

# What is Customer Loyalty?

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**T**hough the economic turmoil hasn't hit the information services industry as hard as other industries, the current economic challenges remind us to look critically at our businesses and find areas for improvement. As the economic solutions and the reactions to them evolve, customers in other industries may evaluate their services in response to local and/national belt tightening. It's a good time to ask, what makes the kind of loyal customer a business wants to keep?

Though controversy exists over some of the measures used to calculate the benefits of customer loyalty, statistics about where new business comes from still point to current customers. (Major controversy over using one question to measure customer loyalty has produced rival articles and streams of research. e.g. Would you recommend our company to others?) But some customers become, if allowed, more expensive to service over time than others. These are the characteristics of the loyal customer that contributes to the bottom line:

- Increases business over time
- Requires less support over time
- Recommends the company to others
- Turns to the company for advice - which sometimes creates new products
- Stays loyal because the company delivers value

Developing loyal customers starts with the sale and continues through every contact the customer has with the company.

## *How do employees influence customer loyalty?*

The company's employees - receptionist, sales people, drivers, customer support - together create the face of the company. One Profit Enhancement Group (PEG) member, Mark Williams of Williams Records Management (WRM), initiated a major effort to find sales people who could consistently bring in new profitable business. Previous efforts had failed to find the

right people, so Mark looked for help. When he described the outside service he used (Leadership Management International, Inc. (LMI) at a PEG meeting, other PEG members shared efforts they had made to improve employee performance. Each company that reported improvements in employee performance had used tools such as the Predictive Index which measures workplace behavior or the DISC inventory which determines behavioral styles by rating a person's Dominance, Influence, Steadiness, and Conscientiousness. These tools help to screen applicants and indicate how they would perform on the job. As Mark found out, the manager's first instinct may not always detect the best person for the job. WRM now has more consistent sales thanks to both new hires and clear assignment of sales management responsibility. With a strong, well-trained sales force the company begins the process of developing the kind of loyal customer to keep.

During the sales cycle, sales people may uncover new opportunities that the company can't currently service. Sales management plays a role in reviewing those opportunities to see if the customer requests could become a new product offering. One PEG member, Tim Puliz at Puliz Records Management Services (PRMS), serviced casinos in their Nevada markets. As they stored records, a customer service representative noticed the heavy requests for receipts the casinos made during an audit. Through investigation, PRMS developed a streamlined storage system for casino receipts so that audits could be done more efficiently. With that new service in hand, they approached other casinos and gained more customers. When PRMS observed the increase in customer concern about identity theft and the customer's liability as records moved out of the company facility, PRMS investigated options for providing customized "profession liability" coverage. This product has also opened new possibilities for sales.

Employees develop loyal customers by setting the customer's expectations so that the company meets or exceeds them. The sales person accurately describes how the rush service will work. The customer support person reminds a customer that they have missed a deadline to receive service on the regular afternoon delivery. The customer service representative offers the customer the option of waiting until the next day or



paying for a rush delivery. Going beyond that explanation and explaining how web requests could avoid that situation in the future gives the customer more options. Training employees to understand what is profitable, to train customers in new services and to bring suggestions for new products in for consideration helps to develop loyal, profitable customers.

### *Serving existing customers*

In most industries, existing customers are a rich source of additional business. The benefits of a shorter sales cycle and the ease of adding a new product for an existing customer contribute to the company's profit. Confidential Records Management, Inc. (CRMI) has the advantage of having a CEO who is also a health care industry professional, Gail Bisbee who is a registered nurse. CRMI used this expertise to anticipate changes such as the business and health care movement to document imaging. By identifying potential client needs and a market niche, CRMI launched document imaging as a service to their clients over twelve years ago. Offering new products such as these contributes to customer loyalty especially when CRMI can offer the solution before a regulatory deadline threatens or before the customer faces an internal project with new demands. Constant client interaction allows a company to anticipate opportunities and develop alternatives in partnership with existing and new clients.

Washington Archives Management, WAM, added imaging to its product offerings. As they met with customers and introduced imaging, they became aware of a need for radiological imaging with one of the hospitals they serve. They recognized that adding radiological imaging to their product mix would both serve the current customer and attract new customers. They bought the machine, learned how to use it and sent their sales people out to find new customers. Being a customer of vendors who didn't meet expectations helped reinforce their policy to "survey our customers every 15 months as to how we are doing. We prioritize their concerns and create a check list. Then we work at fixing them. You let people know that you genuinely want their business and care about providing quality customer service and you will win more than you will lose," Mark Naubert said. When employees understand how customers create profit and what problems they experience in using the

company's services, they see opportunities to train a customer to become more profitable or notice difficulties customers face that might be removed with additional services from their company and/or the development of new products. Some of the PEG member companies reward customer service employees for making additional sales to customers. The benefit of having employees who see both the benefit of a happy customer and the benefit of the happy customer who is profitable completes the loyalty cycle.

### *What happens when your company doesn't meet your customer's expectations?*

At a recent PEG meeting I was gathering information about the company's customer service department. Two customer service representatives sat at their workstations explaining their job to me. One kept looking at her screen and remarked to the other, "He hasn't answered yet." She looked at her watch. I interrupted my interview to ask about him. Mr. Late routinely requested files for afternoon delivery late in the morning. When I asked what the deadline was, they didn't know the deadline. One looked it up in the customer's record. The deadline was noon. The interview took place at 12:15 PM. Not only was Mr. Late not charged for a rush delivery when the request came in so late, the warehouse supervisor often called the van back after it left the dock to take the late request.

Perhaps Mr. Late sounds familiar. Perhaps he represents a very large account or an account acquired early with a great deal of effort. Mr. Late doesn't have the profile of a loyal, profitable customer. However, efforts to reform Mr. Late will require a careful plan. The plan should focus on benefits to the customer and probably will require a review by key employees to develop a strategy without compromising the account's expectation of being the most important customer. Over time the company has set expectations for Mr. Late that don't penalize him or his company for requests that incur extra costs to service: the two customer service representatives fretting about when he will get his last request in, the warehouse person who has to run to the shelf and interrupt whatever she was doing, the lost time when the van has to turn around, the higher potential of making mistakes when sudden changes occur, and the fuel wasted. These all add up.

As a company grows, more formalized processes and procedures help avoid Mr. Late situations. Mike James at Fireproof has a lead sales person with a gift for training. Her skill and interest in training inspires her colleagues in customer support and she often takes extra time with customers to make sure they understand the new product or service they purchased. Communication between sales and customer supports helps Fireproof maintain consistent service with customers through their life cycles.

**Conclusion**

Strong customer loyalty developed and cultivated by employees with a keen understanding of profitability produces profit for the company. Common sense indicates that developing strong relationships with business partners - banks, vendors, boards of directors/advisors - positions a company for continuing growth with profit. While controversy exists on loyalty measures and predictability for profit, tuning in to your customers in a cost effective way will contribute to a profitable cycle of attentive employees serving customers who create more business and new ideas to attract new customers.

**About the Author:** Kathi Barry Albertini is the second generation CEO of Management Growth Institute, Inc. and leads the Profit Enhancement Groups (PEGs) in the information services management industry. PEGs are groups of 10 non-competing CEOs who meet to review each other's businesses and hold each other accountable for changes recommended by the group. She values her loyal customers too!

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