

## How Retailers Can ‘Buy’ Their Way to Customer Excellence

**Retailers aiming to improve customer experience need access to more granular, diagnostic metrics.**

We recently explored the three core tenets of customer excellence in an article, *A Retailer’s Guide to Customer Excellence*. For high-performing retailers, addressing these strategic imperatives is just the beginning. As a retailer evolves to deliver a richer customer experience—whether through store redesigns, sales training, multi-channel communication, etc.—it must also evaluate how well the new tactics are performing to plan. Are the changes truly differentiating the brand from its competitors? Are core customers more loyal? And if not, what’s missing?

Retailers typically use systems like customer satisfaction ratings or assessing the likelihood of a customer to recommend the brand to measure overall success. Yet both of these have critical flaws when used to measure customer experience: First, they are too broad and measure too many things. Second, they reveal how well you’re performing relative to that metric, but offer little diagnostic information to correct a problem.

In this *Executive Insights* we present a proprietary framework we use at L.E.K. Consulting to assess how well a retailer’s brand is connecting with its core customers, and also diagnose those specific areas where the retailer can improve and outflank its competitors.

### Measuring Customer Excellence

Based on the results of a proprietary survey of U.S. consumers shopping across seven retail categories, L.E.K. Consulting developed an approach to analyze three critical components of customer experience: browsability, utility and yearning—a framework we call the **B.U.Y. Index**.<sup>1</sup>

**Browsability:** How easy is it to navigate the store, find what you want, determine the price, and try on or sample products?

**Utility:** Was it easy to find and get help from employees? Was checkout straightforward? Were the products you wanted in stock?

**Yearning:** Does the store appeal to you on an emotional level and leave you wanting to return? Did you buy something on impulse?

The index not only examines performance relative to these three key components of customer experience, it also examines why a particular retailer scores well or poorly in that area. This second trait—the ability to offer practical, diagnostic information to retailers—is particularly important and separates the B.U.Y. Index from other performance measurement systems we have

<sup>1</sup> The B.U.Y. Index uses questions with broad applicability across retail sectors.

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**Figure 1**  
**Each retail segment favors particular elements of the B.U.Y. score,**  
**indicating retailers need to take a customized approach to improving their customer experience.**

Department Stores	Discount	Health & Beauty	Housewares
It is easy to get help from employees	The look and feel is appealing	It is easy to try on/sample products	It is easy to get help from employees
Products are always in stock	Products are always in stock	The look and feel is appealing	Products are always in stock
The check out process is quick and easy	It is easy to return products	I can always find something, even if not looking for anything in particular	The look and feel is appealing

Kids	Shoe Stores	Specialty Apparel	Sporting Goods
It is easy to get help from employees	I can always find something, even if not looking for anything in particular	It is easy to get help from employees	The look and feel is appealing
It is easy to find what I want	The look and feel is appealing	The look and feel is appealing	I can always find something, even if not looking for anything in particular
I can always find something, even if not looking for anything in particular	Products are always in stock	It is easy to find what I want	It is easy to get help from employees

Source: L.E.K. Consulting analysis

encountered in the industry. Retailers can use the index to track their performance over time, studying how course corrections are perceived among customers. They can also study their competitors’ changes over time and understand how others’ shifting strategies are felt among consumers.

Looking at B.U.Y. performance across retailer categories, we see that customers of retailers within a single category (e.g. department stores) tend to favor a particular mix of qualities. This unique blend of qualities should be the point of focus if a retailer hopes to win, or simply remain competitive, within that category (see Figure 1).

Within each retail category, particular customer strategies are used to create differentiation. (The qualities listed within each category in the table are those ranked first, second and third by customers.)

In the discount category, which includes retailers such as T.J. Maxx and Ross Stores, customers enjoy the “treasure hunt,”

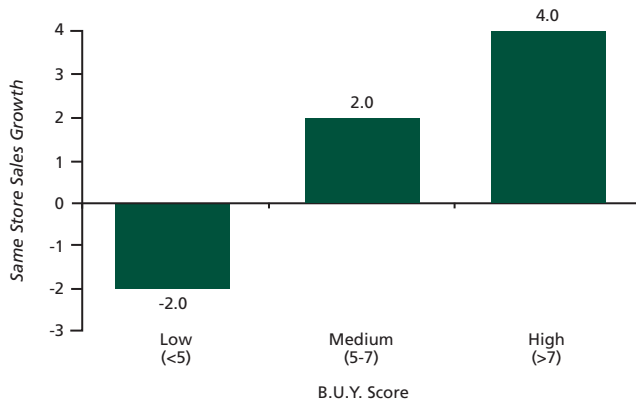
which often includes inventory that has been sifted-through and left disorganized. Moreover, the discount category often skimps on some of the aesthetic niceties in order to drive cost down as low as possible. Stores that can still manage to deliver an appealing look and feel, and achieve good in-stock levels, can differentiate themselves from competitors in the discount category.

In the health and beauty category, which includes cosmetics retailers like Sephora and The Body Shop, as well as vitamin and nutrition stores such as GNC, the look and feel is also an important differentiator, but second to customers’ ability to sample products.

To be clear, the items outlined in the table above are not to be confused with the most important attributes of the customer experience; rather, they are *derived differentiators* that tend to separate those who have relatively higher B.U.Y. scores in a given sub-sector. Some characteristics could be critically important, but only table stakes in a retail sub-sector; by contrast, B.U.Y.

Figure 2

## B.U.Y. Index Scores Highly Correlated with Financial Performance



Source: L.E.K. Consulting analysis

allows you to zero in on how to make your customer experience stand out. Conceivably, this differentiation is dynamic, forcing retailers to continually revisit positioning across the various elements of B.U.Y.

Because customer excellence is an important differentiator in retail, it is not surprising that the B.U.Y. index is highly correlated to successful financial performance (see Figure 2). Retailers with top quartile B.U.Y. scores enjoyed an average four percent same-store sales growth, while those with bottom quartile scores saw average same-store sales declines of two percent.

## B.U.Y. Scores for Select Retailers

To get a sense of how the index works in action, let's examine B.U.Y. scores for the housewares category, focusing on Crate & Barrel and Home Goods. We single out these two brands because their average B.U.Y. score across all components is nearly identical. A close look at each of the three B.U.Y. components, however, reveals interesting distinctions—and areas for improvement (see Figure 3).

Home Goods outperforms Crate & Barrel in browsability, slightly underperforms in yearning, and significantly underperforms in utility. While this is an interesting finding, the B.U.Y. methodology allows us to dig a level deeper, allowing a retailer like Home Goods to diagnose why it sees these results, what they are

doing well, and opportunities to improve where they are not meeting customers' expectations.

**Browsability:** Home Goods' customers are particularly pleased with the retailer's price transparency, a quality driving its higher performance relative to Crate & Barrel (nearly 50% of Crate and Barrel's customers report that price discovery could be made easier.)

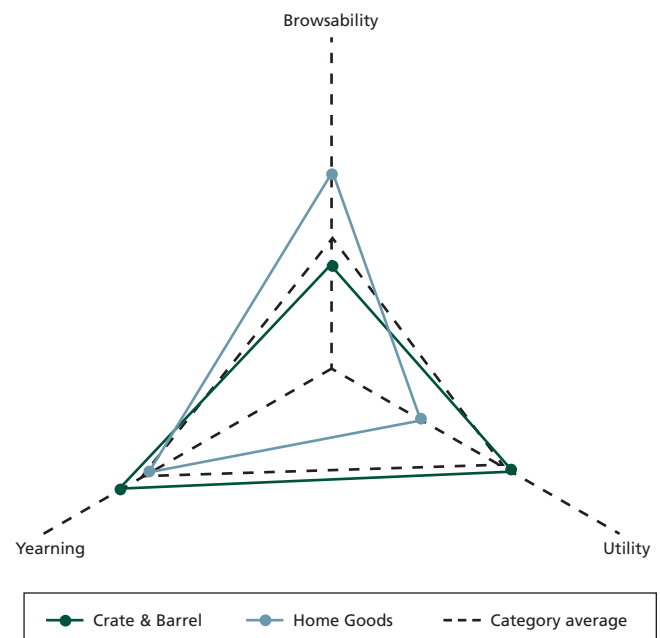
**Utility:** Home Goods' customers give it a lower score for a business model that makes assistance from sales associates, and stock levels, inconsistent.

**Yearning:** While Home Goods' overall yearning score tracks closely to Crate & Barrel's, the devil is in the details. Customers report Home Goods' 'look and feel' is significantly worse than Crate & Barrel's; the poor score is offset by Home Goods' customers' belief that they "can always find something here."

Figure 3

### Two Housewares Retailers Illustrate Divergent Customer Experience Strategies

Crate & Barrel is close to the category average for all three B.U.Y. components, while Home Goods performs significantly better on 'browsability' and significantly worse on 'utility.'



Source: L.E.K. Consulting analysis

These very specific customer-driven findings are highly actionable, unlike the information retailers typically receive from more generic customer satisfaction ratings. Questions are designed to elicit a response related to tangible retail choices (e.g. 'price transparency' or 'ease of sampling') versus metrics that measure feelings not easily attributable to a single tactical issue. Other measures often tend to capture views on pricing strategy, location, etc. while B.U.Y. does a much better job of isolating factors related to "customer experience" that are separate from decisions purely in the realm of real estate and marketing strategy.

We can use B.U.Y. to measure experience across channels (in-store, online, mobile, etc.). Also, each customer response captured in the B.U.Y. Index can be stratified by customer age, gender, geography, or any other relevant characteristic, allowing the retailer to analyze how it performs relative to particular segments of its market. (See sidebar, "Using the B.U.Y. Index to Study Millennials' Expectations.")

## Implications of B.U.Y. Findings for Retailers

Our experience shows retailers should take a highly individualized approach to customer excellence and building a customer experience strategy that is customized to the retail category, as well as the company's positioning in the market and its own chosen target customers. What's more, retailers should pay close attention to how the company and its competitors evolve over time. For example, are new store designs well received by core customers? Are sales training programs changing customers' perceptions of sales staff? How are competitors evolving their strategies over time, and are the changes successful?

It's important to note that a snapshot taken today of what drives success in a particular category may not predict success in five years. Consider the sporting goods category. Ten years ago, 'look and feel' was likely not top-of-mind for customers as it is today, but the impact of specialty retailers like REI has forced the entire category to shift its focus, paying more attention to store design to remain competitive. A retailer tracking

## Using the B.U.Y. Index to Study Millennials' Expectations

As might be expected, men and women will often give different B.U.Y. scores to the same retailers, even where the experience is supposed to be unisex. Among sporting goods stores for example, women gave much higher B.U.Y. scores than men to the stores that aim to appeal to both genders, while men rate more favorably those stores specifically targeted at them (notably Bass Pro and Cabela's). By targeting a core customer, these retailers have set high expectations among men in general, by which other retailers are then judged.

B.U.Y. works equally well across generations, but it is interesting that millennials typically rate retailers' Browsability and Utility lower than older customers, highlighting the opportunity to use technology to streamline navigation and check-out to appeal to the tech-savvy millennial generation.

how its peers are changing over time—and how those changes correlate to financial performance—will be better positioned to satisfy its customers today and in the future.

As retailers look to elevate their customer experience and drive sales, measuring and tracking their B.U.Y. score and the B.U.Y. scores of competitors is an important way to receive quick, actionable feedback on which initiatives are working, which need more refinement, and whether a complete overhaul of all or part of the experience might be in order.

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