



On Customer Service: To Destroy Value, Skimp on Employee Training

That's what happened at Wal-Mart, anyway

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You may have seen that Lee Scott, CEO of Wal-Mart, recently stepped down after eight years on the job. Wal-Mart is of course is the largest, most powerful retailer in the world. Yet even though the company posted steady sales and earnings growth over Scott's tenure, it *lost* 20% of its market value.

What happened? Simple: the company forgot about customer service. Wal-Mart, recall, originally built its business around a combination of offering low prices and treating customers well, a formula that eventually helped land it atop the *Fortune* 500. But after Scott became CEO, the company emphasized low prices at the expense of service. Shopping at Wal-Mart became an ordeal—and billions of dollars in shareholder wealth was destroyed.

I do *not* believe companies who compete solely on price can be successful. Wal-Mart's earnings per share are 150% higher now than they were when Scott took over, yet the company's market value is 25% lower. One reason why, I suspect, is that investors realized that a key piece of the company's value proposition was being frittered away.

Sam Walton did an incredible job of building a company focused on service, frugality, and low prices. Now one leg of that stool has been kicked away, and shareholders are suffering.

Every company tends to believe it provides terrific at service. Most don't. Many don't even provide adequate service. Even so, merely providing just "OK" service won't help create a premium value at a company. Under Scott's leadership at Wal-Mart, the quality of employees got worse. The company failed to realize the importance of training all employees in the art of customer service—and then training them some more a few months later. It fell for the myth that it could take an uneducated employee with no service skills, give him a couple hours of cursory training, and turn him into a perfect employee for life.

What nonsense. The result: Wal-Mart and K-Mart are now two peas in a pod. Walk into either and you'll see a dirty store, inhabited by indifferent employees. Neither company even pretends to provide acceptable customer service.

Customer Service in a Rough Economy

I don't have to tell you that not many companies provide outstanding service. And during boom times, things only get worse: Companies have too many customers, demand is high, and revenues and profits are strong. Plus, plenty of marketing money is available to help pull the wool over customers' eyes.

No longer. Now companies need to focus on keeping the customers they have. One way to do that is to smother them with great service. Ironic, isn't it? When times are good, top management stints on training and gives short shrift to service. That's a false economy. Now is the time to be aggressive at training your entire staff on providing awesome customer service. It will generate the most powerful advertising of all: the word-of-mouth kind. Good service will create loyal customers.

If you want to own the hearts and minds of your customers, this is the time to focus on creating a customer experience your competition will never be able to copy. These are the steps you should move forward on:

1. Understand customer service is weapon. It's a tool you can use to cut the throat of your competition. Lip service to customer service will not work.

2. Eliminate policies, procedures, and systems that are not customer-friendly. You'll save a fortune in overhead. Most firms won't empower their employees. They hire supervisors to enforce crazy rules and policies that irritate customers and are a

hassle to follow, and have no value except in the minds of the financial guys who wrote them. Use the savings to reduce prices and offer more value.

3. Terminate the 10% of your workforce that is not productive. Which is to say, the 10% who dislike customers. Those are the people who simply don't understand you are in the service business. Then after you fire them, *do not replace them*. Most firms have too many employees, as it is. You don't need more employees, you need more *high-performing* employees. Use the savings to fund recognition and incentive campaigns for the balance of the workforce. It's not hard to identify the people who have to go. Employees who hate customers are the most expensive employees you have. Once the non-performers are gone, everyone will be happier.

4. Only hire employees who love customers. Be selective. Hire employees with enthusiasm and a record of loving customers. Steal these employees from organizations around you.

5. Train all employees on customer service with a new program every four to six months. Stop thinking that one program will magically transform an employee for life. No training program can do that. Instead, employees need to be trained, then re-trained, then trained some more. The process never stops.

Now is the time to use your resources more effectively than your competition. Create a level of customer service like Amazon's, so you own your market.

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