

## ServiceMaster: Voice of the Customer Says "It's OK to Increase Prices"

Three years into their Six Sigma program, ServiceMaster was still prioritizing projects in a "Pac-Man" fashion — sending teams all around the company to look for places where incremental profit could be found quickly. True, the first two years had already generated an ROI of more than 115% on a \$24 million investment in staffing and training, but John Biedry, senior vice president, knew the company was going to have to get more strategic in its approach if it was going to be able to sustain the trend once all the "low-hanging fruit" had been picked.

His first step was to work with the marketing team for ServiceMaster's American Residential Services division (the heating and air conditioning service specialists) to check the voice of the customer. Research and customer satisfaction studies found the customer's hot topics were things like service-delivery quality, on-time arrivals, scheduling convenience, and professionalism.

### Voice of the Customer

#### Key Drivers of Satisfaction

	%
Service people show up when they say they will	58
Provides trained specialist who can properly diagnose and fix the problem	57
Service people fix the problem the first time they come	49
Provides a guarantee on the service work	44
Make it clear how soon you can expect a service person to show up	47
Service people adequately explain the costs involved in the job	45
Service can be scheduled at a convenient time for you	43
Provides an accurate estimate on pricing before beginning to work	44
Service people fully explain different options for repair and replacement	38
Service people clean up after themselves and leave your home cleaner than when they got there	40
Service people explain clearly what they are going to do	35
Provides a free estimate	35

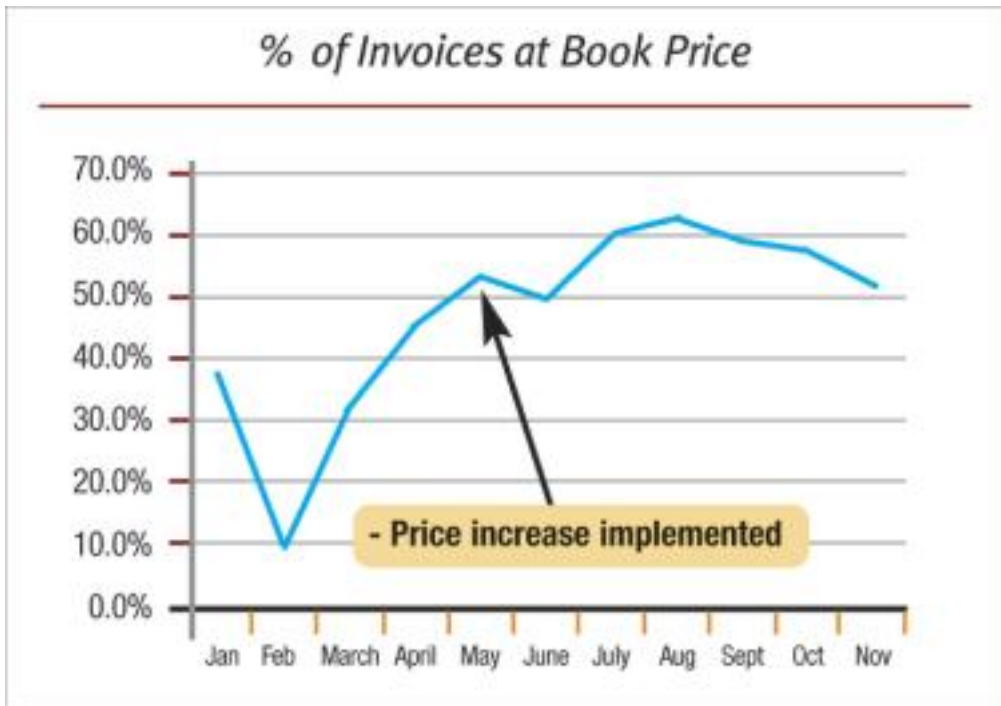
Yet when Biedry's team surveyed the internal sales force, it found a firm belief that the only issue that mattered to the customer was price — and a culture that equated sales increases to price reductions. Intrigued, the team examined data from more than 60 branches and thousands of customer accounts and found huge variations in pricing and discounts.

Further research on both fronts verified that:

- 1) Customers were relatively price inelastic; and
- 2) Common sales practice was to discount pricing quickly to close the sale.

After analyzing the data, Biedry's team held workshops with sales managers explaining the findings. "We showed them the break-even analysis of what it would take in terms of additional revenue required to hit the profit target if they kept discounting. It was pretty compelling evidence."

The Six Sigma team also conducted focus group sessions on the road and invited sales to attend. Obviously hearing firsthand from the customer that pricing was not nearly as important as on-time arrival or other factors helped convince sales to experiment with different service-related messages while holding the line on pricing.



They discovered that if on-time performance was achieved and the technician had all the right parts and equipment to make the repair the first time, price was rarely an issue. This became the basis for the company's "on-time service guarantee" which promised a \$50 rebate if the technician was late for a scheduled appointment.

In the past year, the company not only held the line on book pricing, but has been able to increase it slightly, proving the value of listening to the voice of the customer and adding more than \$4 million in incremental net profit to the bottom line; 2004 projections call for an \$8 million improvement in margins from holding pricing.

"This was all about culture change," Biedry said, adding, "If it weren't for the Six Sigma process working with marketing, we would never have seen the opportunity to drive both satisfaction and profits so dramatically."



### Fast Facts

**TERMINIX**  
No Bugs. No Hassles.

**ARS**

**merry maids.**

**RESCUE ROOTER.**

**TRUGREEN ChemLawn**

Company:  
Headquarters:  
Business:  
Revenue ('03):  
Service Centers:

ServiceMaster  
Downers Grove, Ill.  
Outsourcing Services  
\$3.6 billion  
5,400