



**FEBRUARY 2006 - LEADERSHIP LETTER #7**

***Loyalty Myths***  
**by Keiningham, Vavra, Aksoy, and Wallard**

**Hello All ...**

Thanks to one of our clients, I recently came across the book **Loyalty Myths** by Keiningham, Vavra, Aksoy, and Wallard.

All of it applies to product businesses, but a good bit of it also applies to **service** businesses.

Hope you enjoy the attached summary of it.

Regards,

***Mel***

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Summary of:  
**LOYALTY MYTHS ... THAT WILL PUT YOU OUT OF BUSINESS**  
**VS. PROVEN TACTICS THAT REALLY WORK**  
By Keiningham, Vavra, Aksoy, and Wallard

*ISBN 0471743151*

*Published by John Wiley & Sons, 2005*

The authors of this book describe, and then wisely discount, many of the myths espoused in the tens of thousands of books and articles on the value of customer loyalty.

For a **service** business or agency, here are the most important myths the authors debunk:

- **MYTH: CUSTOMER LOYALTY = NUMBER ONE GOAL ...**

“The problem is that customer loyalty can be **purchased** and frequently is.” In service businesses this happens most often by fees that are too low, not billing for extras, and never quite finishing the final 5% of the work.

- **MYTH: RETENTION IS BETTER THAN ACQUISITION ...**

In the earlier and more important stages of the life cycle (introduction and growth), gaining customers is the primary strategic need. Later ... retention becomes more important, but only for your **best** customers.

- **MYTH: STRIVE FOR LOYALTY IN ALL CUSTOMERS ...**

Customers come in three flavors, according to the authors:

- Profitable and desirable ... about 20%
- Break-even ... the middle 60-70%
- Costly ... about 10-20%

The top 20% are truly assets worth targeting to keep.

- **MYTH: CONVERT “SWITCHERS” INTO LOYAL CUSTOMERS ...**

Switchers often fall into the “costly” category of customer. Beyond that, they are likely to be “deal” seekers or variety seekers. Or, they may be **required** to “shop” around in the case of certain public agencies.

### **LOYALTY TIPS:**

- Manage for customer/client **selection** before you manage for retention.
- Realize that developing customer/client loyalty takes scarce management time, attention, planning and patience. Use it wisely on your best customers.
- “Focus on customers’ share of wallet.” Learn to grow your share with your **best** customers/clients.
- Profitability and loyalty are complex relationships: study the specifics of your customers’ industries.

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