



# **The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value**

*Frederick F. Reichheld , Thomas A. Teal*

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The business world seems to have given up on loyalty: many major corporations now lose-and have to replace-half their customers in five years, half their employees in four, and half their investors in less than one. Fred Reichheld's national bestseller *The Loyalty Effect* shows why companies that ignore these skyrocketing defections face a dismal future of low growth, weak profits, and shortened life expectancy. Reichheld demonstrates the power of loyalty-based management as a highly profitable alternative to the economics of perpetual churn. He makes a powerful economic case for loyalty-and takes you through the numbers to prove it. His startling conclusion: Even a small improvement in customer retention can double profits in your company. *The Loyalty Effect* will change the way you think about loyalty, profits, and the nature of business.

Author Biography: Fred Reichheld is a Director Emeritus of Bain & Company and a Bain Fellow. He is also the author of *Loyalty Rules!*. BACK COVER: "Deserves to become a business classic."

*-Financial Times*

"*The Loyalty Effect* put loyalty economics on the map."

*-The New York Times*

"*The Loyalty Effect* is . . . as close to a religious experience as one can get in the business realm."

*-Sun-Sentinel*

"[Reichheld's] message is simply this: The best, most profitable employers are those that inspire loyalty among three constituencies: customers, investors, *and* employees."

*-Fortune*

## The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value Details

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# **From Reader Review The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value for online ebook**

**Chad Warner says**

I skimmed this because much of the content wasn't relevant to my business. It's a mix of practical guidance (about how to measure and increase loyalty) and examples of companies that have increased loyalty. It's not only about increasing the loyalty of customers; much of the book is about increasing the loyalty of employees and partners (vendors, investors, etc.). I didn't get as much out of this book as Reichheld's Loyalty Rules!, and that book wasn't especially helpful either.

It's written for large companies, but many of the lessons are applicable to small and mid-size companies too. There are many specific examples from Lexus, State Farm, USAA, and other recognizable companies.

I read this because I'm working on increasing client loyalty at

"Loyalty leaders tend to ignore modern management theory in favor of a code of behavior that is close to the Golden Rule, or ... the Golden Rule itself."

## **The Right Customers**

"The easiest prospects to sell are the ones whose loyalty is low. By definition, customers with a high loyalty coefficient are hard to switch away from their current suppliers."

Don't try to woo prospects with discounts. "Why would you want customers who will renounce their loyalties to save a dime, or even a dollar?"

## **In Search of Failure**

"Every defection is the result of inadequate value. And since value is the ratio of quality to price, price is always a factor in a defection. But so is quality."

## **The Right Measures**

"Customer retention and share of wallet are excellent summary statistics not only because they are reliable indicators of whether customer value is insufficient, but because they are key ingredients in the calculation of customer net present value."

"A healthy gain rate [ratio of new customers to current customer base] is evidence of a superior value proposition, especially if it is accompanied by good retention."

Yield rate (percentage of solicited customers who sign up) is an excellent measure. A high yield rate shows you're attracting the right kind of customer.

"Satisfaction surveys are a far less accurate test of satisfaction than behavior. ... research has shown that 60 to 80 percent of customers who defected had said on a survey just prior to defecting that they were satisfied or very satisfied."

By tracking lifetime purchases, you can put energy into customers with highest potential value.

Repeat purchase loyalty is the goal, so make that the measuring standard.

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**Teresa says**

Precursor to "The Ultimate Question."

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**Sean Doherty says**

File this in "books I hope my business competitors don't read."

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**Stacy says**

I read this book because in my job, I deal with customer loyalty. How do we create loyal customers? What can we do to earn their loyalty? This book went into that and much more.

The book took a few case studies and showed how having loyal customers brought increased growth. The author then showed how this was possible by the numbers. It is pretty impressive. Clearly, more loyalty is better. But how do you achieve it?

The book talked about how to attract the right customers and how to keep them. It also discussed how having loyal employees and even investors will help the business. Fundamentally, it is a culture of loyalty that must be fostered within the business.

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**Waseem says**

This was a great little short and to the point guide on learning how to build a long lasting business...the loyalty theory is not only good for your customers, but in this book is from the point of views to creating value creation with investors and employees, which is some great food for thought and a really good read for anyone who deals with providing any kinda product/service to customers...whether big or small

Waseem Mirza

<http://www.WaseemMirza.net>

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**C says**

Good read - lots of repetition throughout the book, but good way of giving examples of things many people already know (I hope...) from their personal lives and how they can apply to business (think the Golden rule). Also gives some examples of companies who have done it. It's a pre-'.com' book, but the methodology given is intended to be timeless.

## Steve says

During these economically difficult times, understanding and growing customer loyalty is essential to profitability. This book provides some basics on metrics and taking action--but don't treat it as a bible!!

## Ray Kelly says

The Loyalty Effect is a business book by Fred Reichheld of the consulting firm Bain & Company, and the book's title is also sometimes used to refer to the broader loyalty business model as a whole. Reichheld shows why companies that ignore customer defections face a future of low growth, weak profits, and shortened life expectancy. He attempts to demonstrate the power of loyalty-based management as a highly profitable alternative to the economics of perpetual churn.

**Dima says**

[illegible]

## Janet says

I read this book in a similar timeframe to the Economics of Trust, and First Things First. Looking back 10+ years, I can see the profound effect these books had me. All three of them validated many of my values & beliefs and gave me the courage to attempt to do the "right things right" as a leader and take the long term view versus the short term view in business as well as my personal life.

My role models in business were all either short term oriented or felt that the firm drove them to short term, quarterly results. This book turns that illogic on its ears.

One nugget that comes to life in the reading of this book is the idea that companies should target their customers with as much care as they choose their employees.

The book analytically demonstrates the cost benefit of building customer loyalty.

A significant quote from the book:

"While every loyalty leader's strategy is unique, all of them build on the following eight elements: Building a superior customer value proposition, finding the right customers, earning customer loyalty, finding the right employees, earning employee loyalty, gaining cost advantage through superior productivity, finding the right [capital sources], and earning [their] loyalty."

