

## THE PEOPLE FACTOR: ON THE FRONT LINES

**SYNOPSIS** — The “front lines” in a retail business is the place where employees and customers interact. Managing this interaction, which often is handled on the company side by low-wage employees, is an important element in the franchise business system. This article explores some of the issues involved through the example of a convenience store. From *Oil Focus*, July 1998. By *E. Todd Ellison & Jean-Louis Janssen*.



# CHALLENGING TIMES: CONFLICTS & OPPORTUNITIES

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by E.Todd Ellison and Jean-Louis Janssen



Are employees a problem or an opportunity? In the c-store industry, surveys show that employee turnover/quality is number one on the list of business operational problems. Given demographic patterns and the current job market, this problem isn't going away anytime soon. However, employees are also one of the biggest untapped opportunities for competitive advantage, both in management and at the front line: the employees who make contact with the customer.

## **Dust Off Your Customer Hat for Starters**

When any of us wear our customer hat, we acknowledge that we have increased the level of performance we expect from the retail businesses we patronize. Leaving the merchandise aspect of our purchases aside for the moment, we have come to expect courtesy, speed and competence at the transaction counter. If we get problem-solving and decisionmaking capability, that's a plus, the kind of positive retail experience we remember, the kind of experience that makes us want to return to that particular retailer.

In a franchise system like any gasoline or c-store brand offering (yes, these are franchise systems in a practical if not always a specific legal sense), the point of sale experience is a key component of the way consumers perceive the brand, and an increasingly important variable in the competitiveness equation.

Awareness of the importance of consumer perceptions has come late to this industry, so there's a lot of catchup going on. We don't need to tell you that attracting, hiring, training and keeping good people is a tough job in this business. It's complicated by the fact that in most branded gasoline distribution systems, a significant proportion of the retail sites are operated by other classes of trade: various types of dealers and jobbers/distributors/marketers over which the supplier/franchisor/brand-holder has little direct control.

## **If it Was Easy, Everybody Would Do it**

Even though better managing the people side can be tough, it matters, and it will matter more and more as other competitive

strategies, like cost-cutting and down-sizing get “used up.” And if it was easy, everybody would be doing it already.

### **Front Line Employees as Product Differentiators**

Marketing guru Theodore Levitt once said that in marketing, “differentiation is everything.” While he may have been intentionally overstating the point for effect, few would argue that effectively differentiating your brand from others is what allows access to value-added margins as opposed to commodity margins. Yet more and more consumers find less and less to differentiate between gasoline brands, other than price. This has created significant declines in brand loyalty and commensurate shrinkage in margins. Ouch.

In a similar vein, in most markets there is little to differentiate most convenience store brands, other than size and appearance. While size and appearance can be important, there is virtually nothing in a c-store operation that is truly proprietary; although one brand or another may obtain a temporary customer perception edge based on, say, technology, others tend to quickly follow suit. Studies show that most c-stores are targeted at the same customer mix and most offer a very similar product mix, a fact that is borne out in annual surveys of

the industry by *C-Store News* and others. When it comes to quick service food offerings (QSRs), the same familiar food brand — McDonald’s, Burger King, Subway, Blimpie’s, Pizza Hut and Taco Bell among others — can be found cohabiting sites with gas stations of virtually all brands, so this is not a significant point of differentiation, nor has it been a profitability cure-all according to many industry sources.

This gets us back to front line employees. Eric Dozier of Marathon makes no bones about their importance: “It’s extremely critical that the person at that service point does an excellent job; for the retailer that recognizes that, there’s a huge competitive advantage.” Much can be done to improve the delivery of service to customers in gas stations and c-stores. It usually starts with attitude. Based on our own interviews and visits with numerous gasoline and convenience retailers — corporate, dealer and jobber sites representing a variety of brands — the best-in-class clearly have a different attitude about employees. Attitude is why one company views employees as a cost to contain while another views employees as an investment to nurture and cultivate. Attitude is what governs investment in training, for example: an attitude that employee satisfaction is virtually inseparable from customer satisfaction. Attitude is

why one brand will provide more support and resources to its jobbers and dealers than another. By support, we mean tools these retailers can use to deliver better and more consistent service to the consumer, tools they have neither the time nor the resources to develop, such as sophisticated hiring systems, video and computer-assisted training programs, handbooks, manuals, Internet and/or printed news bulletins and updates, workshops, etc. The key is to provide content that is truly valuable, not just fluff.

### **A Franchising Edge: The Relationship Management Mindset**

By its very nature, a significant proportion of the franchising business focuses on the management of relationships: with employees, with franchisees, with customers. These relationships are the lifeblood of most retail franchises which must learn to deliver consistent product and service quality throughout their system, both the franchise and company owned side. How well do they do it?

One way to find out for yourself is to shop at both franchised and company-operated locations to see for yourself which delivers the superior product to the consumer and thus does the best job of supporting the brand. (Hint: on average, the research says franchise locations deliver the goods better than

the company-ops. And we're not just talking about food service, but also hospitality and other heavily franchised industries as well.) The relevance of this phenomenon is that franchisees (and, from what we've seen, dealers and jobbers) can deliver the right stuff to the customer under the right circumstances.

Gasoline and convenience brand-holders are only in the last few years beginning to focus much needed attention on improving their relationships with customers, with employees, and with the jobbers and dealers through which their brands are represented to the consumer. This relationship factor gets even more important when franchised foodservice brands are added to the equation. Working with QSR franchisors, however, can be an opportunity in disguise, a chance to see how people who live and die by the training and support sword make it work. Nancy Brown of convenience retailer Silcorp agrees that her firm's relationship with franchise QSRs "has educated us...helped us with the learning curve and with building our culture."

"But wait," some will say: "Business format franchisors like McDonald's and Marriott can afford to provide extensive training and support — they're getting a royalty. We aren't." While that's true, it's also true that the franchisees in these sys-

tems have much higher support expectations, which is built into the contractual relationship between franchisor and franchisee. Brand-holders who have also launched business format franchise (BFF) c-store programs, often have painful learning experiences as they discover that the need for a relationship focus is even more critical in BFFs.

But there's hope. Today, communication technology is so inexpensive that there's really no excuse for not delivering the training and support that can make dealers and jobbers more profitable and more loyal. And at the same time better delivering — systemwide — on the quality promise to the customer — ultimately strengthening the value of the brand. Even with the opportunity to deliver training and support more cost effectively than ever before, attitude and commitment — some would say culture — are essential to initiating the right kind of effort and sticking to it.

Paul Reuter of *CSP Magazine* summed it up this way during a recent roundtable on employees and training: "Whether you're talking about foodservice or just making the most of these facilities into which you're investing a million and a half dollars or two million dollars, success and profits are going to be about execution, execution is going to be about training and training is going to be about

changing our culture."

### **Another "People Factor" Angle: Improving Dealer Quality**

Providing additional training and support to dealers is important, but sometimes it doesn't get at a more serious problem, the dealers themselves. Sad but true: some dealers are never going to make the transition to top-notch retailers who have the vision and savvy to deliver on the brand promise and be profitable.

Improving the quality of the dealer/jobber network is a sensitive issue, but it's not an impossible task. Some companies have begun to focus on upgrading their dealer system via new dealer recruiting programs. Franchise companies know how important it is to have top quality franchisees who can make the investments necessary to keep competitive and thus take franchisee recruiting very seriously. The same cannot be said for all oil dealership networks. Upgrading the quality here can yield great dividends over time.

### **What Are the Payoffs?**

Improving the quality and training of front line employees and providing additional resources to jobbers and dealers can pay off in numerous ways — some obvious, some more subtle. Properly selected, well-trained, motivated front line people

know how to increase sales. Their customer-sensitive behavior also encourages a greater level of repeat business. At least as important is the fact that better-trained and more motivated employees are usually more reliable and more productive, and tend to stay at their jobs longer, reducing costs associated with turnover, such as recruiting and training, not to mention general disruption and low morale.

On the dealer quality side, just examine the performance differentials between your top and bottom dealers. Programs which would move the overall system up five or ten percent would certainly be worth the creation of an effective “sterling” dealer recruiting program.

### **People Factor Payoffs: Some Obstacles**

In our experience, there are a number of reasons why the idea of focusing an intensive effort on improving performance of frontline employees and increasing the level of meaningful support to jobbers and dealers can be a challenge in oil companies: Retailing is still a very minor component of most majors’ revenue mix.

Some gasoline marketing strategies still remain most focused on the wholesale side of the equation — getting gas from the refinery into somebody’s tankers or station tanks. And in many distribution networks, much if not most of, the actual

retailing is done by independent jobbers and dealers.

Few top executives have retail backgrounds or are familiar with the issues associated with motivating and managing “minimum wage” type retail employees.

Investments in training and dealer support lack glamor.

There is a lingering cost-cutting mindset associated with recent corporate downsizings that can make new programs a tough sell to top executives.

Few top executives have the franchising backgrounds necessary to fully appreciate the need for stronger training and support programs to the jobber and dealer networks.

Lingering mistrust between suppliers and their dealers and jobbers, a legacy from old (or current) battles; such old scars often create an us/them attitude in which support investment is hard to justify emotionally.

Clearly none of these obstacles is insurmountable, although some are much more difficult to overcome than others. Naturally, the mix of opportunities and barriers will be different for each company; thus the approach to tapping the people potential of the distribution system should be designed with individual organizational realities in mind.

### **Making the Right Changes**

What’s the right approach to tapping the “people potential” in gas and convenience retailing? For one company, it might be putting the retail distribution network in a new company that could be freer to act more like a world-class retail franchisor from top to bottom. Other “right” solutions could range from new investments in training and support to a system-wide quality standards monitoring program or a new dealer recruiting program. Or all of the above.

To belabor the obvious, making the right moves in any distribution system will depend on numerous variables. And the obvious fixes, like, say, pumping up a training program or two, may not produce expected results if the real problem lies in the way a company views its human relationships (a culture problem). But as Will Rogers might have said, the only thing worse than making tough changes is not making them. ●●●

## ABOUT THE AUTHORS



E. Todd Ellison, MBA, is a co-founder and Senior Partner of Janssen Ellison Company.

He is a business growth generalist with three decades of experience as executive, entrepreneur and consultant. He has consulted to organizations ranging from Fortune 100 firms to start-ups and has more than two decades of hands-on franchising experience.

Mr. Ellison's expertise includes strategic planning, business and marketing strategy development, market research, franchising system development, advertising and corporate image development. He has an unusual ability to blend the creative, the analytical and the practical and has co-authored numerous articles and papers on franchising and related topics.



Jean-Louis Janssen, MBA, is a co-founder and Senior Partner of Janssen Ellison Company.

He has been intimately involved in all aspects of franchising for three decades, including owning and operating two franchise companies totalling more than 300 franchise units.

As a business growth generalist he has helped numerous companies—from Fortune 100 multinationals to start-ups—investigate and implement franchising and other third-party distribution strategies, and establish successful new or expanded businesses. He has also performed successful turnarounds of troubled companies in the field.

Mr. Janssen has co-authored numerous articles and papers on franchising and related topics.

## ADDITIONAL READINGS

*The following articles are among those available on the company's website at:*

*[www.janssenellison.com](http://www.janssenellison.com)*

### **Some Plain Talk About Franchising**

*This article is a "must read" for any company exploring the idea of getting into franchising other third party distribution methods. It illuminates some of the dominant fallacies as well as some of the untapped possibilities of franchising as a business method.*

### **The Human Edge in Franchising**

*Managing relationships is a messy and imprecise business—more art than science. This article characterizes the changing nature of this human relationship at different stages of the franchise business relationship.*

### **What Makes a World Class Franchisor?**

*The seven essential characteristics that true world class franchise companies share.*

### **Issues in Conversion Franchising: An Example**

*Conversion franchising is one of the most powerful business tools ever created for rapid growth and brand building. Here we explore some of the "ins and outs" of conversion franchising, in this instance as applied to the gasoline and convenience retailing industry.*

### **A Conversion Franchising Fable**

*This is a conversion "what if" that illustrates what could happen when the right combination of vision and resources come together in a retail industry that's ripe for consolidation. It has happened before and it can happen again.*

# ABOUT JANSSEN ELLISON COMPANY

## COMPANY OVERVIEW

Janssen Ellison Company specializes in business growth and marketing disciplines, particularly third-party distribution methods including various forms of franchising, distributorships, joint ventures and innovative business alliances. Services range from strategic opportunity analysis to complete development programs to conflict resolution to innovative marketing campaigns.

The firm was established in 1988 and has served clients in a wide range of industries. Because each client's needs are unique, the firm's philosophy is to approach each assignment with a "clean sheet of paper" instead of a formula, and to take an active, hands-on, role in helping clients meet their business goals.

## REPRESENTATIVE CLIENTS

- Avon
- California Pizza Kitchen
- Cash Plus
- Clean'n'Press
- Franchise Consulting Group
- Futurekids
- General Mills
- Greyhound Lines
- Hard Rock Cafe
- IBM
- Marriott
- Miracle-Ear
- Mobil
- SCORE@Kaplan
- Stride Rite Footwear
- Western Auto
- Westinghouse

## FOR MORE INFORMATION

Companies or entrepreneurs interested in learning more about how franchising techniques might be applied in their own setting are invited to contact Jean-Louis Janssen at Janssen Ellison Company.

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