

What Price Service?

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We have two cars in our family, one of them is relatively new and when it needs servicing or repairs it goes to the main dealer who first delivered it, new born and pristine. The other rather longer in the tooth, battle scarred and unwashed in living memory (mine), tends to go to the local garage for most of its health care requirements.

The main dealer provides an excellent service including use of a courtesy car if required and an overall cleanup as a matter of course; all this at no extra charge. The local garage on the other hand provides a 'no frills' service, gets cheaper parts where they can and charges about half as much per hour. The quality of the work is much the same.

I have tried to work out how much the care hire, valet service and odd free coffee are costing me with the inevitable conclusion that they could be sourced more cheaply on the open market. But that is not the point, the important thing is that it feels like good value because it is a service you need at the time, and you have to have a dealer service history on a car you may still be able to sell one day don't you?

Living on the Isle of Man it is always tempting to think that various commodity items are bound to be much more expensive locally, and in recent years I have always shopped around diligently on the web when buying consumer durables. Sometimes it is worth it, but as often as not the differences in price are eroded by the cost of delivery, and the inconvenience of the inevitable delay. A good example recently was a dishwasher which the MEA had priced at exactly the same price as the cheapest internet source plus the fifty quid it was going to cost to get it here. The difference was that, for the same overall cost, we could have it next day and it was not just delivered it was fitted as well. The one thing I would rather not bring into this equation is the value of all of the time I spent 'researching the market' before I popped into the local showroom....

So how does one value service? From a consumer perspective it seems to depend very much on the nature of the product with less complex commodity items being bought very much on price and a willingness to pay more for service being associated with more complex, high risk or luxury purchases. From a business point of view, the issue can be summed up by saying that a customer may be gained on price, but they are retained through service, and customers who come back are worth a great deal more in the long term. The value of good service to a business is both in keeping customers and maintaining margins.

Some of the most exciting businesses to emerge over the years have been those that break an established mould in relation to price and service, and often this is achieved when the application of new (or different) technology allows a product to be offered both more cheaply

and with better service. There are several notable examples of this phenomenon and they have all had a considerable impact on the way a particular industry operates.

EasyJet when it first came on the scene was a case in point, superficially they are all about getting a cheaper ticket by forgoing the delights of short haul airline catering. Personally I think their success has more to do with the introduction of a simple self service ticketing system with no middlemen, where the cheapest tickets are available on a first come first served basis and we are all encouraged to help ourselves on line. It is interesting to observe that more traditional carriers have responded not by cutting out the meal so much as simplifying their fare structures and increasing their ability to sell direct which usually means on the web.

Similar examples exist in financial services where branchless, call centre based operations with effective information systems have made a significant impact in a relatively short time in both retail banking and insurance.

So there it is, the winning formula for business success, just cut your prices and improve the service you offer and you can't lose.... Seriously though, whilst most of us don't have the vision, the resources or the luck to stumble on the next big thing, we all need to focus on making the best use of available resources and technology to reduce cost (and if necessary price) and improve service whatever our product may be.