Creating Long-term Relationships with the Help of a Customer Club

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Abstract

During the last fifty years the market has changed from a product-oriented industry into a more market-oriented where the company puts the customer in the center. In order to be able to compete on a highly competitive market, a company has to meet every single customer’s needs and expectations. To do this the company has to have a close relationship to the customers because in general it cost five to ten times more to sell to a new customer then to an old customer. In order to create long-term relationships to the customers the company has to start working with customer care. Through working with customer care the company hopes to create satisfied and loyal customers. One of the most popular ways of working with customer care in the retail business is through a customer club.

The research problem is therefore: to gain a better understanding of how a customer club can be used to create long-term relationships with customers. In order to be able to solve this problem four research questions were developed. These questions help to answer the research problem.

This master thesis examine how three well established companies in the retail business work with a customer club in order to create long-term relations. The companies that have been examined are Intersport, MQ and Stadium. The method that has been used to examine these companies is a multiple case study. In order to gain a deeper understanding about the research problem the result and conclusions are based on already existing theories and empirical data that have been collected.

This work has shown that the companies all have the same main goal of working with a customer club that is to get to know their customers and create long-term relationships. All of the case companies customer clubs is developed and the customer benefits in a similar way, whit many similarities. They all work with a bonus club and offering their customer special offers and experiences. All of them also work with collaboration partners which makes it possible to offer the customers unique and special experiences.
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1. Introduction and Problem Area

This chapter starts with an introduction and it will be followed by a background, problem discussion. The chapter will end up in the research problem.

1.1. Introduction

The way companies do business has changed tremendously during the last fifty years, changing from a product-oriented industry to a more market-oriented where the customer is in the center. This has increased the competition between the companies on the market, where each company has to work out a strong updated competitive strategy if they want to stay in the business because they can not rely on old competitive advantages any more, as for example technology. (Lindbom & Jonsson, 1992)

According to Stone (2000) a company must be able to meet every single customer’s needs and expectations when competition is high in order to retain the customer. They also have to try to create a feeling of loyalty from the customer to the company. To do this the company must have a close relationship to the customer which can be done through working with Customer Relationship Management (CRM)\(^1\). (Stone, 2000) In order for a company to be successful they have to retain old customers instead of only attracting new customers, because it cost five to ten times more to attract new customer than retaining old customers (Elinder, 1993).

One way for companies to create long-term relationships to their customers is to work with customer care according to Elinder (1993). Customer care is the way the company creates a relation to the customer and tries to make them satisfied and loyal. One way to work with customer care is to build up a customer database and to develop a customer club. By working with a customer club the company is able to learn who their customers are and what they need and expect. Therefore the company is able to offer their customers what they want and reward customers that are returning through this the company are able to increase loyalty which in the end hopefully will lead to increased profit. (Elinder, 1993)

1.2. Background

The products and the customers’ role in the buying processes have changed over the years. During the rising of the industrial society the production department was in focus but in 1960’s the focus was turned to the marketing department instead according to Lindbom and Jonsson (1994). Companies then started to focus on developing products from their customers needs and they also started to give their products other benefits that the customers appreciated, such as service. But so far did not the customers needs steer the production, the initiative was still with the companies who tried to influence the customers’ attitude and buying behavior. After the boom in the 1980’s the industry gained a more humanistic attitude. Companies started to realize that the key to success was the customers and this was the starting point for many “customer-in-the-center” campaigns. (Lindbom & Jonsson, 1992)

According to Gummesson (2002) “customer-in-the-center” means that it is the customers’ needs that should decide how the company develops their products,

\(^1\) Customer Relationship Management will be written as CRM from now on.
because it is the value of the customers’ experience of the product that is important. Elinder (1993) state that it is the way that the company always interacts with their customers in a professional way.

Further changes took place during the 90’s, companies then started to realize that they couldn’t do business without a human interest and without a sense of the importance of a good relationship between the company and the customer. The human being got a more central role in the commercial activities and companies then started to develop relationships to their customers. Since then the competition of customers has increased which forces companies to focus even more on the customer. This have lead to that the companies are forced to push out their products to the market much faster which leads to a shorter product lifecycle. The market belongs to a great extent to the customers where the supply exceeds the demand. Previously companies’ main competitive advantage was to produce products with a high technical quality but in today’s market there are several companies who can offer this, which leads to weakening of this advantage. A competitive advantage that has grown instead is the functional service quality, i.e., what service is offered and how it is delivered. (Lindbom & Jonsson, 1992)

Sterne (2000) state that companies have the need, they have the connectivity and the competition is increasing. But most of all, companies have customers demanding nothing but the best. People demand the best which make the use of customer service a necessity. Customers are demanding a different relationship with the suppliers then the traditional sales model. Now more then ever the ability to understand and manage a close relationship with the customer is central for companies if they want to reach their business goals. This is the challenge for marketing in any business. (Sterne, 2000) In order to compete on the market where competition is high a company has to try to keep their customers. In order to create a feeling of loyalty from the customer a company has to meet every single customer’s needs and expectations. To do this the company must have a close relationship to the customer and they have to know who their customers are and what they expect from the company, this can be done through working with relationship marketing and CRM. (Stone, 2000)

Relationship marketing can be defined according to Gummesson (2002, p 3) as “marketing based on interaction within networks of relationships”. It handles the importance of having good relations to all parties interacting within a network. Gummesson (2002) also state that companies should take care of existing customers and that they should try to build up long-term relationships to them because loyal customers are less price sensitive and do not switch over to a competitor so easily.

CRM can be defined according to Chen et al (2003, p 1) as “a combination of people, processes and technology that seeks to understand a company's customers. It is an integrated approach to managing relationships by focusing on customer retention and relationship development.” This statement is supported by Xu et al (2002). Xu et al (2002, p 1) state that CRM is the number one focus when today’s competitive market has become more saturated and competitive. The marketing model is changing from the product-centered stage to the customer-centered stage. More and more companies have learned that customer’s loyalty can not be bought and they are forced to look for new solutions. They have to focus on CRM, the key of CRM is identifying what creates value for the customer and then delivering it which is the most important
principle of one-to-one marketing. All one-to-one marketing is CRM but lots of companies trying to implement CRM don’t realize the principles of one-to-one marketing, i.e. to add value to the customer relationship in the customer’s terms, to maximize the value of the relationship to the customer for the customers benefit and the company’s profit. However CRM is not an overnight cure but rather a long-term profit builder. (Sterne, 2000)

According to Xu et al (2002) successful companies will in the future use customer information wisely to build relationships with their customers, on the level that the customer wants and they will work towards developing a long-term relationship through retaining customers by delivering delighted customers. The focus on CRM enables companies to get a better understanding about the customers’ current needs, what they have done in the past, and what they plan to do in the future to meet their own objectives. The goal is to improve the customer's experience on how they interact with the company, which hopefully creates more satisfaction, which yields more loyalty, which ideally gives more sales of products and services. (Xu et al, 2002) Working with customer relationships is all about leading and guiding the resources and competence that will benefit the customer in the best possible way. (Blomqvist et al, 1999)

According to Elinder (1993) it’s a must for a company that want to be successful to retain old customers instead of attracting new customers, because in general it costs five to ten times more to attract new customers, compared to the cost of retaining old customers. Grönroos (1998) support this when he state that there is a well supported rule of thumb that shows that it costs approximately six times more to attract a new customer then to retain an old and if a company wants to retain an old dissatisfied customer it will cost at least 25 times more. Another author Reichheld (2001) state that the longer a customer stays with the company the more valuable the customer becomes because long-term customers tend to spend more money, demand less time of the company, are less price sensitive and bring new customers to the company through positive word of mouth. This statement can be supported, because investigations has shown that in some businesses where customer defections has been decreased with 5 % has lead to increased profitability with 100 %. (Reichheld, 2001)

To attract new customers the Swedish retailing industry invests several billion Swedish crowns on special offers every year, as for example on ads and advertising offers. But this benefits foremost the disloyal customer on the loyal customers’ expense. Elinder (1993) also state if the companies would invest those moneys on their relationships to their loyal customers and take better care of them, both the companies and their customers would gain on it. It would be a good investment because several investigations show that it is very common that only a small part of a company’s clientele stands for the main part of the purchases. A rule of thumb says that 20 % of the customers stand for 80 % of the sales, which means that approximately 80 % of the marketing budget can be seen as a waste. Another number that is interesting is that approximately 70 % of a company’s sale is repurchases. It’s a large number that could grow even further if companies would put in an extra effort to sell to existing customers. (Elinder, 1993)

In order to create a relationship to the customer the company has to work with relationship marketing as a marketing strategy and with CRM that goes deeper as a
business strategy according to Elinder (1993). One way for companies to create long-term relationships to loyal customers is to work with customer care. Customer care is the way a company tries to create a long-term relation to their customers. Customer care is one way for companies to work with CRM. (Elinder, 1993) According to Lindbom and Jonsson (1994) it’s a must for a company that wants to be successful to put customer care in the centre.

Working with customer care is profitable in many ways for a company, the idea is to make the customer satisfied and strengthen the bond between the company and their customers. Customers that are satisfied returns to the company and they may recommend the company to other people. (Lindbom & Jonsson, 1992) There are several different ways a company can work with customer care. The most common way is to state a clear purpose with customer care throughout the organization, to build up a customer database and to develop a customer club. (Elinder, 1993)

In order to know their customers many companies builds up databases over their customers which is an important ingredient in an effective marketing strategy. Through this they are able to get to know their customers in a much better and effective way. In the database the company can save information about costumers buying behavior and preferences. This makes it easier for the company to win their customers loyalty and to have a good and strong relationship with them. This information can be used to individualize offers. A database also facilitates companies marketing efforts and with different sort of loyalty programs such as for example customer clubs (Sterne, 2000)

The purpose of a customer club is to increase loyalty through offers from the company to loyal customers. Through this the company can learn who their customers are and what they need and expect. This may lead to that the company can save money on for example unnecessary advertising because very often this money is spent on people who aren’t interested. Both the company and the people profits from this, the company does not have to invest money in unnecessary advertising and the customers do not get advertising that they do not want. (Elinder, 1993)

The motive of a customer club is to increase customers’ loyalty through different kinds of rewards to loyal customers, this creates strong relationships and so called switching barriers are created. It means that customers do not change to a competitor so easily, because then they will loose the points they have collected from the other company where they were a member. (Söderlund, 1997) Customer clubs are therefore an effective way to shut out competitors because the customers isn’t affected as easily of the competitors offers. (Gummesson, 2002)

It is also very important that companies understand that a “satisfied” customer isn’t always a loyal customer because different customers value different things. Different customers have different standards when choosing a supplier. Therefore it’s very important that companies know their customers and who they should focus their marketing efforts on. (Newell, 2000)

According to Newell (2000, p 31) there are “four things your customers want to tell you”:

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*Introduction and Problem Area*
“I expect you to have mastered the basics of what you are in business to do. If you haven’t, I will switch to a different source. Even if you have, that alone is not enough to keep me loyal”.

“I expect you to go beyond the basics and provide me with that which I value. If you do you will have a loyal customer. If not, my business is ‘up for grabs’.

“Some things you do irritate me, but that are not important enough to drive me away. Besides, your competitors do the same things”.

“Some things you do, I don’t care anything about”.

These four suggestions give sound standards for development of the values to be used in a good CRM effort according to Newell (2000). Companies also have to be aware of that all of their customers don’t want a long term relationship. There are customers that are only interested in the price and therefore it’s hard to make them loyal to the company. These customers will leave if they are offered a lower price somewhere else. But there are also customers that think the opposite, they care about quality, value, service and time saved instead of the price that they rate low. In some cases these customers are even willing to pay a little bit more just to avoid the hassle of shopping around. (Newell, 2000)

Therefore companies won’t be able to manage customer relationships with every customer. The most important question a company therefore should ask themselves are – which customers and how many? This is the tricky part for the companies because they want to invest their CRM efforts where it will bring the most profitable return – that is focusing on the customers who are and that has the best potential to become profitable. (Newell, 2000)

1.2.1. Research Problem

In today’s business where competition is high it is very important for companies to create loyal customers. The idea is to work with customer care in order to create long-term relationships which make it possible for the company to make the customer satisfied and loyal. An effective way of working with customer care is through a customer club. A customer club makes it possible for the company to learn to know who their customers are and what they need and expect. The motive of a customer club is to create customer loyalty through different kinds of rewards and offers.

**Based on this the research problem is to gain a better understanding of how a customer club can be used to create long-term relationships with customers.**

In this thesis this problem only will be examined from the companies’ perspective.
2. Theory

This chapter will present the different theories that is needed to examine the research problem, i.e., to gain a better understanding for how a company can use a customer club in order to create long-term relationships with their loyal customers. The chapter start with describing relationship marketing and CRM, this will be followed by how relationship marketing can be implemented and describing the relation between the supplier and the customer, and the relation between the customer, supplier and competitor. This will be followed by theories focusing on the relationship between customer satisfaction, customer loyalty and profitability. In the end theory about customer closeness, customer databases and customer clubs will be discussed.

2.1. Relationship Marketing

In brief relationship marketing means that companies in first hand should take care of their existing customers and try to build a long-term relationship with the purpose of obtaining a solid and long-term profitability according to Gummesson (2002). The strategy is to at first hand keep existing customers instead of getting new customers and it emphasizes collaboration and the purpose of the relation is that both parties make a profit on it. There are several different definitions available but regardless of definition they all share the same basic idea, which is that marketing should be built from a relationship point of view where relationships, networks and interaction always should be in focus. A relation means that there are at least two parties who are in contact with each other, networks contain of several complex relationships and interaction means that the parties perform activities and work together. (Gummesson, 2002)

Gummesson (2002, p 3) has a very basic definition of relationship marketing: "Relationship marketing is marketing based on interaction within networks of relationships".

Grönroos (1998, p 14) definition of relationship marketing focus more on the importance of a good relationship to the customer and what it brings: “Establish, maintain and strengthen profitable relations with customers and other parties with the purpose to obtain the goals of all parties involved”.

Berry and Parasuraman (1991, p 133) definition goes even deeper than Grönroos. Their definition explain what the purpose is with relationship marketing and what customers expect of the company: “Attract, retain and develop customer relationship where the main purpose is to create faithful customers, who are pleased with their choice of supplier and who think that they get value for their money”.

These statements are supported by Payne (1994, p 1) who state that “In an increasingly competitive business environment, marketing should be seen as a total approach to business, placing the customer firmly at the centre; to regard it solely as an blend of functional activities like advertising, promotions and market research is to miss the point completely. The basis of the relationship marketing philosophy is that the attraction of new customers is merely the first step in the marketing process. The key is to retain the customer. Marketing should not begin and end with clinching the
Theory

deal – it must also concern itself with keeping, and improving, the relationship with the customer”.

2.1.1. Profitability Factors in Relationship Marketing

According to Blomqvist et al (2004) the company has to meet or exceed their customers’ expectations in order to succeed with relationship marketing. To reach this goal the company has to offer a high level of quality which will lead to customer loyalty and profitability. But this can be a problem in many companies when the shareholders or the management don’t have the patience to invest in quality in a long-term perspective, because they often look at profit from a short term perspective. There are four factors that will have an effect on the companies’ profitability according to Blomqvist et al (2004), which is shown in figure 2.1:

![Diagram showing the relationship between customer turnover, quality, profitability, productivity, and personnel turnover.](https://example.com/diagram.png)

Figure 2.1: Profitability factors for relationship marketing (Blomqvist et al, 2004, p 149)

Figure 2.1 shows that there is a mutual dependence between quality, productivity, personal turnover and customer turnover and it also show how they all affect the profit. Figure 2.1 also shows that a high level of product/service quality will have a positive effect on the companies’ productivity, less resource has to be spent on correcting mistakes and the company will therefore save money.

If the customers appreciate the value they receive from the company it is more likely that they will stay as customers, through that the customer turnover will decrease. This has a positive effect on the personnel turnover, the employees will be more satisfied with their work and feel that it is more fun to work for a company that offers a high quality and that have loyal customers. The decreasing turnovers will lead to better conditions for increasing productivity which in the long-term will lead to an even higher quality. Through this the company has managed to come into a positive circle which will have a positive effect on the profitability in the future. (Blomqvist et al, 2004)
2.1.2. Focus in Relationship Marketing

The main focus in relationship marketing is to get to know your customers and to change the company’s and their employees’ behavior to a more customer based, according to Peppers et al (1999). Every interaction between the company and the customer will lead to a better understanding about the customers needs and through this they are able to adjust the product/service to meet their needs in the best possible way. Competitive companies will try to duplicate other companies’ offers and try to steal their customers. In order for the company to keep their customers there are four main things that they should focus on according to Peppers et al (1999):

- **Identify your customers** – who are your customers and where are they.
- **Differentiate your customers** – different customers has different needs and demands.
- **Cooperate with your customers** – Become more cost-efficient and improve the way you communicate with your customers.
- **Adjust the companies’ behavior** – In order to create a long-term relationship the company may have to adjust the way they work with their customers.

If companies look into these four aspects they may improve their profitability. These aspects can work as a guideline for companies that want to work with relationship marketing – if you don’t know your customers you can’t create a relationship to them. (Peppers et al, 1999)

2.1.3. The Relation Between the Supplier and the Customer

The relation between the supplier and the customer is the most basic relation in marketing, between the person selling something and the person buying. But a relation doesn't have to be between two persons, it can also be between companies, industries, regions and countries. This relation was at first only seen as an exchange process where money and products/services was exchanged but when relationship marketing was introduced the focus was turned towards the relation that occurs when a transaction is made. Companies then started to realize that they couldn’t keep on doing business without a human interest and without a sense of the importance of having a good relationship between the company and the customer. (Gummesson, 2002)

For a company that make many transactions with their customers without a personal contact it is very important to understand that even though they don’t have a personal communication with their customers its important to try to create a feeling of a personal relationship to the customer. It creates a bond between the company and the customer and through this the customer feel that they are important and a part of the company. The company has to try to create an impression of a personal relation with the help of marketing. It arises a pseudo personal relation, i.e. it means that an apparent personal relation arises that can be effective in the relation between the company and the customer. However the company has to be aware of that it is a big quality difference between this kind of relation and the one that really is personal. (ibid)
2.1.4. The Relation Between the Customers, the Suppliers and the Competitors

In every healthy market economy it exist competition as a central ingredient, i.e. there are several suppliers on the market. In competition there are relationships between three parties – between the customer and the current supplier, between the customer and the supplier’s competitors and between competitors. The customer is offered alternatives and the suppliers always have to work to keep their customers. Competition is therefore in favor of the customer, because it leads to lower prices and higher quality on the products. (Gummesson, 2002)

2.2. Customer Relationship Marketing – CRM

Relationship marketing can be seen as a companies marketing strategy and CRM goes even deeper and works as a company’s business strategy (Elinder, 1993). According to Bull (2003) in recent years many organizations have identified the need to become more customer orientated because of increased global competition. As a consequence, customer relationship management (CRM) has risen to the agenda of many organizational strategies. Fundamentally, CRM systems can be viewed as information systems aimed at enabling organizations to realize a customer focus.

CRM can be defined according to Gummesson (2002, p 3) as “CRM is the values and strategies of relationship marketing – with particular emphasis on customer relationships – turned into practical application”.

Sterne (2000, p 123) definition of CRM explains what CRM is, more practical and easy to understand than Gummessons. It also shows that it is important that all within the organization work with CRM and collecting information. “CRM is the art of using every bit of information that comes into your company about each customer as a means of tailoring your communications with them on a one-to-one basis”.

The foundation of CRM is the relationship marketing philosopy and to develop goals and strategies within its spirit. CRM means active work to handle customer relationships on a large scale with long-term profitability and survival in mind. (Gummesson, 2002) The key of CRM is identifying what creates value for the customer and then delivering it which is the most important principle of one-to-one marketing. Companies have to be aware of that all one-to-one marketing is CRM and it is very important that they understand the principles of one-to-one marketing, i.e. to add value to the customer relationship in the customer’s terms, to maximize the value of the relationship to the customer for the customers benefit and the company’s profit (Sterne, 2000)

The steps in one-to-one marketing summarize well what it takes to work with CRM (Newell, 2000, p 14):

- “Identify individual customers and establish how they can be reached
- Differentiate customers by their value and needs
- Interact with customers, establish a dialogue
- Customize, treat every customer as an individual through personal contact or an automated processes
- Make the relationship a continuously learning relationship”
2.3. The Relationship Between Customer Satisfaction, Loyalty, Retention and Profitability

A central ingredient in relationship marketing is to have loyal customers because of the benefits of retaining customers and to continuously work with developing long-term relationships. (McIlroy et al, 2000) In every market-oriented company customer satisfaction also have to be considered because it is one of the most important outcomes of all of the companies marketing activities. Satisfied customers give the company a possibility to expand and to gain a higher market share which in the long run will lead to an improved profitability. (Kandampully et al, 2000)

Companies that want to improve their relationships with their customers have to treat them fairly, adding extra value to their service and treat each customer as an individual with customized offers to each of them. It is also very important that the company at the same time is working to keep their customers away from the competitors tempting offers, i.e., customer retention. It is very important for the company to keep getting the customer back to the company because customer retention has a direct impact on profitability, as mentioned before it can be five to ten times more expensive to obtain a new customer than to retain one. (McIlroy et al, 2000)

An investigation made by Hallowell (1996) shows that there is a connection between customer satisfaction, customer loyalty and profitability. This investigation was made in a large American bank with twelve thousand customers in a large geographical area. Hallowell’s (1996) investigation indicated that improvement of customer satisfaction leads to an increased profitability. He came up with that it exist a relation between satisfaction, loyalty and profitability. Hallowell (1996) emphasizes that this conclusion don’t say that the company should try to satisfy all of their customers, because some customers will never be satisfied or will never be profitable for the company. The company should therefore concentrate their efforts on the customers that they can satisfy in a profitable way. Hallowell (1996) also state the customers that the company can satisfy most likely will stay with the company for a long time which will lead to an increased profitability for the company.

Generally speaking, as the relationship between the customer and the company gets closer, satisfaction and loyalty levels of the customer rise. In order to build such a relationship the company has to try to meet their customers’ needs and expectations and to make sure that each customer receives a customized service. Every effort should also be made to target those customers who are the most profitable for the company. (McIlroy et al, 2000)

2.3.1. Customer Satisfaction

According to McIlroy et al (ref in Lowenstein, 1995) is customer satisfaction a very important concept to consider when developing a customer club. Because satisfaction is a measure of how well a customer's expectations are met while customer loyalty is a measure of how likely a customer is to repurchase and engage in relationship activities. But it is very important that companies are aware of that a loyal and satisfied customer can very easily change to a competitor if they are offered a better value or quality. There is no guarantee that a satisfied customer will return to the
Customer satisfaction can be defined as a result of a subjective valuation whether consumption fulfill or exceed expectations according to Bloemer et al (1998). This definition is based on the assumption that satisfaction is a condition that happens when expectation is matched to the actual result. (Bloemer et al, 1998)

Rampersad (2001) state that customer satisfaction is a key issue for all organizations in both the private and public sectors. To survive, the company must continuously understand and provide what the customer wants, both external and internal customers. External customers are the actual customers who buy the companies products/services and internal customers are the people who work for the company. It is important to understand the entire chain of customers, because if the company does not satisfy the needs of the internal customers, how will it be able to comply with the needs of the external customer?

To make customer satisfaction effective, everyone within the organization should consider continuous improvement as something normal. As part of this strategy it is important to define the product/service and the customer’s needs, making an inventory of customers’ data, customers’ complaints and benchmarking are important opportunities to improve the customer orientation of a company’s organization. (Rampersad, 2001)

According to Rampersad (2001) there are a few central questions a company should ask themselves continuously: which products or services do we provide? Who are our customers? What do they want, what are their needs and expectations? Is it measurable? Which critical processes need improvement? By answering these questions continuously, the customer will be better understood, and the product or service will be better in tune with the market demand.

2.3.2. Customer Loyalty

Dowling et al (ref. to Oliver, 1997) defines customer loyalty as "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior". (Dowling et al, 2003)

Blomqvist et al (2004, p 121) defines a loyal customer in a more direct and more simple way, as "a customer that through a longer time period hires a company to satisfy all or a part of their needs with the products or services the company offers". But it is very important that the company understands that a loyal customer doesn’t last forever. If the customers experience that the value goes down then they most likely will look for other alternatives. If they find what they are looking for then they will choose the competitors offers instead and the company will loose a customer. (Blomqvist et al, 1993)

A loyal customer can mean a consistent source of revenue over a period of many years. However, this loyalty cannot be taken for granted. It will continue only as long
as the customer feels they are receiving better value than they would obtain from another supplier. (McIlroy et al, 2000)

In order to satisfy the customer the company therefore has to know their customers and their needs in order to give them what they want. But even then the company might loose the customer because a satisfied customer is not always loyal but if you have a customer that is dissatisfied you can be sure that they will look for new alternatives. (Blomqvist et al, 2004) Most companies think that a “satisfied” customer is a loyal customer but that’s not true in today’s market. Today customers want more then just satisfaction in order to be loyal, for them is value the primary driver of coming back. “The more customers value what you do, the more loyal they will be” (Newell, 2000, p 38). This confirms the fact that the most important part for a company that works with CRM is to learn about what customers’ value with a relationship with the company. (Newell, 2000)

2.3.3. Customer Retention

Customer retention is a must in relationship marketing, if the company is not able to keep their customers and to build long-term relationships they will fail with their marketing activities. In order for a company to keep their customers a research study made by Vavra et al (1998) shows that it demands a high-quality customer service and well-managed strategically delivered formal and informal communications. (McIlroy et al ref. to Vavra et al, 1998)

McIlroy et al (ref. to Morris et al, 1999) also state that customers will not stay with a company just because of the discounts offered or the loyalty program that is available. Companies has to understand their customer perceptions and expectations, and offer the customers what they want, when they want it (just-in-time), a perfect delivery each and every time with the desired levels of service that appeal to the consumer. Through offering the customer what they want increases the possibility of customer retention. (McIlroy et al, 2000)

Research has indicated that assessments of quality and satisfaction are critical in the process by which a consumer develops a positive attitude towards a particular experience, makes a repeat purchase and develops brand loyalty (Webster, 1991, cited in Ayala et al., 1996).

2.3.4. Profitability

In order for a company to be profitable they have to retain old customers and increasing what they spend because it is more expensive to sell to new customers. The longer a customer stays with a company, the more profitable they become, they use more of a company's services over time and they are usually willing to try new products. A loyal customer that is satisfied with the company is also more likely willing to pay a little bit more for a good service and they will not go to a competitor so easily. (McIlroy et al, 2000)

If a company is able to retain customers it will also lead to reduced marketing costs which will lead to an increased profit. Customers that returns to the company and who are pleased with the company are also more likely to recommend the company to their friends and colleagues, they are a great source of word-of-mouth advertising. (McIlroy et al, 2000)
2.4. Customer Club

The concept customer club is “a gathering name of different, more or less formalized gatherings of individuals where the common denominator for membership is that the individual is or has been a customer to the company”. (Elinder, 1993, p 21)

A customer club is a good strategy for companies that want to increase their customers’ loyalty and create long-term relationships. Many companies try to create switching barriers with the help of their customers clubs. The switching barrier creates a feeling where the customer feels that if they leave they will loose what they have earned so far and future offers from the company. (Söderlund, 1997) One good example is many airline companies’ loyalty programs. The switching barriers consists in this case of bonus points that the customer collects every time they fly with the company, and when they reach a certain level they will receive a gift for example a free trip. The customer does not change to a competitor so easily because then they will lose their points, the possibility to a free trip and other future offers. (Lindbom & Jonsson, 1992) Therefore it is hard for competitors to influence loyal customers to change to their company, i.e. customer clubs are an effective way of shutting out competitors. (Gummesson, 2002) The customer club gives the company the possibility to receive information about their customers buying behavior. It also gives the company the possibility to measure how effective a marketing campaign is and which activities the customers appreciate. (Elinder, 1993)

To develop a customer club demands a detailed plan and concentrated work for the company. There are certain factors that the company has to consider and take decisions about before starting the customer club (Elinder, 1993, Lindbom & Jonsson, 1992):

- The first decision the company has to take is if the club should be open or closed, i.e. open for everybody or only for customers who are willing to pay a membership fee.
- What the clubs goal and target club should be.
- How the company should manage the club.
- Decide what kind of benefits the company should offer the customers.
- How the company should communicate with the customer.
- Decide how the club should be integrated in the company.

2.4.1. Customer Database

The more companies know about their customers the more effective can their relationship marketing processes become. In order to build up a functioning relationship marketing strategy demand that different kinds of information, this gives the company the possibility to take the right marketing decision that suits their customers. This system also allows people through out the company to collect data that can be useful in their work. (Blomqvist et al, 1993)

A customer database can be defined as “a large gathering of information about the companies existing and potential customers. This information is stored in a way which makes them easy to compare and/or put together in order to receive information for the companies marketing decisions”. (Blomqvist et al, 1993, p 77)
The basic information the company should have from each customer that have become a member is, who they are, where they live, gender, how and where they become a member. Complement information that could come in handy is for example family, date of birth, which products they are interested of and what kind of activities they want to be informed about. (Elinder, 1993) With the help of the database the company gets to know their customers and customers’ needs and expectations can be met in a much more efficient way. If the company can make the customer feel satisfied with the membership and with the benefits that it brings, it is more likely that the customer will be loyal and stays with the company. A database also gives the company the possibility of targeted marketing because they learn to know the customer. (Gummesson, 2002)

When starting a customer club with a customer database it is extremely important to be aware of a law that regulates the storage of personal information. The purpose with the law is to prevent that personal information is gathered and used in a way that threaten the personal integrity. Further information about the law can be found in Elinder (1993, p 96).

2.4.2. Customer Club Objectives

According to Elinder (1993) there are two objectives with a loyalty program, the main objective is to keep and develop existing customers relations, which will lead to that they will buy more frequent, they will buy more at each time and they will stay longer with the company. The second objective for the company is to find out how to reach new customers and to create a relationship with them. If the company is able to reach those objectives their profit will increase, because the marketing costs will decrease when the marketing is mainly focused on the existing customers. (Elinder, 1993)

Dowling et al (2003) state that there are two goals of customer loyalty programs that stands out. One is to increase sales revenues by raising purchase levels and/or raising the range of products that are sold. The second aim is, by building a closer bond between the brand and the existing customers, to maintain the current customer base. Loyalty programs have become popular because if the company is able to achieve either of these two goals their profit will increase significantly. A loyalty program very often also has other goals as for example creating databases, establishing alliances, assisting brand PR, be able to see which customer is profitable and decide what kind of marketing activities to use to each customer. (Dowling et al, 2003)

A study made by Stauss et al (2001) support these statements, their essential result with the study was that a customer club cannot only obtain an indirect retention effect for organizations because of the use of an improved customer data base, but that a direct retention effect actually can be achieved with regard to higher relationship satisfaction and customer retention. The result also showed that members are definitely more likely to return to the company and feeling satisfied with the company than non-members. (Stauss et al, 2001)

2.4.3. Different Structures of Customer Clubs

The idea of a customer club is to make it easier to sell to existing customers and to create a bond between the company and the customer according to Elinder (1993). In order for a company to reach their customers in the best way they have to consider what kind of customer club they want to have.
Theory

- **Customer club with stamp card without a customer database** – it is the simplest form of customer club. It is easy to use, don’t demand any technology and easy to understand but the big disadvantage with this alternative is the lack of name and address to the customer, which makes direct communication impossible.

- **Customer club with bonus card and customer database** – the advantage with a bonus card is that the company is able to see when the customer buys something, how often and what they buy. This gives the company the possibility to make their marketing efforts more effective. In order to motivate the customer to always show the card when they are shopping the company has to be willing to give the customer something, a bonus. The customer database gives the company the possibility to communicate with their customers in order to create a relationship.

- **Customer club with bonus card, customer database and behavior information** – in order to create an optimal loyalty program the company has to gather information about the individual customers’ behavior. Then it is possible to value each customer, their behavior and what they mean for the company. Which customer is profitable and which isn’t. The company is able to see how the different activities affect their customers, which are good and which activities should they change. This alternative gives the company a big advantage when working out marketing strategies but it also demands a much more advanced technology. In order to collect the information the customer receives a card that registers all of their purchases in the companies’ customer database. (Elinder, 1993)

In the retail business it has become more and more usual to offer the customers the possibility of charge- and credit card according to Johnsson (2004). But even if the cards are used as payment the main purpose is to create customer loyalty. Through bonus systems and other benefits the charge/credit card company tries to tie the customer closer to the company. When using a charge card the customer receives an invoice for the purchases they have done during the previous month. For a credit card it is possible for the card holder to split up the payments. (Johnsson, 2004)

### 2.4.4. Benefits for Members

In order for a company’s customer club to be effective it has to give their members benefits. These benefits have to match or hopefully exceed the customers’ expectations so that the customers feel that it is worth the effort to be a member. The club also has to have a simple and flexible structure so that it is easy to understand for the customer. It should also be able to handle with a minimal effort from the company and developed without big investments. (Elinder, 1993)

A re-buy in a long-term relationship also demand less effort from the customer because the company already know them, what they expect and demand which will increase the service. But it also demands less effort from the company because they do not have to learn to know the customer which cost both time and money. (Elinder, 1993)

According to Gummesson (2002) there are three main reasons with customer membership for companies:
Theory

- Reward the customers for their loyalty and thereby strengthen the relation between the company and the customer.
- Get more information about the customer and build up a database. This gives the company a better understanding about the customer and gives the possibility to individualize offers.
- If competitors offer their customers a membership then everybody has to do it, otherwise they might slip behind.

There are different kinds of membership for customers according to Gummesson (2002), it can be demanding or non-demanding, i.e. there are different demands for entering different clubs. If everybody can be a member in a club or with just simple qualification it is called a pseudo-membership and can be seen as a commercial relationship. Pseudo-membership can be classified as full choice - the customer can choose to be in or out but can use the supplier in either case, price-driven membership - offers low prices, access membership - only members get access to the goods or services and earned membership - you must spend a certain amount of money to qualify for benefits. (Gummesson, 2002)

Elinder (1993) state that customers are more likely to enter a customer club if it’s free. This is supported by a number of reasons, the club is there for the customer and it should be seen from the customers’ perspective as a way for the company to show their appraisal. To charge the customer to enter the club can also be seen as cheap of the customer. If the customer has to pay to enter the club it is also more likely that they will pass. The club should through improved customer loyalty increase the companies’ profit which will justify the cost for the club. (Elinder, 1993)

In order to motivate the customer to become a member and to stay with the company the company has to find an effective way to reach them according to Elinder (1993). To get the member to return to the company and to identify themselves at each purchase occasion the company has to compensate the customer. The bonus is an effective way to reach these goals. “The bonus should primary be seen as the price the company are willing to pay in order to receive relevant marketing information from the customer” (Elinder, 1993, p 46) The bonus should also be seen as a way to motivate to purchases and should not be experienced as discriminating. Therefore it shouldn’t be too expensive for the member to receive a bonus. The customers also appreciate if the company has a continuous communication about their bonus, news, offers and special invitations. In the stores the company should have special offers for their members, it is appreciated by the members and will increase sale but it will also make other customers curious and interested in the customer club. (Elinder, 1993)
3. Problem Discussion and Frame of Reference

The research problem is as mentioned in chapter one to gain a better understanding of how a customer club can be used to create long-term relationships with customers. To be able to solve the problem a number of research questions are developed through a problem discussion which will be discussed in this chapter. The chapter will end up with the frame of reference for this study.

3.1. Research Questions

If a company wants to be successful today it is essential for them to create a good relation to their customers in order to retain them, because it is more expensive to sell to new customers compared to old customers. This can be done through working with customer care, which is the way the company tries to create a relation to the customer and tries to make them satisfied and loyal. (Elinder, 1993) These statements are supported by Lindbom and Jonsson (1992) who claim that the idea of working with customer care is to try to make the customer satisfied and to strengthen the bond between the customer and the company. Then it is more likely that a satisfied customer returns to the company and recommend the company to other people. (Lindbom & Jonsson, 1992)

If a company wants to work with customer care it is very important that the company states a clear purpose of why they are working with customer care and that it is understood throughout the organization according to Elinder (1993). One way to work with customer care is through a customer club, which can be defined as “a gathering name of different, more or less formalized gatherings of individuals where the common denominator for membership is that the individual is or has been a customer to the company” (Elinder, 1993, p 21). A customer club gives the company the possibility to create long-term relationships to their customers and to reach new customers, which will increase the companies’ profit, because the marketing costs will decrease when the marketing is mainly focused on the existing customers. A customer club also gives the company the possibility to receive information about their customers buying behavior, to measure how effective a marketing campaign have been and which activities the customers appreciate. (Elinder, 1993)

Söderlund (1997) state that the motive with a customer club is to increase customers’ loyalty through different kinds of rewards to the customers that are loyal, through this the company want to create a strong and long-term relationship. Through working with a customer club so called switching barriers also occurs, it means that the customer do not change to a competitor so easily because then they will loose their benefits from the company. (Söderlund, 1997) Gummesson (2002) gives three main reasons for using a customer club, reward the customer if they are loyal then it is more likely that they stay with the company, the company is able to receive more information about the customer and their buying behavior, and if competitors offer a membership then everybody has to do it otherwise the company might lose customers. The discussion above leads to research question number one:

RQ 1: How can a company’s motive when starting a customer club be described?
If a company wants to start up a customer club they have to consider different alternatives and take decisions before starting. The company has to decide what kind of a customer club they want to have, for example stamp card or bonus card with a customer database with or without behavior information, and who can become a member. (Elinder, 1993, Lindbom & Jonsson, 1992) The company also has to set goals for the customer club. The main objective should be to keep and develop existing customers which will improve the companies profit and the second objective should be to come up with how to reach new customers and to create a relationship with them. The company can also create own goals for the customer club, for example creating databases, to be able to see which customer is profitable and decide what kind of marketing activities to use on each customer. (Dowling et al, 2003) This leads to research question number two:

**RQ 2: How can the structure of a customer club be described?**

In order to know their customers and to make their marketing efforts more efficient many companies build up databases over their customers. A customer database can be defined as “a large gathering of information about the companies existing and potential customers. This information is stored in a way which makes them easy to compare and/or put together in order to receive information for the companies marketing decisions”. (Blomqvist et al, 1993, p 77)

A database gives the company the possibility to take right decisions for both the company and their customers. Through this the company is able to build up a strong relationship to their customers and to individualize offers to their loyal customers. (Blomqvist et al, 1993) The information that is needed for the companies’ database about each member is who they is, where they live, gender, how and where they became a member. Other information that could come in handy is for example family, date of birth, which products they are interested in and what kind of activities they want to be informed about. (Elinder, 1993) This discussion leads to the next research question, number three:

**RQ 3: How can the use of the customer database be described?**

Through working with a customer club the company hopes to create a feeling of loyalty from the customer to the company. This is done through giving the members different kinds of offers and rewards. But first of all the company has to decide who can become a member, should the club be open for everybody or only for customers who are willing to pay a membership fee. (Söderlund, 1997) The company has to be aware of that different customers want different things from the company, some customers are only interested in the price and they will leave if they get a better offer elsewhere and there are customers that are instead interested in quality, value, service and time saved. It is also very important that the company is aware of that all customers do not want a long-term relationship and that a satisfied customer isn’t always a loyal customer. Therefore it’s very important that the company know who their customers are and what they expect from the company, this makes it easier for the company when choosing marketing strategy. (Newell, 2000)

In order for the company to attract customers to return and purchase products/services from them they have to compensate the customer for their effort. A bonus is an
effective way to motivate the customer to return and motivate purchases, and the company should see the bonus as “the price the company are willing to pay in order to receive relevant marketing information from the customer” (Elinder, 1993, p 46). Customers also appreciate if the company communicates with them and informing them of future offers and invitations, this gives the customer a feeling of being special and a part of a special group. A membership in a customer club should benefit the customer and match or hopefully exceed the customers’ expectations so that the customers feel that it is worth the effort to be a member. (Elinder, 1993) This leads up to the last research question, number four:

**RQ 4: How can the benefits from a membership in a customer club be described?**

### 3.2. Frame of Reference

In this section relevant theory for each research question is presented and motivated. The theories work later on as a guideline in the analysis and the conclusions.

<table>
<thead>
<tr>
<th>RQ 1</th>
<th>RQ 2</th>
<th>RQ 3</th>
<th>RQ 4</th>
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<tr>
<td>How can a company’s motive when starting a customer club be described?</td>
<td>How can the structure of a customer club be described?</td>
<td>How can the use of the customer database be described?</td>
<td>How can the benefits from a membership in a customer club be described?</td>
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**The theories that will be used for each research question is presented below**

- **Profitability factors in RM** (Blomqvist et al, 2004)
- **Focus in RM** (Peppers et al, 1999)
- **The relationship between customer satisfaction, loyalty, retention and profitability** (McIlroy et al, 2000; Kandampully et al, 2000; Hallowell, 1996)
- **Customer club** (Söderlund, 1997; Lindbom & Jonsson, 1992; Gummesson, 2002; Elinder, 1993)
- **Customer club objectives** (Elinder, 1993; Dowling et al, 2003; Stauss et al, 2001)
- **Different structures of customer clubs** (Elinder, 1993; Johnsson, 2004)
- **Customer database** (Blomqvist et al, 1993; Gummesson, 2002; Elinder, 1993)
- **Benefits for Members** (Elinder, 1993; Gummesson, 2002)

Figure 3.1: Frame of reference

In order to answer research question one it is important to understand why a company should work with a customer club and what the company has to do in order to attract
customers. The theories that are used for research question one describe how the company has to work in order to attract customers to stay with the company. They also explain why a company should work with a customer club and what it leads to.

To answer the second research question it is important to understand what kind of structures a customer club can have. The theory that is used in order to examine research question two describe different kinds of structures of customer club and the alternative of a charge/credit card is explained.

The third research question is about how the use of a customer database can be described. In order to answer this question it is very important to understand what kind of information that the company should gather and why. It is also important that companies are well aware of how they should handle personal information, which is described in the end of the chapter different structures of customer clubs.

The last research question is about how the benefits from working with a customer club can be described. To answer this question it is important to be aware what the customer need and expect. The benefits from the club should therefore match or exceed these needs and expectations which are described in the chapter benefits for members. This theory also describes what kind of benefits that can be used and the importance of communication.
4. Overview of Methodology

In this chapter the choice of method and procedure will be described. The research approach of the study will be discussed first and it will be followed by the research strategy. Next the companies that were contacted are presented, literature study and the research method, of secondary and primary data. Last but not least the method problems will be discussed and in the end an overview of the method will be presented.

4.1. Research Approach

A research problem can be solved through two different approaches, *deductive* or *inductive*, or as it also is called the way of proof or discover. A deductive analysis starts from the theories that are available and they are compared to the phenomenon that are examined, from that the researcher are able to draw conclusions. Inductive analysis refers to when the researcher base findings and conclusions on observation from real life and in the end formulate a theory. The risk when working in a inductive way is that nobody know anything about the new theories range or generality, because it is based on empiric data that are specific for a certain situation, time or group of people. Deductive analysis is in other words more reliable than inductive. (Patel & Davidsson, 2003)

This master thesis is based on the theories that are presented in chapter two and they have been compared to the empirical data that has been collected. This master thesis bases the result and the conclusions on already existing and well known theories and on empirical data that has been collected from a number of sources with a high reliability. This motivates the choice of a *deductive approach* for this master thesis.

On the basis of the data collected there are two different types of examinations that can be used, a *quantitative* approach and a *qualitative* approach. The most important difference between them is the way numbers and statistics are used. In a quantitative approach the conclusions is based on statistic data as for example profit or the quantity of sold items. It is a formalized and structured way of working where the researcher is a spectator and not a part of what he is studying. But it can be hard for the researcher to be neutral and objective all the time because they are only human after all. A qualitative approach main purpose is to create a deeper understanding of the research problem and it is known for flexibility, insignificant steering by the researcher and openness for new knowledge and understanding. In a qualitative study a clear purpose is set and through gathering information the researcher hope to get a deeper understanding about the problem. The researcher is a part of the study where he tries to understand the problem from the inside. (Holme & Solvang, 1997) Patel and Davidsson (2003) state that qualitative data is of more personal character where words and actions are of importance instead of statistic as quantitative data.

The two different approaches are often described as complete opposites and that they are totally incompatible. But that is not the case in a research study today because the majority of all research is a combination of qualitative and quantitative studies. Research that is focusing on a quantitative approach often has some kind of verbal analysis as well as qualitative studies often have segments of statistic analysis. The decision if the research is a qualitative or a quantitative depends on how the research problem is formulated. If questions like “Where? How? And what are the
Overview of Methodology

differences?” are used a quantitative approach should be used. If the problem however is to interpret and understand peoples choices and experiences a qualitative approach should be used. (Patel & Davidsson, 2003)

A qualitative approach has been used in this master thesis. Based on the research problem the motive with this master thesis is to create a deeper understanding about the research problem and how customer clubs are used by companies. The data that is collected is not based on statistic rather on personnel information and other alternatives. This motivates the use of a qualitative approach.

4.2. Research Strategy

According to Yin (2003) there are three common research strategies that are used in empirical studies - surveys, experiments and case studies. Yin (2003) state that when choosing strategy there are three criteria to motivate the choice, type of research question, what kind of control in demanded and focus on today’s events. (Yin, 2003)

A survey means that the researcher does an investigation on a large delimited group with the help of for example a questionnaire or an interview. Survey investigations makes it possible to gather the exact information the researcher is looking for and it is often used to answer questions like what, where, when and how. (Patel & Davidsson, 2003)

Through experiments it is possible to study certain variables and to investigate what could affect these variables, one example of an experiment could be to investigate how marketing efforts affect sales. In general there are two different types of variables in experiments to take into consideration, independent (X-variables) and dependent (Y-variables). When the different variables are decided experiments are made on experiment groups and on control groups in order to see if and how the independent variables affect the dependent variables. (Wiedersheim-Paul & Eriksson, 1997)

A case study is an investigation on small delimited group, where a “case” can be an individual, a group of individuals, an organization or a situation but the researcher can also choose to study more then just one case for example two organizations. The advantage with a case study is that it is deeper and gives a more accurate understanding about the problem and it is useful when studying processes or changes. (Patel & Davidsson, 2003) A case study answers questions about how something is and why it looks that way, it focuses on current facts and studies the individual case. A case study can either be a single or a multiple case study. When working with a single case study a single entity is investigated. In a multiple case study several different cases is investigated which gives a more robust study with an increased validity. A multiple case study also gives the opportunity to compare cases. (Yin, 2003)

The purpose of this master thesis is to understand how different companies work with their customer clubs in order to create long-term relations to their customers. To analyze different organizations customer clubs demands a detailed knowledge about the subject, this was done through contacting several different organizations. This examination gave a deeper understanding about differences between several companies customers clubs and how they work, which motivates the use of a multiple case study.
4.2.1. Sample Selection

There are two different types of sampling techniques: probability sampling where units are selected randomly and non-probability sampling allows the researcher to select cases that best answers the research questions. (Saunders et al, 2003) The alternative that was used in this master thesis was non-probability sampling because it provides a range of different techniques, two examples of techniques is purposive sampling or judgmental sampling. It enables investigators to use their own judgment to select cases that best enables them to answer the research questions and to meet the set objectives. (Saunders et al, 2003)

The choice of case companies for this master thesis where based on their ability to answer the research questions both in their knowledge and their willingness to answer questions about their customer club. The companies that were contacted are also well established on the Swedish market in the retail business and they are all working with their own customer club. Yin (2003) also recommend in a multiple case study to select cases that might come up with similar results. Based on all of this the case companies that where contacted where:

**Intersports** customer club is one of the oldest, largest and one of the most active in Sweden. They offer their members among other things adventures, holidays, inspiring reading and other offers. Intersports business plan is to offer a complete selection for sport and active leisure of high quality to competitive prices, service and competence. All stores are own and run by individual storeowners and they all cooperate under the brand Intersport. In Sweden Intersport has 150 stores with an annual turnover of MSEK 3200 and they have approximately 1600 employees. Intersport Sweden is a part of Intersport International Corporation, with a total of 4700 stores in 27 countries and through this is Intersport the largest sporting retail chain in the world. ([www.intersport.se](http://www.intersport.se))

**MQ** offers a customer club that benefits their members’ news, special offers and adventures. The club is divided into three different levels with even better offers and discounts for each level. MQ has 80 stores and all of them are located in Sweden, their annual turnover in 2004 where MSEK 1112. All 80 stores are operated by individual storeowners and the main company, MQ Sweden in Borås, is under the mutual ownership of the stores. The company also has a clear strategy of operating exclusively on the domestic market because this allows them to concentrate on maintaining a strong position in Sweden. Their aim is to be one of the most interesting fashion stores for their customers which can be done through working with strong and carefully-selected brands. ([www.mq.se](http://www.mq.se))

**Stadiums** customer club benefits people who live an active life with exercise and sports. The club offers discounts on training and adventures which will enrich the members’ lives and spare time. Stadiums vision is to inspire to an active, fun and healthy life. They focus on giving value for money and they want to provide good function, design and quality at prices affordable to many people. Stadium has about 90 stores in Sweden, Denmark and Finland. It is the largest privately-owned sports retail chain in Sweden, with an annual turnover of MSEK 4300 and they have around 2500 employees in the entire group. Their aim is to achieve an annual growth rate on
Overview of Methodology

at least 10 percent and they have exceeded this target the last few years with a growth rate on 20 percent per year. (www.stadium.se)

4.3. Literature Study

According to Denscombe (1998) most investigations for research should start from the literature. Through this a researcher is able to establish the existing knowledge in the area and this gives the possibility to establish their own research questions. (Denscombe, 1998) To gain knowledge about the topic several different marketing books where used that have been used on different marketing courses and from the library, those books where found through using the library database Lucia. To get an insight in the research that is developed today in the area articles were used and they where collected at Luleå University of technology article database Emerald and Artikelsök. The words that were used in the search were: relationship marketing, CRM, customer club, customer as a member, customer loyalty, customer satisfaction, customer profitability, customer relationship and customer database. All words where used in both English and Swedish.

4.4. Research Method

In this chapter the method for how the data was collected is presented. This is followed by a description of how the data was presented and analyzed.

4.4.1. Data Collection Method

In order to collect empirical data there are two different ways to gain that information according to Arbnor and Bjerke (1994), secondary data i.e. use data that are already gathered and primary data i.e. collect new data.

4.4.1.1. Secondary Data

Secondary data is data that already exist about the object that is investigated, gathered by somebody else or written by somebody else. (Patel & Davidsson, 2003) The secondary data that has been used in this master thesis is each contacted company’s homepage. The data that was found were background information and information about each company’s customer club.

4.4.1.2. Primary Data

Primary data is direct information through descriptions by eyewitnesses and reports like questionnaires and interviews. (Patel & Davidsson, 2003) According to Yin (2003, p 79) there are six different sources of information in order to collect data – documentation, archival records, interviews, direct observations, participant-observation and physical artifacts. In this case, interviews where used to collect the primary data.

The interview is the single most important source if information according to Yin (2003, p 84), the advantage with interviews is that the researcher is able to ask more exact questions and to unravel problems. An interview gives the possibility to receive more detailed information and to achieve a deeper understanding (Yin, 2003), as in this case is about each company’s customer club concept.

Working with interviews gave the advantage of being able to get access to more detailed information. The interviews were done over the telephone. The questionnaires
was sent to the respondents before the actual interview which gave them the possibility to prepare and through that be able to give good and correct answers. The questionnaire that has been used for the telephone interview can be seen in appendix 1.

The questionnaire that was used is both structured and unstructured, i.e. it is a semi-structured interview (Kvale, 1997). The interview can be seen as structured because there is a clear purpose with the interview. The questionnaire that is used has open questions which can be motivated with that otherwise would the qualitative aspect of the master thesis decrease.

In order to collect accurate data each companies customer club manager where contacted and interviewed. They are all responsible for each company’s customer club and they know all about how it work and why, which makes them a reliable source. The interviewed was booked in advance and they all lasted for 30-40 minutes.

- On Intersport the club manager was interviewed on December 1.
- The club manager at MQ was interview on December 2.
- With Stadium the club manager was interviewed on December 2.

4.4.2. Presentation and Analysis of Empirical Data

When starting with a case study it’s very important that the researcher has decided what kind of analyzing strategy that will be used. Because too many times investigators start case studies without thinking of how the evidences should be analyzed, those investigations are often stalled at the analytic stage. (Yin, 2003)

There are two general analytic strategies that can be used where the main goal is to treat the evidence fairly, to produce compelling analytic conclusions and to rule out alternative interpretations according to Yin (2003):

- **Relying on theoretical propositions** – the strategy is to follow theoretical propositions that led to the case study. The objectives and design of the case study should be based on such propositions, which should reflect on the research questions, reviews of the literature and on the new insights.
- **Developing a case description** – this strategy focuses on developing a descriptive framework for organizing the case study. This strategy is less preferable than the use of theoretical propositions but serves as an alternative when theoretical propositions are absent. (Yin, 2003)

The strategy that was to prefer for this case study was the first, *relying on theoretical propositions*. Because this master thesis uses a deductive approach since the theories presented in chapter two and chapter three Frame of reference, forms the basis for the analyze. The theories were compared to the empirical data that were collected and conclusions could be drawn from this, which gave a deeper understanding about the research area and research problem. The empiric is presented according to the frame of reference which makes the empirical data more structured and easy to understand. The analysis is also presented according to the frame of reference and it was first compared to the theory for each company, a with-in-case analysis. In the end a cross-case analysis was done i.e. the answers from each company was compared to the theories and to each other.
4.5. Method Problem

In order to avoid systematic and random errors when developing the research problem, research questions or when gathering information it’s very important that the researcher always is critical and careful when handling data. Through working like this throughout the work the researcher is able to reach a satisfying level of reliability and validity. (Holme & Solvang, 1997)

4.5.1. Validity

Validity refers to how well a specific research method measures what it state to measure (Chisnall, 1997). Wiedersheim-Paul and Eriksson (1997, p 38) defines validity as a measuring instruments ability to measure what it is intended to measure however according to the authors it’s impossible to be 100 % certain if an investigation is valid or not.

A personal interview has the advantage that the interviewer has the possibility to get to know the respondent and to reduce the possibility of misinterpretations because it is possible to discuss and to explain during the interview. (Holme & Solvang, 1997) To reduce the possibility of misinterpretations and to improve the studies validity, the interview guide was approved by the instructor and sent out to the selected respondents in advance. The guide was kept as simple as possible, with questions that were easy to understand in order to eliminate misunderstandings by the respondents and to increase the validity. The questions were formulated in Swedish and the interview was made in Swedish to reduce the risk of misunderstandings. In order to get correct information from the company, respondents with great knowledge of the company’s customer club and database were contacted.

4.5.2. Reliability

Reliability is to what extent the result from an investigation can be repeated at another time. Would the result be the same if it was done again under the same conditions? Merriam (1994) Chisnall (1997) state that reliability refers to the stability and consistency of the results derived from research: to the probability that the same results could be obtained if the measures used in the research were replicated.

The uniqueness of a qualitative study within a specific context militates against replicating it exactly in another context. However, statements about the researcher’s positions – the central assumptions, the selection of informants, the biases and values of the researcher – enhance the study’s chances of being replicated in another setting (Creswell, 2002). Merriam (1997) state that it is hard to get a high reliability, to repeat an investigation and to receive the same result because it involves people and people actions and opinions are not static but instead changeable. This affects the reliability because in order to be sure to get the same result at another time the conditions has to be the same. (Merriam, 1997)

This master thesis tried to follow these recommendations mentioned above in order to increase the reliability of the study as well as the suggestion by Yin (2003) i.e., to report a detailed protocol for how the data were collected so that the procedure of a qualitative case study might be replicated in another setting. This was done through an interview guide that is presented in appendix 1 and correct information about who was contacted, how, why and when.
4.6. Methodology Overview

In this section a short overview for chapter four is presented in figure 4.1. Each method choice that is done in each part of the chapter is underlined.

![Methodology Overview Diagram](image-url)

Figure 4.1: The method way
Empirical Data

5. Empirical Data

In this chapter the result from the interview and the information search on each company’s homepage will be presented. First the information of Intersport will be presented followed by MQ and finally Stadium. In the end of the chapter a summary of the empirical data will be presented.

All the sections will have the same structure. They start with a short introduction of the company and the following four parts will focus on each research question. The last section will cover how each club manager look at the future of their company and customer club.

5.1. Intersport

Intersport has approximately 150 stores in Sweden with 1600 employees and the annual turnover in Sweden in 2004 was MSEK 3200. The customer club was started in 1996 and the number of members has increased a lot during the last few years. The customer club has today over 550 000 members and it is expected to grow even further.

5.1.1. The Company’s Motive When Starting the Customer Club

According to the club manager the company’s purpose of starting the customer club was to increase the customer loyalty and the main purpose of the club is the same today. Through the club the company is able to learn to know who their customers are and their buying behavior, which is very important when trying to create a relation to them. This is done for example through working with a personal customer service which creates a good dialog between the company and the customers and improves the relation. Intersport also offers the customers a telephone customer service and here Intersport has seen that the main part of the calls is made by members. Through the customer club they learn to know who their customers are and their buying behavior.

Working with a customer club will of course lead to increased costs because it demands a great deal of involvement and time. It also leads to increased administration but Intersport instead sees the costs as an investment according to the club manager. The customer club is seen by the company as a new marketing tool which gives the possibility to create a closer relation to the customer and to work with it. When joining the customer club the customer is tied to their local store which will give an even closer and improved relationship. It makes it easier for the customer to feel close and a part of the club and the company.

5.1.2. The Structure of the Customer Club

When the customer club was started the concept was a bonus card in combination with a credit card, connected to VISA. But Intersport soon discovered that just a very small part of the members used the possibility of a credit card because of that they choose to only work with a bonus card. Instead Intersport offers all of their customers the possibility to apply for an interest free credit for 6 or 12 months. That was the main purpose of just working with a bonus card.

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\(^2\) The answers to each question for each of the case companies can be found in appendix 2.
Intersport is collaborating with FöreningsSparbanken (FSB) which gives the users of their VISA-card the possibility to register it as a member’s card instead of the usual club card. The club manager state that the choice of FSB as partner is based on the number of FSB’s VISA users, it is the number one card in Sweden with over 3.5 million users. It is rather unusual to offer the possibility to use another card as a club card but this choice is motivated by that many people doesn’t want to become a member in a club because they don’t want one more club card in their wallet according to the club manager. All the club cards take over the wallet and many customers therefore don’t want to become a member. Intersport also made this choice because they feel that they already have a high recognition-value and the need of a card (reminder) in their member’s wallet is therefore not so big. The member will instead be reminded of the customer club when they receive offers and magazines at home. If the VISA card is registered as club card the points will be registered automatically without any effort from the customer. If the customer isn’t a member and uses a FSB VISA-card the computer will automatically detect this and the cashier can ask the customer if they want to become a member. This can then easily be confirmed with a yes or a no on the computer, and if yes the membership only takes a couple of seconds.

5.1.3. The use of the Company’s Customer Database
Intersport has a central database which is divided into sections for each store and this “ties” the customer to a store close to them when they become a member which increases the relation between Intersport and their customers. The information that are collected from each customer for the database, is general information like name, address, telephone, social security number and interests like for example football, running and golf. This kind of information is gathered when the customer joins the club. Afterwards the company register when they buy, what and for how much. Through this the company is able to learn to know their customers as well as upgrading the customer’s bonus and register if they buy for 500 SEK or more per year. If they buy for 500 SEK or more they will receive Intersport magazines at home.

The way that Intersport handles their members’ personal information and integrity was not mentioned during the interview but that information can easily be found on their homepage. There Intersport explains why they gather information and what it is used for. It is also well explained how the members can say no to advertising and offers at home from Intersport.

5.1.4. The Benefits of Membership in a Customer Club
To become a member in Intersport club the customer has to apply in the store or on Intersports homepage. If the member wants to use their FSB VISA-card instead of the regular club card then they have to change this in the store. The only demand that Intersport has on their members is that they are older then sixteen and if the member wants to get the magazine they have to register purchases for at least 500 SEK/year. To be a member in the club cost 25 SEK/year but the first year is free, after the first year the cost is taken out from the possible bonus. When becoming a member the customer receives special offers, bonuses, magazines and offered special experiences. Intersport has several different collaboration partners as for example Idre fjäll and STS alpresor. Intersport chooses to collaborate with partners that have a clear connection to Intersport and their products. The club manager states that through this Intersport is able to offer their members unique and special experiences, as for
Empirical Data

example skiing in the Alps. They want to create a very strong connection between the experience and their products. These kinds of offers have had a very high level of appeal for Intersports members. The members can also login to their “own” page at Intersports homepage, there they can see for example their actual bonus level and their purchases. Intersport also offers their members news on their e-mail or through text message.

5.1.5. The Future of the Company and the Customer Club

The club manager state that for the future Intersport wants to keep expanding their business. They plan to go from large-scale advertising to a more CRM thinking where the marketing can be more personal and direct. Intersport also want to develop the customer club even more through improving the information about the club to both the members and their customers i.e., possible new members. In order to attract even more members and to offer their current members even more Intersport seeks for new partners for future development.

5.2. MQ

MQ has over 80 stores located all over Sweden and their stores have about 20 million customer visits each year. The annual turnover for all of MQs stores where in 2004 MSEK 1112. The MQ club was started in 1996 and it has over 260 000 active members (has registered a purchase during the last year) and 300 000 registered members.

5.2.1. The Company’s Motive When Starting the Customer Club

When starting the club the goal was to increase the knowledge about the customer and their buying behavior as well as creating a relationship between the company and their customers. They wanted to create something that benefits both the customers and the company according to the club manager. The meaning with the club is in the same today.

The club manager state that through the customer club MQ is able to see what their customers are interested in and MQ receive a higher level of customer response, because they are able to measure how effective marketing campaigns are and if it’s different during the year. This is very effective for MQ because they want to be able to offer their customers what they want, when they want it which hopefully will lead to increased customer loyalty. To be able to achieve this MQ work with focus interviews and groups. MQ feel that they have to keep on being alert because customers behavior is changing continuously, what they prefer today might be something else tomorrow according to the club manager. For example a couple of years ago most of the members wanted bonus but today many of the members appreciate getting increased knowledge, inspiration and getting in contact with competent sellers. The customers appreciate that little extra and it triggers them to return to the store. MQ wants to offer their customers something more and they don’t want to focus just on the money but also on that little extra for their members. The club card is free, because MQ don’t think that it should cost to be a member, receive special offers and bonuses.

Working with a customer club demands an increased administration, involvement and a continuous work from the company but the positive effects of having a customer club takes out the negative effects according to the club manager. The company sees it
Empirical Data

as an investment and a great source of information. It is also a cheap way to do marketing in an effective way where they are able to reach their target group. Ordinary marketing is not as effective because it is very wide and not targeted to a certain group, people who aren’t interested gets it which is unnecessary spent money. Targeted marketing is marketing that both the company and their customers benefit from, it is therefore a very cost-effective way of marketing.

The club manager also states that MQ has seen that after starting their club their members tend to buy more. The customer club is a very important strategic tool to reach their objectives. The importance of the club is known from the board of directors and throughout the entire company.

5.2.2. The Structure of the Customer Club

The customer club was first started as a regular bonus club but after a while MQ discovered that their members had a clear structure in their buying behavior according to the customer club manager. Therefore in January 2004, they decided to create levels in their club, different levels for different members depending on how many points they have registered in the store (one point = one SEK). If a member buys more and return to the store they should be rewarded which creates a feeling of loyalty and stimulates them. The more the member return and purchase the better level they will reach which leads to even better offers. This triggers the members to return and increase their purchases, because they see that they are rewarded for their loyalty. But it’s not only the money that matters for the company it’s also the frequency of visiting their stores.

MQ’s customer club has three different levels, it is club member, silver and gold card, with better offers for each level. If a member collects more points then their card limit they will automatically be upgraded to the next level the same year. If the member doesn’t collect enough points for their card the following year they will be put down to the next level.

- The club member club card (- 2499 points)
- Silver card (2500 – 7999 points)
- The highest level is the gold card level (8000 -)

They also offer their members MQ MasterCard and when applying for this the customer automatically start with a gold card, but if the card isn’t used enough during the year they will get a silver card and the year after that a club member card. It is the same rules as for the regular club cards. When using the MQ MasterCard the member collects points not only in MQ’s stores but in all other stores. When using this card the member can choose to use the charge or the credit card i.e., pay everything by the end of the month or split up their payments. The fee for the card is 500 SEK per year but MQ give it back to their MasterCard users through a gift certificate at MQ between 200-500 SEK, depending on which card they have. If the member is going abroad and pay at least 50 % of the trip with the MasterCard then they will receive free travel insurance.

MQ believe that their club has to be developed continuously because the customers buying behavior is changing over time which forces the company to keep up with them. For example MQ has seen that more and more young people between 16-18
become members in the customer club. The average member is just below 30 years old but because of the increasing share of 16-18 year old members’ demand a new way of working and approaching these members. It is very important to work with them and create a feeling of loyalty because they can very much become the most profitable customers in five to ten years.

5.2.3. The use of the Company’s Customer Database

The company has a customer database which is a part of their cash-system. The information that are gathered is basic personal information as for example name and address but they also gather all the information for each purchase, everything on the receipt. This information can also be seen at the customers own page. Through this system it is also possible for MQ to search for receipts if a member has lost it if they want to make a complaint or return clothes. The database is also used for learning to know their customers, upgrading bonus for each customer and targeted advertising for different groups, for example special offers for gold members, women/men or geographic location according to the club manager.

The importance of handling the members personal information in a good way and informing the members what that information is used to can be found on MQs homepage very easily. MQ also inform the member that the information that is gathered is only used by MQ and it will not be used or sold to any other company.

5.2.4. The Benefits of Membership in a Customer Club

The customer can become a member through the internet or in the store. The only demand that MQ has on their members is that they are 16 or older, at least 18 to get a MQ MasterCard and the club is free of charge because the club is there for the customers. But if the member isn’t active within two years their information in the database will be lost because they are not aloud by law to store the information any longer than that. When entering the club the member gets special offers, even better for each card level and they also receive targeted marketing.

- The *club member club* card (- 2499 points) offers the members attractive offers, discounts and news. Bonus after purchases over 2500 SEK.
- *Silver card* (2500 – 7999 points) have the same offers as the club member card but it also offers the members 4 % bonus on every crown spent. Silver card members also receive even better offers and discounts during different campaigns.
- The highest level is the *gold card* level (8000 - ) and they get the same offers as the other levels but they get even more and better offers. 4 % bonus on money spent up to 7999 points and 8 % during the rest of the year. Invitation to special gold nights, concerts and events.

All off the members also have the possibility to login to their own page on MQs homepage. All the purchases that they have registered with their member card can be seen on this page. They can also see how much bonus they have collected during the year and when they will reach the next level. During the year MQ have different campaigns as for example Rock on MQ with several different artistes involved. The members were offered to buy a CD for a discount with the artistes that were involved. MQ also collaborates with several other companies as for example Spa Hotell Nordehall, Silja Line, Wallmans salonger, Sälen, Different golf competitions and STCC. The club manager states that through this MQ are able to offer their members
Empirical Data

(mainly for gold members) invitations to special events. MQ want to offer their members something more, an experience, they want to offer that little extra. They want to entice their members to return and create an even stronger relation.

5.2.5. The Future of the Company and the Customer Club
MQ has to keep on working with their club and their relation to the customers according to the club manager. Because new competitors enter their market and compete about the customers and the market is changing continuously and so must MQ, they have to find new ways of working with their customers in order to stay attractive.

5.3. Stadium
Today Stadium has over 90 stores in Sweden, Finland and Denmark. In 2004 Stadium had an annual turnover at MSEK 4300 and approximately 2500 employees in the group. Stadium customer club was started in 1996 as a test in the stores in Östergötland and it was started in all of the stores in the country during the autumn of 1997. Today it has 750 000 members and the amount have had a stable increase since the start also because new stores are opening every year.

5.3.1. The Company’s Motive When Starting the Customer Club
The purpose of the club is almost the same today as when the club was started according to the club manager. Stadium wanted to learn more about their customers and create a better relation between the company and their customers/members. They also wanted to stimulate more purchases and in a higher frequency. The club manager also state that the first five years was seen as a design and construction phase where the customer club base was build. At this time Stadium tried to teach their customers what Stadium stands for, what it means to be a member and how it benefits the customer. Through this time they also learned several things themselves about their customers and what they expect. Since the start Stadium has discovered that members tend to buy more and more often. They have also seen that many of their marketing campaigns have become more effective and profitable. Working with a customer club demands for example a higher degree of involvement, increased administration and the need of a customer database. It can therefore be seen as a very expensive way of marketing, but the benefits exceed the disadvantages.

One problem with a large organization is that it can be hard to reach out with information throughout the whole organization according to the club manager. It is very important that all of the employees in Stadiums stores know how they should work in order to create a relation and loyal customers. The customer is therefore “tied” to a store close to them. Marketing can be used locally for example special offers because of different reasons as for example Christmas or extended open hours. It is therefore very important that the personnel in each store know how to work with the customer and how to create a relation. Since the club was started the number of customers and profit has increased but it is hard to prove that it is thanks to the customer clubs. This is because Stadium uses several different marketing channels but Stadium has seen that their club members stand for 40 % of their annual turnover. Stadium works active with their database and the customer club. The club manager also states that more and more people in the company are starting to see the benefits of working with a customer club and loyal customers.
5.3.2. The Structure of the Customer Club

The club started as a bonus club and it has the same concept today except for the credit card option that started in 2000. They started with a credit card for their customers’ sake when they make a big purchase. This option is not so used a lot today by their customers but Stadium plans to work more with this in the future and try to entice customers and create even better relations through this. According to the club manager is Stadium planning to start a new cooperation with another bank after New Year and at the same time Stadium plans to market their credit card with new and better alternatives. The option of a charge card isn’t interesting at the time, because the average customer visit a Stadium store 4 -5 times per year. In the future Stadium plans to be even more customer adjusted and they want to be able to offer their customers even better offers and alternatives.

5.3.3. The use of the Company’s Customer Database

The company has a customer database and the information that they gather is basic information about the members and everything from the customer receipt, as for example article, size and price. With the help of the database Stadium is able to help customers with returns or complaints if they have lost their receipt. The database is also helpful for learning to know the customers, segmenting the customers, targeted marketing and for upgrading the members bonus. Through this Stadium does not have to send out advertising to customers who aren’t interested and their customers do not get unnecessary advertising according to the club manager. But it is very important to inform the customers about which data that is collected and why. It is also very important that the company inform if and how the customers can decline that their personal data is stored and used. Everything has to be approved by the customers!

5.3.4. The Benefits of Membership in a Customer Club

The customers can become a member both on the internet and in the stores. In order to get a bonus card they have to be 16 or older and in order to get a credit card they have to be at least 18 years old. It is free of charge to be a member in Stadium club but if they want to get offers at home they have to register purchases for at least 500 SEK within a 15 months period. Stadium is planning to change this so that new customers also will receive the offers in the beginning. Through the club the customer receives bonus, special offers and Stadium is able to inform them and for example make them aware of how to eat healthy, clothing and adventures. Stadium segment their members in order to target them with marketing that suits the different segments but no member is declined to take a part of offers that they have not received at home referring to the club manager. Stadium also offers their customers the possibility to login to their own homepage where they can see what they have bought and their bonus level and receive news through e-mail.

Stadium also has several different collaboration partners, as for example Sälen, Langley Travels, Scandic and Selma Lagerlöf Spa. All offers from these partners have to have a clear connection to an activity and Stadium, as for example golf and wellbeing. It should be an experience and give their members that little extra. Stadium has the possibility to create unique offers and experiences for their members through all of their contacts. Stadiums members are active people and by offering them experiences that suits their interests strong relations are built. They offer their
members that little extra and it is up to the customer to decide what they want to be a part of.

5.3.5. The Future of the Company and the Customer Club

The club manager states that in the future Stadium sees a great potential in the customer club. Stadium hopes to be able to use the Internet more in the customer club and offer new services online. They also want to get a better picture of their customers and not just the members, create an increased understanding about the customers.
6. Analysis

In this chapter a within-case-analysis will be made for each case of the empirical data that has been presented in the previous chapters. The empirical data will be compared to relevant theories from the frame of reference. In the end of the chapter a cross-case-analysis will be made of the three companies that have been studied and the theory.

6.1. Intersport

In this section a within-case-analysis will be made of Intersport i.e., comparing the empirical data for Intersport to the theory.

6.1.1. RQ1: How can a Company’s Motive When Starting a Customer Club be Described?

In table 6.1 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory.

<table>
<thead>
<tr>
<th>Research question 1</th>
<th>Theory</th>
<th>Case company 1</th>
</tr>
</thead>
</table>
| How can a company’s motive when starting a customer club be described? | - Increase customers loyalty and create long-term relationships  
- Loyal customers hopefully increase the companies profitability  
- Get to know the customers and change to a more customer based behavior within the company  
- Receive information about customers buying behavior and which activities they appreciate  
- Create switching barriers  
- Measure marketing campaign efficiently  
- Members tend to buy more  
- How to reach new customers  
- Marketing costs will decrease | - Increase customer loyalty and create relations  
- A marketing tool  
- Learn to know their customers and their buying behavior  
- See the costs as an investment  
- The customer becomes a member in their local store, ties them closer and creates a feeling of being a part |

Intersport state that their main motive when starting the customer club was to increase customers’ loyalty and create relationships between the company and their customers i.e. to use it as a marketing tool. This is the main motive when working with relationship marketing therefore is Intersport’s main motive well grounded in the theory by Gummesson (2002). The motive is also supported by the theory about customer clubs according to Söderlund (1997) who state that working with a customer club is a good strategy for companies that want to create long-term relationships and increase their customers’ loyalty. The profitability factors in relationship marketing theory goes even deeper in how to keep on to the customers then Intersport, the theory
claim that there are a clear connection between customer loyalty and profitability (Blomqvist et al., 2004).

According to Peppers et al. (1999) and Elinder (1993) companies are able to collect information about their customers and their changing buying behavior through working with a customer club. These statements are well supported findings from Intersport who sees the customer club as a way of getting to know their customers. But Peppers et al. (1999) goes even deeper and is not supported by Intersport. The theory state the importance of changing the entire organizations behavior to a more customer based in order to get a better understanding about the customers needs which makes it possible to adjust products/services to meet those needs. (Peppers et al., 1999)

One of the most important motives for working with a customer club according to Söderlund (1997) is that a customer club creates switching barriers which wasn’t mentioned during the interview with the club manager. One other thing that wasn’t mentioned during the interview is that companies are able to measure how effective their marketing campaigns are through working with a customer club and they are also able to see what kind of activities their customers appreciate. (Elinder, 1993)

According to Elinder (1993) is the main objective for working with a customer club to keep and develop relations to existing customers because according to the theory loyal customers tend to buy more at each time and stay longer with the company. The importance of creating relationships was discussed during the interview but the club manager didn’t mention that they have seen a difference of buying behavior between members and other customers. Elinder (1993) points out the importance of knowing how to reach new customers and how to create a relationship to them because this will decrease companies marketing costs and marketing will become more cost-effective but these statements were not mentioned during the interview.

Working with a customer club leads to increased costs according to the club manager, because of the need for a higher degree of involvement, administration and other costs. But Intersport believes that all the costs can be seen as an investment which is of great importance in today’s market. To create an even closer band to their members they become a member in their local store and receive offers from both the company and their store. It ties them closer and creates a feeling of being a part according to the company. These statements are however not mentioned by the theory.

6.1.2. RQ2: How can the Structure of a Customer Club be Described?

In table 6.2 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory. Table 6.2 at page 37.

According to Elinder (1993) there are three different alternatives of customer clubs to consider i.e., Customer club with stamp card without a customer database, Customer club with bonus card and customer database, Customer club with bonus card, customer database and behavior information, see table 6.2. page 37. The alternative that is used by Intersport is the third i.e., a customer club with a bonus card with a customer database and behavior information. Intersports customer club was first
started as a bonus card in combination with a credit card and customer database. The bonus card is still used today but they have taken out the alternative of a credit card. Johnsson (2004) state that it has become more and more common to offer the customers the possibility of a charge/credit card. Intersport instead decided to leave the alternative of a credit card because they saw that just a small part of their members used the possibility of a credit card. Therefore Intersport instead decided to offer all of their customers the possibility to apply for an interest free credit for 6 or 12 months. This makes this alternative available to both to their members and all of their other customers.

Intersport has cooperation with FöreningsSparbanken (FSB) where they offer their customers who have a FSB VISA to register that card as their member card. This is not mentioned in the theory but Intersport has seen that many customers don’t want to become a member because they don’t want one more club card in their wallet. Using the FSB VISA instead give their members the possibility to become a member without getting a new card in the wallet.

<table>
<thead>
<tr>
<th>Research question 2</th>
<th>Theory</th>
<th>Case company 1</th>
</tr>
</thead>
</table>
| How can the structure of a customer club be described? | 1. Customer club with stamp card without a customer database  
2. Customer club with bonus card and customer database  
3. Customer club with bonus card, customer database and behavior information  
- Become more usual to offer the customers the possibility of charge- and/or credit card | - Started as a bonus card in combination with a credit card  
- A small part of the members used the possibility of a credit card  
- Therefore only work with a bonus card today  
- Offers instead all of their customers the possibility to apply for a free interest credit  
- Cooperation with FSB, possible to register VISA-card as a member’s card |

6.1.3. RQ3: How can the use of the Customer Database be Described?

In order for a company to get an effective marketing process and to build up a good relation to their customers it is very important that they know who their customers are and what they need and expect. This demands a lot of information about the customer and it can be collected in a very effective way using a customer database. (Blomqvist et al, 1993) Intersport work with a central database which is divided into sections for each of their stores in Sweden. The member is tied to a store close to them which creates a feeling of belonging and creates a stronger relation according to the club manager, see table 6.3 page 38.
Analysis

Tabel 6.3: Analysis of RQ3 for Intersport

<table>
<thead>
<tr>
<th>Research question 3</th>
<th>Theory</th>
<th>Case company 1</th>
</tr>
</thead>
</table>
| How can the use of the customer database be described? | - A functioning relationship demands information  
- Collect data that can be useful for the company  
- Basic information  
- Complement information  
- Customers needs and expectation can be met  
- Possibility to individualize offers  
- Protecting personal integrity | - Central database  
- Divided into sections for each store  
- General information  
- Register complement information  
- Learn to know their customers  
- Upgrading the customer’s bonus  
- Register purchases, 500 SEK or more per year, then they will get Intersport magazines  
- Handling member information |

Intersport wants to get to know their customers through working with their customer club. The information that they want to collect from their customers agrees with the theory by Elinder (1993). As the theory states the company collects basic information about the customer i.e., name, address, telephone, social security number and interests like for example football, running and golf, and complement information i.e., what they buy, when and for how much. Except for just getting to know their customers Intersport also use the database to upgrade their customers’ bonus. Intersport also registers their customers’ purchases in order to see if they register purchases for 500 SEK or more per year. If they buy for more then 500 SEK the customer receives Intersports magazines at home for free.

A customer database can also be used for targeted marketing in order to create an even closer relation to the company according to Gummesson (2002) but this wasn’t mentioned during the interview. Another thing that was not mentioned during the interview but that can be found very easily on Intersports homepage is information about what kind of information they gather and why, as well as information about how the member can decline to receive offers at home. This fits well with the theory about the importance of protecting the personal integrity (Elinder, 1993).

6.1.4. RQ4: How can the Benefits From a Membership in a Customer Club be Described?

In table 6.4 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory. Table 6.4 at page 39.

To become a member in Intersport customer club can be done through applying in one of their stores or on Intersports homepage, see table 6.4 page 39. As mentioned before Intersport also offer the possibility of using FSB VISA as a club card which is positive for the member who do not need a club card in the wallet. The only demand that Intersport has on their members is that they are older then sixteen.

The theory states that in order for a customer club to be effective it has to give the members benefits according to Elinder (1993) and it is supported by Gummesson (2002) who states that the company has to reward the customer for their loyalty and
offer individualize offers. In order to make the customer satisfied with the customer club Intersport give them special offers and bonuses which is supported by the theory. Intersport also has the possibility to offer their members special and unique experiences because they collaborate with several different partners. This gives them the possibility to give their members that little extra. Elinder (1993) also claim that it is very important to give the members special offers in the store, it is appreciated by the members and it entice customers to become a member.

Tabel 6.4: Analysis of RQ4 for Intersport

<table>
<thead>
<tr>
<th>Research question 4</th>
<th>Theory</th>
<th>Case company 1</th>
</tr>
</thead>
</table>
| How can the benefits from a membership be described? | - The benefits have to match or exceed the customers expectations  
- Reward the customers for their loyalty  
- Possible to individualize offers  
- Customers are more likely to enter a club if it is free  
- Bonus is an effective way  
- Special offers in the stores  
- The customers appreciate a continuous communication about their bonus, news, offers and special invitations | - Apply in store or on homepage  
- FSB VISA-card as club card  
- Older then sixteen  
- The club cost 25 SEK/year  
- Special offers and bonuses  
- Get Intersport magazine  
- Offer unique and special experiences through working with collaboration partners  
- Login to their “own” page, follow their actual bonus level and their purchases  
- News through e-mail or text message |

To receive the Intersport magazine the customer has to register purchases for at least 500 SEK during the year. The fee to be a member in Intersport club is 25 SEK/year and that is taken out from the members’ possible bonus. This doesn’t agree with the theory which states that it is more likely that customers are more likely to enter a customer club if it is free. (Elinder, 1993). Intersport offers their members the possibility of login into their own homepage at Intersport homepage. There they can see what they have bought and their actual bonus level. They also offer their members to register their e-mail address in order to receive news through it. This is supported by Elinder (1993) who state that the customer appreciate if the company has a continuous communication about their bonus, special offers and news.

6.2. MQ

In this section a within-case-analysis will be made of MQ i.e., comparing the empirical data for MQ to the theory.

6.2.1. RQ1: How can a Company’s Motive When Starting a Customer Club be Described?

In table 6.5 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory. Table 6.5 at page 40.

Both Gummesson (2002), Söderlund (1997) and the club manager at MQ state that the main motive for working with a customer club should be to increase customer loyalty and create relationships. At MQ they believe that a membership in their customer club
should benefit both the customer and the company, they should both gain from it, see table 6.5. MQ state that customers appreciate that little extra and it can work as a trigger to make them come back. This is supported by Blomqvist et al (2004) who state that companies has to learn to know what their customers are looking for because if they appreciate the value they receive it is more likely that they will stay with the company which in the long run will lead to increased profitability.

Tabel 6.5: Analysis of RQ1 for MQ

<table>
<thead>
<tr>
<th>Research question 1</th>
<th>Theory</th>
<th>Case company 2</th>
</tr>
</thead>
</table>
| How can a company’s motive when starting a customer club be described? | ▪ Increase customers loyalty and create long-term relationships  
▪ Loyal customers hopefully increase the companies profitability  
▪ Get to know the customers and change to a more customer based behavior within the company  
▪ Receive information about customers buying behavior and which activities they appreciate  
▪ Create switching barriers  
▪ Measure marketing campaign efficiently  
▪ Members tend to buy more  
▪ How to reach new customers  
▪ Marketing costs will decrease | ▪ Increase knowledge about customers and their buying behavior, create relationships  
▪ Benefits everybody  
▪ Customers appreciate that little extra, work as a trigger to return  
▪ Get to know what the customer are interested of  
▪ Measure marketing campaigns efficiently  
▪ Focus interviews/group  
▪ Leads to increased costs but they see it as an investment and a source of information  
▪ Effective way of marketing and very cost-effective  
▪ Members tend to buy more  
▪ The motive has to be known throughout the organization |

It is extremely important to know what the customers expect and are looking for according to both the club manager and Peppers et al (1999). But as mentioned it is extremely important to change both the company’s and their employees behavior to a more customer based where the goal is to adjust the product/service to meet the customers needs in the best possible way according to Peppers et al (1999). Söderlund (1997) state that a customer club also makes it possible to create so called switching barriers which makes it harder for competitors to steal a company’s loyal customers but this was not mentioned during the interview. The club manager also states that working with a customer club gives that advantage to receive information about customers buying behavior which is supported by Elinder (1993). According to both Elinder, 1993 and MQ it is possible to also receive information about how effective different marketing campaigns are and if it changes during the year and what kind of activities the customers appreciate more then others. In order to receive this kind of information in a good way MQ work with focus groups and interviews. This gives them the possibility to collect accurate and interesting data which can be used in order to analyze and for future marketing.

MQ has seen through working with their customer club that members tend to purchase more then normal customers which can be well supported by Elinder (1993). The theory also state that it is very important to look for new customers and find out how to create a relationship to them but this was not mentioned during the interview.
Analysis

Through working according to these theories (Elinder, 1993) the company’s marketing costs will decrease because through this they are able to focus their marketing on existing and loyal customers. This is well supported by MQ who sees working with a customer club as an effective way of marketing in a very cost effective way. It is not supported by the theory but MQ state that working with a customer club demands more resources and engagement but the benefits exceeds the costs. They therefore see the customer club costs as an investment and as a great source of information that benefits the company in their work. But they also state that working with a customer club demands that the whole company know the motive for it and that they are all working for the same goal.

6.2.2. RQ2: How can the Structure of a Customer Club be Described?

In table 6.6 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory.

Tabel 6.6: Analysis of RQ2 for MQ

<table>
<thead>
<tr>
<th>Research question 2</th>
<th>Theory</th>
<th>Case company 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>How can the structure of a customer club be described?</td>
<td>1. Customer club with stamp card without a customer database</td>
<td>• Started as a regular bonus club</td>
</tr>
<tr>
<td></td>
<td>2. Customer club with bonus card and customer database</td>
<td>• MQ discovered that their members had a clear structure in their buying behavior</td>
</tr>
<tr>
<td></td>
<td>3. Customer club with bonus card, customer database and behavior information</td>
<td>• Decided to create three levels in their club with better offers for each level</td>
</tr>
<tr>
<td></td>
<td>▪ Become more usual to offer the customers the possibility of charge- and/or credit card</td>
<td>• MQ MasterCard, charge or credit card</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Through that able to collect points not only in MQ’s stores but in all other stores</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 500 SEK per year for MQ MasterCard but MQ give it back through a gift certificate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• If at least 50 % of the trip is paid with MQ MasterCard they will receive free travel insurance.</td>
</tr>
</tbody>
</table>

When MQ started their customer club they decided to work with a bonus card in combination with a customer database with behavior information which is supported by Elinder (1993). But MQ soon discovered that their members had a clear structure in their buying behavior and therefore they decided to create levels in the customer club. They decided to create three levels, club member, silver and gold card with even better offers for each level. This is not supported by the theory but MQ believe that customers appreciate if they are rewarded for their loyalty which creates a feeling of loyalty and stimulate to more purchases.

Johnsson (2004) state that it has become more common in the retail business to offer customers the possibility of a charge- and/or credit card. This is supported by MQ
who offer their customers the possibility to apply for MQ MasterCard. When applying for this card the customer automatically becomes a member in MQ customer club. The MQ MasterCard can also be used in all stores and therefore the customer can collect points on all of their purchases. MQ MasterCard is a combined charge- and credit card and the customer can therefore choose themselves if they want to pay everything in the end of the month or if they want to split up their payments which is supported by Johnsson (2004). The cost for a MQ MasterCard is 500 SEK/year but the customer receives a gift certificate on MQ for 200-500 SEK every year depending on what level they have reached in the customer club. If the customer is going on a trip and pays at least 50 % of the trip with MQ MasterCard they will receive free travel insurance, they want to offer the customer that little extra.

6.2.3. RQ3: How can the use of the Customer Database be Described?

In table 6.7 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory.

Tabel 6.7: Analysis of RQ3 for MQ

<table>
<thead>
<tr>
<th>Research question 3</th>
<th>Theory</th>
<th>Case company 2</th>
</tr>
</thead>
</table>
| **How can the use of the customer database be described?** | - A functioning relationship demands information  
- Collect data that can be useful for the company  
- Basic information  
- Complement information  
- Customers needs and expectation can be met  
- Possibility to individualize offers  
- Protecting personal integrity | - Customer database is a part of the cash-system  
- Basic personal information  
- Gather all the information for each purchase, everything on the receipt  
- Possible for MQ to search for receipts  
- Get to know the customer  
- Upgrading bonus  
- Used for targeted advertising  
- Handling member information |

MQ’s customer database is a part of their cash-system and the information that they collect from their members are basic personal information when they become a member in the customer club, see table 6.7, page 42. After that MQ gather all the information from each customer’s purchases, everything on the receipt. The information that MQ gather from their customer suits well with the theory by Elinder (1993). The database also makes it possible for MQ to help customers with finding receipts if they have lost their own, it can be very helpful if they want to make a complaint or return items.

MQ state that it is possible to get to know the customer through working with a customer club and a customer database. This is important according to Blomqvist et al (1993) who state that the more the company knows about their customers the better can their marketing become. The customer needs and expectations also can be met in a more effective way if companies work with a customer database according to Gummesson (2002).
Working with a customer database also demand that the company is well aware of the importance of protecting the personal integrity and that they work with that in mind all the time according to Elinder (1993). The importance of personal integrity was not mentioned during the interview with the club manager at MQ but this information could be found at their homepage. There it is easy to find information about what kind of information that is gathered by MQ and why, there they also inform that the information will not be used by any other then MQ. This is well supported by the theory that states the importance of handling the members’ personal information (Elinder, 1993).

The customer database is used not only for learning to know the customer but also for upgrading members’ bonus and for target advertising to certain groups as for example gold members or women according to the club manager. Using the customer database like this is well supported by the theory according to Gummesson (2002).

6.2.4. RQ4: How can the Benefits From a Membership in a Customer Club be Described?

In table 6.8 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory.

<table>
<thead>
<tr>
<th>Research question 4</th>
<th>Theory</th>
<th>Case company 2</th>
</tr>
</thead>
</table>
| How can the benefits from a membership be described? | ▪ The benefits have to match or exceed the customers expectations  
▪ Reward the customers for their loyalty  
▪ Possibility to individualize offers  
▪ Customers are more likely to enter a customer club if it’s free  
▪ Bonus is an effective way  
▪ Special offers in the stores  
▪ The customers appreciate if the company has a continuous communication about their bonus, news, offers and special invitations | ▪ Become a member on the homepage or in the store  
▪ Have to be 16 or older, at least 18 to get a MQ MasterCard  
▪ It is free to be a member  
▪ Receive special offers, discounts and bonus even better for each card level,  
▪ Targeted marketing.  
▪ Login to their own page, purchases is registered and their bonus  
▪ Different campaigns during the year with special offers  
▪ Collaborates with several partners, because they want to offer their members that little extra |

To become a member in MQ customer club can be done through their homepage or in one of their stores. In order to become a member the applicant has to be at least 16 years old and 18 to apply for MQ MasterCard. It is free to be a member in MQ customer club which agree well with the theory. Elinder (1993) state that customers are more likely to enter a customer club if it is free, the club is there for the customer.

In order to entice the customer to return to the company they have to offer their customers benefits according to Elinder (1993) and Gummesson (2002) state that companies have to reward the customers for their loyalty with individualize offers.
Analysis

This is well supported by MQ who offer their members special offers, bonus and discounts even better for each level in their club. MQ also work with different campaigns over the year which gives them the possibility to give the members special offers which have a clear connection to the different campaigns. Through working with several different partners MQ also offer their members special and unique experiences. This makes it possible for MQ to offer their members that little extra which entice them to return to the company. Through working with a customer club also makes it possible for MQ to work with targeted marketing to different segments of members. This is also supported by the theory which states that a customer club gives the company the possibility to individualized offers (Gummesson, 2002). The theory also state the importance of offering the members special offers in the store which lead to that all the other customers are enticed to join the club (Elinder, 1993). MQ offer their members the possibility to login to their own homepage where it is possible to see the purchases they have done, bonus level, how much it is to the next level in the club and offers. This is supported by Elinder (1993) who state that the customers appreciate if the company has a continuous communication with them.

6.3. Stadium

In this section a within-case-analysis will be made of Stadium i.e., comparing the empirical data for Stadium to the theory.

6.3.1. RQ1: How can a Company’s Motive When Starting a Customer Club be Described?

In table 6.9 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory.

<table>
<thead>
<tr>
<th>Research question 1</th>
<th>Theory</th>
<th>Case company 3</th>
</tr>
</thead>
</table>
| How can a company’s motive when starting a customer club be described? | ▪ Increase customers loyalty and create long-term relationships  
▪ Loyal customers hopefully increase the companies profitability  
▪ Get to know the customers and change to a more customer based behavior within the company  
▪ Receive information about customers buying behavior and which activities they appreciate  
▪ Create switching barriers  
▪ Measure marketing campaign efficiently  
▪ Members tend to buy more  
▪ How to reach new customers  
▪ Marketing costs will decrease | ▪ Learn about their customers and buying behavior  
▪ Create a better relation between the company and the customers  
▪ Teach their customers what Stadium stands for  
▪ Marketing campaigns have become more effective and profitable  
▪ Demands a higher degree of involvement and it is an expensive way of marketing, but the benefits exceed the disadvantages  
▪ Stimulate to more purchases  
▪ Create a close relation through “tying” the customer to their store  
▪ More and more at Stadium starting to see the advantages |
The theory states the importance for companies to take care of their customers and try to build up a relation to them which can be done through working with a customer club. (Gummesson, 2002; Söderlund, 1997) It is also very important that companies are aware of the importance of making the customer pleased by the value they receive which in the long run gives the company a higher profitability. (Blomqvist et al, 2004). This is supported by the club manager at Stadium who states that their main motive for working with a customer club is to learn about their customers and to create a better relation between the company and their customers.

Working with a customer club also demand that the company sees every interaction with a customer as an opportunity to improve their product/service to fit their customers’ expectations. (Peppers et al, 1999) This exact theory wasn’t mentioned during the interview but the customer club manager described the first five years after starting the customer club as a learning phase for both the company and their customers. The goal was to build a solid base for the customer club and to teach their customers what stadium stands for and what they receive if they become a member in Stadium Club. Interacting with customers during that time and further on gives Stadium information and response to their work.

The theory (Elinder, 1993) also states that through working with a customer club the company is able to receive information about customers buying behavior and what kind of activities they are looking for. Working with a customer club also creates so-called switching barriers according to Söderlund (1997). None of this was however mentioned during the interview.

Since Stadium has started to work with their customer club they have noticed that their marketing campaigns have become more effective and profitable. This can be supported by Elinder (1993), who state that the customer club makes it possible to measure how effective a marketing campaign is and what kind of activities the customers appreciate. Both Stadium and the theory (Elinder, 1993) state that members have a tendency to be stimulated to buy more frequent and more at each time than normal customers. But as well as in the other cases a discussion about the importance of reaching new customers is not mentioned.

On one thing the theory and the company disagrees. According to Elinder (1993) should companies marketing costs decrease if they work successfully with keeping existing customers and reaching new customers, because then the company is able to focus their marketing on a smaller group that are interested in their products and services. Stadium states that working with a customer club demands a much higher degree of involvement, the need of a customer database and increased administration. It can therefore be seen as an expensive way of marketing according to Stadium but the outcome exceeds the costs according to the club manager.

In order to create an even closer relation to the customer Stadium makes the member a part of their local store which is not supported by the theory. It makes it possible to give them special offers and invitations to member events in a store close to them. Stadium states that this creates a feeling of belonging and that they feel appreciated. Through working with the customer club and having a positive result has ended up
with that more and more personnel at Stadium has started to see the benefits with working with a customer club.

6.3.2. RQ2: How can the Structure of a Customer Club be Described?

In table 6.10 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory.

Stadium started to work with a bonus card in combination with a customer database with customer buying behavior information which is supported by Elinder (1993) see table 6.10. The club still works with the same concept today but they have given their customers one more option offering them the possibility of a credit card. This is also supported by the theory because according to Johnsson (2004) it has become more and more common in the retail business to offer the possibility of a charge and/or credit card. The option of a credit card doesn’t get a lot of attention today but Stadium plans to work more with this in the future and making in more attractive to the customers. The theory (Johnsson, 2004) doesn’t just mention a credit card it is also talking about a charge card, but the option of offering the customers the possibility of a charge card is not interesting at the time for Stadium. Stadium feels that this is not of interest because the average customer visits Stadium 4-5 times per year.

Tabel 6.10: Analysis of RQ2 for Stadium

<table>
<thead>
<tr>
<th>Research question 2</th>
<th>Theory</th>
<th>Case company 3</th>
</tr>
</thead>
</table>
| How can the structure of a customer club be described? | 1. Customer club with stamp card without a customer database  
2. Customer club with bonus card and customer database  
3. Customer club with bonus card, customer database and behavior information  
• Become more usual to offer the customers the possibility of charge- and/or credit card | • Started as a bonus club  
• It has the same concept today except for the credit card option  
• Plans to work more with the credit card function in the future  
• The option of a charge card isn’t interesting at the time |

6.3.3. RQ3: How can the use of the Customer Database be Described?

In table 6.11 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory. See table 6.11 at page 47.

Working with a customer club gives the company the possibility to collect data and create a relationship to the customer. (Blomqvist et al, 1993) The theory also states that a customer database makes it possible for the company to get to know the customers which also are supported by the club manager at Stadium, see table 6.11 page 47. The information that Stadium gather from their members are basic personal information when they become a member and afterwards they save all the information
from the receipt from each member’s purchases. This is supported by Blomqvist et al (1993). Through the database Stadium is also able to help their members with complaints or returns if they have lost their own receipt.

<table>
<thead>
<tr>
<th>Research question 3</th>
<th>Theory</th>
<th>Case company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• A functioning relationship demands information</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Collect data that can be useful for the company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Basic information</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Complement information</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Customers needs and expectation can be met</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Possibility to individualize offers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Protecting personal integrity</td>
<td></td>
</tr>
<tr>
<td>How can the use of the customer database be described?</td>
<td>• Basic information</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Everything from the customer receipt</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Able to help customers with lost receipts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Learn to know the customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Upgrade bonus</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Helpful with segmenting the customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Targeted marketing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Customers don’t get unnecessary advertising</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Important to inform the customers about which data is collected and why</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Important to inform if and how the customers can decline that their personal data is stored and used</td>
<td></td>
</tr>
</tbody>
</table>

The customer database also gives Stadium the possibility to upgrade the members’ bonus and segmenting the customer. Therefore they are able to use targeted marketing which is supported by Gummesson (2002). This helps Stadium because they can then save money when they don’t have to send out advertising to customers who aren’t interested and also their customers don’t need to receive unnecessary advertising. Both parties gain from it!

According to Elinder (1993) it is extremely important to protect the customers’ integrity. Stadium always has this in mind and the club manager points out that it is very important to inform the customer about which data is collected and why. The club manager also states that it is important to inform the customer how they can decline that their personal data is stored and used. Everything has to be approved by the customers!

6.3.4. RQ4: How can the Benefits From a Membership in a Customer Club be Described?

In table 6.12 the theory is compared to the empirical data. The text that is normal with no underlining is something that can be found in both the theory and the case company. The underlined lines are something that just can be found under either the theory or the case company. The lines that are bold and cursive are data that claims the opposite then the theory. Table 6.12 at page 48.

To become a member in Stadium customer club can be done in the stores or on Stadiums homepage. In order to become a member demands that the applicant are 16 or older and to receive a credit card they have to be at least 18. Elinder (1993) state that it is very important to offer the customer a club that is free of charge. This is
supported by Stadium who states that their club is free of charge, but in order to receive offers at home the member has to register purchases for at least 500 SEK within a 15 months period.

Tabel 6.12: Analysis of RQ4 for Stadium

<table>
<thead>
<tr>
<th>Research question 4</th>
<th>Theory</th>
<th>Case company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>How can the benefits from a membership be described?</td>
<td>- The benefits have to match or exceed the customers expectations</td>
<td>- Become a member on the internet and in the stores</td>
</tr>
<tr>
<td></td>
<td>- Reward the customers for their loyalty</td>
<td>- 16 or older, to get a credit card at least 18 years</td>
</tr>
<tr>
<td></td>
<td>- Possibility to individualize offers</td>
<td>- Free of charge to be a member</td>
</tr>
<tr>
<td></td>
<td>- Customers are more likely to enter a customer club if it’s free</td>
<td>- To receive offers at home they have to register purchases for at least 500 SEK</td>
</tr>
<tr>
<td></td>
<td>- Bonus is an effective way</td>
<td>- Receive bonus, special offers</td>
</tr>
<tr>
<td></td>
<td>- Special offers in the stores</td>
<td>- Inform the member for example make them aware of how to eat healthy, clothing</td>
</tr>
<tr>
<td></td>
<td>- The customers appreciate if the company has a continuous communication about their bonus, news, offers and special invitations</td>
<td>- Targeted marketing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Login to their own homepage, see purchases and bonus level</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- News through e-mail</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Collaboration partners, offer experiences and give their members that little extra</td>
</tr>
</tbody>
</table>

When becoming a member the customer receives special offers and bonuses. Stadium also wants to inform their members about things that might interest them as for example how to eat healthy and adventures. Stadium collaborates with several different partners which makes it possible to offer their members experiences and that little extra that they might appreciate. They want to entice the customer to return to the company. All of this is supported by the theory. Elinder (1993) state that it is of a great importance to offer their customers benefits that they appreciate in order to make them to return to the company. Gummesson (2002) also claim that it is important to reward the customer if they are loyal but it also important to give the members special offers in store. Through working with a customer club also makes it possible for Stadium to work with targeted marketing since they are able to segment their customer which is supported by the theory by Gummesson (2002).

Stadium also makes it possible for their members to login to their homepage where they keep track of their purchases, bonus and special offers. Through registering the e-mail address the member can receive news through e-mail. This is supported by the theory that states that customer appreciate to have a continuous communication from the company about for example bonus and offers (Elinder, 1993).
6.4. Cross-case Analysis of the Case-study Companies

In this section analysis of all of the case companies are done. The case companies are compared to each other and to the theories.

6.4.1. RQ1: How can a Company’s Motive When Starting a Customer Club be Described?

In table 6.13 the theory is compared to the empirical data. The theories that are similar are put together in the table. They are then compared to similar answers from the case companies. An empty box means that the theory or case company does not have an answer that fit with the theory or the other case companies’ answers. The lines that are bold and cursive are data that cannot be found in the theory or in the empirical data. Table 6.13 at page 50.

According to Söderlund (1997) is a customer club a good strategy in order to increases customers loyalty and to create long-term relationships and Elinder (1993) state that it gives the possibility to learn about their customers buying behavior. Looking at the investigated companies all of them has seen the importance of working with a customer club, see table 6.13 page 50. They all see the same purpose i.e., learning to know who their customers are and their buying behavior in order to create a good relationship to them. The club manager at MQ also states that customers appreciate that little extra and that work as a trigger to get them to return to the company. MQ in addition state that the club should be there for everybody, it should benefit both the company and the customer and both of them should feel satisfied with the club.

The main objective when working with a customer club should be to keep and develop the relation to existing customers but it is also very important that the company understands the importance of knowing how to reach new customers. (Elinder, 1993) If companies are able to make customer return it will lead to increased profitability for them. (Blomqvist et al, 2004) One way to create a strong bond between the company and the customers are through creating so called switching barriers. The purpose of them is to make the customer to stay with the company. (Söderlund, 1997) None of this is ever mentioned by either of the companies during the interviews but it is important to be aware of how the customer club affects both their customers and themselves.

The club manager at MQ and Stadium also state that they are able to see how effective all of their marketing campaigns is through the help of the customer club and what their customers are looking for, this is supported by Elinder (1993). All of the case companies have experiences increased costs when working with their customer club but they all see it as an investment where the benefits exceed the costs. MQ even sees it as an effective way of marketing and very cost-effective which is well supported by Elinder (1993) However Stadium state that is a very expensive way of marketing even though the benefits exceed the disadvantages. Elinder (1993) state that if a company is able to keep existing customers and develop new relations their profit will increase, he also state that working with a customer will lead to that marketing costs will decrease because the marketing is mainly focused on the existing customers. Stadiums statements contradict what these theories state.

The club manager at MQ and Stadium also pointed out that the motive for starting a customer club also where to stimulate to more purchases and increase frequency.
Stadium has seen that their club members stand for 40% of their annual turnover but in order to do this they have to know their customers and what they want. This is well supported by Elinder (1993) who states that the main objective of working with a customer club is to keep and develop the relation to existing customers but this will also lead to that they will buy more and more frequently.

Table 6.13: Cross-case-analysis of RQ1

<table>
<thead>
<tr>
<th>Theory</th>
<th>Case company 1</th>
<th>Case company 2</th>
<th>Case company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase customers loyalty</td>
<td>Increase customer loyalty</td>
<td>Increase knowledge about customers</td>
<td>Learn about their customers</td>
</tr>
<tr>
<td>Create long-term relationships</td>
<td>Create relations</td>
<td>Buying behavior</td>
<td>Buying behavior</td>
</tr>
<tr>
<td>Get to know the customers</td>
<td>Learn to know their customers</td>
<td>Create relationships</td>
<td>Create a better relation between the company and the customers</td>
</tr>
<tr>
<td>A more customer based behavior</td>
<td>Buying behavior</td>
<td>What the customer are interested of</td>
<td></td>
</tr>
<tr>
<td>Customers buying behavior</td>
<td>A marketing tool</td>
<td>Benefits everybody</td>
<td></td>
</tr>
<tr>
<td>Which activities they appreciate</td>
<td></td>
<td>Customers appreciate that little extra, work as a trigger to return</td>
<td></td>
</tr>
<tr>
<td>Customers appreciate the value they receive, more likely that they will stay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How to reach new customers</td>
<td>See the costs as an investment</td>
<td>Measure marketing campaigns efficiently</td>
<td>More effective and Profitable marketing campaigns</td>
</tr>
<tr>
<td>Create switching barriers</td>
<td></td>
<td>Increased costs seen as an investment</td>
<td>High degree of involvement</td>
</tr>
<tr>
<td>Measure marketing campaign efficiently</td>
<td></td>
<td>Great source of information</td>
<td>An expensive way of marketing</td>
</tr>
<tr>
<td>Marketing costs will decrease</td>
<td></td>
<td>Effective way of marketing</td>
<td>Benefits exceed the disadvantages</td>
</tr>
<tr>
<td>Members tend to buy more</td>
<td>Members tend to buy more</td>
<td>Stimulate to more purchases</td>
<td></td>
</tr>
<tr>
<td>Customer becomes a member in their local store, ties them closer</td>
<td></td>
<td>Create a close relation through “tying” the customer to their store</td>
<td></td>
</tr>
<tr>
<td>Focus interviews/group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The motive has to be known throughout the organization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teach their customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More people at Stadium starting to see the advantages</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Analysis

Both Intersport and Stadium also work with creating a bond between their members and their local store which is not supported by the theory. Both companies hope to create a closer relation between the company and the customers through this. They want to make the customer feel closer to that store and feeling a part of it. The members receive special offers from “their” store and receive invitations to for example club nights.

In order for MQ to create a relation to their members it is extremely important to learn to know who the customers are and what they want. To achieve this MQ work with focus interviews and groups. Through this they learn to know their customers and their changing buying behavior. Stadium looked at the first five years of the club as a learning process where they learned the customers what Stadium stands for and their customer clubs but through this time Stadium also got to know about whom their customers are and what they want. Both of the companies also state that it is very important that the motive of the club is known through out the company and that everybody sees the advantage of working with it.

6.4.2. RQ2: How can the Structure of a Customer Club be Described?

In table 6.14 the theory is compared to the empirical data. The theories that are similar are put together in the table. They are then compared to similar answers from the case companies. An empty box means that the theory or case company does not have an answer that fit with the theory or the other case companies’ answers. The lines that are bold and cursive are data that cannot be found in the theory or in the empirical data. Table 6.14 at page 52.

All of the examined customer clubs started as a bonus club and all of them work with their own customer database with behavior information, see table 6.14 page 52. This is well supported by Elinder (1993) that state there are three possible structures that can be used when working with a customer club. The alternative that all of the case companies have decided to work with is the bonus card and customer database with behavior information. This alternative makes it possible for the company to gather information about when the members buy something and what they buy. (Elinder, 1993) MQ started their customer club as a bonus club but they soon discovered that their members tend to have a clear structure in their buying behavior. In 2004 they therefore decided to create three levels in their club, with better offers for the members for each level. It triggers the customer to return to the company and to stimulate to more purchases.

Johnsson (2004) state that it has become more and more common that companies in the retail business offer their customers the possibility of applying for a credit and/or credit card. The theory also states that the main purpose with the card is to create loyalty which is the main motive when working with a customer club (Johnsson, 2004). Intersport offered their members the possibility of applying for credit card in the start but they soon recognized that their members didn’t use this possibility. Therefore they decided to move away from this alternative and only work with a bonus card and offer the possibility of credit to all of their customers, this contradicts the theory. MQ offer their customers the possibility of applying for a MQ MasterCard, the customer can choose to pay with it as a charge or credit card. The option of a MQ MasterCard is well supported by Johnsson (2004). Stadium has always worked with a bonus club but in 2000 they decided to start working with a combination of a credit card. They started with this alternative for the customers benefit but this option hasn’t
become as big as they have hoped but they plan to work more with this option in the future. Working with a customer club is well supported by the theory by Johnsson (2004) and the option of not working with a charge card is supported by the company because the average customer visits the store between 4-5 times per year.

Table 6.14: Cross-case-analysis of RQ2

<table>
<thead>
<tr>
<th>Theory</th>
<th>Case company 1</th>
<th>Case company 2</th>
<th>Case company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Customer with bonus card, customer database and behavior information</td>
<td>• Started as a bonus card in combination with a credit card</td>
<td>• Started as a regular bonus club</td>
<td>• Started as a bonus club</td>
</tr>
<tr>
<td></td>
<td>• Only work with a bonus card today</td>
<td>• A clear structure in their buying behavior</td>
<td>• It has the same concept today</td>
</tr>
<tr>
<td></td>
<td>• A small part of the members used the possibility of a credit card</td>
<td>• Three levels in their club with better offers for each level</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Offers instead all of their customers the possibility to apply for a free interest credit</td>
<td>• MQ MasterCard, charge or credit card</td>
<td>• Offer their members a credit card option</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Plans to work more with the credit card function in the future</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• The option of a charge card isn’t interesting at the time</td>
</tr>
<tr>
<td></td>
<td>• Cooperation with FöreningsSparbanken (FSB) , possible to register VISA-card as a member’s card</td>
<td>• Collect points not only in all stores</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Give back the fee through a gift certificate</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Free travel insurance If at least 50 % of a trip is paid with MQ MasterCard.</td>
<td></td>
</tr>
</tbody>
</table>

Intersport offers their members a very special alternative. Many customers don’t want just another club card in their wallet and Intersport therefore offers their members the possibility of using their FSB VISA card as club card. This is not supported by the theory but it is a popular alternative at Intersport. In order to attract customers to apply for a MQ MasterCard they offer the possibility of collecting points in all stores and therefore they will receive even better offers and bonuses from MQ. The fee for the card is given to the members through a yearly gift certificate. MQ also offer their customers the possibility of free travel insurance. This is possible if at least 50 % of the trip is paid by MQ MasterCard.
6.4.3. RQ3: How can the use of the Customer Database be Described?

In table 6.15 the theory is compared to the empirical data. The theories that are similar are put together in the table. They are then compared to similar answers from the case companies. An empty box means that the theory or case company does not have an answer that fit with the theory or the other case companies’ answers. The lines that are bold and cursive are data that cannot be found in the theory or in the empirical data.

Table 6.15: Cross-case-analysis of RQ3

<table>
<thead>
<tr>
<th>Theory</th>
<th>Case company 1</th>
<th>Case company 2</th>
<th>Case company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A functioning relationship demands information</td>
<td>• Central database</td>
<td>• Customer database is a part of the cash-system</td>
<td>• Basic information</td>
</tr>
<tr>
<td>• Collect data that can be useful</td>
<td>• Divided into sections for each store</td>
<td>• Basic personal information</td>
<td>• Everything from the customer receipt</td>
</tr>
<tr>
<td>• Basic information</td>
<td>• General information</td>
<td>• Gather all the information for each purchase</td>
<td></td>
</tr>
<tr>
<td>• Complement information</td>
<td>• Register complement information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Customers needs and expectation can be met</td>
<td>• Learn to know their customers</td>
<td>• Get to know the customer</td>
<td>• Learn to know the customers</td>
</tr>
<tr>
<td></td>
<td>• Upgrading the customer’s bonus</td>
<td>• Possible for MQ to search for receipts</td>
<td>• Help customers with lost receipts</td>
</tr>
<tr>
<td></td>
<td>• Register if they buy for 500 SEK or more per year, receive Intersport magazines</td>
<td>• Upgrading bonus</td>
<td>• Bonus</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Possibility to individualize offers</td>
<td>• Used for targeted advertising</td>
<td>• Segmenting the customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Individualize offers and targeted marketing</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Customers don’t get unnecessary advertising</td>
<td></td>
</tr>
<tr>
<td>• Protecting personal integrity</td>
<td>• Handling member information</td>
<td>• Handling member information</td>
<td>• Inform of which data is collected and why</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Inform if and how the customers can decline that their personal data is stored and used</td>
</tr>
</tbody>
</table>

All of the case companies work with a customer database and the information that they gather fits well with the theory by Elinder (1993). All of the companies gather basic information about the customer when they become a member. The companies also gather complement information over time for example what the customer buy and when. MQ and Stadium both state that they save everything from the receipt from each purchase.
Analysis

Working with a customer database makes it possible for the company to learn what their customers’ needs and expectations are according to Gummesson (2002). This is all supported by the companies’ main goal for the customer database. They all state that the main goal of the customer database is learning to know the customers. The theory do not mention any other direct reasons for working with a customer database, but all of the case companies uses the database in order to upgrade and keep track of their members bonus. Intersport also register if their members buy for 500 SEK or more per year, because then they will receive Intersports magazine at home. Both MQ and Stadium also mention that the database makes it possible for them to look for receipts for the customers.

Working with a database gives companies the possibility of working with targeted marketing according to (Gummesson, 2002). Both MQ and Stadium uses their customer database in order to work with targeted marketing which is supported by the theory. Targeted marketing demands that the members are segmented which was mentioned by Stadium during the interview. Stadium also points out that working with targeted marketing benefits both the company and the customers. Because customers do not receive unnecessary advertising and the company do not have to send out advertising to customers who aren’t interested.

A database demands that the company is well aware of the rules of how to handle personal information according to Elinder (1993). Both Intersport and MQ did not mention this during the interview but this information can very easily be found on each of their homepages. The club manager at Stadium talked a lot about the importance of informing the members about which data that is collected and why it is collected. The club manager also point out that it is extremely important to inform the members how they can decline that their personal data is used and stored. Stadium strongly point out that everything has to be approved by the customer.

6.4.4. RQ4: How can the Benefits From a Membership in a Customer Club be Described?

In table 6.16 the theory is compared to the empirical data. The theories that are similar are put together in the table. They are then compared to similar answers from the case companies. An empty box means that the theory or case company does not have an answer that fit with the theory or the other case companies’ answers. The lines that are bold and cursive are data that cannot be found in the theory or in the empirical data. Table 6.16 at page 55.

To become a member in all of the examined customer clubs can be done in either in their stores or on their homepages. They all also demand that the member is at least sixteen years old when they become a member. MQ and Stadium who works with a credit card demand that the customer has to be eighteen or older when applying. Intersport offers their members the possibility of using their FSB VISA as a member card which gives the members less cards in the wallet. See table 6.16. page 55.

The theory according to Elinder (1993) state that customer are more likely to enter a customer club if it is free because the club should be there for the customer and work as a way for the company to show their appraisal. The cost should be justified by the improved customer loyalty. (Elinder, 1993) Intersport does not work according to the theory because they charge the member at 25 SEK per year. The fee is taken out from the members’ possible bonus. MQ and Stadium on the other hand work as the theory state with a free of charge customer club. But in order to receive offers from Stadium
Analysis

the member has to register purchases for at least 500 SEK within a fifteen months period. MQ instead state that the club is there for the customer and therefore it should be free, it should not cost to receive offers.

Table 6.16: Cross-case-analysis of RQ4

<table>
<thead>
<tr>
<th>Theory</th>
<th>Case company 1</th>
<th>Case company 2</th>
<th>Case company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Apply in the store or on the homepage</td>
<td>• Become a member on the homepage or in the store</td>
<td>• Become a member on the internet and in the stores</td>
</tr>
<tr>
<td></td>
<td>• Older than sixteen</td>
<td>• At least 16 or older, at least 18 to get a MQ MasterCard</td>
<td>• 16 or older, at least 18 years to get a credit card</td>
</tr>
<tr>
<td></td>
<td>• Use FSB VISA-card instead of a regular club card</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Customers are more likely to enter a customer club if it’s free</td>
<td>• The club cost 25 SEK/year</td>
<td>• Free of charge to be a member</td>
</tr>
<tr>
<td></td>
<td>• The club cost 25 SEK/year</td>
<td>• It is free to be a member</td>
<td>• To receive offers at home they have to register purchases for at least 500 SEK within a 15 months period</td>
</tr>
<tr>
<td></td>
<td>• Receives special offers and bonuses</td>
<td>• Receive special offers, discounts and bonus even better for each card level,</td>
<td>• Receive bonus, special offers</td>
</tr>
<tr>
<td></td>
<td>• Get Intersport magazine, if they register purchases for at least 500 SEK/year</td>
<td>• Different campaigns during the year with special offers</td>
<td>• Inform the member of how to eat healthy, clothing and adventures ETC.</td>
</tr>
<tr>
<td></td>
<td>• Offer their members unique and special experiences through working with</td>
<td>• Collaborates with several partners, because they want to offer their members</td>
<td>• Collaboration partners, offer experiences and give their members that little extra</td>
</tr>
<tr>
<td></td>
<td>collaboration partners</td>
<td>that little extra</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Possibility to individualize offers</td>
<td>• Targeted marketing</td>
<td>• Targeted marketing</td>
</tr>
<tr>
<td></td>
<td>• The customers appreciate if the company has a continuous communication</td>
<td>• Login to their “own” page where they can follow their actual bonus level</td>
<td>• Login to their own homepage, see purchases and bonus level</td>
</tr>
<tr>
<td></td>
<td>about their bonus, news, offers and special invitations</td>
<td>and their purchases is registered and their bonus</td>
<td>• News through e-mail</td>
</tr>
<tr>
<td></td>
<td>• Login to their own page, purchases is registered and their bonus</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The theory states that in order to a club to be effective it has to give the members benefits that match or exceed customers expectations. The member has to feel that it is worth it to be a member. (Elinder, 1993) All the examined case companies offer their members special offers, discounts and bonuses. MQs members receive even better offers at each level of the club. Each case company also has special offers to their members. Intersport offers their members the possibility to receive Intersport
Analysis

magazine. MQ work with different campaigns during the year with special offers because they want to offer their customers that little extra that triggers them to return. Stadium offer their members information about subjects that might be of interest as for example training, clothing and how to eat healthy. The theory also states the importance of offering the members special offers within the store because the members appreciate it and it attracts new members. (Elinder, 1993) All of the case companies also work with different collaboration partners and this gives all of the companies the possibility of offering their members unique and special experiences.

Gummessons (2002) state that a customer club with a database gives companies the possibility to offer their members individualized offers. MQ offer their members targeted marketing and Stadium also work with this, but they point out that none of their members are declined to take part of offers that they haven’t received. But this was not mentioned during the interview with Intersport.

Elinder (1993) state that customers appreciate to have a continuous communication from the company about for example bonus, news and special offers. All of the case companies offer their members the possibility of login to their homepage at each of the companies own homepages. The member is able to see their bonus level and what purchases they have done and registered with their club card. They are also able to see and change their personal information and see what kind of special offers they are offered at the time. Intersport and Stadium also offer their members the possibility to receive news through their e-mail, and Intersport also offers news through text message.
7. Conclusions

In this chapter conclusions will be made based on the analysis made in the previous chapter. The chapter starts with a short presentation of the research problem and research questions, it is followed by the findings and conclusions to each research question and research problem. Implications for managers, theoretical contribution is then discussed and at last suggestions for further research will be presented.

7.1. Answers to Research Questions

As stated in chapter one is the research problem for this master thesis is to gain a better understanding of how a customer club can be used to create long-term relationships with customers. In order to solve the research problem a number of research questions were developed in chapter three:

RQ 1: How can a company’s motive when starting a customer club be described?
RQ 2: How can the structure of a customer club be described?
RQ 3: How can the use of the customer database be described?
RQ 4: How can the benefits from a membership in a customer club be described?

7.1.1. RQ1: How can a Company’s Motive When Starting a Customer Club be Described?

Through this master thesis I have come to the conclusion that the main motive for companies for working with a customer club is to get to know their customers and create long-term relationships which is supported by the theory. All of the case companies state that it will lead to increased customer loyalty and knowledge about customers buying behavior. This is well supported by the theory which states that there are in general five to ten times more expensive to sell to new customers, compared to retaining old customers which is very important for the companies to keep in mind. A customer club should however not only be there for the company’s sake but it should also benefit the customers and trigger them to return to the company.

All of the case companies have experienced increased costs since starting to work with the customer club but all of them see the costs as an investment. In order to attract customers to stay with the company the company has to expect increased costs in order to stay on the market. Through working with a customer club the company is also able to measure how effective their marketing campaigns are and they will also be able to receive a lot of information through the club about the customers and their changing buying behavior. This makes it possible for the companies to conduct their business in a much more effective way and profitable. Working with a customer club is therefore a very cost effective way of marketing because they are able to work with targeted marketing and they will increase profit if they are able to offer the customers what they want and expect.

A big advantage when working with a customer club is that members tend to make more and larger purchases than the average customer. This is very important for companies to keep in mind and therefore work continuously with attracting customers to become a member in the companies’ customer club. One way to create an even closer bond to members may be through making them a member in their local store. Through this the member receives offers from their local store and invitations to for
Conclusions

example club nights. This is an effective way to make the customer to feel a part of company and creates a bond between the company and the customer.

In order for a company to get to know their customers in a good way is to work with focus groups and interviews. This is a very effective way to learn to know the customer and their buying behavior. Through this the company is able to ask direct questions to a customer and discuss the answers with them. Through this they will receive direct and accurate information that they can work with in order to be able to offer the customers what they expect and improve the companies work.

7.1.2. RQ2: How can the Structure of a Customer Club be Described?

All of the case companies work with a bonus club in combination with a customer database and collecting behavior information. In order to work with an optimal customer club the company has to collect information about the individual customer and their behavior. To be able to work with this the company has to register each of the customers purchases. This makes it possible to work with targeted marketing which creates an even closer relation between the company and the customer.

One of the case companies decided in 2004 to work in a more unusual way then the other case companies. The company noticed that their members had a clear structure in their buying behavior. Therefore they decided to divide their customer club into three levels. This gave them the possibility to reward their customer depending on what bonus level they have reached. The more the customers purchase the better offers they will receive. The different levels also trigger the members to return and increase their purchases because they are able to see that they are rewarded for their loyalty. This is a good way to entice the customers to return and make more purchases in order to reach a higher level and even better offers.

In the retail business it has become more usual to offer the customers the possibility of applying for a charge- and/or credit card. The main purpose of this kind of card is however not to use it as payment instead is the main purpose to create customer loyalty. As I see it there are three different alternatives for companies to work with credit from the examined case companies. The first alternative is used by one of the case companies and they offer a MasterCard, through this they offer their customers the possibility of collecting points not only in their own stores but in all stores. To make this alternative even more attractive company can give back the fee for the card to the customer and also offer the possibility of free travel insurance. The second alternative for companies is to work with a bonus card and instead offer all of their customers the possibility of applying for credit. The last alternative is to work with a bonus card in combination with a credit card. Each alternative has advantages and disadvantages. It is up to each company to choose and work with the alternative that suits their business in the best possible way.

One of the case companies offers their customers a special solution when entering the club. They have seen that many customers don’t want to become a member because they don’t want one more card in their wallet. Therefore the company collaborates with Förenings Sparbanken (FSB). Through this they are able to offer all of their members who has a FSB VISA to use it as a club card instead of the regular card. This makes it more possible that the customers enter the customer club, they do not have to
have a card in the wallet and the purchases are registered automatically when purchasing with the FSB VISA. This makes it easier and more attractive for the customer.

7.1.3. RQ3: How can the use of the Customer Database be Described?
All of the case companies work with a central customer database that is a part of their cash system. This gives them the possibility to collect data continuously about their members and their activities. It is important to collect data that can be useful for their work and get to know who the customer is and their needs and expectations. Both the theory and the case companies also state that the information that should be gathered is basic information about the customer when they become a member and complement information about what they purchase, when and for how much.

All of this information help the companies in their future work and makes it possible to segment the customers in order to work with targeted marketing. When working with targeted marketing both the customer and the members gain from it because there are no unnecessary advertising sent out. A customer database is also very helpful when upgrading members’ bonus and it makes it possible for the company to help customers who have lost their receipt. This is helpful if the customer want to make a complaint or return an item if they have lost the receipt.

Stadium very strongly pointed out the importance of handling the customer personal information in an accurate way. The club manager states that it is extremely important to inform the customer about what information they gather and what it is used for. They also state that the customer has to be informed about how they can decline that their personal information is stored and used. This information could also be found on all of the case companies’ homepages. How to handle personal information and protecting personal integrity is regulated by law. In order for a company to work with a customer database they have to be well aware about what regulation they have to follow and work according to.

7.1.4. RQ4: How can the Benefits From a Membership in a Customer Club be Described?
According to the theory it is more likely that a customer enter a customer club if it is free of charge. It shouldn’t be a cost for the customer to be loyal and receive offers according to one of the club managers.

This examination has shown that offering the customer a bonus if they become a member in the customer club is an effective way. The customers also appreciate special offers both at home and in store, they have to be rewarded for their loyalty. Rewards are a good way to entice the customer to return to the company and stay loyal. But the benefits that the company offers their customers have to match and hopefully exceed their expectations according to both the case companies and the theory. They have to feel that it is worth to return to the company and to identify themselves as a member when they make a purchase. Customers also appreciate if they are offered special and targeted marketing because it makes them feel appreciated and they are offered something that might be of big interest.
Conclusions

All of the case companies work with several different collaboration partners as a way to create an even stronger bond between the company and the customer. Through this partner the company is able to offer their customers unique and special experiences. It makes it possible for the company to offer their customers that little extra that the customers appreciate. All of the case companies however, state that they want the experiences to have a clear connection to the company and their products.

When working with a customer club it is very important for the customer that the company has a continuous communication with them about their bonus, news, offers and special invitations. All of the case companies offer their members the possibility to login to their own homepage at each of the companies’ homepages. There they can find information about their recent purchases, bonus and news which is very appreciated by the customers. Offers and news could also be sent out to the customers in other ways then through the homepage or by letter, it can be send out through for example e-mail and text message which makes it possible for the customer to always keep in touch with the company.

7.1.5. RP: To Gain a Better Understanding of how a Customer Club can be Used to Create Long-term Relationships With Customers

The importance for companies of being able to handling customers and creating long-term relationships are well supported by the theory. The theory states that a customer club is a good way of handling the customers and the benefits of working with it. The importance of the customer club is well supported by the respondents of each case company; Intersport, MQ and Stadium.

All of the case companies are well aware of the importance of having long-term relationships to their customers. They are all working with a customer database in order to get to know their customers and some of them use the database for targeted marketing. They believe that through targeted marketing they are able to create an even stronger relation to their customers. To entice the customer to become a member in the customer club and come back to the company all of the case companies offer their customers bonus, special offers and experiences. All of the case companies also work with collaboration partners which gives them the possibility to give their customers unique and special experiences. Through all of the offers the case companies hopes to create a stronger bond between the company and their customers.

7.1.6. The Future for the Case Companies and Their Customer Club

Working with a customer club is almost a must in today’s business for companies in the retail business. The case companies see a great potential in working with a customer club now and in the future. It is also a must to take care of the customers and the relation to them according to MQ because new competitors enter the market continuously. The market is changing continuously and so most companies, they always have to work for new ways to attract and work with their customers.

Intersport state that they will focus even more on a more CRM thinking in their marketing in the future which gives the possibility to focus on the customer more direct and on a more personal level. Stadium sees a great potential in using the internet more in the future. They would like to be able to offer new services online and attract new customers and improving the communication with them. Working
with a customer club demands that the company is active all the time and listen to their customers otherwise they will lose them to a competitor.

7.2. Managerial Implications

Through this work I have come to the conclusion that it is very important that the company are well aware of that the work with the customer club never stops. The customers buying behavior are always changing and therefore it is very important that the company and managers work with their customers continuously and find out what they need and expect.

In order to make the customer stay with the company it is also very important to have a good and easy access communication to the customer. Changing buying behavior, markets and new customers demands that the company looks for new ways to reach the customers and communicate with them. Therefore it is very important that the companies are aware of changes in order to work in a way that entices the customer to return to the company.

This examination has shown that working with collaboration partners is a good way for a company to stand out from the competitors. Through this the company is able to offer their customers unique and special experiences which might strengthen the bond between the company and the customers. It is important that managers understand that all of the offers the company offers their customers must meet or exceed the customers need and expectations.

7.3. Theoretical Contributions

In this master thesis companies’ motive for working with a customer club in order to create long-term relationships with customers has been examined and described. Three well established companies in the retail business who all work with a customer club have been examined. All of the case companies work with their customer club in order to learn to know their customers, create loyal customers and long-term relationships to the customers. I have come to the conclusion that the result of the empirical data agrees with the theories and therefore this master thesis in many things confirms the theory. There is however some things that couldn’t be found in the theory as for example how the company should work with the customer club against the customers. All of the case companies for example work with collaboration partners in order to offer their members special and unique experiences. This work also shows that it is common that companies make their members a part of their local store in order to create a closer bond between the company and their customers.

I have come to the conclusion that all of the case companies are well aware of the importance to create loyal customers and a good way in order to do this is through a customer club. When companies work with a customer club it has shown that members tend to buy more then average customers and for example Stadium has seen that their club members stand for 40 % of their annual turnover. The theory also state that it is important for companies to be aware of that it is more expensive to sell to new customers then to old customers. This is a motive for companies to work with a customer club and loyal customers.
7.4. Implications for Further Research

For further research I would like to see actual numbers of how effective a customer club is and if the costs really can be justified by the benefits. I haven’t been able to find any numbers of how effective a customer club is in a company compared to a company who instead work with customer care in another way. All of the case companies state that they have noticed that their customer club demands an increased cost and involvement from the company. All of them however state that the cost can be seen as an investment but it would be interesting to see if the benefits really exceed the costs.

All of the case companies also work with a bonus card which I believe is one of the most common kind of customer clubs. Many established companies have been working with a customer club with a credit card in the start but several of those companies have become a bonus club instead later on. Why is this, the most common kind of club and why those many companies start with a credit club and change after a while? I haven’t been able to find any information that covers this kind of area and I think that it would be interesting to know this.

Is a customer club really the way to work for long-term relationships in the future or should companies look for others or new alternatives in the future?
References

Literature


References


References

Articles


References

Internet


Appendix 1 – Interview Guide

Interview guide:

When was the customer club started?

How many members does the customer club have today?

 What was the company’s motive when starting the customer club?

Is the motives/aim the same today or have the motives/aim changed over time?

What kind of benefits has the customer club lead to for the company?

Has the company experienced any disadvantages with the customer club? (e.g., increased costs, increased administration, so on…)

Has the introduction of the customer club affected/changed the company and their business? If so in what way?

Has the customer club lead to any new costs and profits?

 What kind of structure does the customer club have? (For example credit card, bonus card….)

Why did the company make that choice?

Has it structure changed over time? Why?

Are their any plans of developing the club concept further?

 Does the company have a customer database? If so how is the company customer database developed?

How is the data collected and stored and what kind of information is gathered? Why?

How does the company use the customer database/and the information about the customers? Why?

 How does the customer become a member of the customer club?
Appendix 1

Does the company request anything from the customer in order to become a member?

What kind of benefits does the customer receive from the company when they are a member?

Do all the customers receive the same benefits or are there any differences? (e.g., is it depending on for example what they buy or for how much they buy?)

How does the customer club’s future development look like?
Appendix 1

Intervju guide (that was sent out to the respondents):

När startades kundklubben?

Hur många medlemmar har kundklubben i dagens läge?

------------------------------------------------------------------------------------------------------------------------

Vad är företagets syfte med kundklubben när den startade?
Är syftet desamma idag eller har det förändrats över tiden?

Vilka fördelar har kundklubben fört med sig för företaget?

Har företaget upplevt några nackdelar av kundklubben? (ex. ökade kostnader, ökad administration....)

Har införandet av en kundklubb förändrat företaget och deras affärer? På vilket sätt?
Har nya vinster och kostnader uppkommit pga. kundklubben?

------------------------------------------------------------------------------------------------------------------------

Vilket koncept har kundklubben? Ex. kreditkort, bonus kort.....

Varför gjorde företaget detta val?

Har kundklubbens koncept förändrats från starten?

Planeras det för framtida utveckling av konceptet?

------------------------------------------------------------------------------------------------------------------------

Har företaget en kund databas? Om så är fallet, hur är den utvecklad?

Vilken information samlar företaget in om kunden, hur är den insamlad och lagrad? Varför?

Hur utnyttjar företaget kund databasen och informationen om kunderna? Varför?

------------------------------------------------------------------------------------------------------------------------

Hur blir kunderna medlem i kundklubben?

Krävs det något av kunden för medlemskap?

Vilka fördelar får kunden genom att bli medlem?
Appendix 1

Har alla kunder samma förmåner eller beror det på exempelvis vad de handlar eller hur mycket de handlar för?

Hur ser kundklubbens framtida utveckling ut?
Appendix 2 – Interview

Presentation of the Company and the Customer Club

<table>
<thead>
<tr>
<th>Question</th>
<th>Intersport</th>
<th>MQ</th>
<th>Stadium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. When was the customer club started?</td>
<td>1996</td>
<td>1993</td>
<td>1996 as a test in Östergötland and in the autumn 1997 in the rest of the country.</td>
</tr>
<tr>
<td>2. How many members does the customer club have today?</td>
<td>550 000</td>
<td>260 000 active members and 300 000 registered members</td>
<td>750 000</td>
</tr>
</tbody>
</table>

How can a company's motive when starting a customer club be described?

| 3. What was the company’s motive when starting the customer club?        | Increased loyalty and the main motive is the same today. | Increase knowledge about the customer and their buying behavior. Something that benefits both the customers and the company. The motive is almost the same today. | The purpose and goal is almost the same today. Want to get to know their customers and create a better relation to them. Stimulate for more purchases and increase frequency. |
| 4. What kind of benefits has the customer club lead to for the company? | They learn to know who their customers are and their buying behavior. | Get to know what their customers are interested in, see how effective their campaigns are, keep up with their customers changing buying behavior | Members tend to buy often and more. The first five years where a design and construction phase, learn the customer what they stands for. Many of their marketing campaigns have become more effective and profitable. |
| 5. Has the company experienced any disadvantages with the customer club? | Increased administration and involvement but they see it as an investment. | Increased administration, involvement, and continuous work but the benefits take out the disadvantages. Investment and a cheap way of marketing. | An expensive way of marketing, demands involvement, customer database, increased administration. But the benefits exceed the disadvantages. It can be hard to reach out with all the information. |
6. Has the introduction of the customer club affected/changed the company and their business?

<table>
<thead>
<tr>
<th>How can the development of a customer club be described?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>7. What kind of structure does the customer club have?</strong></td>
</tr>
<tr>
<td></td>
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<tr>
<td><strong>8. Has it structure changed over time?</strong></td>
</tr>
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<td></td>
</tr>
<tr>
<td><strong>9. Are their any plans of developing the club concept further?</strong></td>
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</tbody>
</table>

VI
### How can the benefits from a membership be described for the customer?

<table>
<thead>
<tr>
<th>Question</th>
<th>Internet or in store, if the member wants to use their FSB-VISA as club card it has to be registered in store</th>
<th>In store or on the Internet at MQ’s homepage.</th>
<th>Both on the Internet and in the stores.</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. How does the customer become a member of the customer club?</td>
<td>They have to be over 16, and register purchases for at least 500 SEK to receive the magazines. It cost 25 SEK/year to be a member, it is taken out from the bonus</td>
<td>16 years nothing more, they don’t have to buy when they become a member and it is free to be a member.</td>
<td>16 for the bonus card and 18 for the credit card. It is free to be a member but in order to receive offers at home they have to register purchases for at least 500 SEK.</td>
</tr>
<tr>
<td>13. Does the company request anything from the customer in order to become a member?</td>
<td>Offers, bonus, magazine, experiences in cooperation with several different partners.</td>
<td>When entering the club the member gets special offers, better for each card level. Log in on MQ’s homepage and offered experiences from partners.</td>
<td>Bonus, offers, inform and make them aware of for example food and clothes. Unique experiences with the help of partners, give them that little extra.</td>
</tr>
<tr>
<td>14. What kind of benefits does the customer receive from the company when they are a member?</td>
<td>No answer.</td>
<td>The better the customer the better offers and bonuses.</td>
<td>Different offers to different segments, after their interests.</td>
</tr>
<tr>
<td>15. Do all the customers receive the same benefits or are there any differences?</td>
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</table>

### The future of the club

<table>
<thead>
<tr>
<th>Question</th>
<th>Develop their marketing into more CRM thinking and extend the information about the club. Seeks for new members for even better offers in the future.</th>
<th>New competitors, changing markets demand a continuously work, the company has to change with their customers in order to stay attractive.</th>
<th>See a great potential in the customer club. Web connection in the future and therefore offer new services. Get a deeper understanding of all the customers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>16. How does the customer club’s future development look like?</td>
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VII