



MORE Powerful Marketing Minutes
50 New Ways to Develop Market Leadership

Book Excerpt **Chapter 14**

Loyal Employees Create Loyal Customers

I frequently work with clients to develop programs that will build, earn, reward, and keep customer loyalty.

Loyal customers stay longer, cost less to service, and provide higher margins. Most importantly, loyal customers will often work with us to define value, and they provide an early indication of future business performance.

And we've all seen the various statistics that say it takes five to ten times more to win a new customer than it does to keep a current customer.

Now there's a new factor that we need to take into consideration, based on research conducted by Frederick F. Reichheld, of Bain & Company and author of the book *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value*.

This new factor is simply Employee Loyalty.

Writing in the *Harvard Business Review*, Reichheld says: 'There is a clear connection between a company's treatment of its partners, above all its employees, and its attitude toward its customers.'

He adds, 'Customer and employee loyalty spring from the same root: principled leadership.'

In what one might consider a virtuous cycle, Reichheld theorizes that:

- leaders who are dedicated to treating people right drive themselves to deliver superior value to customers,
- this in turn allows such leaders and companies to attract and retain the best employees,

- because stellar service attracts a happier and more satisfied clientele, such companies achieve higher profits from customer retention. These higher profits can therefore be used to attract and reward high performing employees, and
- providing excellent customer service and value generates pride and a sense of purpose among these employees, thus helping to reduce employee attrition while preventing customer attrition. Employee pride also results in the desire to continue delivering excellent customer service, thus creating the virtuous cycle.

The virtuous cycle results in what Reichheld says are ‘dedicated employees who put customers’ needs ahead of their own short-term interests’, and this helps to ‘reinforce the organisation’s capacity to generate superior results.’

An organisation’s human resource policies, as well as the leader’s principles and attitudes towards staff, have a direct impact on the key marketing issue of customer retention.

When it comes to developing strategies for increasing customer retention, the wise organisation does not forget to consider strategies for increasing employee loyalty as well.

After all, your employees are the faces of your organisation.

And loyal customers don’t deal with a faceless organisation. They deal with the faces of your organisation.

To keep customers loyal, you also need to maintain employee loyalty.

Starting today.

KEY POINT:

Your employee loyalty has a direct bearing on your customer loyalty levels.

TAKING ACTION:

How loyal are your employees? Why are they or aren’t they loyal?

Does your organisation deserve loyalty from your employees? Why or why not?

What steps could be taken to increase employee loyalty?

Do you have a department, branch, or geographic division of your company that has both great customer loyalty and solid employee loyalty? What lessons from there can be applied elsewhere in the organisation?

This Chapter is excerpted from MORE Powerful Marketing Minutes by Steven Howard.

The Author

Steven Howard is a Melbourne-based marketing consultant, author, conference speaker, and Non-Executive Director in both the profit and non-profit fields.

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He is a positioning specialist, whose 30-year marketing and sales career in Asia and Australia has covered a wide variety of fields, ranging from consumer electronics to publishing and from a national airline to personal financial products.

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