



Surveys show that more consumers than ever are fed up with bad service. Meet seven entrepreneurs who profit by bucking the trend.

Do Your Customers

Illustrations by Nick Dewar

By Justin Martin

Love You?

ALL ADAM REUTER WANTED WAS the video of his graduation from Villa Julie College in suburban Baltimore. After two months the production company finally sent a DVD, but it featured the wrong graduation ceremony. Over the next two months Reuter called the firm, VPC, repeatedly, but got no satisfaction.

Fed up, Reuter grabbed his camcorder and showed up unannounced at the offices of VPC (vpcinc.net), a small outfit in Reisterstown, Md.

He proceeded to grill the owner *60 Minutes*-style. What was taking so long? Why wouldn't anyone return his calls? Reuter got his DVD, which had simply been languishing on a shelf. Reuter also opted to put his footage up on YouTube and has gotten 1,467 views. "They didn't do anything quick until I showed up with a camera," he says.

"I can't explain it. It just happened," says Eli Eisenberg, VPC's owner. "We pride ourselves on good customer service."

Adam Reuter has lots of company in his frustration—and his easy recourse to online revenge. Do a web search using terms such as "customer complaints," and alongside Reuter's mini-exposé you will find millions of videos, blog entries, and other web postings from angry consumers. Airlines such as JetBlue (jetblue.com) have been the target of particular ire, amid a rash of delays and cancellations. But the sheer variety of complaints is astonishing: broken products, broken promises, problems starting up a service, problems canceling one, endless hold times, calls bounced to Bangalore, rude reps, incompetent reps, automaton-like reps who stick to irrelevant scripts.

According to the University of Michigan's 2007 American Customer Satisfaction survey, overall customer satisfaction remains flat over the past year. In some industries such as computers, hotels, and restaurants it is getting worse. In the 2005 Customer Rage Survey, the most recent available, 70% of respondents who had a problem reported feeling this fevered emotion at least once during a recent transaction, up from 68% in the 2003 poll. As for those unpleasant interactions, each victim had on average four exchanges with the offending company to resolve the problem. And 15% of the ticked-off customers entertained fantasies of revenge: They said they'd like to repeatedly pester the business, and cost it time and money as payback. "Companies are routinely out of touch with just how angry customers are," says Scott Broetzmann, president of Customer Care Measurement & Consulting (customer-care.com), an Alexandria, Va., firm that conducts the rage survey in partnership with the W.P. Carey School of Business at Arizona State University (wpcarey.asu.edu).

Now for some good news. As new technologies empower the aggrieved to expose bad service, fresh opportunities are rising for anyone who can delight customers. That especially holds for small businesses. Competing with larger rivals on the basis of price or selection is usually a losing game. But service can become a powerful differentiator and a way to boost margins. And it is often best executed by smaller companies, where the owner is leading from the front. "Good service really stands out these days," says Chip Bell, a Dallas consultant (chipbell.com) who specializes in customer satisfaction. "Take that extra step, deliver what I call 'sparkly service,' and oh, boy!"

FSB went in search of small companies that have mastered the art of extreme customer service. We talked to experts, business owners, and of course customers. One point quickly became clear: Every company says it gives great service. But actually delivering is a very different matter.

We tuned out the talkers and focused on the walkers—companies that have creatively delivered big upgrades in customer service. We picked seven that represent a range of industries



CHEERS Lippman toasts customer-centric employees.

and challenges, from catering to finicky B-to-B customers to providing superb service over the none-too-friendly Internet. All attend to customer service in a systematic way; maybe some of their methods are worth adapting for your business.

Know Your Client's Culture

VISIT THE MANHATTAN HEADQUARTERS OF GENESIS 10 (genesis10.com), a technology and business consulting firm, and here's what you won't see: cheesy posters

with sayings such as "the customer is always right." Neither will you hear its employees repeating customer-focused mantras the way they do at so many firms. "Our commitment goes deeper than that," explains Harley Lippman, the firm's founder and CEO. "We're looking for ways to truly engage with our customers."

Genesis 10 has 120 clients, including such blue chips as J.P. Morgan, United Healthcare, and Wells Fargo. Lippman says it has been profitable every year since its founding in 1999, and annual revenue has grown from \$7 million in its first year of operation to \$134 million in 2006. Before undertaking a consulting gig, Genesis 10 devotes ample time to learning about a client company's culture. According to Lippman, many of his rivals (including Big Five firms) simply parachute consultants into a new organization. They figure that any thorny cultural issues can be worked out on the client's time—and dime.

Genesis 10 hires recently departed employees of the client company to brief its consultants. This provides vital insights: A client such as the Principal Financial Group, an investing and insurance company based in Des Moines, wants consultants to fit



If a customer doesn't show up at Chapman's gym for three weeks, an e-mail alert is triggered.

into an environment that puts a premium on teamwork. Meanwhile, a type-A outfit such as New York City-based Goldman Sachs, which is built on individual superstars, wants consultants to immediately step up as leaders. "This is a people business. That's how projects succeed or fail," says David Granger, an executive at the insurance giant Northwestern Mutual in Milwaukee and a Genesis 10 client. "They know to work differently with us than they do with Citibank, say."

Because Genesis 10 arrives prepared, the firm is able to hit the ground running. Lippman estimates that he beats a client's project deadline 60% of the time—in a business in which deadlines tend to be arbitrary and get pushed back repeatedly, to clients' dismay.

While some companies rely on empty gestures (one outfit FSB encountered gives its employees "kudos" for great service), Lippman hands out cash and prizes, tied directly to exceeding customer expectations. He goes out of his way to make those spot bonuses thoughtful and surpris-

PUMPED Chapman (center, at his Ann Arbor gym) boosts sales with e-mail reminders.

ing—just as good customer service should be. In one instance an executive at Johnson Controls called to thank Lippman for providing such great service. In response, Lippman lent his credit card to the two consultants in charge of the project and told them to enjoy a three-day weekend in Vegas. "We're always encouraged to go above and beyond for customers," says Sara Brahm, one of the bonus recipients. "The bonus reinforced that message. It was surprising and special, but this time it was for us." The two consultants spent less than \$2,000 total on their Vegas getaway. Grateful employees are unlikely to go wild on the boss's nickel.

Another time, a Genesis 10 consultant who happened to be a hockey fan beat a tough deadline, thrilling the client. Lippman presented him with a hockey stick autographed by Wayne Gretzky and packed him off to Phoenix for a game.

Lippman makes a significant portion of his consultants' pay variable, tied directly to customer service. Such bonuses are usually triggered when Lippman or one of his account managers gets a call from a satisfied client or when one of them recommends Genesis 10 to a potential customer. But Genesis 10 routinely debriefs clients at the end of each engagement to identify extra-pay-worthy performances.

One more secret to Genesis 10's success: The firm says no. A lot. Lippman explains that while he took on \$134 million worth of work in 2006, he turned down gigs potentially worth millions more. He routinely nixes assignments that might stretch his staff too thin, along with jobs that are outside his consulting specialty. That way he avoids diluting his focus. "We're selective. It allows us to maintain the illusion that every customer is our only customer," says Lippman, who provides his cellphone number, e-mail address, and home number to every client.

Software That Sells

CUSTOMER SERVICE DEMANDS a deft personal touch, no question. But technology can also help. Small-business owners face more and more software options that promise to help them track and initiate contact with buyers. Customer-relationship management or "CRM" software can maintain a record of customer interactions or send an automated alert if a service issue is unresolved. Among the most popular CRM programs for small businesses are Microsoft Dynamics (microsoft.com/dynamics), NetSuite (netsuite.com), RightNow (rightnow.com), and Salesforce.com.



Customer Service

"You can't become a paragon of customer service by simply buying software," says Paul Greenberg, president of the 56 Group (the56group.typepad.com), a CRM consulting firm in Manassas, Va. He offers a couple of caveats. Software is available off-the-shelf or online, but always adapt it to your company. Also, many firms are tempted to use the programs to fully automate their customer-service functions. But forcing your customers to navigate intricate phone trees and such—especially when a live rep is nowhere to be found—is likely to produce rage rather than delight. Better to use CRM software to enhance a company's human touch.

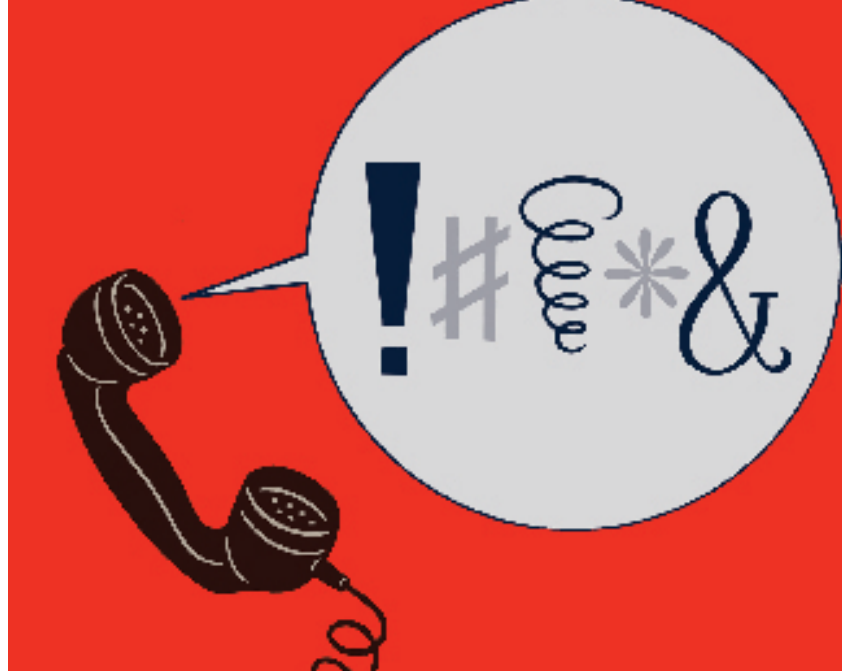
Doug Chapman took this approach. He owns HyperFit USA (hyperfitusa.com), a gym in Ann Arbor, Mich. He's also a devotee of cross-fit, a regimen that builds strength and flexibility and employs some exotic devices such as Russian kettlebells. For the ideal CRM system, Chapman had a detailed wish list. So he hired a techie to cobble together several pieces of software including ACT!, a popular database program (act.com), and Constant Contact (constantcontact.com), used for sending out various e-communiqués such as newsletters and tracking the responses.

"My gym is different, and I wanted to provide a different customer experience," says Chapman, 39, an All-American wrestler with an MBA from Eastern Michigan University who has done stints in the Navy and at Smith Barney. The key is to customize the software to fit the needs of the customer. HyperFit USA holds frequent seminars on topics such as self-defense. This is a great way to trawl for new customers. Chapman gathers the e-mail addresses of seminar attendees. Then he sends them his gym's e-newsletter. Thanks to a special tracking app, it's possible to tell whether a prospect opens the newsletter and even which articles are read. (Chapman doesn't feel he needs to get permission to track the reading habits of those leads.) Say a prospect reads an article on nutrition. Now Chapman has valuable information

Some days Rempel and her seven employees churn out as many as 200 thank-you notes to customers.

about her interests. He can instruct his staff nutritionist to give her a call and perhaps land a new customer. Chapman estimates that around 10% of these calls result in a new membership, vs. a conversion rate of less than 1% from the mailers he used to send out when he worked for a big-box gym.

When new members join HyperFit, they fill out forms that highlight their fitness goals and any health issues. The information, which is stored in a database, comes in handy in all kinds of ways. If a member works with several trainers, for example, all have access to the database. "A trainer might say, 'I know you're bothered by a bulging disk. Let's modify your routine from that of the rest of your classmates,'" says Chapman. If a customer doesn't show up for three weeks, an e-mail alert is automatically trig-



Does Your Customer Service Stink or Shine?

Which of the following statements is true of your company?

- 1. Every employee is trained to handle customers.** True or False
- 2. We have a customer-service edge over our nearest competitors.** True or False
- 3. Employees are allowed to use their own judgment (they can apologize or even give away free stuff) when handling customer complaints.** True or False
- 4. Our website includes a customer-service phone number.** True or False
- 5. Any technology we use to help with customer service (phone systems, software) is modified to our specific needs.** True or False
- 6. Not only do we read and tally customer-survey results, but we make changes based on them.** True or False
- 7. Employee compensation is tied directly to customer service.** True or False
- 8. The CEO has regular contact with customers.** True or False
- 9. We have declined new business opportunities that would have diminished our level of customer service.** True or False
- 10. We have not outsourced any of our customer-service functions.** True or False

How many of the statements were true of your company?

9-10: Your service shines

6-8: Superior service

3-5: So-so service

0-2: Sorry, your service stinks!

gered. Trainers then decide how to respond case by case. Sometimes they call and gently urge the laggard to get back to the gym. Other times more subtle tactics are called for. Recently someone joined the gym planning to run a marathon, but stopped coming while in the throes of a messy divorce. After three weeks an alert went out. Rather than calling, Chapman e-mailed an article about marathon training. The man soon returned to the gym.

Chapman started HyperFit in 2004 and says he still has nearly all of his first 50 customers. Membership has since grown to about 300. This year it will collect \$400,000 in revenue and

is profitable, according to Chapman. Both a Bally and a Gold's gym are within a mile of his facility, yet he's been able to compete effectively. Next he wants to take HyperFit national.

Apply a Human Touch

WHILE IT'S HARD ENOUGH TO GET GOOD SERVICE from brick-and-mortar businesses, finding it on the Internet can be ever tougher. The upside of e-commerce is that you can shop from the comfort of your home at 2 A.M. The downside: Just try finding a customer-service phone

number on the average website. Most online vendors promise e-mail support, but a recent study by JupiterResearch (jupiterresearch.com) found that more than a third took at least three days to respond, and many never did.

Inspired by the poor service she encountered on the Internet, Kassie Rempel, 34, quit her job as a financial planner and started SimplySoles (simplysoles.com), an online women's shoe emporium. Rempel's company, based in Washington, D.C., specializes in high-fashion shoes. Some notable designers, such as Bettye Muller (bettyemuller.com), have created designs exclusively for SimplySoles. Given the haute pricetag (average pair: \$275), you can bet there's a toll-free number, and it's even possible to reach Rempel directly. For certain customers SimplySoles will send out a selection of shoes—no charge, no commitment. To qualify, one doesn't have to be a loyal customer or place a huge order—although that certainly helps. Sometimes SimplySoles provides this service to a first-time customer who is unsure of her exact size in a particular brand. Other times the decision is made on a gut feeling. "I won't do this with everyone," says Rempel. "It's based on my comfort level and that of my staff."

These select customers can try on shoes in their homes to see which pair looks best with a particular outfit. Customers are billed only when they make a purchase; the remaining shoes can be sent back to SimplySoles in prepaid mailers at a cost of about \$12 a returned pair roundtrip. Kaethy Kennedy, 42, is an L.A. executive who is active online: shopping, banking, paying bills. She often orders European styles from SimplySoles and says the sizes don't always correlate to American

Scramble the Jets

After I blew a job for a big client, I threw every resource I had at the problem.

BY DAVID LEVI

LIKE MOST SMALL FIRMS, my company, Integrated Visual Systems (ivs.com), depends on customer referrals to survive. So when I heard that one of our big software-installation projects had gone awry, I was sure our reputation would suffer—and as a result, so would our growth.

A large apparel manufacturer had hired us to design an inventory system for its five warehouses. We developed a program that printed unique bar-code labels that warehouse personnel would attach to some 200,000 items. Over several months, we installed \$1 million worth of custom software.

Three weeks before the launch, one of our engineers conducted a test run in the client's warehouse in Mexico. When he scanned one of the bar-code labels, he knew there was a major problem. Instead of unique numbers, the program was receiving the same data for every item. All the labels had to be reprinted and reattached to the merchandise. I phoned the client and took responsibility for the problem. I assured him he'd bear no extra costs and the job would stay on schedule.

We created a new program and sent extra printers and label stock from our inventory to the warehouses. We also rented lift trucks to provide extra access to the upper racks. Our entire staff of 20 employees went from our



ABOVE AND BEYOND CEO Levi found that fixing mistakes strengthens client ties.

JEFFREY MCCULLOUGH

headquarters in Matthews, N.C., to the customer's main facility to relabel the items. IVS absorbed the cost of air travel, accommodations, and meals for everyone for three consecutive weekends. We asked for (and received) volunteers from the client's staff to work on the weekends. We paid their overtime wages. Some \$35,000 later, the system launched flawlessly on the scheduled date.

Afterward I met with the facility manager to apologize again for our error. To my surprise, he said that he now felt more confident in his decision to hire us than he had when the contracts were signed. Experience had taught him that there are no perfect installations, but there are perfect reactions to a problem.

Some companies never admit errors. Others acknowledge them but expect the customer to bear the cost of fixing them. By admitting and correcting our mistake, we made our relationship with the client stronger. Nearly a quarter of the customers we work with today came from that client's referrals. —AS TOLD TO EMILY MALTBY

SHOESHINE Customers
of Rempel's SimplySoles
site can get free returns.



makes. She appreciates the option of trying on several pairs at a time and keeping only the one that fits. "They're like a little neighborhood boutique, only they're online," she says.

SimplySoles also sends out handwritten thank-you notes to every customer who orders shoes. The notes address the customer and shoe by name: *Dear Amy, We hope you will enjoy your pair of Gaby slides by Tory Burch (toryburch.com).* Some days Rempel and her seven employees churn out as many as 200 of these notes, a huge time commitment. But Rempel says it pays off because feedback from customers indicates this little touch helps build loyalty. Rempel has even received notes thanking her for the thank-yous. "It's an important piece of who we are," she says.

SimplySoles, which also has a catalog business, is profitable, says Rempel, and

will post nearly \$2 million in revenues this year, a big jump from \$200,000 in 2004, its first year of business. Given the intense level of service, she feels there's a limit to how big SimplySoles can grow. Rempel says her goal is to build a \$10 million-a-year company, not a \$100 million one.

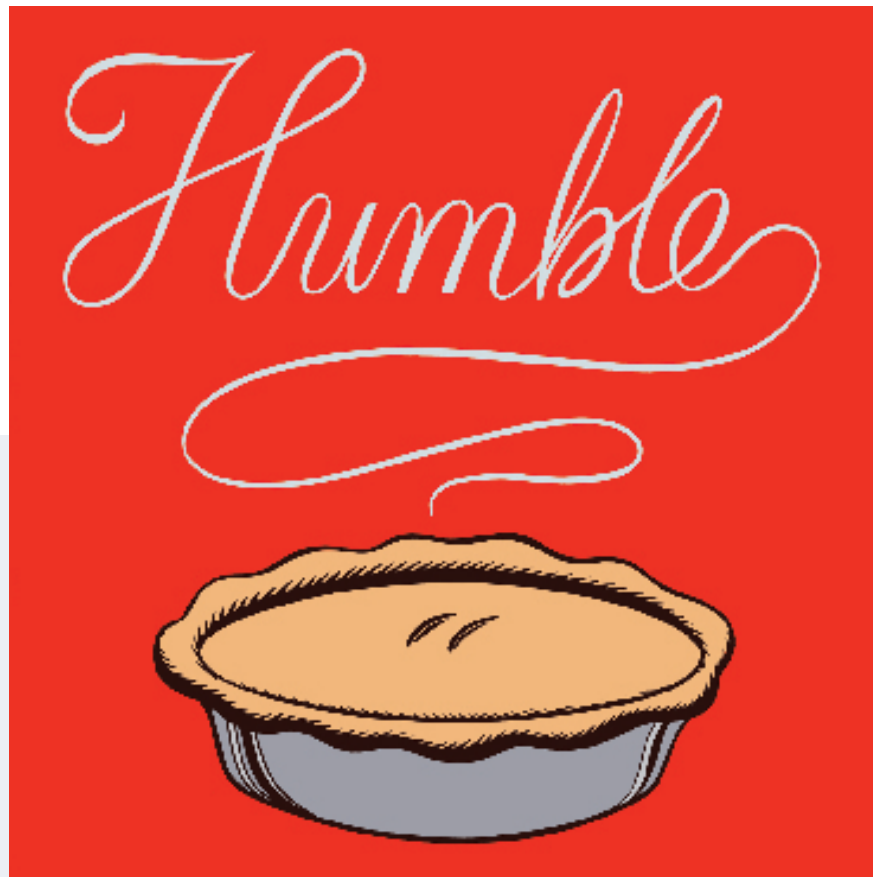
When It Pays to Swallow Your Pride

If you stumble, say you're sorry, and then scramble to make it up to the customer.

NO MATTER HOW GOOD you are at customer service, let's face it: Periodically you are going to screw up. That's when you face a test—and an opportunity. Handle the incident poorly and you may create a corps of negative customer evangelists, trash-talking your business to anyone who'll listen. Fix the situation, and you may secure a customer for life.

John Tschohl, president of the Service Quality Institute in Minneapolis (customer-service.com), is one of the world's foremost experts on service recovery. According to his research, a recipient of good customer service will tell five other acquaintances on average. A recipient of bad service will tell ten and possibly even hundreds if he goes online to complain. But turn a poor experience into a peak experience, and the customer will sing your praises to 20.

An apology is a great first step.



Think about the times your temper would have dropped 50 degrees if someone simply fessed up. Nurse Next Door (nursenextdoor.ca), a Vancouver home health-care company with \$10 million in annual revenue, does this in dramatic fashion. When the company stumbles, it delivers customers a "humble pie," a fresh-baked apple pie accompanied with a note that reads in part, "We are very humbled by our mistake and sincerely apologize for the poor service." Even if you don't feel your business is in the wrong, it's wise to say you're sorry and ask what you can do to help. The firm has spent \$1,300 on pies but reckons it has kept customers worth \$90,000 in annual sales from defecting.

If a foul-up threatens to drive away

a loyal customer, a dazzling recovery is needed. John DiJulius owns six salons in the Cleveland area (johnrobertsspa.com) with \$5 million in annual sales. When Heidi DuBois-Robinson, 43, came in for a hair coloring, her suit got stained. She took it to the cleaners, but the stain remained. So she called DiJulius, who sent her a \$385 check for a new suit, no questions asked. He also threw in a free facial and pedicure.

Since the incident, Robinson says she has raved about DiJulius's salon to roughly 30 other friends. Not only is she still getting her hair cut and colored there, but she has started getting facials and pedicures. "At first, I thought about never going back," she says. "Now I would never think of going anywhere else." —J.M.

Keys to **Extreme** Customer Service

Here's what entrepreneurs and experts advise to keep clients smiling.

DIFFERENTIATE. Find a service edge that can set you apart from your competitors, urges Kassie Rempel, founder of online shoe seller SimplySoles. Sending a handwritten thank-you note to every customer is her company's trademark. The payoff: loads of loyalty.

COMPENSATE. Posters bearing customer-friendly slogans will get you only so far. Cash speaks much louder, says Chip Bell, a Dallas consultant. To get your employees onboard, tie at least a portion of their compensation to delivering excellent service.

CUSTOMIZE TECH. If stellar service is the goal, says HyperFit USA owner Doug Chapman, off-the-shelf software



isn't the answer. Chapman tailors his customer-relations programs to his gym's needs.

RECOVER IN STYLE. To err is human, says service guru John Tschohl, but what you do next is key. Go all-out to make things right and create a deeply loyal customer.

SAY NO. Harley Lippman, CEO of Genesis 10, says he turned away millions in business last year. Say yes to every opportunity, he warns, and you'll be spread too thin to provide excellent service. —J.M.

500,000 registered members, up from 350,000 in 2005. Members submit T-shirt designs. Then the community votes on its favorites à la *American Idol*. Each week, Threadless executives choose a few winning T-shirt designs. Those styles are produced, then sold back to the very people who conceived and voted on them in the first place.

Founded in 2000, by college dropouts Jake Nickell and Jacob DeHart, the company is profitable and its revenues grew to \$12.5 million last year.

To encourage members to submit designs, winners are paid \$1,500 plus a \$300 merchandise credit. The odds are long: Over the company's seven-year history, 200,000 designs have been submitted, but only 1,000 have been chosen as winners. Recently Threadless added a critique section to its site, meant to keep repeat losers from growing discouraged and taking their T-shirt business elsewhere. With the critique section, it's possible to submit a work

Customers Who Serve Themselves

IF YOU WANT YOUR CUSTOMERS TO LOVE YOU, GIVE THEM what they want. Duh! This sounds simple, but isn't so easy to execute. Which customers? What if they can't explain clearly what they want? One way around this dilemma is to involve your customers early on in the design of your product or service. In industry jargon, this is called user innovation. The concept has been around for a while, though it is growing in popularity.

Many small companies have now jumped on the user-innovation bandwagon, but their approach is often lackluster. (Would you like us to produce the next-generation widget in taupe or fuchsia? E-mail us your vote. It's your choice!) A nod for best practices goes to Threadless (threadless.com), a Chicago T-shirt manufacturer. "They've really nailed it, with a solution that's both simple and elegant," says Ben McConnell, a consultant who writes a blog called Church of the Customer (customerevangelists.typepad.com).

Using its website and various company-sponsored blogs, Threadless has built a fervent online community dedicated to underground T-shirt design. Threadless.com now has

in progress and get feedback. Now someone can participate in the Threadless community without having to enter the bruising competition.

Winning shirts are produced in limited runs of about 1,500. So far, every winner has sold out, and top sellers have gone back to the T-shirt press repeatedly. Among the all-time favorites: Communist Party (featuring a sketch of a drunken Lenin and Stalin) and a shirt bearing the enigmatic slogan, WE'LL BE SAFE HERE IN THIS DARK CREEPY BARN.

Threadless's top brass don't automatically produce the shirts that receive the highest scores; they reserve some measure of editorial control. They reject designs featuring copyrighted material such as cartoon characters. They have also created a simple computer algorithm that identifies designs that received a preponderance of 0's (the lowest score) and 5's (the highest). Such a love-it/hate-it response suggests that a T-shirt will provoke controversy. And as everyone knows, controversy sells. "It's not really a gamble for us," says Jeffrey Kalmikoff, 28, Threadless's chief creative officer. "There's no real guesswork involved. We ask people what they want. They tell us. We give it to them."

Sounds so simple. It almost makes you forget that becoming a company known for great service takes planning, persistence, and at the end of the day, the hard-earned goodwill of your customers. □

To give feedback and tell us about great service you've given and received, please write to **fsb_mail@timeinc.com**.

One customer designed a "Communist Party" T-shirt with a sketch of a drunken Lenin and Stalin.