



Improving Individual and
Organizational Performance

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Satisfied Customers or Loyal Customers! Is there a question?



According to author, Jeffrey Gitomer... "Customer Satisfaction is Worthless, Customer Loyalty is Priceless" –

Apparently companies like Cosco understand the difference... They have been recognized as the leader in customer loyalty among warehouse retailers, rocketing from start-up to Fortune 50 status in less than 20 years, while spending next to nothing on advertising and marketing *because of word of mouth referrals*. They know that companies with the highest customer Loyalty typically grow at more than twice the rate of their competition. And, by Raising Customer retention rates by 5% it is possible to increase the value of an average customer by 25% to 100% (*The Loyalty Effect, F. Reichheld, 2006*). Rather than spending time trying to remember if you've ever seen a Cosco advertisement, lets talk behavior and why emotions matter in the customer experience.

Regardless of how high a company's satisfaction levels may appear, satisfying Customers without creating an emotional connection with them has no real value. This should be a red flag issue, especially when you consider that it's reported that 90 to 96% of customers won't complain. They simply walk away. Emotions Matter...because customers and staff are always emotional, and in service industries because it is so personal and stressful, the emotions are more intense. A healthy way to view emotions is not as a problem **BUT** as the basis for forming relationships – This is how we develop *Loyalty!*

As a consultant who works with business organizations to help improve their performance. Our work often starts with a discussion about the vision of the company. If it's written, you can usually find a statement about customers under glass on a conference room wall. It often goes something like this..." We believe Customer Satisfaction is our #1 Priority." But when you ask people inside the organization what that statement really means and how it's measured, the silence is often deafening. If the people in the organization don't have a clear definition of what you mean by customer satisfaction, then how do they convey it to your customers?

I have come to the realization that "Customer Loyalty is all that matters," especially when you define *loyal customers* as people who will do business with you again, tell others about you without hesitation, and refer people they care about to do business with you. Hugh McColl, referred to as the greatest banker of all time, founder of North Carolina National Bank, that ultimately became Bank of America had a simple philosophy: "I take care of my people, my people take care of my customers, my customers take care of my shareholders." He never said, "I want to be the number one bank on the planet." *Loyalty is earned...* it stems from actions that are taken and the words that are spoken by employees. It's not just *business as usual* ...

Norm Gauthier (norman.gauthier@heritagehillpartners.com) is the managing partner of *Heritage Hill Partners*, a business consulting & coaching company that works with organizations and individuals to improve performance and bottom line results – Contact us to learn more about Customer Loyalty...