

Improving loyalty — Requirements

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Foreword

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Summary of pages

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Introduction

This PAS specifies how an organization can improve loyalty. The requirements are designed to maximize the value employees, customers and investors derive from the relationship with the organization. Increasing the level of value created for employees, customers and investors directly increases the potential for loyalty.

It specifies processes that collect and analyse qualitative and quantitative feedback from employees and customers in order to fully understand their needs. It also specifies obtaining reactive feedback from investors. It specifies using this information to drive improvements that maximize their loyalty so that they extend and maintain their commitment to the organization.

Maximizing loyalty can positively impact organizational performance because:

- loyal employees are likely to be highly motivated and committed to an organization. They will adopt a positive attitude to organizational goals and are more likely to provide higher levels of service to their customers. They are also likely to be more effective in their role and to remain employed for a longer period, and more likely to recommend the organization to others;
- employee performance can positively impact customer loyalty;
- loyal customers are likely to remain customers, will buy/use more or other products that are available, and are more likely to recommend the organization to others;
- strong employee loyalty and customer loyalty can indicate stability and long-term potential. These, in turn, are likely to enhance investor loyalty;
- loyal investors are more likely to maintain their association with the organization.

Loyalty, within the scope of this standard, is based on employees, customers and investors having strong allegiance to and trust in an organization, and this is founded on positive experiences of previous interactions with that organization. This is called “emotional” loyalty. Understanding and meeting the implied needs of employees, customers and investors having interaction with an organization maximizes this loyalty.

There are a number of other reasons why an individual can remain loyal to an organization:

- monopoly loyalty, where there is only one supplier of a particular product and no alternative choice is available (e.g. police force, public transport service, etc.);
- inertia loyalty, where there might be barriers to restrict customer defection (e.g. complexity of transferring a bank account, the cost of relocating to a different area, etc.);
- convenience loyalty, where location restricts defection (e.g. only one supermarket located within easy reach of customers in a particular area);
- price loyalty, where customers make decisions solely on the lowest price (e.g. customers with limited financial resources might buy at the cheapest price despite other product imperfections);
- incentivized loyalty, where customers, patronage is rewarded by financial or other incentives (e.g. retailer loyalty cards and airline frequent flyer clubs).

Whilst all these types of loyalty can retain an individual’s commitment in the short term, unless there is an emotional commitment to an organization, the organization cannot rely on an individual’s loyalty in the longer term. This standard provides a process for identifying, measuring and maximizing “emotional” loyalty.

1 Scope

This PAS specifies requirements to maximize the loyalty of employees, customers and investors to an organization. This PAS is applicable to all sizes and types of organization.

Whilst customers and investors may be corporate bodies as well as individuals, this standard assumes that individuals within such organizations can make decisions based on their individual loyalty.

2 Terms and definitions

For the purposes of this standard, the following terms and definitions apply.

2.1

loyalty

desire to continue a relationship based on the positive experiences of previous interactions with an organization

2.2

employee

individual working for the organization

2.3

customer

organization or person that receives a product

NOTE 1 This definition is taken from BS EN ISO 9000, *Quality management systems — Fundamentals and vocabulary*. BS EN ISO 9000 defines four generic product categories.

- services (e.g. transport);
- software (e.g. computer program, dictionary);
- hardware (e.g. engine mechanical part);
- processed materials (e.g. lubricant).

NOTE 2 In non-profit-making and public sector organizations, “customer” is used to describe any individual or body using an organization’s products.

2.4

investor

individual or body that has a financial investment in and/or exerts control over or influences the activities of the organization

NOTE For non-profit-making organizations, investors do not have a profit motive but are still concerned about the operational effectiveness of the organization. Investors might include central government, regulatory bodies, elected officials, etc.

2.5

process

set of interrelated or interacting activities which transforms inputs into outputs

NOTE This definition is taken from BS EN ISO 9000, *Quality management systems — Fundamentals and vocabulary*.

2.6

value

total benefits derived from interaction with an organization