You Get What You Pay For

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Nearly 67 percent of the more than 247 retail executives surveyed for the National Retail Federation Foundation study — Retail Horizons: Benchmarks for 2011, Forecasts for 2012 — ranked customer satisfaction as their top strategic initiative, while a whopping 82 percent said customer service strategies were their top priority, up from 75 percent in 2011. With these kinds of goals, it’s not surprising that experts say retailers are working harder to find easier, more cost-effective ways to run their businesses.

Indeed, retailers have discovered that if they want to reshape, refocus and retool the customer experience their efforts will have to encompass recruitment, effective onboarding and training, along with technologies that streamline tasks that have historically been done manually.

“The more you need to do, the more you need to use automation,” says Mel Kleiman, president of Humetrics, a firm that helps retailers recruit and retain hourly employees.

Happy Employees, Happier Customers

There’s a benefit to such a shift in strategy. It pays — literally. When retailers count great employees and managers as part of their team, their customers are happier and more likely to be repeat buyers.

“Retailers always have to be thinking, ‘How can we free up our people to be more customer-focused instead of thing-focused on folding sweaters or stocking shelves?’” Part of that comes from hiring the right people and having superior human resources policies and procedures in place — ones that will result in a best-in-breed employee, says Bob Phibbs, the Retail Doctor, a retail consultant and expert.

And yet there’s a disconnect between customer service vision and actions, according to a recent Booz & Co. perspective, Next-Generation Customer Service: The New Strategic Differentiator. The best customer service, according to Booz, includes regular customer engagement.

Phibbs agrees. “A well-trained salesperson, especially for items worth more than a few bucks, can mean the difference between getting full price and selling out to having leftover inventory and having to mark down.” Bottom line: It’s important to invest in your employees — both hiring them and training them.

Zeynep Ton, a visiting assistant professor in the operations management group at MIT Sloan School of Management and author of a recent Harvard Business Review study related to retail employee spending and training agrees, too. She found that during an analysis of more than...
250 Borders book stores, “a one-standard-deviation increase in labor levels at a store increased profit margins by 10 percent over the course of a year.”

Ton also pointed to research by Marshall Fisher, Serguei Netessine, and Jayanth Krishnan that supported her findings. According to that report, every $1 increase in payroll resulted in a $4 to $28 increase in monthly sales.

Cultivating Retail Assets
Several recent studies point to the fact that employees are the center of any customer service push. One study from The Wharton School found that the more retailers spend on employees, the higher their customer satisfaction will be. Ton’s study in the Harvard Business Review found that retailers that paid their employees more, invested more in training, and had higher staffing levels were actually more profitable than most of their competitors, reporting more sales per employee and per square foot. And this was taking into account, according to the study, that labor is a retailer’s largest controllable expense, which can account for more than 10 percent of revenues.

When it comes to hiring, experts say that retailers should discriminate — not by age, gender or race — but by ability. “There is a war for jobs, especially at the hourly level. There will never be enough great people to fill positions, so you have to go looking for people who are already employed,” says Kleiman. He says that retailers should hire based on passion, desire, and care. “It’s not to say you shouldn’t go after people who aren’t working, but let’s broaden the target. I can train you to coordinate colors, but I can’t teach you passion or give you the desire to help people. You either have it, or you don’t,” he says.

Once hired, employees should go through a transparent onboarding process that can help employees feel proud to work at the organization. It should articulate what makes their employer better than the rest, and provide employee rewards based on performance.

One untapped source for finding great employees — and one that’s actually free — is current employees. “All the retailers that top the ‘great places to work’ surveys report that up to 50 percent of their new hires come from current employees,” says Kleiman. “If less than 35 percent of your employees are coming from referrals that’s a yardstick that says you’re not a great employer.”

Keeping those employees, says Phibbs, is easier than most would like to believe. Pay them well, give them a generous discount, and make sure their managers aren’t “tyrants or milquetoast,” he says. In fact, those retailers with small or nonexistent training budgets should be spending whatever they have on training managers, says Kleiman, since that training is sure to trickle down.

“If you have great managers, they will make sure their staff gets trained whether they have a budget or don’t,” he says. “They are going to mentor their troops. Remember: The number one reason people leave a job is that they don’t like their managers. ‘A’ players don’t like playing for ‘B’ teams and ‘B’ managers.”

These highly trained, knowledgeable managers should also be given leeway to cull from their ranks, letting go of the worst performers and rewarding the top sellers and workers even if it’s just a verbal ‘Thank you,’ says Phibbs.

When all of these elements are in place — recruiting, onboarding, training and retention — retailers and their customers will benefit, says Kleiman. “Employees are investors. They are investing their time looking for returns. When you hire smart investors, you create your own ROI.”

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