Making every employee a brand manager

Aligning human capital strategy with brand strategy

By Carla Heaton
and Rick Guzzo

Employees are a critical yet underemphasized element in delivering the positive customer experience necessary to build a strong brand. A strategic approach to human capital will enable employees to deliver to their fullest potential.

Many companies fail to deliver on the promise that their brand, implicitly or explicitly, makes to customers. Automakers promise a whole new experience in car ownership, but perpetuate the same old sales pressure and haggling at the dealership. Banks promise one-stop shopping, then require multiple conversations and handoffs for different products. Airlines tout their kid-gloves treatment for business travelers, then put them through the overbooking and lost-baggage circles of hell, with the "customer service representative" either powerless or otherwise engaged. Computer software makers promise to raise office productivity, then understaff their technical support teams.

This brand "bait and switch"—the raising of customer expectations that are then dashed—seriously erodes the power of a brand over even short time periods. It certainly does more harm than simply delivering an unsatisfactory experience without having promised something better. Internet firms, in particular, are learning the dangers of delivering to customers an online experience that falls far short of the one they expect (see article, page 68).

A brand promise can be unmasked as a hollow boast at almost any point during a customer's experience with a company, product, or service. Each interaction represents a "moment of truth" that can enhance or erode the brand, heighten or undermine customer loyalty, and affect business results for better or worse.

End-to-end customer management recognizes that when the customer needs a solution, he or she cares about the result, not the messy process of getting there. Consumers and business customers alike expect fast service, convenience, appropriate cross-selling, and solutions to their problems. And they want consistent treatment across all the sales channels through which they interact.

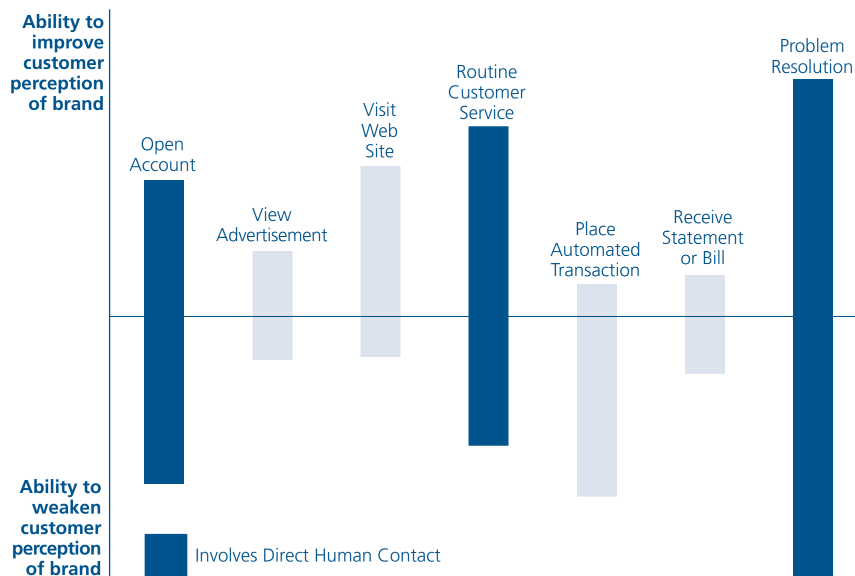
Delivering a seamless experience that pleases customers, however, is becoming increasingly difficult. Customer satisfaction has been declining in many industries for the past decade, in part because the bar is rising—customers have higher service expectations, expanded options, more cross-industry benchmarks, and lower switching costs. At the same time, execution challenges are intensifying, due to product and channel proliferation, cost pressures, heightened M&A activity, and talent scarcity in most sectors.

Companies that succeed in this challenging environment can distinguish themselves and reap significant rewards. Because consistent delivery of the brand promise tends to be costly and time-consuming for competitors to replicate, it reinforces the ability of a brand to serve as a potent source of strategic control.

The hidden jewels

Bringing a well-designed customer experience to life requires aligning every point of customer contact with the brand promise, from the storefronts to the call centers to the Web site, from the first contact to ongoing service interactions. The most important factor in creating a successful customer experience, however, is a company's workforce. The moments of truth involving human interaction often have the greatest impact on how a customer feels about the brand (see Exhibit 1). So it is crucial for companies to ensure that their employees continually reinforce the brand.

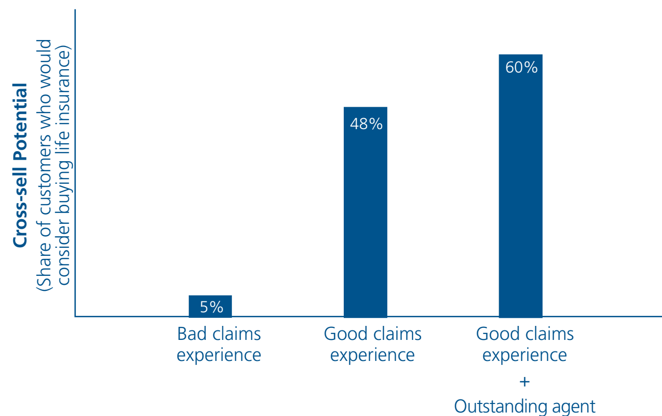
Exhibit 1 Analysis of customer "moments of truth" in retail banking shows how human interaction magnifies, both positively and negatively, a customer's feelings about a brand



Source: Mercer research

A major U.S. insurance company came to this realization in the early 1990s. The company wanted to stem attrition of auto and homeowners insurance customers to competing brands, and it also hoped to cross-sell life insurance. Customer research revealed that by far the most critical driver of retention, and ultimately brand equity, was how customers were treated in the claims process, in which customers interact with several employees, notably their agent. That experience represents a "day of reckoning" for a product that a customer has long been paying for—but is only now tangibly benefiting from. Consequently, the quality of the experience has a dramatic impact on customer retention, on word-of-mouth communication about the brand, and on the insurer's ability to cross-sell (see Exhibit 2).

Exhibit 2 A U.S. property/casualty insurer found that delivering a good claims experience led by an outstanding agent created a sizable advantage in cross-selling life insurance



Source: Mercer research.

Delivery on the brand's promise may even involve employees outside of the organization. The brand of Furniture.com, an online furniture retailer, is highly dependent on the experience a customer has in selecting, ordering, and receiving merchandise. Indeed, the company's brand hinges on the premise—and promise—that the ease of buying a sofa without leaving the living room will outweigh the value of testing the softness of the cushions at a showroom. The only face-to-face interaction that a Furniture.com customer has during the buying process, however, is with one of the independent truckers on contract to deliver and assemble its products. If that driver is rude, scratches walls, or has difficulty setting up the sofa, the company's brand will suffer.

Providing superior, consistent service across the many moments of truth represents a major challenge. Yet despite the importance of delivering a customer experience that supports the brand, most companies don't understand what enables and what hinders

employee effectiveness at the key moments of truth. As a result, employees often cannot deliver to their fullest potential.

Senior executives can't simply mandate that employees support the brand promise. It takes a deep understanding of what employees value, how *they* experience the brand, and how they contribute to delivering the customer experience in order to convert them to a new approach. Most executives acknowledge the economic rationale of improving employee effectiveness and the rationale for improving customer loyalty. What's not well recognized is that the two are linked. Employee commitment and capability have a significant, quantifiable impact on the customer experience, which in turn has a major impact on brand equity and shareholder value.

Consistent delivery of the brand promise is difficult for competitors to replicate, reinforcing the brand as a source of strategic control.

Barriers to delivery

When human interactions undermine a company's brand promise, the problem often is not bad intentions or lack of interest among employees. Rather, employees on the front line tend to misunderstand the priorities implied by the promise or don't have the wherewithal—the training, tools, time, or latitude—to deliver. They often face severe gaps between what customers expect and what they are able to do for customers. In our experience, among the most prevalent organizational barriers to delivering on the brand promise are:

- *Inadequate staffing and training.* Clearly, employees who are poorly trained or whose numbers are insufficient to do a job properly will deliver an inferior experience. This is particularly true if they are in a key customer-facing position. Such a situation can occur as part of a downsizing move, when cost-cutting tends to be done across the board. Wholesale staff cuts can destroy brand equity if they undermine customer service or other important aspects of the customer relationship.

  Staffing and training issues have become more pressing as the ongoing shift to a digital economy, where customers engage in transactions over the Internet, is changing the skill set required of many front-line employees. Where once they were order-takers, increasingly employees add value by being effective advisors, or even advocates, for the customer. To perform this role, they must thoroughly understand how to mobilize other parts of the organization to deliver a unified experience to the customer.

- *Inefficient business processes.* Unresponsive back-office staff, departments that operate in silos, or computer systems that don't mesh well tend to generate time-consuming, morale-sapping "workarounds." Call centers at many firms, for example, require that customers fax a change of address to another department, because the call centers don't have the technology that allows customers to make the change on the phone.

  A related problem is when employees lack the authority to solve the customer's problems themselves. For all the buzz about flatter hierarchies, top-down bureaucracy remains entrenched at many organizations. Only a minority of companies give front-line workers appropriate leeway to exercise their own judgment in serving customers.

- *Lack of information.* Without detailed information on individual customers, accessible in real time, employees are shackled. If a customer calls with a problem, the phone representative can't respond quickly. The single phone call, possibly the only human interaction the customer has with the firm over the course of a year, represents a source of irritation for the customer, who must wait for a solution to his or her problem. It also represents a missed opportunity for the customer service representative to move from solving the problem to making the customer aware of other services.

Employees often face huge gaps between what customers expect and what the organization empowers them to do for customers.

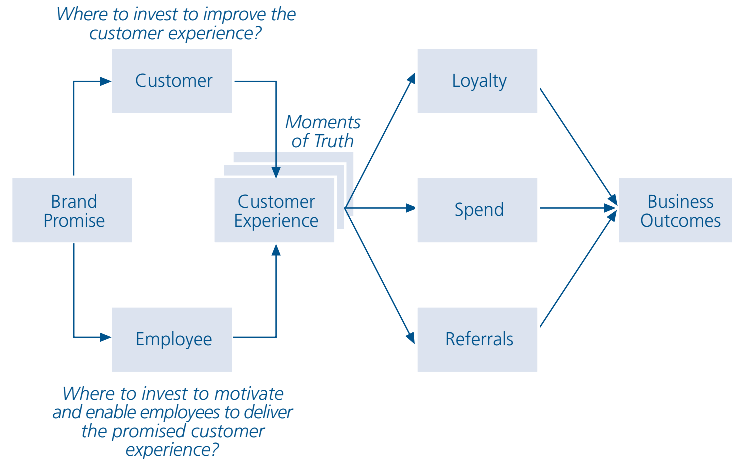
- *Misaligned incentives.* Company cultures and reward systems may emphasize sales over service, or servicing as many customers as possible rather than solving a customer's problem. Many dot-com companies have taken this tack because their growth is outpacing their capacity to provide decent service. Another problem is poor responsiveness by back-office staff, who often have different incentives from front-line employees.

- *Poor communications.* This applies both within the company and between employees and customers; in fact, the two are often linked. Management sends mixed signals about the brand promise or never articulates the standards designed to reinforce the promise. So employees feel isolated, confused, and improvise as best they can—in turn jeopardizing their ability to deliver on the promise.

An effective human capital framework

Some of the leading brand builders have found ways to remove these barriers to delivery. They recognize that aligning human capital practices and investments to improve the customer experience leads to a stronger brand, more enduring customer relationships, higher profits, and a platform for growth (see Exhibit 3).

Exhibit 3 Delivering the branded customer experience

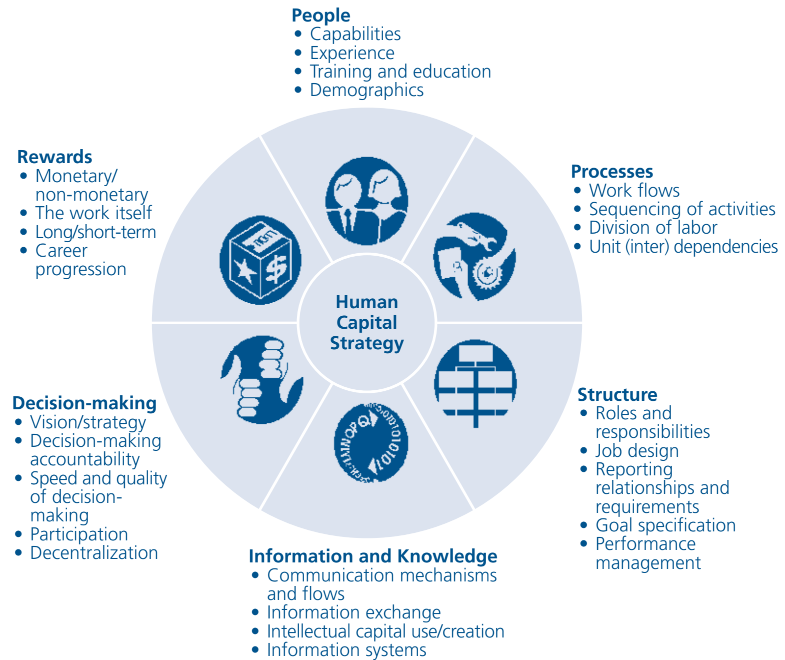


A fact-based, scientific process is a powerful way to measure the impact on brand equity of different customer and employee investments, and then allocate finite resources to areas that will generate the greatest return on investment. This process should first reveal which moments of truth matter most to customers—which have the greatest impact on brand equity, and where the company currently falls short. It then highlights where the gaps are on the employee side, and which investments will provide the greatest leverage. With employees, the important investments go beyond monetary compensation. Pay may be enough to get people in the door, but it's not enough to keep them, let alone to create true "brand ambassadors."

Companies seeking to align their human capital practices and investments with the brand must address six interrelated areas that together determine the kind of customer experience employees deliver (see Exhibit 4):

- *People*—the experience and competencies of employees, and specific policies aimed at selecting or developing them
- *Processes*—how the work gets done

Exhibit 4 Human capital should be aligned with the brand in six areas



- *Structure*—how management assigns roles and responsibilities

- *Information and knowledge*—the availability and timeliness of critical business information

- *Decision-making*—how decisions get made that affect the customer

- *Rewards*—the motivation of people through pay and other incentives

This model grew out of more than 300 studies that examined how performance is affected when a company changes its management of one or more of the six areas. The model operates implicitly in all businesses, often without any coherent guiding strategy or metrics. It becomes a powerful tool when used deliberately to develop and align the human capital strategy with the brand.

Making changes in one or two of the areas can create operational improvements and marginal increases in productivity. The most effective strategies, however, employ all six simultaneously on an integrated rather than piecemeal basis. An integrated human capital strategy, linking each area to a common and coherent purpose, can create enormous value for the brand among customers and employees alike. This creates a virtuous cycle of

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Brand building on the Internet

Retool your brand for the Web—or rethink your business?

By Eric Almquist and Andy Pierce

For most traditional offline companies, the next 18 months will determine whether they can build a strong Internet brand. One issue facing them will be whether to take their current brand online or to create a new or modified brand for the Internet. Whichever route is chosen, however, two things are clear. The current blitz of advertising by dot-com companies is an inadequate model for those who hope to create an enduring brand in cyberspace. And as senior managers seek to create a branded presence on the Internet, they may need to think beyond the brand itself to the *kind* of branded business they will be building.

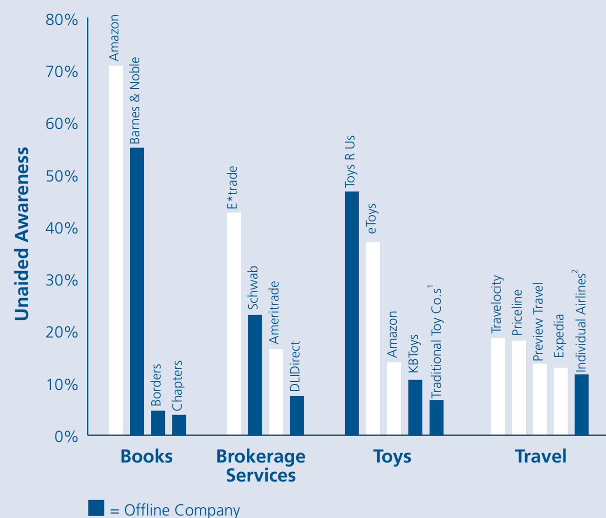
Brand strategy will remain a powerful means of creating value in the next economy. Already, the Internet represents the most crowded and confusing marketplace the world has known. As they always have, brands will serve as symbolic shortcuts, helping customers make sense of a crowded market, while sustaining profits for vendors. In fact, with customers' choices rising while their time and attention remain constant at best, the brand will likely play an even more prominent role.

A window of opportunity still exists for offline "incumbent" companies to create strong online brands. Although a recent Mercer Management Consulting survey on the subject of Internet brand building indicates that offline companies haven't been successful in transferring their brands to the online world, the survey also suggests that powerful and familiar offline brands could enjoy some advantages on the Web (see Exhibit 1). But in the "land grab" world of the Internet, in which the early mover can quickly build a significant lead, the window of opportunity closes quickly (see Exhibit 2).

An incumbent's dilemma

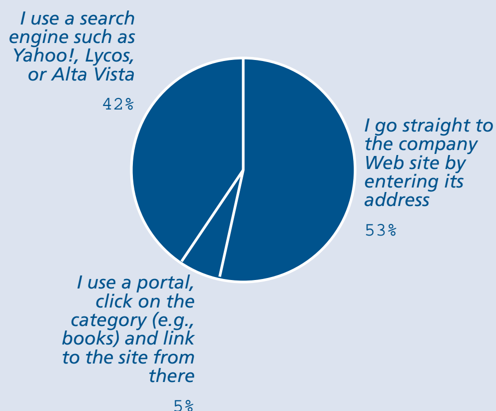
As they endeavor to build strong brands online, incumbent companies face an apparent dilemma: Should they use their existing brand, marking themselves as a relic of the "old" economy, or should they launch a new brand, jettisoning valuable brand equity that took years to build? The dilemma is not as stark or simple as that, of course, and that's what makes the decision about online branding particularly difficult. To help with this decision, managers need to undertake an assessment of their brands in a number of areas:

Exhibit 1 In several key categories, only a few offline companies have succeeded in establishing strong top-of-mind awareness online. . .



[1] Fisher Price, Mattel, Disney, etc.
[2] American, United, Delta, etc.
Source: Mercer Internet Consumer Brand Survey.

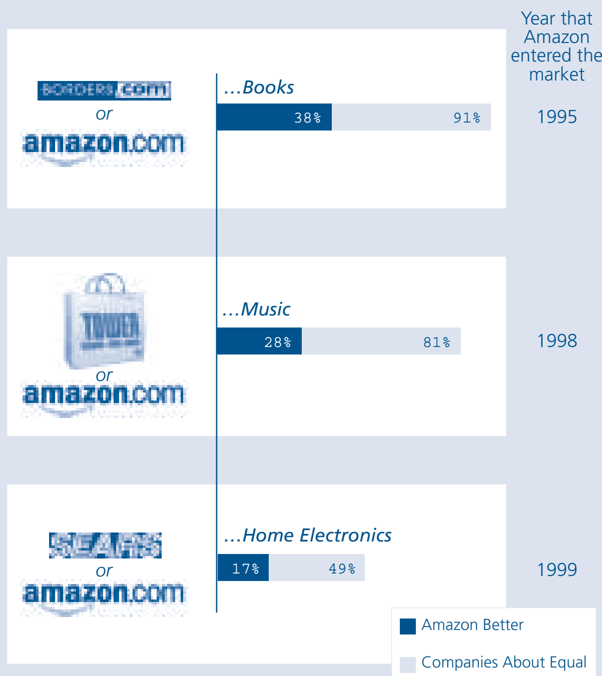
. . .but users' willingness to go directly to company sites suggests that well-known offline brands could enjoy some advantages on the Web.



DELIVERING on the Brand Promise

Exhibit 2 In each category it has entered, Amazon.com has quickly secured significant customer "mindshare."

"Overall, which do you feel would be the best source for…?"



Source: Mercer Internet Consumer Preferences Survey.

- *Current brand equity*. Managers need to determine whether their firm's brand equity is strong enough and has the proper attributes to support an online business. In many cases, the drivers of brand equity with offline customers may not immediately translate to an online business. For example, Tower Records' powerful brand is defined largely by the retail experience it creates in its stores: the informed staff, the hip displays, the piped music, the fellow customers who are themselves part of the scene. The challenge is to take the attributes of that offline experience and recreate them for online customers who currently value browsing ease, hassle-free ordering, and speedy delivery.

- *Types of products or services*. Incumbent brands—with their familiarity and track record—are more likely to prevail with products and services where the stakes are high for the customer. Like catalog retailers and travel agents, online businesses typically require customers to put their money down some time in advance of getting what they paid for. Customers take on faith not only the quality of the product, but the speed and reliability of the delivery and the ease of follow-up transactions such as returns or servicing. This means that big-ticket items—cars as opposed to CDs—may benefit from a well-known incumbent brand. Someone booking an upscale family holiday is more likely to use a trusted brand like American Express than an untested TravelBargains.com.

- *Channel conflict*. For many incumbents, taking an existing brand online puts them in the position of competing with their existing sales channels. Managers need to assess the risk of alienating these traditional partners and the opportunities for cooperation in the new online venture. For example, when Ethan Allen furniture decided to sell furniture directly via the Internet, it had to contend with the independent licensees who own and manage the majority of the company's bricks-and-mortar stores. Ethan Allen agreed to share a portion of the revenue from online sales with the stores in exchange for their accepting returns and providing routine customer service. It also passes on to local stores online requests from customers for personalized interior design advice, creating opportunities for additional in-store sales.

Such an assessment may lead a company to stick with its current brand as it moves online. Certainly incumbent brands—with their existing brand equity and customer base—bring some advantages to cyberspace. Indeed, despite the price transparency of the Internet, researchers at MIT's Sloan School of Management are finding that many consumers would purchase from a trusted, branded online retailer even if its price were higher than that of a no-brand alternative. (A draft of their paper can be found at http://ecommerce.mit.edu/papers/ude/.)

But the assessment may also point toward the creation of a new online brand. Although building a brand from scratch is no easy task, in the fast-changing world of the Internet this may in some cases be more economical than trying to reposition an offline brand. Bank One concluded it needed to create a new brand, Wingspan.com, to be relevant to online customers. In creating Brandwise.com, appliance maker Whirlpool reached a similar conclusion primarily for another reason: It didn't want to alienate its existing network of dealers.

Other alternatives for incumbents include partnering with an existing online brand, as retailer Wal-Mart is doing with AOL, or creating a modi-

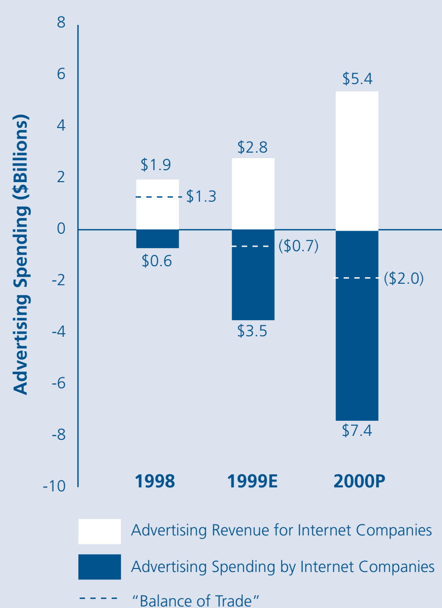
fied online brand, as brokerage house Schwab did with E-Schwab before determining that its hybrid "clicks-and-mortar" business design required a single brand. Another "modified" brand is Kmart's BlueLight.com, which capitalizes on one of the discount retailer's most popular programs—"blue light special" sales that are only announced in stores—while giving the site license to move beyond simply selling Kmart products online.

The online experience

Incumbents building a brand online will find themselves subject to the same rules and misconceptions about brand that apply in the physical world. The barrage of advertising that dot-com firms have unleashed in the last six months is a case in point. Although advertising can help to create awareness, it is less effective at building the brand equity that helps to attract and retain customers. Many of these multi-million dollar bets are huge misallocations of resources, yielding eyeballs not enthusiasts, sightseers not supporters.

Skepticism about the quality of customer visits to a site is reflected in the fact that, while many online companies are spending big in traditional media, relatively few companies, whether players in the last economy or the next, have shown much interest in advertising online (see Exhibit 3).

Exhibit 3 Internet companies' enthusiasm for advertising as a brand-building tool has not been reciprocated, reflecting concerns about users drawn to Web sites by advertising alone.



Sources: Mercer analysis; Competitive Media Research; Internet Advertising Bureau; *Advertising Age*; Forrester Research

Besides being ineffective, advertising spending crowds out other, potentially powerful brand-building investments aimed at enhancing the customer experience. Building and sustaining a compelling customer experience is particularly challenging online. Although a company may have more direct control over a customer's online than offline experience, the Internet and its current technological complexity offer more opportunities to destroy brand equity than to create it. Customers go to the Internet to save time through a hassle-free experience, so any bump in the road—slow response times, poor navigation, inaccurate information, unresponsive customer service, difficulty in returning items—can seriously weaken the brand. This is particularly true where a massive advertising campaign has raised customer expectations that are then undermined by the experience.

The serious consequences of failing to deliver on the brand promise is why successful Internet brand builders, such as AOL, Yahoo! and Amazon.com, have followed what we call the "delayed trigger" brand pattern (see page 46). Before building broad-based awareness through advertising, these companies have designed an experience that is relevant and attractive to their core customers and worked out most of the bugs. Their success is proof that brand differentiation on the Internet will come not from conveying the coolest advertising message but from designing and delivering the most compelling customer experience.

Rise of the aggregators

As incumbents wrestle with Internet brand building issues, they mustn't forget that moving online also is likely to have business design implications. Many if not all companies will be affected by the new class of powerful "aggregator" brands, which offer at a single site a variety of branded products and services from different sources. In markets where these brands exist, they represent a potent challenge even to strong incumbent brands seeking entrance to the online environment. Where they are absent, they represent an opportunity for powerful brands to leverage their offline equity to seize the online advantage. Although many Internet customers still go directly to their favorite Web sites, Internet aggregators

are bound to emerge as an increasingly powerful business model.

In one sense, aggregators perform the same function as brands do: By reducing search costs and time, they serve as a shortcut to decision making. That makes them, like brands, highly valuable to consumers. A recent Mercer survey on the subject of Internet consumer preferences found that, while just 49 percent of users value the Internet because it saves them money, 82 percent value the decision-making information it provides and 75 percent value its time-saving benefits. Aggregators are in the unique role of offering both.

The Internet aggregators are evolving much as bricks-and-mortar retailers did, building great brands of their own by bringing together a wide selection of branded merchandise to satisfy particular customer needs. Out of a landscape of small, locally owned stores in the late nineteenth century, aggregators emerged first as mail-order catalogs and general department stores, then in the form of suburban malls. More recently, there have been "category killers," such as Toys R Us and Home Depot, offering under one roof a broad array of products in a particular category; these have been followed by "power centers," suburban clusters of stand-alone category killer stores.

Aggregator brands are evolving in a similar fashion online. The first generation includes portals such as AOL, which after building a strong brand in the mid-1990s began pursuing an aggregator strategy, providing a variety of content from different sources. Recently, a slew of category killers, including Point.com (cellular phones) and Drugstore.com (health and beauty products), has appeared online. And one early category killer, Amazon.com, is expanding beyond its category of books to become a portfolio of category killers, the virtual equivalent of a suburban "power center."

In determining how a business will be affected by the branded aggregator phenomenon, managers should first determine whether they have an opportunity to build one themselves. Does someone else already have the momentum that precludes new entrants? If not, does their company's brand have the necessary equity to support an aggregator business? Does it have a broad enough product and service line, or will it need to partner with other firms? If everything else is in place, are there sufficient resources to build an online aggregator brand?

If creating a branded online aggregator doesn't seem possible, a company should determine how it could use its brand to take advantage of someone else's aggregator. For example, in the mutual fund industry, a small fund family such as Janus lacks the scale to challenge Fidelity or Charles Schwab in a battle for customer awareness. But Janus's reputation for investment performance may make it an attractive addition to an online mutual fund aggregator, countering aggregators' pressure to select funds based on the lowest delivered price.

Conversely, in industries where no notable performance differentiation exists, only price will serve to win a place on the aggregator's roster. The brand might help to secure "shelf space," but not to sustain profitability. Again, think of the offline retail world: The strongly branded home electronics companies (JVC, Panasonic, Sony, Zenith) enjoy relatively low profitability compared to the far better economics of category killer retailers (Best Buy and Circuit City in the U.S., Dixons in the U.K.).

New challenges

The online aggregator isn't the only Internet phenomenon that will have an impact on a company's brand. The Choiceboard℠ model—which allows the customer to design his own product or service by choosing from a dynamic menu of attributes, components, prices, and delivery options—presents another opportunity for an incumbent to carve out a powerful branded position on the Internet.*

New types of "Shopbots" may soon roam the Web seeking products not only with particular features or with the lowest prices but also of the highest quality; these new tools—mixing the attributes of Alta Vista and *Consumer Reports*—could seriously undermine the power of many online brands. With these and other developments constantly remaking the online environment, the brand builder's imperative of regularly assessing the relevance of and opportunities for a brand will be even more crucial on the Internet.

*See "The Age of the Choiceboard," Adrian J. Slywotzky, *Harvard Business Review*, January-February 2000, pp. 40-41.

continued from page 67

engaged, committed employees who deliver what customers want, leading to higher customer satisfaction, spending, and improved business results, which in turn makes the company a more attractive place to work and raises its status in the marketplace for talent.

There are no aisle numbers at Home Depot, a design feature meant to encourage employees to escort customers and talk about the project at hand.

Putting this model to work can best be understood by looking at the experience of two companies—Home Depot, which built its brand from scratch, and Continental Airlines, which successfully repositioned an ailing brand.

Inside Home Depot's big orange box

Home Depot, the home maintenance and renovation retailer, created one of the most successful business designs of the 1990s, with the company enjoying 42 percent combined annual market value growth. Founders Arthur Blank and Bernard Marcus recognized that employees were as important as products and systems in delivering the company's brand promise: "Low prices are just the beginning." Before Home Depot was founded, homeowners typically had to visit a number of stores for the tools and materials necessary to complete a project. It also was difficult to find good advice for the entire project from stores offering products that addressed just one aspect of the project.

Home Depot targeted the unmet needs of do-it-yourselfers seeking value, convenience, and advice. The chain never aspired to the lowest price, but focused instead on being the single destination store. To capture a larger share of the customer's business required generating the confidence and excitement in customers that would encourage them to try new projects. The company relied heavily on its human capital to support this brand promise:

- *People.* Many of the employees in the stores have expertise in a building trade.
- *Processes.* Employees work throughout the store, not just in designated areas. There are no aisle numbers, a feature meant to encourage employees to escort customers from plumbing to paint—raising the likelihood the customer will buy multiple products.
- *Structure.* Home Depot offers hassle-free returns, any time, for any reason. To make this happen, Home Depot has minimized paperwork and given employees authority even in unusual situations such as when the customer lacks a receipt.

- *Information and knowledge.* Employees have data on all the products within their specialty division. The company sponsors frequent, department-specific training on products and building techniques.

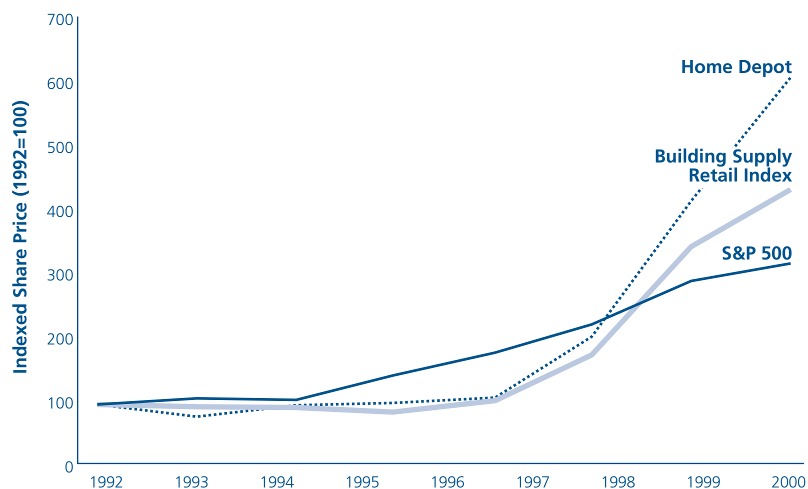
- *Decision-making.* Senior management hammers home a key message in workshops, surprise store visits, and other encounters with employees: We're in the customer relationship business, not the transaction business. To deliver on that vision, the company gives associates and managers discretion in choosing the product mix, ordering, in-store signage, and layout.

- *Rewards.* Pay-for-performance plans apply to store and assistant managers, who can earn up to 50 percent of base pay in a bonus that's based on improvements on historical results.

By developing a strong corporate culture around the customer experience, Home Depot has created a powerful brand and delivered superior financial results and shareholder value (see Exhibit 5). Wall Street has recognized these efforts. As the investment house BancBoston Robertson Stephens put it, "Home Depot's associates are trained to value the customer first and foremost, and we believe it is this essential element that has enabled Home Depot to grow as quickly as it has and still be recognized as one of contemporary retail's premier service providers."

Delivering a superior customer experience did not happen overnight for Home Depot, and the process requires continual vigilance, especially as a company reaches Home Depot's current

Exhibit 5 Home Depot's branded experience has produced superior value for shareholders



Note: Fiscal year data.
Source: Computstat.

size of nearly 200,000 employees. Arthur Blank acknowledged recently that Home Depot associates have been lax about escorting customers to the right aisle rather than simply pointing where to go. That's a problem he vows to fix.

Continental soars again

Perhaps even tougher than building a new brand is the challenge of turning around an ailing brand. Even a brilliant plan can be stymied by existing business processes, residual ill will among customers, and creditors who are reluctant to embark on a totally new course.

In 1990, Continental Airlines was faced with reviving its brand—indeed, its entire business. On the verge of bankruptcy, the airline decided to reposition itself from serving low-margin, price-sensitive "backpack and flip-flop" leisure travelers to serving higher-margin, service-sensitive business travelers.

Continental wanted to reposition itself to serve business travelers, but that meant rethinking the company's business design to enable employees to create the desired customer experience.

But repositioning the brand would require something more fundamental than changing the advertising message: Continental needed to create an entirely new customer experience. Business travelers have completely different priorities from leisure travelers. Often under tight deadlines, they value on-time arrival, seamless service at the counter and on the phone, and rapid resolution of problems. Creating an advertising message that promised to address these needs without doing so in practice would further erode, rather than enhance, the Continental brand.

Continental had few internal capabilities to execute the new strategy. For years, Continental's on-time arrivals, baggage handling, and customer complaints had ranked among the worst of the major airlines. Employee morale had plummeted, as reflected by high absenteeism, turnover, and workers compensation claims. The customer experience, and by extension the brand, were in disarray. So what was Continental to do?

The company first embarked on a comprehensive identity and image redesign effort—starting with intensive research among employees, customers, and travel agents to determine prevalent perceptions of the airline and opportunities for change. To reinforce Continental's desired image as the airline of choice for business people, all aspects of the company's identity were totally redesigned, including the logo, aircraft exteriors and interiors, employee uniforms, tableware, airport facilities, signage, and marketing collateral.

While these changes, implemented over several years, were a critical foundation for improving the airline's image (in the eyes of employees as well as customers), transforming the customer experience would require Continental to rethink the employees' role in creating that experience.

Gordon Bethune, who took the helm as CEO in 1994, recognized that Continental needed to develop new organizational capabilities to support the new brand promise targeted at business travelers. "Cash problems, reliability problems, marketing problems ... they all have at their base the people who are doing things that don't make sense," Bethune wrote in his book about the turnaround, *From Worst to First*. Viewing employees as value-creating assets—rather than as expenses to be minimized—he understood that human capital changes were essential to realize the full potential of Continental's significant investment in identity redesign.

Bethune and his management team were able to push through an integrated plan to align and enable employees to deliver on Continental's new promise of excellent service for the business traveler. The company reinvented the organization along each dimension to reinforce the new promise:

- *People:* A new emphasis was put on employees being advocates for the Continental brand. For example, Bethune has lunch with each new class of flight attendants to communicate their role in the brand's success. At least one corporate officer sits in on the final interview of each flight attendant.

The airline gave employees far broader leeway to make decisions and shifted the focus from rules to performance.

- *Processes:* Continental refocused employees on the customer experience and customer service. Executives, too, began to work differently, symbolized by spending time alongside baggage handlers and gate agents. Executives were no longer permitted to take vacations during peak travel times.

- *Structure:* The 800-page manual was ceremoniously burned in a parking lot and replaced by an 80-page document mailed to all employees. Employees wrote the new corporate manual and were given broader leeway to make amends with upset customers and make operational decisions.

- *Information and knowledge:* Hundreds of bulletin boards throughout the system give a continuous update of performance on key criteria. A CEO voicemail to the firm each week

discusses the state of the company and efforts to keep operations aligned with the brand strategy. Upper management hosts a monthly open house for employees to ask questions and give feedback. And a telephone hotline is staffed around the clock to take employee suggestions.

- *Decision-making:* The old emphasis on individual compliance with rules was replaced with a focus on raising overall airline performance—fewer late arrivals, customer complaints, luggage snafus, and involuntary denied boardings—and each employee's contribution to that performance.

- *Rewards:* Employees receive a $65 bonus each month that Continental ranks in the top three airlines for on-time ratings. This program is self-funding because of decreasing payouts to other airlines to accommodate missed connections. Perfect attendance is also rewarded by the chance to win a Ford Explorer (more than fifty have been won). Performance-based rewards were also put in place for sales and customer service employees.

Continental's new strategy of focusing on business travelers and helping employees to satisfy this demanding segment has been successful on many fronts and over a sustained period. Employee productivity and retention have sharply improved, with turnover down 45 percent, workers compensation claims down 51 percent, and revenue per employee up 20 percent from 1994 through 1998. Committed, enabled employees have driven higher customer satisfaction, as reflected in several awards by independent rating firms, including in the critical business traveler class. And

Exhibit 6 Continental's turnaround

Note: 1993 net income included extraordinary gains of Chapter 11 proceedings.
Source: Computstat.

DELIVERING on the Brand Promise

greater employee and customer loyalty have dropped directly to the bottom line (see Exhibit 6). These results attest to Continental's success in realizing the vision articulated in a strategy statement back in 1990: "Our success depends on our customer experiences with and perceptions of our service. We will invest to ensure superior personal service. Our employees will have the tools they need to achieve the status we seek."

Aligning human capital strategy with brand strategy has one overarching benefit: Customer priorities end up driving the whole enterprise.

Connecting with customers

You can brilliantly position a brand to appeal to the most valuable customers—today's and tomorrow's. You can identify those elements of the brand that drive customer choice. You can design a customer experience that should enhance those brand equity elements in all the interactions between customer and company. But if the entire business doesn't deliver on the brand promise made to customers, brand-building efforts go for naught. And because such an effort hinges on the commitment and capabilities of employees, companies must learn to unleash the full force of their human capital.

Developing employees into enthusiastic, knowledgeable brand ambassadors is not easy to do. It requires internal marketing that is as sophisticated as external marketing. It requires metrics that trace and quantify the linkages between customer/employee interactions and the brand promise. It requires a constant reassessment of employee skills and tools so that workers are equipped to anticipate changing customer priorities and how the brand must evolve in response.

Indeed, this approach to aligning human capital strategy with brand strategy has one overarching benefit: Customer priorities end up driving the whole enterprise. The needs of key customers shape the brand promise, which in turn determines how the company invests in its human capital and what tasks employees do each day. At Home Depot, customers have suggested a majority of the items that the company eventually has stocked. The main reason for any firm to deploy technology and other physical assets is to enable employees to deliver a customer experience that drives brand equity ever higher.

* * *

Human capital strategy and tactics are not usually included in most discussions about brand building. Yet as the sum of the articles in this issue makes clear, brand-building activities need

to be integrated into a company's overall business strategy in order to capture mindshare among customers, employees, and investors.

The successful brand today is embedded in every aspect of the business design, starting with customer selection and moving right through to a company's organizational systems—in particular, how employees interact with customers. This integrated approach ensures that the brand will be a powerful tool for achieving sustainable competitive advantage.

In the end, the Wedgwood imprint and the Harley-Davidson tattoo represent more than the memory of a product transaction; they celebrate a cherished experience. Achieving that visceral connection between customer and company is the essence of a successful brand strategy.

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