

Product Support: a Barrier to Competition

A Practical Guide that Works

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Industrial equipment industry customers today are demanding both product quality AND quality aftermarket parts and service support. By the end of the last decade, most equipment manufacturers have learned how to delivery quality products.

From forklifts to excavators and conveyors, the machinery industry produces the highly reliable products end user customers want and expect. We see greater parity between competitive product technology and performance.

Consequently, the major differentiator today between competitors in any given market becomes the responsiveness of the manufacturer-distributor partnership in the delivery of premiere aftermarket product support (service and parts). Our on-going field research is clearly identifying quality product support as the primary determinant of competitive advantage and success in the market.

Quality aftermarket product support is a very powerful competitive weapon. For both manufacturers and distributors, your product support level can raise the barrier against all competitors in your market area. For the past 35 years The McDonald Group, Inc. has been working with manufacturers and distributors to improve marketing and operations effectiveness as well as information technology. And, we have found clear evidence that the more you can successfully delivery aftermarket product support, the higher you raise the barrier against all competitors.

Chart 1 illustrates a composite view of customer support expectations and performance criteria.

Chart 1. Critical Supplier Performance Criteria	
Machinery Distributor Provides →	<ul style="list-style-type: none">◆ Off-shelf parts availability◆ Accurate repair estimates◆ Right parts first trip◆ Repairs completed correctly the first time, on time◆ No rework◆ Close working relationships◆ Friendly, responsive people◆ Keeping commitments
Machinery Manufacturer Provides →	<ul style="list-style-type: none">◆ High level of parts availability◆ Simplified order process◆ Comprehensive maintenance support◆ Distributor development based on trust and respect

(Ask me for the “world class” distributor metrics for the first five *Supplier Performance Criteria* that we use in our *Asset and Revenue Center Management Workshop*.
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Yet, market by market, our field research continues to show major gaps between customer expectations and distributor performance in four critical areas:

1. Off-shelf parts availability
2. Accurate repair estimates
3. Repairs completed correctly the first time, on time
4. Friendly, responsive people

Successful delivery of these four end-user support characteristics is more important than you can imagine. Customers REWARD the successful distributor with higher margins, expanded market share and plenty of referrals for additional sales. Customers who do not receive these critical support activities PUNISH their distributor with low margins, low growth, and angry negative comments to all who will listen.

Successful performance of the four critical product support functions effectively raises the barrier to competition in your trading area. The stronger your product support, the higher the barrier against your competitors. This barrier surrounds your customers and protects them from hostile takeover by your competitors. This protective barrier also offers safety and assurance to prospective accounts who seek the shelter of your excellent customer support.

Your product support strength is your most unfailing weapon against adversaries. It forges long-lasting bonds of friendship, loyalty and appreciation throughout your highly valued customer base. And, strong product support makes it nearly impossible for competitors to erode your position.

THE “INVISIBLE CONTRACT” AND CUSTOMER RETENTION. A large equipment manufacturer recently completed a study of its North American end users and discovered that, on average, its dealers are only aware of one in seven major customer problems. Most end user customers who are unhappy won't tell you. They don't want to take the time and most don't think it will do any good. Much worse, many won't tell you they are unhappy because they see attractive alternatives.

Customers who do business with your company have an “Invisible Contract” with you and your people. They have a level of service expectation that is not stated. Customers are constantly judging your performance against these expectations. If you have a strong Customer Retention program in place, you will have a much easier job meeting these expectations. Customer Retention is the dealer operating philosophy that helps each dealer employee understand that treating an end user like a customer IS NOT GOOD ENOUGH. You should focus on two programs to help KEEP THE CUSTOMER and meet or exceed his expectations.

THE INTERNAL PROGRAM. First, your dealer management team must discover what your employees think is standing in the way of excellence in customer support and service by your dealership. This is a fundamental step that cannot be skipped. Use the following employee survey to determine your current level of customer focus.

Of interest are the average scores by all employees for each question. Typically, employees will identify three or four problem areas by low overall average scores. We suggest you hold employee discussion sessions after the survey is tabulated to review the results with employees. At the same time, employee small group discussion teams can identify and recommend remedial actions for the three lowest score areas.

The next step is to teach employees the meaning of excellent, good and poor job performance. They must learn what it really means to provide premiere service to customers. Many employees do not know. (Ask me for the comprehensive Customer Retention Performance Standard Evaluation worksheet we use in my *Operations Improvement Workshop*. walt@mcdonaldgroupinc.com).

DISTRIBUTOR EMPLOYEE SURVEY

A good employee written survey is best conducted anonymously. The following self-test rates the degree of customer focus of your distributorship. For each statement, the employee should rate the extent to which the statement is true.

Use the scale: 0 – Not at all true. 5 --- True to a moderate extent. 10--- Very true for our company.

	SCORE
1. Our distributorship is totally committed to creating satisfied customers and to the concept of quality performance?	_____
2. We make it easy for our customers to do business with us?	_____
3. We work to continuously improve our products and services?	_____
4. Customers' complaints and feedback are analyzed to identify problems and this information is shared with employees?	_____
5. Given how customers define quality, we aim to do things right the first time?	_____
6. Employees are provided the resources and tools needed to delight customers and we are empowered to use good judgment to service customers?	_____
7. We encourage, monitor and attempt to resolve customer complaints promptly?	_____
8. Information from customers is used to define and improve our service?	_____
9. Serving customers' needs take precedence over internal needs?	_____
10. The goal is to exceed customer expectations in important things?	_____

Once all employees have completed the confidential survey, compute the average score for each question. Next, discuss the three or four issues with the lowest overall average score. Ask employees in small group discussion for suggestions and recommendations on what could be done to improve each area.

THE EXTERNAL PROGRAM. Once your employee team is on board, an on-going customer feedback system must be established. The very best distributor programs provide your management team 100% feedback on every significant customer transaction. In these highly successful distributors, department managers are calling customers every month, thanking them for the business and asking how their department can improve. Customers are delighted by the follow-up. And, if you are not making these calls, your competitors probably are. (You obviously do not want to "over-survey" accounts with multiple monthly invoices.)

You must measure your progress in fulfilling this Invisible Contract with your customers. Customers are demanding better support from the suppliers they intend to do business with. Product Support today means closer and faster. End users today want fewer, closer supplier relationships.

And, there is significant value to prompt response, meeting commitments and single-contact problem solving. The winners are making it easier for their end user customers to do business with them. And, the winners are quickly establishing Product Support as a barrier against all competitors.

Suggested Readings

The 21 Irrefutable Laws of Leadership: Follow Them and People Will Follow You by John C. Maxwell

Customer Satisfaction is Worthless, Customer Loyalty is Priceless by Jeffrey Gittomer

Delivering Knock Your Socks Off Service by Performance Resource Associates

Walter McDonald is President of The McDonald Group, Inc. and has conducted over 2,650 management workshops and seminars world-wide in the industrial equipment environment. The McDonald Group, Inc. offers management education programs for marketing sales and operations managers and field sales executives. He is a frequent contributor to several trade magazines. Walter's popular management training programs focus on improving market share, profitability, cash flow and customer retention. You may reach Walter at 847/340-5518 or Walt@McDonaldGroupInc.com. His website is www.mcdonaldgroupinc.com.