

# Information Systems for Achieving Business Competitiveness Through Frontline Employees

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## Abstract

To be competitive, companies have to meet customer expectations. In most companies usually, this task is left to frontline employees. Handled well, customers could be converted into lifetime customers. However, if the brand experience at the retail or service level is not satisfactory, the company will risk losing a customer for life. In the latter case, the investments and effort made by the company in creating and delivering goods, all go to waste. Retail and distribution systems are backed by technology but depend on people for the delivery of the final product or service. But information systems (IS) are not tuned to involve the frontline employees. Businesses such as Starbucks, Apple, Domino's and others have been built information systems that reveal delivery parameters in exactly the way the customers want. With each interaction with the customer, the company strives to "create a memorable experience for a customer that inspires a customer to return often and tell a friend." Yet these for most companies, frontline employees are "invisible" because they are low-paid and junior in the hierarchy. They are also invisible for the customers who just expect quick service. This paper examines how information systems can be geared to motivate these invisible employees in order to become competitive. Both theoretical and practical aspects are discussed in the paper. Interviews were conducted with frontline employees and managers of companies. Based on these findings, analysis and recommendations were made as to how companies can become competitive through frontline employees.

## Introduction

Marketing is usually seen as a set of coordinated functions such as sales, delivery and transportation. Measurement of efficiency includes lean supply chains, and is measured in terms

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of lowest cost of delivery achieved per unit. To meet this end, companies make huge investments in distribution and logistics.

However, the task of final delivery of the product or service to the customer depends not on technology but on retail personnel. They represent the “last mile” of distribution. Yet for most companies, frontline employees are “invisible” because they are low-paid and junior in the hierarchy. They are also invisible for the customers who just expect quick service and go their way. But this invisible employee is the crucial link between the company and the customer, who has the potential to enhance customer equity. This paper examines how skills can be built in these employees and how IS can help involve them so that they deliver not just goods and services but a great customer experience.

The paper discusses the background and existing literature on the subject, analyses the problem of managing frontline employees, discovers how companies achieve competitiveness through service delivery and finally, how information systems can aid in achieving these objectives and result in creation of impassioned employees. The paper draws on practices of several companies in retail, hospitality and courier services that were surveyed for the purpose of this paper.

### **Background and Literature**

The importance of delivering a great brand experience is mentioned often in management literature. For the sake of simplicity, we mention a few studies that are ground breaking. Stalk and Lachenauer (2004) say that one of the killer strategies for trouncing the competition is: “Exploit people’s will to win.” They quote CEO of Southwest Airlines Herbert Kelleher as saying that success should not breed complacency, laziness, indifference, bureaucracy and being oblivious to threats posed by the outside world. Yet, these are the very things that frontline employees are victim to.

It is generally assumed that channel partners and their employees act in the best interest of the company. Narayanan and Raman (2004) cite the case of Cisco, which had very efficient supply channels in place, yet had to scrap \$2.5 billion worth of raw material in 2001, the biggest in business history. They arrive at an interesting conclusion: “Engineers – not psychologists – build supply networks.”

Both studies point to an interesting fact: that marketing channels are social systems rather than technological systems.

Treacy and Wiersema (1993) say that while companies concentrate on lean and efficient operations, they must also strive for “customer intimacy...they typically look for customer’s lifetime value to the company, not the value of a single transaction.”

Yet, many companies do not realise this. To quote Narayanan and Raman (2004), “Cisco’s supply chain is the rule rather than the exception.”

We may add that IS also ignores the first aspect. We found that IS are generally used for functional or profit aspects and are not geared for social aspects at all. This leads to several problems in delivering quality service in organisations.

### **The Problem**

Most managers accept the fact that if the employees are motivated, empowered and committed, they will go out of the way to help the customer. An employee with passion could transform the shopping experience from good to great in any product category.

Findings from our research at retail outlets of some big brands at Chandigarh and adjoining areas show the opposite of the above. Frontline employees in retail establishments were found to be quite de-motivated and uninterested or unable to deliver customer value. Some of the findings during our interactions are given below:

- 1. Frontline employees are low paid and treated as expendable.** These employees were quite dissatisfied with their salary and service conditions. In case of franchises, the franchisee depended on employees who were available cheaply. Very often these employees were not trained or committed.
- 2. There was a high attrition rate in all outlets.** In an outlet of a reputed retailer, we found that four counter personnel had changed in five weeks.
- 3. Among the reasons for high attrition** were long working hours, mostly spent standing at the counter, and lack of recognition from senior management.
- 4. If there was a cash shortage or mistake in billing** at a counter, the counter personnel had to pay from their salaries. In one instance, a counter personnel told that her salary had been confiscated for an entire month.

5. **Frontline employees were only interested in doing the billing properly** and the thought of delivering great service to customers never crossed their mind.
6. **Retail outlets were relying on floating population** for hiring frontline employees. These people were often put on the job without training as there was always a shortage of staff.
7. **Pilferage rates in stores remained high.** Managers reported the possibility of employees involved in pilferage could not be ruled out. Employees were not interested in catching pilfering customers as they were not trained or motivated to handle such situations.

Berry (2001) sums up the actions that modern retailers need to do by learning from traditional retailers. “Retailing can’t be reduced to tools and techniques,” he writes, adding that “If one of the pillars of a successful retailing operation is missing, the whole edifice is weakened.” Some of his retailing pillars is shown in Table 1.

	Inferior Retailers...	Superior Retailers...
<i>Solutions</i>	gather products, stack them on shelves, put price tags on them, and wonder where their customers are.	consider what people really need and how they can meet that particular need better than competitors can.
<i>Respect</i>	are staffed by people who don't know what customers want and aren't about to interrupt their conversations to find out.	actually train and manage the salespeople they hire so that they are courteous, energetic, and helpful to customers.
<i>Emotions</i>	act as if their customers are Spock-like Vulcans who make purchases solely according to cold logic.	recognize that everything about a retail experience sends a message to customers that goes to the heart, not just the brain.

Table 1: Retailing is a human activity, built around serving customers. The frontline employee carries much of this burden. Adapted from Berry (2001).

The table shows what superior retailers do differently. Much of these tasks are accomplished by salespeople. Thus motivating the employee is a crucial task.

The next section describes business practices followed by companies surveyed by us. Though the need for delivering great customer service is accepted by managers and companies, we found that business practices followed by some companies doing quite the opposite.

### **Summary of Business Practices**

In this section we describe some of the business practices followed by various service establishments with regard to their frontline employees.

#### **(a) Retail**

Brands depend on retail establishments to make goods available to customers. Apart from the delivery aspect, retail employees are in a position to deliver a brand experience that helps in building customer value. Traditional retail makes it convenient for customers to buy goods and builds customer relations through home delivery and friendly operations. Modern retail delivers an ambience for easy shopping.

In both cases, the responsibility of delivering brand experience lies with frontline employees. If the employee is motivated, empowered and committed, he will go out of the way to help the customer. An employee with passion could transform the shopping experience from good to great in any product category.

Our findings were quite the opposite of the above. Frontline employees in retail establishments were found to be quite de-motivated and uninterested or unable to deliver customer value.

In a well known organised retail chain (name withheld on request), we found that employee retention was very low. There was no feedback system. In one instance, the manager told us that they do not encourage customer feedback as they have to bear the consequences of any negative feedback and therefore they avoided keeping any feedback forms.

#### **(b) Hospitality Industry**

More than retail, hospitality industry depends on the quality of service. Companies in this industry have various methods and incentives to ensure that frontline employees deliver memorable service. In the hospitality industry, some of the successful businesses have systems

that recognise the contribution of the frontline employee and incentives are awarded for achieving targets. Information systems have been built around these objectives.

**Pizza Hut** has a system of honouring an “Employee of the Month.” Selection is based on the following seven criteria which described below:

- Attendance
- Punctuality
- Grooming
- Job knowledge
- Safety on the job
- Teamwork
- Accountability

Pizza Hut has an online system for attendance, recording orders, receiving and ordering raw materials and a punch-in system for logging in and logging out. The company collects feedback from customers through feedback forms.

Incentives are given on the basis of extra sales generated by the employees and feedback collected from customers. A comparison is made with the sales accomplished during the last month and the last year. The information system tags every sale to the employee who conducts it. Every employee has a password and logs on to the billing system which automatically tags the sale. Based on the aggregate monthly sale, an incentive is given.

While Pizza Hut has a system to select and Employee of the Month from service personnel, some other companies were found to have a system to honour employees from all departments such as cleaning, serving, cooking and support services. The idea was to include all kinds of service personnel because all elements have a bearing on service delivery.

**Nik Bakers**, a chain of bakery products in the tricity (Chandigarh, Mohali, and Panchkula), has a system of cash incentive for every employee if the sales target for the month is achieved. Individual incentives are also earned by employees for every cake sold by the store. The incentive was higher for the cream cakes, as they are perishable and become stale fast. Through this, the store ensures that sales of products keep moving. In the feedback form, the name and

number of the store manager is given, enabling customers to contact him in case of any special needs.

Restaurants like Khyber give a cash bonus or voucher of Rs 500 is given for every sale above Rs. 5000 and Rs. 1000 for every sale above Rs 10000.

**Marriot Hotels** offer employees are allowed to stay at any Marriot hotel in India for 2 nights 3 days on their birthdays and anniversaries after completing three years of service. This checks the attrition rate. They are also given bonus and cash incentives from time to time.

The above methods keep employees happy and motivated. Attrition rates in these establishments were considerably lower than in many other industries. We found that motivation through incentives and schemes was not the rule.

### **(c) Courier Services**

Courier services were chosen as timely delivery matters in the industry. The industry spends huge amounts of money to build efficient supply chains which can deliver documents and packets quickly to clients. Investments are made for delivery through air cargo, which is expensive, and latest tracking technologies. Through these technologies, customers can check the online status of their packets. The courier service operates on the principle of quick delivery and has thus been able to corner a sizeable share of the business from the government owned postal service.

We found that courier companies operate on hub-and-spoke models for collection and delivery of packets. Packets are collected by offices located in markets and delivered to a central hub, from where they are routed to their destinations. The receiving city has its own hub which aggregates collections from city offices and also receives packets meant for delivery to that city. From there, packets are sent to the office in the localities where the packets are meant to be delivered.

The system works very well – on paper. In reality, we found that the collecting offices in various localities of the city were run not by company offices but by franchises. These franchises were responsible for collecting packets from their designated area and delivering incoming mail.

For each object handled, the franchisee received a commission. The task of delivery and any interaction with the customer happened with the employees of the franchisee and not of the courier company.

So while the company spent a lot of resources for moving cargo, invested in modern systems and also advertised “on time” delivery, the franchisee had his own limitations and objectives. Very often the mail would lie at the local offices or delivery boys for 4-5 days before being delivered. In distant localities where traffic was less, the local office would send a delivery boy only when there was enough mail to be delivered, as it was not economical to send a few packets through the messenger.

### **Creating Passionate employees**

We found that frontline employees were an ignored lot in many companies. They are contractual employees in many cases, and have no career or social security benefits to look forward to. As a result, the retail industry attracts people from a floating population of wage earners who do not have a commitment to the company or service delivery. Attrition rates are high. In some cases, the employees left without notice, upsetting the store/service.

How should the situation be tackled? There are no clear answers, because retail store owners and service providers would like to control their costs and keep staff costs down. Any increases in salary or benefits would erode profits. The challenge is to build a team of committed frontline staff, given these constraints.

Successful business leaders point to the importance of building such teams. Richard Branson, the charismatic founder of Virgin group, in his column, Bransonspeak (2011), was asked the question, “Some business leaders believe that the customer should always come first, while others argue that employees should come first, because they bring in customers. So who should come first: employees or customers?”

His answer is that while conventional wisdom puts shareholders’ needs first, customers’ second and employees’ last of all. “I have always done the opposite,” he writes. “At the Virgin Group, our employees come first, then our customers, then our shareholders.”

His logic stems from common sense: if the employees are happy and well-motivated, they are likely to put in efforts to please customers as well, which would result in strong sales

and good profits, leading to shareholder value. This message is repeated by many other business leaders.

While building skills in employees, the challenge before companies is to build social systems and not treat service delivery as a functional component. Innovative methods have to be used to convert employees from mere delivery personnel to passionate service providers. An interesting observation from our research is that frontline employees at traditional retail shops – traditional *kirana* stores and department stores – are much more motivated than employees at organised retail stores. In many such stores in Chandigarh, the employees have worked for the store for several years whereas the tenure of a cash counter employee in an organised retail store was less than 6 months. Perhaps organised retail needs to learn how the traditional store retains employees.

### **Role of Information Systems**

In the above three industries chosen for this study, we see that information systems can play a very important role in motivating employees and controlling attrition. Information has to be collected and tagged to individual employees. Considering the fact that large retail and service employees have thousands of employees, this is no easy task. Aggregating the individual sales on a monthly basis and rewarding employees helps motivate them.

The need is for the system to be responsive. While computer systems can deliver sales reports instantaneously, it is of prime importance that the manager takes action at the end of the month. In one instance, we found incentives had not been given for six months, resulting in deterioration of service quality.

The third need is to decentralise information systems to the extent that managers can obtain employee reports without reverting to the head office. Many large chains do not allow such information to be delivered. However, chains like Pizza Hut have a local personnel control system while being connected to their national head office. Bills issued by the company have the name of the waiter, which is linked to incentives. This has resulted in a high degree of cleanliness and service in Pizza Hut outlets.

We also found that at Reliance Retail outlet in Phase 10 Mohali, average daily sales jumped 50% when the manager started the system of monthly monitoring of sales activities and awarding incentives based on these.

Interviews with frontline employees also revealed that if information systems are too rigid, several negative behaviours result. The system thus has to empower the employees as well, so that they have freedom in their area of operation. Too much emphasis on discipline and time, for instance, results in time bound behaviour that does not necessarily translate into better service to customers.

Companies treat information systems as tools of decision making. While the importance of these systems is paramount in business, for service delivery it is important that a psychological and social element is built into the systems as well. This is not an easy task, but some companies surveyed have tried to build systems that are not built merely from the point of view of the engineer.

When frontline employees are given social and psychological freedom, they are able to answer customer requests creatively. Along with quantitative criteria, there is urgent need to link information systems with qualitative aspects as well. When this is done, companies can bridge the gap in service delivery and create passionate employees who deliver a great brand experience, resulting in long term customer equity.

### **Bridging the Gap**

Though management theory insists on involving frontline employees, managers were found to be often under pressure to deploy staff without training or motivation. “How can I spend time motivating an employee when a sales counter is vacant and there is a rush of customers?” a manager told me.

On the other hand there were companies who spent efforts in training employees but the training needs were not anticipated by companies properly. Information systems did not assess training needs of employees nor were they capable of identifying them. In some companies we studied, we found that training in them is conducted by HR departments by inviting motivational speakers, and consisted mainly of highly qualified managers who made the employees do team exercises, sing and laugh and clap. The euphoria of such programmes vanished within hours. Bridging the skill gap, however, involves training that helps frontline employees deliver great customer experiences.

After talking to both frontline employees and their managers, we feel that information systems can contribute a great deal for enhancing skills in the retail sector.

- 1. Treat the store as a social system.** Retail chains have to decentralise operations to the extent that a store manager operates the store as a social system. Through activities and personal meetings, the frontline staff is made to feel an important component of the store. Frontline staff is at a low level of fulfilling needs as per Maslow's hierarchy of needs, and providing an avenue to fulfil social needs will help improve employee commitment.
- 2. Train employees from a marketing perspective.** Employees have to be trained from a customer perspective rather from a HR perspective. Rather than invite speakers from outside, training programmes can be designed around sharing experiences of frontline staff. An information system that helps identify training needs has to be devised and installed.
- 3. Empower frontline employees.** Even though employee cost cannot be increased, we suggest that teams of frontline employees be formed and made responsible for certain areas in the store. They are responsible for display, cleanliness and guiding customers in that area. Bonuses can be linked to the sales performance of that area, for which information systems must be modified.
- 4. Controlling pilferage.** Pilferage and stock shrinkage was a big problem in the stores. This was not specific to my area of study: a study by Centre for Retail Research, the Global Retail Theft Barometer shows that stock shrinkages in 2008-09 were 3.1% for India, which is the highest in the world, representing a cost of \$2.63 billion to retailers. Frontline employees can help control pilferage. At present most employees turn a blind eye to customers stealing things and the response is "I am not paid for this." If staff is paid incentives for controlling pilferage, we feel the problem can be turned into a win-win situation both for companies and employees. Information systems have to be tuned to incentives as also to reveal pilferage on the basis of display areas in a store. With such data, employees can be involved to control stock shrinkage.
- 5. Shared approach to problem solving.** In a report published by McKinsey, it says, "Successful retailers manage staff attitudes by establishing a shared approach to problem solving and by setting and measuring challenging objectives." The idea is to involve the

employees in running the store. The implementation of Quality Circles can bring about an improvement in store management.

- 6. Paradigm shift.** A paradigm shift in recruiting and compensating frontline staff is required. Rather than depend on a floating population for this crucial service, companies must recruit people at slightly higher salaries, train them and provide incentives so that customer interaction improves. The tendency to keep costs low by hiring low paid employees turns out to be more expensive in the long run.

### **Conclusion**

Theoretically, companies strive to deliver a great experience to shoppers. But delivering that experience depends on frontline employees, who are usually from the lower rungs of society. They have long, gruelling duties and have to be on their toes for the duration of their duty. Yet they are paid little and have no say in managing their store.

While companies make a lot of investments in the physical appearance of their stores and also in their supply chains and enabling technologies, all the investment becomes waste if frontline employees are not motivated enough to deliver a memorable customer experience. Information systems focus on the functional and profitability as aspects and the need of the hour is to modify them so that the frontline employees can be brought into a social system, feel motivated and help in profitability of the store rather than do their narrowly defined jobs. Making them part of the management process is a difficult, but crucial task. A change in information systems is needed to empower frontline employees for delivering customer experience that brands desire.

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