



TriOpus Group

Shaping your company's talent

This month:

THE SIGNIFICANCE OF LOYALTY

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In his book, *'The Loyalty Effect'* author Frederick Reicheld said, "Loyalty is dead. On average, U.S. corporations now lose half their customers in five years, half their employees in four, and half their investors in less than one." Does this sound like your company? If it costs you five or six times the price to get a new customer than it does to keep the ones you've already got, why are we allowing this to happen? What discussions are happening in the board room and what decisions are being made there to contribute to these circumstances? In this month's Newsletter, we focus on the issue of customer loyalty and its significance to your company's success.

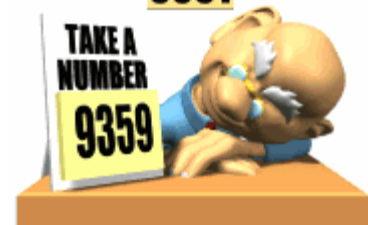
HOW ARE YOUR CUSTOMERS REWARDED FOR THEIR LOYALTY?



"IF PUT TO THE PINCH, AN OUNCE OF LOYALTY IS WORTH A POUND OF CLEVERNESS."

- ELBERT HUBBARD

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LACK OF LOYALTY IS ONE OF THE MAJOR CAUSES OF FAILURE IN EVERY WALK OF LIFE."

- NAPOLEON HILL

I had to look it up. The word 'loyalty' that is. I always thought I knew what it meant, but I wanted to make sure. My dictionary defined it simply as being faithful to commitments and obligations. Good. That's what I always thought it meant.

Now, do you remember that old joke? It goes like this. *I've just died. I now have to decide between going to heaven or to hell. I try heaven first and it's boring. There's lots of light, it's very quiet, and there's not much going on. I then visit hell and it's all happening. It's one big party, it's nice and warm, and all my friends are there. I've made my decision. It's hell for me.*

When I report to hell, it's all different. It's brutally hot, people are sick and it's a horrible place. When I complain that this is not what I signed up for, I'm told, "Things are different now. Yesterday you were a prospect, today you're a customer."

As silly as that story is, metaphorically it happens in business everyday. I'll bet it's happened to you. While a suitor is wooing you, you are treated as someone who is very special to that company. Once you make the commitment and offer your loyalty to them, things begin to change. You are taken for granted, you continue to be loyal but your patience is tested.

The loyalty of millions of Canadians was put to that test recently. For over twenty years now, the nations biggest airline, Air Canada, has been asking for the business of customers by offering a rewards loyalty program that, in return, would give the customers rewards that they could take advantage of whenever they wanted, without time limit. Now that's all changed. These loyal customers have been told that they have to use their points within seven years or they will lose them – without exception.

When the airline announced the changes, the president of Aeroplan, Air Canada's points management company, said, "The rewards program has an obligation to strengthen its profit. We don't expect a great deal of resistance. These are prudent measures for us in terms of running the program financially, responsibly."

You will have noticed, as I did, that there is no reference in the quote to those millions of customers who had made the commitment to the airline over the last two decades.

Well, call me a fool but I've always thought that customer loyalty was a vital part of the success story of any company. Before we can expect our customers to show loyalty to us, what are we doing to show our commitment to the customers? We may not all be Presidents and CEOs that can change the direction of our companies, but we can all play a part. Ask yourself these few questions:

- Do you treat existing customers the way you treat new ones?
- Do you use phrases such as, 'It's not my job', 'It's company policy', and 'It's the computer's fault'?
- Do you seek feedback from your customers and do you act upon it?
- Do you do what you say you are going to do, every time?
- Do you fix things that need to be fixed and talk about it later?

If nothing else, loyalty is a two way street. Companies cannot expect customers to be loyal to them if they are not prepared to be loyal to their customers.

Over the years, politicians have asked their constituents a version of this question, 'Are you better off now than you were four years ago?'

If you really want to know how loyal your customers are, you need to know the answer to this question. If you don't, the loyalty issue will be up in the air!