

A photograph of a smiling Black man in a light blue patterned shirt, standing in a supermarket aisle. He is holding a white shopping list in his left hand and a red plastic shopping basket in his right. The basket contains a pineapple. The background shows shelves stocked with various products, including boxes of instant noodles.

***Creating a service culture within the
South African context.***

***Local challenges and lessons from
abroad.***

***Customer-centricity - what does this
really mean and how do retailers make
this a reality?***

Syndicate 4



SYNDICATE ASSIGNMENT COVER PAGE
COMPANY SPECIFIC PROGRAMME

PROGRAMME:	W&RSETA ILDP PROGRAMME 2013
SNR PROGRAMME MANAGER:	Meeta Dullabh
PROGRAMME COORDINATOR:	Fiona Anderson
SYNDICATE GROUP:	Syndicate 4 – Ubuntu Bethu
STUDENT NAMES & SURNAMES:	Eric Govender Noel Johannes Donald Mazibuko Kemsila Naicker Alvin Pillay Shan Romon Bridgette Spalding
LECTURER:	Bonita Lee-Shew
MODULE:	Action Learning Project
TITLE OF ASSIGNMENT:	Creating a service culture within the South African context. Local challenges and lessons from abroad. Customer-centricity - what does this really mean and how do retailers make this a reality?

LECTURER FEEDBACK

Result

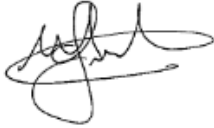
Lecturer Comments:

[illegible]

DECLARATION CLAUSE (Syndicate Assignment):

We, the undersigned, declare that the work submitted in this assignment is our own, and has not been submitted for academic credit in other subjects or courses at this or any other institution of learning. We also declare that all of the undersigned have participated equally in the drafting and presentation of this work.

Syndicate Member # 1 Eric Govender



Syndicate Member # 2 Noel Johannes



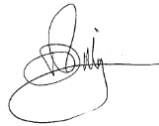
Syndicate Member # 3 Donald Mazibuko



Syndicate Member # 4 Kemsila Naicker



Syndicate Member # 5 Alvin Pillay



Syndicate Member # 6 Shan Romon



Syndicate Member # 7 Bridgette Spalding



Syndicate Leader: Kemsila Naicker

As Syndicate Leader I endorse the declaration of the above team members. Furthermore, I declare that team members not appearing on this list have not participated in this syndicate assignment and should receive a nil mark.



10 March 2014

Was the assignment relevant to your working environment?

Yes, absolutely. Truthfully, we felt overwhelmed by the scope of “customer-service” at the start of this journey. Now, at the end of the ALP journey, we feel incredibly fortunate to have been assigned this topic. The investigation into the customer service journey has been an eye-opening experience, and one which we approached sincerely and humbly. For the last 9 months, Ubuntu Bethu had a weekly (sometimes twice weekly) teleconference to discuss customer service. We learnt, that even as we despaired at the issues within our own organisations, that there are certain common customer service issues that pervade the industry. And so, a group of people thrown together to complete an ALP, become a team of camaraderie and support.

The issue of customer service became a constant companion, we raised it in internal work meetings, hoping to glean different insights from senior colleagues, chatted to random store assistants on personal shopping trips, and discussed it with friends and family. At the end of this process, this habit of interrogating perceptions of customer service will stay with us. It is possibly the most important aspect we will take away from the ILDP. While our organisations continue to strive to become customer-centric, we as individuals, have taken the first step towards customer-centricity. With every decision we make, we now ask ourselves, “How will this impact my customer?” As a retail executive, we should have been having the constant internal conversations about customer service even before the ALP.

The learnings from the ILDP course are inextricably woven into the fabric of this paper. Concepts such as participative leadership and personal mastery are apparent in our recommendations, we rely on the case studies in the Strategic Marketing module, we brainstormed recommendations using the Concept Extraction method, we referred to the Macro-economic module for key drivers to include in our macro-economic context, learnings from our international immersion made a huge impact on our thinking, and even the South African Mall Immersion impacted this ALP. We hope that the learnings from the Critical Thinking and Problem Solving module is evident throughout this document and we present a robust argument for intrinsic motivation at the store level!

It may not seem like a “radical” finding, but our conclusion that the store manager should be elevated in a retail organisation as a vital interface between the customer and the organisation is actually “fresh thinking” for a South African retail organisation. Discussions with the team show that the top-down “Head Office” thinking pervades the industry. We strongly believe in our recommendations and our next step is to take our recommendations to our businesses and implement them!

We feel honored to have been entrusted to reinvigorate the retail sector by having the opportunity to participate in a learning experience that will undoubtedly be of benefit both in our personal and professional lives.

In a challenging domestic environment amidst intense local and international competition, retailers have to innovate and differentiate themselves from their peers. Consumers are engulfed with a plethora of choices and transacting media to satisfy their every desire, but it's at the store level where the most fundamental of human needs is neglected. We hope that with the insights gained from our learnings over the past 9 months will contribute to the new generation of customer-centric retailers.

TABLE OF CONTENTS

1	Executive summary	8
2	Macro-economic context	9
3	Why is excellent customer service a business imperative?	10
4	Business problem/ Opportunity area.....	11
5	Inclusions, exclusions and research audience.....	11
5.1	Inclusions	11
5.2	Exclusions.....	12
5.3	Research audience and methodology.....	12
6	Research of primary customer service issues	13
6.1	Results of customer survey.....	13
6.2	Results of survey to customer service providers	15
6.3	Results of retail industry surveys	15
6.4	Discussion of research results.....	15
7	Comparative research – Ultra Liquors	16
7.1	Store manager leadership style	16
7.2	Results of case study.....	22
7.3	Change in leadership in Store E	22
8	Comparative research – Game Africa	23
8.1	Store manager leadership style	23
8.2	Results of case study.....	24
9	International lessons	25
9.1	Lessons from China and India	25
9.2	International case study: Nordstrom.....	26
10	Review of Academic Research on Motivation.....	27
10.1	Academic research on extrinsic and intrinsic motivation.....	27
10.2	Academic research on monetary vs non-monetary incentives	27
10.3	Dan Pink’s Theory of Motivation	28
11	Recommendations and implementation plan	30
11.1	Recommendations to empower the store manager (“The Rainmaker”).....	30
11.2	Recommendations to increase intrinsic motivation of staff members	31
11.3	Implementation plan	33
12	Business Case for Intrinsic Motivation Recommendation	34
13	Customer-centricity.....	36
13.1	Lead and model.....	37

13.2 Listen and learn.....	38
13.3 Action	39
13.4 Celebration.....	39
13.5 Measurement.....	39
14 Conclusion	40
15 Appendix 1 – Customer Service Survey and Results	42
16 Appendix 2 – Customer Service Provider Survey	45
17 Appendix 3 – Retail industry surveys	45
18 Appendix 4 - Bibliography	47

1 EXECUTIVE SUMMARY

Our ALP journey has been both challenging and enlightening. Our team, Ubuntu Bethu, has been mandated with the following problem statement:

Creating a service culture within the South African context. Local challenges and lessons from abroad. Customer-centricity - what does this really mean and how do retailers make this a reality?

There are essentially two questions within our problem statement and we sought to answer both questions within the following contextual framework:

1. *What are the key local issues identified by stakeholders that hinder excellent customer service from being rendered at a retail store, and what are the possible solutions? What are the international lessons that may be applied?*
2. *What is customer-centricity, and how do retailers make this a reality?*

We define “customer service” as the assistance, advice and service offering by employees of a retail (brick and mortar) store to meet the requirements of existing and potential external paying customers.

To answer the first question, we conducted surveys with various stakeholders (customers, customer service providers, retail companies, ILDP colleagues, expert interviews) to determine the key customer service issues. The key customer service issue we distilled from the various stakeholder surveys and interviews was “poor staff attitude”. We interpreted this to mean that stakeholders (all stakeholders are customers in their own right) felt they were not exposed to friendly, efficient, professional and courteous customer service providers and there was a perception (rightly or wrongly) that employees in external customer facing roles are generally not willing or able to prioritise customer requirements or effectively assist with resolving issues that would result in an improved customer service experience.

Our scope was now narrowed to understand “staff attitude” within the customer service paradigm. We set about building a fact base to understand the relationships between “staff attitude”, customer service and ultimately store sales. We attempted to build a fact base that was both deep and wide:

- We administered 2 comparative studies, where comparable stores within the same retail chain had divergent customer service performance, and financial performance. The drivers of the difference in performance was identified to be the leadership style of the store manager which had a direct impact on staff attitude and engagement
- We applied international lessons from our international immersion in China and India, as well as interrogated the case study of Nordstrom, a US based retailer known for its exceptionally motivated staff and superior customer service
- We interrogated academic thinking on the drivers of motivation, specifically the impact of monetary vs. non-monetary incentives, and extrinsic vs. intrinsic motivation. Intrinsic motivation was identified to be the most significant driver of motivation and staff attitude, and we then delved into the latest research on intrinsic motivation, Dan Pink’s Theory of Motivation

Having built a fact base which shows that the store manager is the key change agent and the gatekeeper to providing a positive and motivated workplace, we then recommend an action plan to implement drivers of intrinsic motivation at the store level.

The second question requires a theoretical discussion as customer-centricity is more than just the service experienced by the customer on the floor, it permeates the entire organization, the DNA of a business. This would therefore entail changing organizational structure to enable the organization to be geared to meet the needs of its customers. We therefore have approached this question on a theoretical basis. We

have delved into the term “customer-centricity”, defined it based on academic research and innovated a model for an organisation to develop a customer-centric framework for possible implementation.

2 MACRO-ECONOMIC CONTEXT

In his 2014 Budget Speech, the Minister of Finance forecasted real GDP growth of 2.7% in South Africa for 2014 growing to 3.5% by 2016. Over the same period he forecasted that the African economy will grow by 6% in real terms and the global economy by 3.9%¹. Potential domestic risks highlighted by the Minister in his speech include further delays to the introduction of new infrastructure, particularly additional electricity capacity, higher inflation due to the weakness of the rand, and protracted labour disputes which could depress consumer and business confidence. The wholesale, retail and motor trade; catering and accommodation industry is the third largest sector of the South African economy (after Finance, real estate and business services and general government) and accounts for 16.6% of South Africa’s GDP². The sector also employs an estimated 1.7 million (20%) of the total formal non-agricultural related employees in South Africa of 8.45 million³.

The South African retail industry propped by rising nominal incomes, a growing black middle class and increasing urbanisation is forecast to grow by a nominal average rate of 9.2% annually between 2013 and 2018, from R1,622bn to R2,424bn⁴. As there is an extremely high correlation between household spending and nominal GDP growth (96% correlation)⁵, this would imply from a forecast perspective that real growth in the retail sector will largely track forecasted GDP growth when one takes into account the impact of inflation which is anticipated to remain within Government’s target band of 4-6% over the period.

With single digit forecast growth, the South African retail sector in trying to maintain and grow margins in a highly competitive trading environment will have to contend with a few challenges:

- A key driver for economic growth and consumer confidence is the level of job creation (unemployment currently 24.1 % Q4 2013⁶) in the economy. Unfortunately, South Africa’s near term employment outlook remains muted in the face of lower real GDP growth and private sector employment still below 2007 levels⁷;
- Rising labour costs (8%) and utility costs (14.5%⁸) increase operating costs and erode margins;
- The average retailer experiences approximately 25% to 30%+ turnover in staff;
- Rising interest rates have a negative impact on the sector, particularly on furniture and clothing retailers with lower disposable income and higher credit default risk from cash strapped consumers;
- According to World Bank data, South Africa is ranked in the top 5 of the most unequal income distribution countries in the world as measured in terms of the Gini Index⁹;

¹ 2014 Budget Speech – National Treasury

² Statistics South Africa – Gross Domestic Product Fourth Quarter 2013

³ Statistics South Africa – Quarterly Employment Statistics September 2013

⁴ Business Monitor International – South Africa Retail Report Q1 2014 (BMI Q1 2014)

⁵ Macquarie Research – SA Food Retailers 16 April 2013 p104

⁶ <http://beta2.statssa.gov.za/>

⁷ Macquarie Research – SA Food Retailers 16 April 2013 p105

⁸ Statistics South Africa – Producer Price Index January 2014

⁹ <http://wdi.worldbank.org/table/2.9>

- The weakening Rand is expected to drive an increase in inflation. As retailers are nearly always able to pass on the direct inflationary impact from rising inventory prices, product inflation versus cost inflation is often a far more important metric than general CPI movements; and
- The exchange rates major impact on the South African retailers is the impact that the currency has on input prices. With the majority of the apparel and general merchandise products being directly imported and food products often trading at import/export parity, these fluctuations can be material.

The challenges we have outlined above represent key socio-economic challenges facing the retail industry. However, we provide evidence in this research paper that despite the socio-economic challenges, retailers are still able to offer superior customer service in a positive and motivational work environment. The labour turnover rate of ~25% is extremely high, and we believe that our recommendations in Section 11 will contribute to reducing that labour turnover rate.

3 WHY IS EXCELLENT CUSTOMER SERVICE A BUSINESS IMPERATIVE?

The typical South African retailer no longer operates in a protected and sheltered economy. Globalisation, the impact of technology, legislative changes and growing consumer activism are just some of the factors that have radically changed and will continue to shape the retail environment both in South Africa and beyond. Market entry potential in the South African retail market is limited as the country's retail market is crowded and competitive according to the BMI Q1 2014 report.

This competitive landscape presents the ideal platform for a retailer to enhance long term shareholder value by differentiating the business model with a service offering and delivery platform built around a customer centric framework.

“As brands become increasingly commoditized and competition fiercer, keeping and expanding customer relationships depends on the ability to deliver a customer experience tailored to changing customer needs and values and consistent with the brand promise. In a time of economic uncertainty—with customer trust eroding and purchase behaviors grower harder to predict—mastering this ability has become even more critical to staying relevant, competitive and profitable”¹⁰

Retailers invest significant capital on infrastructure, communication and marketing strategies, e-commerce and personnel in an attempt to attract and retain customers. Investment in the customer is a strategic imperative of most retailers with a view to building relationships with customers as a means to securing a long term revenue stream.

In the mind of the consumer, companies are typically segmented by either their product or service offering. Apple differentiated itself in the market by introducing and leading with a great product offering and leading via innovation. South African retailers with similar product offering can only really differentiate themselves from their competitors by customer service differentiation. Customer sophistication, urbanization, increase in retail stores and access to information has negated the historic key competitive advantages that some retailers had over others. In the modern retail environment with unfettered access to information, real time communication with the retailer and other customers via social media, the key

¹⁰ Accenture – Creating Customer Loyalty – A Customer Centric Approach

differentiator and best measure of long term investment return in the future will be the measure of customer service. Meeting, exceeding and exciting customers will provide retailers with the long term revenue streams and ultimately decide on the retailers that remain in the retailing landscape and those that fail to adapt to a customer centric approach.

4 BUSINESS PROBLEM/ OPPORTUNITY AREA

We have interpreted the problem statement as two questions:

1. *What are the key local issues identified by customers that hinder excellent customer service from being rendered at a retail store, and what are the possible solutions? What are the international lessons that may be applied?*

To answer the first question, we conducted surveys with various stakeholders to determine the primary customer service issues. Once we distilled the key customer service issues, we conducted two comparative studies of 2 retail stores within the same Chain, to understand the drivers of customer service. We then formulate a proposition and recommend practical and implementable changes at a store level to improve “customer service”.

Definition of customer service: For the purposes of this ALP, we define “customer service” as the assistance or advice provided by employees in a retail (brick and mortar) store to satisfy the needs of customers.

2. *What is customer-centricity, and how do retailers make this a reality?*

“Customer centricity” is more than the service experienced by the customer on the floor, it permeates the entire organization. This would therefore entail changing organizational structure to enable the organization to be geared to meet the needs of its customers. We therefore have approached this question on a theoretical basis. We have delved into the term “customer-centricity”, define it based on academic research and attempt to set out a model for an organisation to become customer-centric.

5 INCLUSIONS, EXCLUSIONS AND RESEARCH AUDIENCE

5.1 INCLUSIONS

- Since online sales are a minute fraction of South Africa’s total retail sales, we are focused on improving customer service at a brick and mortar store interface only (as the primary interface that customers interact with retail companies).
- We include both product and service sectors that form part of the retail sector.
- We have investigated the customer service needs of an “average South African customer”, who may range between an LSM 1 to LSM 10 consumer. Having conducted an electronic survey to South African customers, we acknowledge that the survey (being electronic) may be biased towards customers with access to the internet and therefore may be in the LSM 4 to 10 categories. However, our research does not differentiate between customer needs according to LSM categories as we believe that all customers across the LSM spectrum have a basic expectation of “good customer service”. This belief was substantiated during our Mall Immersion during which we visited Hyde Park Mall and Sancardia Mall. We experienced exceptional customer service at both Malls, yet Hyde Park Mall targets LSM 8 to 10 (and above) customers, and Sancardia Mall targets lower LSM customers. Therefore, according to our definition of “customer service” as set out in the previous section, our research

recommendations may be applied to all brick and mortar retail stores, regardless of LSM target markets.

5.2 EXCLUSIONS

- We exclude online and telephonic interfaces. Online shopping spend, while growing rapidly, is less than 1% of the total retail spend in South Africa. We therefore focus on brick and mortar stores only, as the main retail channel in South Africa
- We exclude all other countries besides South Africa: this project addresses customer service challenges relevant to South African retailers only. However, we include lessons from other countries, including the United States of America, Botswana, China and India
- We exclude all other industries besides the retail sector e.g. banking, industrial, construction etc.
- We make the assumption in this paper that the legislated minimum wage (individual) for a South African retail employee is sufficient to meet the basic needs such as food and shelter, and therefore we focus our research on addressing higher needs for an individual (such as intrinsic motivation). We base this assumption on the following rationale:
 - The minimum wage calculation has taken the cost of meeting the basic needs of an individual into account
 - To fully understand whether the minimum wage is sufficient to meet the basic needs of a *household*, we would need to understand the number of individuals in a household that are earning the minimum wage in the retail sector, individuals in that household that are receiving government subsidies and grants, as well as the number of dependents in that household. We would also need to research the minimum level of income required by the average household to meet its basic needs. This research is deemed to be outside the scope of our research paper
 - Our comparative research as set out in Section 8 analyses two stores, one that offers exceptional customer service and another store that provides extremely poor customer service (according to number of customer complaints). The employees in both stores earn similar salaries (approximately the minimum wage in the retail sector) for the same roles within the store. Therefore, we have evidence in both case studies that show that it is possible to offer superior customer service for a certain level of wages. We are therefore confident in our research focus of addressing higher needs in an individual in this paper
- By using an online survey as a primary tool to canvas customers, we acknowledge that we may be excluding participants in the market that do not have access to the internet
- We have excluded support companies in our research audience

5.3 RESEARCH AUDIENCE AND METHODOLOGY

We have developed a matrix that shows our research audience horizontally across the table and immersion methods vertically down the table.

	Academic Experts and Best Practice	Customers	Customer service providers	Retail Companies	Networks (friends and family)
Online surveys	Y	Y	Y	N	Y
Face to face interviews	Y	Y	Y	Y	Y

	Academic Experts and Best Practice	Customers	Customer service providers	Retail Companies	Networks (friends and family)
Research/Books /articles	Y	Y	Y	Y	N
Team personal encounters	N	Y	Y	Y	Y
Company resources	Y	Y	Y	Y	N

Key:

Y – Included this market participant in our research audience

N – Did not include this market participant in our research audience

Grey shade – Primary immersion method used to contact this market participant

6 RESEARCH OF PRIMARY CUSTOMER SERVICE ISSUES

To answer Question 1 of our Problem Statement, we conducted surveys of various retail stakeholders to identify the primary local challenges in customer service. We surveyed South African customers, South African service providers, our ILDP colleagues and major South African retailers.

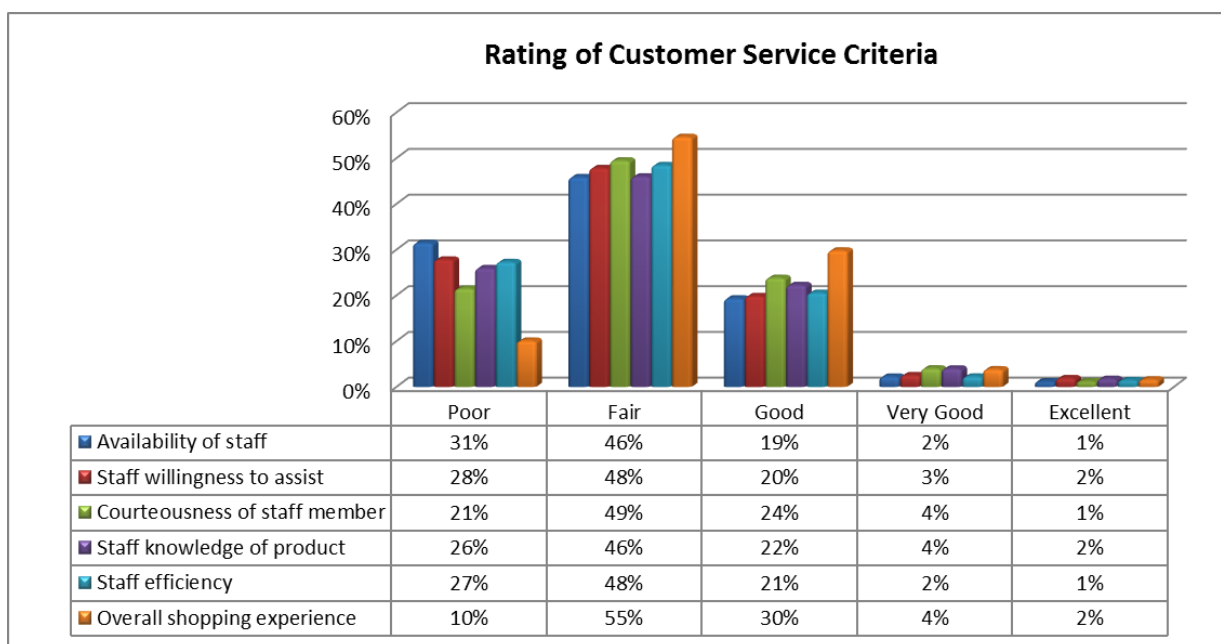
6.1 RESULTS OF CUSTOMER SURVEY

The team conducted an electronic survey of customers to determine the main customer service complaints and provide evidence that South African consumers are dissatisfied with the level of customer service provided by retailers. Please refer to Appendix 1 for the survey questions and comprehensive results of the survey.

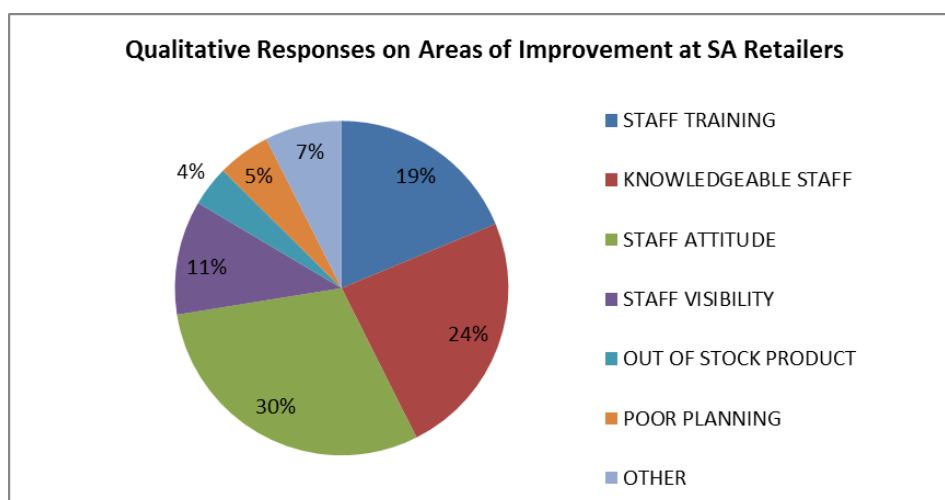
Selected results of the survey follow. The sample size of the survey was 626 respondents.

As can be seen in the chart below (with respect to the “Poor” rating), 31% feel that retailers have poor availability of staff while 28% believe that staff are unwilling to assist readily. 10% of our sample customers (626 respondents) believed the overall shopping experience is poor.

On the other side of the spectrum, there is an extremely low proportion of respondents (not higher than 2%) that believe they do receive excellent customer service across all criteria.



We asked respondents of the survey to comment on areas that SA retailers could improve in terms of customer service. 30% of responses commented on the fact that the attitude of frontline staff could be improved, 24% commented on the lack of product knowledge displayed by staff members and 19% of responses indicated consumers want staff to be trained further before they are on the floor.



In summary, our survey revealed customers believed staff are either not readily available to assist them, or are unwilling to assist them. According to the qualitative responses above, 30% of respondents conveyed they believe that customer service will improve if customer service providers have a positive attitude when assisting customers.

6.2 RESULTS OF SURVEY TO CUSTOMER SERVICE PROVIDERS

We distributed a questionnaire to customer service providers to determine the main issues raised by customers in their experience. The sample size is 47 respondents. Please refer to Appendix 2 for the questionnaire.

The results of the question “What are customers complaining about?” follows:

1. 66% of respondents cited “poor or bad service” as the issue customers complain about. “Poor or bad service” includes queries not being resolved, unpleasant encounter with staff and dissatisfaction with the product purchased.
2. 17% of respondents cited out of stock products as the main issue.
3. 13% of respondents cited lack of staff availability and long queues due to unmanned tills.
4. 4% of respondents cited language and poor communication skills by the service providers as an issue that customers most complain about.

Due to the wide ambit of issues (ranging from poor attitude to product dissatisfaction) being cited as “poor or bad service” in our written survey (and in many instances the term was not expanded upon in the survey), we cannot reliably state that the most common complaint is “X”. We have therefore decided to not rely on the results of this survey.

6.3 RESULTS OF RETAIL INDUSTRY SURVEYS

This section summarises the results of our research of the key customer service issues as identified by retailers. Our sources of data include results of the ILDP class survey (we asked the class to give us their perspectives as a customer and as an employee of a retailer), informal discussions with colleagues at our retail organisations and results of internal consumer research conducted by two major South African retailers. Please refer to Appendix 3 for the detail of the surveys’ results.

Summary of the key issues (in order of most frequently raised) highlighted by the above sources:

1. Inefficient/ disengaged staff (this speaks to the fact that staff do not show a ready willingness to help).
2. More staff training required – to address both product and store processes knowledge.
3. Employee turnover – the high turnover of retail employees directly impacts staff availability on the floor.

6.4 DISCUSSION OF RESEARCH RESULTS

While most South Africans believed that SA retailers provided “fair” service, extremely few believed excellent service was provided. 31% of respondents found “availability of staff” poor while shopping at South African retailers.

21% of customers believe that customer service providers’ courteousness is poor and 28% believe that a customer service provider’s willingness to assist is poor. This implies that the customer service providers’ attitude towards the customer is less than satisfactory.

Regarding the qualitative question in our customer survey, 30% of responses related to the poor attitude of frontline staff, 24% commented on the lack of product knowledge displayed by staff members and 19% of responses indicated consumers wanted staff to be trained further before they are on the floor.

This indicates more consumers are significantly more dissatisfied with the personal interaction with staff members rather than being unhappy with less personal aspects such as product availability and policies and processes at stores.

Given that the customer survey results indicate “poor attitude” is a primary customer service issue and the responses from retail industry surveys indicate that the main issue is “disengaged staff”, we decided to look at the concept of motivation as a tool to bring about a change in attitude at the service provider level.

7 COMPARATIVE RESEARCH – ULTRA LIQUORS

We conducted comparative research over an 11 month evaluation period of key financial and customer service performance indicators on 5 retail stores within the Ultra Liquors (Pty) Ltd national chain of 30 liquor stores. The stores will be referred to as Stores A, B C, D and E (named as such to protect confidential information and personnel identities).

All stores are similar and comparable on the following key parameters:

- Product mix
- Store floor space (in square meters)
- Store assistants in all 5 stores earn a similar salary
- All 5 stores are based in the Western Cape

Two stores (Stores A and E) achieved widely differing results over the 11 month period with Stores B, C, D achieving similar and comparable results. The objective of the comparative study is to identify the potential reasons for the performance differences in relation to customer service between Store A (superior performance) and Store E (poor performance).

Feedback from customers during the evaluation period in regard to Store E are as follows:

- Inefficient and disengaged staff - staff attitude
- Staff training and high employee staff turnover - staff not available or sufficiently knowledgeable to resolve queries

Store A did not receive any customer complaints with regard to the above issues during the evaluation period.

7.1 STORE MANAGER LEADERSHIP STYLE

The results of the comparative research prompted the team to evaluate “How did two similar stores achieve such vastly different results?” Discussion with Ultra Liquors Executive Management reveals that Stores A and E are managed by managers with differing leadership and motivational styles which could be impacting on the operational performance of the store. As discussed in Prof. Karl Hofmeyr’s Leadership Module, the leadership and motivational style of a leader may have a startling impact on the operational performance of an organization.

We decided to unpack the key qualitative aspects of the leadership and motivational style of the Store A and E managers against the quantitative metrics utilized in the research analysis. The outcome of that analysis is summarized below.

7.1.1 Financial and operational performance

As shown in the table below, foot traffic across all five stores are similar (with the exception of Store D which is based in a small town). Store A achieved foot traffic of 18939 with a growth of 20% in the 11 month period under review. Store E achieved a lower foot count of 18553 (after achieving the highest foot count in the company (30 national stores) for many years previously).

Interpreting the data in the table below is startling not just from a revenue perspective (Store A +10%; Store E-4%) but worrisomely from a customer complaint perspective (Store A: 2 complaints; Store E: 77 complaints).

Store performance metrics from 1 April 2013 to 28 February 2014	Store A	Store B	Store C	Store D	Store E
Revenue growth (excluding business to business revenue)	10%	5%	-1%	0%	-4%
Footfall	18939	18880	17353	12251	18553
Footfall growth	20%	25%	2%	-1%	6%
Customer complaints	2	44	55	33	77

Note: Reporting is done on a financial year basis (1 April to 31 March) and we have not reached the financial year end for the current year, therefore data for the 11 months of the current financial year is reflected. Growth percentages for all metrics are for the period 1 April 2013 to 28 February 2014 versus the previous comparable period of 1 April 2012 to 28 February 2013.

Qualitative Characteristics	Store Manager A	Store Manager E
Attitude towards employees	Endeavors to create a friendly and supportive work environment by developing a relationship with his employees. Displays genuine concern for staff and their families' welfare.	Minimal interaction with employees and no personal relationship with staff. No regard for staff or family welfare.
Staff autonomy	Empowers departmental heads to make decisions and be accountable. Provides guidance and supervision when required and focused on customers and staff as opposed to administration. Staff are encouraged to try new approaches and interact with Executives on store visits	Staff are "ruled by fear" (in their own words) with no delegation or decision making authority. Store manager very administrative focused and avoids dealing with staff and customers. All communication with Head Office only via Store Manager.

	as Manager believes in the concept of staff “owning their aisle”.	
--	---	--

7.1.2 Training and development

One of the key quantitative metrics for evaluating Store manager A and E is the investment and commitment to staff development and training, summarized in the table below. The company policy is to administer weekly training every Wednesday morning. The Head Office Skills Development Facilitator forwards the training material to stores on a Tuesday afternoon. The company policy is to undertake monthly performance reviews and provide timely feedback to staff.

Training metrics from 1 April 2013 to 28 February 2014	Store A	Store B	Store C	Store D	Store E
Weekly training (% of weeks training administered in a 11 month period)	100%	80%	97%	88%	44%
Average attendance of training sessions over 11 month period	83%	43%	69%	50%	29%
Performance appraisal (% of months appraisals administered in 11 month period)	100%	90%	89%	85%	75%

The qualitative implementation by the respective store managers to give effect to the quantitative measure is discussed below.

Qualitative Characteristics	Store Manager A	Store Manager E
Attitude towards training	Reviews training material on Tuesday afternoon and clarifies any queries with trainer before Wednesday morning. Store Manager and Department Heads alternate with providing the training to reduce dependence on single employee and ensure transfer of skills and expertise across the team. This approach culminated in 100% of administered training with an overall 83% staff attendance.	No involvement in staff training and does not attend or present training, which is the responsibility of Department Heads. Only 44% of the required training sessions were administered with overall attendance of 29%.
Cross training	Invests in cross-training staff to fulfill multiple roles in the business in the event of staff absenteeism. Staff receives increase in remuneration for completing necessary	Due to the high staff turnover (10 employees resigned during the evaluation period) no cross training of employees was possible.

	competency tests and develop skills that aide in promotion and transfer across the operations.	
Recognizing and rewarding excellence	<p>After the training session the Store Manager provides feedback to staff on feedback from customers. Excellence is rewarded with “freebies” from suppliers such as caps, t-shirts and rugby tickets. Other “softer” benefits include a half day of leave for birthdays and minimal overtime for staff with families.</p> <p>Negative feedback is addressed with staff in private.</p>	There is no reward programme in place for employees and “freebies” from suppliers were distributed to the Store Managers family and friends.
Performance reviews	<p>Department Heads have monthly performance appraisals with all employees with the Store Manager undertaking quarterly reviews with all staff. Performance goals as well as training and development plans are set. During the evaluation period, 100% of the required sessions were achieved.</p>	Performance appraisals were not always undertaken with employees. During the evaluation 75% of the required sessions were achieved. It has recently transpired that Department Heads were instructed to complete the appraisal forms at home (and not have a face-to-face performance appraisal with his staff) further undermining the accuracy of above result.

7.1.3 Employee engagement

Store E has the highest staff numbers but is the worst performing in the peer group on all key metrics.

Employee engagement metrics from 1 April 2013 to 28 February 2014	Store A	Store B	Store C	Store D	Store E
Number of employees	20	26	23	23	28
Average attendance of training sessions	83%	43%	69%	50%	29%
AWOL (days)	15	18	6	14	36
Sick days	92	98	130	67	304

Resignations	0	3	5	1	10
Staff discharged	0	2	2	3	4
Overtime budget	Under	Over	Over	Over	Over
Stock loss (percentage of turnover)	0.18%	0.12%	0.19%	0.14%	0.66%

Qualitative Characteristics	Store Manager A	Store Manager E
Management style	Builds relationships with staff and understands that success of store is intrinsically linked with the relationship between Store Manager, employees and customers. A happy and contented workforce does result in superior operational performance. Store A has underspent on the budgeted overtime spend as the manager believes that overtime takes time away from his employees' families therefore focusing on completing all tasks within normal working hours – this is impressive considering that Store A has the fewest employees.	No relationship with staff with significant element of mistrust between Store Manager and employees. Non-conducive work environment has direct bearing on employee morale and is reflected in the poor absenteeism, staff turnover and stock loss statistics.

7.1.4 Customer service

Store E has received 77 customer complaints since 1 April 2013 (the highest number of complaints in the region), with the primary grievance related to staff attitude and their inability to deal with queries. During the evaluation period, Store A had 2 complaints, one related to closing time and the second complaint was with regard to an out of stock product. No complaints regarding staff attitude and ability to handle queries.

Customer service metrics from 1 April 2013 to 28 February 2014	Store A	Store B	Store C	Store D	Store E
Customer complaints	2	44	55	33	77
Percentage of sales on loyalty programme	60%	48%	43%	54%	45%
Foot traffic growth	20%	25%	2%	-1%	6%

Qualitative Characteristics	Store Manager A	Store Manager E
Customer loyalty	<p>Staff in Store A is on a first name basis with regular customers and are able to recommend products for purchase based on their intimate knowledge of the customer.</p> <p>Ultra Liquors has a customer loyalty programme where customers enjoy discounts on selected products. Store A has 60% of all sales on the loyalty programme.</p>	<p>Minimal personal relationships with customers due to high staff turnover and low employee morale. Store E has 45% of all sales on the loyalty programme.</p>
Management response to complaint	<p>The customer complaint was with regard to the store closing 5 minutes earlier than advertised. The Store Manager installed a clock for the benefit of customers and staff</p>	<p>Store Manager blames staff for being lazy and incompetent. Staff has subsequently instituted grievance proceedings against the Store Manager which has culminated in his dismissal. Store Manager A has been temporarily seconded to Store E and just in the past fortnight has overseen a dramatic improvement in turnover, staff absenteeism and reduction in customer complaints.</p>

7.1.5 Results of comparative research

Given the qualitative characteristic assessment of the leadership and motivational style of Store Managers A and E, we postulate that staff in Store A would be more engaged than staff in Store E. The empirical data in the tables above offers further quantitative evidence to substantiate the hypothesis. We have also included metrics for Stores B, C and D to further enhance the outcomes of the hypothesis (in some cases) and thus conclude that the leadership and motivational style does impact on the operational performance of the store.

7.2 RESULTS OF CASE STUDY

As illustrated above, Store E's manager did not value developing his staff:

- No autonomy: Extremely autocratic, and did not give his staff any ownership over their roles. He expected to sign off on everything, even the most mundane of tasks. He was also very administrative focused, and did not spend any time on the shop floor. He was a disciplinarian and was not interested in developing personal relationships with his staff
- Lack of emphasis on training: He was not involved in rolling out any training sessions, and there were no repercussions if staff did not attend training

"You can recruit the best person in the world but it can become soul-destroying for them in an environment with a poor line manager."

Jonathan Loder, Woolworths HR Executive

Contrary to Store E, Store A's manager has been identified as a forward thinking manager that focuses on developing his staff:

- Autonomy: He explicitly tries to give his staff, particularly his direct reports (the three team leaders), autonomy in their roles, and steps in when his staff seeks guidance
- Training: He values the training initiatives rolled out by Head Office, and ensures that his staff are continuously upskilling themselves. Product knowledge is a key focus, and a shining example of product knowledge training is the completion of the Cape Wine Academy course by two staff members. This has greatly improved the store's customer service offering
- Cross-skilling: Cross-skilling of staff occurs frequently, and Store A's staff members rotate roles to ensure that Store A is not wholly dependent on a single staff member for any given role. Further, staff members are not bored in a single role, and find challenge in rotating roles
- Customer-centric leadership: The manager delegated many administrative functions to his team leaders, and spent his time walking the floor and interacting with staff and customers. He was thus able to respond to both his staff and customer's needs

We believe that Store A's employees are highly engaged and motivated due to their manager's leadership style, his focus on autonomy (owning your task) and his attitude towards training. This high level of employee engagement is apparent in the 20% growth in foot traffic, 10% growth in turnover, and exceptionally low number of customer complaints.

We have identified Store A's manager's leadership style as being aligned with Dan Pink's "*Theory of Motivation*". Dan Pink identifies three drivers of intrinsic motivation (Autonomy, Mastery and Purpose). We dissect Dan Pink's "*Theory of Motivation*" in Section 10.3.

7.3 CHANGE IN LEADERSHIP IN STORE E

A critique of our case study above could be that we have focused on the leadership style of the Store managers in Stores A and E as the sole reason for the difference in customer service and store performance. How do we show evidence that the difference may not be attributed to any other factors besides store leadership?

An interesting development occurred in our case study two weeks ago which adds much weight to our argument:

Due to the number of employee grievances against the Store E's manager, employee turnover, and the dismal performance of the store, the manager of Store E was requested to resign by the Company. Store A's manager was seconded to Store E to assist. This was partly due to his employees in Store A being competent and empowered to manage the store without Store A's manager being present. Regional managers have reported there are already indications of a turnaround occurring at Store E:

- Store A's manager instituted a 10 minute feedback session with staff three times a week in the morning to discuss staff concerns and staff suggestions for improvement
- Numerous staff suggestions have already been implemented successfully e.g. Staff suggested that a shift commence at 8am instead of 8:30am to count stock, so that when the store opens at 9am, 80% of the employees will be on the floor to assist customers as the stock count would be almost complete. (This was a staff suggestion and shows additional commitment from staff as they would have to arrive at work earlier.)
- Store E has already received 3 compliments from customers regarding the improvement in customer service

The results in Store E support our argument that by giving staff some autonomy to make decisions, intrinsic motivation will increase, thereby increasing employee engagement and improving customer service. In the long-term, this will lead to superior financial performance of the store.

8 COMPARATIVE RESEARCH – GAME AFRICA

This case study analyses two Game Africa stores in Botswana, one in Gaborone and the other in Francistown. Both Francistown and Gaborone have similar customer profiles, product range and supply chain, however their financial performance is

8.1 STORE MANAGER LEADERSHIP STYLE

Despite the operational similarities, the stores are managed by individuals with a distinctly different motivational and leadership style that has had an impact on performance when both stores were evaluated during the period 1 January 2013 to 31 December 2013. The following is a qualitative evaluation of both store managers from a senior executive at Game Africa who oversees both stores:

Qualitative Characteristics	Store Manager Gaborone	Store Manager Francistown
Management style	Autocratic without regard for any input from departmental heads and employees	Participative and inclusive with employees given autonomy and responsibility to execute their tasks in a trusted and safe environment. Employees are involved in decision making and on changes that directly impact their expected deliverables.
Communication	One way communication. Departmental heads and staff	Open and clear communication with staff.

Qualitative Characteristics	Store Manager Gaborone	Store Manager Francistown
	are told to do without regard for alternative suggestions or considerations.	Employee in the non-perishable groceries, commodities, snacks and confectionary department was given clear daily budgeted figures and given autonomy on how to achieve the set goals.
Outcome	Employees do not feel valued or part of their team. They have lower morale and have no sense of their contribution being meaningful in the context of the overall performance of the operations. This sense of lack of value to the organisation filters its way into the interaction with the consumer and ultimately negatively impacts on the operational performance of the business.	<p>Empowering the employee to “manage” a component of the business, created a sense of belonging and belief in the employee by providing a platform for the employee to express her abilities through her new found sense of value to the organisation. She was so proud of her area of responsibility that she referred to her aisle as ‘her office’.</p> <p>The employee’s sense of value improved overall staff morale and stimulated innovative thinking amongst employees with the said employee in the above example adopting a new approach to stacking of popular purchase items.</p>

8.2 RESULTS OF CASE STUDY

Quantitative Factors	Total Africa	Game Store Manager Gaborone	Store Manager Francistown
Sales (% Variation Rands Current year vs. Prior year)			
Confectionery	23.1%	24.3%	30.9%
Snacks	22.0%	24.2%	46.0%
Non-perishable groceries	54.2%	40.8%	107.3%
Commodities	105.6%	86.7%	266.0%

Quantitative Factors	Total Africa	Game Store Gaborone	Manager Store Francistown
GP (% Variation Rands Current year vs. Prior year)			
Confectionery	12.7%	10.6%	17.1%
Snacks	14.0%	29.3%	57.0%
Non-perishable groceries	29.9%	37.8%	174.9%
Commodities	66.7%	55.8%	260.2%

Francistown store out performed both the Gaborone store and the Total Africa chain performance in all key categories.

Besides growing the overall customer base, the Francistown stores increased the average basket size by 17% in value terms. The store had a minimum stock loss which was the best and most improved stock loss result in African operations. Gaborone decreased its customer base by 12%, grew basket size by 12%, while the total Africa stores grew the customer base by 4% (including new stores) and the basket size by 16%.

This case study provides further evidence that for similar stores, a motivational store manager that gives her employees autonomy (the employee in question had autonomy in how to stack items, and innovated a method of stacking) and a positive working environment is able to achieve superior financial performance.

9 INTERNATIONAL LESSONS

9.1 LESSONS FROM CHINA AND INDIA

We conducted many interviews with customers, customer service providers and retail executives during our international immersion in China and India. Our key learnings are reflected below:

1. Customers in China experience great customer service at retail outlets. Interviews with staff members showed that staff were motivated to provide good service for fear of losing their jobs (labour is not protected in China).
2. In the Chinese informal markets, we experienced extremely poor customer service (even being verbally abused if we decided not to buy the item). The lesson is that staff in the informal markets were solely driven by “closing the deal”, rather than serving the customers. This is illustrative of the importance of customer service providers being driven by both extrinsic and intrinsic factors to provide good customer service. In this instance, the sole extrinsic factor of job security resulted in the customers being verbally abused.

“The problem with making an extrinsic reward the only destination that matters is that some people will choose the quickest route there, even if it means taking the low road. Indeed, most of the scandals and misbehavior that have seemed endemic to modern life involve shortcuts.” Dan Pink

3. In India, there is a culture of service to humanity. Customer service providers have an attitude of humility and will go out of their way to serve you. Indian customer service is an effective blend of both polite and courteous service as well as in depth product knowledge.
4. Knowledge about your target market is critical. In India, there are many languages, but customer service providers understand their market, and are able to serve them effectively.
5. Technology will play an increasingly more important role in customer service going forward.
6. Specialization has great impact on product knowledge (single brand retail).
7. Incentives encourages customer service significantly (up selling).
8. Owner managed businesses demonstrate significantly better customer service than businesses that have a store manager that is not the owner. Here the owner is personally incentivized to motivate his staff to provide exceptional customer service. This illustrates again (similar to the evidence in our case studies at Ultra Liquors and Game Africa), that the store manager plays a vital role in motivating his team to offer excellent customer service.
9. Customers at different ends of the LSM spectrum have different expectations of customer service i.e. Lower LSM customers expect retailers to recommend products; Higher LSM customers know what they want and they want it fast. However, all customers across the LSM spectrum have a basic expectation of “good customer service”.

9.2 INTERNATIONAL CASE STUDY: NORDSTROM

The ILDP class studied the Nordstrom Case Study during the Strategic Marketing module. Key learnings from the case study that may be applied to our research:

1. Happy employees = Happy customers: Having been voted in 2013 as America’s favourite fashion chain, the Nordstrom customer service philosophy focused on doing everything to satisfy a customer was built on the foundation of empowering employees to take decisions that would benefit the customer. Nordstrom has one rule: “Use good judgement”. This is aligned with our findings in our comparative case studies of empowering staff and giving staff a level of autonomy to increase intrinsic motivation.
2. Nordstrom differentiates their business from their competitors by delighting the customer with personalized service that after a century of being in operation is yet unequalled in the retail environment. This shows that customer service is actually a point of difference that is difficult to compete against.
3. Employees are set daily, monthly and yearly goals with employees reminded of their goals on a daily basis. Rewards and recognition include designating the best employees as “Pacesetters” and providing the employees with a certificate of appreciation, higher discount on store purchases, business cards as well as trinket such as an engraved pen or diamond lapel pin.
4. The Nordstrom family were approachable and often visited the stores and interacted with customers and salespeople. They thanked employees for doing a great job and made them feel valued and appreciated.
5. The Store Manager has ultimate responsibility for the store altogether and spent most of their time interacting with customers and salespeople. Department managers are responsible for hiring, training, nurturing staff and evaluating staff.

10 REVIEW OF ACADEMIC RESEARCH ON MOTIVATION

Given that the primary issue raised in Section 6 by retail stakeholders is employee attitude, we have undertaken academic research to understand what the empirical evidence and theoretical propositions regarding motivate are:

10.1 ACADEMIC RESEARCH ON EXTRINSIC AND INTRINSIC MOTIVATION

10.1.1 Maslow's Hierarchy of Needs Theory

Maslow's Hierarchy of Needs theory suggests an individual's basic needs (extrinsic needs such as breathing, food, water, sleep etc) must be met before the individual will strongly desire (or focus motivation upon) the intrinsic or higher level needs like esteem and self-actualisation. For the purposes of this research paper, our assumption is that South African retail employees' basic needs are met. Please refer to Section 5.2. (Exclusions) for the rationale of this assumption. Therefore, in Section 11, Recommendations, we focus on addressing the individual's higher-level needs such as intrinsic motivation.

10.1.2 Herzberg's Two-Factor Theory

Herzberg's two-factor theory suggests that there are a set of factors that cause job satisfaction, and a separate set of independent factors that cause job dissatisfaction:

1. "Hygiene factors" such as job security, salary and company policies do not give positive satisfaction but provide dissatisfaction from their absence.
2. "Motivators" such as challenging work, recognition and ownership of tasks give positive satisfaction.

If we apply his theory to our case study of Ultra Liquors, we find that while Hygiene Factors were similar across both stores (salaries and company policies were the same), it was the difference in Motivators across the two stores that led to the disparity in customer service. We therefore focus Section 11, Recommendations on addressing Motivator factors in a retail store.

10.2 ACADEMIC RESEARCH ON MONETARY VS NON-MONETARY INCENTIVES

1. Tymon et al. (2010) found that intrinsic rewards and job satisfaction are positively correlated. Intrinsic rewards contribute greatly to satisfaction with organizations among employees.
2. Tausif (2012) investigated the relationship between non-monetary rewards and job satisfaction among teachers in public schools in Pakistan. The study used 200 samples that were randomly selected. The findings show that non-financial rewards are the most powerful predictors of job satisfaction. Therefore non-monetary incentives positively influence job satisfaction.
3. The effect of non-monetary incentives on employees' "job performance" has empirically been proven. Lewis (2013) posits that praise and recognition are effective ways of motivating employee behavior in the organization as they are considered the most important rewards. Hence, non-monetary incentives positively influence job performance
4. Job satisfaction results in higher productivity, organizational responsibility and physical and mental health. Hence, a worker tends to have a better mood as well as learn additional skills, thereby promoting job performance (Coomber and Barriball 2007).
5. Carette, Anseal and Lievens (2013) investigated the effects of a challenging job assignment on job performance. The study involved early and mid- career employees in a local branch of an international

furniture retailer. The findings show that there is positive relationship between a challenging assignment and job performance among early career employees.

6. Hayati and Caniago (2012) studied the relationship between job satisfaction and job performance and it was discovered that employees that are satisfied with their jobs perform better in the organization. Accordingly, job satisfaction positively influences job performance.
7. Intrinsic motivation techniques such as recognition; work/life balance incentives; celebration of achievements; learning opportunities and career advancement; paid holiday points accumulation are all positive types of non-monetary rewards which results in increased job satisfaction and job performance. There is also empirical evidence (Harunavamw and Kanengoni, 2013) that non-monetary incentives had a moderate significant relationship effect to motivation whilst at the same time monetary incentives had no significant relationship effect to motivation.
8. Arnolds and Venter (2006) investigated which rewards motivate lower-level employees in both manufacturing and clothing retail firms. Convenience sampling was used to select a sample of 367 lower-level employees drawn from 22 business firms in the Nelson Mandela Metropolitan Municipality. The empirical results show that paid holidays (leave and sick days) were given a number one ranking by both the blue-collar and frontline employees. This suggests that note needs to be taken of paid leave in motivational strategies. Time off from work, albeit through paid holidays or sick leave, satisfies other employee needs as well. It allows employees to spend more time with their families and attend to important matters that have been neglected while employees were working. Paid leave also provides a break from the demands of work with employees returning refreshed to work after leave.

Given the findings of the studies above, we have focused Section 11, Recommendations on non-monetary incentives, which seek to build the intrinsic motivation of customer service providers.

Since academic research provides substantial evidence to recommend a non-monetary reward program as a tool for motivating employees at lower levels in the retail industry, we explore non-monetary incentives in Section 11, Recommendations and unpack the concept of motivation in Section 10.3.

10.3 DAN PINK'S THEORY OF MOTIVATION

"The heart of motivation is to give people what they really want most from work. The more you are able to provide what they want, the more you should expect what you really want, namely: productivity, quality, and service."

Twyla Del, author, on motivating employees.

Dan Pink, in his 2011 book, *Drive: The Surprising Truth About What Motivates Us*, asserts that modern-day employees need to be intrinsically motivated to enjoy work and be fully productive. Intrinsic motivation, in turn requires three key elements, viz Autonomy, Mastery and Purpose.

The author suggests that motivation has developed through three distinct phases:

- Motivation 1.0 – human beings were driven solely by biological needs such as the need to satisfy hunger, security and sexual drives.
- Motivation 2.0 – this phase presumed that motivation can be achieved through the usage of rewards and punishment, however its shortcoming is that its effectiveness appeared to be limited to simple, routine work.

- Motivation 3.0 – in this contemporary phase, humans have a need for autonomy, a desire to pursue mastery and a need to offer themselves to something larger than themselves i.e. purpose.

The difference between simple, repetitive tasks (algorithmic) versus complex tasks (heuristic) are illustrated and the author suggests that heuristics tasks are most effectively carried out when “Motivation 3.0” is at play.

We suggest in this research paper that the provision of customer service is largely a heuristic task; while there are indeed algorithmic elements (e.g. there may be a standard format for greeting customers in a store or a set sequence of questions to ask when dealing with a customer complaint telephonically), by virtue of dealing with individual, unique, human beings, customer service providers are required to employ a heuristic approach to successfully handle their customers.

10.3.1 Autonomy

An individual’s natural state is geared toward having a degree of autonomy and self-direction. In order to be intrinsically motivated, employees should, where practically possible, be encouraged to exercise autonomy over:

- **When they do it (time)** – Consider switching to a ROWE (results-only work environment) which focuses more on the output (result) rather than the time/schedule, allowing employees to have flexibility over when they complete tasks.
- **How they do it (technique)** – Don’t dictate how employees should complete their tasks. Provide initial guidance and then allow them to tackle the project in the way they see fit rather than having to follow a strict procedure.
- **Whom they do it with (team)** – Although this can be the hardest form of autonomy to embrace, allow employees some choice over who they work with. If it would be inappropriate to involve them in the recruitment/selection process, instead allow employees to work on open-source projects where they have the ability to assemble their own teams.
- **What they do (task)** - Allow employees to have regular ‘creative’ days where they can work on any project/problem they wish – there is empirical evidence which shows that many new initiatives are often generated during this ‘creative free time’.

10.3.2 Mastery

Mastery refers to the in-bred desire of human beings to become better at something that matters to them; interestingly, it is the pursuit of mastery rather than its achievement which fosters intrinsic motivation.

10.3.3 Purpose

The most deeply motivated people link their needs to purposes which are greater than themselves; they pursue goals which are beyond mere material wealth.

The work of Dan Pink is central to our exploration of customer service in South Africa, specifically since our research in Section 6 pointed us overwhelmingly in the direction of unsatisfactory staff attitudes as experienced by our respondents. Our comparative case study provides evidence that empowering staff, giving them some autonomy over tasks, investing in training (mastery) and providing a warm and secure working environment will lead to more intrinsically motivated, engaged employees which has a positive

impact on customer service and in turn sales. The results of the case study are aligned with the evidence that Dan Pink leads in his book. We therefore focus on practical and implementable recommendations that will nurture autonomy, mastery and purpose for a store assistant.

11 RECOMMENDATIONS AND IMPLEMENTATION PLAN

Our recommendations are based on findings of the research undertaken as part of the course work. The specific and practical initiatives that follow can be implemented at a store level at South African retailers to improve intrinsic motivation, foster greater employee engagement and contribute to an improvement in customer service.

11.1 RECOMMENDATIONS TO EMPOWER THE STORE MANAGER (“THE RAINMAKER”)

The Ultra Liquors and Game Africa case studies underscored the importance of the store manager as the enabler of a positive working environment, whereby staff are empowered to make decisions which positively impact on the customer service experience and contribute to an improvement in operational performance. We believe that retailers should expend

“If you engage the staff, a lot of their issues have nothing to do with the company as such, it’s their line managers they have issues with.”
Jonathan Loder, Woolworths HR Executive

greater effort on focusing on the extremely important role that a store manager fulfills within their organisation. The store manager is the “rainmaker” from a retail company perspective, and is the essential link between the customer and the company. From our first-hand experience both as retailers and consumers, it appears that hiring an excellent store manager is almost a “hit and miss” affair, instead of a strategic recruitment exercise with a pre-defined long-term internal talent development process to nurture the right people for this highly strategic and important role within the retail organisation.

We believe that our magnified focus on the store manager as the champion of change, interface between the consumer, customer facing staff and the strategic implementer in the organisation is a “fresh concept” for South African retailers. The role of the store manager at South African retailers must be elevated to an aspirational and admired position within the retail organization. The store manager requires an amplified voice within the organization if an organization desires to be truly customer-centric.

A culture of the “Head Office” being the “Support Office” to the store should be nurtured. This importance of treating the store level as the most important level in the organisation is illustrated in the Nordstrom case study where their structure is an “inverted pyramid” with the customers and customer-facing employees at the top of the pyramid and the Head Office executives at the bottom.

11.1.1 RECOMMENDATIONS:

1. Personal Mastery: Store managers and assistant store managers should undergo intensive leadership and self-awareness training (similar to the Personal Mastery exercises that the ILDP class participants were exposed to e.g. Insights Profile).

- Store managers should be exposed to the latest thinking around leadership e.g. participative leadership
 - It is important for companies to recognize the store manager as a vital change agent whose attitude and EQ competencies will be a significant factor in the motivation of his staff and the successful interaction of his staff with the consumer to implement the strategic imperatives of the organisation.
 - Store managers often manage large teams of 20 to 50 people, dependent on store size, yet are often ill-equipped to manage the strategic resources (staff, interaction and communication with head office, consumers) that are entrusted to the individual, as evident in the EQ competencies of the manager in Store E in the Ultra Liquor case study
2. Train the store manager in ROWE (results-only work environment) which focuses on output rather than a schedule that store managers have to manage.
 - A deep understanding of this concept will allow store managers to develop alternative approaches in managing staff allowing for potentially a reduction in micromanagement and more people motivation and leadership.
 - This change in approach will cultivate a sense of ownership and autonomy for staff to execute on their deliverables and help improve motivation, morale and possibly lead to greater innovation within the business.
 3. Communication amongst stores: Facilitate communication channels such that store managers are able to share insights at the customer interface with the rest of the organisation
 - A practical example would be bi-monthly teleconferencing or videoconferencing calls with all store managers to share customer insights that should be translated into responsive action by the retailer to meet the evolving needs of its consumers. Store managers have limited contact with their counterparts at other stores (usually limited to annually at the company conference), and their only interface to the rest of the company is the regional manager. Valuable sharing of information and collaboration is lost between store managers
 - We have found in our own retail organisations that communication is usually one way – from Head Office to stores without any room for consultation and discussion with the actual people in the know, the staff in the store.

11.2 RECOMMENDATIONS TO INCREASE INTRINSIC MOTIVATION OF STAFF MEMBERS

We believe the practical application of the following recommendations will positively impact the intrinsic motivation of customer service providers, improve “staff attitude”, increase employee engagement, thereby leading to better customer service.

11.2.1 RECOMMENDATIONS:

1. Establish a Daily Customer Service meeting: This meeting must be run by the staff (not management) and will raise awareness of the need to relentlessly improve customer service in the store, whilst allowing the customer service providers to provide their individual input as opposed to managers simply conveying what is documented in a training manual.
 - Customer complaints, customer compliments and opportunities to improve the enablement of the customer service provider to meet the needs of the customer.
 - As we have seen in both the Ultra Liquors and Game Africa case studies, staff may have innovative ideas to improve customer service. It is important to give staff the forum to voice their opinion (instead of a top-down management-run meeting).

- This recommendation is aligned to Pink's concept of autonomy and substantiated by the evidence in the Ultra Liquors case study
2. Peer to peer recognition awards: Introduction of a peer-to-peer "Customer Service Person of the Week" award which culminates in a Customer Service Person of the Year Award:
 - Peer-to-peer review is preferred to manager-selected based on research and the idea that employees themselves know who the high performers are.
 - Award is done weekly so as to maintain interest as opposed to longer term where employees may become disinterested.
 - The weekly award recipient may be rewarded by way of an example with an additional hour for lunch.
 - The annual award is given on the basis of the accumulated weekly awards, essentially the most consistent Customer Service Providers. The annual award should be substantial – cash/vouchers/a gift.
 - Depending on the size of the store, multiple awards may be given for clusters of departments.
 - Both weekly and annual awards must be promoted/publicised in store and on the company (size-dependent) notice boards, newsletters, intranet, etc. to enhance the esteem factor of the winners.
 - Share the successful customer service stories – create "customer service legends" within the organization.
 - This recommendation is aligned to Pink's concept of purpose.
 3. Goal setting: Involve staff in setting goals for the team, instead of goals being a top-down directive from Head Office. This is an example of participative leadership.
 4. Job rotation: One day a week, each customer service provider gets to work in a different department/aisle/section.
 - This recommendation's objective is to promote cross-functional training to add challenge to the work environment, and more importantly, address any productive losses from staff absenteeism and not having an appropriately trained replacement resource available.
 - High performers will become apparent when all staff spends time in a different role. Departmental heads within stores are required to understand the complexity of a number of different roles to be effective leaders, and job rotation facilitates that knowledge and adds scope for upward mobility.
 - "Manager for a day" should be included in this initiative. Senior staff/ team leaders within the store take on the role of the store manager to understand its complexity but also add their own "grassroots" knowledge of store challenges to solve problems.
 - The concept is based on the idea that retail work in general can be rather repetitive and lack challenge – moving staff to areas of the business they aren't familiar with can stimulate new interest.
 - This recommendation is aligned to Pink's concepts of mastery and autonomy; and substantiated by the evidence in the Ultra Liquors case study.
 5. Align company CSI initiatives to beneficiaries close to their employees' hearts
 - This initiative links the recognition for excellent customer service with Pink's "purpose motive". Each time an employee wins a weekly award, she is allocated "X" points – at year-end or every six months, the points are added and each employee that has earned above "Y" points gets to donate "Z" amount of money to a bona fide, pre-qualified charity of their choice and in their own name.
 - *"According to the Boston Globe, they believe that companies can improve their employees' emotional well-being by shifting some of their budget for charitable giving so that individual*

employees are given sums to donate, leaving them happier even as the charities of their choice benefit.” Dan Pink

6. Create a convenient platform for collecting customer feedback, particularly compliments
 - Companies are very focused on collecting customer complaints as this forms the basis for evaluating stores on customer service. However, generally, very little attention is paid to garnering customer compliments, which results in customer service providers with positive attitudes that go out of their way to assist customers not being recognized and rewarded for positive behavior.
 - An implementable example would be to install a kiosk (with a touch screen LCD monitor) at the exit with staff names pictures and an option to click “Thanks for the great service” and another option “Service could be better” next to each individual.
 - This would promote accountability at an individual level at stores which may improve the quality of service being offered.
7. Creation of a position called “Customer Service Ambassador” (CSA) - staff members get selected by the staff themselves to be CSAs for a period of a week.
 - During that week, they personally attend to customer service issues while at the same time they evaluate the rest of the staff in terms of good and bad customer service.
 - This will inculcate a culture of customer-centricity, and the awareness that every decision must be made with the customer in mind.
8. Consistently encourage and Recognize Customer Service Providers through the following Rewards and Recognition
 - Time off – paid leave
 - Letter of Commendation from CEO/Director/Executive etc.
 - Holiday for family
 - Company T Shirt / cap / stationery
 - Merit pay
 - Company news letter / radio notice boards.
 - Certificates

11.3 IMPLEMENTATION PLAN

We believe that the implementation plan should be a two-phased approach.

Phase 1 - Equipping the store manager (“the Rainmaker”)

- Run a workshop with store managers to equip store managers with leadership and EQ training.
- Facilitate buy-in to the intrinsic motivational model, and the concepts of autonomy, mastery, purpose
- Arrange bi-monthly teleconference/ videoconference calls with all stores managers nationally to discuss key issues

Phase 2 – Deploy intrinsic motivation recommendations into the store

- Implement the recommendations as set out in Section 11.2. The recommendations may be adapted to best suit the store environment and may be deployed in a phased approach
- Monitor staff attitude and engagement (by one-on-one discussions) and customer service feedback to measure if the recommendations have had an impact on staff attitude
- Revisit the recommendations on an annual basis and adapt action plans where necessary (i.e. cease actions that have minimal impact and improve those actions that are successful)

12 BUSINESS CASE FOR INTRINSIC MOTIVATION RECOMMENDATION

Our recommendations in the section above is based on the hypothesis that an engaged staff member will lead to an improvement in customer service and therefore an increase in revenue.

The Hay Group Study below, provides evidence of a correlation between an increase in staff training and motivation, which has led to improved customer service which led to improved financial performance.



Based on linkage case studies using
Hay Group's global normative database

Source: The Hay Group

We have used the findings in this study (that a 10% increase in employee's performance above expectations will lead to a 40% reduction in staff turnover and a 71% customer satisfaction rate, eventually leading to a 2.5x growth in revenue) to build the business case below:

	Store A Initial P&L R'm	Costs incurred to improve employee performance	Savings from retention rates	Impact to revenue Stream	Associated costs from revenue stream	Impact to Net Assets	Store A Revised P&L R'm
Notes	1	2	3	4	5		
Sales revenue	20			1.5			21.5
COGS (minus)	6				0.45		6.45
Gross Profit	14						15.05
Operating Expenses (minus)	10	0.1	-0.12	0	0.08		10.06
Employment Costs	3		-0.12				2.88
Training	1	0.1					1.1
Rental	3						3
General Admin	2						2
Selling Costs	1				0.08		1.08
Operating Profit	4						5.00
Net Assets	10					0.5	10.50
ROI	29%						33%
RONA	40%						48%

Notes:

1. Assumes a 10% increase in training costs from implementing motivational training to staff, operating profit decreases by 100k

2. Assumes recruitment costs amount 300k in business. Model assumes 40 % saving in recruitment costs from 10% performance improvement. Operating profit increases by 120k
3. Assumes normal sales growth of 3%. 10% improved employee performance can lift customer satisfaction by 71%, increasing revenue growth 2.5 times ($3\% \times 2.5 = 7.5\%$). Sales revenue increases by R1.5m (See Hay Group Study above for rationale of 2.5x metric)
4. COGS (450k) and selling expenses (75k) will increase as revenue increases. Operating profit will reduce by 525k
5. Net assets to increase by 5% from increase inventory and accounts receivable

As reflected above, if our recommendations are implemented, we estimate an increase in ROI from 29% to 33% and an increase in RONA from 40% to 48%.

We have populated the Business Model Canvas with our recommendations in the figure below.

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> HR Store Managers Assistant Managers Ops Directors Leaders Employees 	<ul style="list-style-type: none"> Changing KPI's Incentives Rewards & recognition 	<ul style="list-style-type: none"> Linked to customer relationships 	<ul style="list-style-type: none"> Increased employee satisfaction that will lead increased customer satisfaction. 	<ul style="list-style-type: none"> All segments
Key Resources		Channels		
<ul style="list-style-type: none"> Training Manuals Measurement Metrics People 		<ul style="list-style-type: none"> Stores Head Office Supply Chain 		
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> 10% increase in training costs (R100k) - training manuals, workshops, etc. R450k additional COGS from more units being sold R75k additional selling expenses from more units being sold Additional inventory purchased (net assets increase) 		<ul style="list-style-type: none"> R1.5m additional revenue from improved customer satisfaction, result of increased customer retention and customer count R120k saving from recruitment costs, result of improved staff retention Improvement in RONA from 40% to 48% 		

13 CUSTOMER-CENTRICITY

*“Over the years the organisational model has been cast as pushing widgets out the door. What goes out is defined by the traditional silos created to drive competency **vertically**. The customer experiences the company **horizontally** across silos. The typical silo structure bumps the customer disjointedly along to deliver the outcome of the experience. The bottom line – the organisations we’ve built, the ways we’ve compensated and motivated people, and the accountability we’ve demanded have created a neat ordered world for us to run our businesses. But for the most part, we have let down our customers.”*
Jeanne Bliss, author of Chief Customer Officer

This section seeks to answer the second question in the problem statement, *“What is customer-centricity, and how do retailers make this a reality?”* Retailers, who recognize the importance of the customers, create an organisational culture which takes into consideration the consumer behavior, needs and interests in all its activities. By aligning the entire operating model around the customer, applying customer-specific insights to every aspect of the organisation from merchandising, to pricing, new product and service development. Customer-focused insights should inform operations, marketing, and even store location selection.

Most South African retailers are organized into functional areas, and due to functional reporting lines, operate in silos (e.g. the marketing team reports to the Group Head of Marketing, while store managers report to the Head of Operations). The collaboration that is required to meet the needs of the customer is lost in these silo functional areas. Changing the organisational structure is key to today’s customer-centric retail organisation.

“There are only two jobs in retail – either you serve customers or you serve someone who is serving customers.” Martin Butler, during an interview with Ubuntu Bethu

The recent SA Customer Satisfaction Index noted that among clothing retailers, local customers were most satisfied with high-end retailer Woolworths and the least satisfied with Edcon’s Jet stores. The index showed other winners included Ackermans and Pep, while customers were less satisfied with Mr Price.

The chairman of the index, Adré Schreuder of Consulta Research, said: *“It is interesting to see that the industry leaders are brands that spread across South Africa’s demographic spectrum. If you satisfy your target customer group, then your brand can survive these economic times.”*
Organisation Report October 14 2013, By Zandi Shabalala

Segmentation, targeting and positioning is the starting point of a customer-centric strategy, as Prof Schreuder mentions above. Once a target segment is identified, a customer-centric organisation endeavours to sell “as many products to one customer” (customer-centric) instead of one product to many customers (product-centric).

The majority of South African retailers are product-centric, and not customer-centric, according to Ricardo Machado, Strategic Marketing lecturer at GIBS. The table below reflects the differences between a product-centric approach vs. a customer-centric approach.

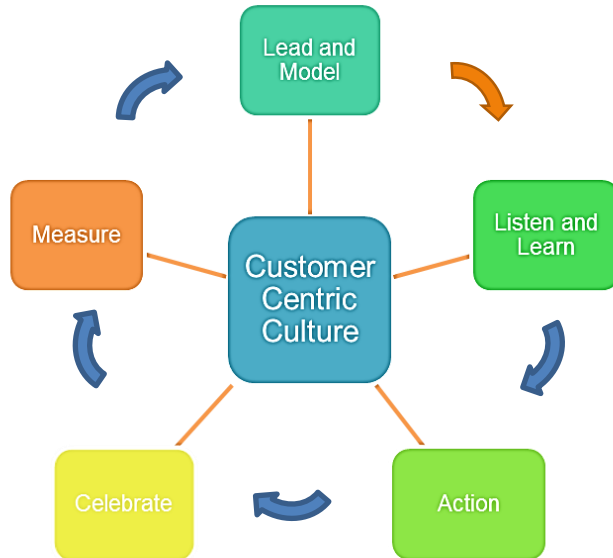
TABLE 1
A Comparison of the Product-Centric and Customer-Centric Approaches

	<i>Product-Centric Approach</i>	<i>Customer-Centric Approach</i>
Basic philosophy	Sell products; we'll sell to whoever will buy	Serve customers; all decisions start with the customer and opportunities for advantage
Business orientation	Transaction-oriented	Relationship-oriented
Product positioning	Highlight product features and advantages	Highlight product's benefits in terms of meeting individual customer needs
Organizational structure	Product profit centers, product managers, product sales team	Customer segment centers, customer relationship managers, customer segment sales team
Organizational focus	Internally focused, new product development, new account development, market share growth; customer relations are issues for the marketing department	Externally focused, customer relationship development, profitability through customer loyalty; employees are customer advocates
Performance metrics	Number of new products, profitability per product, market share by product/subbrands	Share of wallet of customers, customer satisfaction, customer lifetime value, customer equity
Management criteria	Portfolio of products	Portfolio of customers
Selling approach	How many customers can we sell this product to?	How many products can we sell this customer?
Customer knowledge	Customer data are a control mechanism	Customer knowledge is valuable asset

Source: Journal of Service Research, Volume 9, No. 2, November 2006 113-124

How does a retailer move from a product-centric approach to a customer-centric approach? This entails changes in leadership behaviour which must cascade down to line management, changes to organizational structure and culture.

We have identified the following five aspects that we believe are vital in building a customer-centric organization. The following aspects are our recommendations to create a customer-centric organization. This is a long-term plan and requires changing the culture and “DNA” of an organisation such that the customer’s needs become the focal point of the organization.



Source: Ubuntu Bethu

13.1 LEAD AND MODEL

The creation of a customer-centric culture starts with the leadership of the organisation who sets the tone and culture in the business.

Interacting with customers and store facing staff are key imperatives that management should undertake in a customer centric organisation. By listening to customers and witnessing first-hand the challenges at

ground zero, management are better informed as to how best to better enable a customer centric focused culture and service delivery platform across the organisation. Linked to our previous section, elevating the role of the store manager as a key interface with staff is a change that we recommend in the leadership model of a customer-centric retailer.

Here are some real life examples of CEOs going back to the floor to understand their customer's needs:

13.1.1 Tesco

In March 2012, Tesco's boss Philip Clarke announced his decision to try to recover the supermarket's success by going back to the front line. Having started his career stacking shelves in the supermarket managed by his father, Clarke went back to the floor in an attempt to win back the shoppers who were now favoring Tesco's rivals.

The need to get back to the floor became apparent after store budgets were cut and standards started to slip. Some stores reported running out of carrier bags, while customers became dissatisfied with long queues at the checkout.

13.1.2 Game, Massmart

Senior managers assisted in the revamp of the Game Gateway Store. Buyers and planners spent 3 days in the store before and a week after the store opened. They assisted with the stock replenishment, merchandising and serving customers. The planning and buying assistants also worked in the stores for 3 days before the store opened. This was a successful team building exercise as the merchant and operations team worked together to achieve a common goal, "a successful store opening". The planners and buyers gained valuable insights into the customer behavior and empathy for the daily responsibilities and challenges of the customer-facing staff. This collaborative effort between the different arms of the business has built long-lasting relationships internally and helped boost staff moral and performance at store level, which culminated in the store being the most successful opening in the organisation, and continues to be one of the high-performing stores in the Group.

13.1.3 Impact of "Back to the Floor" exercises on the organisation

1. Breaking down the barriers between the "operational silos" and driving the organisation towards a common goal of focused customer service.
2. Manager become enablers for customer facing staff to achieve the common and aligned strategic goals
3. Develops a joint problem solving approach and one team concept across the organisation.
4. Increased and regular communication coupled with open and honest feedback improves the quality of available information for improved decision making across the organisation - 360° view of the challenges to improve the customer service experience.

13.2 LISTEN AND LEARN

Listening to feedback from customers and staff is imperative to developing and implementing a customer centric culture in an organisation. Utilising the information constructively and progressively to deliver superior service and products almost intuitively is the Holy Grail for a customer centric organisation.

The key to knowing and understanding your customer is creating an allowance for feedback mechanisms and processes that seamlessly engage with the consumer and staff to better enable the collection of critical business specific and relevant information that can help develop and formulate proactive interventions in the operations to better serve the customer and staff.

Examples of Retailers who have incorporated the customers in the Strategy:

“When we are fully engaged, we connect with, laugh with, and uplift the lives of our customers – even if just for a few moments. Sure, it starts with the promise of a perfectly made beverage, but our work goes far beyond that. It’s really about human connection”. – Star bucks mission Statement

“To deliver to customers the right shopping experience each and every time.”... Strategic objectives are “to be a customer -centric organisation and to build strong profitable customer relationships....” Woolworths’ mission statement

13.3 ACTION

Information is a key component in understanding the consumer and the organisational challenges, but without the fortitude to act upon this information, leaders pay mere lip service to the concept of customer centricity. Adaption and agility are the key characteristics of a long-term successful company. Being responsive (very quickly) to the needs of the customer is key to a customer-centric organization.

Failure to take action on identified problems will decrease the effect and buy-in by customers and staff of the commitment that leaders in an organisation have to alter the DNA of the business. Open and transparent communication across the organisation is a critical driver on the road to building a customer-centric organisation.

13.4 CELEBRATION

Reward and recognition are important motivating levers in all organisations. Customer centric organisations also emphasize and encourage authority and autonomy to deliver on clearly defined tasks across the operational spectrum. Employees are given clear direction and guidelines and encouraged to take responsible decisions that improve the customer experience.

While remuneration is certainly an important factor, employers also recognize the need to develop non-monetary reward programmes to recognize and reward excellence, as we substantiate in Section 10. Further, non-monetary incentives allow companies to reward employees on a more frequent basis compared to monetary incentives.

13.5 MEASUREMENT

Customer-centric organisations spend significant time and effort ensuring customer metrics are credible, reliable and accurate, and they focus on them incessantly. These metrics are the first metrics that are discussed in daily/weekly staff meetings from the executive level to the front line level to reinforce the drive to improve the customer experience. Rewards and recognition are driven by these metrics.

We have put forth a model of the most important aspects in a customer-centric organisation. We believe that a long-term effort to focus on the above criteria, and adapting the organisational structure to meet the needs of the customer will ultimately lead to a customer-centric organisation.

14 CONCLUSION

This ALP journey has been fascinating and indeed we were extremely fortunate to have chosen the topic regarding customer service and customer centricity. As individuals at different retail organisations, investigating this topic has created a fundamental mindset shift in our thinking towards our customers and the way we choose to run our teams and inform customer-centric changes within our organisations.

We approached our topic as two questions that required investigation:

1. *What are the key local issues identified by stakeholders that hinder excellent customer service from being rendered at a retail store, and what are the possible solutions? What are the international lessons that may be applied?*

Our investigation into customer service issues yielded a key issue of “poor staff attitude” being raised. This issue was raised by customers, retail organisations and our ILDP retail colleagues. The Ultra Liquor case study also indicated that “staff attitude” was a key issue being raised at Store E.

We undertook two comparative case studies and the key finding was that the store manager was a powerful enabler of staff attitude and engagement which had a direct and positive impact on customer service and revenue.

Academic research provided evidence for following findings:

- According to Herzberg’s 2 Factor Theory, “Hygiene factors” will not contribute to job satisfaction, but the absence thereof will contribute to job dissatisfaction. We focused on “Motivators” in our study, as these will lead to an increase in job satisfaction.
- Empirical evidence across a number of studies suggest that non-monetary incentives are more positively correlated with job satisfaction.
- Pink’s Theory of Motivation suggests that employees need to be intrinsically motivated to enjoy work. He believes that Autonomy, Mastery and Purpose are the drivers of intrinsic motivation.

Our findings in the comparative studies were aligned with Pink’s research: employees that operate at a level of autonomy, mastery and purpose were intrinsically motivated more than other employees which translated into a positive attitude, and superior customer service, ultimately resulting in improved financial performance.

The key finding in our comparative studies which drove our recommendations is that the store manager is the *enabler* of intrinsic motivation factors in a store. The store manager’s attitude and his leadership style will determine whether he empowers his staff and gives them opportunities for “autonomy, mastery and purpose”.

We have set forth practical recommendations to empower the store manager first (and provoke a mindset change towards participative leadership, and the importance of intrinsic motivation). We also emphasise the importance of the store manager in the context of the retail organization and suggest actions that allow the organization to leverage his knowledge of the customer (he manages the interface between the customer and the organization).

Further, South African retail organisations generally have a top-down structure, with “Head Office” driving decisions and stores taking instructions. We propose that the store manager position be elevated and recognized as a “Ranimaker” in the context of the South African retail organization. This shift in the

perception of the store manager is essential to the organization becoming customer-centric. “Head Office” needs to see itself as a “Support Office” to its stores to be able to respond to its environment.

We believe that this focus on the store manager as the enabler of excellent customer service (and nurturing his abilities to be an excellent leader) is a fresh perspective in South African retail organisations. It seems to be an “obvious” perspective, but in reality, South African retail organisations do not view the store manager as the key enabler of excellent customer service, who requires vital leadership and EQ training to successfully run his store.

Once the store manager is empowered with leadership and EQ training, and understands the importance of intrinsically motivating his employees, we suggest practical and implementable ideas to drive the intrinsic motivation of staff at stores. These recommendations are based on the findings of our case studies as well Pink’s theory and empirical evidence of the drivers of Motivation.

In response to the second question, 2. “*What is customer-centricity, and how do retailers make this a reality?*” in our problem statement, we provide a model of the key factors required for a customer-centric organization. Becoming a customer centric organization requires changing the organizational structure of the company such that it is geared to meet the needs of its customers. Those factors are Lead and model, Listen and learn, Action, Celebration, and Measurement.

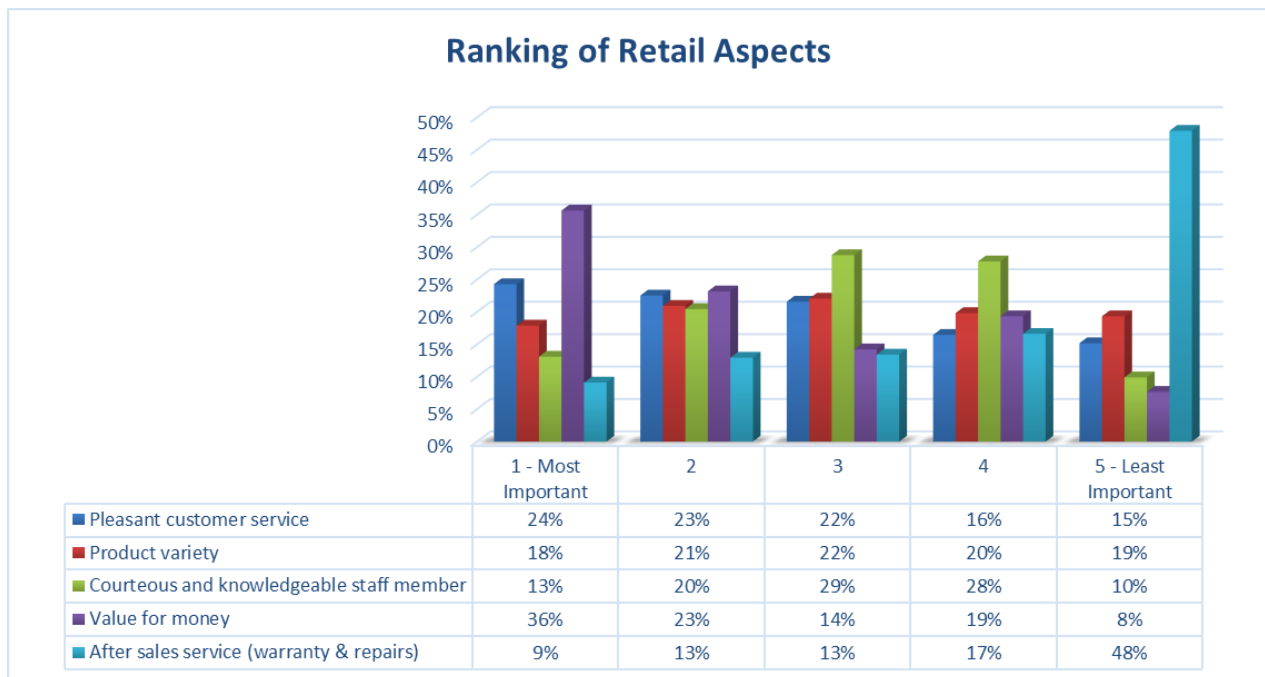
In conclusion, as per in Section 4, competition in the retail sector is increasing, and customer service is becoming an increasingly important competitive point of difference. In the long-term, with the leveling of playing fields in manufacturing, supply chain, and omni-channel offerings, customer service may become the **only sustainable competitive advantage**. We believe that a focus on empowering the store manager to intrinsically motivate his team will provide a tangible improvement in the customer service offering.

15 APPENDIX 1 – CUSTOMER SERVICE SURVEY AND RESULTS

- 1) Please rate the following in order of importance to you, 1 being the most important and 5 being the least important.

Pleasant customer service	
Product variety	
Product availability	
Value for money	
After purchase service(Warranty/Repairs)	

As reflected in the graph below, 36% of respondents felt that the “Value for money” was the most important aspect while 24% felt that “Pleasant customer service” was the most important aspect while shopping. Only 15% of respondents found that “Pleasant customer service” was the least important. This shows that customers value pleasant and helpful customer service from customer service providers.



- 2) On average when shopping at a Retailer in SA, please rate the customer service you receive on the following aspects:

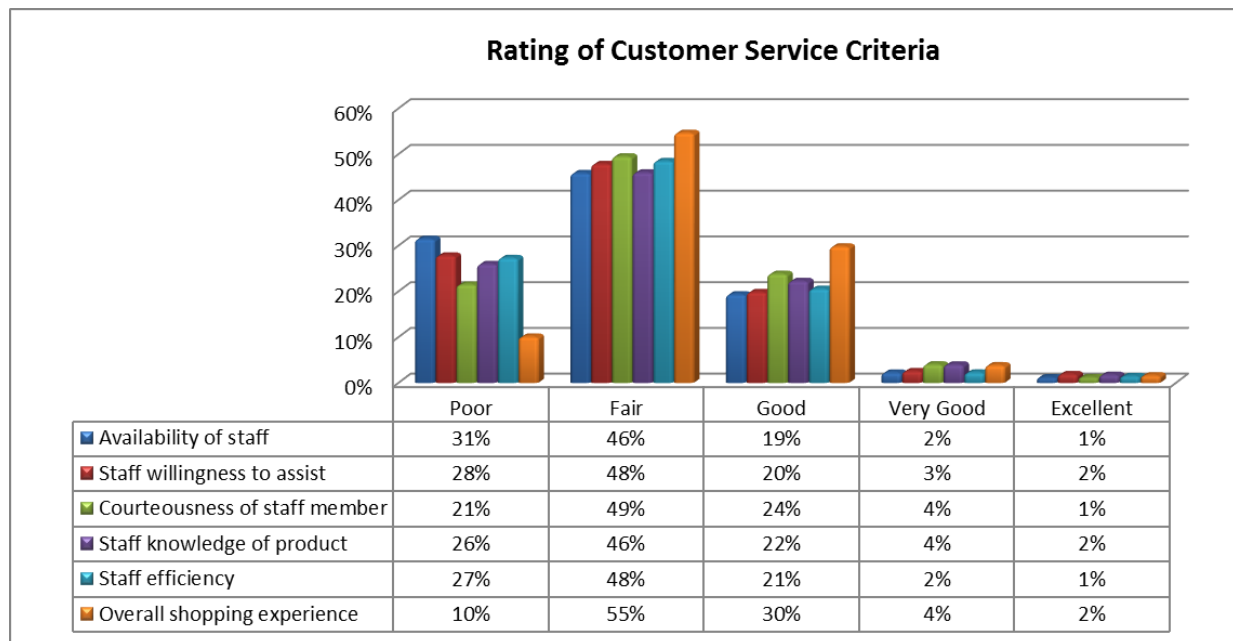
Criteria	Poor	Fair	Good	Very Good	Excellent
Knowledge of the products					
Willingness to help					
Efficiency / Speed of Assistance					
Courtesy /Politeness					
Availability of staff to assist					

Overall shopping experience					
-----------------------------	--	--	--	--	--

The chart below demonstrates the consumer's satisfaction with the customer service that they receive from South African retailers. We have asked customers to rate the customer service they receive on the 6 criteria above.

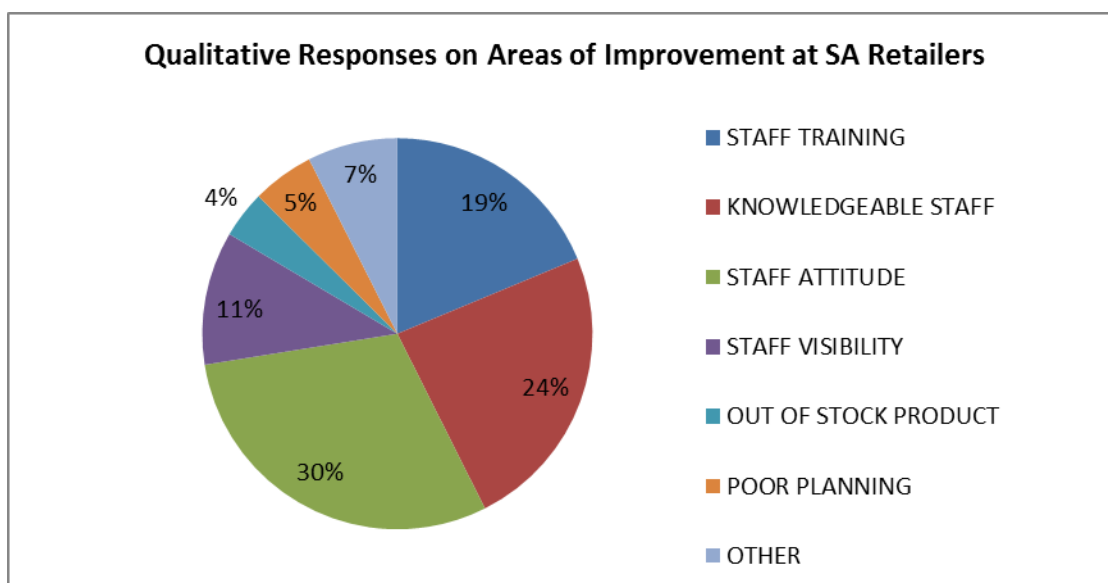
As can be seen below, 10% of our sample customers (626 respondents) believed that the overall shopping experience is poor. 31% percent feel that retailers have poor availability of staff while 28% believe that staff are unwilling to assist readily.

On the other side of the spectrum, there is an extremely low proportion of respondents (not higher than 2%) that believe that they do not receive excellent customer service across all criteria.



3) How do you think the customer service you receive can be improved?

We asked respondents of the survey to comment on areas that SA retailers could improve in terms of customer service. 30% of responses related to the poor attitude of frontline staff, 24% commented on the lack of product knowledge displayed by staff members and 19% of responses indicated that consumers want staff require further training before they are on the floor.



4) What is your gender?

We asked respondents to tell us their gender. 58% of respondents were female and 42% were male.

5) What is your age group?

We asked respondents to tell us their age group. The table below displays the percentage of respondents from each age group.

Age Group	Percentage of total sample (626 respondents)
18 – 24	6%
25 – 34	37%
35 – 44	31%
45 – 54	19%
55 or over	7%

16 APPENDIX 2 – CUSTOMER SERVICE PROVIDER SURVEY

Questions posed to 47 respondents:

1. Would you say customer service is important to you? Why?
2. In your own words describe excellent customer service?
3. Based on your personal experiences, what are the issues, customers are complaining about?
4. What can your company do to improve service in your company?
5. What can you do to improve service in your company?
6. Which company according to you give the best customer service and why?
7. What is the distance between your home and work?
8. What is the duration of the travel time between home and work?
9. What is the mode of transport that you are currently using?
10. What is the duration of your employment with your current company?
11. What is the duration that you have been in your current position?
12. Have you received any form of training from your employer?

17 APPENDIX 3 – RETAIL INDUSTRY SURVEYS

1. ILDP Class Survey: The ILDP class was surveyed. The following are the results of the survey:

Key issues identified by the class as customers:

1. Inefficient/ disengaged staff (this speaks to the fact that staff do not show a ready willingness to help)
2. Poor product knowledge
3. Product availability / Untidy stores – Product availability and untidy stores both received some comments. I think that as retailers our classmates may have been more sensitive to untidy stores.

Key issues identified by the class as retailers:

1. Lack of customer centricity – The company is not customer-centric
 2. Employee turnover – Numerous respondents mentioned that as soon as they train their staff, they have to replace those staff members due to high employee turnover
 3. Staff training – More training of staff required
2. During the course of the year, we have conducted informal interviews with our colleagues at the retail organisations where we work. We have collated the responses during those informal discussions and summarized the major issues raised by the executives at the companies we work at:
1. Language barriers between customers and staff – With 11 official languages, staff are not always fluent in the first language of the customer. This may lead to misunderstandings between the customer and staff member.
 2. Customer-centric behavior and leadership is not displayed by line management at stores. Therefore customer-centric behavior is difficult to instill in customer service providers.
 3. Major South African retail stores are situated in Malls and City Centers throughout the country with a single head office in one of the major provinces i.e. Durban or Johannesburg or Cape Town. The majority of support functions i.e. Planning, Buying, Logistics and Marketing etc. are

centralized at Head Office. Head Office staff do not spend a lot of time in stores around the country due to the cost of travelling, and therefore there is sometimes a disconnect between the Head Office centralized functions and the requirements at store level. This may be a cause of the lack of customer centricity that was identified above as a key retailer issue.

4. Shortage of skilled labour available in the labour pool.
5. Inflexible labour legislation that has led to a high proportion of temporary staff vs permanent staff.
6. The retail industry is regarded as the employer of last resort. Many frontline staff have entered the industry because they could not find employment elsewhere. This has led to a demotivated workforce.

3. Retail company data

Key issues identified at Retailer 1:

1. Too many tills unmanned (not enough staff)
2. Staff is too slow to provide service
3. Staff is not helpful (disengaged)

Key issues identified at Retailer 2:

1. Out-of-Stock products – “Across all 5 areas this was the No. 1 issue. It indicates a lack of customer centricity and if we don’t address the issue from ordering/buying through to delivery in-store, the store personnel are saddled with having to explain to frustrated or irate customers why we cannot deliver effective service delivery. Head-office respondents also rated this as the No. 1 issue as they experience the same frustration when they visit stores as customers.”
2. Shortage of staff – “in our high service departments there is a general feeling we are not adequately staffed in these areas and is the primary reason why service is compromised. Increasing staff complements during peak periods does not help either, as many of these team members are flexitimers who float around the store and don’t have adequate product knowledge to serve the customer.”
3. Product knowledge – “surprisingly management views this as more of a priority than junior team members. More focus on training was identified and also looking at salesman doing further product research to inform the customer during and after the sale has taken place.”

18 APPENDIX 4 - BIBLIOGRAPHY

ACCENTURE, 2008, *Creating customer loyalty: A customer-centric approach*, High performance in the age of customer centricity, customer satisfaction research.

ACCENTURE, 2008, *The customer code: Translating insights into action, right here, right now*.

ACCENTURE, 2011, *Winning the retail war*.

ATHANASSOPOULOS, A.D., 1997, *Another look into the agenda of customer satisfaction: focusing on service providers own and perceived viewpoints*, International Journal of Bank Marketing, Vol 15, Iss:7, pp 264-278.

ARNOLDS CA and VENTER BJL, 2006, *The strategic importance of motivational rewards for lower level employees in manufacturing and retailing industries*, Research article, Nelson Mandela Metropolitan University.

BAKER, S. and HARTEL C., 2004, *Intercultural service encounters: An exploratory study of customer experiences*, Journal of Cross Cultural Management, Vol. 11.

BLODGETT, J. G., WAKEFIELD, K. L. & BARNES, J. H., 1995, *The effect of customer service on consumer complaining behaviour*, Journal of Services Marketing Vol. 9, No. 4

BOLTON, M., 2004, *Customer centric organisation processing*. International Journal of Productivity and Performance Management, 53(1):44-51.

BOTHA, G. J., 2010, *Translating Customer Service expectations into supporting Business processes*, Masters of Engineering dissertation. University of Pretoria.

BOWERS, M.R., MARTIN, C.L. and LUKER A., 1990, *Trading places: employees as customer and customers as employees*, Journal of Services Marketing, Vol 4, Iss: 2, pp 55-69.

CARETTE, B., ANSEL, F., & LIEVENS, F., 2013, *Does career timing challenging job assignment influence the relationship with in-role job performance?* Journal of Vocational Behavior, 83, 61-67.

COOMBER, B. & BARRIBALI, K. L., 2007, *Impact of job satisfaction components on intent to have and turnover for hospital nurses: a review of the research literature*. International Journal of Nursing Studies, 44, 297-314.

DONTHU, N. (Georgia State University) & YOO, B. (St Cloud State University), 1998, *Customer Influences on Service Quality Expectations*, Journal of Service Research, Vol 1, No. 2

GAGLIANO, K. B. & HATHCOTE, J. 1994. *Customer expectations and perceptions of service quality in retail apparel specialty stores*. Journal of Services Marketing, 8(1): 60-69

GOTHAN, A. & ERASMUS, A. C., 2008, *Customers' judgment of the customer service in appliance sales departments in an emerging economy*. Blackwell Publishing Ltd. University of Pretoria

GRABOWSKI, A. 2010. *A delineation of female customers' judgment of the customer service and consequent service quality of prominent clothing department stores in Tshwane*. M. Sc. (Consumer Science) dissertation. University of Pretoria

HARUNAVAMWE M. and KANENGONI H., October 2013, *The impact of monetary and non-monetary rewards on motivation among lower level employees in selected retail shops*, Research paper, Department of Industrial Psychology, University of Fort Hare.

HAYATI, K. & CANIAGO, I., 2012, *Islamic work ethic: The role of intrinsic motivation, job satisfaction, organizational commitment and job performance*. Procedia –Social and Behavioral Sciences, 65, 672-277

HESKETT J.L., JONES T.O., LOVEMNAN G.W., SASSER W.E. and SCHLESINGER L.A., 2008, *Putting the service-profit chain to work*, August 2008, Harvard Business review.

LOUNSBURY, J.W., FOSTER, N., CARMODY, P.C., KIM, J.Y., GIBSON, L.W. and DROST, A.W., 2012, *Key personality traits and career satisfaction of customer workers*, Managing service quality, Vol 22, Iss: 5, pp 517-536.

MPWANYA, M.F. 2005. *Inventory management as a determinant for improvement of customer service*. M. Comm. (Business Management) dissertation. University of Pretoria.

UNGAR, R., 2013, *Wal-Mart returning to full-time workers - Obamacare not such a job killer after all*, September 2013, Forbes magazine.

Pep stores win Ask Africa Survey, November 2007, Finweek.

PEREPU, I., 2013, *Nordstrom: Focusing on a culture of Service*, IBS center for management research, IBS Hyderabad.

STEFANOU C.J., SARMANIOTIS C. & STAFYLA A., 2003. *CRM and customer-centric knowledge management: an empirical research*. Organisation Process Management Journal, 9(5):617-634.

TAUSIF, M. 2012, *Influence of non-financial reward on job satisfaction: A case study of educational sector of Pakistan*. Asian Journal of Management Research, 2 (2), 688-696.

TYMON, Jr, W. G., STUMPF, S. A. & DOH, J. P., 2010, *Exploring talent management in India. The neglected role of intrinsic rewards*. Journal of World Business, 45, 109-121.

VRANESEVIC T., VIGNALI C. & VIGNALI D., 2002, *Culture in defining consumer satisfaction in marketing*. European Organisation Review, 14(5):364-374.

Website references (we visited the following sites for research purposes):

<http://www.bbcactive.com/BBCActiveIdeasandResources/BacktotheFloorOrganisationTrainingforBosses.aspx>

<http://www.fund-managers.info/?p=7663>

<http://www.managementtoday.co.uk/features/1042687/crash-course-in-going-back-floor>

<http://www.executivetravelmagazine.com/articles/how-to-lead-your-staff-to-superior-customer-service>

<http://www.executivetravelmagazine.com/authors/jennifer-v-miller>

[http://www.acas.org.uk/media/pdf/d/b/Acas_How-to-manage-change \(Jan_10\)-accessible-version-Nov-2011.pdf](http://www.acas.org.uk/media/pdf/d/b/Acas_How-to-manage-change_(Jan_10)-accessible-version-Nov-2011.pdf)

<http://ceridianblog.wordpress.com/2013/11/13/why-employee-engagement-still-matters-in-the-retail-sector/>

<http://www.dynamicorganisation.com.au/small-organisation-resources/growing/how-to-create-a-customer-centric-culture-29022012.html>

<http://www.retailshakennotstirred.com/retail-shaken-not-stirred/2010/10/the-4-keys-to-a-customer-centric-culture.html>

<http://stevensonfinancialmarketing.wordpress.com/2012/06/15/beyond-customer-centricity-anticipating-the-consumer/>

<http://www.customerserviceglobal.com/>

[http://www.ey.com/Publication/vwLUAssets/The_journey_toward_greater_customer_centricity/\\$FILE/Customer_Centricity_Paper_29_April_Final.pdf](http://www.ey.com/Publication/vwLUAssets/The_journey_toward_greater_customer_centricity/$FILE/Customer_Centricity_Paper_29_April_Final.pdf)

<http://thebuildnetwork.com/leadership/ge-customer-centricity/>

<http://www.iol.co.za/organisation/news/retailers-in-tough-battle-for-customers-1.1591283#.UtlVbstDHIU>

<http://www.fastmoving.co.za/retailers>

<http://www.starbucks.com/about-us/company-information/mission-statement>

<https://www.deloitte.com/.../uk-con-customer-centricity-dna-v2.pdf>

http://www.booz.com/media/file/The_Customer_Centric_Organisation.pdf

http://www.woolworthsholdings.co.za/investor/annual_reports/ar2013/WHL_IR_2013.pdf

<http://www.articlesbase.com/strategic-planning-articles/is-your-organisation-customer-focussed-do-you-have-a-customercentric-strategy-a-simple-checklist-for-your-organisation-by-ysatisfy-consultancy-829741.html>