



# 5 Lessons Learned in the Trenches of the Customer Service Business

By Bob Rabin

1. *Run it like a business*
2. *Build in all the basic business functions*
3. *Know the value of great service*
4. *Measure the things that matter*
5. *Hire the best*

I am using this inaugural column in our all-new *PRTM's Insight* magazine to tell a war story. I want to pass on five lessons learned from one of our firm's most challenging and my most professionally rewarding client assignments.

The client's circumstances are familiar to the *Insight* audience: an established company, over \$1 billion, in a rapid-growth business where competitive leadership has changed hands a couple of times and new entrants with new technologies are testing the waters. The challenge was customer service and support [CS&S]. PRTM was asked not just to fix the CS&S organization, but to make services a competitive differentiator and a major contributor to the company's bottom line. To make things interesting, our client ranked near last in most surveys of customer service satisfaction and loyalty.

Part of our assignment to get bottom-line results for this client was taking on interim management positions in its CS&S engineering, marketing, strategic planning, and information technology functions. I served as an officer of the company, heading the worldwide CS&S business unit. The results exceeded our client's expectations: CS&S revenues tripled, margins increased fivefold, the company vaulted to first place in customer loyalty and made services a competitive differentiator in its industry.

## **Lesson No. 1—Run Service and Support Like a Business**

Most CEOs regard CS&S as a necessary evil. The business suffers the same lack of respect that engineers in smokestack

industries received in the 1960s and '70s and that manufacturing professionals in most industries still labor under today. We learned that service and support can be a pretty decent business, even an enjoyable one, if it is taken seriously. For our client, this meant doing what it took to make CS&S successful as a separate P&L, even if it appeared we were looking through the wrong end of the telescope and challenging practices in what the client viewed as its primary business—products.

While this may sound wrong-minded, it is not. What is good for the service business is good for customers and for the products those customers buy and use, because CS&S is in the business of making customers successful and happy with their purchases. This is the essence of customer loyalty, market leadership, and high margins. Treating it like a core business mandates that these fundamentals be practiced:

- Know what your customers want to accomplish with your products
- Offer a continuously updated array of service products meeting the needs of a diverse customer base
- Deliver those service products flawlessly and profitably

(For more on this topic, see "Run It Like a Business," in Vol. 9.3.)

## **Lesson No. 2—Build the Business Plan Around All of the Basic Business Functions**

Before we touched a thing, we stepped back from the lecture circuit buzzwords and hype about how training and technology can fix technical support and win customers' hearts and minds. To run CS&S

like a business, we needed to figure out how the traditional functions—marketing, product management, sales, product development, production, R&D, strategy, systems, and accounting—applied to a service business. In PRTM's 22 years of working with nearly 1,000 high-technology companies, we have seen that these basic business functions underlie nearly all businesses, regardless of how intangible their products or services.

To get the business right, the functions have to be right. Functional strategies and plans have to be in place to support the overall business strategy. Fortunately, a lot of best practices and supporting technologies are available to be leveraged without reinventing too many wheels. The challenge is to understand how the various functions apply to the service and support business. For our client, this boiled down to:

- An array of CS&S products with service offerings, pricing, and margins to suit most known and emerging customer needs
- Integrated product management and product development functions to conceive, create, launch, deliver, and refresh the CS&S products
- Profitable service delivery focused on making customers successful, self-sufficient, and loyal
- Solid understanding and aggressive management of costs, margins, and the strategic value of the business

### **Lesson No. 3—Know the Value of Great Service**

Few companies and executives fully appreciate the value of loyal, committed customers. This is regrettable because, sooner or later, Murphy's Law will kick in, and every company is going to need loyal customers in its corner. Examples abound: Apple III, Tylenol, Pentium, New Coke, Windows 1.0. So why this lack of appreciation? Its root cause is the difficulty of measuring the value of great service and loyal customers. It's difficult to do, but essential to try.

An easy first step in understanding the value of great service is totaling the revenues and profits that walk out the door with abused or ignored customers. A bigger challenge is to cut through the sales force's veil and assess the lost and shaky accounts that do not provide exit interviews on their way to your competitors.

Even this approach guarantees a serious underestimation of the real value of CS&S. For our client, the solution was the difference between what it had been charging for relatively poor services and what it could charge (and earn) for outstanding support. Job #1 was to become best in the industry on basic measures of service availability and quality, and then increase prices and margins in line with the greater value being delivered.

### **Lesson No. 4—Understand the Business and Measure the Things That Matter**

There is no substitute for understanding the details. This is the CEO in me talking, not the consultant. A good model for this behavior is Andy Grove. The Intel chief is a solid strategic thinker, but he also knows his stuff. Listen to him discuss a business issue. It is clear he knows the important factors and how they combine to produce a growing, profitable business. Andy would make a great consultant!

Two mistakes are common: underestimating the service business and becoming mired in metrics. Our approach to understanding the business was basic: We knew who used our client's services and why. Since the 80-20 rule always works, fixing a few areas delighted a lot of customers whose loyalty we needed. This is high-payoff work. The investment is low, the results are significant, and the impact is immediate. It

also buys time for investments in people and technology to take hold.

Our client uses 8–10 key measures to lead its industry and keep the profits flowing. A few—revenue, CS&S product profitability, and the quality of customers' experiences with the company's hardware and software products—are obvious. The real understanding of the business shows in the measures used to estimate CS&S

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demand growth and to predict where customers will need help and, possibly, encounter serious problems. I do not steer my car by looking exclusively in the rear-view mirror, and neither should a company limit measurement to past performance.

### **Lesson No. 5—Hire the Best**

There is no substitute for fielding a smart, mature, aggressive team that understands the big picture and is not afraid of attending to details. Superior insight and planning are worthless without great execution. Every member of my executive staff at the client's was qualified to be a company president and knew far more than I about their respective functions and enabling technologies. I would not have it any other way, because this level of expertise produces results that matter. Although PRTM is an abbreviation for our four founders, Pittiglio Rabin Todd & McGrath, to my mind it is also a synonym for *Producing Results That Matter*. That is why I founded PRTM and enjoy the work we do. ■

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