

**15.660**

**Strategic Human Resource  
Management**



**MIT Sloan School of Management**

# ***The Loyalty Effect...***

Fred Reichheld  
Director, Bain  
*The Loyalty Effect*  
HBS Press, 1996

- ***A consulting study of a trucking company showed that reducing driver turnover 50% could increase profits by 50%***
- ***A study of brokerage companies showed that increasing broker retention by 10% increased broker value by 155%.***
- ***A study of retail stores showed that stores in the top third of employee retention were also in the top third in productivity with 22% higher sales per employee.***
- ***Fast food stores with low turnover had profit margins 50 % higher than stores with high turnover.***

# ***Why Long-Term Employees Create Value***



- 1. Training: Wages paid during the training period yield little or no return. For long-term employees, training becomes a net benefit.**
- 2. Efficiency: Long-term employees are more efficient, require less supervision, and may be more motivated.**
- 3. Customers: Loyal employees are better at identifying, serving, and retaining the best customers. They are often a major source customer referrals.**
- 4. Employee Referral: Long-term employees often generate the best flow of high-caliber job applicants.**