

## Great service companies know it's not the sale that matters

By Dale Dauten

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*Rather, it's a lifetime of sales, as exemplified by a small bicycle shop in Connecticut that's winning over customers from Wal-Mart's lower prices.*

Here's a Zen koan: To become invincible is to become vulnerable. Let's call it the Wal-Mart koan, because its solution appeared to me in line at a Wal-Mart store. The store was, as always, unpleasantly crowded, and as I waited in line at the checkout, the woman in front of me put off her begging child by saying, "Put that back, and on the way home, we'll stop at the dollar store and get you something." The kid smiled contentedly and put back the whatever-it-was.

That's when I saw that Wal-Mart was being out-smiley-faced, outcheaped, outmaneuvered. And that's the solution to the Wal-Mart koan. By becoming so massive, so brutally scary a competitor, Wal-Mart makes everyone unwilling to fight head-on. When you reach invincibility, your opponents disappear, and you stand alone on an empty battlefield, reduced to battling complacency, not to mention the inevitable lawsuits that success attracts, along with an array of new noncompetitors, ones who are too wise to take on your strengths.

So, it was that Kmart and Sears were nibbled at by a young noncompetitor called Wal-Mart. And now, it's Wal-Mart's turn.

The matador stands alone and notices the mosquitoes.

What got me thinking about the Wal-Mart koan was talking with Chris Zane, the owner of one of the largest retail bike shops in the country, Zane's Cycles in New Haven, Conn.

Zane was one of the speakers at the annual "Compete Through Service" symposium. When it comes to understanding what it takes to earn the respect of customers, this conference is the gathering of the lions, the place where the best come to learn from one another. It's put on by the Center for Services Leadership at Arizona State University.

I spoke with Zane afterward, and when I asked if he got disheartened having to face up to competing with Wal-Mart, he replied merrily, "No, it's a lot of fun." He seemed to mean it, so I got him to explain himself: "We're not in the same business as Wal-Mart. They're a retailer; we're in the service business. In fact, we service a lot of Wal-Mart customers. When their customers' bikes need tires or brakes and they come to us, once they see us, they understand that we have a different relationship with our customers."

What he has done is a classic example of redefining the market. He doesn't sell bikes; he sells biking. He makes the store a fun place to visit, with its coffee bar and playground, and the bikes come with lifetime free service and parts. And his employees fit the bike to the rider. The last fact is true even in their mail-order sales. Zane's Cycles does more dollar volume in corporate gift programs than it does out of its New Haven store. Companies offer bikes as part of a customer promotion or as a reward to employees. If you win one, you simply don't get a bike delivered to your door; you answer some questions, and Zane's sends the right size for you.

OK, so Zane's wants to compete on service, rather than price. But what is service worth? A starter children's bike is just \$69 at Wal-Mart, versus \$129 at Zane's. Zane knew that such a price difference would be a tough sell, so he came up with a plan. When you bring back the starter bike to buy a bigger bike - ones that sell for about \$179 - you get the original \$129 as a credit. So, the second bike is only 50 bucks, which means the customer's first two bikes cost about the same as at Wal-Mart. Not a windfall for Zane, especially when you consider that he gives the starter bikes that come back to charity rather than reselling them.

But he has discovered what great service companies know: It's not the sale that matters; it's the lifetime of sales. Zane knows that the lifetime spending of a bicycle customer is about \$6,500. He isn't selling a customer two children's bikes; he's creating a relationship.

Zane has more than two decades in the business, though he's just 39 years old. He says, "It happened just recently that a young father came into the store with his son and told me, 'I got my first bike here, and I want my son to get his first bike here.'" I suppose there are fathers who say the same thing to the clerk at Wal-Mart - or would, if they could find one. But Zane is right when he says that he's not in the same business. For all the talk that all products are becoming commodities, there are still plenty of unique ways to sell those products and still customers who refuse to become commodities.

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