

InfoTrak

Information for Better Decisions

Customer Focus Starts With Internal Communication

Customer service. Customer loyalty. Customer relationship management. No matter what the industry or type of business, customer-centric strategies and initiatives are front and center in the quest for higher profits and shareholder returns.

In the battle to win the hearts, minds and wallets of their markets, companies should remember that employees are their front line. If an organization isn't working in unison toward common goals, sharing critical knowledge across departments and functions, and delivering outstanding internal customer service, external customer programs will fall short of desired results. Internal marketing — using communication to educate, motivate and align employees with business objectives — is what gives external marketing strategies the traction they need to succeed.

This issue of *InfoTrak*:

- Reveals the link between internal communication and financial results,
- Examines ways to improve internal communications,
- Defines marketing's role in internal marketing efforts, and
- Explains how fulfillment vendors can help companies develop and deliver cost-effective communications to all of their stakeholders, including employees.

Communication: A Bottom Line Issue

Companies that utilize good internal communication practices have a competitive head start in the race for market share, thanks to a more committed, productive, effective work force.

According to the Watson Wyatt 2005/2006 Communication ROI Study,¹ which analyzed the communication practices and financial results of U.S. and Canadian employers between the years 2000 and 2004, companies with effective internal communications were 4.5 times more likely to report high levels of employee engagement than other companies. Employee engagement, in turn, had a positive impact on their bottom lines:

- Companies with the most effective internal communication programs achieved a 91 percent total return to shareholders (TRS), versus 58 percent TRS among ineffective communicators, and

- Companies that significantly improved their internal communication effectiveness increased their market value by 19.4 percent.

What Do We Mean By 'Effective Communication?'

Watson Wyatt identified several best practices that differentiate companies with the most effective internal communication programs, including:

- Using a formal communication structure and processes.
- Leveraging technology to connect with employees.
- Dealing directly with the issues of business strategy, integration and alignment, rationales for change, and the need for continuous improvement.
- Facilitating behavioral change by creating a 'line of sight' / business connection between employees and customers.
- Soliciting employee feedback and allowing employees to provide input on how the business is run.
- Integrating total rewards.

Source: Watson Wyatt 2003/2004 Communication ROI Study

Other research studies have demonstrated similar results. For example:

- A 1997 study² by three Harvard Business School professors found that, over a 10-year period, the stock price of companies that made substantial investments in employee loyalty and satisfaction increased over 147 percent — almost double the increase in stock prices of their nearest competitor.
- A 1998 study³ of retailing giant Sears found that a 4 percent increase in employee satisfaction led to an identical increase in customer satisfaction which, in turn, led to an increase of over \$200 million in revenues. Given Sears' after-tax margin and price-earnings ratio at the time of the study, the additional revenue increased Sears' market capitalization by almost one-quarter of a billion dollars.

The take-away message is clear: Companies looking to improve their financials can't afford to view internal communication as a 'soft' concern. Instead, they must treat it as the vital business function it really should be — a function increasingly referred to as internal marketing.

Marketing to Employees

Internal marketing has been defined as the application of marketing to organization insiders, to instill customer-focused values (even among employees that have no direct contact with external customers), and gain commitment to organizational goals, programs and processes. It also aims to create better alignment among and across departments and functions, so that everyone is 'on the same page.'

If employees don't work seamlessly across functions to enhance the overall customer experience, externally aimed customer initiatives will suffer. For example, if marketing launches a campaign

without informing the sales force or call center, profitable leads may be dropped or customers may become frustrated by ineffective telephone response. The results can be equally or more disastrous if an overenthusiastic sales force promises customers quick delivery of a product or enhancement that's still in the conceptual or developmental phase.

A few tips to keep in mind:

- **Make sure employees understand your vision, values, how you define success, and what's expected of them.** They can't perform well if they don't understand their jobs and roles relative to business goals and initiatives, says JoAnna Brandi⁵, principle, JoAnna Brandi & Company and author of *Winning at Customer Retention*. Be sure to communicate your expectations clearly, and keep the communication streams going — up and down, as well as across functions.
- **Foster proactive information-sharing.** Create a climate in which employees freely share information with colleagues, instead of waiting to be asked, advises Scott Miller, vice president of Kirk Miller & Associates.⁶ Encourage people to think of their coworkers as customers and deliver information as they would deliver a product to an external customer.
- **Leverage technology.** Intranets — internal websites accessible only to designated audiences — have evolved well beyond the online employee directories and e-mail capabilities with which they originated. Today, they serve as portals, not just to the internet, but also to enterprise information and information management tools. With capabilities that can include document sharing and collaboration, interactive discussions, group polling, company-wide scheduling, workflow automation, and communications with customers and business partners, the company's portal can provide an ideal working environment for recognizing and resolving business problems quickly and cost-effectively across the bricks-and-mortar and virtual workplace.

As legions of business leaders struggle to boost the return on their human capital and flawlessly execute their latest business strategies, employee engagement remains a top priority. Recognized as a driver of productivity, competitive advantage, customer loyalty, and even shareholder return, employee engagement is no longer a 'nice to have'.

— *Blessing White Organizational Development Consultants*⁴

10 Maxims for Marketing to Employees

1. The CEO leads the charge.
2. Be visible. Practice management by walking around. Express yourself. Let people get to know you.
3. Communications have to be ongoing, frequent, consistent and believable.
4. Have a budget for internal marketing and a plan that's flexible and easy to implement.
5. Create feedback processes and mechanisms to create a dialogue. Use face-to-face meetings, email, phone, Intranets and other creative ways. Honor the feedback, whether it's negative or positive.
6. Use benchmarks to measure how well you're doing.
7. Have a rallying cry. Give employees a simple statement of your organization's purpose.
8. Communicate company goals. Make sure every employee understands both short- and long-term goals. Articulate them clearly and often.
9. Share successes and setbacks. Have a well oiled system in place to internally publicize wins in every department and function (not just sales). When you hit bumps in the road, let employees know. They might give you some good ideas.
10. Tap into the company's informal leaders – the people employees listen to and often follow. Informal leaders can be positive or negative. They can help or hinder you. Get to know who they are and establish relationships with them.

Source: Inroads, LLC (www.inroads.cc/toolstipsideas.htm)

Getting More Impact From Communications

Marketing initiatives aimed at internal audiences can encompass staff meetings; e-mail, letters and memos; print or electronic newsletters; video and teleconferences; company-wide assemblies, interdepartmental lunches, and even informal chats around the water cooler. No matter what the medium, two principles apply:

Be creative. Jeff Marr, who serves as editor of the website *Creating Loyalty*, says internal communications should be as innovative and engaging as external communications. In a recent article,⁷ he urges communicators to:

- Set aside or augment old stand-bys like posters and print newsletters, in favor of slick e-mail communications in html or PDF formats.
- Have the CEO deliver critical messages on CDs or DVDs sent to employees' homes. (This has the added benefit of engaging family members with the company's mission and values. You never know when a family member may end up talking to a customer!)
- Emphasize a new direction or the importance of the employees' roles through personalized direct mail — perhaps a digitally reproduced handwritten personal note — again, sent to employees' homes.
- Be sure to include interactive media in the mix — for example, small group meetings where employees can ask or submit questions and get answers on the spot or shortly thereafter. Also consider online employee surveys, so you can surface issues and evaluate employee knowledge and attitudes, gaining useful information for later communications.

Segment your 'markets.' Internal audiences, like their external counterparts, have segments. For example, in addition to differing functions, ages, experience and job levels, there will be employees who eagerly support new strategies, those who take a 'wait and see' attitude, and those who oppose change. Prepare messages to address the questions and 'hot buttons' of each segment, advises Jeff Marr in his article. And pay particular attention to the opinion leaders in your organization — people who influence the attitudes and actions of their coworkers.

Does Marketing Have a Role in Internal Marketing?

Yes, according to Tom French, head of the North American Marketing & Sales Practice for the consulting firm of McKinsey & Company. In an article on that company's website,⁸ Tom says that many companies view their marketing departments as key players in realizing new, organic growth. But "unlocking this growth potential requires a far greater integration of marketing into the main strategies, functions and processes of the business — and even outside the business with channel partners and suppliers."

In particular, he says the "marketing and sales functions need to become increasingly intertwined if companies are going to achieve the growth they require. In world-class enterprise selling organizations, for instance, it is impossible to define where marketing ends and sales

begins. Further, companies need to integrate the intertwined marketing and sales function into the day-to-day operations of the organization.”

Thus, in addition to addressing the typical marketing challenges of growing brand proliferation, continuing market micro-segmentation, and an ever-expanding list of communication and distribution options, marketers will increasingly find themselves immersed in issues such as:

- Is our organization (not just the marketing department, but the entire company) set up for success?
- Are key stakeholders and contributors aligned across the business?
- Can the organization respond quickly and effectively to grasp emerging opportunities and overcome new challenges?

While this paradigm shift may force marketers to operate outside their normal comfort zone, it also positions them to take a leadership role in developing and implementing internal marketing communications.

Fulfillment's Role in Successful Communications

While companies increasingly realize the value of internal business communications, they also know the process of creating and producing them takes time away from other key responsibilities. In addition to time, it also consumes valuable financial resources. Dataware Technologies estimates that 12 percent to 15 percent of a typical corporation's revenues is spent on various publishing activities.

A full-service fulfillment company can help you manage and deliver communications more cost effectively, whether they are directed to internal audiences, prospects, customers, investors, community groups or other stakeholders. A good fulfillment partner can provide services such as:

Electronic document services. Electronic documents eliminate pre-press, printing, storage and obsolescence costs and can be produced and distributed more quickly than printed pieces. They're also a good fit for today's 'portal culture.' Fulfillment companies should be able to host PDF and HTML formatting, provide e-mail encryption, deliver electronic documents, and manage records (including retention/archiving and indexed retrieval), among other services.

Print management. Your fulfillment partner will help you decide what to print, when to print (or when to opt for e-documents) what quantities to print, and what processes (offset, digital or a combination) are most appropriate for the job at hand, based on your communication objectives, usage and frequency, customization requirements, turnaround and other key criteria.

Customization and personalization. Marketers know that customized, personalized communication increases response rates by an average of 34 percent. Fulfillment technologies like template-based design-on-demand and digital printing for variable messaging can extend the same relevance and impact to internal audiences. Within the parameters of a rules-based matrix, template-based designs can be customized with relevant images from a digital asset

'library' of preapproved graphics and text. In addition to enhancing audience interest, these powerful tools streamline production and distribution of communications, making the process less costly and time-consuming.

Campaign management. In addition to one-time communications, your fulfillment house is ideally equipped to handle multi-faceted or ongoing communication campaigns, including letters, booklets, information kits, specialty items and more, from start to finish (design and production recommendations, collating, individual delivery or bulk shipping, inventory storage and management, and automatic reordering at predetermined inventory quantities).

Web-based access. As noted earlier, today's web-savvy companies demand instant access to key business functions. Your fulfillment vendor should have a web-based 'dashboard' that enables you to access all key fulfillment and management functions through an interface that links your systems to theirs seamlessly. Some offer custom-designed dashboards that become their internal and external customers' web portals, integrating many of the desirable functions discussed earlier in this paper, in the section on leveraging technology.

Security and Compliance. Your vendor is set up to ensure your compliance with regulations governing information handling, data security and privacy, such as Sarbanes-Oxley, the Health Insurance Portability and Accountability Act, and the Gramm-Leach-Bliley Act.

In Conclusion

This paper, though far from exhaustive, provides a good starting point for conversations about internal marketing initiatives and fulfillment. We invite you to call Comac for more ideas on how to improve your company's bottom line through targeted, optimized communication solutions. Comac's services help companies reduce time to market, streamline business processes, increase response rates, and improve ROI. Call us at 1-866-COMAC4U, or send us an e-mail for a no-obligation discussion of your needs.

The take-away message is clear: Companies looking to improve their financials can't afford to view internal communication as a 'soft' concern. Instead, they must treat it as the vital business function it really should be.

Footnotes

¹ www.watsonwyatt.com/research/resrender.asp?id=w-868&page=1

² Heskett, J.L., Sasser, W.E., Schlesinger, L.A., *The Service-Profit Chain: How Leading Companies Link Profit and Growth to Loyalty, Satisfaction and Value*, published by Free Press

³ Rucci, A.J., Kirn, S. P. & Quinn, R. T., "The Employee-Customer-Profit Chain at Sears," *Harvard Business Review*, Jan.-February 1998, pp. 82-97

⁴ 2005 Employee Engagement Report, www.blessingwhite.com/Library/Surveys/EESR2005.pdf

⁵ www.customer-carecoach.com

⁶ "Three More Tips for Achieving Legendary Internal Customer Service," www.kirkmillerandassoc.com/brieftips_may_30_02.htm

⁷ "Internal Communications Planning — Take Your Paddle up the Creek," www.creatingloyalty.com/story.cfm?article_id=702

⁸ www.mckinsey.com/client-service/marketing/insight.asp



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