

Service: Customer Loyalty

It was a novel idea at one point, but, by today, the notion of customer loyalty is not a novel idea, and there's a ton of data and you can buy books with regression analyses and least squares fits* and all those sorts of things. Well, I think it's powerful, and I know it's not a new idea, but I want to suggest, we don't have to have all this sophisticated sexy stuff.

The first person who ever talked to me about customer loyalty, and this is when they were in a little better shape than they are today, was a guy by the name of Carl Sewell, who ran a Cadillac dealership in Dallas, Texas. And he didn't even use the term, but he said, "Look, Tom, how do I treat a customer when they walk in? Let me tell you. The deal is, that customer will probably buy six or seven cars from me. The cars will each cost about \$40,000. Consider that almost \$300,000. And he'll tell at least two people, so that's another \$300,000 or \$400,000 times two." He said, "The way I look at all this is very simple. When that person walks in the door, that is a one-million-dollar bill walking in the door."

And so, what I say is ... forget the regression analyses, forget the least squares fits, forget all the sexy data. When a customer walks in the door, think about the value that they could have to you over a period of three or four or five or 10 years. And if it happens to be a *woman*, incidentally, she will tell 15 people, not two people. And whether it's low-end retail or high-end Mercedes, often you are looking at tens of thousands of dollars walking in the door and maybe a million or two walking in through the door. That's the value you should think about. Don't make it complicated. It's actually simple. And it's shockingly important.

* <http://mathworld.wolfram.com/LeastSquaresFitting.html>