

Impact of Reduced Staff Empowerment

Customer relationship management (CRM) success is highly reliant upon the motivation and performance of a firm's customer contact staff.

Considering this point, review the situation below – do you think that the management has made the right decision?

The New Refund Policy at the Supermarket

Assume that you have just started working at a supermarket, in their marketing department. The supermarket's management team has just introduced a 'no-refund policy'. This is because their old full-refund policy was costing them an average of \$50 per year for each of their customers. And as they have around 10,000 regular customers, this change represents a cost saving of around \$500,000 per year for the firm.

Some of your fellow staff members have discussed with you that this change will make it much more difficult for staff to deal with customer complaints.

Being in the marketing area, you are aware of the following information:

Average sales per customer	\$5,000 per year
Average profit margin on sales	10% (thus, \$500pa)
Average time a person remains a customer	5 years

Student Discussion Questions

1. Do you think that management has made the right decision by introducing their 'no-refund policy'? Justify your answer with supportive calculations.
2. Would you expect the marketing function to be involved in this type of decision? Why/why not?
3. What are the implications of this change for:
 - Customers?
 - Staff?