A Tale of Three Investments and the Power of a Service Strategy

In May 2003, I made three investments. I invested $1,000 in Amazon.com, $1,000 in Dell Computers, and $1,000 in Wal-Mart. I had two reasons for doing so: I hoped to realize a good return on those investments, and I wanted to track how the three companies performed against each other.

As of July 6, 2010, my Amazon.com stock had grown to $3,587. The other two did not do so well. My investment in Wal-Mart had grown to an unimpressive $978, while Dell Computers had performed miserably and dropped to a measly $388.

The reason for the difference in the performance of the three stocks was the difference the three companies place on customer service.

Amazon is one of the most customer-service driven companies in the world. The company continues to reap tremendous rewards, thanks to its service strategy. Everything the folks at Amazon.com do is based on customer service, speed, and technology. It had sales of $24.51 billion in 2009, an increase of 28 percent over the previous year.

On the other hand, the 2005 retirement of Michael Dell and his replacement's lack of customer focus as driving down Dell Computers' stock to such a pathetic level. Dell built its entire business around the customer experience. Then, with the change in top management, it lost that focus—along with millions of dollars in revenue. After Dell retired and the company started to outsource its customer service operations to India, the company's stock dropped more than 60 percent in value.

Things went south for Wal-Mart, after H. Lee Scott took over as president and CEO in 2000, a position he held for the next nine years, even though the company doubled its revenues, it lost more than $94 billion in market value.

Companies throughout the world have experienced similar declines in revenues and stock value as they focus more on price than on providing their customers with great service, like Wong, a supermarket chain in Peru as an example.

Wong used to be the most customer-driven company in Peru and had a 63 percent market share. No company could come close to it in terms of the customer experience. That changed when the company was sold for $900 million in 2008 and the new management decided that customer service was no longer a priority.

A service strategy is the single most powerful tool a company can have. Most companies focus on price as a strategy to attract customers, when it is service that will get—and keep—customers. For example, if Leo's Automotive Repair charges $25 more for a specific service than Burt's Garage does, but offers the customer a free loaner for a day, so customers are more likely to do business with Leo. People are willing to pay a little more—and are more loyal to—companies that go the extra mile in providing good service.

Another major mistake many companies make is putting financial people at their helms. Those people are too focused on numbers; they have no concept of what motivates a customer to do business with Company A over Company B. If they think customers make their purchasing decisions based solely on price, they are sorely mistaken.

A service strategy consists of doing whatever is necessary to provide the customer with a positive experience. That includes treating customers with respect, hiring knowledgeable and personable employees, treating employees the way you want them to treat your customers, and empowering those employees to make decisions on the spot that will favor the customer over the company.

Once you have implemented a service strategy, track your revenues, profits, and stock value, and compare those numbers with the previous year. You will be amazed at the difference. Regardless of your size, if you provide a customer experience that is superior to anything your competitors can do, you will own the market. RO

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