Abstract:

This case involves an unsatisfied customer, a retail store, and the Better Business Bureau. It is important that all parties, whether the consumer or the manufacturer, know their rights and responsibilities. Incidents such as this frequently occur in the retail, as well as the whole sale business sector. This case deals with major issues such as entrepreneurial marketing, customer rights, regulations, public relations, and manufacturing requirements. In any business, achieving well developed entrepreneurial framework requires that all of the aforementioned issues are considered. Business owners need a solid customer service blueprint to increase customer value by reducing the inconsistency in employee-customer interaction. This case helps expose the various flaws that can occur when implementing a new non-standardized policy.

Keywords: case study | marketing | policy | employee-customer interactions | business

Article:

*****Note: Full text of article below**

AN ENTREPRENEURIAL MARKETING DILEMMA: THE CASE OF THE MELTED BUTTONS

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CASE DESCRIPTION

This case involves an unsatisfied customer, a retail store, and the Better Business Bureau. It is important that all parties, whether the consumer or the manufacturer, know their rights and responsibilities. Incidents such as this frequently occur in the retail, as well as the whole sale business sector. This case deals with major issues such as entrepreneurial marketing, customer rights, regulations, public relations, and manufacturing requirements. In any business, achieving well developed entrepreneurial framework requires that all of the aforementioned issues are considered. Business owners need a solid customer service blueprint to increase customer value by reducing the inconsistency in employee-customer interaction. This case helps expose the various flaws that can occur when implementing a new non-standardized policy.

RETAIL SMALL BUSINESS MARKETING AND ETHICS

Linda was a sales associate employed by a smaller, entrepreneurial retail store. She had eight years' sales experience working on commission in the women's career clothing department. She worked an average of thirty-five to forty hours per week, and was considered a permanent employee. Her compensation package was based on the market's base wage, merit, commission, and benefits. She was awarded five percent commission on each sale.

When Linda first started at the store, she attended an orientation session to learn the company's practices and policies. During her orientation, the store's supervisors stressed the company's philosophy, "the customer is always right." At the end of these sessions, the associates were given a human resource policy handbook. Each associate was asked to thoroughly read the handbook and sign a form stating that he/she had read and understood all of the information presented.

When Linda joined the company in 2000, the merchandise return policy was quite rigid. The policy requires that the customer either have the original receipt, and/or leave the merchandise tags intact in order to get credit or cash back for any purchases. The store began to question the flexibility of the return policy when the local competitors relaxed their merchandise return policies. In essence, these policies allowed the customer to return merchandise with no questions asked–with or without a receipt. In 2008, this particular department store strategically implemented a more flexible policy in order to remain competitive and increase customer satisfaction. All associates, including Linda, were verbally informed of this change by their supervisors and department managers.

The department store's new return policy was implemented immediately. Each associate was given a copy of the new revised policy manual and requested to read and sign an acknowledgement form confirming they understood the revisions. Customer return guidelines were established. The associates were told to "trust their own instincts." If there were any questions concerning the trustworthiness of the customer, they were to contact a supervisor and/or the security department. At that point, the supervisor or the security personnel would take over the transaction. In essence, the associate was supposed to adhere to a hassle-free return procedure.

The commission procedures were also revised to comply with the new return policy. If the customer did not have a receipt when returning merchandise, the associate was to return the merchandise on the cash register using the number (9999). This procedure guaranteed that if the customer was returning commission merchandise the associate did not sell, it would not be charged against their personal account. If the sales associate that the item had been purchased from was known, the associate was to credit the return using the sales associate's personal account number. This would automatically deduct the commission for this particular sale from the proper associate's paycheck. The idea behind these new procedures was to insure good customer service while conducting returns. Unfortunately, these procedures were not audited on a daily basis. As a result, conflicts due to lack of trust constantly occurred among the commission department's associates. The commission department began to show a weekly profit loss. Many associates were either taking advantage of the (9999) policy or returning the merchandise on another associate's personal number.

Linda's annual performance appraisals, consistently rated her in the average range. Linda had gained a good reputation for her product knowledge, her candidness when giving fashion advice to customers, her suggestive selling skills, and her customer prospecting skills (keeping outside personal contacts with customers, informing them of new merchandise, sales, etc.). Linda had built a loyal following of customers. Her selling skills and techniques proved quite profitable to both the company and herself. Although Linda's productivity and selling skills were excellent, she tended to be somewhat terse with customers concerning merchandise returns. During the course of a year, five separate customer complaints were filed concerning her interrogating and intimidating conduct when merchandise was returned. With each complaint, Linda's supervisor, Susan, suggested that she improve her conduct and let a supervisor handle all returns. Two written warnings were signed and dated by both Linda and Susan and added to her file. Linda continued to upset customers despite direct suggestions and warnings.

Mrs. Jones was a mid-career professional. She frequently shopped the urban shopping center in which this particular clothing retail store was located. Mrs. Jones was among Linda's loyal clientele who frequently purchased career apparel from her department. Mrs. Jones purchased a $248 national brand name two-pieced suit that was made of 50% acetate and 50% rayon. On the suit jacket there were five fashionable star-studded buttons made from plastic and other synthetic materials. The washing instructions inside the suit stated that the garment was to be dry-cleaned only. Unfortunately, when Mrs. Jones picked up her garment, the buttons had melted and the suit jacket was ruined. The damage to the jacket was irreversible because the buttons had melted into the fabric. The dry cleaner would not take responsibility for the incident, claiming that the manufacturer was at fault because the buttons were defective. Mrs. Jones was told that she should take the dress back to the store where it had been purchased and request a full refund.

Mrs. Jones had misplaced the receipt and could not remember when she had purchased the suit. However, she was sure that she had purchased the merchandise from Linda's department. Mrs. Jones immediately took the merchandise back to Linda demanding a full refund. After Mrs. Jones explained the situation, Linda became quite curt. She suggested that although the store carried various suits with that identical national brand name, her department had not carried that specific suit. Mrs. Jones continued to claim that she had purchased the merchandise from Linda. An argument between Linda and Mrs. Jones ensued, attracting a great deal of attention from shoppers and store personnel. Once again, Linda failed to call one of the five supervisors on duty. Linda briskly told Mrs. Jones that even if her department had carried the suit, she would not reimburse her because the dry cleaner was at fault for not having removed the buttons prior to cleaning. Mrs. Jones became livid, embarrassed, and humiliated. She stormed out of the store with the suit. She decided to immediately contact the Better Business Bureau rather than contacting one of Linda's supervisors.

The Better Business Bureau (BBB) is a business-sponsored, nonprofit organization whose main purpose is to protect consumers. The organization has no legal power, yet it keeps records of any consumer complaints made to the organization. It often intervenes on behalf of unsatisfied consumers who have dealt with businesses which have not attempted to settle complaints. Most businesses recognize that it is in their best interest to satisfy the customer before the BBB is contacted. Satisfied customers increase goodwill and build a positive reputation for a company (LaForge, Morris, & Schindehutte (2002). The Better Business Bureau documented Mrs. Jones complaint, then proceeded to contact Mr. Marcus, the store manager, on behalf of Mrs. Jones. Mr. Marcus had not been informed of this situation prior to the BBB's contact. He listened intently while the representative politely explained the circumstances and suggested that this matter be handled immediately. The BBB had concluded the manufacturer was at fault. The BBB advised the store to return the merchandise to the manufacturer and offer the customer a full refund. Mr. Marcus apologized and acknowledged full responsibility for the improper handling of the incident. Immediately, Mr. Marcus investigated the situation by interviewing everyone involved (Linda, Susan, and Mrs. Jones), as well as checking the store's merchandise records. Upon researching the incident, Mr. Marcus found that the particular suit in question had not been part of the store's merchandise selection after all.

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INSTRUCTOR'S NOTE

CASE DESCRIPTION

This case involves an unsatisfied customer, a retail store, and the Better Business Bureau. It is important that all parties, whether the consumer or the manufacturer, know their rights and responsibilities. Incidents such as this frequently occur in the retail, as well as the whole sale business sector. This case deals with major issues such as entrepreneurial marketing, customer rights, regulations, public relations, and manufacturing requirements. In any business, achieving well developed entrepreneurial framework requires that all of the aforementioned issues are considered. Business owners need a solid customer service blueprint to increase customer value by reducing the inconsistency in employee-customer interaction. This case helps expose the various flaws that can occur when implementing a new non-standardized policy.

TEACHING OBJECTIVES

This case requires students to take the following actions:

1. Identify marketing and sales issue in balance with customer rights and retailer responsibilities;
2. Respond to Linda's actions from a customer relations perspective;
3. Analyze the effect that the incident had upon the entire store;
4. Identify the effectiveness of the Better Business Bureau;
5. Determine the best interest of the retailer;
6. Determine whether or not Linda should be reprimanded for her actions;
7. Determine what actions the retailer should take in protecting their best interests;
8. Determine if there is a misconnect between the return policy vs. commission return policy.

DISCUSSION QUESTIONS

1. What should be done to protect the retailer's best interests?
2. Should Linda be reprimanded or fired for her conduct as well as her refusal to accept the returned the merchandise in order to satisfy the customer?
3. Do you believe that the manufacturer is at fault or the dry cleaner?
4. How are consumers protected? Did the Better Business Bureau do what they should have done in this situation?
5. What specific consumer protection laws apply to this case? Do these laws vary from state to state?
6. Should Mrs. Jones take legal action? Explain your answer.
7. What is the retailer's role in supporting Linda since the merchandise was not purchased from the store?

8. Should the store have a written procedure for handling complaints? When should this be communicated? Where should it be posted?
9. What steps should be taken if the retailer's procedures are not followed? Should there be stepwise procedures? Should the company or supervisor keep a list of complaints? Where would they keep it?
10. Are the return procedures in direct conflict with the retailer's self-interest? How should the policy be changed in order to insure that the appropriate associate's commission is deducted? How would you resolve the commission policies to reflect the customer satisfaction philosophy, as well as comply with the retailer's interests?
11. What entrepreneurial marketing solutions could we apply to this case?

DISCUSSION QUESTIONS ANSWERS

1. What should be done to protect the retailer's best interests?

When implementing a new policy, it is essential for employees to receive training and guidance through the transition process. A verbal and written description of the new policy is not adequate; employees need to understand the "why" of the new policy.

2. Should Linda be reprimanded or fired for her conduct, as well as her refusal to accept the returned the merchandise, in order to satisfy the customer?

Employee turnover is very expensive, making employee retention crucial to the firm's success. However, the costs of losing current and future customers as a result of employee misconduct may outweigh the costs associated with acquiring and training a new employee. It can be argued that Linda's exceptional sales skills outweigh her inappropriate behavior during customer returns. From a managerial and marketing perspective, Linda's behavior sends out a bad signal to current and potential customers. Customers are the driving force behind any retail establishment, making strong customer service a key priority.

3. Do you believe that the manufacturer is at fault or the dry cleaner?

It is difficult to determine which party is at fault without further investigation. However, under the revised return policy, Linda should have returned the merchandise for Mrs. Jones without hassle or interrogation. The company's philosophy, "the customer is always right," was clearly not employed by Linda.

4. How are consumers protected? Did the Better Business Bureau do what they should have done in this situation?

There are several consumer advocate organizations such as the Better Bureau of Business and the National Association of Consumer Advocates. These organizations help regulate business practices and ensure a fair marketplace. The Better Bureau of Business proceeded with appropriate action in this case; they documented and rationally pursued the complaint.

5. What specific consumer protection laws apply to this case? Do these laws vary from state to state?

There are a number of consumer protection laws that apply to this case; however, they vary from state to state.

6. Should Mrs. Jones take legal action? Explain your answer.

No, it would not be advisable for Mrs. Jones to pursue legal action because the item was not in fact purchased from the retailer in question. The retailer actually has grounds to claim fraud against Mrs. Jones because she tried to return an item to a store different from where she purchased it. Neither argument is very strong and would most likely never make it to court. The bigger issue is the public relations cost to the retail store.

7. What is the retailer's role in supporting Linda since the merchandise was not purchased from the store?

Since Mrs. Jones was a longtime customer, the retailer should try and accommodate her to the extent that the benefit does not exceed cost. Existing customers produce more profitability than new customers, emphasizing the importance of customer retention.

8. Should the store have a written procedure for handling complaints? When should this be communicated? Where should it be posted?

Yes, the store should have a standardized, written procedure for handling complaints. This procedure should be in the employee handbook, in the actual store, as well as on the company website (if available). The procedure could be communicated during the employee training process or weekly meetings. Employees should be well versed in the procedure for handling complaints prior to any interface with customers.

9. What steps should be taken if the retailer's procedures are not followed? Should there be stepwise procedures? Should the company or supervisor keep a list of complaints? Where would they keep it?

Management should document the incident, review, and follow the appropriate measure. Having a standardized procedure for employee conduct allows for uniformity in terms of behavior and reprimand. Publishing the procedure in the store policy, as well as having the employee sign that he/she understands the policy, implies that employees are aware of management's expectations. When the policy is violated, there is no excuse for the misconduct. The manager should store and file all complaints to aid in future decisions.

10. Are the return procedures in direct conflict with the retailer's self-interest? How should the policy be changed in order to insure that the appropriate associate's commission is deducted? How would you resolve the commission policies to reflect the customer satisfaction philosophy, as well as comply with the retailer's interests?

The new procedures involving the return of merchandise and commission deduction should be audited on a daily basis. The supervisor, Susan, should routinely monitor the commission based accounts to ensure team playing. Lack of trust among employees generates negativity in the workplace, resulting in decreased productivity and consequently profitability. It may be in the best interest of the company to remove commission interest from the return policy.

11. entrepreneurial marketing solutions could we apply to this case?

According to Morris, Schindehutte & LaForge (2002), entrepreneurial marketing holds an opportunistic perspective- the marketer is proactive in finding creative solutions for building customer equity and value creation for desired customers. When building customer value, it is pivotal that managers analyze the return on their investment. Essentially, customer value = benefits – costs. Managers must maximize customer benefits, such as customer service, to increase customer value. Greater customer value can equate to higher profitability.

SUGGESTED READINGS

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RELEVANT COURSES

It is important that all business students comprehend the importance of good customer relations. Relevant topics include: entrepreneurial marketing, sales marketing, customer rights, regulations, customer service, disciplinary actions, ethics, marketing public relations, manufacturing requirements, human resource policies and procedures, communication. This case could be included in marketing, sales marketing, entrepreneurship, human resource, organizational behavior, or retail classes.

DATA SOURCES

This information was obtained by one of the authors who was employed by the retailer at the time of the incident.

EPILOGUE

In this case, the retailer protected their best interest by attempting to satisfy the customer after the fact. The company took the following actions:

1. The store manager contacted Mrs. Jones and apologized for Linda's actions. He assured Mrs. Jones that Linda would be reprimanded for her actions. He emphasized that the customer is the company's number one priority and that Linda's actions were unacceptable. He explained the company's return policy, and offered to trade the defective suit for another suit made by the same manufacturer of equal value. He then explained that this suit had not been the store's merchandise, but the store would

return the merchandise to the manufacturer nevertheless. The store manager agreed to personally contact the manufacturer to recommend that the buttons be checked for quality.

2. Mrs. Jones accepted the apology, and traded in her melted button suit for another one. She gladly paid the difference in price for the new suit.
3. Mr. Markus verbally warned Linda, documented the warning, and placed it in her personnel file. He warned her that if there was another customer service complaint she would be terminated. He then urged her to write a letter of apology to Mrs. Jones. Linda wrote a letter of apology to Mrs. Jones. Currently, Linda is still employed at the store.
4. The store manager contacted the manufacturer and advised them of the defective buttons. He also sent the defective suit back to the manufacturer. The store took a loss of $248 for the suit.
5. The manufacturer was checking into the composition of the buttons from their supplier when the case was written.