

GREAT CUSTOMER SERVICE IS A PROFIT BOOSTER

After being handed a copy of a scathing memo sent by the owner of a distribution company to all employees, I was asked what I thought of it. The owner and CEO of the company used this memo to inform the employees that poor service had caused the company to lose a large customer of more than a decade. It was obvious from the memo that the owner was upset and frustrated.

My exact thought at that moment was, *“Right on, Brother!”* Disappointment literally leaped off the page. Not only was he concerned about loss of revenue; he was equally distressed about the collateral damage – loss of the company’s reputation for service. He reminded his employees that, *“We sell tools, but service is free. We give it away to assure that our customers will come back and buy from us again.”* Perhaps the most important point he made was this:

We get and lose our customers the exact same way:

ONE AT A TIME

This hardworking businessperson, whose family built the company over a period of 40 years, emphasized the danger associated with acquiring a reputation for poor service. Unhappy customers talk. In fact, it is estimated that the average disgruntled customer tells 5-13 people. Some tell many more, especially when they feel they have been victimized. He announced his intention to hire a person for his management team whose job would be to assure quality improvement, including improvement in the quality of how the company serves its customers. He seemed determined to solve the problem.

Listening in on a typical employee group discussing this type of memo and the loss of a customer illustrates how little many employees may understand about taking care of existing customers. It may help you reinforce to your managers and to your employees the value of customer service no matter what size company you operate.

“One customer is no big deal to us because we are a multi-million dollar company and we have customers running out of our ears.”

WRONG. The business graveyard is full of big companies who thought they were too big to worry about one customer. No industry is immune from customer defection and revenge for poor service. The anticipated revenue is part of the business estimated operating and profit budget. It may have been earmarked for salary or benefits, a new building for expansion, or profit to return to the stockholders. Employees may not be able to make the connection and managers must remind them that the customer pays the bills and lost customers take their money with them.

“I think he is just concerned about the money.”

I DON’T THINK SO. But, if that is his concern, that’s perfectly okay. We pay all of the company bills with money, including salary. Investors have a right to expect a return on their money. Their invested money has allowed the employees to have a job. If the company does not make money, investors will take whatever is left of their money and go away. Those who manage a business are accountable for results and should not feel apologetic for wanting the stockholders to realize a gain on their investment. The pressures on management are great and management can never forget that the person who has the money is called THE CUSTOMER. Every supervisor and manager must remember that customer service deserves top of mind awareness.

“We can get another customer to replace that one.”

THAT’S RIGHT. You might be able to do that but keep in mind that it is five times as hard to get a new customer as it is to keep the one you have. Plus, new customers costs money. There is employee time, marketing materials, travel costs, and other expenses associated with selling and marketing your product.

When customer service is the reason for the loss of a customer, the Sales and Marketing team has to overcome the bad reputation the company gets when news travels throughout the industry. Some customers may buy from a company only until they can locate a replacement and then just walk quietly away. Remind your employees that we may not learn immediately why we have lost a customer and major damage can be done before we find out about it. There has been a lot of research on customer defection and employees should know that these statistics are good indicators. I learned these statistics at a seminar on management:

WHY CUSTOMERS LEAVE

1% - Die

3% - Move Away

5% - Other friendships

9% - Competitive reasons

14% - Product dissatisfaction

68% - Because of an attitude of indifference toward the customer by an employee

Most employees have no idea how they impact customers.

“He should just fire the people who did it and leave the rest of us alone.”

THAT IS NOT THE SOLUTION. It is a reaction. A super-talented chief executive knows a quick fix has no long-term value. For long-term impact, the company must first set a standard of its expected level of customer service and communicate it. That standard is set at the top by the management team. In addition to communicating the standard, they must live it. It is called “talking the talk and walking the walk.” Employees are always watching their management team to see if they practice what they ask everyone else to do.

Next, employees must have training. Quality customer service is learned behavior and every employee should learn your style of customer care. Demonstration learning is an excellent way to teach quality customer service. Supervisors are usually the designated trainers because they have often come through the ranks and know the work well. They are able to help employees learn their boundaries regarding what level of authority they have to act on their own when customers have a problem or complaint. Peer training can also be used to train employees in customer service provided the designated employee trainer is a great example. There are a few video tapes around that can be used but employees are often turned off by videos if they are generic. Employees relate best to industry specific training.

Supervisors must continually coach employees to improve the quality of customer service. Every employee from the Receptionist to the Chief Executive Officer needs to have a “*Customer First*” attitude. Every employee should be trained to see himself/herself as a revenue generator. It is not just the work of the Sales team. Every employee can contribute to the top line, the bottom line, or both, through customer service. There is an abundance of research to prove that we will go out of our way to do business with those who treat us special. We will wait longer for appointments and pay more for the service or products when we know the business values us as a customer. Think about it. From the local computer store

where the employees do not talk to you in “Geek Speak” to the auto repair shop where you know you will only pay for work actually done, you can provide your employees with many examples from your own experience. Emphasize to your employees how many customers are non-technical and depend on the employees’ knowledge and patience to buy the right part.

Especially now, in this very competitive economic environment, it is urgent to challenge every employee to look for ways to improve customer service. Remind your employees that “we buy from memory.” We want to go back to those places where we had a great experience. We want to do business with those who make us feel important. We recommend those people who have done a great job for us. Point out the value of referral, the lowest cost and most highly valued form of marketing. In addition, don’t forget to say, “thank you” to your employees when you see them providing the level of customer service that makes you proud.



This management advisory was prepared by Executive Consultant, Nancye Combs. It was not created to replace the services of a competent legal advisor and is not specific to the laws of any specific state. Nancye Combs is also the endorsed Human Resources consultant for six major trade associations in the distribution industry. She is a nationally respected authority in human resources and organizational management. She speaks, writes, serves as an expert witness on sex harassment issues, and consults worldwide on management issues. She is a University instructor for human resources professionals seeking to become nationally certified by the Human Resources Certification Institute.

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