



## To Earn Customer Loyalty, Treat Employees Well

SOME ORGANIZATIONS SEEM TO THINK THAT CALLING THEIR EMPLOYEES ASSOCIATES WILL SOMEHOW MAKE THEM FEEL MORE VALUED AND THAT THEY WILL WORK HARDER TO PLEASE THE COMPANY'S CLIENTS. IN SHORT, IT SMELLS A LOT LIKE THE SOUTH-SIDE OUTPUT OF A NORTHBOUND BULL.

I started thinking about that when I was looking through some photos from more than two decades ago that reminded me of a trip to New York City. The AirTrain had begun operations the previous year to connect the subway system to JFK airport and the Metropolitan Transit Authority had an employee stationed near the machines that dispensed Metro Cards. (The Metro Cards are now being phased out, just as metal tokens were phased out in the late 1990s.)

The AirTrain used a special card, so someone who planned to use both the AirTrain and the subway needed two cards, each from a different machine. The MTA employee was there to make sure that people obtained what they needed. I recall the MTA employee explaining the differences and making sure that I would be able to tell the cards apart.

The MTA doesn't have much competition. In 2004, the ride cost \$7. More than two decades later, it's \$8. A taxi ride from the airport to Midtown costs \$50 or so, plus tip. As a result, more people probably use the AirTrain and subway, particularly if they're traveling light. Seven AirTrain rides are about the same cost as a single taxi ride. Taxis may be the better choice for those traveling with the family, of course.

But the MTA doesn't have to do much to please riders. If you live in the city, you'll be loyal to the MTA because you don't have any choices. In many trips to New York City, I've encountered great MTA employees and some who aren't so great.

**Employees are not easily replaced widgets.**



### How It Applies to Your Business

MAYBE THAT WAS AN AMUSING ACCOUNT, BUT YOU'RE WONDERING WHAT THE RELATIONSHIP MIGHT BE BETWEEN THE MTA AND YOUR BUSINESS.

Successful businesses have loyal employees. Consider companies you deal with regularly: At the best companies, you've probably been dealing with the same person for years. When your sales representative retires or leaves for another job, you have to develop a relationship with that person's replacement. Change is painful.

Some managers believe employee retention problems are a thing of the past, but turnover is still high in many industries. Although most managers say that they *should* try to retain their best employees, statistically that seems not to be happening. Employees who are satisfied with their jobs might stay, but satisfaction

isn't loyalty. Many employees who say they're satisfied are still searching for a new job.

Why do people stay? It's not money. Although money is important, it is rarely the primary factor in employee retention. It's more important that employees have meaningful work to do and lack of *meaningful work* is one of the top reasons employees cite when they leave.

Employers are trying new retention tactics, but more than half have never tried coaching, mentoring, and other proven methods. Perhaps the underlying reason for this is that these activities are seen as expenses and too many employers think of their workers as easily replaced *widgets*. That's wrong. The cost of replacing a customer-facing employee can be 400% of the employee's annual salary when you take into account the soft costs that affect customer loyalty.



## Why it's Important

IF EMPLOYEE TURNOVER IS HIGH, CUSTOMER TURNOVER IS ALSO LIKELY TO BE HIGH AND ANY MANAGER SHOULD UNDERSTAND THAT HIGH CUSTOMER TURNOVER IS NOT A GOOD THING.

For one thing, the cost of obtaining replacement customers is almost always far more than the cost of retaining current customers. In addition, new customers have post-acquisition costs. You'll need to educate them to your methods and procedures. And then there's this: The company that churns through customers quickly will eventually run out of potential customers.

Customer defection studies show that most customers, by a gigantic margin, abandon a company for reasons that can be traced to employee turnover factors. Employee replacement costs (recruitment, ramping up, training, mentoring, and monitoring) are 150% to 400% of the departed person's annual salary. The costs are higher when the employee to be replaced is in a position that requires a lot of customer interaction.

Intangible costs can be easily overlooked. Knowledge workers carry their *tools* in their head, which means that they are mobile and that, when they leave, they take their tools with them.

## Consider Customers

YOUR COMPANY'S LARGEST CUSTOMER IS PROBABLY NOT YOUR COMPANY'S MOST PROFITABLE CUSTOMER.

Large customers are good to have around because they may cover fixed costs. But your largest customers are probably also your neediest customers, the ones who require the most attention.

Michael Lowenstein, when he was a vice president at Harris Interactive's Customer Loyalty Management division spoke at a seminar on customer retention and win-back.

Lowenstein said there are five primary reasons a customer may defect and whether you want to win back that lost customer depends on the reason for the defection:

**You fired the customer.** Maybe the customer didn't pay on time, mistreated your employees, or demanded too much hand-holding. This was a customer whose contribution to your company's bottom line was insufficient considering that customer's costs. Make no effort to win back such a customer.

**You pushed the customer away with poor service.** UPS lost customers to FedEx and the US Postal Service because of a brief strike in August of 1997. UPS wanted its lost customers back and the company worked hard to win them back starting the day the strike ended.

**The customer was pulled away by a better value.** Perhaps the customer misunderstood

your value proposition. Value is not price, so this is not a time to cut prices, but you can win a customer back if you offer the best value.

**The customer was bought away by a better price.** Don't bother. You may win these kinds of customers back, but you'll lose them again as soon as somebody else offers a better price.

**The customer's needs have changed.** If the customer's needs have changed and you no longer have a product or service that they need, don't try to win them back. Science fiction writer Robert Heinlein put it this way: "Never try to teach a pig to sing; it wastes your time and it annoys the pig."

Because retaining good clients is essential to the success of any business, it's essential for managers to go beyond simply understanding that the satisfaction of the company's employees is the key factor in retaining the best clients.

Once managers have internalized that concept, it's essential to work daily to make it a part of the company's operations. **Ω**

## Making Power Last Longer

USUALLY WE WANT THE BEST POSSIBLE PERFORMANCE FROM OUR COMPUTERS, BUT THAT MEANS HIGH ENERGY USE. LONGER BATTERY LIFE MIGHT BE BETTER WHEN THERE ARE NO WALL OUTLETS.

Windows 10 offers a battery saver mode that you'll find in Settings > System > Battery. If the computer is running on the battery, you should be able to use the Battery Saver toggle switch. If not, select the option to turn on battery saver mode when power falls below a certain level and then drag the slider to 100%.

Battery Saver Mode disables all but the most essential functions. Most sync functions are turned off and background apps are blocked, except for security and VoIP. Non-critical Windows update downloads are blocked, screen brightness is reduced, and most scheduled tasks will be disabled except for those with explicit settings that allow them to run in Battery Saver Mode.

As a result, the computer will be noticeably slower, but it will run for a much longer period. **Ω**