

# Petco Maps Out a New Leadership Strategy

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From its inception in 1965, Petco's mission has been to deliver quality pet products — food, toys, supplies and medicine. By focusing on customer service, quality, and exclusive and healthy products, the company built a loyal following. But soon retailers such as Walmart and Target began offering the same or similar-quality products at lower prices with the convenience of purchasing during grocery shopping, and Petco was losing sales.

The executive team at Petco decided that focusing on winning back customers and building brand loyalty were keys to their long-term success. This became the core of the company's new strategy. But changing business strategy doesn't happen overnight. Petco had to ensure every company leader — from corporate executives to line leaders, distribution heads and store managers — was on board with the new direction and what it would take to get there. The new strategy called for more effective leadership, better associate engagement and greater customer engagement to drive profitability and growth. One differentiator with this new strat-

## SNAPSHOT:

From 2005 to 2007, Petco, a national pet specialty retailer, saw its market position slip as competition grew from big box retailers and boutique stores. Petco leaders fought to win back market share by delivering a consistent customer experience at each of the company's 1,100 stores. To do that, they implemented Leading at Petco — a two-day interactive and immersive session to provide managers with the skills and tools to help their people improve productivity and results.

Petco leaders from different functions began by conducting a culture assessment session with the executive team. This open forum looked at the existing state of the business, identified problems and challenges facing the company and encouraged leaders to discuss how they felt and what they would like to see in the future.

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egy was the emphasis on the front line and how the customer experience would set Petco apart from the competition.

Since 2007, Petco has worked with Root, a consulting company, to develop ways to engage the entire organization and educate key leader levels — store general managers in particular — on the company's new direction and the outcomes to drive business success.

From there, Root developed three learning map modules that painted a picture through drawings and illustrations, metaphors and questions on the proposed future state of the company. These modules were designed to drive dialogue among small groups of employees at all levels. Leaders explored the changing marketplace, reviewed the strategic direction and determined their role in executing it.

The goals of the learning maps are to convey

large amounts of information and expose people to the drama, emotion and complex stories of their business, while creating an engaging environment.

The modules focused on Petco's new strategy and what it would take to get the organization back on top. One module — Take Back the Leadership — became an internal battle cry for managers and their associates. Each module helped leaders prepare for the next step in implementing the strategy.

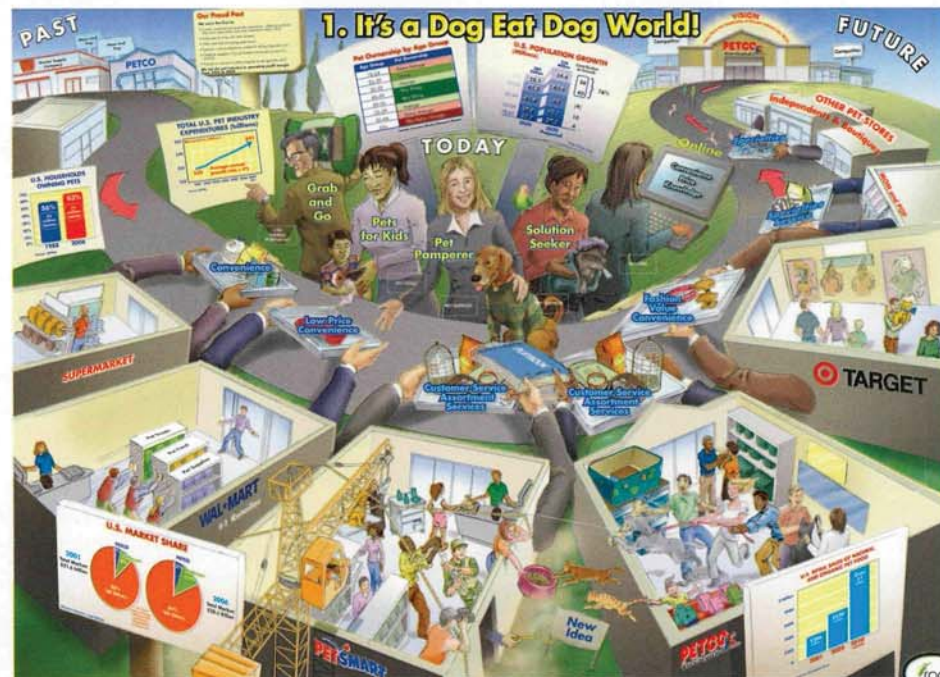
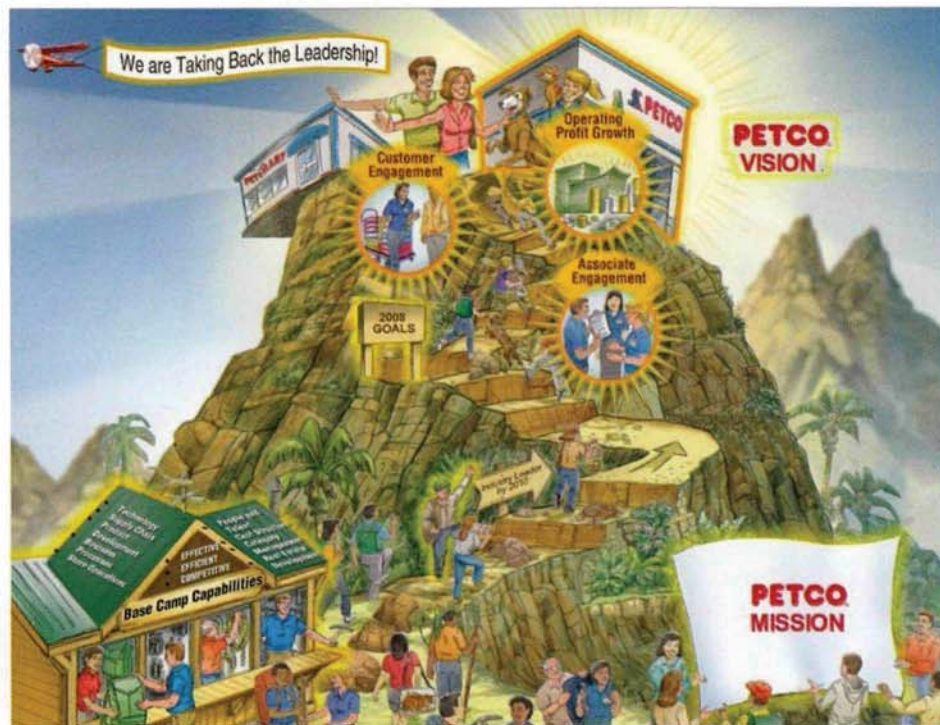
### Managers Drive the Engagement Profit Chain

Once the new strategy and vision was set, the next step was to develop the leadership skills and capabilities to achieve the vision. In 2009, the company set out to develop managers at all levels across the business, including stores, the national support center and distribution centers.

Managers have a unique influence on their teams and when engaged and well-trained can create engaged and knowledgeable front-line employees, leading to increased customer engagement and satisfaction. Ultimately, satisfied customers drive sustained profitability and growth. To Petco it was simple: great people leadership was viewed as the most critical factor to its long-term success.

The company wanted to provide managers with tools, resources and time to continuously build and hone leadership skills, rather than give them a one-time training event.

Petco selected Root's manager development program to meet this need and named the rollout Leading at Petco. The one-and-a-half-day blended learning event gave managers the opportunity to fo-



Top: Petco's Take Back the Leadership program helps its people create a shared view of the company's strategy using small group discussion. Bottom: Petco uses a strategic learning map to help its people better understand the changing marketplace conditions that are impacting company strategy. PHOTOS COURTESY OF PETCO

cus on the business, gather new insights about their roles, learn how to connect their teams to the business, share best practices with their Petco peers and improve their leadership capabilities. There was a specific focus on the foundational leadership skills such as setting clear expectations, building effective working relationships, coaching and continual follow-up, including celebrating wins.

The training consisted of seven practical modules — each taking a context-content-practice-apply ap-

**CASE STUDY** continued on page 48

proach — that provided managers with insights and exercises during the sessions as well as tools to apply to their daily jobs.

The program also was chosen because it aligned with Petco's core competencies that every manager had to demonstrate: thought leadership, personal leadership, results leadership and people leadership. Further, it could be customized for the company's culture using Petco terminology, incorporating Pet-

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co-specific programs and applying realistic customer and internal business scenarios.

Mid-level and executive leaders throughout the business were teamed with associates from the learning and human resource functions and were trained to facilitate the workshops. This leader-led approach ensured buy-in and support from the managers and signaled to the organization that Petco was committed to the program.

The program was then rolled out across the entire organization with a specific focus on the store general managers. As of fall 2012, more than 1,500 Petco leaders have experienced the program in groups of 10 to 40, and it continues to be used as part of the standard new leader on-boarding program.

Feedback has been positive, and the program has generated momentum throughout the organization. "From the corporate perspective, Leading at Petco has enabled us to accelerate the implementation of our retail business strategy and ensure consistent understanding and interpretation across all 1,100-plus stores, distribution and support centers," said Tom Farello, Petco's senior vice president of operations. "Core to our strategy, Leading at Petco has succeeded in creating a solid foundation of skills and expectations for leaders at all levels and has helped to create a definite competitive advantage."

One district manager witnessed the domino effect of investing in managers with a program that addresses their needs. "The Leading at Petco program has been huge," he said. "My managers exude a confidence that I have not seen before, and are now spending time developing their people rather

than policing them. Employee engagement has improved, and our customer [satisfaction] scores have also improved. I'm certain that is not a coincidence."

Feedback from other Petco leaders across the country has been equally positive:

"Leading at Petco was awesome and exceeded my expectations. It is truly a great program that has been tailored to Petco and our goals. The role playing was great! Using actual examples of challenges we face in our store made it real and not just some silly exercise."

"I have begun to listen more to my associates and better understand the problems they have that may be impacting their job performance or ability to serve our customers."

"I learned to let associates identify opportunities and find their own solutions. It builds confidence in their decision making."

#### Customer Satisfaction on the Rise

By teaching them how to better engage with team members, Petco gave its leaders the ability to tap into their direct reports' natural talents and teach them how to better engage with customers.

Instead of dictating a list of do's and don'ts, managers were encouraged to meet and work with associates one-on-one to ensure every employee felt passionate about the company mission and knew how to make it a reality.

By focusing on managers and their relationships with their associates, Petco was able to do what many companies and retailers fail to: grow customer loyalty and in turn grow sales and profitability. Since implementing the program, the company has:

- Increased its customer loyalty index by 10 percent.
- Increased manager effectiveness by 8 percent.
- Improved associate engagement by 9 percent.
- Achieved 98 percent retention of high performers.
- Reduced turnover by 35 percent.

"Immediately after the initial rollout, we saw more confident managers, more engaged associates, and our customer satisfaction metrics have improved consistently across the board," Farello said. "All of these improvements have fueled much stronger business performance. While all of these indicators speak for themselves, when our leaders ask where and when they can participate, we really know it works." **CLO**

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