



## **In Business, Loyalty Can Equal Higher Profitability**

*by Jamie Huish Stum*

October, 2007 – When writing a business plan, most businesspeople don't figure promoting customer and employee loyalty as a separate factor to spend time and money on. But would loyalty be more of a feature if it was proven to affect profitability? Local feedback management provider Allegiance, Inc. says the correlation between loyalty and profitability is direct and constant.

The company launched the Engage Platform yesterday, a system that identifies motivators that prompt a customer or employee to stay with a company, then link those factors to a company's bottom line.

"Where Engage takes us is really more of a feel for what drives loyalty within a given company, and it may be different," says Adam Edmunds, CEO of Allegiance. "What drives loyalty at Zions Bank may be completely different than at Best Buy or Overstock.com."

The Web-based software helps companies determine what those specific drivers are for a business by constantly gathering data. After a company works out what demographics and information they would like to identify, Allegiance solicits feedback about the company's performance from clients and workers by telephone survey, mail survey or Internet response.

The system also includes elements such as SilentWhistle, an ethics reporting system that helps ensure Sarbanes-Oxley 301 compliance and MysteryShopper, a tool that measures a customer's individual experience with a product or service.

All information is compiled on Allegiance's server and made accessible to a client online. The Engage Platform organizes the data into reports or allows clients to slice and dice the numbers themselves. If further clarification or analysis is needed, Allegiance provides a professional services team to elucidate.

"Over time, we help them link those [responses] to business outcomes," Edmunds says. "We can start to find correlations between business metrics and those drivers of loyalty."

Results from the system show that profitability is inevitably linked to employee and customer satisfaction, Allegiance officials say. In a case study Allegiance performed with Mountain America Credit Union in 2004, the credit union implemented Allegiance's systems and profitability measures, and then brought in expert analysts to wade through the data.

"What they found was that every time their employee loyalty went up or down, 90 days later their customer loyalty followed the same direction and 90 days after that, their profitability followed that same direction," Edmunds says.

Using that concept, Allegiance recognized the need for a tracking product that would help companies determine how customers and employees really felt and determine how that feedback could be used to benefit financials. After three years of research and development, Allegiance developed the concept into Engage, a product that could apply to many businesses across the marketplace.

The soft data provides the hard numbers, says Edmunds. On Allegiance's clients' feedback surveys, which are provided to both employees and customers, the same questions are asked in different ways. For example, an employee survey might ask if the worker feels fully trained to provide effective service. A customer survey might ask if a visitor feels they receive quality, helpful service from employees. The soft data is then cross-examined, and developed into hard numbers.

"So you're trying to identify those things across both areas and maybe identify where the links are and where the holes are," Edmunds says.

Allegiance officials believe that if a customer is satisfied with a company, they will be on one of three levels: satisfaction, loyalty or engagement, Edmunds says.

"Loyalty develops when you have several occurrences of satisfaction in a row, where you say, 'I now trust that brand,'" Edmunds says. "But engagement is where the customers feel like they're almost part of the company...it's really a whole new level we're trying to develop."

Allegiance, which has more than 1,600 clients nationwide, including T-Mobile and the Department of Homeland Security, is directing the product toward large companies that struggle to extract accurate information from a vast customer base. In the biggest deal in Allegiance's history, the company recently signed an agreement with Zions Bancorporation to streamline loyalty efforts and customer feedback across all the bank's systems, using the Engage Platform.

After a company implements the system for a year, Allegiance hopes to be able identify what drives company loyalty among different regions and demographics, Edmunds says.

"Our end goal is we want our clients to be more profitable because of our system."