Creating Sustainable Customer Loyalty and Sales Increases

BY RICK CONLOW | RICK CONLOW INTERNATIONAL

Who doesn't want to improve their customers' experiences while also increasing loyalty, sales growth and profits? Executives scramble to do something about their customers' experiences, but few deliver. Too many rely on technology or system changes alone to solve their problems. While upgrades in your technology and processes keep you in the game, they don't fix the face-to-face customer service challenges that are usually at the core of customer experience. 70% of change initiatives fail because they don't handle people issues well. Research shows that delivering service excellence is vital to a company's sustainable success. By using a series of customer-centered strategies you can reap the benefits of a dynamic sales and profit boosting, customer loyalty improvement process.

Improving the Customer Experience Pays!

Evidence continues to show that almost any company can benefit from the initiation of a strategic customer loyalty improvement process. Here are the most powerful indicators of the bottom-line payoff that can be realized.

- According to the article, "The Employee-Customer-Profit Chain at Sears" in the Harvard Business Review, a **1.3% improvement in customer satisfaction scores results in .5% improvement in sales.**
- The Profit Impact of Market Strategy found that **companies who lead in service, charge 9% more, gain 8% in market share, have 12x the profitability and 9% greater growth than poor service providers.**
- A Bain & Company survey of 362 companies found **only 8% of customers surveyed described their experience as superior.** Yet, 80% of the companies surveyed believe that the service they provided was indeed superior. Bain found that only 22% of the world's major firms achieved a 5% growth rate over a ten-year period of time. According to the study, increasing customer loyalty drives growth. They show a 12-point increase in the net promoter score doubles a company's growth rate.
- An American Customer Satisfaction Index™ (ASCI) study proved that the leading companies consistently outperformed the market by considerable margins. **ACSI leading companies outperformed the Dow by 93%, the Fortune 500 by 20% and the NASDAQ by 335%.**
- In an article entitled "The Death of Cost-Cutting" in Smart Business Magazine, James Lane and Hersh Chaturvedi point out that CEOs are realizing there is a superior strategy for growing business other than cutting costs wherever possible. Price drives profits, and superior customer service drives price. Their survey

Copyright 2025 Rick Conlow International

FIGURE 2. RETAIL SERVICE QUALITY INDEX

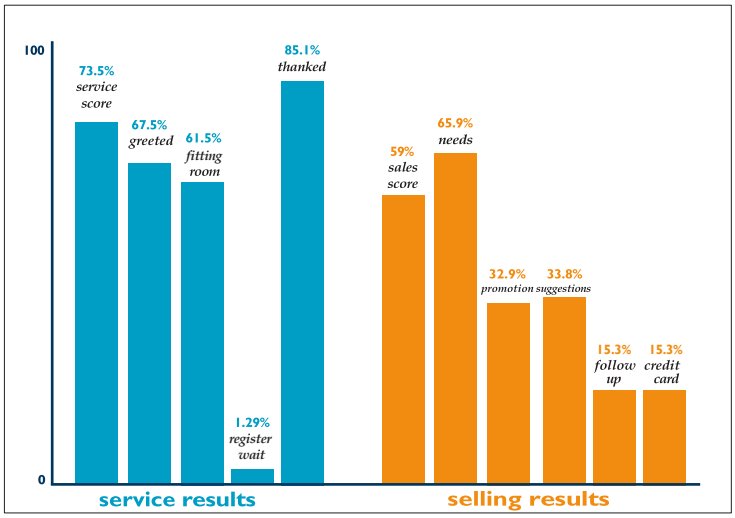

FIGURE 3. ICCDS BENCHMARK STUDY

found that **businesses achieving a premium price are four times more likely to deliver a superior customer experience.** A 5 % increase in customer retention typically grows revenue at more than twice the rate of their competitors.

> Service Management Group, of Kansas City, who conducts over 28 million customer surveys a year, has discovered that businesses with higher customer satisfaction have higher comp sales growth. **Having a loyal customer base drives top-line comp sales.** Businesses with the lowest "recommend scores" average comp store sales growth of 0.3 % compared to those at the highest end of the range, which grow at an average of 4%.

Phase I: Leadership Engagement

It all begins with leadership. Deming, Juran and Crosby all argue that management is the primary reason for quality or service issues in an organization. We believe people want to be great and if they aren't, management is the obstacle. Superior customer service is an inside out process. First, you engage leadership to build winning and committed teams. Then, you engage employees and in time celebrate with positive store transaction counts and sales increases.

Unfortunately, too many companies lack consistent operationally focused efforts to develop and train managers. Existing efforts are lacking or are human resource led and mostly learning driven – not results driven. Consequentially, managers lack the skills and commitment needed to train, coach and motivate their employees to achieve exceptional customer service and sales. Too often we see the behaviors exhibited by management shown in figure 1. Even though there is more good leadership development material than ever to take advantage of, far too many fail in their efforts. This begs the question, how effective is management today?

Most mid-level and store managers lack the capability to plan, train and coach their teams to success. Their focus is on task. Leadership is a high contact sport, and they need to engage their teams more than ever before. Why? Because it is competitive and more importantly, the payoff is big — really big. Therefore, managers need ongoing assistance to change. They need better people tools, training in leadership skills, coaching and recognition. And they need proven execution and sustainability action plans to help them to follow through and win.

Listening to an executive video, improving product flow, putting on smile buttons, redesigning customer service policies and holding a yearly conference won't get the job done. It takes much more work. The good news is that those who do what's necessary reap handsome rewards.

Phase II: Employee Engagement

If management isn't engaged employees won't be engaged. Customer service will be mediocre at best. How do the management behaviors cited in Figure 1 affect employees? For example, Figures 2 and 3 portray the sad state of affairs in retail but also the opportunity. Employee satisfaction and loyalty always precede customer satisfaction and loyalty. What do employees want or need to do a better job?

Copyright 2025 Rick Conlow International

Ask managers this question and most will say money or job security. Yet, Herzberg in his article, "How to Motivate Employees: One More Time" explains that employees' motivation is the result of challenging jobs, recognition and teamwork on the job. These are the biggest drivers to employee pride, productivity and progress. In my book, *Superstar Leadership: A 31-Day Plan to Motivate People, Communicate Positively, and Get Everyone On Your Side*, I synthesize the best practices available today for leadership excellence and bottom line impact.

We give practical examples and tools to help managers improve customer loyalty, sales and profit today as well as the research facts to back it up. So, what can managers do to tap into this employee potential? They can:

- **Establish clear goals & expectations**
- **Provide high quality training**
- **Communicate frequently and effectively**
- **Coach regularly**
- **Lead with flexibility**
- **Provide frequent recognition**
- **Develop promotions and incentives**
- **Consistently set a customer loyalty focus**
- **Hire excellent people**

These behaviors are easily stated. They require specific competencies, and none can be left out. Similarly, managers will need training, coaching, practice and feedback to gain mastery.

According to the "Coke Study" by Franklin Covey in 2006, customers of great performing grocery stores were interviewed and talked about the stores' helpful and friendly employees. They identified the importance of things that were the result of employees who care—cleanliness, no waiting, and items on the shelf. The research found great performing managers that support these employees have a focus on:

- **Unleashing potential to generate the maximum level of performance.**
- **Encouraging each person's contribution to achieving the goal.**
- **Helping everyone in the store make the corporate goals their own by sharing their vision and goals with their team.**
- **Working together with employees to set clear short-term goals and measures for their team.**
- **Working together to arrive at new and better solutions.**
- **Emphasizing the contribution people make to "move the numbers."**
- **Allowing a lot of autonomy, yet the employees know the manager has authority.**
- **Allowing department managers to calculate their own numbers—like forecasted sales, labor hours, and shrink—with help from peers in weekly management meetings. This ensures they all know the "how and why" of the numbers.**

This example focuses most on the Goals, numbers, and the communication needed for high performance. There are other areas from the research which, when applied, can multiply performance results.

For example, The Jackson ROI research in 2006 in a study of 166 companies and 220,000 employees, companies with more formal recognition programs 3 outperformed their counterparts 8.7% ROE to 2.4%. Using this data, the authors of the book, *The Carrot Principle* find evidence that companies with high employee satisfaction had 20% higher customer satisfaction ratings and that companies with highly engaged employees had 22% higher customer satisfaction ratings.

The 2004 Gallup Great Workplace study of 5,000,000 employees also supports this. Gallup identified that an increase in recognition and praise leads to:

- **Lower turnover**
- **Higher customer loyalty and satisfaction**
- **Higher overall productivity**

There are no secrets about what management needs to do and the impact it will have. Yet, most companies ignore the evidence, look for quick fixes or put their faith in the newest technology and not their people. It's your choice.

Copyright 2025 Rick Conlow International

Phase III: Customer Engagement

Improving customer engagement begins with leadership and employee engagement. With these two phases, you can expect:

- **Improved customer survey scores**
- **Decreased complaints**
- **Enhanced employee morale and loyalty**
- **Lower employee turnover**
- **Better transactions counts**
- **Increased sales growth**

With phase III you can make even greater gains because of its impact on customer buying behavior.

A major retailer initiated a customer improvement process. They changed their advertising and claimed they were a "new" company. The CEO did a video for the whole company to watch. Everyone in the organization attended a one-hour meeting on what they had to do and were told that if they didn't they wouldn't work there anymore. Not surprisingly, the whole effort failed, and the company filed for bankruptcy protection. So, what do you need to do?

First, engage your field and store leadership. They need to be relentlessly supported, trained and coached to do things differently. Then they need to be guided to focus on people not just task. This will lead to more consistent execution of their leadership approaches and any corresponding system changes. This will be the impetus that will begin to win the "hearts and minds" of employees.

Second, as your leaders enthusiastically engage the employees in more effective and consistent ways employees will begin proactive customer engagement. This will only happen as a result of helping your leaders. Greater customer engagement evolves when both of these steps begin to merge. Think about it, how many times do you go shopping and you never talk to anyone in the store until checkout?

Retail is too passive and leaves billions of dollars on the table on a day-to-day basis. Everyone seems to have the same mantra. Upgrade technologies to better manage your inventory, product flow and track your results. Do merchandizing and product promotions focused on customer segments. Then, cut the price if the sales don't materialize as a result of this. While there are good reasons to utilize some of these kinds of strategies, good old fashion customer service usually supersedes price and technology.

Ask yourself these questions to test yourself on a few key areas that ramp up customer engagement and loyalty:

1. Is your customer's overall shopping experience a notch or two better than your competitors so customers think twice before shopping elsewhere?
2. Is the service that your store teams provide so good that it clearly distinguishes you from your competitors and other businesses?
3. Do you offer a few services that are unique to your industry or market?
4. Do you have customer appreciation days?
5. Do you outwardly appreciate customers as they shop?
6. Do you have special events on a regular basis (Demos, refreshments, contests) that are fun for the customer and employee?
7. Do you have a customer rewards program that works?
8. Can customers recognize your employees through a formal and fun process?

As stated previously, most change management processes fail. Unfortunately, employees are too often considered commodities and are an ancillary priority. The focus is on the process and not the people that have to execute the new strategies. Far too often change overwhelms the managers and employees, they are not supported, and performance suffers. Customers are served even more poorly than before. The company jumps on another change program and priority. Inevitably, everyone becomes so demoralized that a vicious spiral of turnover begins, and the company loses even more business.

In summary, company executives are not experts in transforming their teams into customer-centered organizations. Their expertise is in their products, systems, processes, financials and markets. As a result, when faced with the need to improve, they live the status quo, try more of the same harder, or go from one failed initiative to another.

Copyright 2025 Rick Conlow International

Executive Leadership inevitably needs a seasoned but practical partner to guide them through the phases and hold them accountable to their good intentions.

However, beware of partners with a philosophical focus touting valleys of despair and burning platforms. Many efforts to transform organizations today are nothing more than grandiose initiatives to sell new questionable technology, and to analyze infinite data while significantly increasing billable hours. However, these strategies seldom make a difference in changing leadership behaviors that positively affect employees in how they engage their jobs and customers every day on the sales floor.

True transformation begins with leadership engagement. It requires that managers execute new behaviors and provide customer centric systems and tools consistently. Effective leadership generates increased employee engagement and higher performance. Improved employee engagement leads to improved customer engagement. Continued focus generates momentum towards improved success, higher morale and increased innovation. Finally, the end result is sustainable customer loyalty gains and improved bottom line results.

for more resources

VISIT
www.rickconlow.com

CALL
612-868-8521

EMAIL
rick@rickconlow.com

about rick conlow

I've been in your shoes; I was a manager just like you may be now. I wanted to succeed just like everyone. I wanted to make a difference. The first company I worked for believed in training, with this opportunity and my desire to learn, I attended over 100 training programs and conferences in a little over fifteen years. My results improved and I moved from teaching and selling to executive, with five promotions. Eventually, I co-founded WCW Partners, Inc. and later Rick Conlow International. Collaborating with over 200 fine companies and thousands of managers we achieved:

- *48 quality service awards including JD Power, Ford's President Award, and Canada's Consumers Choice Award.*
- *Record-breaking sales year after year: 30%, 48%, 52%, 75%, 122%, and 212% gains.*
- *15-20 points on customer experience surveys, 50-95% NPS ratings.*
- *12-19 points on employee engagement surveys, 50-84% eNPS ratings.*
- *Authored of 22 books, including the best sellers, The Superstar Leadership Model and The 5 Dynamics of Servant Leadership.*

Exceed your potential today, Partner with us today!

POSITIVELY,

Rick Conlow

Copyright 2025 Rick Conlow International