

LOYALTY RULES!

How Today's Leaders Build Lasting Relationships

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MAIN IDEA

True loyalty is still the fuel that drives financial success, especially in today's volatile, high-speed economy. The greater the loyalty any firm can engender amongst its customers, employees, suppliers and shareholders, the greater the profits it will reap in the future. Or put another way, there is a direct relationship between loyalty and profitability.

To earn the long-term rewards of loyalty, however, business leaders must learn to put the interests of customers, employees, suppliers and investors ahead of their own self interests and move away from an all consuming focus on "maximizing shareholder value". In fact, leaders choose the "high road" of business practice whenever they replace a single-minded focus on short-term financial results with loyalty as the solid foundation required for financial excellence and sustained success.

In particular, a sustainable loyalty-derived competitive advantage is created whenever six key principles are followed:

The Six Principles For Building Loyalty	
Win/Win	Never profit at the expense of others.
Selectivity	Make being involved in the business a privilege.
Simplicity	Form direct links between loyalty and rewards.
Rewards	Match the rewards earned with the right results.
Listen	Develop responsive, two-way communication.
Integrity	Explain principles and preach what you practice.

Some businesses have made the mistake of assuming loyalty is a relic of a bygone era of commerce. However, other savvy business leaders (the "loyalty leaders") have gone in the opposite direction and succeeded in building successful and enduring business enterprises on the bedrock foundation of loyalty.

In summary, loyalty is not dead! Nor has it been superceded by something better. Instead, loyalty provides the glue that holds many successful companies together, even in the global marketplace. Loyalty leaders are excelling today and will continue to do so in the future not because they focus on maximizing shareholder value but because they inspire loyalty – which in turn results in happier customers who spend more, committed partners who are willing to commit more and motivated employees who are willing to do more, all of which generates better returns for investors. Loyalty really does pay.

Principle #1 – Win/Win – Never profit at the expense of others Page 2

Leaders who want to build loyalty use a thorough understanding of the dynamics of their industry and discipline to put together strategies that protect the interests of their business partners. The key is not to make sure competitors lose but to ensure partners and suppliers win.

Principle #2 – Selectivity – Make being involved in the business a privilege Page 3

Loyalty leaders are especially concerned about who is invited to join their team and who they choose to partner with because these choices will speak volumes about the firm's values and principles. They impact directly on the amount of loyalty that can ultimately be generated.

Principle #3 – Simplicity – Form direct links between loyalty and rewards Page 4

Complexity is the enemy of speed and flexibility. Therefore, loyalty leaders resist the urge to drift in that direction by focusing on the key principles and practices which make a vital difference in creating superior value for the customer. They build loyalty with a clear and simple set of operating principles.

Principle #4 – Rewards – Match the rewards earned with the right results Page 5

Instead of paying rewards on results that are easy to measure, effective leaders align rewards with results that are important to measure from a loyalty perspective. In particular, rewards should be triggered by over-achievement – exceptional work by people who are creating added value.

Principle #5 – Listen – Develop responsive, two-way communication. Page 6

The key to generating greater loyalty is not more communication but better communication. Simply layering new communications technologies over the top of a low-trust corporate culture won't work. Loyalty is based on the four basic components of effective communication: listening, learning, acting and explaining.

Principle #6 – Integrity – Explain principles and preach what you practice Page 7

The cliché says to "Practice what you preach". Loyalty leaders reverse that and inspire others by living and exemplifying the principles of loyalty. They never forget their primary responsibility is to be a good role model and a teacher.

Key Thoughts Page 8

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