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- Entrepreneurial Frontline Employees Can Improve Profits and Service During Holiday Season

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By Jagdip Singh

By its nature, the holiday season is community-oriented. Consumers focus most of their attention on families, friends and neighbors. Retailers try to entice consumers into stores with sales, decorations, extended hours and other promotions.

For national chains, this drive toward community presents the opportunity for frontline employees and local store managers to drive more sales and profits for their companies. However, to maximize the opportunity, **frontline store managers and employees need to be entrepreneurial** to customize their merchandising and service programs according to the preferences of the communities they serve.



Research has shown that empowering frontline or customer-facing employees is a good business practice. However, new studies show that going beyond empowering to encouraging entrepreneurship among frontline employees can enhance a company's profits, sometimes to a significant degree.

In effect, "entrepreneurizing" frontlines is the key to improved profits and customer service in increasingly competitive service markets. And since the holiday season is the most important time of the year for many retailers, frontline employees who are entrepreneurized can have a greater impact now than at any other time.

Retailers around the world -- as well as other companies -- are challenged by how to grow profits by empowering customer-facing employees. **Often, they hesitate to release control to such employees**, fearing that doing so puts their profits at risk.

But corporate hesitation limits innovation and hurts the bottom line.

The stakes are high. For U.S. businesses to remain competitive in sectors such as retail, they must start thinking differently about how they empower their frontline employees.

HOW retailers can empower their frontline managers

Today's retail stores are run by corporations that allow their frontline store managers little autonomy.

Each store looks more or less the same, provides more or less the same customer services, presents merchandise more or less the same way and in the same order, regardless of customer variation. Customers in Vermont value goods and services in far different ways than, say, customers in Arizona. Yet, a chain store in Vermont is very likely to be run the very same way, controlled as it is by corporate planograms, as that chain's store in Arizona.

Frontline store managers may be entrepreneurialized by giving them unfettered discretion over a range of SKUs in the store.

Research I conducted with colleagues from the University of Missouri and Brigham Young University indicates that frontline store managers who are allowed full autonomy over just 7-10% of their store's SKUs, and use this autonomy to be entrepreneurial in their merchandising and service activities, **generate improved profitability.**

How much more profitable?

At one national retailer, we found that frontline store managers who are allowed to take risks with their merchandising and customer service interactions lifted their store's profitability by \$1.2 million per year.

In this example, entrepreneurializing pertained to two fundamental roles that a frontline store manager performs -- merchandising and service roles.

A traditional or customary merchandising role involves activities such as following corporate planograms that focus on point of purchase displays, advertising, weekly sales and pricing, product assortment and store atmospherics.

By contrast, *entrepreneurial merchandising* includes departures from customary ways to experiment with innovative merchandising techniques such as:

- (1) being first in a market to introduce new products to obtain first-mover advantage,
- (2) actively adopting local merchandise even at the risk of losing sales,
- (3) designing innovative store-front signage and
- (4) altering promotions displays and locations to add variety to consumer shopping experiences.

Similarly, a customary service role involves activities that relate to customers' transactional (e.g., checkouts, returns), interactional (e.g., personalize, solve problems), and relational experience (e.g., relational bonds, recognize loyal customers).

Entrepreneurial service behaviors differ from customary service behaviors to focus on experimenting with innovative service tactics such as

- (1) exploring innovative and risky ideas for improving customer service,
- (2) being first in a local market to implement untested but creative service programs,
- (3) motivating, and incentivizing employees to take risks in meeting customer demand and
- (4) aggressively monitoring local and national information sources for new ideas and trends in customer service.

Strategically, entrepreneurial merchandising utilizes a push strategy to creatively induce in-store customers to buy, while entrepreneurial service uses a pull strategy to develop creative programs that draw customers into the store.

The research leaves little doubt that entrepreneurial frontline store managers hold the potential to substantially lift store profitability.

Entrepreneurizing the frontline

A prominent aspect of the Labor movement of the 18th and 19th centuries involved empowering workers' bargaining rights. Future progress requires going beyond empowering. Entrepreneurizing the frontline to transfer unfettered decisional authority (albeit over well-defined domains) and promoting a culture of entrepreneurship overall is the next frontier.

In the 20th century, businesses would do well to consider how to entrepreneurize their frontlines.

Too often, corporations run their frontlines like parents who don't trust their children. In reality, businesses have to give their children a little room to let them grow – and what better time to do so than during the Season of Giving.

About the Author

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