

In Search of Business Excellence in Utah County: Communicating with Customers

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Abstract

Communicating with customers is essential in maintaining customer support--the best hope a business has of success. Although all businesses may not realize the importance of effectively communicating with customers, research shows that this contact is the essential element for success. Companies who omit its importance in their operation will soon decline. The application of these communication principles is shown in the case of one example of business excellence.

Introduction

All companies are in the business of serving customers. Goodwill is essential to retaining customers, and a solid communication base is important to maintaining goodwill. Without strong customer support, no business, regardless of the product or service, will survive. Communication in verbal and written form is the major way businesses promote (or destroy) relationships with customers. How is this communication effectively implemented?

Case History

In 1978 Jim McFarland opened Japanese Auto Service in Orem, Utah. Jim had always had a passion for cars; in fact, he put himself through college working in auto repair shops in California. After college, Jim started a car repair business with a partner in California before he and his wife decided to move to Utah. Japanese Auto Service became Jim's second business. He selected the name because he wanted the name to tell customers exactly what he does; the moniker seems to have worked because other local businesses have copied it (Japanese Auto Repair LC, Japanese Engine Exchange, and Japanese Engine Exchange Service and Repair).

Jim started the business in Utah as a one-man show. Slowly but surely, however, he built it into a four-technician operation by 1982. During this time of growth, Jim decided to add a parts store to the business. He credits his early growth to the fact that his business was the "only game in town." He found a niche. People who owned Japanese (or, as they were then called, foreign) automobiles could either go to a dealer or go to Jim to have their vehicles repaired. Jim felt that to be successful he should be an expert in what he did. He felt that he needed to specialize; and because his most recent experience

had been with Japanese automobiles, he decided to specialize in them.

Based on this success, two or more technicians were hired. Jim then decided that he should expand even more, so a second store was purchased. Jim tried to operate the second store by "remote control." However, because of his desire to offer exceptional customer service, which he could not ensure unless he was more actively involved, he decided to close the second store.

This issue of offering quality customer service also prompted Jim to ultimately drop back to four technicians in the mid 1990s. Jim also found that operating a service business and retail auto parts store were very different operations. Because of the diverse nature of the two businesses and because of what he refers to as his "personal idiosyncracies," he decided to drop the parts store as part of his business. He felt as though he could better ensure customer satisfaction with a smaller operation.

Business Philosophy

Jim has a unique approach to operating his auto repair business. His philosophy is to give fair exchange to his customers. Although Jim charges a slightly higher price for his services, he offers a premier service. Jim says that two things have directed his business operation. First, to tell the truth (an oddity in the automobile repair industry) and to be knowledgeable about what he is doing. Jim believes in being an advisor or counselor to his customers. He believes in giving customers' options by explaining to the customer exactly what the problem is and giving several options for fixing it. If a customer is in charge of the decision-making, he or she is more comfortable in the decisions that are made.

Second, he believes in doing what he says he will do--no matter what! When he quotes a repair price, it doesn't increase. He is a man of his word. As a technician first and business executive second, Jim knows what it takes to repair Japanese cars.

Japanese Auto Service averages 14 to 17 repairs per day with an average cost per repair of \$238. Each technician is responsible for roughly \$1,000 in repairs per day. Annual total revenue for the company is currently around \$750,000. Jim

estimates that two-thirds of his customers are repeat customers—customers who are willing to pay slightly higher prices for quality, dependable, and honest service.

Jim currently supervises four full-time technicians who average about \$40,000 to \$50,000 in wages per year. In an industry where technicians move about freely from shop to shop, Jim has had amazing stability with his employees. One has been with him for 21 years, another for 19 years, and a third—his son—for 11 years. Jim says that many employers see their employees as liabilities, but he sees them as valuable assets. They are people too; and if he treats them with respect and dignity, they tend to do a good job for him.

Related Research

Is this commitment to communicating with customers unique? Research shows the impact of communication in a variety of ways.

According to Roisum (2001), the most common oversight in the manufacturing industry is lack of communication with customers. When a customer indicates a problem or need, the company interprets the situation differently. Therefore, the result may not be at all responsive from the customer's point of view.

Although concern about customer satisfaction can be traced to the 60s, those initial ideas have expanded to the customers' perceptions of quality and value. The challenge in determining how to keep positive customer satisfaction through communication was pointed out by Shewhart (1931) long ago when he identified two common aspects to quality—objective reality and subjective quality. Measuring objective items is possible, but the subjective dimensions of pleasing customers is much more complex.

A survey of 400 companies, conducted by the Radclyffe Group, revealed that 59 percent of consumers will stop doing business if a company delivered unsatisfactory service (whatever the customer perceived that to be). An even larger number (78 percent of those surveyed) will become repeat customers when they have a positive experience. The communication part of this survey is particularly interesting. A majority (53 percent) would tell friends and family members not to patronize the business after a negative experience, whereas, when service is perceived as excellent, 82

percent are likely to recommend the business to friends and family. (PR Newswire, 2002). This service not only is important to the specific customer but also is a precursor to future success or failure with customers.

Business consultant, Michael DeSanto, emphasizes the cost of losing customers. "The cost of acquiring new customers is five times higher than the expense of servicing existing ones" (Kiger, 2002, p. 27). Add to the problem a stalled economy or aggressive competitors, and the company will not likely survive. Kiger (2002) points to Kmart as an example of a company who couldn't keep pace with Wal-Mart. He also quotes the Dow Jones News Service report that dissatisfaction of customers was costing McDonald's \$750 million in lost business annually.

According to research conducted by Cirillo and Silverstein (2002), the cost of getting new business is even higher—roughly 10 times higher than selling to existing customers. In interviewing several CEOs about what brings customers back, they found "you have to keep the lines of communication open at all times so customers can voice even the smallest concerns before they grow into outright problems" (p. 52). This same communication advice is important for customers in settings other than solving problems.

A synthesis of research examining questions related to service quality and customer satisfaction concludes that "service quality focuses on the interaction between customer and service providers" (Hernon, 2002, p. 226). Communicating with customers is essential to their satisfaction. In a study conducted by Vavra (1997), five dimensions were established that customers most value when they evaluate their relationship with a business:

Tangibles (appearance of the business facilities, personnel, and communication material)

Reliability (service performed dependably and accurately)

Responsiveness (helpful employees)

Assurance (employees' knowledge and trustworthiness)

Empathy (caring attention provided to customers) (Hernon, 2002).

These five dimensions seem to be duplicated in various ways in other writings about customer satisfaction. Grant (2002) believes that customer satisfaction is given only rhetoric in most government organizations. "Unfortunately, I often perceive it as a 'N.A.T.O.' Priority (No Action, Talk Only) because customer service is seldom measured effectively" (p. 50). He believes understanding the needs of customers, however, is really what defines the company's value.

Others agree but indicate customer satisfaction measurements are not helpful unless the company takes action to ensure ongoing customer loyalty. Reichfeld (2002) indicates increasing customer retention by five percent yields a 75 percent increase in present value.

To address customer needs, U.S. Bancorp became a leader in customer satisfaction in 1996 by establishing a five-star service guarantee that includes having ATMs and personal bankers available at all times, giving quick responses to questions, providing accurate statements, and assuring teller-line waits of not more than five minutes. The bank even goes beyond the promises by indicating that customers will be paid \$5 each time the bank fails to meet one of these guarantees. (Costanzo, 2002).

Application

A visit with Jim McFarland, President of Japanese Auto Service, emphasized the practical application of this philosophy of communicating with customers.

His company utilizes the traditional promotional strategies in communicating with its customers. The traditional promotional tools used by a small business are yellow page ads, radio ads, and newspaper mailers. Like most small business owners who have the entrepreneurial spirit, Jim McFarland has experimented over his 23 successful years and has customized his overall communication strategy with additional tools that apply Varva's five communication strategies. Using these principles, renamed "RATER" by the authors, Japanese Auto Service implements these individual strategies to remain profitable in a very competitive industry.

1. **Responsiveness:** Phone calls are answered only by the owner, Jim, and his son, Les. This technique is a major tool in controlling how customers are treated when calling the organization to obtain information about the

status of the repair. Jim and Les have been well trained through courses and seminars in the human relations area. They are professional and sensitive in dialoging with customers on both pleasant and unpleasant matters. According to Jim, "The work is done in the shop, but the money is made in the office." Jim feels that this strategy is his greatest tool in generating repeat and referred business.

2. **Assurance:** The company professes to be an expert at what it does. This goal is accomplished by continuous training and updating in the industry and is communicated to the customers through the training certificates of all the technicians on the wall proudly displayed for all customers in the waiting room. As customers walk into the waiting room, dozens of training certificates hanging on the wall are the first observable items.
3. **Tangibles:** First, the company ensures cleanliness in the physical location of the facility. The shop area is clean and can be visible through windows by the customers. The customers can see that technicians are always working; shop areas are clean; and great effort is made to eliminate old car parts, rags, and other unpleasant items from customers' view. Second, the business name "Japanese Auto Service" reflects and promotes what the business does—repair service on Japanese manufactured automobiles. Third, the company uses yellow page advertising, costing \$600 a month, to accomplish one basic purpose—getting people to make a phone call. Fourth, it is selective in other advertising such as using mailers and simple ads in newspapers like the *Thrifty Nickle*.
4. **Empathy:** Caring attention is provided to customers by providing free shuttle to and from work while the customer's car is being worked on and through the extensive conflict management training that Jim and his son have received. Complaining and demanding customers have become Japanese Auto Service's greatest gold mines for repeat and referred business.

5. **Reliability:** Jim uses follow-up surveys when a customer has work performed. Within two weeks after the repair, an outside organization mails the customer a simple survey, requesting information about the repair experience. Another priority is hiring and retaining competent technicians; two of the technicians have been employed almost the entire life of the company. Also, a human relations mission is at the core of all two-way communication with the customer—always tell the truth and do what you say you will do.

Conclusions

Recent research validates the notion that a strong communication strategy lies at the soul of a profitable business. Japanese Auto Service is a prime example of utilizing these communication tools to generate and retain a strong customer base. The company is responsive to customer needs, assures quality service through continuous training, provides positive tangibles that are observed by customers, gives careful attention to customers' needs, and provides consistency in communicating with and serving customers. The communication element will continue to be important for any company that is in the business of serving customers.

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