store employees—is an important part of the customer journey, driving positive customer experiences (Ford, 2001) and potentially leading to increased sales (Gensler et al., 2017). Many retail chains, hence, spend considerable resources on trying to provide as many customers as possible with a personal service encounter (Egan-Wyer et al., 2021). However, given the very practical and financial limitations of providing a personal service encounter to every single customer, many retailers do not succeed and some customers do not get the service required to lead them into a purchase. If customers do not get the service they need to find the products they want, or to buy them in a timely fashion, they may go elsewhere, buying online (Gensler et al., 2017) and/or from a competitor. This has clear implications for the retailer's bottom line.

In this chapter, we present a study that shows that not *all* customers need a personal service encounter to lead them into a sale. Many are, by now, used to the independence and simplicity of e-commerce and expect to be able to shop in the same way in a physical store, that is, to solve their needs on their own. However, perhaps because they put so much emphasis on the personal service encounter, many contemporary stores are unable to offer this. Based on our findings, we suggest that the successful retail stores of the future will be the ones that can answer the following question: *When is it worth investing in the personal service encounter and when are self-service technologies more appropriate?*

The chapter proceeds as follows. After defining what a personal service encounter entails, we present contrasting findings from previous research into customer experience in physical stores. While some studies have shown that personal interactions with retail employees are the most important way to guarantee a positive customer experience, others suggest that SSTs are the key to success in this regard. We briefly present the findings of our own study of customer experience, as a way to reconcile these contrasting perspectives. We suggest that the kind of customer experience required—a personal service encounter or a self-service-based experience—depends on the reasons why the customer is visiting the store in the first place and we argue that the successful retailer of the future will be the one that can effectively deploy both.

What Is a Personal Service Encounter?

Service encounters can be conceptualised in different ways. In this chapter, we follow Surprenant and Solomon (1987, p. 87) in defining a service encounter as a “dyadic interaction between a customer and a service provider”, but we also incorporate Shostack’s (1985) notion of temporality in that we consider the service encounter as a discrete moment in time rather than an ongoing relationship. Retail management research has shown that many different dimensions, such as atmosphere, store design, and social interactions, can affect how a consumer experiences a particular service encounter (Adcock & Sullivan, 2002; Baker, 1986). Of these dimensions, the social one and, specifically, the interaction with human employees (e.g., retail store staff) during the service encounter have repeatedly been shown to be pivotal (Bäckström & Johansson, 2017). This dyadic interaction between a customer and a human service provider, during a discrete moment in time, is what we refer to as a personal service encounter in this chapter.

A Delicate Balance

A great deal of retail research is devoted to understanding and optimising the customer experience. A wealth of studies emphasise how important it is that retailers create store environments that will generate positive experiences for their consumers (see, e.g., Stein & Ramaseshan, 2016). Retail managers, it has long been argued, should pay attention to the retail aspects (e.g., design, atmospherics, social aspects, service, and price), the situational aspects (e.g., store type, season, and culture), and the macro-level aspects (e.g., economic and political aspects) of the store in order to ensure an optimal customer experience (Bäckström & Johansson, 2017). More recently, the role of the customer as a co-creator of experience, rather than a passive recipient, has been emphasised by researchers that are critical of the more traditional stimulus-organism-response perspective.

Consumer expectations regarding what constitutes a positive customer experience have changed over time. Customers were once assumed to be searching for novel, exciting, and memorable experiences, like those offered by experience-based store formats, such as themed brand stores, flagship brand stores, or pop-up stores. We now know that convenient (Egan-Wyer et al., 2021) or reassuring (Hultman & Egan-Wyer, 2022) customer experiences are also valued by customers.

In-store technological solutions can create a competitive advantage for retailers, by offering a more convenient customer experience (Blázquez, 2014), and perhaps also by offering a more exciting or novel experience. Some customers value interactions with SSTs over personal interactions with staff while shopping because they are otherwise engaged in activities with their mobile devices (such as listening to music or podcasts, or talking on the phone), making them less reachable (Fuentes & Svingstedt, 2017). Some others prefer SSTs because they believe human touchpoints to be less trustworthy than digital ones (Vannucci & Pantano, 2020). The COVID-19 pandemic also taught customers to value independent, distant, and safe customer experiences over personal interactions, which were perceived as a potential risk to health (Hultman & Egan-Wyer, 2022). Finally, the growth of e-commerce means that customers are used to a way of shopping that is entirely based on self-service. When customers shop online today, they do so completely independently, without any interaction with sales staff. Many are happy to do likewise in physical stores.

Despite this, a great deal of research makes the case that a key part of any positive customer experience is the kind of interaction that takes place between the customer and the retail service provider, or retail staff. There is also evidence that relying too heavily on SSTs may lead to customer dissatisfaction (Dabholkar & Spaid, 2012), or potential defection (Scherer et al., 2015). Bäckström and Johansson (2017) recently revisited their earlier study of the customer experience and concluded that, while retailers today often respond to contemporary consumer demands by providing exciting and time-saving technology, the customers themselves emphasise the importance of the traditional elements of positive customer service, such as the personal service encounter.

In short, previous customer experience research has shown us that getting the right balance between personal service encounters and SSTs is extremely important. The right amount of SSTs can lead to exciting and/or convenient customer experiences, but too much can make customers dissatisfied or likely to defect. An effective, customer-oriented personal service encounter is an extremely important element of a positive customer experience. On the other hand, investing heavily in these kinds of personal service encounters is relatively costly and may turn out to be a bad investment if some customers actually prefer a more autonomous in-store experience (Alhouti et al., 2015).

In the remainder of this chapter, we explore the situations in which a customer-oriented personal service encounter is an essential part of a customer journey, and the cases where it might be a wasted investment on the part of a retailer. In other words, we highlight when—or rather, 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.

Our suggestions build on a large-scale study of Swedish fashion consumers undertaken in 2019. A total of 3500 exit interviews were conducted with customers at 40 stores belonging to three major fashion retail chains. The interviews lasted an average of four minutes each and were conducted at physical locations that included a broad variety of store sizes and formats, both in smaller and larger cities. Customers were asked about their motivation for visiting the store, the type of service encounter they had experienced (i.e., what kinds of human interactions they had experienced and what kinds of self-service technologies they had used), as well as the value of their purchase(s), if any.

Who Visits the Physical Store? And Why?

After analysing the interviews, we identified different categories of customers based on their stated reasons for visiting the physical store. These are itemised as follows:

- 60% stated that they were looking for a specific product when coming to the store and were, hence, categorised as *product customers*. (Note, that for some of the retail chains in the study, the proportion of product customers was as high as 80%.)
- 33% were categorised as *inspiration customers* because they had stated that they either wanted to get some inspiration and ideas or to see if there was something new in-store.
- 2% were categorised as *return and refund* customers. This is a small group that has grown immensely in recent years. While customers have always returned items to stores, the growth in online shopping and free shipping has encouraged people to order multiple items in various sizes, with unwanted options often being returned to physical stores.
- 1% were categorised as *click and collect customers* who came to the physical store to collect shopping they had previously ordered online. (This study was carried out prior to the COVID-19 pandemic. If it were repeated today, we would expect the proportion of click and collect customers to be slightly higher, based on the changed shopping habits resulting from the pandemic and then persisting.)

In this chapter, we focus on the two largest groups of customers, *product customers* and *inspiration customers*, because their size suggests that retailers have the most to gain financially from successfully converting these groups. However, it is worth noting that the two smallest categories can be expected to continue to increase along with the growth of e-commerce.

When we compared the numbers in each customer category choosing to buy something (converting) during their visit, we saw that the product customers converted at just over twice the rate of the inspiration customers—32% versus 14%. The conversion rate for each category of customer lacking a personal service encounter is very low—only 16% of the product customers and only 3% of the inspiration customers not getting help from store employees bought anything in-store (see Table 22.1). This would seem to make the case for the importance of the personal service encounter. However, we argue that it actually indicates something different, as we will discuss in the following section.

Table 22.1 Customer breakdown by category and conversion rate

	Category	Converted...	...by SSTs	...by staff
60%	Product customers	32%	16%	51%
33%	Inspiration customers	14%	3%	28%
2%	Return and refund	27%		
1%	Click and collect	50%		

Different Strokes for Different Folks

Based on the exit interviews with customers, we determined that, among those who reported having a personal service encounter in-store their actual experiences were wide-ranging. While some had encountered a retail store employee at the checkout or in the fitting room, and then exchanged a few words of small talk, others had experienced the kind of customer-oriented selling that Saxe and Weitz (1982) propounded. The latter involves responding to a customer's unique needs (Surprenant & Solomon, 1987), offering options, information and suggestions, and providing advice (Ford, 2001). A very small percentage of the personal service encounters reported on in our study could be described as customer-oriented. So, while many customers might technically have had a personal (human) service encounter, not many had the kind of customer-oriented personal service encounter that the retail management literature suggests is crucial for building a positive customer experience.

While customer-oriented personal service encounters do generate high conversion rates, they take up time that busy store employees do not always have because of other in-store duties such as crewing check-outs or fitting rooms, managing stock levels, and tidying up. Additionally, not all customers need this kind of service encounter in order to be converted or to have a positive customer experience. On the contrary, many of the personal service encounters in our study involved simple exchanges that could reasonably have been accomplished without any human interaction.

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 in order to be converted. If they cannot find what they want themselves,

product customers may need assistance in locating a particular item, or perhaps in getting information about size or fit, but this does not necessarily imply that they need help from a human store employee. If this is the case, then store employees would be more effectively deployed in assisting inspiration customers, who are converted at a much lower rate than product customers when not experiencing a personal service encounter. In other words, inspiration customers rely on a customer-oriented personal service encounter to be converted, while product customers frequently only need assistance in helping themselves. Hence, the potential return on investment generated by providing a personal service to an inspiration customer is greater than that generated by providing one to a product customer.

That is not all. Our findings also suggest that product customers could be converted at a higher rate if their journeys included more effective in-store self-service technologies (SSTs). Product customers can often meet their own service needs quite easily using SSTs since these days they are increasingly accustomed to simple and independent customer, as outlined above. However, if effective SSTs are lacking and no personal service encounter is forthcoming, the product customer may not be converted. Consider, for example, the scenario in which a product customer is looking for a particular product in a particular size or colour. If personal service is slow or hard to accomplish, and SSTs are not available to help customers help themselves, they may simply leave, enter another store, or make an online purchase instead. In the best-case scenario, that online purchase will be from the store's own online channel, but in the worst case, a competitor may get the sale instead.

Hence, the successful retailer of the future will harness the untapped potential of SSTs by providing effective in-store solutions that allow product customers with a good idea already of what they want to easily find those products and buy them without the need for any human interaction. Meanwhile, the human resources that are freed up by providing effective SSTs—those that would previously have been engaged in providing product customers with personal service encounters that they did not really need—will be more efficiently deployed in providing inspiration customers with customer-oriented sales encounters when they are questioned, prompted, helped, and guided towards a sale. Moreover,

retail employees will not need to try to figure out which customers are which. If appropriate SSTs are effectively deployed in-store, product customers—who know what they want and just need help locating it, or finding the correct fit, size or colour—will likely self-select by making use of these easy-to-use technologies rather than taking the extra time required to engage with retail store staff.

The Future of the Service Encounter

At the start of this chapter, we posed the question: *When is it worth investing in the personal service encounter and when are self-service technologies more appropriate?* Based on our study of 3500 Swedish fashion consumers, we suggest that both types of service encounters are important when it comes to converting different kinds of customers. Inspiration customers need a customer-oriented personal service encounter to be converted, while product customers only need assistance in helping themselves and they can thus be converted if the store has effective SSTs in place.

There are many kinds of SSTs available to retail managers. In this chapter, we have discussed interactive digital technologies, such as hand-held grocery scanners, automated check-outs, interactive screens, or price-checking kiosks. But SSTs are not limited to digital screens or hand-held devices. An SST is anything that helps customers to serve themselves in-store. As well as digital technologies, SSTs may also include analogue signage, images, and informative ways of presenting goods and information. For example, Image 22.1, which is drawn from field notes made during our study, shows two different ways of selling a basic white shirt. The visual merchandising used in the second image can be considered a self-service technology because it presents the product alongside information on style, fit, and size, all of which help the customer to locate (and purchase) the correct item without the need for a personal service encounter.

As highlighted in Bäckström and Johansson's (2017) study of customer experiences in physical stores, retailers often focus on creating new and more technologically advanced customer experiences, while customers themselves are more interested in the basics. They want to be able to find the products they want, and they want to be able to get appropriate help

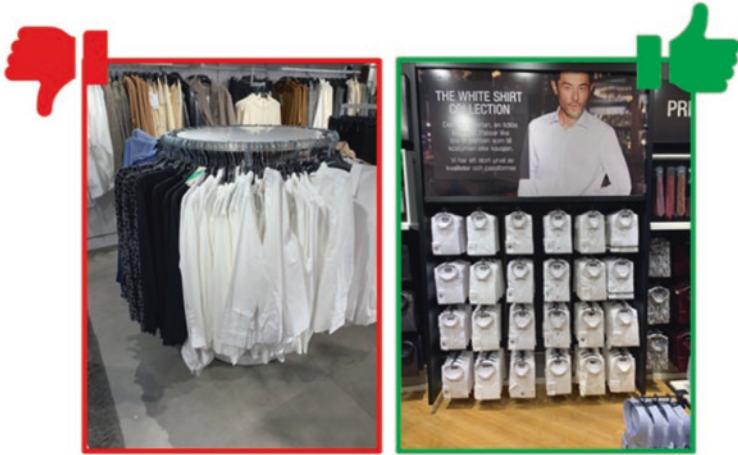


Image 22.1 Self-service technology does not necessarily need to be digital

when they cannot. Retail managers try to meet this need by seeking to provide as many customers as possible with a personal service encounter. However, this is a resource-intensive and expensive strategy.

Our study shows that not *all* customers need a personal service encounter in order to be converted. We argue that providing an appropriate mix of digital and analogue SSTs that allow product customers to help themselves will free up staff to help inspiration customers, who really need a customer-oriented personal service encounter in order to be converted. The successful retailers of the future will, we suggest, be the ones that provide customers with a choice of in-store experience; either a convenient experience, replete with an effective mix of SSTs, or a more human experience in which retail store staff play a critical role. Both will be available in the successful stores of the future.

Implications

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 of the

customer journey (see, for example, Alhouti et al., 2015; Bäckström & Johansson, 2017; Burke, 2002; Dabholkar & Spaid, 2012; Lee, 2015; Resnick et al., 2014; Scherer et al., 2015), our findings suggest that a personal service encounter is important only to 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.

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 while reserving personal service encounters for those who will bring increased sales. The retail industry has a lot to gain from facilitating a more automated customer acquisition, while streamlining and prioritising store employees' time.

Research Limitations and Outlook

Our empirical material was collected prior to the COVID-19 pandemic. In the post-pandemic retailscape, the increased familiarity with online shopping caused by the pandemic and ongoing anxieties about infection may increase the likelihood of customers craving a more independent customer journey. They may actively avoid personal service encounters due to the risk of infection. If they cannot easily meet their needs independently in-store, they may also be even more comfortable about moving online instead. Repeating our research could provide further insight here.

In this chapter, we have only focused on the two largest categories of customers identified in our study, namely product and inspiration customers. However, given the rapid increase in online shopping during 2020, 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, if we conducted this study again today. Further research might therefore consider what kind of service would provide these customers with the best kind of in-store experience for their particular needs.

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