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The Power of the Fifth P

When the importance of employees to brand marketing is ignored, the cost is huge

by William J. McEwen
Author of Married to the Brand (Gallup Press, 2005) and coauthor of the Harvard Business Review article "Inside the Mind of the Chinese Consumer"

The name of the game for any brand manager today is romancing the customer with a view to establishing a long-term relationship. Relationship, not product, is key. Relationships bind, have duration, foster loyalty, create repeat sales. The sum total of millions of relationships is a priceless asset that never appears on the brand balance sheet, but given the tremendous cost of customer acquisition, it is a foundation of profitability. One-night stands are expensive; companies need to marry customers, preferably for life.

Marketing 101 reduces the main determinants of customer loyalty to the familiar Four Ps: Product, Place, Promotion and Price. These are all critical factors, but marketing orthodoxy is myopic, for reasons that are often lodged right in the structure and culture of corporations. The result is that a fifth P is typically left out of the reckoning: People. Specifically, I mean the people who actually deal with the customer during any part of the transaction. The delivery of the brand promise often happens by human agency at the point of sale and proceeds through service, complaint and resale. Yet marketers, who have the bottom-line responsibility for brand health, rarely focus on the Fifth P.

Why this neglect? In part it's because this Fifth P manifests itself far from marketing headquarters, and a corporation's customer-facing employees are not often the responsibility of brand managers but are instead relegated to what is usually called human resources. HR has little to do with brand and, in my experience, brand managers often have nothing to do with HR, which they probably feel is charged to set up interviews with MBAs, track vacation time and hire file clerks. The result is that neither of these two critical constituencies see themselves pursuing the same brand-building and customer-relationship-building goal.

Thus the Fifth P often falls between the cracks. Not only is organizational compartmentalization to blame, but so is the way companies measure success. It is often not possible to reliably count which of a company's annual sales are repeats and which are new. Then too it is obviously difficult to disaggregate all the ingredients of loyalty, including product quality, image, reputation, design and service. Because of this we feel many companies underestimate the degree to which customer loyalty is a significant driver of sales and other important outcomes.

The price of neglect

The cost of neglect of the customer experience is significant, according to Gallup Organization surveys of more than 6,000 customers of familiar brands in six businesses: automobiles, fast food, consumer banking, long-distance telephone services, retail electronics and airlines. (See graphics below for specific data on airlines and fast food.)

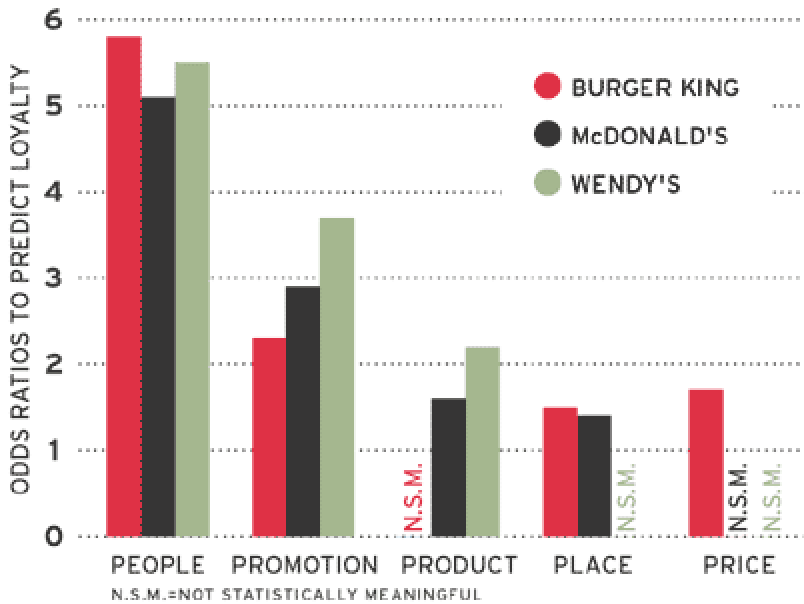
Between November 1999 and January 2000, regular or former customers were identified, asked about their reactions to each brand's marketing efforts and questioned about their repurchase considerations and plans. Our findings strongly suggest that employees who deal with customers not only represent the brand but, in the perceptions of customers, become the brand. Employees have the power, by dint of actual service and sometimes by mere attitude and body language, to add to or subtract from brand value. Attention must be paid to the subtraction side, because customers have the memory of elephants when it comes to disappointments and unmet expectations. Positive memories may fade, but resentments can last a lifetime.

Consider the case of long-distance phone companies. Current or former customers of AT&T, MCI and Sprint who feel that customer service representatives are not helpful are, respectively, 6.6, 5.7 and 2.5 times more likely to say that they won't consider this provider in the future. Now consider another contributor to loyalty: the quality of technical service. AT&T and MCI customers who have experienced poor service reliability and service quality in the past are only 1.9 and 2.4 times more likely to say that they won't consider this carrier in the future. Remember that interaction with employees need not be in person to make its impact; it can happen over the phone or through the mail and still affect the relationship. The moral is clear: A dollar spent improving the people factor is probably a better investment than a dollar spent improving technical quality.

Many companies' primary brand builders often earn a buck or two over minimum wage, but the problem is selection, management and training; employees are rarely selected for their brand-building potential, and new hires are often poorly trained in brand-enhancing behaviors. A fast-food chain might overemphasize price cuts, speed or menu changes and undervalue customer contact as the source of repeat business.

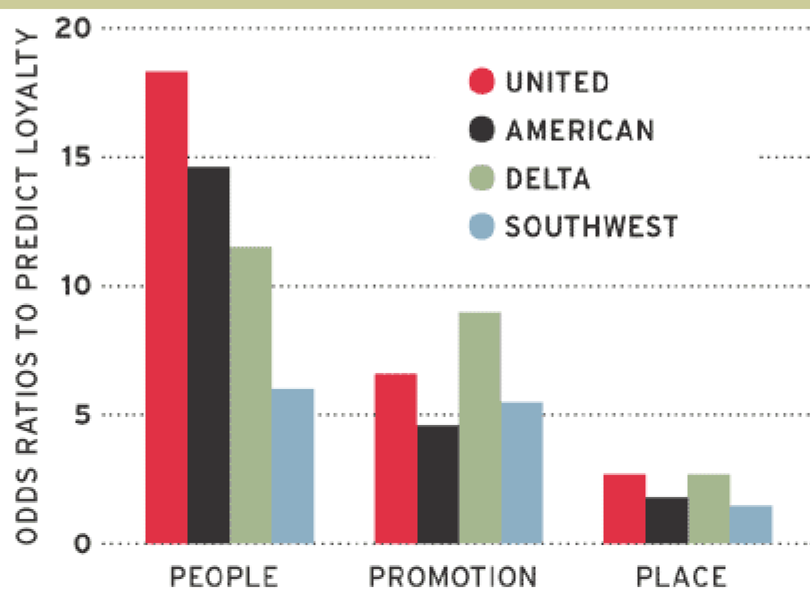
Adding a fifth P may sound easy, but organizational rigidity stands in the way. The CEO must demand that top-level marketing and human resource teams share insights and develop a permanent program that accounts for the employee in the brand equation.

Fast Food: Relative importance of people and four other factors in likelihood of a consumer choosing a fast-food restaurant again



A comparison of the power of the Five Ps among regular or occasional customers of Burger King, McDonald's and Wendy's shows near unanimity regarding the principal key to luring them back for another visit: not taste of the food, but the quality of the interactions with the people who take and serve their orders. In general, customers who feel that a fast-food chain's people stand out are roughly five times more likely to return to that source. Outstanding advertising tends to make customers about three times more likely to return, and that's not chicken feed. But note that even powerful advertising has only about half the loyalty-building potential of an outstanding people experience. Product quality and price are also factors, although not for all brands.

Airlines: Relative importance of people, promotion and place in likelihood of a consumer choosing an airline again



For these major carriers, the No. 1 driver of customers' intention to repeat buy is the Fifth P: employees who represent the brand in the air, on the ground, over the phone. The chart at right reflects probabilities (odds ratios) of each factor on the likelihood of a customer's choosing a given airline again. Fliers who feel that United's employees stand out are over 18 times more likely to select United again. By contrast, customers who think United's ads stand out are only six times more likely. Schedule convenience certainly contributes: Customers who like United's schedules are almost three times more likely to say they'll return. Price/value is not a factor in repeat business, though it may enhance trial usage. Indeed, price wars train customers to think of airlines as commodities where once they were brands.

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