



FRANCES X. FREI
DENNIS CAMPBELL

Store24 (B): Service Quality and Employee Skills

Jenkins' analysis on the relationship between employee tenure and store level financial performance proved to be a valuable input in the executive committee's discussion of strategies for increasing employee retention. Pleased with her analysis, Gordon, Doucette, and Hart asked Jenkins if she would be willing to incorporate Store24's service quality and employee skills metrics into her analysis. Hart explained the service quality metric:

We conduct a detailed walk-through audit of each of our stores every 6-weeks. We rate the stores on approximately 100 different items relating to in-stock position; cleanliness and appearance of the store; positions of displays, advertisements, and promotional items; speed and friendliness of the crew in serving customers; and quality and freshness of perishable food and beverage products. The stores ratings on each of these items are then aggregated into an overall measure of service quality. The resulting measure ranges from zero to 100%, with a 100% rating indicating that a store met the standard on every item in the walk-through audit. We believe the items on our service quality metric reflect the critical components of our operating strategy at the store level. In addition, since we want to communicate the importance of delivering on these standards, we compensate store management and crew based in part on their service quality score. Given our increasing reliance on this metric, we are hoping you can do some more analysis to help us understand whether service quality, as we measure it, is truly a driver of store-level financial performance.

Doucette explained the employee skills metrics:

During fiscal year 2000, we also began attempting to measure manager and crew skills at the store level. We believe, and your analysis shows, that tenure is a strong driver of financial performance. However, it is not always the case that the most experienced managers and crew necessarily have the highest skill level. Every quarter, in conjunction with our division managers, we conduct a human resources audit of each of our stores. We rate the managers and crew against standards related to level of training and knowledge of Store24's operating standards. We are interested in understanding the impact of skill level on service quality and financial performance.

Jenkins considered the new metrics (**Exhibits 1 and 2**) and set out how to augment her existing analysis.

Professors Frances X. Frei and Dennis Campbell prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Exhibit 1 Variable names and descriptions

Variable Name	Description
ServQual	Average service quality rating for FY-2000 measured from detailed walk-through audits every six weeks. Scores range from 0% to 100%. Note that this metric ranges from 0 to 100 in the data rather than from 0 to 1.
MgrSkill	Average manager skill level rating over FY-2000. Measured through quarterly human resources audit. Skills rating ranges from 1 through 5 with 5 being highest.
CrewSkill	Average crew skill level rating over FY-2000. Measured through quarterly human resources audit. Skills rating ranges from 1 through 5 with 5 being highest.

Source: Case authors.

Exhibit 2 Summary statistics from sample stores¹

Store	ServQual	MgrSkill	CrewSkill
1	86.8	3.2	3.6
2	94.7	3.6	3.2
3	78.9	4.1	3.8
4	100	4.1	2.1
5	68.4	3.6	3.7
6	94.7	4.6	3.6
...
74	94.7	4.4	3.5
75	89.5	3.3	3.6
Mean	87.2	3.6	3.5
Standard Deviation	12.6	0.4	0.4
Minimum	57.9	2.9	2.1
Maximum	100	4.6	4.6

Source: Case authors.

¹ For access to the dataset as a text or Data Desk file, email the case author.