

# Customer Service

*The Path to Higher Profits*



***Striving to be superb when  
"good" is not good enough***

A guide for employees in wholesale distribution

## INTRODUCTION

# Customer Service

## *The Path to Higher Profits*

***Striving to be Superb when "Good" is not Good Enough***

**A GUIDE FOR EMPLOYEES IN WHOLESALE DISTRIBUTION**

*Developed by*

The ASA Education Foundation in cooperation with the Power Transmission Distributors Association  
Education Resources Committee

*Published by*

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Printed in the USA.

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## CUSTOMER SERVICE: THE PATH TO HIGHER PROFITS

For some people customer service is something like the weather: Everybody talks about it, but nobody does anything about it. But if you and the company you work for are going to be successful in today's wholesale distribution market, you need to define and set your eyes on an ambitious service goal — then do everything you can to meet it.

SERVICE LEVEL	CAUSE	CONSEQUENCE
<b>SUPERB</b>	Does the usual things (the core contract) unusually well and does things that the customer does not expect.	Creates a customer advocate that is not only bound to the company, but recommends the company to others.
<b>GOOD</b>	Honors the core contract consistently.	Keeps the customer until a better deal comes along.
<b>POOR</b>	Fails to honor one or more parts of the core contract so often that it becomes noticeable.	The customer will leave – the only question is when.
<b>TERRIBLE</b>	Does not always keep promises or resolve complaints. Generally large and obvious issues.	The customer immediately leaves. He or she may leave loudly.

### BRINGING IT IN-HOUSE

Think about a particularly good or a particularly bad purchasing experience.

What did you think you were buying (the core contract)?

What did you actually get?

What did you decide about your future business with the company?

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The wholesale distribution business is primarily a service business. — That makes *us* customer service. As you will learn in this workbook, it's not just customer service, but *superb* customer service that makes a difference, producing results for our customers and for the compa-

### ***Want to Develop Your Own Service Guarantee?***

**HERE ARE A FEW POINTS TO CONSIDER:**

1. Select components of a guarantee that are most important to your customers.
2. Design guarantee criteria that are easily measurable to both you and the customer.
3. Make sure your team can do what you guarantee.
4. Include an measurable means of making it up to the customer on those occasions when you don't meet the terms of the guarantee.
5. Commit to being rigorously honest in honoring the terms of the guarantee.



### **BRINGING IT IN-HOUSE**

**Here are some features that customers generally value.**

**List measurable criteria for the features that you think both you and the customer will understand.**

<b>ITEM</b>	<b>MEASURABLE CRITERIA</b>
ORDER ACCURACY	_____
COMPLETE DELIVERIES	_____
INVOICE ACCURACY	_____
RAPID CREDIT PROCESSING	_____
SPEEDY PICKUP	_____
WARRANTY PROCESSING	_____
COMPETITIVE PRICING	_____

## CUSTOMER SERVICE: THE PATH TO HIGHER PROFITS

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The importance of service isn't new. Ever since independent distribution became an important part of moving products from the channel between manufacturers to the end users in the Nineteenth Century, service has been our business. However, in the recent past, the definition of service has been radically changed by our customers. They've redefined the environment in which we now compete.

### **CUSTOMER SERVICE: THEN AND NOW**

Traditionally, for more than a hundred years, service in distribution was "time and place utility." That meant that we had the products where the customers wanted them and when they wanted them. So our service in wholesale distribution — and the rest of our business — was product-oriented.

Wholesale distribution companies that provided the basics of good service could be profitable because markets were growing rapidly, suppliers were not numerous and customers didn't have access to alternative sources for the products they needed.

However, within the last few decades we have seen a lot of changes. It no longer takes days

or weeks to ship something from one part of the country to another; it often can be done overnight. Nor is it difficult to find any product. Just look in the Yellow Pages, on a supplier's website, on an industry data base or at the ads in the industry trade magazines. Customers can often choose from several wholesalers. This increased competition puts downward pressure on wholesale distributors' prices and profits. "Time and place utility" is now a given. It no longer makes us different from or better than our competition.

Today, wholesale distributors increase sales and profits by taking customers from the competition. They do this by operating more efficiently and building customer loyalty through superb customer service that the competition can't replicate. In wholesale distribution, superb customer service that counts is service that measurably improves the customer's business. Superb service pays the company back in terms of more loyal customers and decreased price pressure. It's good for the customer, and it's good for us.



\* Excerpted from *Essentials of Profitable PHCP Distribution*, copyright 2003, ASA Education Foundation, Chicago, IL

### WE'RE IN THE SERVICE BUSINESS

Sometimes we confuse what we sell with the kind of business we're in. Distribution is, and always has been, a service business. It's not what we have, but what we do that makes the difference.

### IMPROVE CUSTOMER SERVICE TO IMPROVE PROFITABILITY

Several years ago, General Electric, eventually joined by several hundred other companies, conducted a research project to determine what effect service had on businesses. In their survey of 2,600 companies they determined that companies with a low service profile averaged a 1% return on sales and lost market share at the rate of 2% per year. On the other hand, companies with a high service profile averaged a 12% return on sales and gained market share at the rate of 6% per year.

The message of the research was simple: Superb customer service makes money! The process isn't always obvious. The customer may not



consciously think that Company A has better service than Company B. Instead, he or she may think that Company A is easier to do business with because things are usually right, that they're more dependable, or they seem to be more concerned about solving his or her problems. The result is that Company A gets the bulk of the business, and is usually able to charge more and makes more profit.

This means that people working for Company A have greater job security, more opportunities for growth, and work in a much less stressful environment.

### THE NATURE OF WHOLESALE DISTRIBUTION SERVICE

We're all customer service experts. We go into a store, and the clerk helps us (or doesn't help us), and we form an opinion of that store. We don't particularly care about the day the clerk is having, the store policies or the clerk's perception of what they think their job is. We just want a quick, polite and satisfying transaction. That opinion influences whether we go back or not.

Service in distribution is a lot like that. However, it's much more complex. Instead of having a relatively simple, single encounter, we deal with our customers over and over, and sometimes on very technical products. And instead of the service being one-on-

## BUILDING OUR PEOPLE SKILLS TO SUPPORT SUPERB SERVICE

one — customer and clerk — our service involves just about every person and almost every activity in our company.

As we consider the nature of service in a wholesale distributorship, we need to keep in mind that our customers measure our company based on their evaluation of our company's performance at every stage of the transaction, from their original inquiry through final delivery, invoicing and payment. And the results are much the same: When we are pleased, we go back; when we are not pleased we go somewhere else. Distribution customers who are satisfied make us their first choice supplier, returning again and again, increasing our sales and profits.

*In this section, we are going to consider:*

- The four levels of service in a distributorship
- The causes and consequences of each of those levels

- How each one of us impacts the overall service level of the company

### THE FOUR LEVELS OF SERVICE

Service levels in distribution can be grouped into four levels:

- Superb

### BRINGING IT IN-HOUSE

**Look at each of the nine principles above and write one activity that an employee could take personally to demonstrate each of them.**

**For example: One of the ways to execute the first principle would be to remember the names of the customers' employees that you frequently encounter.**

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