

Employee Engagement and the Customer Experience

William D. Todor, Ph.D.

415 Saddlebrook Lane, Pleasant Hill, CA 94523
925-372-0251, www.TheWhetstoneEdge.com
2006 The Whetstone Edge, LLC

Employee Engagement and the Customer Experience

All too often companies have reacted to changing business conditions at the expense of employee relationships. The consequences are less committed, less engaged and less effective employees. The economic impact of the ensuing turnover and lost productivity is huge. But this is not the only financial consideration. Disengaged employees undermine customer relationships and this, in turn, erodes profits, customer loyalty and it accelerates commoditization.

Recently, interest in the customer experience has been building. Why? Because in an era of abundance and overwhelming choice, customers put more value in their experience with products than in the products per se. Products are increasingly seen as undifferentiated commodities. Several highly successful companies have focused on enriching the customer experience and clearly benefited from their efforts. Starbucks has built a billion dollar business selling expensive coffee because customers get more than just a coffee - they enjoy the experience. Apple has created the fastest growing retail business by catering to the customer experience.

There are other examples of companies using the customer experience to build meaningful relationships and long term customer loyalty. However, one of the commonly overlooked factors is the role the employee plays in creating the customer experience. In every case the employee is critical.

A recent study of retailers in the UK found that a shocking 20 percent of potential customers walked out of stores unserved or underserved. Marketing brought them in the door, operations stocked the shelves but employees dropped the ball.

The message is simple, to engage customers you need engaged employees. Yet when we look at most company behaviors regarding employees there is another disconnect. The pressure to cut costs and increase efficiency pushes companies to minimize costs relating to employees at a time when they should be investing in them. As a consequence, most employees are not engaged in their work. Gallup has surveyed millions of employees and found that only 26% of employees are engaged, 55% are not engaged, and 19% are actively disengaged. Employees who are not engaged are basically there putting in their time, physically present but psychologically absent. Actively disengaged employees are those who behave in ways detrimental to the company. In contrast, engaged employees are passionate about their work.

The impact of this lack of employee engagement is substantial. Gallup estimates that one third of the average company's payroll is wasted through loss of productivity. Nationally this amounts to \$300 billion a year. Others have estimated that employee turnover could be reduced by 70% if employees were engaged. Productivity and retention are important issues. However, there is a third critical issue relating to employee engagement and that is the customer. To build the customer experiences that engage customers, companies need engaged employees. Not just those who have direct contact with the customers but all employees as their actions ultimately will affect the customer experience.

This is the challenge for companies who want to build customer loyalty through the customer experience. How do you engage your employees? The answer lies in a new look at the human resources strategies for recruiting, training, and motivating employees. Few companies incorporate an assessment of the potential for engagement when recruiting and selecting employees. Yet this is where it all starts. The Container Store, a successful retailer, states on its website that "one great person equals three good people in terms of business productivity. So, why not hire only great people? With that said, when it comes to selecting who will join the team, we go to great lengths to look for that one great person to fill a position." Okay, ask the question, who really wants this job? Only people who feel that give the chance, they can measure up.

Recruiting is just the beginning. Training is equally critical. Employees need to appreciate their role in engaging customers. This means they have to see the situation from the customers' perspective, they have to understand the customers' experience and how they can enhance it. Few training programs put enough emphasis on this. Starbucks and Apple work hard at this. The Container Store spends ten times the average on training to ensure the employees get it. And it works. When a Container Store employee was randomly selected and asked about her job, she beamed and stated "do you know how great it feels to really help a customer". Notice the emphasis on helping the customer. There is a feeling of pride, a sense of involvement. This doesn't happen by chance. It is ongoing and involves everyone from the president to the newest clerk. It is not just about helping the customer find an item and service with a smile. Most importantly, it is about helping customers make selections that will lead to a great customer experience with the product, after the purchase.

This focus on the customer experience gives a new perspective and direction to employee involvement. Critically, it contributes to win-win-win business relationships between the company, its employees and its customers. Through involvement, employees become emotionally invested in their work and this positively impacts customer relationships and company profits. But, the engaged employee also wins, work produces intrinsic gratification.

How do you get employees involved? On a personal level involvement means being given and taking responsibility. At a relationship level it means gaining a sense of belonging or being "part of it." It also means being acknowledged as being unique and valued. How can a company foster this involvement? Pret-a-manger, a highly successful UK sandwich shop, involves employees in the evaluation of potential new hires. Job candidates are asked to work along side current employees for a day. It is the current employee who makes the important judgment of whether the candidate is a "fit." This shows employees they are respected, valued and "part of it." It takes trust and expects trust in return. It also reinforces employee commitment to Pret-a-manger's goal of delivering an exceptional customer experience.

The Hampton Inns give employees the responsibility of determining whether customers had a pleasant stay and the authority to rectify sources of customer dissatisfaction-including refunding the room charges or giving free stays on the next visit. Does this service recovery strategy work? Hampton Inns is getting back \$7 for every \$1 spent. In all these cases the employee loves it. They get to have an impact in a meaningful way.

Underlying the whole employee engagement process is the concept of trust. The willingness of employees to embrace change and invest in these new strategies depends a great deal on the level of trust they have in the company. They need to learn from interactions with the company that it is truly interested in win-win. The reaction that many managers have when they hear about Hampton Inns giving employees the authority to make judgments is that this will lead to abuse, displaying a lack of trust. Trust is a sense of mutual commitment that is learned through interactions. Yet, most companies have no strategy to nurture this reciprocity.

It is not uncommon for managers to complain about employee attitudes. Employees often feel they are being exploited and are expendable. Often both parties take actions that fuel an undeclared adversarial relationship, and this spills over to the customer experience. A challenge? Yes! But there is a huge opportunity here. Not

to tinker with the company-employee relationship, but to focus on a larger goal of win-win-win business relationships. Where customers get the experience they value and reward with loyalty; employees become enabled to contribute to the customer experience and derived intrinsic satisfaction and the motivation perform; companies get sustainable profits and growth.

William D. Todor, Ph.D. is a senior partner in The Whetstone Edge, LLC, a customer-centric consulting firm that helps clients build customer equity. He is the co-author of the book *Winning Mindshare*. (www.TheWhetstoneEdge.com)