



## Case Study

### SUBJECT:

## INCREASING SALES BY SERVICE

### EXAMPLE:

## CHARLES SCHWAB & COMPANY

### “GOOD SERVICE SELLS ITSELF”

### SUMMARY:

Charles Schwab & Company is a worldwide discount stockbroker with two million customers, 2,500 employees, 105 branches and a 52% growth rate in revenue over the last ten years. Schwab has accomplished this with no sales force. All employees are on salary, no one is on commission. Schwab has reported that 45% of all new business comes from referrals by satisfied customers.

At Schwab, service encompasses all aspects of the customer experience. It begins from the first moment of customer contact, well before the first transaction. Schwab believes that you never get a second chance for a good first impression, and they believe that the first customer experience should be as convenient as possible. Forms for opening accounts are in popular magazines, periodicals and advertised on television.

## Increasing Sales through Service – Charles Schwab Co

“Good service sells itself,” said Daniel J Wichlan, Vice President of Service Delivery Support. “Good service is that which satisfies the customer’s needs.”

“We survey customers on a regular basis,” said Wichlan. The goal of the surveys is to understand the customer definition of service. The consumer expectations are continually evolving, and Schwab uses a strategy of surveys to keep pace.

- Customers Satisfaction surveys are conducted after transactions to rate the customer experience.
- Schwab uses Demographic Surveys to understand customer expectations.
- Focus Groups provide in-depth analysis of customer feedback for products and services. Schwab monitors the level of customer interest for each of the topics during discussions.

By use of surveys, Schwab identified five major categories of customer needs:

1. Accurate Information – Accuracy is critical to maintain Customer confidence.
2. Timely Delivery – Customers expect orders processed immediately, and products (funds and securities) delivered promptly.
3. Accessibility – 24 hours a day, 7 days a week, 365 days a year
4. Reliability – Automation is not enough to guarantee reliability without interruption. Schwab invested in redundant back-up systems to insure uninterrupted service.
5. Knowledgeable People – There is no substitute for knowledgeable people. Customers inevitably contact representative of the organization. It is essential for the representatives to be trained and knowledgeable about the products and trained to deal with customers.

“Using technology effectively wherever we can do so cost-effectively is one of our principal strategies, but there is not point in providing automated service if a company is not thoroughly committed to strong customer service and if the company does not carry that commitment through all of its activities.”

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To assure that this culture permeates the organization, Schwab requires management to provide monthly reports, and encourages every representative to with rewards and training. Every division in Schwab has METRICS to measure monthly performance for these five categories of customer needs. If standards are not achieved the division management must present an action plan for improvement each month.

Everyone in the organization is eligible for bonuses based on individual and group performance. Customer Satisfaction is a key element for measuring performance and amount of bonus, from front-line representative to executive management. Division heads can nominate employees for quarterly Schwab Excellent Service Awards, based on customer satisfaction. Individual Branch Managers receive discretionary funds for distribution in accordance with individual performance as measure by customer satisfaction.

Schwab publishes an internal monthly newsletter to illustrate examples and success stories from satisfied customers.

Branch managers have considerable flexibility in determining the amount and type of training necessary to support customer satisfaction. "Our training programs are designed for employees and managers at all levels in the organization," said Wichlan. "Training emphasizes the importance of service as well as specific strategies for improving it."

Wichlan compared growth rates to customer satisfaction in 105 branches and discovered clear correlations between the two. Branches that rated in the top 20% for customer satisfaction grew revenue 53% in single quarter. Conversely, branches that dwelled in the bottom 20% for customer satisfaction increased revenue 31% during the same period. "Since market conditions and the time periods were exactly the same, we concluded that the difference was due to differences in service quality levels at the branches," said Wichlan. Further investigation confirmed that the key factors for high levels of customer satisfaction were associated with trained and highly motivated employees.



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