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UNIVERSITY OF APPLIED SCIENCES

*Prime Mover*

Developing A Customer Loyalty Programme for  
Aircooled Finland Ltd

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Muljar, Evelina

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**Developing a Customer Loyalty Programme for  
Aircooled Finland Ltd**

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Bachelor's Thesis  
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**Developing a customer loyalty programme for Aircooled Finland Ltd**

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The purpose of this thesis project was to plan a customer loyalty programme for a small company called Aircooled Finland Oy/Ltd.

The study was conducted using a quantitative research method in the form of a questionnaire. Although the plan for the customer loyalty programme was already agreed on with the manager of the company, this research was commissioned as a form of information retrieval to determine whether the customers would find this type of a loyalty programme appealing. This study includes a broad company and competition analysis that will provide essential information about the company, its customers as well as the company culture.

The customer loyalty programme would offer the customers of Aircooled a possibility to commit to the company in a way that they would have the chance to purchase the company's share for a price of 100€. This would make the buyer a shareholder and thus a part owner in the company. In addition there would be a 10% discount on all future purchases. A customer that owned the company's shares would be given a possibility to gain financial profit, for example through the rise in value of the share or by dividend yield.

Based on the results of the conducted research it can be said that the customer loyalty programme in question would indeed be appealing to most customers. The majority of the respondents of the questionnaire thought that they would likely be willing to own a share of Aircooled Finland Ltd/Oy if they would profit from it in the future.

The possible success of this customer loyalty programme may be measured by a marketing or customer satisfaction research study.

Key words    customer loyalty, customer relationship marketing, CRM

Muljar, Evelina

### Developing a customer loyalty programme for Aircooled Finland Ltd

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Tämän opinnäytetyön tarkoituksena oli suunnitella kanta-asiakas ohjelma pienelle yritykselle nimeltä Aircooled Finland Oy.

Tutkimus suoritettiin käyttämällä kvantitatiivista tutkimusmenetelmää kyselyn muodossa. Kyselyn lisäksi konkreettinen suunnitelman toteutus oli jo ennalta sovittu yrityksen toimitusjohtajan kanssa. Kyselytutkimus suoritettiin toimitusjohtajan pyynnöstä siitä huolimatta, koska toiveena oli saada varmuus asiakkaiden kiinnostuksesta ja halukkuudesta kyseistä kanta-asiakas ohjelmaa kohtaan.

Tässä tutkimuksessa on laaja yritys- ja kilpailija analyysi, joka tutustuttaa lukijan yrityksen toimintaan, asiakkaisiin ja yrityskulttuuriin.

Kanta-asiakas ohjelma, tarjoaisi yrityksen asiakkaille mahdollisuuden sitoutua yritykseen niin, että heillä olisi mahdollisuus ostaa 100€ arvoinen yhtiön osake, jolloin heistä tulisi osanomistajia. Lisäksi kaikille osakkeen ostaneille asiakkaille tarjottaisiin 10 % alennus kaikista jatkossa tehdyistä ostoksista. Asiakas, joka omistaisi Aircooled Finland Oy:n osakkeen saisi mahdollisuuden taloudelliseen hyötyyn, mm osakkeen arvon noustessa ja osinkojen jaossa.

Tutkimustuloksien perusteella voi todeta, että kyseinen kanta-asiakas ohjelma voisi olla houkutteleva asiakkaiden näkökulmasta. Suurin osa kyselyyn vastanneista olivat sitä mieltä, että voisivat haluta omistaa Aircooled Finland Oy:n osakkeen. Markkinointi- ja asiakastytyvyisyys-tutkimus voisivat olla hyödyllisiä tutkimus aiheita tulevaisuudelle. Tällä tavoin pystyisi seuraamaan mahdollisesti toteutuneen kanta-asiakas ohjelman toimivuutta.

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## 1 Introduction

The purpose of this study is to plan a suggested customer loyalty programme for a small company called Aircooled Finland Ltd. After completing a job placement in this company it felt that this company would benefit from a customer loyalty program. The reason for this is that it is a small growing company and it has a small number of competitors on the market with similar products and prices.

The question was how to make the customers buy products from Aircooled Ltd instead of buying them from the competitor.

The manager, I and the other stakeholders came to the conclusion that a customer loyalty program was needed. The purpose is to develop a program where the customer receives a possibility to purchase the company's share for a fraction of the actual price and therefore become a shareholder. After that the customer would get a 10% discount of all the purchases he or she makes. Hypothetically this would increase the company's market value, the customers would get more value for their money and the company would experience higher sales. Therefore both the company and the customers would benefit from this program.

I offered to conduct the study and try to prove whether the plan in question would be worth implementing using a questionnaire to obtain necessary data. The questionnaire was distributed by e-mail and during events that I have participated in.

In the theoretical background the reader will be introduced to theories concerning customer loyalty and how it is linked to customer relationship management (CRM) as well as to marketing management. I will be constructing my hypothesis and my framework as well as presenting my method of research. At the end I will analyze the results and conclude my findings. There will also be some suggestions for future challenges.

### 1.1 Company introduction

The official name of the company is Aircooled Finland Oy (Aircooled.fi). The company was founded in January 2005. There are four shareholders who are also the owners of the company. The CEO of the company is Tommy Tauriola and he is also the founder.

The mission of the company is to offer the best quality and reasonably priced products for the usage of Volkswagen amateurs and hobbyists. Products mainly consist of spare parts.

The reason for establishing Aircooled Ltd is to make profit as well as improve the availability of Volkswagen air-cooled car parts. Improving the quality and the possibility of this hobby also holds an important role for the company.

The company imports VW branded products and sells them in its web-store, [www.aircooled.fi](http://www.aircooled.fi). Customers consist of finish VW air-cooled car amateurs and hobbyists. The parts are also sold to other retailers across Finland and Europe but it is rare and not a profitably meaningful aspect for the company at the moment.

The company's goal is to pursue a larger market share and this is done by larger volume of sales, better warehousing as well as carefully chosen manufacturers and suppliers.

### 1.2 Scope of the study

The scope of this study is to implement a specific kind of customer loyalty program for the company in question. This study will show whether it will be desirable for the customers. A questionnaire will be used to conduct the study and to acquire the needed information. That is the practical part of the study. The theoretical part will be conducted by using literature and earlier studies as well as existing customer loyalty programs that are already in use.

### 1.3 Choice of the research context

The research context consists of theoretical and practical aspects that are relevant to the customer loyalty plan that is being studied in this thesis. As well as the questionnaire that is conducted in order to collect empirical evidence to prove the demand for this type of customer loyalty plan/programme.



#### 1.4 Purpose of the study

The purpose of this study is to find out whether the customer loyalty plan will be wanted amongst the customers in the company Air cooled Finland Ltd. Based on the results of the questionnaire it will be decided whether to implement and launch the program or not. The reason for possibly implementing this plan is to increase loyal customers and attract new ones as well as increase the company's market value and profit.

#### 1.5 Structure of the study

This study starts by choosing a subject and deciding how the study will be conducted. There are five sections in this thesis. The thesis starts with an introduction and is followed by the theoretical background section. Then the empirical study that includes the research methodology as well as followed by the conclusion and the future research challenges.

The introduction provides information about this thesis and shows what it will consist of as well as what will be studied and why.

The theoretical background introduces us to the general theory context and of the subject in question. It will provide information about customer loyalty and other theories linked to this subject of study. This part of the study will also show the hypothesis and the framework of the study. A broad company analysis will also be provided in the Empirical section of this study.

The research approach will introduce the research method that has been used in this study as well as reliability and validity of this study.

The empirical study that also includes the research methodology will provide a description of the case company, the research method used and the analysis of competition, customer base as well as discuss the plan to be implemented. This study will be finished with a conclusion and a discussion of the findings. As well as some of the future research challenges that have arisen as a result of this study.

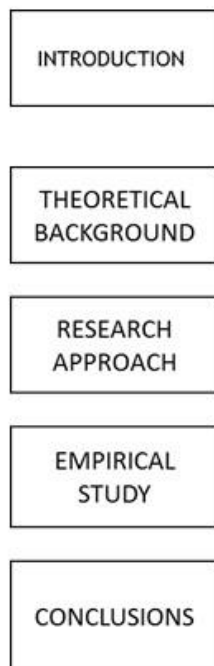


Figure 1: Structure of the study

## 2 Theoretical background

### 2.1 Customer loyalty

Lawfer defines customer loyalty as a specific activity that is performed by customers when they buy from you regularly and recommend you on a repeated basis. Loyalty is performed when a customer buys from you repeatedly and tells others about the experience and by doing this encourages others to buy from you too. (Lawfer 2004, 14-15)

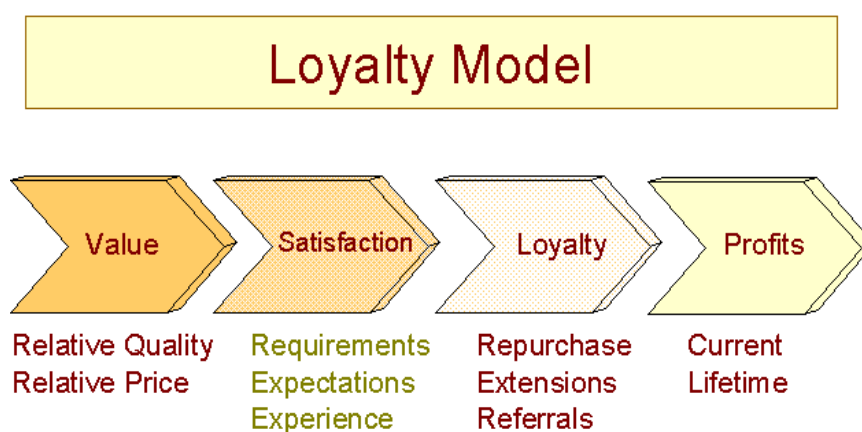


Figure 2: The loyalty model (The loyalty model. 2012. The Homa files)

Figure 2 illustrates how customer loyalty is as much a process as any other. First it is important to study your customers and find out what brings them value and what they consider important. Price is an aspect that holds a lot of power in the customers' eyes. This means that if one company is selling the same product for cheaper than the other company, it is more likely that the customer will buy that product from the company that has the cheaper price. When expectations, experiences and requirements are fulfilled it creates satisfaction and that is followed by loyalty. Therefore customer loyalty creates profitable income. (Lawfer 2004, 15-16)

## 2.2 History of customer loyalty

Robinson and Etherington (2006, 22-23) state that human nature has not changed over time at least not in a meaningful matter. People still have similar desires and needs.

The earliest recordings took place in the third millennium BC where the Ancient Sumerians and Ancient Egyptians built the world's first cities. People competed over customers and customer loyalty was already a well-established way of trade and doing business. Nevertheless people mainly sold to the one's they already knew personally so customer loyalty was acquired by winning loyalty from people who were strangers to start with. It can also be said that this way of trading still has a strong position in the less developed countries and has not changed much since the early times. This can also be compared to a market place where the competition is overwhelming and customers need to be impressed in order to win them over. This was done by recognizing the customers' needs in the same way as it is done in the modern world today. (Robinson 2006, 22-25)

The first customer loyalty program originated from Germany. S&H Green Stamps had a reward system for grocery store and gas station customers in the 1950's. Customers received stamps for their purchases that were redeemable for appliances and other merchandise.

(Crm trends)

American Airlines were to launch the modern world loyalty program in 1981 and it was very quickly duplicated by other airlines as well as hospitality industries like hotels, car rental companies and credit card companies. (Crm trends)

Loyalty programs started to evolve when retailers began to realize that they were unable to recognize individual customers without a customer identification tool. By doing this they would be able to reward the customers for desired behavior. (Crm trends)

### 2.3 Understanding customers

From a general point of view all companies and organizations need to start understanding their customers in order to be able to please them. As Sionade Robinson and Lyn Etherington (2006, 5) talk about in their book, *Customer Loyalty*, that impressing customers leads to loyalty and this requires understanding what they want and knowing how to awaken the feelings of being impressed. It is as well important to remember that customers want to be loyal but only to the organizations that can meet their needs.

As a reference to the company in question, Aircooled Oy, when making a plan for a customer loyalty program it is as well crucial to understand the customers and their needs. This enables a tailored program that suits specifically Aircooleds customers and their needs. Understanding customer behavior leads to understanding their expectations and how to meet them. Robinson (2006, 7) talks about customer expectations and how there is a distinct gap between customers' expectations and the reality of their experiences and this leads to the following evaluation. Customer satisfaction is achieved when expectations are equivalent to the experiences. Dissatisfaction takes place when expectations exceed experience. And finally the opportunity to impress customers is achieved when experience exceed expectations. Organizations have found it very useful to study the development of customer expectations as this provides crucial information concerning future profit planning.

### 2.4 Building Customer loyalty

"Loyalty is the willingness of someone - a customer, an employee, a friend - to make an investment of personal sacrifice in order to strengthen a relationship. For a customer, that can mean sticking with a supplier who treats him well and gives him good value in long term even if the supplier does not offer the best price in a particular transaction." (Reichheld 2011, 43)

The definition of loyalty stated in the paragraph above encapsulates everything that someone would need to know about loyalty and what it stands for.

Repeat purchases do not make a customer loyal, meaning that someone who buys from the same company again and again is not necessarily defined loyal. It is about much more. For instance the customer may just be accustomed to buying from the same company repeatedly because they happen to offer what the customer wants and at a good price or simply because of circumstances. Customers who are considered truly loyal have the habit of buying more over a period of time. This can be based on the growth of their salary or they want to spend a larger amount of their money on a company that impresses them and makes them feel good. Loyal customers also work as references and recommend the company to their friends, colleagues and family. This type of activity is a clear indicator of loyalty as a sacrifice is made

by the customer. It is called a sacrifice because the customer is putting their own reputation on the line. (Reichheld, 2011, 43-44)

## 2.5 Examples of customer loyalty programmes

There are several different types of loyalty programs. Most companies have a loyalty card and it can have different functions. A loyalty card can simply have a function of collecting points and bonuses but also a possibility to get discounts on selected products. There can also be a possibility to add a credit paying option to the loyalty card. In Finland for example Stockmann and SOK have a loyalty card combined with a credit and debit paying possibilities. Some companies just have a newsletter that they e-mail their loyal customers and advertise their monthly discounts.

Stockmann was mentioned before and it is actually one company that offers its loyal customers an option to buy the company's shares depending on the amount of points the customer has collected. The points are collected by making purchases in the Stockmann department store. For example if purchases have been made worth 10 000€ over the year, Stockmann Ltd offers an amount of 40 options that provides the customer with the right to acquire Stockman's B shares. They can be converted to money later. The price depends on the company's current market value. (Stockmann 2012)

The purpose of customer loyalty is to increase sales, value and customer satisfaction as well as profit for the customer and the company. Loyalty programs are popular mainly because of the reasons mentioned and because they have the ability to attract customers very well. As a simple example that attracts customers to buy more is a coffee loyalty card that is used by some café's and the purpose is to put a stamp on the card every time a coffee is bought and when the required amount of stamps are collected the customer receives a free cup of coffee. Coffee is something inexpensive, small and needed by most people every day sometimes several times per day. Therefore it is relatively easy to collect the needed stamps and get an advantage out of a loyalty program in this way. Unlike some of the grocery store's stamp cards, where it is required to make a purchase of at least 25€ in order to get one single stamp and 10 stamps are required to receive a discount on a specific product. The motivation to continue collecting these stamps will most likely decrease relatively fast.

## 2.6 CRM

CRM is defined as customer relationship management. It is a strategic software system that is used to manage all aspects of the company's customers. The system helps the company to store information on customers and as a result to build stronger relationships with them. This

can be seen as a portfolio of all the customers. With CRM it is also possible to target specific customers with specified marketing campaigns and this is due to the fact that the system stores all information, enables the company to analyze each customer individually and maintain the customers. (Brink 2008, 44-45)

CRM is a crucial part of customer service, customer support and is strongly linked to customer loyalty. In order for the company to succeed in customer relationship management it is important to have a CRM system. For the company to be able to locate all the aspects that the customers are interested in, is something that an ideal CRM system should have. In other words the CRM system provides the company with a strategy on how to care for its customers better and result in profit. (Brink 2008, 45)

CRM is a highly important system that also helps to maintain a functioning marketing management system. Marketing management will find CRM a useful tool when planning their marketing strategies. (Brink 2008, 45-46)

The aim of CRM is to improve a customer's experience as well as make it more efficient for companies to store and find information on their customers. This will improve the communication and interaction between the company and the customer therefore the relationship may lead to satisfaction and from there builds into loyalty which creates more sales. This also enables cross selling as well as the search of new customers. (Brink 2008, 50)

## 2.7 Marketing management

A planning a suggested customer loyalty program is the purpose of this study. Therefore it is important to understand the linkage between customer loyalty, CRM and marketing management. Kotler (Kotler 2002, 4) defines marketing management in two ways. Socially and managerially. A social definition claims that marketing is something that enables individuals and groups to obtain their needs and wants by exchanging, offering and creating valuable products and services freely amongst each other.

The managerial definition suggests that the aim of marketing management is to know and understand the customer so well that the product or service fits him and sells itself.

Marketing management is also a process of planning and implementing the image, pricing, promotion and distribution of ideas, products and services. This process is done in order to create exchanges that satisfy the goals of individuals as well as organizations.

(Kotler 2002, 4)

Marketing management studies the needs and wants of groups and individuals. It plans a marketing strategy that is targeted specifically to the needs and wants of the groups and individ-

uals in question. The marketing strategy can include advertising in specific channels that reach the target group as well as different types of media. (Kotler 2002, 7-8)

Relationship marketing also known as customer relationship marketing is a part of marketing management that is related to the study in question. To be precise it is a more specific definition of what customer loyalty is about. This type of marketing includes activities that develop and manage long-term relationships with their customers. Relationship marketing is a little bit of CRM, marketing management and customer loyalty all together in one. The customers buying behavior, profile and history of contracts are maintained in a sales database that can also be defined as CRM. Usually this type of marketing is managed by an account manager for example. (Gummesson 2002, 11-17)

## 2.8 Theoretical framework

The theoretical framework of this study consists of customer loyalty, customer relationship management (CRM) and marketing management. (See figure 3) The study in question is concerned with all parts of the framework. As the topic is related to customer loyalty it is important to understand that customer loyalty does not function on its own and is strongly linked with CRM and marketing management.



Figure 3: Theoretical framework

## 3 Research approach

There are three types of research methods. Quantitative, qualitative and a mixed method. The quantitative method studies a large amount of people and the results are analyzed mathematically as they are numeric. This type of method is usually conducted by a questionnaire or a survey. The larger the amount of subjects, the better it is for the reliability of the results. The questionnaires and surveys usually have very precise and specific questions formed to match the study in question.

The qualitative research method is used to produce descriptive data and does not necessarily need a large amount of subjects. Instead it is preferred to use focused subjects. In this method it is about the quality more than it is about the quantity. This type of research method can be conducted by an interview that the subjects answer in their own words.

The research method of this study was quantitative as it was conducted by a questionnaire (appendix 1) in order to receive the required information. A quantitative research method gives a possibility to study a large amount of people, study their opinions, views and how they think. This type of research is usually done by using a survey or a questionnaire. Both provide the researcher with numerical facts that can be analyzed statistically as well as mathematically. It is a structured way to study people's opinions and base findings on the given results.

Quantitative research method provides companies with valid information that can help them make informed decisions as well as help to improve their services and products.

The questionnaire will study the customers motivation towards the customer loyalty program planned for Aircooled Finland Oy.

The theoretical background was collected by using different book and internet sources as well as the company's business and marketing plan. Several planning discussions took place between the author of this study and the manager of the company. The manager of Aircooled agreed to the suggestion of making a hypothetical plan for a customer loyalty program. The customer loyalty program is going to be a prototype at first. Many changes and developments need to be done in order for the customer loyalty program to work. The changes may include a CRM system as well as a marketing management department.

In the present situation Aircooled does not have a customer loyalty program. Random discounts are given at times to customers that are considered loyal.

### 3.1 Data collection

The data of the theoretical background of this study was collected by using several internet sites, books as well as the case company's business and marketing plan.

A quantitative method was used to collect the data for the empirical study. A questionnaire was used and distributed amongst the customers either by e-mail or face-to-face.



Other data was collected by having meetings with the manager where the study in question was discussed.

### 3.2 Reliability and validity

The reliability refers to whether the data has been collected from reliable sources and can be confirmed by using similar information again. In other words it is about how consistent the measurement is and does it provide similar results in varying conditions. The reference list includes all the sources used when conducting this study.

Validity of something refers to whether the information is truthful and whether it is measuring what it is supposed to measure. The results need to be reliable in order to be valid.

In this particular study of planning a customer loyalty program the reliability is achieved by the results of the questionnaire as well as the validity but the information may change over time depending on the clientele and the company. It has to be taken into consideration that as the clientele and the vehicles are ageing. Therefore it is uncertain how the structure of the company and clientele will change in the future.

## 4 Empirical study

In the empirical study section the study will be described as well as the questionnaire will be introduced finished by the analysis of the findings. Finally the conclusion of this study will follow suggested future challenges as well as further studies.

### 4.1 Case Company: Aircooled Finland Ltd

The official name of the company is Aircooled Finland Oy (Aircooled.fi). The company was founded in January 2005. There are four shareholders and owners, Tommy Tauriola, Marko Helppi, Jani Ruusunen and Jarno Tuomi. The CEO of the company is Tommy Tauriola and he is also the founder.

All of the owners had air-cooled cars as their hobbies for over a decade. The cars included old Volkswagens, beetles and cars similar to it, mostly the cars that were manufactured before 1975. During the summer of 2004 the US dollar crashed and the founders realized that it would be the perfect opportunity to buy parts for their cars for cheaper. This was still a hobby for them at this point.

During the fall of 2004 Tommy Tauriola arranged a group order for 10 other hobbyists including himself. The group order was based on the idea that each person chose the parts that

he/she needed, transferred the needed amount of money on to Tommys bank account and from there the money was transferred to the manufacturers account.

A few orders were made and it was quickly noticeable that there was a demand for this products and the amount of profit it would bring. This is when Tommy decided to start a company and make a business out of this hobby.

The name Aircooled comes from the word air-cooled which is a term used to describe the motors that are used for example in the old Volkswagen beetles. The motor is being cooled by air unlike the new cars that are cooled by water. This is because the old cars didn't have water in them so it had to be done by an actual fan/ventilator that blows air into the motor.

The company is being managed by the four owners and each of them contributes evenly in the management of the company.

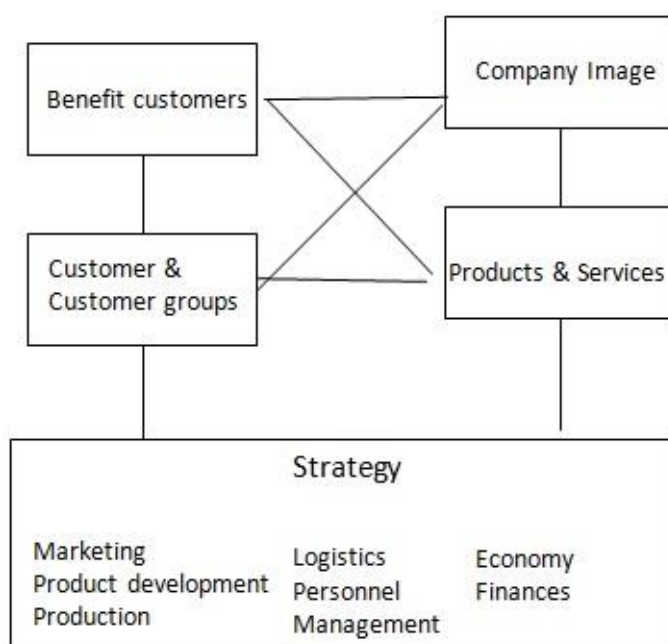


Figure 4: the Company's business idea

## 4.2 Mission and values

The mission of the company is to offer the best quality and reasonably priced products for the usage of Volkswagen amateurs and hobbyists.

The reason for establishing Aircooled Ltd is to make profit as well as improve the availability of Volkswagen air-cooled car parts. Improving the quality and the possibility of this hobby also holds an important role for the company.

The company imports VW branded products and sells them in its web-store, [www.aircooled.fi](http://www.aircooled.fi). Customers consist of finish VW air-cooled car amateurs and hobbyists. The parts are also sold to other retailers across Finland and Europe but it is rare and not a profitably meaningful aspect for the company at the moment.

The company's goal is to pursue a larger market share and this is done by larger volume of sales, better warehousing as well as carefully chosen manufacturers and suppliers. The products are mainly imported from the USA but also from Germany, Japan and recently China. The products are sold only through the web-store and distributed by Matkahuolto or Itella. These are the main delivery, mailing and distribution companies in Finland.

Orders, questions and inquiries are made only by e-mail or the web-store. There is no phone service. There is a small warehouse where the company stores the products. The rent of the warehouse is only 100€ each month.

In the future Aircooled plans to open a warehouse store from where the buyers have the possibility to collect their purchases. A part time salesperson or a warehouse/store manager would need to be employed.

## 4.3 Market Analysis

The company's target groups can be divided into two segments: Amateurs and retailers of air-cooled Volks Wagen beetle cars and other cars related.

### 4.3.1 Customers

Customers can be divided into smaller segments according to their area of their interest and hobby. In Finland there are about 10.000 hobbyists and amateurs all together. The amount is the same as there are registered cars.

Aircooled Oy has about 1000 registered customers. The amount of customers has been growing steadily during the past 2 years. The customers of Aircooled are mostly interested in speed, power and efficiency related advertising.

A typical streetcar amateur or a track racer is someone who is interested in technology and powerful motors and also owns a relatively “thick wallet” because this type of hobby does not come cheap. For example one motor can cost up to 15.000€. Usually this type of amateur/hobbyist and a customer is a man. This type of customer most likely follows all kinds of technical and motor related conversations on different internet sites as well as reads magazines and watches television programs related to the topic. The way one spends money depends completely on the person. Some like to spend on small touch ups and others like to spend on extravagantly expensive restoration and motor projects. The approach needs to be youthful, distinct and instructional.

Almost all of the products that are offered by Aircooled are suitable for the type of customer described above except the ones that are on a higher price range might not be affordable for the everyday street amateurs.

A street amateur usually invests 200€ to 1000€ for tuning a car per year and purchases are made approximately 2-3 times in a year. Speed, durability and drag racers can spend tens of thousands of euros.

#### 4.3.2 Market share

The company’s present market share is relatively small. It is only about 10% of the whole market. The domestic market as a whole is approximately 700.000-1.000.000€ on an annual level and this is in the terms of sales. The European market is easily ten times more than the domestic finish market. Therefore getting customers and suppliers from Europe could make a meaningful change in Aircooleds profit.

Nevertheless the idea is not to build or increase market share but to increase turnover. If the market share will increase as a result of present business activities of the company then that is only a positive change.

During the past few years two companies functioning in the same business field have left the market and this immediately affects also positively to the increase in sales and market share.

The buying power has remained steady and there is no sight of it decreasing in a meaningful matter. The change in trend affects the amount of money customers spend therefore a distinct decrease in trend would certainly affect the company’s business possibilities.

As this market of hobby is somewhat unusual compared to many others it is difficult to evaluate in which direction the market will go. The Volks Wagen beetle may be the most nostalgic car of all therefore the appeal is still strong. Each year there are newcomers and old amateurs move on to other hobbies.

The market for this business can be said to be in a recession and this is if the amount of cars are counted that the amateurs possess. Every year tens of the VW Beetles stop being used and get taken to be disposed of. New ones are no longer made therefore it is impossible to get any replacements. The people who own these types of vehicles are aware of this fact and therefore have a lot of value for these cars, especially the models that have been made in the 1940's, 1950's and 1960's.

With the company's present form of activity it will be impossible to hoard most of the market. A resulting factor for the company's possibility to increase will be to find an outside investor or finances. This will help to increase the stock and the supply prices. It is very tempting to start taking out the competitors but with the lack of recourses mentioned above it is not possible to start a price war at this point.

### 4.3.3 Swot analysis

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Small costs</li> <li>• Owners excellent knowledge</li> <li>• Best quality products</li> <li>• Different payment options</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Part-time upkeeping results in loss of customers</li> <li>• Strong lack of a financial base</li> <li>• Lack of time to upkeep the company</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Quality products for a reasonable price</li> <li>• Importing goods from China</li> <li>• Multilingual web store</li> <li>• Fast delivery</li> <li>• Marketing</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Competitors</li> <li>• In time the customer base will decrease</li> </ul>

Figure 5: Swot analysis

#### 4.3.11 Strengths

The company's strongest area is without question their low costs. There are no hired employees and all the work is done by the owners. Storage costs are only 100€ each month. Product orders are basically the only aspects that cost some money. As a result of this cost structure it is possible for the company to have lower prices.

An additional strength is the good knowledge and experience that the owners of the company have. They have been hobbyists and amateurs themselves for almost 20 years before they established Aircooled Finland Ltd. Building contacts and networking has also started around the same time as their interest in this area of business and therefore the company has a

strong background when it comes to professional contacts, colleagues and business partners. This helps the company also in the future if they want to expand their business.

The third strength is linked to the fact that Aircooled orders its products only from the best producers. By operating in this way the company insures itself a good reputation. A seller of good quality products will not fail if the pricing is well managed.

The fourth strength means that the company has accepted the most common payment options that customers usually like to use. This concerns only the web store. All commonly used credit cards, internet bank, PayPal and part-time payment (Klarna). Most of their competitors only accept cash or the traditional bank transfer.

#### 4.3.12 Weaknesses

A general weakness is that the business doesn't operate on a full-time basis. The owners only have time to manage the company during the evening and the weekends. This includes replying to inquiries sent by e-mail, phone inquiries and collecting and packing the orders. The result of this is that potential customers may be lost.

Constant lack of a financial base is troubling the company. It is challenging for the company to grow because of the lack of an outside source of finance.

A lack of time is another major weakness. One of the actual owners performs 80% of all the tasks and all the work for the company. This automatically reflects negatively on the concentration that is needed to perform other tasks and this results in the company's loss of efficiency. The only way to change these problems would be to put more effort on developing the company's storage-, sales- and operations management system in a way that they would become as easy and simple to manage as possible.

#### 4.3.13 Opportunities

To import good quality products from manufacturers that already have a well-known reputation combined with reasonable pricing. This is something that no other competitor has done so far. Therefore this is an opportunity for the company to take a major part of the market share from other companies. Aircooled has started to import some of the goods from China and this is also an opportunity because the quality is good and the prices are very low.

Having a multilingual and a well build web store with a fast delivery service is bringing new customers to the company with a slight force. The core is to have a fast service and to focus on marketing. In the beginning, as it is still seen as a beginning company as it has been functioning now for 6 years, it is crucial to invest slightly more into marketing but of course with

a logical objective and a focus. It is planned to expand the marketing also to Sweden and Norway as soon as the company find balance here in Finland.

#### 4.3.14 Threats

The company considers the US dollar to be one of its major threats because most of the company's import are from the USA and the world's financial situation causes pressure on the company as it needs to fill its warehouse relatively quickly and within a short period of time in order to purchase as much as they can before the prices go up.

The competitors are another major threat. They have managed to keep their prices stable for a longer period of time already and this means that Aircooled will most likely get into a price competition with its competitors sooner or later. However Aircooled considers that they will manage the competition well due to their well-managed cost structure.

The company's risks have stayed low. The image of the company is based on long-term effort in a very small market where mouth to mouth marketing strategy is in a very crucial part.

The demand will stay stable as long as there are amateurs and hobbyists are around and as long as old Volkswagens are still seen on the streets.

The reality is that the customer base is getting older and in time will disappear. This is something that the company needs to prepare itself for, for the long-term.

At the same time it needs to be taken into consideration that there are still over 10.000 beetle Volkswagens and other cars using an air-cooled VW-motor at the moment residing in Finland.

The biggest risks concerning the products are mainly to do with manufacturing flaws that can damage the company's reputation in general as well as cause different types of responsibility issues that have mainly to do with possible refunds and product responsibility.

Aircooled strives to always sell the best possible quality products so this risk is relatively small. As mentioned before that the company has recently started to import goods from China. This will result in major quality controls. The reason for this is that Aircooled want to offer the best possible quality, function and durability for the users.



#### 4.4 Target Group

The target group is everyone who is interested in air-cooled VW cars. This includes amateurs, hobbyists, other companies and retailers. The area of interest includes building, renovating and re-building. As well as preparing for different competitions, fairs and marketing events.

#### 4.5 Company Image

The image of the company has not been measured in any official way but it has been noted that it is in practice very good. When the company was established it was the only one at the time that was specialized in this type of business. For this reason the company got a big share of the market relatively fast. This helped to build the appropriate image for the company.

#### 4.6 Competition

There are a few competing companies in Finland and the most important are listed below.

##### 4.6.1 Hot-Cars Vaasa

Hot-Cars is considered the biggest and most important competitor for Aircooled Oy. This company had been doing a similar type of business for many years before Aircooled came along. Hot-cars has the best web-store out of all the competing companies. Customers get excellent information about the products in the web-store and their revenue has been hundreds of thousands of euros annually. Therefore Aircooled's main goal is to take Hot-Cars' market share. The weakness of Hot-Cars is their very poor customer service and very high prices.

##### 4.6.2 K-Raak Racing

This company has long traditions and has been around for a long time as well. K-Raak racing has decent web pages, reasonable prices and good service. The good service is due to its functioning phone service and a good warehouse situation. This company stands in a very similar place as Keiteleen Kone but the prices are clearly higher.

#### 4.6.3 Keiteleen Kone

Keiteleen Kone is a one man business that mainly offers parts for tuning a motor or decorating it. The company also sells cheaply made parts that it imports from Taiwan and they have been of poor quality though some of the parts have proven to be decent quality nevertheless. The clientele is much narrowed down to just certain tuners, mechanics and amateurs. Taking over this company's market share will be challenging and important for Aircooled because most of the imported parts that come to Finland are passed through Keiteleen Kone. The company is small and has a very limited budget which advantage is its low prices and familiarity in a small area. Also the company does not market itself nowhere else than on some websites, therefore this means that Aircooled will have no problem in getting an advantage in this area relatively easily. Aircooleds prices will have to be adjusted to fit the prices of Keiteleen Kone.

#### 4.6.4 Kuplapaja

Kuplapaja has been working as a Volks Wagen repair work shop for several years. The owner Juhani Jyränkö works in the shop by himself and is considered a reliable part deliverer around the whole metropolitan area. Therefore it can be considered a competitor because it can deliver all the same parts that Aircooled can deliver as well. The prices at Kuplapaja have been staying decent so the competition is on a good level at the moment. Kuplapaja is an excellent retailer.

#### 4.6.5 Freetechnics

Freetechnics is located in Kaarina and is run by one man. The main focus of the company is on old Porsche car parts but also has some Volks Wagen parts as well because of the strong link between the brands Porsche and Volks Wagen.

Freetechnics functions on a full day basis, unlike Aircooled, therefore a possible retail contract with the company could become profitable. Freetechnics is small but has potential.

#### 4.6.6 V-Wauhtipiste

This company is located in Turku and has a history of tuning and repairing old Volks Wagen cars. It has also focused on retailing spare parts that it purchases from Hot-Cars. V-Wauhtipiste also does its own importing but it is on a very small scale. During the past few years the company has concentrated more on newer car models and therefore the content of their web-store is rather scarce when it comes to the older models. This company could possibly be interesting as a business partner especially with the retailing of spare parts because

at the moment Hot-Cars is doing very well in this sector of retailing. V-Wauhtipiste should be considered as a retailer.

#### 4.6.7 Kokkolan Autofix

Kokkolan Autofix is a small company that has gradually expanded to become a retailer of Volks Wagen spare parts. The company has a very small turnover and does no marketing. This company could be a potential retailer for Aircooled.

#### 4.6.8 Pacific Productions Oy

Pacific Productions Oy is a retailer of Volks Wagen spare parts. Markets and advertises the company's new products illegally on some of the VW conversation sites and gets items sold in this way. Pacific productions Oy imports by buying straight from the manufacturers so in that way the company can have good profit margin. The price range has stayed relatively high which means more profit for Aircooled. As soon as Aircooled will get the business running properly it is possible get Pacific Productions Oy off the market by buying it for example.

#### 4.6.9 Motonet

Motonet has risen up in a very short time to become a supplier of Volks Wagen spare parts as well. The focus of this company is to supply basic spare parts. It would be wise to research and find out about Motonets suppliers in order for Aircooled to use the same suppliers/manufacturers as well.

#### 4.6.10 Mopo-Sport

Mopo-Sport started as a spare part retailer for motorcycles and mopeds. Gradually the company has moved on to Volks Wagen spare parts. The company's distinct strength is the possibility to use several different payment methods/options that they offer in their web-store. Even the shareholders of Aircooled have made purchases from Mopo-Sport because of the easy payment options and in land delivery.

#### 4.6.11 Oberschlachter Oy

Ober has originally started working with newer models of Volks Wagen Transporters and gradually moved on to beetles and other similar models of VW. The company has concentrated on a lot of marketing and making itself visible and therefore become popular amongst the customers who are on a budget. However the company's prices are not very low. The parts that the company imports are mainly a Dutch manufacturer called Paruzzi that has also offered its

products to Aircooled in the past but the level of turnover would have been low. Making a profit with Paruzzi products will be a challenge for Ober.

#### 4.6.12 Competition Analysis

Aircooled sees a clear distinction between all the companies. This is illustrated in the table below.

<b>Market leader</b>	<b>Challenger</b>
Hot-Cars, Vaasa K-raak Racing Keiteleen Kone, Espoo	Aircooled Finland Oy Oberschlachter Oy
<b>Impersonator</b>	<b>Specializer</b>
Pacific productions Oy Kokkolan Autofix Mopo-Sport Motonet V-Wauhtipiste	Aircooled Finland Oy (secondary) Freetechnics

Figure 6: Competition analysis

#### 4.7 Marketing

Aircooled has naturally invested a reasonably large amount of money into marketing especially in the beginning. The owners of the company have well established personal contacts in the air-cooled car business and amongst the amateurs. These contacts have been of a great advantage for the growth of the company.

One of the most important and useful marketing ways has been posting on [www.volkkaripalsta.fi](http://www.volkkaripalsta.fi). It is a discuss board/forum for all the amateurs and interested parties. Members of the forum exchange opinions, views, give advice and even re-sell their spare parts as well as vehicles. It can be said that approximately 50% of amateurs visit this discuss board. The owners of Aircooled have been active members of the discuss board and by partic-

icipating in the discussions they bring value to the company as well as performing subliminal marketing. Aircooled has had a company logo banner in [www.volkkaripalsta.fi](http://www.volkkaripalsta.fi).

Some of the traditional forms of marketing that Aircooled has been using are advertising in The Finish Volks Wagen Association's magazine every three months and using up ½ of a page.

Sponsoring several different events that are; Bug in Finn, Olari Swap, Kotkan Kesäpäivät, Urhon ajot, Fun in Finn, Porwoo Swap, Slugibileet and VW Fest. These events take place all over Finland in different cities each year, mostly during the summer season. Aircooled has participated in the events mentioned above by giving out gift vouchers or other prizes for the winners of competitions arranged at the events. Also spare parts have been donated for a motor assembling show.

The company has also sponsored Henry Forsgen's racing team in 2005/2006 by delivering them spare parts for the motor. Also KLR-Racing and Urhon Ajot racing team was sponsored in a similar way during the years 2007-2010.

Company T-shirts have been made and given out to important clients and customers as well when a meaningful business deal has been made.

The key-opinion-leaders are the ones that the company has been striving to influence because they are the ones who affect people's opinions and how they form them. Key-opinion-leaders are for instance the board of directors of the Finish Volks Wagen association.

Discounts have not been favored but sometimes if the company has received a good advertisement space in a magazine or on a web site then discounts have been given and even some free spare parts have been given out for free.

It can be seen that the marketing operations have been extensive compared to the size of the organization. Also the actions that have been made through personal contacts have taken place without almost any work.

Aircooled has come to this point by attending all important meetings, events, sponsorships and volunteering.

#### 4.8 Example case: Stockmann Ltd

Stockmann is mentioned as an example and as a reference for previous discussions on how to build customer loyalty and understanding customers. Stockmann Ltd is a retail department store that offers consumers a loyalty programme of its own. Not only does it have an actual loyalty program but it also has grown to become the kind of company people want to be loyal to. This is seen by customer's behavior and how they have developed a certain trust for the company. People in Finland get satisfaction out of shopping at Stockmann, they trust the concept where it is safe to buy and return with no questions asked. The quality is well controlled and damaged products are quickly removed from the reach of customers. Stockmann offers the possibility to pay with other currencies, to serve in several different languages and this has resulted in a large amount of tourists especially from Russia to travel to Finland for a shopping spree in Stockmann. It is also possible to notice that the level of customer service in Stockmann is slightly better than in many other stores.

Stockmann has launched three levels of customer loyalty. The basic level offers a bronze colored card and enables the customers to get discounts as well as to collect the points that are needed for the option shares. The higher level of loyalty is called the Exclusive customer level. This level requires a 4000€ worth of purchases made over the year and it offers a silver colored card with an addition of some extra services as well as a status symbol. The highest level of customer loyalty offered by Stockmann is called the First client. The color of the card is black. This indicates that the customers who possess this card are very prestige and high class customers. This level of loyalty offers a 25 000€ credit limit on the card, a lounge in the department store as well as in Airports which offers the possibility to have a rest and enjoy a daily newspaper with a beverage surrounded by other customers like one self. The First loyal customers also receive an interior decorator and a stylist free of charge. These were the main features of this customer loyalty level. (talouselama 2011)

Stockmann offers a possibility to purchase the company's B shares with the share options that are offered to loyal customers. In order to get the option shares a purchase limit has to be topped. The purchase limit depends on the level of loyalty. The levels are basic, exclusive and first. As soon as the limit is topped the customer receives the right to 20 option shares. The shares can be purchased twice in a year during specified dates. After this it is possible to sell the shares and receive financial gain.

This share option loyalty programme that Stockmann offers has been popular and has encouraged people to do their daily shopping in Stockmann.

Stockmann loyalty card also offers different discounts from specific products that change monthly. The discount rate is approximately 20%.

(Stockmann 2012)

#### 4.9 Analysis of results and data

The questionnaire was mainly aimed for customers of Aircooled Finland Oy. The questionnaire was given out to customers during events where Aircooled participated in for marketing or PR reasons. Some of the questionnaires were sent by e-mail. The questions are structured so that the answers match the information that this study is looking for. In this case the information needed concerns the customer's thoughts on loyalty towards Aircooled.

The amount of answered questionnaires was 70. The total of distributed questionnaires equaled to 150. 45% of the questionnaires were answered.

#### 4.10 Questionnaire

The answers of the questionnaire that were studied are listed below in a form of a pie chart. The answers are demonstrated in percentages. A description of figures and what is illustrated in them is provided below each pie chart. Please refer to the questionnaire located in the appendices.

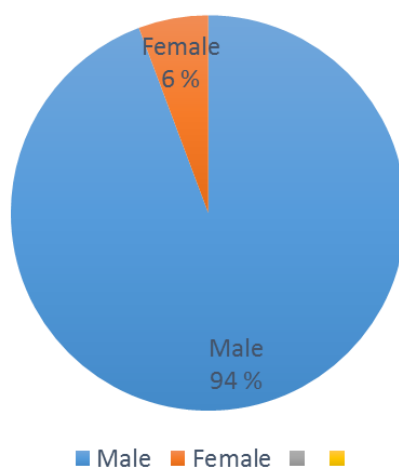


Figure 7: Gender of correspondents

Figure 7 demonstrates the gender of the correspondents, 94 % of correspondents were male and 6 % were female. The majority of correspondents and customers are male according to the answers given in question 1.

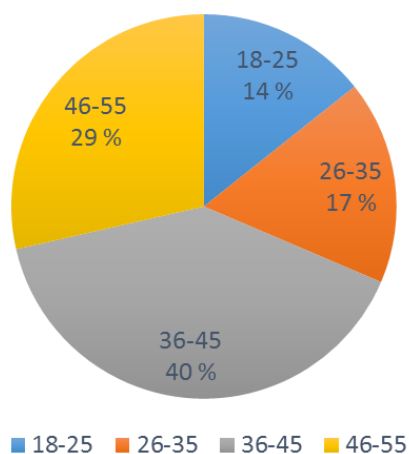


Figure 8: Age of correspondents

In figure 8 we can see that the majority of correspondents were either 46-55 years old or 36-45 years old. This is a clear indicator that customer who are in this specific age group are most likely to already have a good position in working life, they earn a good salary and have the possibility to invest.

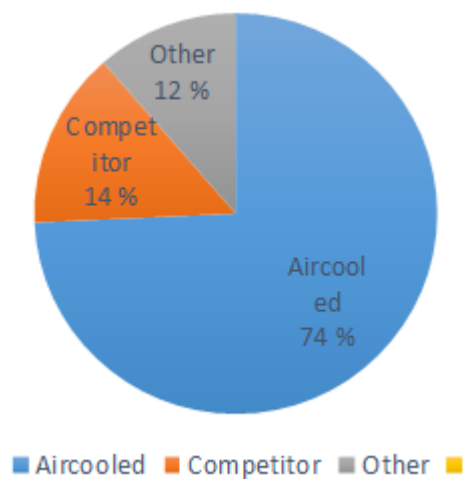


Figure 9: Choice of purchase place

In figure 9 it is illustrated that 74% of the correspondents would prefer Aircooled Finland Oy as the place to buy their spare parts from. 14% of correspondents would buy from another competitive company and 12% would use another source.



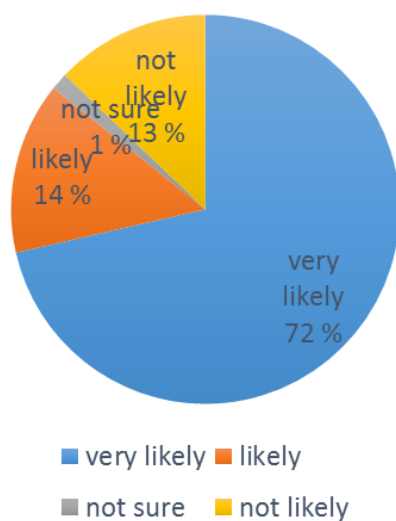


Figure 10: Likely to recommend to a friend or colleague

In figure 10 it is shown that 72% of correspondents would recommend Aircooled Finland Oy to a friend or a colleague. 14% said that they would likely recommend Aircooled, 13% said that they would not likely recommend Aircooled and only 1% was not sure.

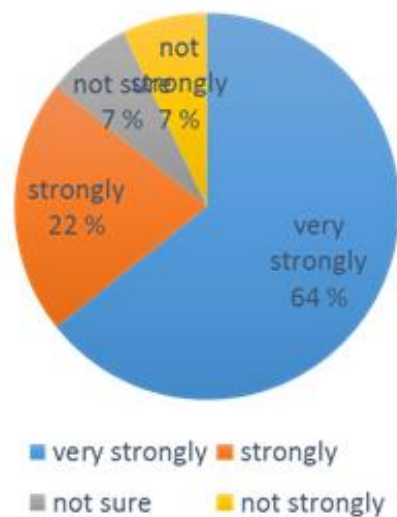


Figure 11: Do you agree that Aircooled Finland Oy deserves your loyalty?

In figure 11 it is shown that 64% of the correspondents agree very strongly that Aircooled deserves their loyalty. 22% strongly agree that the company deserves their loyalty. 7% answered that they are not sure and another 7% answered that they do not strongly agree that Aircooled deserves their loyalty.

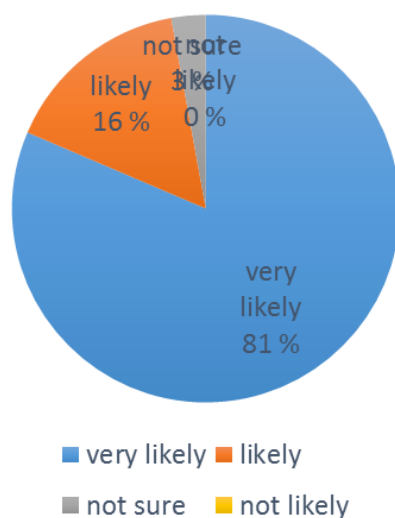


Figure 12: How likely will you continue buying from Aircooled Finland Oy?

81% of the correspondents would very likely continue buying their spare parts from Aircooled. 16% will likely continue buying from Aircooled and no one answered that they were unlikely to continue buying from Aircooled. Only 2% were unsure.

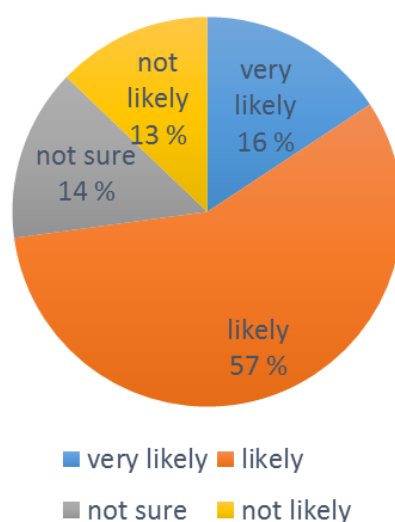


Figure 13: Would you want to own a share of the company if it would provide you financial gain in the future?

The last question indicates to the opinions that this study is looking for. In figure 13 it is illustrated that 57% of the correspondents would likely want to own a share of Aircooled if it would provide them financial gain in the future. But only 16% answered very likely to this particular question. Clearly there is something that is causing uncertainty in the correspondent's

minds. 13% were not likely to want to own a share of Aircooled despite the financial gain as well as 14% of correspondents that were unsure.

The questionnaire was designed to be simple and easy to answer. The aim was to find out how the customers see Aircooled and whether they consider themselves loyal to the company. The last question was constructed in a way that would make the correspondents think about actual benefits that they will gain by being a loyal customer of Aircooled Finland Oy.

As we look at the pie charts we can see that the answers were relatively consistent and similar in almost every question except in the gender question number 1. Most correspondents were male and this means that we do not have valid or reliable information concerning the female clientele.

The last question gave a sense of uncertainty in the correspondents when asked whether they would want to own a share of Aircooled in order to gain financial profit from it. This may be because of lacking information on the topic as well as lack of interest in some people. Before launching this type of a customer loyalty program an information pack including detailed information on the topic would be crucial for the safety and peace of mind of the customers. This is a more complicated system and not as simple as a stamp card for a coffee shop.

## 5 Conclusion and summary

“The value of customer loyalty is not situational or temporary. Loyal customers are always valuable. Customer loyalty is never the problem; it is always the solution. Customer loyalty levels the playing field; it is the ultimate competitive advantage.” (Lawfer 2004, 14)  
In this study the purpose was to plan and implement a customer loyalty programme for a company in question, Aircooled Finland Ltd/Oy.

Based on the discussions with the manager of the company we came to the decision that a prototype of a plan is needed. I offered to conduct this research and offer the company a suggested plan.

Based on the manager's wishes I conducted a questionnaire that studied opinions of the company's customers. The questions were formed in a way so that they would provide us valid information specified only on the fact concerning the customer loyalty and the possible loyalty plan in question.

As the clientele consists mainly of men, it was common in the results to see that this type of a loyalty program would be interesting and appealing to most participants.

Not everyone participated in the questionnaire therefore the results are not 100% valid and reliable. Nevertheless this type of loyalty program will not cause the company any extra costs in the beginning and this is because it is a small company with a relatively small client base. There will be no need for expensive customer management software systems in the beginning.

Hypothetically the process would go so that interested parties would have to open a book-entry account in order to purchase the share. The cost of the share is 100€ and the book-entry account has a monthly service fee depending on the bank it is opened in.

There is a clear possibility of financial gain for the company as well as for the customers. The risks are not large because the purchase amount is relatively moderate. If the value of the share will start to drop it is possible to sell it. The customers who will want to take part in this program will receive an additional 10% discount on all future purchases as well as other benefits. The other benefits can be considered in the future challenges and further studies.

### 5.1 Future challenges

For future challenges and further studies it can be suggested that additional loyalty benefits can be studied if the planned loyalty programme will go into use.

As a result of possible growth and profit that may follow the launch of the customer loyalty program, a functioning CRM system and a marketing plan will need to be considered.

In order for the customers to gain interest in the customer loyalty programme it will require visibility and a good marketing plan.

CRM is defined as customer relationship management and it is a crucial part of today's business world. It helps the company to store information about their customers and all the personal data as well. This enables the companies to build stronger business relationships with their customers, create value and profit for the customers as well as for themselves.

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## Other references

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Appendices

1. Questionnaire

Appendix 1: Questionnaire

QUESTIONNAIRE

Please circle the answer that represents your opinion the most.

1. Gender

a. Male

b. Female

2. Age

a. 18-25

b. 26-35

c. 36-45

d. 46-55

e. 56-65

f. 66 and above

3. When you purchase spare parts, do you mostly buy from:

a. Aircooled

b. a competitor

c. other

4. How likely is it that you would recommend Aircooled Finland Oy to a friend or a colleague?

a. very likely

b. likely

c. not sure

d. not likely

5. How strongly do you agree that Aircooled Finland Oy deserves your loyalty?

a. very strongly

b. strongly

c. not sure

d. not strongly

6. How likely is it that you will continue buying from Aircooled Finland Oy?

a. very likely

b. likely

c. not sure

d. not likely

7. How likely is it that you would want to own a share of Aircooled Finland Oy if it would provide you financial gain in the future?

- a. very likely    b. likely    c. not sure    d. not likely