



The Customer Service Strategy

January 4, 2007 Newsletter # 168
 Service Quality Institute
www.customer-service.com

The Fundamentals Of Customer Service

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Financial Performance of Service Leaders

In May 2003 I invested \$1000 in 9 service leaders. I believe that a customer driven company can beat the market and create greater market value. I will review these nine firms listed below in greater depth. As you push forward on driving a service culture in your organization I believe you need to measure the impact and track the results financially. Most CEO's and top management dance to the music of hard numbers not soft issues. Customer service is soft. Increasing market share and the value of your company is a hard number which is more exciting to the CEO.

Symbol	Last Trade	Shrs	Holdings Value	Price Paid	Gain	
AMZN Amazon	Dec 27 40.29	32	\$1,289.28	30.83	↑ \$294.72	↑ 29.63%
CBH Commerce Bank	Dec 27 36.52	53	\$1,944.07	20.23	↑ \$859.04	↑ 79.17%
COST Costco	Dec 27 53.40	29	\$1,574.65	35.80	↑ \$510.88	↑ 48.02%
DELL Dell	Dec 27 25.46	32	\$814.72	31.96	↓ \$216.00	↓ 20.96%
GE General Electric	Dec 27 37.79	37	\$1,408.02	29.39	↑ \$305.05	↑ 27.66%
HD Home Depot	Dec 27 39.56	35	\$1,378.30	29.63	↑ \$338.01	↑ 32.49%
JBLU Jet Blue	Dec 27 14.62	72	\$1,052.64	14.10	↑ \$29.44	↑ 2.88%
LUV Southwest Airlines	Dec 27 15.51	62	\$964.46	16.05	↓ \$41.35	↓ 4.11%
WMT Wal-Mart	Dec 27 46.16	18	\$850.72	54.59	↓ \$163.30	↓ 16.10%
Total (USD):			\$11,064.07		↑ \$1,916.49	↑ 20.47%

Commerce Bank out performs the other 8 firms. The increase is 79.17%. I constantly write about Commerce Bank because they walk their talk and have all the financial numbers to prove it. This is the most customer driven bank in the world. They make it easy to do business with them with a call center that have LIVE PEOPLE 24 hours a day and the phone is answered with 1-2 rings by sharp people. They have only one number. Toll free 888-751-8000 Give them a try. If calling from outside the US call 856-761-9000 the store hours are the best in the world. They do not have "banker hours." Open Monday - Friday from 7:30 AM - 8:00 PM and Saturdays from 7:30 AM - 6:00 PM and Sundays from 11:00 am - 4:00 PM

I personally own a lot of stocks. In addition to the \$1000 I invested for this newsletter I have been purchasing additional shares of Commerce. It is the best performing stock I own, I also have three accounts with them even though they are 1000 miles from me. They are great to work with.

Costco' Jim Sinegal, is one of the most admired CEO's in the US . His own compensation is around \$300,000 a year and he pays his employees significantly above any other retailer, According to Jim Sinegal, the Company's President and Chief Executive Officer, "Costco is able to offer lower prices and better values by eliminating virtually all the frills and costs historically associated with conventional wholesalers and retailers, including salespeople, fancy buildings, delivery, billing and accounts receivable. We run a tight operation with extremely low overhead which enables us to pass on dramatic savings to our members." Costco is known for carrying top quality national and regional brands, with 100% **satisfaction guaranteed**, at prices consistently below traditional wholesale or retail outlets. The stock is up 48.02.

Home Depot's stock is up 32.49%. This home improvement retailer continues to do well. The only real negative is the CEO, Jim Nardelli is over paid and the stock has been on hold for several years. Some people may feel he is more concerned with his own compensation than the value of the stock. To avoid discussions on his compensation the last annual meeting lasted 60 seconds with no questions allowed. Home Depot still has superior customer service. On January 3 Nardelli resigned as CEO of Home Depot. I personally think this is good. I would also hope that Kenneth Langone who is on the board and one of the original investors in Home Depot would resign. He is the one driving the excessive pay packages for Nardelli and the \$100 million annual compensation for the former CEO of New York Stock exchange . When a CEO gets paid obscene amounts of money how do you ask employees to deliver exceptional performance. Nardelli gets a \$20 million bonus when he leaves.

Dell is down 20.96%. Dell built its business around price and customer service. Michael Dell lost his focus on service and sales and profits took a major hit. The problem with customer service is that once you lose your focus customers will depart. What you did for them last year is nice, but they expect superior customer service every day. When the need to focus on saving money and cutting costs by chopping your customer service it will take anywhere from 6 months to one year for the customer to start defecting. Investors value service leaders. Most firms have trouble walking the talk.

Amazon continues to be an e-Service leader. They are consistently awesome at speed, price and technology built around service. Stock is up 29.63%.

General Electric is the best managed company in the world. Jeff Immelt is probably the most effective CEO in the world. Their stock is up 27.66%

JetBlue's stock finally recovered. It is up 2.88%. It has lost value over the last few years. Airline stocks have taken a major hit. In 2005 they lost \$21 million dollars but increased revenue to \$1.7 billion and helped put all their competitors except Southwest Airlines into bankruptcy. They started in 2000 when the US economy tanked. Then they had 9/11 which destroyed the airline industry in the US . They focus on superior service and price. A great combination.

Southwest Airlines stock is down 4.11%. They made \$511 million dollars last year. The best managed and most profitable airline in the US . I have no idea why the stock is down. Each year they have record sales and profits. Southwest Airlines and JetBlue put all their competitors into bankruptcy. The lesson to be learned is great service and low prices are valued by customers. Southwest is the largest airline in the US and only carries passengers within the US . Employees are highly motivated. The employees make about 50% less than the employees at the bankrupt competing airlines. Money alone will not improve service, performance or employee loyalty. Most of the employees at the bankrupt airlines hate their company and their job even though they make twice as much as employees at JetBlue and Southwest.

Wal-Mart has decided to compete with K-Mart for bad service. The stock is down 16.10% even though they have consistently record sales and profits over the last 3 years. Top management lost its focus on service. The market place has recognized this and held the market value of the company down. For over 15 years I tracked Wal-Mart and K-Mart and used them in all my seminars. For years Wal-mart built its company around motivated employees and a higher level of service than K-Mart. This is no longer the case. Wal-Mart has decided to focus only on price and provide poor service with employees that are not trained on customer service. My son was at a Wal-Mart this week in Vail Colorado and tried to have a key made while in the Avon store. The employee was neither helpful nor honest. He then complained to management who did nothing. The manager looked like he had come out of the slums. No service recovery. When price is all you want Wal-Mart is a great place to go. I doubt if they will be able to sustain their growth because commitment to service no longer exists. Firms like K-VA-T Food Stores (Food City) in Virginia run circles around Wal-Mart because of their consistent focus on service.

Seminars & Certification

Certification Seminars

January 29-31, 2007 & May 14-16, 2007

Certified Customer Service Leader (CCSL) (\$998)

Leading Empowered Teams (2 days)
Feelings (1 day)

January 29-February 1, 2007 & May 14-17, 2007

Certified Customer Service Trainer (CCST) (\$1997)

Leading Empowered Teams

Feelings
Train The Trainer

(Includes \$1,500 in facilitator material and license to buy participant materials at significant discounts)

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