

The logo for SERVCO, featuring the word "SERVCO" in a bold, white, sans-serif font. The letter 'O' is stylized with a white outline and a blue fill. To the right of the text is a graphic element consisting of two parallel diagonal lines, the top one being white and the bottom one being blue.

**SERVCO**

**HAWAII STATE LIQUOR CONFERENCE**

A Crooked (and Still Unfinished) Road to Great Customer Service





# OVERVIEW OF SERVCO

# COMPANY OVERVIEW

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- ▶ Servco Pacific Inc. (“Servco”) was founded 100 years ago as a two-car garage in Haleiwa
- ▶ Became a Chevrolet dealer in 1926, a Toyota/Lexus distributor in 1958, and Subaru distributor in 2007
- ▶ Over the years Servco diversified into and out of various businesses, but is now focused on automotive activities
- ▶ Servco is the largest automotive company in Hawaii and a major automotive group in Australia, with total revenue of over \$1.8 billion in 2018 and employs over 2,200 people
- ▶ Ten dealerships in Hawaii and 23 dealerships in Australia with 2018 sales of 40,000 new vehicles and 21,000 used vehicles, and is the 17<sup>th</sup> largest U.S. dealer group

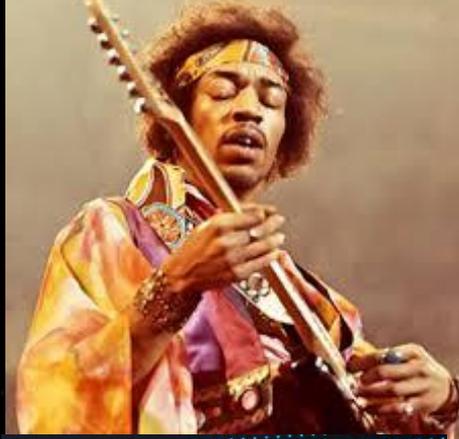
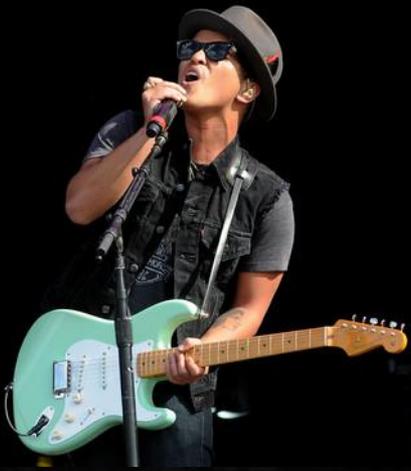
# COMPANY OVERVIEW



# COMPANY OVERVIEW—NEW INITIATIVES

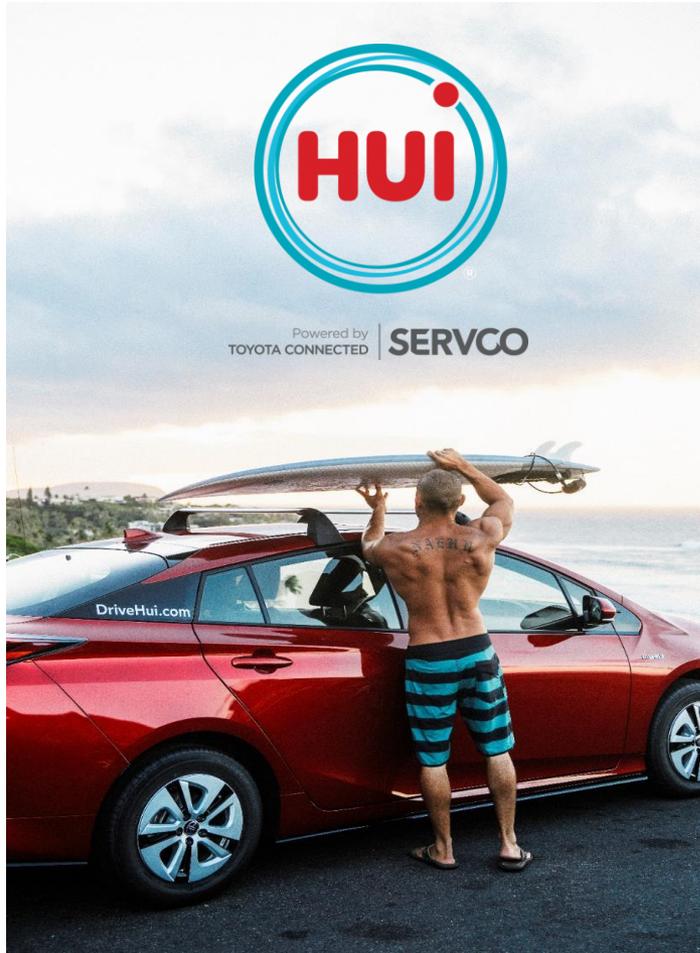
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- ▶ Our investment arm, Servco Pacific Capital, is based in San Francisco, which is active in private equity and, more recently, mobility-related venture capital.
- ▶ Our largest private equity holding (controlled 50-50 with TPG) is Fender Musical Instruments Corporation, which makes Fender guitars, basses, ukuleles and amps, and provides digital products, Fender Play (e-learning) and Fender Tune (tuning app).
- ▶ We are also strategic investors in two mobility-related venture capital funds and are exploring partnerships with mobility startups.
- ▶ We have launched Toyota's first global car-sharing service, Hui, in partnership with Toyota, and built Hawaii's first hydrogen fueling station.



SERVCO

# HUI CAR SHARE & HYDROGEN STATION





# WHAT WE'VE LEARNED ABOUT CUSTOMER SERVICE

# WHAT WE'VE LEARNED ABOUT CUSTOMER SERVICE

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## Phase I: A Good Goal (But More Needed)



- Our first dealership was named Service Motors because, “Service is the heart of any business.”
- Remains in our DNA
- But, customer service was inconsistent
- No systemic support
- Lots of “goodwill” efforts to correct bad service

SERVCO

# WHAT WE'VE LEARNED...

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## Phase II: Happy Folks Deliver Better Service

### Service-Profit Chain



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- ▶ We thought engaged and satisfied employees would deliver better service
- ▶ We did a “bottoms-up” process to determine what values we would live by
- ▶ We saw Employee Satisfaction improve
- ▶ We were recognized as one of the “Best Places to Work” every year

# SERVCO'S CORE VALUES



**RESPECT**  
**SERVICE**  
**TEAMWORK**  
**INNOVATION**

We show integrity in all we do.

We put our customers (guests) first.

We are one family.

We are never satisfied with our progress.

# STYLE ALSO MATTERS

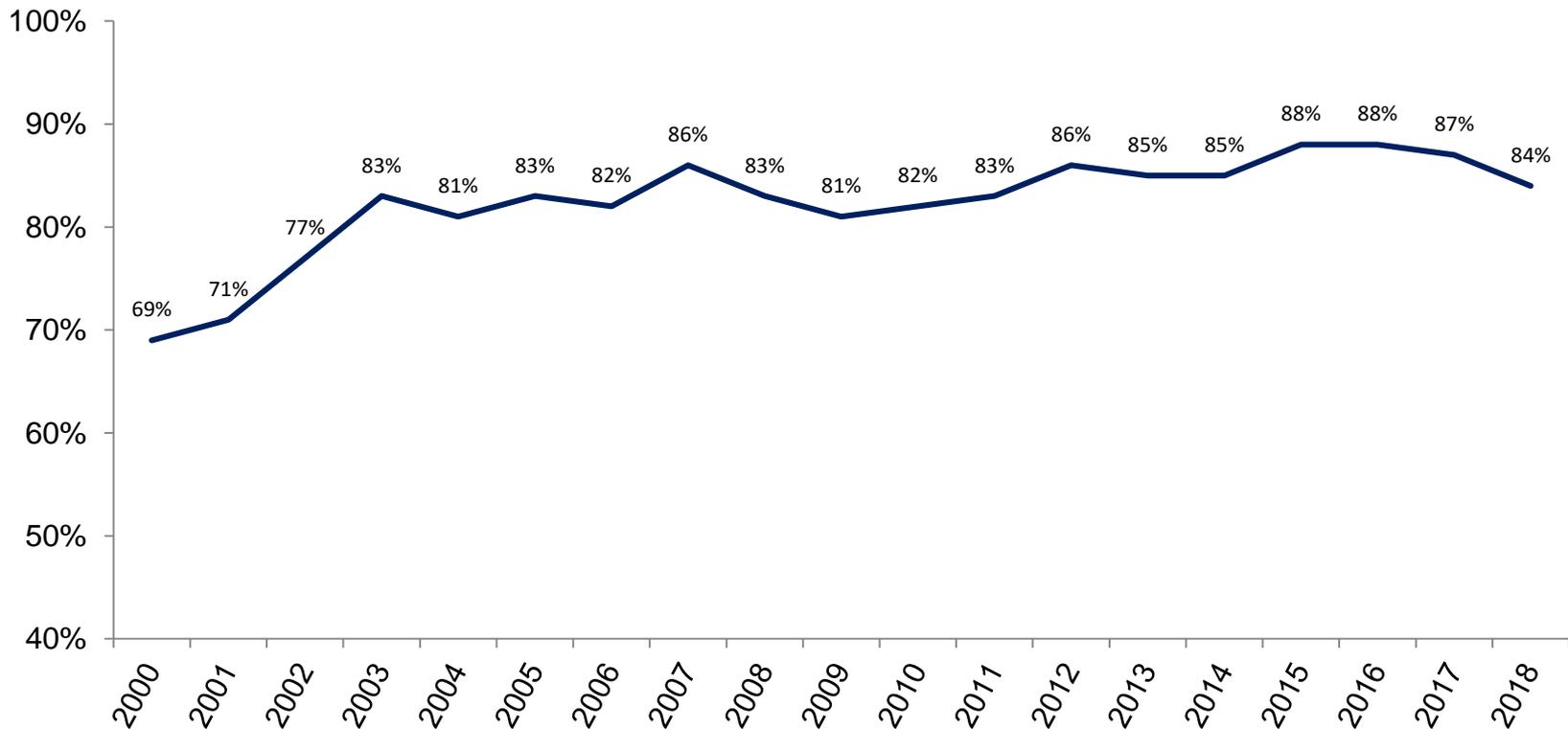
- ▶ We are intentionally **informal**.
  - Formality is not “normal” and is, by definition, artificial and fake. It encourages the worst in bureaucracy.
  - Informality and humor encourage truth. People will say what they really think if comfortable. They are never comfortable in formal environments.
- ▶ We try to be as **transparent** as possible.
  - Shared information is a powerful motivator and multiplies productivity.
  - Hidden information breeds politics, which is enormously wasteful.

# Team Servco Dinner: Air Guitar Contest Winners



# EMPLOYEE SATISFACTION GREAT, BUT NO IMPROVEMENT IN CUSTOMER SATISFACTION

Commitment Index \*



\* Commitment Index = Predicts employee commitment (engagement) and likelihood of discretionary effort.

# WHAT WE'VE LEARNED...

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## Phase III: You Need Good Processes, Too!

- ▶ Strong culture without strong processes results in well-meaning but inconsistent service.
- ▶ So, we did the following:
  - Dedicated process team of 7 led by PhD/MBA mapped, reviewed and improved all sales and service processes
  - Process failures (“disconnects”) are anticipated and ensured against with back-up solutions
  - Staff are given the tools and authority to fix problems
  - Outside market research firm surveys every sales customer and a good sampling of service customers, and real-time results are accessible on website

## Phase III (cont'd)

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- Internal metrics that affect CS are monitored (e.g., time to answer the phone, ability to fulfill parts orders, etc.)
- Hiring processes seek service-oriented individuals and training programs consistently reinforce CS focus
- Every sales and service consultant has a CS rating, which determines about 30% of their compensation, and most managers' compensation have a CS component
- Everyone, including execs, are alerted to great (5's) and bad (1's) comments on Yahoo and Google, and all comments are answered
- Sales and service consultants get direct feedback from customer comments via website and fix issues quickly
- Complaints are immediately posted on shared bulletin boards, which automatically follow-up with reminders



ACCOUNT **STAFF** DEALERSHIPS REPORTS TROUBLE TICKETS HELP LOGOUT

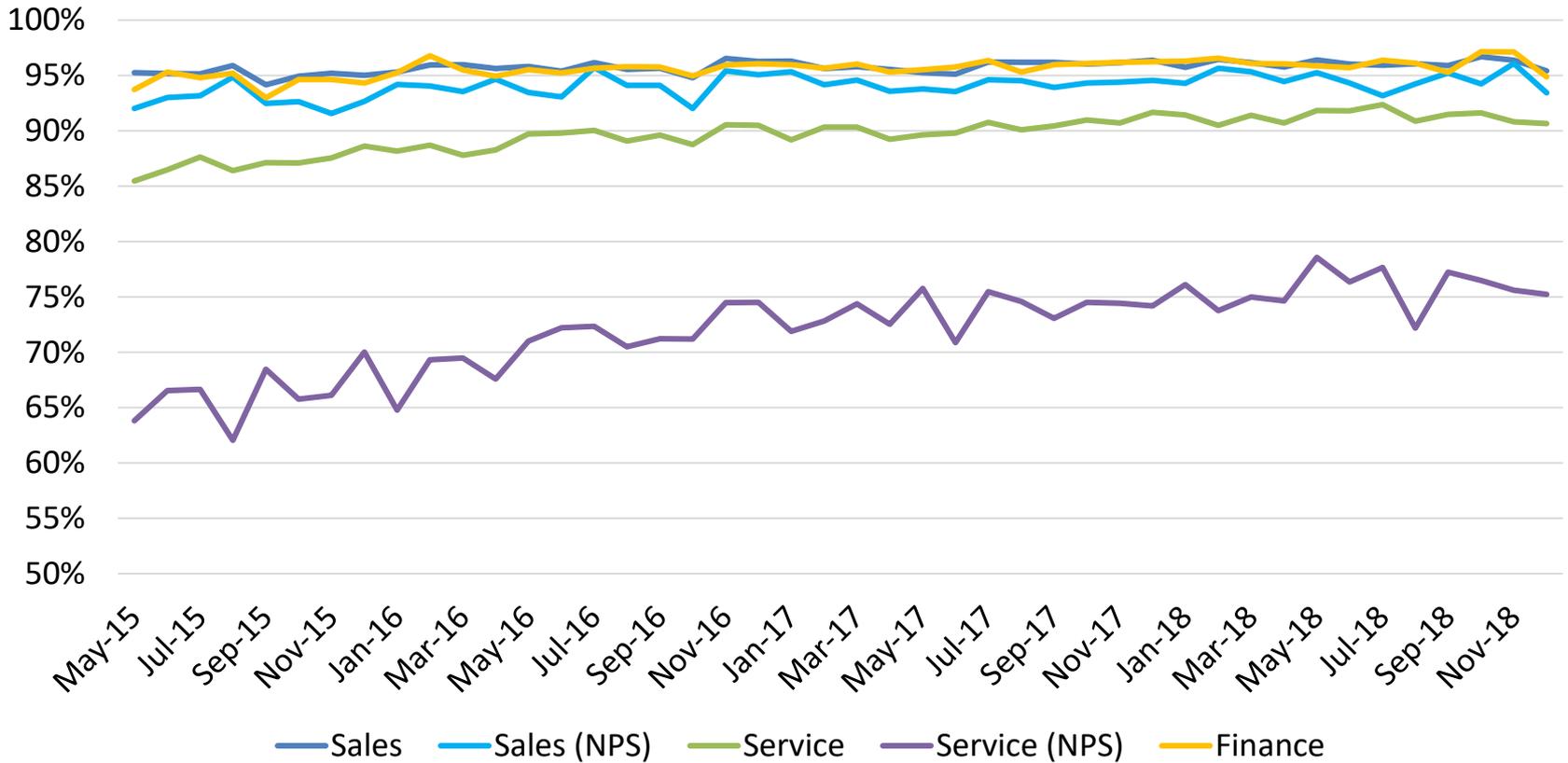
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Search 289 record(s) were found! [Export To Excel >>](#) View: Aggregate Scores 2019 - March

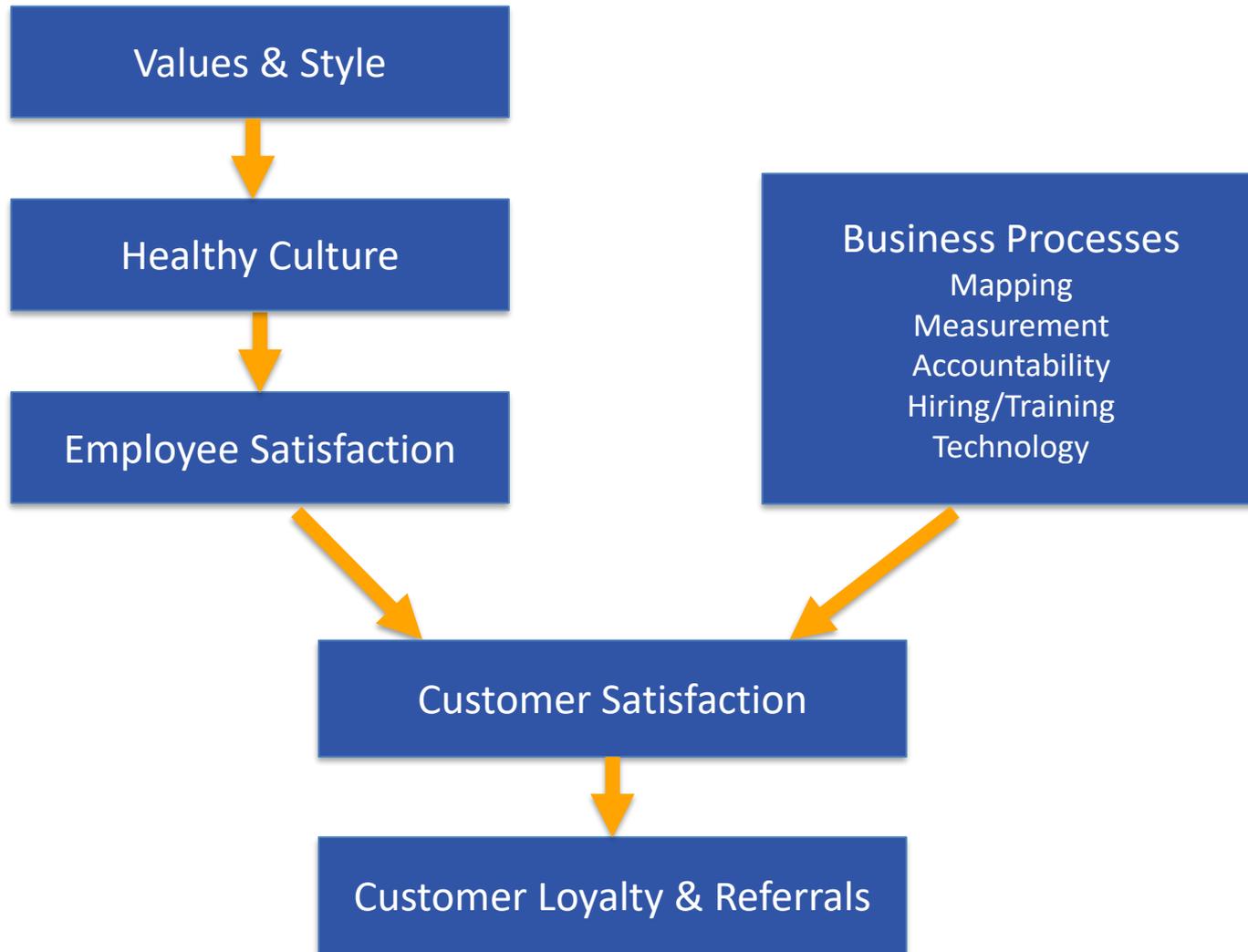
ID	Last	First	Dealership(s)	Title	Score	Level	Multiple	View
9797	ABRILELLA	NIMASHA	Servco Auto Waipahu	Sales Consultant	96.93	Exceeds	1.40	<a href="#">View</a>
8957	AFRAGA	SEBASTIAN	Servco Auto Pre-owned Center	Sales Consultant	92.29	Meets Expectation	1.20	<a href="#">View</a>
9638	AGUIAR	ANDRE	Motor Imports	Service Consultant	93.08	Exceeds	1.40	<a href="#">View</a>
9779	AGUIAR	ANDRE	Servco Auto Waipahu	Sales Consultant	97.90	Exceeds	1.40	<a href="#">View</a>
8853	AGUIAR	ANDRE	Corporate	Administrator (View Only)	NA	NA	NA	
7765	AGUIAR	ANDRE	Servco Lexus Honolulu	Sales Consultant	96.03	Exceeds	1.40	<a href="#">View</a>
9389	AGUIAR	ANDRE	Servco Auto Pre-owned Center	Sales Consultant	97.59	Exceeds	1.40	<a href="#">View</a>
9588	AGUIAR	ANDRE	Servco Auto Waipahu	Service Consultant	88.97	Meets Expectation	1.20	<a href="#">View</a>
9254	AGUIAR	ANDRE	Servco Lexus Honolulu	Floor Manager	95.00	Exceeds	1.40	<a href="#">View</a>
10140	AGUIAR	ANDRE	Servco Toyota Honolulu	Sales Consultant	95.67	Exceeds	1.40	<a href="#">View</a>
9660	AGUIAR	ANDRE	Servco Lexus Honolulu	Service Consultant	96.08	Exceeds	1.40	<a href="#">View</a>
8402	AGUIAR	ANDRE	Corporate	Administrator (View Only)	NA	NA	NA	
9181	AGUIAR	ANDRE	Servco Auto Waipahu	Sales Consultant	92.89	Meets Expectation	1.20	<a href="#">View</a>
10289	AGUIAR	ANDRE	Servco Auto Kauai	Sales Consultant	99.17	Exceeds	1.40	<a href="#">View</a>
9031	AGUIAR	ANDRE	Servco Auto Waipahu	Financial Services Consultant (FSC)	95.74	Exceeds	1.40	<a href="#">View</a>
8313	AGUIAR	ANDRE	Motor Imports Servco Toyota Service Center	Office Manager (Service)	91.01	Exceeds	1.40	<a href="#">View</a>
9194	AGUIAR	ANDRE	Servco Toyota Windward	Sales Consultant	95.75	Exceeds	1.40	<a href="#">View</a>
9430	AGUIAR	ANDRE	Corporate	Customer Relations Manager	NA	NA	NA	
9778	AGUIAR	ANDRE	Servco Auto Kauai	Parts & Service Manager	75.95	Exceeds	1.40	<a href="#">View</a>
7947	AGUIAR	ANDRE	Corporate	Administrator (View Only)	NA	NA	NA	
7333	AGUIAR	ANDRE	Internet Servco Auto Pre-owned Center Servco Toyota Honolulu	Floor Manager	96.23	Exceeds	1.40	<a href="#">View</a>
10211	AGUIAR	ANDRE	Servco Auto Waipahu	Service Consultant	89.57	Meets Expectation	1.20	<a href="#">View</a>
10400	AGUIAR	ANDRE	Servco Lexus Maui	Service Consultant	93.55	Exceeds	1.40	<a href="#">View</a>

# HAWAII AUTOMOTIVE

## Customer Satisfaction Top Box Scores vs. Net Promoter Scores \*



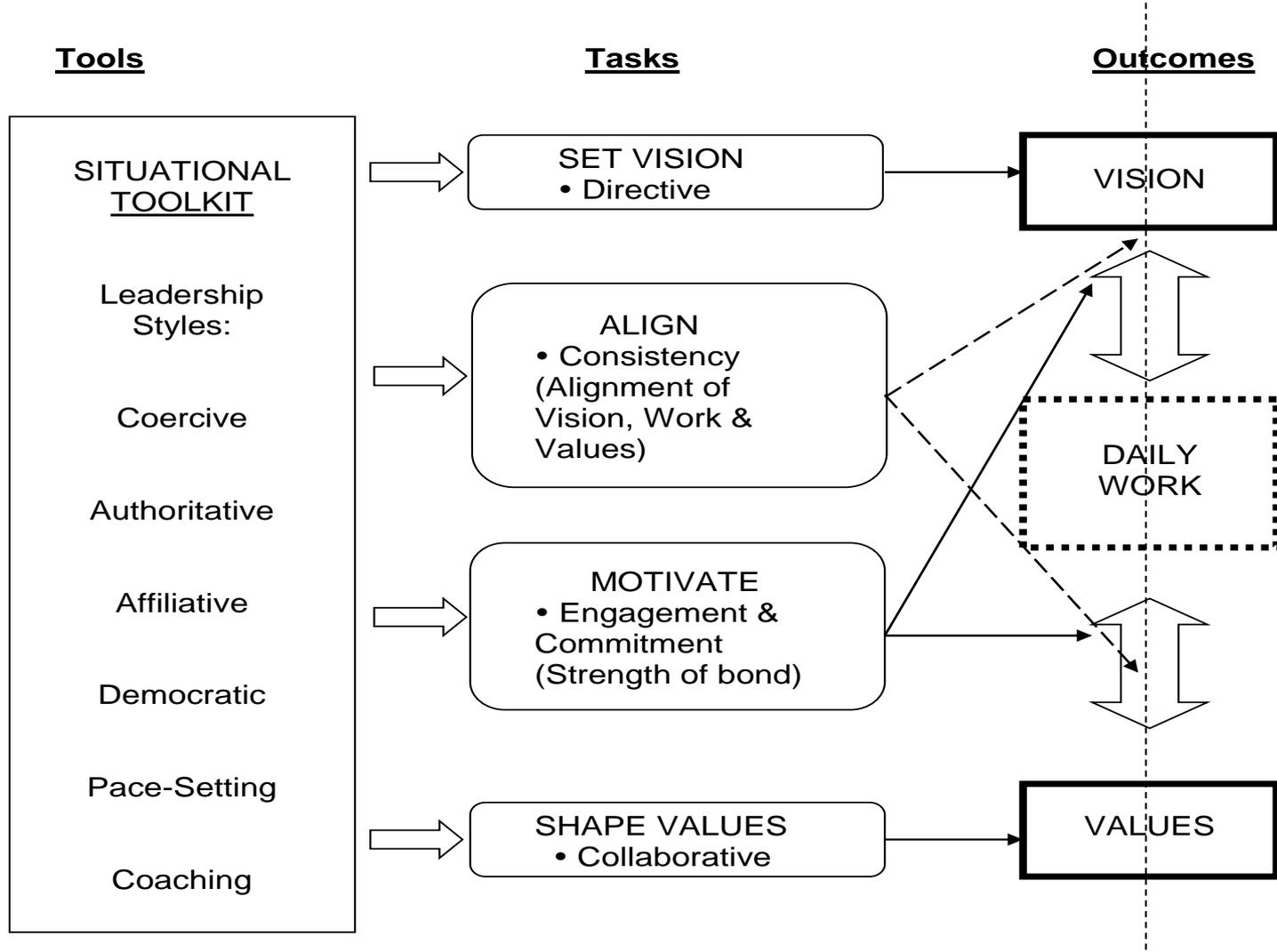
\* Net Promoter Scores = Top Box scores less “detractors” (scores of 6 or below).





**A MODEL OF LEADERSHIP**

# A MODEL OF LEADERSHIP



# LEADERSHIP STYLES

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(Daniel Goleman, HBR March 2000)

- ▶ Coercive: “Do what I tell you” (Demand action)
- ▶ Authoritarian: “Come with me” (Mobilizes)
- ▶ Affiliative: “People come first” (Creates harmony)
- ▶ Democratic: “What do you think?” (Forges consensus)
- ▶ Pacesetting: “Do as I do, now” (Sets high standards fast)
- ▶ Coaching: “Try this” (Develops people)

# SITUATIONAL USES

- ▶ Crisis or turnaround: Coercive
- ▶ Change is needed: Authoritative
- ▶ Heal rifts or motivate people in stress: Affiliative
- ▶ Build buy-in: Democratic
- ▶ Get quick results from strong team: Pacesetting
- ▶ Improving performance: Coaching

**THE TASK FOR LEADERS:**

**WE ARE NOT MANAGING  
ORGANIZATIONS.**

**WE ARE MANAGING MEANING: THE  
MEANING OUR PEOPLE TAKE FROM  
THEIR JOBS.**