

CREATING CUSTOMER COMMITMENT
THROUGH CUSTOMER LOYALTY
PROGRAM

Case: Company X

LAHTI UNIVERSITY OF APPLIED
SCIENCES
Degree Programme in International Trade
Batchelor's Thesis
Autumn 2011
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RYÖNÄNKOSKI, LAURA: Creating customer commitment through
customer loyalty program
Case: Company X

Batchelor's Thesis in International Trade, 58 pages, 1 appendix

Autumn 2011

ABSTRACT

This thesis is done for Case company X and its loyalty program Club X. The need for this thesis comes from the company which is one big Nordic toy supplier. The writer of this thesis has been working for the company already for several years and chose the topic also because of personal interest.

Customer loyalty and loyalty programs have come to stay in today's business life and they create an important marketing tool. Especially loyalty programs are really popular in Finland and the average Finnish consumer has more loyalty program membership cards than the average European consumer. This creates a possibility but also a challenge to stand out from the group.

This thesis is divided into a theoretical part and research part. The theoretical part is divided into customer relationship marketing (CRM) and customer loyalty parts for which electronic and printed publications have been used as references. The research is based on the theory and based on both parts, some development proposals are introduced in the end.

The research problem in this thesis is "How to get people to join the loyalty program and remain loyal?". This question has been used as an aid to help create the research. The research method in this thesis is qualitative and method used for data collection is theme interview. Six store managers around Finland were interviewed for the research.

The research showed that even though customer commitment is going quite well in stores there are still some improvements the company could do. The results of this thesis are to be used in the case company. However, some of the results can be used in other companies with similar loyalty program.

Keywords: Customer relationship management (CRM), Customer loyalty, Loyalty program

Lahden ammattikorkeakoulu
Kansainvälisen kaupan koulutusohjelma

Ryönänkoski, Laura:

Asiakasuskollisuuden luominen kanta-
asiakasohjelman kautta
Case: Yritys X

Kansainvälisen kaupan opinnäytetyö 58 sivua, 1 liitesivu

Syksy 2011

TIIVISTELMÄ

Tämä opinnäytetyö on tehty yritys X:n kanta-asiakasohjelmasta Klubi X:stä. Opinnäytetyön tarve tulee työelämästä ja sen toimeksiantaja on suuri pohjoismainen erikoiskauppa-ketju. Opinnäytetyön kirjoittaja on työskennellyt yrityksen palveluksessa usean vuoden ajan ja valitsi aiheen myös oman mielenkiinnon takia.

Asiakasuskollisuus ja kanta-asiakasohjelmat ovat vakiinnuttaneet paikkansa nykyaikaisessa yritystoiminnassa ja luovatkin tärkeän kilpailuväliseen markkinoille. Kanta-asiakasohjelmat ovat Suomessa saavuttaneet suuren suosion ja kuluttajilla onkin lompakossaan keskivertoa eurooppalaista enemmän erilaisia yritysten kanta-asiakkuuskortteja. Tämä luo mahdollisuuden, mutta myös haasteen erottua joukosta.

Opinnäytetyö koostuu teoriasta ja tutkimusosuudesta. Teoriaosuus on jaettu asiakkuudenhallinta- ja asiakasuskollisuusosioihin joiden lähteenä on käytetty elektroniisia sekä painettuja julkaisuja. Tutkimusosuus perustuu teoriaosuuteen ja niiden perusteella lopussa esitellään muutamia kehitysehdotuksia.

Opinnäytetyön tutkimusongelma on ”Miten saada asiakkaat liittymään kanta-asiakasohjelmaan ja pysymään uskollisina?”. Tätä kysymystä on käytetty tutkimuksen toteuttamisen suunnan antajana. Opinnäytetyössä on käytetty kvalitatiivista tutkimusmenetelmää ja teemahaastattelua tietojen keräämiseen. Vaikka tutkimus on asiakasuskollisuudesta, ei sitä varten ole haastateltu asiakkaita vaan yrityksen työntekijöitä. Haastatteluja tehtiin yhteensä kuusi ja kaikki haastateltavat edustavat samaa ammattiryhmää eli ovat myymäläpäälliköitä.

Opinnäytetyön tutkimuksessa selvisi, että asiakkaiden sitouttaminen sujuu pääosin melko hyvin, mutta potentiaalia kehitykseen on. Opinnäytetyön tuloksia voidaan parhaiten soveltaa yrityksen sisällä eri myymälöissä. Joitain tuloksista voidaan soveltaa missä tahansa yrityksessä jolla on käytössään kuluttaja-asiakkaille tarkoitettu kanta-asiakasohjelma.

Avainsanat: Asiakkuudenhallinta, kanta-asiakkuus, kanta-asiakasohjelma

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1 INTRODUCTION

The topic for my thesis is creating customer commitment through customer loyalty program. The case company is a large Nordic chain of stores specialized in toys. The need for the topic comes from the fact that customer loyalty has become a more and more important tool for obtain success. Loyal customers also tend to bring more money to the company.

In this thesis we will take a closer look at the company X customer loyalty program called "Club X". The aim is to find out how to recruit more customers to join it and how to commit the potential customer into being a loyal customer. The ultimate goal for the company is also logically to add sales through customer loyalty. The need for this thesis comes from the fact some stores recruit customers more easily than the others. The research will try to get answers on how stores see their loyal customers and how they could try to improve the level of loyalty.

Even though customer satisfaction is crucially important, thesis is written in company's point of view, not the customers'. This is to see how the people who are working with the loyalty program every day feel about the program and how they are trying to make it more successful. Customer relationships and customer loyalty are always a current topic and especially now in Finland it is because of the difficult economic situation and constantly stiffening competition in the markets.

I have been working for the case company from 2006 to 2008 and again from the beginning of September 2010 as a part-time sales clerk in one of the stores in Lahti. This means that I have lot of experience in working in the field. The idea for this theses came from the fact that our store had won the competition for recruiting new club members arranged in the year 2009 and the interest to figure out why it seems to be easier to recruit the customers in one place than in another.

The aim of this thesis is to understand first theoretically how does customer relationship management and customer loyalty work and how do they affect companys actions and choices. The aim of the case is to take a closer look at the loyalty pro-

gram Club X and how is it managed at the moment from the store manager's point of view.

The research problem in this thesis is "How to get people join to the loyalty program and remain loyal?". Supporting questions are, "What are we doing to get our customers to want to make the commitment to our store?" and, "How do we see the impact of loyal customers in our store?". The questions were used as supporting question when planning the theory, case and creating the interview questions.

For this thesis, six store managers were interviewed to find out more about how the club and its promotion work in different stores and how it could be improved. The interview contained three themes: Club X, customer commitment and personnel theme. These themes are followed through the whole case part and development proposals are also divided with them.

This thesis is roughly divided into three main parts. The first part is the theoretical part to give the reader the tools to understand the theory behind the case. The theoretical part is divided into two main chapters which are customer relationship management and customer loyalty. Theory should make it clear why CRM and loyalty programs are important and used so widely.

The second part is the case which will introduce the reader more to Club X and background data of it. It will present how the club is managed in the store and what kinds of stores were taken for this research. The last part is the actual research with development proposals.

2 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

The Aim of this theoretical part is to introduce the theory that the case is based on. It will give the reader the tools for understanding how customer relationship management, loyalty programs and loyalty marketing works in theory before they will learn more about how it works in reality.

2.1 The origins of Customer relationship management

Customers create a base for every company, without them the company could not exist. In fact the theoretical aim of any business is to serve target customers well and create relationships with them and increase their revenue via it. But how does the company separate a loyal customer from a one-time-customer? This is not an easy question.

Customer relationship management (CRM) is overall a term to be used when speaking about customer relationships and how a company should lead them. The objective of CRM is for a company to look at their actions from their customers' point of view and through that create more value to their customers and longer customer relationships without losing profitability. (Mäntyneva 2001, 9-11.)

In its simplest form CRM is an attitude, a mindset, a value that the company places on its business and its relationship with its customers. It is a methodology of creating and evolving the company in the marketplace and in the customer's mind at the same time. It must include the whole process of what the company is involved in and it must contain every aspect of the company's actions. CRM tries to find ways to treat customers more individually and to give more positive picture of the company. (Roberts-Phelps 2001, 2.)

The main point of CRM is that the company must use terminology that is appropriate for them throughout the organization. CRM unites different areas of the organization, for example IT and marketing, to deliver profitable and long term relation-

ships. CRM provides data to implement relationship marketing strategies and to understand customers better. (Payne 2009, 22-23.)

“Ultimately, each company must decide what CRM means to the organization and to the future of its success in the marketplace.” –Ron Swift, veteran CRM expert. (Payne 2009, 234.)

The need for CRM today is clear. Competition is increasing, customers are more sophisticated about choices and they can change between the competitors more easily. At the same time companies have more touchpoints where customers can make contacts such as call centers, field sales, e-mail and so on. This creates a growing need for a single company-wide picture of all the customer interactions. For the company that picture can be used to deliver better visibility into marketing, buying patterns, product preferences and potential add-on sales. For the customer CRM helps to ensure that dealing with single company which understands customer's needs and preferences can serve them effectively. (Guide to CRM report card 2011.)

The history of CRM and loyalty programs

Due to greater customer choice as a result of market globalization, new and innovative business thinking and action was required to meet the challenges of the new environment in the end of the twentieth century. Consumers and customers were more sophisticated and less responsive to so called traditional marketing pressures that had started in the 1950's. This traditional marketing was so called marketing mix and the pattern of '4P's, product, price, promotion and place. (Payne 2009, 7.)

Philip Kotler proposed in the early 90's a new view of organizational performance, whereby the traditional marketing is not replaced, but repositioned as the toolbox for understanding and responding to all the players in a company's environment. In short it meant that companies had to move from short-term transaction orientated goal to a long-term relationship-building goal. (Payne 2009, 7-9.)

Loyalty or reward programs started with the founding of Thomas Sperrys' and Shelly Hutchinsons' company S&H Green Stamps that sold stamps to merchants. Consumers earned green stamps when making purchases at supermarkets, gas stations and other retailers. Stamps were bonuses based on how much the customers bought. When consumer had collected certain number of the stamps, they could redeem them to products from the companys catalog. This system was in use from the 30's to the 80's in United States. (Simon, J. 2006.)

In the 80's technology started to develop and database marketing was created. This meaning that it was easier for companies to create groups of their customers and focus their marketing to all of them. In the case of key customers it was easy to keep communication lines open with them and tailor services to them based on their need. However, when it came to smaller clients the database did not offer much insight. Companies did understood that in most of the cases they would only need some simple facts, like what customers buy regularly, how much they spent and what they do. (Roberts, L. 2005.)

Loyalty programs were introduced to Finnish markets at the end of the 1990's so they have been used only about 15 years yeat they have been rapidly growing ever since. There is no other country like Finland when it comes to loyalty programs and loyalty cards. (Talouselämä 2011.) Special Eurobarometer 359 –report that was published in August 2011 showed that 87% of Finns use currently somekind of loyalty card. The average percent of loyalty card use in the European Union was 47%. In fact more Finns have loyalty card than passport (72%) or driving licence (79%). (European commission 2011.)

The average Finnish consumer has five loyal customer cards and he is also only able to remember about five loyal customer programs he is in. That means that the Finnish consumer has so called passive programs that he is not able to spontaneously remember. (Asiakkuusmarkkinointiliitto 2011.)

The future for CRM systems and loyalty programs seems to be bright and they are here to stay. Even though it may sound like an old-fashioned term it will bring new

ways for companies to communicate, operate and strategize to manage their personnel, customers and prospects. (Dver, A 2003.)

2.2 Customer life cycle

Understanding customer life cycle and the customer's needs is important for creating the company's success. Based on how well the company knows their customers and recognizes their needs is a key to their actions.

One simple theory of customer life cycle is introduced by Mäntyneva (2001, 15-16). Mäntyneva divides customer life cycle simply into four stages: acquisition, capture, growth and retention. The stage that the customer is at is the matter that affects for example how deep the relationship between the company and the customer is.

The objective of acquiring customers is to make the first purchase without big money loss and create customership at the same time. To attract new potential customers is typical to give discount of the product or service that the company is selling. This discount should not be too much, otherwise if the potential customer does not become regular one will the company lose money which can make acquiring really expensive. (Mäntyneva 2001, 19-20.)

Capturing the customer is critical, because establishment of customership is most vulnerable in the beginning. Ideal case would be to capture the customer buy more than one product or service. The more the company is able to sell to the customer the more likely it will lead to loyal customership. It would be best if the company can make their whole product line to meet the customer needs. (Mäntyneva 2001, 20-21.)

Customership development is a chance for the company to create patterns and plans to deepen the customership. This way the company tries to increase customer's total purchase in their company. If the customer base is already committed to

the company it is more likely to increase the growth potential with marketing their marketing to this group. (Mäntyneva 2001, 21.)

To maintain the customership, the company must know their customers and understand what the customers really need and want (Mäntyneva 2001, 22-24). When it comes to toy business it is clear that the need for its products comes to an end at some point. Yet it is important to maintain positive picture in customers mind to make them come back to you if they ever again need the company's products.

Customer lifetime value is synonymous with customer's actual value. It is the present value of the future contributions from a customer with no different actions on the company's part. This is when the company expects that the customer is behaving as the company expects him to behave. All the customers of the company today will be responsible for some specific events in the future, each of which will have a financial impact on the company. There are, for example, purchase of a product, payment for service or a help-line telephone call. (Peppers & Rogers 2011, 156; 124-125.)

Customer value analysis is a good way to determine the customers which are more valuable to the company. Almost all the small volume customers in companies CRM data are unprofitable. That is why it is better to focus on middle-sized or big volume customers. However, big customers can also be unprofitable and cause big losses to the company. It has been said that 20% of customers produce 80% of the profit to the company but this can also be wrong. 20% of customers can produce 80% of the volume but the profit per centage can be something completely different. Big profitable customers are important for the company because they create the base of the revenue and are making it possible for the company to make plans for the future. Unprofitable customers are also an interesting group because they can turn into profitable ones rather fast. These customers usually do not even want to be unprofitable because they know that it affects them negatively. (Storbacka, Sivula & Kaario 2000, 43-49.)

2.3 Customer segmentation

Customer segmentation is a key principle of CRM. It is important to find out who the real customers are and what their demographic details are. In customer segmentation it is better to use also professional experience, i.e. better touch to the customers gives better possibility to aim exact analysis into right target, rather than just use statistical methods. (Mäntyneva 2001, 25.)

The aim of segmenting customers is to recognize customer groups that have similar needs and expectations or whose buying behaviour is similar. Segment criteria can be, for example, demographic and life style based factors, product ownership and usage or purchase history. This way the customer can be provided with more centralized products, services and marketing communication. Segments should always be recognizable and all the customers who are in it should be countable. They should also be in the reach of marketing communication. (Mäntyneva 2001, 26.)

According to Payne (2009, 66-68) the most important business-to-consumer market segmentations are shortly presented in the following way:

Geographic segmentation: differentiates customers on the basis of where they are located, so they can be segmented for example into urban, suburban or rural groups. Commonly customers are segmented by zip-codes which might also represent groups in terms of relative wealth, socioeconomic and other factors.

Demographic and socioeconomic segmentation: is based on a wide range of factors such as age, sex, family size, income, education, social class and ethnic origins. It is helpful in indicating the profile of people who are the customers.

Psychographic segmentation: involves analysing lifestyle characteristics, attitudes and personality. The whole population of certain country can be divided into between ten to fifteen groups, each of which has an identifiable set of lifestyle, attitude and personality.

Benefit segmentation: involves customers on the basis of the benefits they are seeking from a product.

Usage segmentation: usually divides consumers by their stage of usage, for example into heavy users, medium users, occasional users and non-users of the product in question. It is a very important variable for many products. The company is usually most interested in heavy users.

Loyalty segmentation: involves identifying customer's loyalty to a product or brand. Customers can be, for example, very loyal, moderately loyal or disloyal. These groups are examined to try to identify common characteristics so the product can be targeted at loyal customers.

Occasion segmentation: recognizes that the customers may buy product or brand in different ways depending on the situation.

2.4 Employee value and customer service

One critical part of making successful CRM is to have well motivated and professional employees. There are two perspectives to consider the employee value. The first is the value that employees deliver to the company and the value the company delivers to employees. (Payne 2009. 289.)

Key factors in determining employee value are how the company's leadership, human resources and culture are organized. This has a significant bearing on customer value. Typically 92 % of investment in CRM expences goes into technology and data, but these aspects represent only 25 % of the competency determinants for success. Company need also to make sure the other critical elements that make 75% of the competency determinants for success actively support CRM activities. These competency determinants for success are for example people, process, organization, culture and leadership. The people element is critical in making CRM work. It has been shown that a total of 60% of the competency determinants for

success involve people, organization, leadership and culture. (Payne 2009, 288-289.)

The main purpose of customer service personnel and service organization is to make the customer come back to the company. The customer is not a regular or loyal customer if he patronizes with the company once or twice, but three or more times can be taken as a regular customer. If all the people who are part of the service organization are committed to make the customer come back, will they have more opportunities to build trust with the customer and make the company benefit for it as well. (Valvio 2010, 69.)

In a study which was completed in Finland in 2011 it was shown that Finnish consumers value most the knowledge, friendliness and helpfulness of the shop assistant. A really important fact that was revealed by the study was that 63 % had changed their shopping place because of the attitude of shop assistant. Three features of the sales personell that consumers found disturbing were aggressiveness, ignorance and lack of knowledment. (Talouselämä 2011.)

2.5 Loyalty marketing

In short, loyalty marketing can be defined to be a systematic pattern in which the company together with the customer maintains and developes their relationship. The aim of the act is to reach satisfaction of both parties. Customer commitment affects to loyalty marketing, the higher level of commitment the more loyalty marketing will affect to customers behaviour. (Pöllänen 1995, 19-21.)

The keys to concept of loyalty marketing are consistence, customer orientation, individualism, customer profitability and goal-orientation. Loyalty marketing means that company systematically notifies loyal customers differently from their mainstream marketing and give the customer individual marketing and collect individual feedback from the customer. The company should also let their loyal customers affect the marketing they receive from it. (Pöllänen 1995, 19-21.)

Loyalty communication differs from traditional marketing with its personal touch. Individualized loyalty communication is tied to the stage of the customer-ship, it is personal and it includes personal qualities from both parties. Individualizing from the company's point of view means that when the company sends a message to the customer the timing, insight and style should be individualized. Individualized marketing actions are for example loyal customer newsletters, invitations to shows, different campaigns and loyal customer magazines. (Pöllänen 1995, 75-76.)

The communication between company and customer should be as easy as possible. This means that the company should open many communication channels for the customer. The company should activate their personnel to interact with the customer by simply talking with them. All the loyalty marketing actions should also include possibility for the customer to give feedback to the company. This could be for example customer survey or feedback system like e-mail address. (Pöllänen 1995, 79.)

For loyalty marketing communication to be successful the company should always be prepared to really listen to the customer. How the company really listens and takes the customer's individual opinions seriously is really highlighted in every loyal customer contact. Everything that personnel or, for example, marketing material does or does not do communicates just how important the customer for the company really is. Even one failure can cause a disappointment that is not easy to recover. (Pöllänen 1995, 79-80.)

One part of loyalty marketing can be event marketing. Event marketing can be arranged in many different ways. First of all it can be arranged by the company itself or the company can attend to an event organized by some other organization. Best results are reached when the company itself can arrange and plan the event, because then the focus is in the company's own goals. On the other hand if the company attends to an event where the focus group and company's values are met, there is no reason why the event could not be beneficial for the company as well. (Muhonen & Heikkinen 2003, 82.)

It is important to bring different kinds of events and experiences to the store because purchase decisions are usually made in stores. That way the company can create a purchase moment and an experience to remember. Events are usually welcome to the stores when they are planned in a way that does not disturb regular business actions in the store. (Muhonen & Heikkinen 2003, 86.)

3 CUSTOMER LOYALTY

This chapter will be about customer loyalty. Customer loyalty is a topic that creates a lot of discussion and passion. It is a widely studied area of business operations and a short definition for it could be the likelihood of the previous customers to continue to buy from a specific organization. Who really is a loyal customer and how they are separated from the rest of the customers?

3.1 Meaning of customer loyalty

Customer loyalty can be divided into many different types of loyalty, for example image based loyalty, product based loyalty, company based loyalty and feeling based loyalty. (Arantola 2003, 26-27) According to Pöllänen, a loyal customer definition depends on how the company segments their customers and there is not one right answer to that. The wider the criteria are, the bigger the loyal customer segment will be. Company must always be the one who defines who is a loyal customer and who is not. (Pöllänen 1995, 17-19.)

Roughly customer loyalty definitions usually take one of two different directions; it is either attitudinal or behavioural. Both of these directions are valid when used separately, but the most helpful way of improving customer loyalty is to rely on both of these definitions. It is also theoretically possible that the customer can be loyal to the company even if their attitude toward it is not positive. Then there are other reasons, such as the price, for repeat purchase. (Peppers & Rogers 2011, 64.)

By the attitudinal definition of loyalty a customer is loyal to a brand or a company if the customer has a positive, preferential attitude toward it. Customer prefers to buy from the company because he likes the company, its products, its services or its brands rather than buying from the company's competitors. (Peppers & Rogers 2011, 64.)

By the behavioral definition of loyalty a customer is loyal to a company because they buy from it and then continue to buy from it. In behavioral loyalty there is no emotional content or sense of attachment to the company on the customer's part. (Peppers & Rogers 2011, 64-65.)

The customer ladder of loyalty identifies the stages of relationship development.

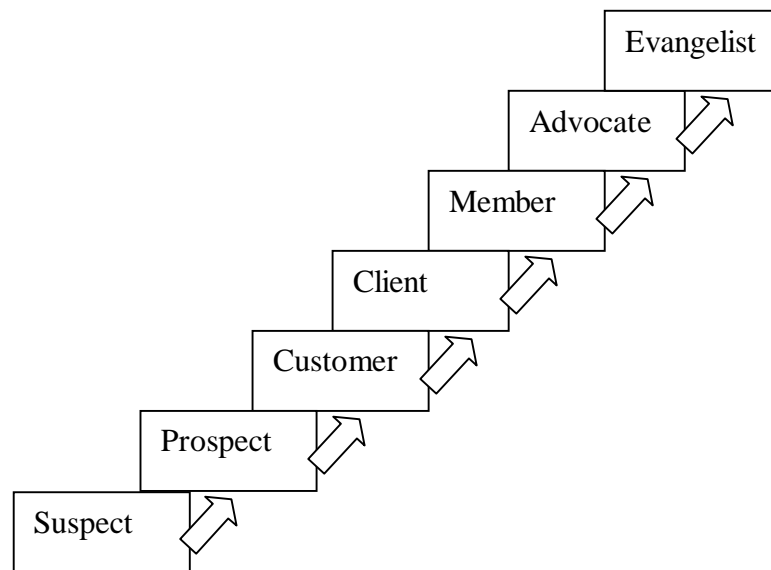


Chart 1: The customer ladder of loyalty. Reference: Gattari 2011.

As stated in chart number 1 the customer ladder of loyalty starts from prospect. Prospect is a customer who might be potential buyer, it is anybody who could buy from the company. This means for example if the company operates in Finland all the Finns would be suspects. The second level is the customers who are potential buyers of the company's products or services. They have not bought from the company yet, but they have showed some interest for example visiting company's store. (Gattari 2011.)

Third level is the people who have bought from the company. These can be just one-time customers so the company has to find new prospects. It would be important to get this group to the next level which is clients. Clients are group of

customers who buy from the company more than once. That means they have found companys products good enough to use it again. (Gattari 2011.)

Fifth level is members. They are group who feels like they are in a same tribe with the company. They are for example members of companys loyalty program which makes it easier to communicate with them. Sixth level is advocates who will recommend the company when asked to do so. Last level is evangelists who will recommend the company without asking. They trust the company and will tell others about the products. Because of expand of the social media (facebook, twitter etc.) it is easy for customers to communicate among themselves. These are the people the company should get out of their customers. (Gattari 2011.)

The most important factor of climbing up the loyalty ladders is to have motivated employees. The sale should not be seen as closing deal but the opening opportunity. The companys employees should be committed to move the customers up in the loyalty ladder stairs. (Gattari 2011.)

Customer service policy should be written down for employees to see it. It could be a statement or detailed description of how the employees are going to solve the issues with customers. This could be for example how to handle reclamation situation. Support system for customer service policy should also be established. That should include clear istructions of the level of customer service required. (Gattari 2011.)

The company should measure customer service and reward and acknowledge the employees who provide good service and maintain high standard. If the company is committed to provide good customer service the customers are more likely to come back again and buy more and also to recommend the company to others. Allways remember that customer service is where the company can beat their competition every time. (Gattari 2011.)

3.2 Loyalty programs

A loyalty program is a program that awards different kinds of benefits to a customer in exchange for the customer doing business with the programs host organization. Loyalty programs have become important marketing tools in a variety of industries. (Peppers & Rogers 2011, 66-67.) The aim of loyalty programs is the need for companies to be able to predict better how their revenue will develop in the future. At the same time the company wants to grow the amount of a purchases. (Arantola 2003, 72.)

Loyalty programs can be divided in different types depending on how you look at them. According to Arantola (2003, 83), loyalty programs can be divided into 3 basic types; quiet customer loyalty programs, open customer loyalty programs and business-to-business customer loyalty programs.

A quiet customer loyalty program is basically a program that customer has not signed up for but is part of due to customership with the company. In this program the company has a clear vision of how they are leading certain customers even when they are not marked as loyal customers. These types of loyalty programs are most common in long-term customership fields such as newspaper or telephone subscriptions. (Arantola 2003, 83-84.)

An open customer loyalty program is aimed to customers who want to join to the program and led the company know this way that they are interested to be their customer. For these programs it is common to have a name, customer must join for it, the company rewards the members with money or other bonuses that are contrast with money and the company will want to provide members with marketing communication. (Arantola 2003, 84-86.)

Business-to-business loyalty programs are aimed towards business-customers. The customers are other companies. So it is typical that these loyalty programs are more unique and customer designed, because the customer really needs to see the benefits that their company will receive from doing business with this other com-

pany. B-to-B loyalty programs are more like business partnership between the companies. (Arantola 2003, 86-87.)

A loyalty program should be simple and managed around customers, not products. A program with fewer rules and restrictions is more engaging to the customer. It is better for the company to limit the offers to those that can be delivered rather than include elements that can not be relied on. If the company can not deliver what promised in its loyalty program, it will have a risk of losing customers trust. Customers also value openness. The more open the program is the more attractive it will be to the customers. (Peppers & Rogers 2011, 67-68.)

An effective loyalty program offers participants to mix and match their own preferences and never wastes an opportunity to gain insight about a customer. It will offer a choice of services and products that reveal something about customer's personal preferences and at the same time the offers should allow customer-driven personalization without going to the extreme of full customization. (Peppers & Rogers 2011, 67.)

One important fact about loyalty programs is that they are really common nowadays and usually all the major players on the market offer one. This means that loyalty program can be seen just as a bribe for doing business with certain company. (Peppers & Rogers 2011, 68.)

3.3 The structure of benefits in loyalty programs

The value the customer receives from the company is the total package of benefits. The competition exists not only between what companies produce but between what they add to their factory output in the form of packaging, services, financing, advertising, customer advice, delivery arrangements, warehousing and other things that people value. (Payne 2009, 103-104.)

There are different ways of rewarding loyal customers. Reward systems can include benefits that are money worthy, rational appealing “hard benefits” or emotional appealing “soft benefits”. The aim of the benefits is to engage the customers to the company and increase add-on sale. (Pöllänen 1995, 67.)

To make reward systems beneficial also for the companies that are providing them, it is most common to make the system progressive. That means that the more customer buys the more he or she will be rewarded. To maintain the system there are different types of loyalty programs from specific ‘bonus systems’, for example S-etukortti, to smaller clubs. (Pöllänen 1995, 67.)

Rewards that concern money are an important part of the reward system because they appeal to customers rational purchase behaviour and that way make the customer more likely to make the purchase.

Money worthy reward options are for example:

- special offers that are only for the loyalty program member
- certain percent of discount from the total purchase
- bonuses or ‘points’ that will entitle the customer to receive valuable prize

(Pöllänen 1995, 67-70.)

Soft benefits are a wider group of benefits. There is not a right, wrong or one standard solution for the company to choose their selection of soft benefits. It depends on the type of the loyalty program and its target group. Soft benefits can be related to companys core products or they can be totally unrelated. They also can offered periodically or all year around, against fee or completely free.

Typical soft benefits are for example:

- Special events for loyal customers
- Special treatment

(Butcher 1998.)

The benefits create extra costs to the company that provide them. Even though these benefits give extra value to the relationship between the customer and the company, the company should also try to find ways to reduce the costs. One way

to do it is to create partnerships with other companies and get the other company as a partner to provide some benefits for loyal customers. This way the partner can increase its revenue and get more customers. However, the company who the loyal customers belong to should be careful with this method so the customers would not get confused and untouched with the host organization. (Pöllänen 1995, 72-73.)

3.4 Customer commitment and satisfaction

Customer commitment is a topic that has been studied for decades and it has many different forms. These different forms depend on in which point of view or situation the researcher is looking at it. For example customer commitment can be image-, service- or brand based commitment. However, the meaning of term customer commitment can be placed in simple form by defining it means usually some amount of re-purchase from the same supplier within a certain time period. (Arantola 2003, 26)

Customer satisfaction has been seen as a direct way to customer commitment. It has been studied that the connection is not that clear after all. For example customer may express to be happy with the company, but in reality he might not understand the value he receives from the company because he is unable to understand for example the technical part of the product he has bought. In these cases the personal experience is more important than the actual product, because it is more personal and the customer understands it. However, it is important to survey customer satisfaction for the company then to be able to react for possible weakenings in it. (Arantola 2003, 35.)

Long-term customership is a good measurement of customer satisfaction, but customer satisfaction does not predict long-term customerships.

The ability to manage expectations and then systematically exceed them is the base of a successful business. There are only three physical and emotional states that the

company can leave their customers in. Those are a pleased happy customer, a satisfied customer and a dissatisfied customer. (Roberts-Phelps 2001, 49.)

A satisfied happy customer is a customer that gets a positive surprise when they deal with the company. This is the kind of customer who will come back to the company and will tell their friends about their experience and became an advocate for the business, like an unpaid salesman. The way to attract this kind of feeling is to exceed, deliberately and consciously customers expectations. It means to try to find something extra that the customer does not expect and surprise him or her with something that makes them smile. If the principle is that the little things matter most, it is only a matter of creativity that can make a difference to the customer's experience. (Roberts-Phelps 2001, 49.)

A satisfied customer is a customer whose expectation is equal to their experience. These customers are satisfied, in not any better significance, neither is it any worse. This scheme does not stick to the customer's memory for a long time or makes the customer come back or recommend your company. In this case only hope for delivering satisfactory service is that the competitors are in same way far worse than you are. (Roberts-Phelps 2001, 49.)

A dissatisfied customer is defined as a customer whose experience is less than his or her expectations are. Many companies are actually saved from possible ruin because they have such low expectations within their customers. While falling below many standards the company manages to escape dissatisfaction because the customer has so low expectations. (Roberts-Phelps 2001, 49-50.)

4 THE CASE – COMPANY X

Within company X chain, all the stores have the same rules and regulations. Prices and campaigns are the same as well. However, sometimes there are some small special sales or discounts that are only in certain store. These are usually focused for example special events organized by the shipping centre. Products are also pretty standard in every store, but because there is different sized stores there is some variation within the product ranges as well. Still it is easy to compare actions between the stores in Finland because the basic things are the same for everyone.

4.1 Club X

Company X's customer loyalty program is called Club X in this thesis. It is available in every country that Company X is presented. Joining Club X is possible via internet pages and in every store. It is a completely free customer club and everyone is allowed to join. The focus of the club is on children so it is possible or even recommended to join all the children in the family so everyone will feel like special and important customer. However, minors (children under the age of 18) are allowed to join only with their parent approval. All members will receive personal plastic club cards and all the benefits are equal to every club member.

Benefits for the customer

Club X provides its members with a variety of different benefits. The most important benefit is that for every 2 Euro purchase the club member will receive a sticker that is worth 10 cents. The club member will collect these stickers into a special notebook that has space for total of 50 stickers. When the notebook is full it is worth 5 Euros. Customer is allowed to use it for purchase or change it into cash even though it was not full. There is no time limit for using the stickers so this allows the customer to decide if he or she wants to use the stickers fast or to collect them and use more at the same time.

All the club customers will also get a free birthday present. The birthday present can be chosen from 16 different items by the customer. The variety of presents has been thought in a way that everyone should find something for themselves. The products also change from time to time. Customers can get their present from their local store by asking it from the sales clerk and showing their club card. Customer will receive an e-mail reminder for the birthday present.

Many of today's toys need different kinds of batteries and batteries are available for purchase in every store. Club members automatically receive -25% off the price when they buy batteries. This includes all types and package sizes and it is a permanent benefit.

Club X also has co-operative partners that will give discounts for club members, for example, Legoland in Denmark and Muumimailma in Finland. Other than that every store has changing products with discounts for the club members and the club will also arrange competitions in the stores every now and then.

Benefits for the company

The objective of Club X is of course to make customers commit to the company and shop more in its stores. Nowadays it is also important to stand out from competitors with giving the customers maybe better service or something else to make them happy. Club X gives the customers money worth stickers from every purchase that is over 2 euros which can also make customer buy more or focus their toy shopping entirely to stores.

One point of Club X is to create good public image for the company. The customer can directly see and count how much they have received bonuses (stickers) from the company and they do not have certain time limit to use their bonuses. Sticker system is also child friendly and can provide child and his parents a small activity they can do together. Also the birthday present that every club member is allowed to choose at their birthday creates positive image of the company.

With good publicity and happy customers the company can not only have customers coming more often, they can also increase their revenue. The company can also make its marketing more affective by sending advertisement directly to most potential customers via e-mail. Customers can choose whether they want to receive these e-mails.

4.2 Recruiting new club members

Company policy is that every paying customer is asked whether they have the customer club card or not. This helps the people who have a club card, but may forget to show it and that way not get the benefits, but it is also a good way to bring up the fact that the company has loyalty club and maybe get new club members once they learn that.

During a normal customer service conversation it is also easy to tell about the customer club and also join the customer to the club if she/he is interested. Especially people who are after discounts, easily join the club if they will receive some discount right at the spot. Some people might also come to the store just for joining the club. This is usually the case when one of their children is already a member and they want to join rest of their children to the club as well. Sometimes the customers have also learned about the club from their friends and they want to join.

Customers can also become club members on-line at the company's website. If the customer does not want to join the program in the store, it will be preferable to let the customer know that they have an option to join on-line. Since people sometimes are in a hurry but they will join the club when they have time. However, on-line recruitment is left out from this paper because internet sale and customer loyalty are not linked with the stores.

There is one central computer in every store that is not physically linked with the cash register system. Every customer who wants to join the club has to be registered in this central computer so the joining can not be done at the cash register.

This means that if the customer wants to join the club when he or she comes to the cash register they will have to move to the computer for joinment. It will only take few minutes extra but it can affect to the customers will to join the club at the moment.

After registering with the computer the customer will get a print out with their loyalty member number in it. It will work as temporary club card before they will get their plastic card via post.

4.3 Background data

This chapter includes more background data of the case. Data was collected from the company's intranet and from the interviewees. Exact numbers for club members or daily customers were not available for publishing, nor were was daily sales. This does not do any harm to the case, because it is qualitative and does not require hard numbers so much.

Table 1. Loyalty members created in store. Reference: intranet 8.2011

Store	new club member% created in the store
Itäkeskus, Helsinki	6,8
Koskikeskus, Tampere	4,5
Mylly, Raisio	6,9
Forum, Helsinki	3,2
Sello, Espoo	4,8
Jumbo, Vantaa	5,3
Kamppi, Helsinki	4,3
Hansa, Turku	2,9
Mikkeli, Akseli	4,5
Trio, Lahti	6,5
Pasaati, Kotka	3,7
Ideapark, Lempäälä	5,4
Chydenia, Kokkola	2,4
Lippulaiva, Espoo	4,1
Atomi, Riihimäki	4,4
Galleria, Lappeenranta	6,3
Plaza, Salo	4,2
Skanssi, Turku	8,7
Myymanni, Vantaa	5,3
Forum, Jyväskylä	6,0

Table number 1 shows all the stores in Finland and their percentage of loyal customers' registered in the store. It does not include the customers who have become loyalty members over the Internet, because Internet actions are separated from the stores and it is irrelevant for this thesis.

Three of the stores that were chosen for this thesis have some of the highest numbers of loyal customers and three have some of the lowest. Also the location was the indicator. Two of the stores are from the capital area, two from Turku and the last two are representing the rest of Finland. This was to see if the answer has some kind of differentiation between different areas.

Table 2, Demographic data. Reference: interviews

store	store size	Stores opening year	manager's starting year	personnel (full time/part time)
Trio, Lahti	small (smallest in Finland)	2006	2011	2 full time 4 part time
Atomi, Riihimäki	medium	2007	2007	6 part time
Hansa, Turku	medium	2007	2009	1 full time 6 part time
Skanssi, Turku	small	2010	2010	1 full time 4 part time
Itäkeskus, Helsinki	large (biggest in Finland)	2001	2010	1 full time 11 part time
Kamppi, Helsinki	medium	2006-2007	2010	2 full time 7 part time

Table number 2 shows information about the stores which were taken into interview. The chart includes store size, opening year, manager's working years and the number of personnel divided into part and full time employees.

Store size is in the chart only to get an idea of how big the store is. Even though it would be ideal to have the more customers the bigger the store is, it is not how it goes. The location should tell more about how many customers the store should have.

Opening year is a number that tells how long the store has been in the place. Time period can affect regular customers. The longer the store has been there the more likely it will have regular customers. New stores are more likely to attract customers who are interested in seeing what kind of store it is and just to come and check it out before they decide whether they will start to come in more often.

Store manager's working years will tell more about whether the store manager has long or short experience in the position and this way his or her experience of the club. It should also have some influence to the answers that the store manager is giving.

The number of personnel will tell how many employees the store has and whether they are full time or part time employees. The chart reveals that most of the personnel are part time employees, usually only the store manager is a full time employee. This might have an impact to how things are done in the store.

5 CUSTOMER COMMITMENT RESEARCH

This thesis research was completed by qualitative research method. It is more personal than quantitative method and it gave the interviewees more freedom to express themselves. The following chapter will present the methods of the research, the questions that were asked and the answer analysis and development proposals.

5.1 The research methods

For the research the six different stores around Finland were chosen. Indicators for chosen stores were their location and the number of the club members created in the store. The stores chosen had among the biggest and the lowest number of members. Maybe the reason for the difference could be found from the answers. Instead of collecting data from the customers store managers were interviewed. This is to increase the knowledge for the company to see what is going on with the people who work with the customers every day. The questions were the same for everyone.

The research problem is the specific problem or issue that is the focus of the research. Identifying a research problem or issue is crucial for the research. (Collis & Hussey 2009, 112.) The research problem in this thesis in short was “How to get people join to the loyalty program and remain loyal?”. Supporting questions were “What are we doing to get our customers to want to make the commitment to our store?” and, “How do we see the impact of loyal customers in our store?”. The research question and supporting questions were not directly asked in the interview, but they helped to create the questions which were actually asked.

Qualitative research method was used in this thesis. Qualitative research method describes why things are the way they are. It will not produce numeric data or statistics but rather describing material. The method can produce material that people have said, written or the way they have behaved. Overall the material is qualitative over the quantitative data. Qualitative research method can be used for example

when it is wanted to clarify certain things that do not have one simple answer. (Solatie 1997, 11.)

Theme interview method

Interview is a method for collecting data in which the interviewees are asked questions to find out what they do, think or feel. All types of interviews can include individuals or groups, using face-to-face, telephone or video conference methods. (Collis & Hussey 2009, 144.) In this case I used theme interview as a data collecting tool. Theme interview is a conversation between interviewer and interviewee which has in advance chosen intention, because the themes have been well studied and specified. It is important that the interviewer is in control of the interview all the time. (Tilastokeskus 2011.)

Data collected with theme interview is normally a large amount of transcribed speech, so it is important for the interviewer to choose the interviewees carefully with good justification. The research plan should include the reasons why certain persons were chosen for the interview. The data collected with theme interview can easily end up being random collection of interviewees' speech which will make it difficult to create any conclusions based on interviewees' answers and experience. (Tilastokeskus 2011.)

There are two ways of interpret the qualitative text based data. The first one is to strictly stick to collected data and analyze only things that have come up in it. The second obligation is to take the collected data as a base for the researcher's theoretical speculations and interpretations. (Tilastokeskus 2011.)

Reliability and validity

Measuring the reliability and validity for qualitative research is a bit more difficult than in quantitative research due to open answered questions. People are different and feel differently about things which affect to their answers and opinions.

Reliability refers to the absence of differences in the results if the survey were repeated. For a research result to be reliable, a repeat research should produce the same result. The qualitative measures do not need to be reliable, however, importance is placed on whether observations made on different occasions can be explained and understood. (Collis & Hussey 2009, 64.)

For this thesis 6 store managers out of the total 20 of total were interviewed which makes the percentage of 30%. The survey could have been repeated more to make the results more reliable. In this case the research can still be seen as reliable, because it has given very similar answers in areas that are similar such as customer's willingness to join the club. However, different actions in different places are to be seen as normal because people are different and tend to act differently.

Validity is extent to the research results accurately reflecting the phenomena under the study. A test is valid if it demonstrates or measures what the researcher claims it does. Research errors such as faulty research procedures or poor samples can undermine validity. The researcher can not know whether the answers reflect the answerers understanding of the scheme, whether they have understood the scheme or for example how good they are remembering the details of the scheme. (Collis & Hussey 2009, 64-65.)

Validity in this case may not be really high. Some interviewees gave really short answers and only gave main points without details. Validity might also be affected by the interviewer's errors or wrongly understood questions or wrongly stated questions.

Interview data

Six store managers were interviewed. Some of them had more opinions when some were not so much focused on Club X. Stores that were chosen for this research were Trio Lahti, Atomi Riihimäki, Itäkeskus Helsinki, Kamppi Helsinki, Skanssi Turku and Hansa Turku. The survey is divided into three main parts: questions

about Club X, questions about customer commitment and questions about employees.

Table 3. Interview data. Reference: interviews.

Store	Interview time	Interview method	Interview length
Trio, Lahti	14.9.2011	in store	7.19
Atomi, Riihimäki	15.9.2011	in store	6.21
Itäkeskus, Helsinki	16.9.2011	in store	6.20
Kamppi, Helsinki	19.9.2011	in store	17.03
Hansa, Turku	12.10.2011	via phone	15.59
Skanssi, Turku	12.10.2011	via phone	9.17

All the interviews took place in the store except for interviews with the stores in Turku which were completed via phone. Interviews were recorded with digital voice recorder and later transcribed with computer. The reason behind the big time gap between interview times is that all the interviews were supposed to be done at the store, but the trip to Turku appeared to be too difficult to do, so it was easier to do the interview via phone.

Interview length varies a bit. The reason for this could be the fact that people are different in their personas and some of the interviewees liked to talk more when others like to just give strict facts without extra examples. The other reason could also be that the questions were somehow misleading or brought out in a difficult way which might create difficulties with giving the answers.

5.2 Theme interview question analysis

Interview questions were chosen before the interview and remained the same for everyone. Questions are based on the theoretical part of thesis. In the following

chapters are the explanations for the questions that were chosen. The exact questions are presented in appendix number one.

Questions about Club X

The first part of the interview had four questions which were about the Club X and how the customers seem to feel about it from the store manager's point of view. The aim of the first part was to get information about how the customers in the store behave when it comes to Club X.

First the interviewees were asked if the customers are willing to join the Club X and why or why not? The aim of the question was to get an overall picture of how the store manager feels about how the customers are behaving. This question should also give an overall picture of what is the store manager's own attitude towards the club.

The second question was to get to know the basic process of recruiting the customers into the club in the store. The chain regulation is that every time the customer comes to the cash register the employee should ask whether he or she is a member of the club and if they are not, would they like to join. However, the process could start already in store in a regular customer service situation with same questions.

It is hard to get customers to give spontaneous positive or negative feedback without asking them to give their opinion. The third question about Club X was to know if store managers had received any feedback from the customers concerning Club X. Although customers mostly are not expected to provide their opinions without asking them for it, it is still possible to happen if they are really satisfied or disappointed.

The last question concerning Club X was about customer satisfaction and sales and how do the store managers believe that the club is affecting them. It is easier to measure how the club affects the sales, but it should be as important or even more

important to know how it affects customer satisfaction. After all satisfied customers are more likely to remain loyal and bring more money into the company that way.

Questions about customer commitment

A loyalty program is an excellent tool to create more customer commitment, so the second part of the interview was to learn how the store managers see the commitment of their loyal customers. The aim was also to see how the loyalty club members are represented in the store and how does, for example, the campaigns affect to their behaviour.

The first question of customer commitment part was whether the store manager recognizes their regular customers by appearance and if they treat them differently than customers they do not recognize. Customers that the store manager recognizes by appearance can be considered loyal customers even if they are not members of the loyalty program; because they visit the store so often that they are remembered.

The second question could have been also a demographic question, because it was only how many of the daily customers are members of the Club X. However, it was asked in this part because the researcher wanted to see if the store managers are really following this percentage and that they do not need to check it from any report. This question could also bring up some comments on the number that may reveal attitude or expectation towards the club.

The third question concerning customer commitment was how the stores try to keep loyal customers, who have forgotten their club cards, happy. Customer satisfaction is important and customers who are in the club are more likely to buy more and more frequently, but how do they take the disappointment of not getting their bonuses when they do not have their club cards with them.

The last question of the customer commitment part was about loyalty marketing and campaigns and how they affect in the stores. The aim of this question was to find out if the affect of loyalty marketing is to be seen in the stores. The company spends time and money with trying to get loyal customers into the store as many times as possible so positivity in this question would be really good.

Questions about personnel

The last part of the interview was about the personnel that work in the stores. Store manager is the leader in the store so they should follow their personnel's actions and help them to provide the best possible customer service and increase revenue while doing it.

In the beginning the first two questions about personnel were supposed to be in the same question. After the first interview they were separated to make it easier for the store managers to answer. The first question was to get an overall picture of how the store managers follow their personnel's actions concerning the Club X.

The aim of the second question was to find out whether the store manager follows up the development of the club with his or her employees. This question was to find out if they give for example feedback or support to their employees. Sometimes the answer for this question came up already in the first question. In those cases the second question was not asked.

The third question was first combined with the fourth question, but they were separated after the first interview to make it easier for the answerer. The third question was whether the store managers had set any numeric goals for the club and informed their employees about it. Sometimes the answer for this question also came in the first question so in those cases this question was not asked.

The fourth question was whether the competitions between the stores affect to the actions in the stores. The company regularly has competitions between the stores to boost the recruitment of loyal customer. It should affect as much as possible

because the whole point of having a competition between the stores is to make everyone try as hard as they can.

The fifth question was how the employees use Club X in customer service. Loyalty program is also a tool for customer service and it should or at least could be used in everyday customer service situations. The club also needs promotion for the customer to learn more about it, so it should be promoted by the employees.

The last question of this part was if the store manager had done or thought of doing customer satisfaction survey in their store. This survey could be a study paper like thesis or maybe just the personnel asking some small questions from the customers. This question could have been asked under the customer commitment theme, but because it could have been done by the personnel themselves it can also be under the theme about personnel.

The company have small exit shopping –research in every third month which is completed by other company who asks certain questions concerning customers experience in the store. This is a good measurement, but it only has six questions and does not give really deep picture of customer's experience.

5.3 Answer analysis by themes

The following chapter will present the answer analysis. They are presented in the themes and analysed question by question. After each question analyse there will be a small list which presents the main points with few words.

5.3.1 Questions about Club X

Are the customers willing to join the Club X? Why or why not?

The approach to the first question was positive from all the store managers except for Hansa. In Hansa they have a problem with their customer base. They have a lot

of children who come to the store without their parents and young adults who do not have children of their own so they do not feel like they would actually benefit from the club. However, the ones who are more of the target group are happy to join.

In Lahti the store manager said that the people who live nearby and visit the store regularly are easy to get to join the club because they really benefit from it. She also pointed out that people who do not have their own children or grandchildren are slightly negative towards the club. Some people are also so fed up with all kinds of membership clubs that they do not want to join them anymore.

The customers who are not in a hurry and who do like to get discounts and bonus stickers are easy to recruit to the club. The main reason for the customers to join the club was the discounts and saving money. In Kamppi and in Skanssi it was more the extra benefits that attracted the customers than the money they save.

“The ones who come with time want to join (the club). And usually if they have children it is not necessarily the money they save but the extra they receive, such as the birthday present and events and competitions.”

- Store Manager, Kamppi

Also in Kamppi the store manager thought it is a bit difficult to get people join the club. Store manager pointed out that the shopping centre is structured in a way that many customers will just walk through it. It has also a buss terminal in it so many customers are in a hurry and only dropping by before heading to the buss. So when the customer is interested in joining the club but has no time to do it in store, they are advised to join on-line.

Main points:

- Saving money is an excellent reason to join.
- The customers who have time are more willing to join.
- Soft benefits also matters.

What is the typical process of joining the club in your store?

All the store managers said that the process usually takes place at the cash desk where they ask if the customer has the club card. If they do not have it the employee will ask the customer if she or he would like to join the club. This is logical because it is the company policy so everyone is advised to do so. In Skanssi this was only way for recruiting because they have the central computer at the cash desk so it is really fast and easy to type in the customer's data.

Riihimäki and Itäkeskus have also printouts which customers can fill out themselves to join the club. This is more tricky system because the store needs to type the customer data into the system later anyway and the customer will not know his or her club membership number until receiving the club card via mail. In itäkeskus they also share the papers to the customers for fill in them at home and come back later to return it. That is good system for the customers who do not have computer or are not comfortable with using online services.

The store manager from Hansa said that they sometimes promote the club during a regular customer service situation. In Kamppi they also do promotion in the store when they, for example, see a customer checking out the club shelf they will go and promote the club to the customer. The store manager from Lahti said that sometimes customers themselves come to ask about the club and want to join it at the store.

Main points:

- The Recruitment proposal usually takes place at cash register.
- Customer service situation is sometimes used for recruiting new customers.

Have you received any spontaneous feedback, wishes or proposal concerning the club?

Only the store manager from Riihimäki had not received any spontaneous feedback from the customers, or he could not remember any in the interview. Generally the feedback that the store managers had received was more negative than positive. This is not necessarily a bad thing because customers tend to give feedback mainly when they are unhappy.

Both store managers from Helsinki, Itäkeskus and Kamppi, said that usually the customers give feedback on the sticker system. The customers would prefer the sticker system to be changed into a digital system. Then the money would be collected on the card and they should not deal with the stickers. However, at Kamppi some of the customers had also positive feedback about the stickers. They think that the system is nice, because their children like the stickers.

“Yes, the club stickers should be given up. The information should be collected into the card. Some people hate the stickers over everything.”

- Store Manager, Itäkeskus

At Hansa the feedback from the customers was more just questions concerning the club. The customers who are more interested in the Club X had wished that the company's catalogues would be mailed to home, because there are some areas that do not receive advertising mail which is the channel the catalogues are normally distributed. Some customers do not want to give their e-mail addresses so they hope that they could receive the membership letters via mail to their home.

The store managers from Itäkeskus and Skanssi said that customers often forget their club cards at home and still they would like to receive all the benefits. In

Kamppi the customers also wished there would be more competitions and events for the club members. That would be a nice “experience extra” they would appreciate.

Main points:

- Some customers hate the stickers, some like them.
- Customers would like to receive more mail to home rather than e-mail.

How do you think the club is affecting to customer satisfaction in the store? And how to the sales?

All the store managers said that the club affects positively to the sales and it can be proved by statistics. The average purchase of a club member is higher than non-club member. This answer was expected because loyal customers tend to bring more money into the company.

How does the club affect on the customer satisfaction was a bit more difficult question. All the store managers thought that the club has at least some kind of positive impact to customer satisfaction but they could not be really specific about what it was. Because the customer feedback in the question number three had been mostly negative, it is logical that it was difficult to define customer satisfaction unless if they have intentionally asked about it from the customers.

“Well, that much to the customer satisfaction that in a situation when a customer wants to join (the club), the other customers might not like to wait in the line. But the customers who join (the club) are happy that they are offered it and that they get the benefits.”

- Store Manager, Riihimäki

The store manager from Hansa thought that when they get customer to join the club it increases customer satisfaction through good discounts from the club products and the money they get back through the bonus system. The store manager from Riihimäki thought also that satisfaction comes from the money the customer

saves. He also pointed out the fact that in a situation when the customer wants to join to the club at the cash register there usually is other customers in the line. They get a negative impact because they have to wait in line while the other customer takes the shop assistant's time.

The store manager from Lahti said that beside the money that the customer saves the club also creates positive image to the company. She also pointed out that the customers see the extra benefit such as the birthday present as good service. The store manager from Kamppi pointed out that when the customer is a member of the club and receives good customer service he or she will definitely buy more and be satisfied.

Main points:

- Discounts and saving money creates customer satisfaction.
- Club X members are buying more.

5.3.2 Questions about customer commitment

Do you have many loyal customers that you recognize?

Most of the store managers were more or less new employees at the company which had definitely an affect to this question. The store manager from Riihimäki has been in his position for the longest, since 2007, and he told that they have lot of customers that he recognizes and who visit the store frequently, especially during mornings.

“Yes, then we have many children who come to say hello. They come to say hello after they get out of the school and are heading home.”

-Store Manager, Hansa

For the second longest in their positions had been the store managers from Kamppi, Hansa and Skanssi. All of them said that they do have regular customers that they recognize. They pointed out that they do try to be more familiar with the customer if he or she is the type of a person one can be familiar with. The store manager from Hansa told that they have customers they recognize and even children who drop by to say hello after they get out of school. She also pointed out a good fact that she and few other employees who work more are usually the ones who do recognize the customers and the employees who work less recognize less.

The Store managers from Lahti and Itäkeskus had both started in their stores in the year 2011 so they had not been with the customers for long. Still they both did already have customers that they recognize. The store manager from Lahti said that the other employees' tend to recognize more, but she also does recognize some of the customers. The store manager from Itäkeskus also told that they have so many customers so she only recognizes few of them by their appearance.

Main points:

- All the stores have at least some customers they recognize by appearance.
- Familiar customers are sometimes treated with more personal service.

Approximately how many of your daily customers are members of the Club X?

In the question number two all the store managers were able to give the average number of the daily Club X members. The biggest number was in Lahti, where it was about 50% of the daily customers. However, the store manager thought that it could be higher if the customers would not forget their club cards at home.

Hansa's number varied from 20% to 40%. In Skanssi the number was about 30%. In Riihimäki it was also around 35% to 40%. Because so many store managers gave an answer between 30% and 40% it could be seen as a chain average number.

Stores in Helsinki had the lowest numbers. The store manager from Kamppi thought that one out of eight customer have the member card which would make the number about 12,5%. In itäkeskus the number on average was 25%. The gap between Helsinki and the rest of Finland could be explained for example different kind of customer base.

Main points:

- Lahti has the biggest number with 50%.
- Lowest number was in Kamppi with 12,5%.

How do you retain the loyal customers, which have forgotten their club cards, satisfied?

In this question most of the store managers gave similar answers. They use the mobile phone application to find the customer's data. The new phone system was introduced to the stores in September. All the stores have a mobile phone that has an application for searching the member number for the customer who has forgotten his or her club card.

Before the phone application it was more difficult to keep loyal customers satisfied. In Skanssi they tried to explain the customers that the club card is like any other loyalty card and the customer needs to have it with if she or he wants to receive the benefits. Same situation was in Kamppi. Before the application they told the customers that they need either have the card with them or at least be able to give their membership number.

Before the application the store manager from Itäkeskus tried to maintain customer satisfaction by joining the non-club members of the customers' family in the Club X. They also gave a possibility for the customer to come back later with the card and the receipt to get the stickers.

Main points:

- New phone application is used in every store.

- It used to be bit more difficult to keep the club members satisfied.

How does the campaigns/loyalty letters affect in your store?

In Lahti the difficulty was that campaigns bring in customers, but unfortunately very often the products have not arrived to the store before the campaign starts so the customers who come for the products are disappointed. The store manager thought that this has already an impact to their customers trust in them.

The store manager from Itäkeskus also said that the campaigns usually have a positive impact and they attract the customers to the store. Even though the impact is positive she thought that the channel for marketing should be also in other forms than just e-mails. She hoped that the customers would receive more mail to home because they have many customers who do not have e-mail so mail would reach them better. Unlike in Lahti, in Itäkeskus they did not have many problems with the delivery of the products.

“Well yes. They do read the e-mails. They come right away to ask the products, so it does affect. But I think we should send more mail to home rather than only e-mails. ... We have really many old people and they do not use e-mail, they do not even know what it is. And they would really like to know about the offers.”

- Store Manager, Itäkeskus

The store manager from Hansa pointed out that when the campaign includes something for free it attracts younger customers to come to get the free sample. However, mainly the campaigns do not have strong impact to their customers. She thought that it might be because of the location since it is easier to go and buy bigger things with car from other stores in Turku area.

The store managers from Skanssi, Kamppi and Riihimäki thought that the campaigns have no affect to the customer's behaviour. The store manager from

Kamppi thought this could be because their customers do not care so much about discounts. She thought that it could attract some customers but not many. The store manager from Skanssi thought that the campaigns are not attracting the customers, but if they notice the products in the store they spontaneously became attracted to them.

Main points:

- The campaigns do not affect much to customer's behaviour.
- In Lahti the affect is positive, but they often do not have the products for the campaign on time.
- Free samples attract especially young customers.

5.3.3 Questions about personel

How do you follow the personnels actions with the club?

For this question only the store manager from Lahti said that she is not following it because they do not have problems with recruiting new club members and they also have a high percentage of regular customers who already are members of the club.

The store manager from Skanssi said that they sometimes have small competitions in their store between the employees. The competition is about who recruit the most new members for example during a weekend. As a prize in these competitions they have something small, for example, ice cream. The store manager also tries to remind her employees to recruit the new members daily. It has not been a problem in their store because they are doing quite well.

“Sometimes we have had small competitions during the weekends that the one who recruits the most will get something small like an ice cream as a reward. These kind of small things between the personnel.. But it (recruiting) have not been a problem in here.”

- Store Manager, Skanssi

The store managers from Riihimäki and Itäkeskus felt that to get employees promote the club is bit of a problem in their stores. Both of them had tried to remind their employees to request the non-member customers to join the club. They both also daily check the number of new club members. The store manager from Itäkeskus had also just started a small recruitment competition between the employees.

Main points:

- Almost all the store managers follow their employees' actions with the club recruitment.
- Recruitment competitions are used in some stores.

How do you follow the development of the club with your employees?

Again in Lahti the store manager did not feel that it is important to follow the development because it is going so well with the club. Store manager from Skanssi said that she weekly prints out the statistics and makes few comments on them, but her personnel follows the numbers also independently.

In Itäkeskus they have lists at the cash register where the employees mark down how many new members they have recruit and the store manager follows the number from there with the employees. She also prints out daily the numbers of new members and places it for everyone to see.

The store manager from Kamppi follows the numbers weekly and usually comments on them in their staff meetings. They have a numeric goal for new members but the store manager felt that everyone is responsible for themselves so it is not important to put much an effort for following the development. She also mentioned that compared to the situation one year ago, the club is doing much better and that is good.

The store manager from Hansa follows the development on daily basis. She sets the statistics for new members and daily club members to the managing board for employees' to see. Because their recruitment numbers had been low she had also followed the number of customers who they can not recruit to the club for some time. That way she found out that sometimes they had almost 30% of the customers who they could not recruit, for example, children or tourists who do not want or can not join the club.

Main points:

- All the store managers follow the numbers at least sometimes.
- Some level of independence is required from the personnel.

Have you set any numeric goals for the club and informed your employees about them?

Most of the store managers already gave the answer in the first question of the personnel part. In Riihimäki they had a goal for 10 new members per day but the store manager thought that it would be better to set a new goal that would be five new members per employee per day, because it would be more concrete. In Itäkeskus they had the same goal, at least 10 new members per day and five per employee.

In Skanssi they sometimes have a numeric goal. At the time of the interview they had the largest number of new members so their present aim is to keep it that way. The store manager told that when they were getting closer to 2000th new member she set the goal to break it in a certain time period.

Main points:

- Numeric goals exist in every store except for Lahti.
- The most common number was at least 10 new members per day and 5 new members per employee.

Are the competitions between the stores affecting to your actions?

Mainly all the store managers took competitions positively but some saw some problems with them as well. In Lahti this was the only time when the store manager would try to boost the recruitment numbers and pays more attention to it. In Riihimäki the store manager thought that he personally likes the competition yet he thought that it does not motivate anyone to try harder.

The store manager from Skanssi thought that when the stores have the competitions the focus is only in recruiting new members. She said that selling and customer service could become a second priority during the competitions. However, they try to put in an effort to the competition when ever the competition is on and maintain the high recruitment numbers even when there is no competition.

“Of course we try to put in some effort and yes the competition always brings up a feeling that now we will try harder and so on. But I have to say that the club competitions are not our strongest point... because of our customer base.”

-Store Manager, Kamppi

In Kamppi they also try to focus on recruitment when the competition is on. However, the store manager thought that even if they take part to the competition it should not become the main focus. She also said that even though their customers are not so willing to join the club, they do not take the competitions like they would not be part of them. They try their best, but not only focusing to the club recruitment.

In Itäkeskus the store manager likes the competitions. She said that during these times she tries to follow how well other stores are doing and motivate her personnel through that. Hansa also took the competition positively. The store manager

mentioned that of course it depends of employee's personality whether he or she really likes it or not, but mainly it affects positively.

Main points:

- Competition affects mainly positively.
- Negative impact comes when the focus is only in the recruitment.

How do you use Club X in the customer service?

Almost all the store managers promoted the club to the customers if there were good prices at monthly changing club products or other situations where the club would be financially beneficial for the customer. In Lahti the store manager said that the club is a good tool especially when you know that you can make customer really happy with really good discount and maybe recruit new customer because of it at the same time.

“Well especially if there are products that are really cheap and the kind that you know you can make the customer really happy for offering some club product... That way you can easily recruit new customer to the club and make the customer really satisfied because she is saving money with it.”

-Store Manager. Lahti

The store manager from Hansa saw the club more like an extra benefit they can give to their customers because it is free and it does not require customer to do anything. In customer service situation she did not see any other things that she could mention. In Kamppi the store manager also said that it is good extra benefit they can provide to the customers who come regularly and that many customers like that the club it is free.

The store manager from Riihimäki said that they have been able to sell lot of batteries to the club members because of the discount the members receive. Battery discount was also used as marketing tool in Itäkeskus. In Itäkeskus the store man-

ager also used the club for letting the people know in advance if there were some good club campaigns coming up.

Main points:

- The club is used in customer service mainly when there are campaigns or good discounts for the customers.

Have you conduct or thought about conducting a customer satisfaction survey in your store?

Mainly the answer was that the store managers had not conducted customer satisfaction surveys, but they had thought about it. Only the store manager from Skanssi had not conducted or considered of conducting a customer satisfaction survey. Also the store manager from Lahti had not thought about conducting customer satisfaction survey but she was not sure whether it had been conducted before she had started working there.

“Yes I have considered it, but it has not been put into practice. I have thought that it would be good to ask what they (the customers) would like to develop in here.”

-Store Manager, Riihimäki

The store manager from Hansa had conducted one customer satisfaction survey with some students in the store she used to work, but not in Hansa. She mentioned that she has been following the exit shopping –research, but it would be nice to have a bit wider picture of what the customers are thinking. Also the store managers from Itäkeskus and Riihimäki thought that it would be a good idea to carry out some kind of research.

In Kamppi they had had a student who made a survey about the club members as a part of his school work. That research gave pretty neutral answers, but also really

important information such as that their customers would like to receive more experiences through the club. The store manager also said that she would not have time to complete a survey by herself and at the moment they have not thought of conducting it again, but if there was a student who would want to do it, it would be ok with her.

Main points:

- Only Kamppi has conducted a research in co-operation with a student from a local school.
- Almost all the store managers had thought about conducting a research.

5.4 Development proposals

The development proposals given in this chapter are based on the interviews with the store managers and the theory of this case. Some of them are based on good ideas that are already used in some store and others are purely new ideas. They are also divided into the same themes as the interview questions were.

Development proposals to the Club X theme

Even though hard benefits, such as discounts and the stickers, are good reason for the customers to join the club company should not forget the soft benefits. When recruiting new members it is good to promote the extra benefits the members receive. A birthday present for all the members' may be even more attractive than some discounts the club members receive every now and then.

The process of recruiting the customers to the club is a bit slow because in most of the stores the data have to be typed into a store computer which is not at the cash desk. It would make the recruitment process much faster if all the stores could have a computer at the cash desk. If this is not possible, then the focus of recruit-

ment should be moved from the cash desk to the store and customer service situations.

Development proposals to the customer commitment theme

Even though recruiting new members is important it is even more important to get the members become loyal and regular customers. This means that the number of daily customers which are members of the club is more important than the number of new members. To get the daily members number percentage increase should the recruitment numbers become even higher.

The new mobile phone application for finding the customers membership number can create difficult situations in the stores. This application has two sides. On the other hand it can make the loyal customer, who has forgotten his member card at home by accident, really happy and satisfied. But then again if the customers learn that they do not need to bring their cards with them because of this system it can create really unhappy customers when the phone application is not working or if the phone is in use and they have to wait for it. It would be better if the system was in the cash register or not in use at all. After all it is customer's responsibility to keep the loyalty cards with them if they want to get the benefits.

The company could also improve the events and campaigns for the club members. It turned out that in most of the stores the campaigns are not affecting to the customers behaviour as much as it should be. The company could try new ways of communicating with the customers, for example, sending mail to home not to e-mail adress. At least the catalogues should be delivered to all the club members because the catalogues distribution area might not cover all the areas where the club members live. This would also create a more personal touch to the loyalty marketing.

The company should also try to make the campaigns more like small events. This is way the company could really stand out from the competitors. The stores could

organize special events during the year to get the customers come in more frequently. For this to succeed the stores and the marketing team from the head quarters should improve co-operation and that way make the events successful.

The events could also be organized with other local companies or at least with the shopping centre the store is at. If the shopping centre is arranging some special events to get customers come in, could the company take an advantage of it and promote, for example, product testing in the store. The company could also independently promote the major seasons of the year, for example, Christmas. Before Christmas there could be an event for club members to come to the store to try out the latest Christmas present products.

Development proposals to the personnel theme

The Club X is a loyalty program that needs promotion. This means that to make it more efficient all the members of the personnel should include the promotion into the normal customer service situations. Of course the personnel still have to ask the club card at the cash desk, but to recruit more members they need to be more efficient communicators with the customers in the store.

The numeric goals should become a standard for all the stores. The numbers that were in use in Riihimäki and Itäkeskus were 10 new members per day and 5 per employee per shift could become a standard for every store. A numeric goal would make it more concrete for everyone to see whether they are reaching the goal. The numeric goals would also make it easier for the store manager to see who is doing well with recruiting the new club members and who have some difficulties with it.

To boost the recruitment numbers the stores could arrange small competitions between the employees every now and then. That would be also small change to the normal weekdays in the store and would hopefully make the employees try to put more effort into the recruitment process. The prize for the competition could be something small like an ice cream or something like that.

A customer satisfaction survey would also be a good thing to conduct in every store. It does not necessarily have to be conducted like a real survey; it could be conducted while talking with the customers. The personnel could just ask what the customers like the club or if they are satisfied with the store. However, the customers might not want to give any feedback face to face.

To conduct a wider customer satisfaction survey the store managers could also ask from a local school if they had a student who could come and make the survey as a part of his or her studies. This way the store managers would get more detailed information from the customers and it would not take much of their own time.

Main development proposal points:

- The personnel should not forget to promote the soft benefits along with the hard benefits.
- A Computer to the cash desk or focus of the recruitment to the customer service situations.
- More events for club members.
- More mail to home, not only to e-mail. The catalogues could be delivered for every club member to add a personal touch.
- New mobile phone application out of use.
- The numeric goals should be introduced to every store.
- A competition between the store personnel every now and then to boost the recruitment numbers.
- A customer satisfaction survey would be good to conduct in every store.

6 CONCLUSIONS

This thesis was about how to create customer commitment through loyalty programme. The theoretical part of it introduced the reader to customer relationship management (CRM), customer loyalty and loyalty programs which were the main focus of this thesis. After that the theory and the case research were introduced. The aim was to take a closer look at Company X customer loyalty program called Club X. For that, 6 store managers around Finland were interviewed face to face or via phone. These interviews gave an overall picture of how the club is used and seen by the people who work with it.

The need for CRM today is clear. Competition is increasing, customers are more sophisticated about choices and they can change between the competitors more easily. At the same time, companies have more touch points where customers can make contacts such as call centres, field sales, e-mail and so on. This creates a growing need for a single company-wide picture of all the customer interactions.

An effective loyalty program offers participants the possibility to mix and match their own preferences and never wastes an opportunity to gain insight about a customer. It offers a choice of services and products that reveal something about the customer's personal preferences and at the same time the offers should allow customer-driven personalization without going to the extreme of full customization.

One important fact about loyalty programs is that they are really common nowadays and usually all the major players on the market offer one. This means that a loyalty program can be seen just as a bribe for doing business with a certain company. Loyalty programs are especially common in Finland where there are approximately five loyalty membership cards to every Finnish consumer. This is more than the average European consumer. That creates an opportunity because the Finnish consumer is more likely to join a new program, but also a challenge to compete with other companies and their loyalty programs.

The customer commitment research completed in this thesis did not bring up major differences between the areas in Finland. Customers were seen as quite easy to recruit to the program if they are in the focus group and they have children. However, it is a fact that some stores do recruit numerically more than other stores. Mostly, the reason is the customer base of the store. For example, in Hansa, they have lot of under-aged and young customers and tourists who do not or can not join Club X. It is more important to reach the right customers than recruit as many new customers as possible.

The company gets the customers to join the loyalty program when the employees are actively promoting Club X to the customers. Promotion focus should be on telling the customers already in the customer service situation about the club and its benefits. Promotion emphasis should not only include hard benefits but also soft ones. When a company gets customers to join the loyalty program they will open new channels to communicate with the customers and possibility to make them commit more to the company.

By recruiting new customers, the employees are creating a positive image of the company and creating more customer satisfaction because the loyal customer does get extra benefits that other customers do not get. However, because there are so many loyalty programs today, the promotion should not be forcing the customer to join because some people are really fed up with all the loyalty programs already. The impact of a loyal customer in stores is clear. They buy more than other customers. That is why the company should take good care of loyal customers and their satisfaction.

Loyal customers that are already in the club are an important group to keep happy. One way of creating more commitment to this group could be, for example, arranging more events for them or trying out other ways of communication and marketing, for example, sending more mail to their home, not only e-mail. At least new catalogues should be sent directly to club members because the catalogues distribution area might not cover all the club members' homes automatically.

Based on this thesis, there would be a need for some more research. Customer satisfaction research from the customer's point of view would be the most important thing to do. The research could be focused just to club members because they are a good focus group that the company should listen to.

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APPENDICES

Appendix 1.

Klubiin liittyvät kysymykset:

1. Liittyvätkö asiakkaat mielellään X-klubiin? Miksi/miksi ei?
2. Millainen on tyypillinen prosessi klubiin liittämässä myymälässänne?
3. Oletteko saaneet asiakkailta spontaania palautetta, toivomuksia tai ehdotuksia klubiin liittyen?
4. Miten uskotte klubin vaikuttavan asiakastyytyväisyyteen myymälässänne? Entä myyntiin?

Asiakasuskollisuuteen liittyvät kysymykset:

1. Onko teillä paljon kanta-asiakkaita jotka tunnistatte ulkonäöltä?
2. Millainen on noin arvio keskimäärin kuinka monella asiakkaalla per päivä on klubijäsenyys?
3. Miten pidätte klubikorttinsa unohtaneet kanta-asiakkaat tyytyväisinä?
4. Miten kanta-asiakkaille suunnatut kampanjat/kanta-asiakaskirjeet vaikuttavat myymälässänne?

Henkilökuntaan liittyvät kysymykset:

1. Miten seuraatte henkilökunnan toimintaa klubiin liittyen?
2. Miten seuraatte klubin kehitystä henkilökunnan kanssa?
3. Onko klubia koskien asetettu jotain numeerisia tavoitteita jotka on esitetty myös koko henkilökunnalle?
4. Vaikuttavatko kilpailut/kampanjat toimintaan?
5. Miten hyödynnätte klubia asiakaspalvelussa?
6. Oletteko tehneet tai harkinneet oman asiakastyytyväisyyskyselyn suorittamista myymälässänne?