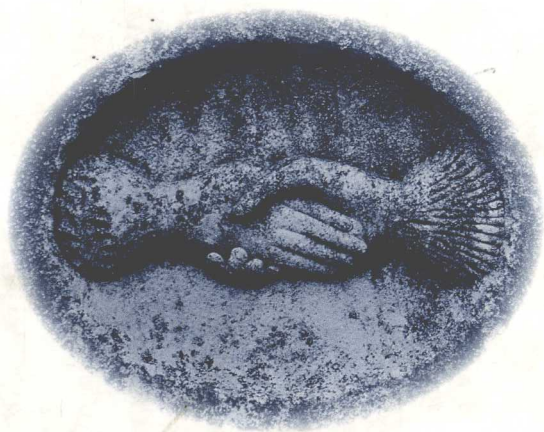


T H E

loyalty

L I N K



*How Loyal Employees
Create Loyal Customers*

DENNIS C. McCARTHY

The Loyalty Link



How Loyal Employees
Create Loyal Customers



Dennis G. McCarthy



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For Sarah, Michael, and Allison

Acknowledgments



When I started lecturing on the topic of loyalty, I was amazed at the reaction I received. Audiences around the country would nod in approval at the topic, but then say that “it couldn’t be done”—not when you consider how cynical and mistrustful today’s workforce has become. This book is my answer to the skeptics.

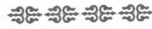
This book wouldn’t exist today if not for the kindness and support of many people. My first debt of gratitude is to those who graciously consented to be interviewed and who shared their ideas and thoughts with me. Since they are mentioned throughout the book I will introduce them at that time.

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Contents



Introduction	1
1 Customer Satisfaction	9
<i>The Panacea That Isn't Working</i>	
2 Looking for E-Gaps	26
<i>An Inside Look at Customer Loyalty</i>	
3 Customer Loyalty	42
<i>The Employee Connection</i>	
4 The Loyalty-Deficit Cycle	55
5 Breaking the Loyalty-Deficit Cycle	63
6 Making People Count	80
<i>The Basics of a Loyalty-Driven Culture</i>	
7 Congratulations, You're Empowered	116
<i>A Loyalty-Based Look at Employee Empowerment</i>	
8 Adding Team Power to the Loyalty Link	146
9 Putting the Loyalty Link to Work in Your Company	165
10 Final Thoughts	190
Index	195

Introduction



A few years ago, according to a story often told at customer service training seminars, a family whose house had just been devastated by a fire was standing on the front lawn, looking grimly at the charred remnants of their home when a pizza delivery truck pulled into their driveway. "There must be some mistake," one of the family members said as the driver walked up to them carrying two large pizza boxes. "We didn't order any pizzas. We don't even have a phone anymore."

"It's no mistake," the young man said. He explained that he had driven by earlier and seen what had happened. "So my boss and I thought that, by now, you probably needed something to eat. Please accept it with our compliments. And if it's not the kind of pizza you like, I'd be happy to go back and get you a different kind."

Whether this story actually happened I can't vouch for. As with most stories of this nature, it's undoubtedly a composite of a number of stories, whose particulars keep changing with each retelling.

Still, this story invariably strikes a responsive chord with businesspeople who are struggling more than ever before to sharpen the competitive edge of their companies by improving the quality of the service their employees provide to customers. If nothing else, the story exemplifies a level of customer service that clearly goes beyond the norm, that originates, not from the pages of a policy handbook, but

from the heart of a caring person; it's the kind of service that you can't really train or even pay people to deliver. The story brings to light the sort of attitude and commitment that most companies would dearly like to instill in their employees—qualities that produce actions that do more than satisfy customers and result in something far more critical to a company's success: customer loyalty.

Don't misunderstand; I'm not suggesting that the only reason the hero of this story (and his employer) decided to come to the aid of a family whose house had burned down is that they figured it would be good for business. The fact remains, though, that the benefits of this thoughtful gesture—and indeed any thoughtful gestures directed toward current or would-be customers—cut both ways. On the one hand, the simple act of cooking and delivering a pizza helped a family in need. On the other hand, it created a bond between the pizza parlor and the unfortunate family that isn't likely to dissolve in the near future. Think about it: Who do you think this family is likely to call, once it gets back on its feet, when somebody wants to order a pizza?

The Anatomy of a Good Deed

I have told this story innumerable times in many of the seminars I conduct, and I've always been fascinated by the response it tends to elicit. The most common comment, by far, is, "How do I get in touch with that delivery guy—I'll hire him on the spot." The implication being, of course, that it is next to impossible these days to find employees, particularly at the entry level, who bring to their jobs the sense of caring and commitment personified by the hero of the pizza story.

Nevertheless, it is an understandable response. It's no secret that most companies today, especially those in the service industry, are finding it harder and harder to attract and keep employees who can meet the standards of customer service that we all know are necessary today to stay competitive in most businesses. And there is no shortage of theories, either, as to why this state of affairs exists.

But logical as this response may be in light of today's business environment, it is not, I submit, the most productive one. A much more productive response to this situation would be to ask the following question: What were the conditions, generally speaking, that fostered the events described in this story? True, the young man deserves our admiration, but let's give at least some of the credit to the delivery man's employer.

I'll explain what I mean. Let's assume the basic events of this story are true, and that the person who owned or managed the pizza parlor was not a character straight out of Dickens. This means that when the young delivery man returned to the pizza parlor and began talking about the unfortunate family, the owner didn't shrug his shoulders and growl something like, "So what? What are we, the Red Cross?"

We can also assume, based on the general outline of this story, that the owner didn't insist that his delivery man pay for the pizza that was earmarked for the family in need and didn't tell him that the delivery would have to be done on the employee's time.

Going a step further—again, all of this is hypothetical—assume that one of the main reasons the young pizza delivery man was hired in the first place is that the owner recognized in this young man the qualities that compelled him to take the actions he took. Which leads to the next

assumption, that the owner of this pizza parlor took the time to think about the sort of person he needed, then took specific steps to hire somebody of quality instead of going the “Just get me a warm body” route. Assume, too, that the pizza parlor itself was a pleasant place to work: that the working conditions were healthy and safe, that there was a sense of caring between the owners and the employees, and that the employees were being paid a reasonable salary.

In other words, the good deed that is the subject of the story was not a random event. It didn’t simply “happen.” It occurred because of an environment that did more than simply *allow* it to happen; it actually *fostered* it—made it more likely to happen. This kind of environment is characterized by the phrase I have chosen as the title of this book—*The Loyalty Link*.

The Loyalty Link Defined

The loyalty link is the connection I am going to draw between a company and its customers and between a company and its employees. It becomes apparent that such a link exists as soon as you begin to compare survey numbers relating to two different categories of satisfaction: customer satisfaction and employee satisfaction.

The correlations are striking. Whenever you find a company whose customers report an exceptionally high level of satisfaction, almost invariably that company also has high levels of employee satisfaction. And along with that high level of employee satisfaction come other benefits, such as high productivity, low turnover, and high operating efficiency. By the same token, whenever you come across

a company or business in which customer satisfaction measures well below the average, you generally find correspondingly low levels of employee satisfaction, with all its concomitant and expensive baggage—high turnover, poor levels of quality, and the like.

The purpose of this book is to take a close look at this link between customer loyalty and employee loyalty, and by doing so, show you how you can create a loyalty link in your own company or business. The book has a pragmatic focus. I do not intend to simply lecture you about how important it is these days that everybody in your organization be committed to the highest possible standards of customer service. Nor is this book designed to spell out specifically for you all the various things your employees need to do in order to deliver the level of customer service that is required today if you hope to keep your customers from being wooed away by your competitors.

The focus of this book is on you and what you are doing (or ought to be doing) as the owner or key manager of a business to put the loyalty link to work for you.

The book is based on three key premises:

- To prevail in today's marketplace, you have to do more than simply "satisfy" your customers. You have to *exceed* their expectations, satisfying them in a way that captures—and *maintains*—their loyalty. You need to create a bond strong enough to withstand the efforts of your competitors to woo your customers away from you.
- The only way you can bridge the gap between customer service that simply satisfies and service that exceeds expectations (and therefore builds customer loyalty) is to have employees who are willing and able to provide the

extra measure of dedication, care, and effort that represents the difference between customer service per se and exceptional levels of customer service. I call this extra measure “discretionary effort”: It’s what employees *choose* to do as opposed to what their job descriptions *obligate* them to do.

- If you want your employees to put forth the discretionary effort that ensures loyalty, you need to focus as much on your employees as you do on your customers. And in the same way that you can no longer afford to take customers for granted in today’s competitive marketplace, neither can you afford to take your employees for granted. Simply put, any customer service initiative that doesn’t take into account your employees—who they are, how they’re trained, how they’re treated, how aware they are of your customers’ needs, and how easy (or difficult) the culture and the working environment in your company makes it for them to meet those needs—is doomed from the start.

A Real-World Strategy

Let me point out at this early juncture that I am under no illusions. As a business consultant, I am intimately aware of what has been going on in companies throughout America over the last 20 years, and I am familiar with the bind that many companies find themselves in today. The irony couldn’t be plainer. At the same time creating customer loyalty has become the number one challenge for many companies today, maintaining employee loyalty has never been more difficult.

The loyalty crisis you hear so much about today isn't a fabrication. Climate studies done in organizations across the country point to an across-the-board decline in the loyalty employees feel toward their jobs and employers. The decline has been charted since the mid-1960s, paralleling the general decline in the confidence that Americans feel toward most institutions. But the level of dissatisfaction that employees feel toward their jobs and their employers has accelerated dramatically over the past 10 years, for reasons we're all familiar with. The downsizings that peaked in the early 1990s have pretty much wiped out the old-fashioned notion of "job security," even in companies in which job security has always been a given. But an equally important factor is the intense pressure the "survivors" of these downsizings are now feeling as the result of having a larger job load to handle each day—with less support to do so.

I have more to say in a later chapter about downsizing and the impact it has had not only on employee loyalty but on customer loyalty as well. For now, suffice it to say that the overall picture, bleak as it may seem on the surface, may not be as hopeless as some people have painted it. The sky isn't falling—not just yet. Yes, it is getting tougher and tougher to attract and keep good customers, and it's getting tougher and tougher to attract and keep the kind of employees you need to generate and maintain customer loyalty. But some companies are meeting both challenges. You will be reading about many of these companies throughout this book, and it will probably surprise you to discover that you could be implementing in your own company many of the things they're doing, without spending as much money or putting forth as much effort as you may think necessary.

put forth.

But I don't want to make promises I can't keep. What I have to offer in this book isn't "cookie-cutter" advice. And I am not going to pretend—particularly at this early stage of the book—that creating a customer-focused loyalty link in your company is easy. Chances are, many of the ideas in this book will fly in the face of attitudes that are deeply entrenched in both you and in your company culture. You may have a very difficult time, for example, seeing the bottom-line value of doing all the little extra things that can mean the difference between a satisfied customer and a loyal customer. You may question the wisdom of giving your employees the freedom, the flexibility, and the autonomy that is required if indeed you want them to put forth that extra discretionary effort that underlies exceptional customer service. And you may not be willing to invest the time and the effort to make the fundamental changes necessary if your company is going to be customer-driven in the true sense of the word.

However, I will guarantee you this. If you're willing to try just a few of the approaches I describe in this book, and give them time to "take hold," you will see measurable differences in the way your employees go about their jobs and, more important, in the way they deal with your customers. And you will experience other benefits: Your employees will bring more enthusiasm and commitment to their jobs. ~~Turnover~~ will decline. Customers will no longer be as tempted to switch to competitors. Profits will increase. And most important, perhaps, you and your employees will rediscover the fun and passion that got you started in business in the first place. And that alone may be worth the effort.

Chapter 1



Customer Satisfaction

The Panacea That Isn't Working

Does this sound familiar? You're finishing a dinner at a restaurant you've never been to before when the manager or owner materializes at your table with a smile and the inevitable question: "How was everything?"

If you're like most people, you don't really say what's on your mind: that nothing was terribly *wrong* with your dinner—nothing you are compelled to complain about—but there wasn't anything worth getting excited about, either. You don't let the manager know, for instance, that while the salad was okay, it was just a trifle soggy; that the veal, while tasty, could have been, well, just a little more tender; and that the service, while friendly enough, could have been a lot smoother.

Instead, you are polite. You figure you're not going to come back again, so why make a big deal of things. You tell

the owner or manager that everything was fine, just fine. The owner smiles, thanks you, and walks away, comfortable in the knowledge that the restaurant has done its job and gained a satisfied customer—somebody who will come back again. You, the “satisfied” customer, walk out the door with no intention of ever coming back. To make matters worse for the owner, when friends ask you for your opinion of the restaurant, you become what is known among customer service specialists as a “terrorist.” You tell everyone who asks you how bad the restaurant was. In fact, you exaggerate the faults you didn’t reveal when you responded to the owner’s question that everything was all right. Consequently, you make it unlikely that your friends will ever become customers either. You can only hope for the sake of the future of this restaurant that it doesn’t have too many customers who were as “satisfied” as you were, or the restaurant isn’t long for this world.

The Way It Was

Until recently, it was generally taken for granted that if you polled your customers and found that most of them were “satisfied,” you could pretty much relax. You could assume that you were doing the right things; and that when those customers were in the market for another car, insurance policy, or dress, or wanted to buy more stock, they would come to you. After all, why would customers who were satisfied be anything less than loyal?

By the same token, you could assume that as long as your customers were coming back to you time and again, they were loyal—that you could count on their repeat busi-