



World News Tonight

Does Service Equal Profit?



Customer Satisfaction Leads to More Sales

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PETER JENNINGS Another closer look at service in America tonight. We began with the premise that service is not what it used to be, and we haven't found much argument about that. We have discovered that many companies are reassessing the relationship between service and profit. ABC's Judy Muller tonight on the difference.

JUDY MULLER, ABCNEWS (VO) How's this for service? If you own a Lexus and need a repair, the dealer will bring a loaner car to your door.

LEXUS DEALER There's the keys for your car, OK?

JUDY MULLER (VO) .take your car to the shop and, before returning it, throw in a free car wash. But then, you'd expect that kind of treatment if you owned a luxury car. What about more mundane purchases like groceries?

DEBRA LAMBERT, SAFEWAY STORES In the supermarket industry, expectations of customer service have been very low and, in fact, almost nonexistent.

JUDY MULLER (VO) Safeway has embarked on a plan to exceed those low expectations.

SAFEWAY CASHIER Have a wonderful day.

JUDY MULLER (VO) Employees are told to make eye contact with customers and to offer personal assistance.

SAFEWAY CUSTOMER Always helpful. If I ask for

something, they take me there. They don't just say, "Oh, it's over on aisle four."

JUDY MULLER (VO) Safeway's earnings are up, and marketing experts say that's no accident.

PROF ROLAND RUST, VANDERBILT UNIVERSITY Good service leads to higher customer satisfaction. And higher customer satisfaction leads to people coming back and more future sales.

JUDY MULLER (VO) Recent research at Vanderbilt shows that for every dollar invested in customer service in hotel and banking industries, the return is \$1.44. In retail, every dollar invested brings in \$2.33. In other words, better service equals better profits. But better service is relative, based on customer expectations.

BOOK STORE CUSTOMER Thank you very much.

EMPLOYEE You're welcome.

JUDY MULLER (VO) At Southwest Airlines, for example, the expectation is for no frills.

AIR TRAVELER That's what we're here for is just to fly, not to be pampered.

JUDY MULLER (VO) That means no seating assignment and no food. But this non—service is delivered on time and in a most entertaining way. On this flight, for example, the voice of Ross Perot gives the safety briefing.

FLIGHT ATTENDANT (imitating Ross Perot) Place it over your nose and mouth, secure with the elastic strap. And unlike the President of the United States, you may then inhale.

JUDY MULLER (VO) But surpassing low expectations is not the only path to profit. Superior service is the calling card of Nordstrom Department Stores. Their merchandise is pricey, but they have a generous return policy, and each customer is treated like a VIP. (on camera) Nordstrom declined our request for an interview, saying it has a policy against blowing its own horn. That

may be more caution than modesty. There's a danger in hyping expectations.

PROF RUSS WINER, UNIVERSITY OF CALIFORNIA—BERKELEY People's expectations have been built up, and as soon as you cut back, then the difference between what they get and what they expected becomes negative, and they'll all of a sudden start looking for something else.

JUDY MULLER (VO) But few companies are likely to cut back on service once they see their profits go up. The trick, apparently, is in giving customers more than they bargained for.

FLIGHT ATTENDANT (imitating Ross Perot) And remember, united we stand, but Southwest we fly. Thank you very much.

JUDY MULLER (VO) Judy Muller, ABCNEWS, Los Angeles.

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