

Customer Service

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What is customer service and why is it important? Customer service includes all aspects of service to customers before, during, and after a purchase. Customer service also concerns the priority an organization assigns relative to strategic initiatives such as product innovation, pricing, and cost reductions. In this sense, an organization that values good customer service may spend more money on training employees than the average organization or they may proactively interview customers for feedback.

Great customer service starts at the very top of organizations when company leaders include it as part of an overall approach to continuous improvement and make it a strategic priority. One good (or bad) customer service experience can change the entire perception a customer holds towards the organization. Customers are typically willing to pay more for a good customer experience and they are more likely to remain loyal if their experiences are positive. Changes in the level of customer service generally reflect leadership changes in strategic priorities and typically a desire to improve short-term financial results.

I made several visits to Home Depot recently and I noticed a significant difference in the level of customer service support and friendliness as compared to the last five to ten years. I decided to try to find out why the level of service had improved. Not surprisingly my research found that strategic changes at the top levels of the organization were largely responsible for the changes in customer service.

Robert Nardelli became CEO of Home Depot in December 2000. He and his team utilized a variety of management strategies to overhaul the company with a focus on cost cutting. The company reduced the number of knowledgeable full-time employees with experience in the trades and replaced them with mostly inexperienced part-time employees. Earnings increased along with complaints from customers and employees.

By 2007 sales and revenues were slowing and the Home Depot culture changed in ways that negatively impacted performance and profits. Frank Blake replaced Robert Nardelli in 2007 as the CEO and is given credit for returning to the culture of the "Orange Apron Cult". The "Cult" included more knowledgeable full-time employees experienced in the trades and trained to provide high levels of customer service. By 2015 Home Depot net earnings exceeded \$7B and ranked #28 on the Fortune 500 list of companies.

As mentioned in earlier *INSIGHTS*, the path to sustained success has to include alignment between Mission, Vision, and Goals, Organizational Culture, and Efficient and Effective Operations. Great customer service is part of the Home Depot culture and it is apparent when you visit one of their stores. Leaders cannot afford to ignore the impact Customer Service has on organizational performance, and customer and employee satisfaction.

Questions?

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