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Investigating factors that can have an impact on customer loyalty - an empirical study of IKEA

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ABSTRACT

**Title:** Investigating factors that can have an impact on customer loyalty - an empirical study of IKEA

**Level:** thesis for Bachelor Degree in Business Administration

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**Aim:** The aim of this thesis is to investigate which factors will have impact on customer’ loyalty strategy. And in this study, both markets of China and Sweden will be discussed. Therefore, the focus of this thesis is on the international companies.

**Method:** As the purposes of this thesis are descriptive and explanatory, the method used in this thesis is the qualitative method. Interview method is used in the thesis to collect data and information. Besides that, case study method is used in the thesis to analyze the data and information.

**Findings:** when considering how to retain customer loyalty, service quality, communication, advertisements is important for companies. Moreover, trust and commitment are also important for companies. Besides that, there are some differences between Chinese and Swedish markets, such as different attitude towards customer classifying method, and the different reasons of implementing customer loyalty strategy. Finally, some problems of customer loyalty strategy are studied.

**Contribution:** This research is about customer loyalty strategy and the focus of it is the comparison of Chinese and Swedish markets. Therefore, this thesis helps to better understand customer loyalty strategy in different markets.

**Key words:** customer loyalty, customer classifying, trust, commitment, communication
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1. Introduction

1.1. Background

Nowadays in the worldwide business market, with the trend that economy and business develop faster and faster, the companies have had competitions more and more intensely with each other than before. If companies want to achieve more market advantages, they must switch the marketing strategy from a traditional approach to a modern relationship marketing approach (Donaldson & O’Toole, 2007). According to Rowley (2005), the focus of marketing method has been changed from transaction to relationships. In the modern business environment, there is a trend towards loyalty marketing in the world (Duffy, 1998). According to Duffy (1998), companies in most industries are studying, evaluating or implementing loyalty strategies and programs aimed at cultivating strong relationships with their best customers.

Customer loyalty is very important for the companies in the recent market environment. For the companies, customers are the core assets and companies can gain added value from customers only if they pay sufficient attention on customers (Rowley, 2005). The benefits of this are mutual and both companies and customers can be rewarded. From the perspective of companies, first, developing customer relationships bring companies invaluable resource. Second, it makes companies get more useful information about customers (Ndubisi, 2007). From another perspective of customers, first, loyal customers can help to reduce companies’ cost, for example the marketing cost and operational costs and etc. Second, customer can serve as a part-time employee who can offer her or his friends and relatives information about products. These partnership-like word-of-mouths will bring good effect for companies intangibly (Bowen & Chen, 2001). Customer loyalty strategies have significant impact on companies’ development. Modern business environment is characterized as more intense competitions and companies are forced to build strong relationships with their customers to reach more profits (Ndubisi, 2007). According to Ndubisi (2004), there are more and more companies investing on retaining customer-firm relationships. According to Bowen and Chen (2001), it is commonly known that there is a positive relationship between customer loyalty and profitability. It is found that when a company retains just 5 percent more of its customers, profits increase by 25 percent to 125 percent (Bowen & Chen, 2001). Therefore, improving customer’s loyalty is an important task for businesses managers.

1.2. What is customer loyalty

In Oliver’s (1999) book, customer loyalty is defined as:
... a deeply held commitment to rebuy or 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 behaviour.

From the definition mentioned above, customer loyalty can be divided into two dimensions: behavioral and attitudinal. Behavioral loyalty is repeated transactions and attitudinal loyalty is often defined as both positive affect toward the relationship's continuance, and the desire to continue to remain in the relationship (Ball, et. al., 2004).

There have been a number of discussions about the two dimensions mentioned above. According to Dwayne and his partners, behavioral and attitudinal loyalties are highly intertwined. And from another perspective of Leverin, and Liljander, (2006), in some cases behavioral loyalty does not necessarily reflect attitudinal loyalty. Besides that, customer loyalty can also be divided into two dimensions: passive loyalty and active loyalty (Ball, et. al., 2004). Active loyalty is like customers’ word-of-mouth and their intention to use preferred products and services. Passive loyalty means customers don’t switch the choice for their preferred products and services even under less positive conditions.

1.3. Problem Statement

In the modern business market there is a trend that many companies transform from traditional marketing method to modern relationship marketing methods. In this process, different elements have different effects that have impact on customers’ loyalty. Besides this, relationship marketing and other concept, like customer loyalty strategy and customer loyalty satisfaction, emerged in 1980s and early 90s (Leverin & Liljander, 2006). It is quite a new subject. There are many literatures that discuss about it, for example, the importance of customer loyalty strategy and how to implement it. In this thesis the purpose is to study which factors can have impact on customer loyalty strategy, especially for those international companies which have business in different countries. In this thesis, I will use IKEA Company as a case to investigate and discuss its customer loyalty strategies. In this thesis, the topic will be further studied from the following three questions.

- What kind of strategies does IKEA use to retain and improve customer loyalty?
- IKEA has companies in both China and Sweden. How do they operate customer loyalty strategy in different markets?
- Compared with it in Sweden market, how will companies deal with problems within the process of implementing customer loyalty strategies?
In this thesis, the qualitative approach will be used to analyze the information collected from the interview. Due to the reason of distance, representatives of Chinese IKEA will be interviewed by e-mail and representatives of Swedish IKEA will be interviewed face-to-face. And then the interview result will be compared with the theories to find similarities and differences between Chinese and Swedish market. Finally, the conclusion of the thesis will be given.

There may be some limitations in this thesis:
1. Due to the approach used in this thesis is personal interview, the interview result may be not that objective.

2. In this thesis, just one company will be interviewed, thus the data collected from interview cannot be guaranteed to be comprehensive.

3. Because the author is not English native speaker, there may be language limitations during the time of interview.
Figure 1: A flow chart of the thesis processes

1. Review some literatures
2. Problem statement
3. Review more literatures
4. Building theoretical framework of this thesis
5. Design interview questionnaires
6. Collect Chinese empirical data
7. Collect Swedish empirical data
8. Case Analysis of China & Sweden
9. Conclusion and further study advice
2. Literature Review

In this chapter, literature about customer loyalty will be reviewed. First, some definitions of customer loyalty will be studied. Second, customer classifying method will be discussed. After that, benefits of customer loyalty will be studied. Finally, how to retain customer loyalty and four bases of customer loyalty will be studied.

2.1. What is customer loyalty?

2.1.1. The definition of Customer loyalty

As mentioned above, the concept of customer loyalty emerged in the 1980s. It is quite a new concept, and therefore, there are many definitions within this field. Sällberg (2004) describes some earlier definitions about customer loyalty. All of them are showed in the following table.

<table>
<thead>
<tr>
<th>source</th>
<th>definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kumar et.al, 1992</td>
<td>Behavioural attraction to a brand</td>
</tr>
<tr>
<td>East et.al, 1995</td>
<td>Proportion of total spending, a consumer’s loyalty percentage</td>
</tr>
<tr>
<td>Mittal and Lassar, 1998</td>
<td>Continuing customers</td>
</tr>
<tr>
<td>Dick and Basu, 1994</td>
<td>Favourable correspondence between relative attitude and repeat patronage</td>
</tr>
<tr>
<td>Kendrick, 1998</td>
<td>Purchase frequency and amount spent per order or visit</td>
</tr>
<tr>
<td>Liljander and strandvik, 1995</td>
<td>Purchase behaviour</td>
</tr>
</tbody>
</table>

In this table, there are six different definitions of customer loyalty. According to Sällberg’s (2004) suggestion, the similarity in the six definitions is purchasing. In these definitions it is argued that customer purchasing frequency is high and they always continually purchase products of companies. Some factors are mentioned in these six definitions, for example, continuing customers, repeating purchasing and purchasing frequency, all of these refer to the amount of purchasing. Besides these, there are differences in these definitions (Sällberg, 2004). In Dick and Basu’s (1994) opinion the factor of attitude is mentioned as a difference, but is not mentioned by others. And there are other ideas that continuing purchasing and purchasing frequency are different. More specifically, Sällberg (2004) suggests that for a brand or company, customers’ continuing purchasing and how often you continue purchase are different. Furthermore, as shown in the table above, Kumar mentioned loyalty to a brand in 1992 and Mittal and Lassar suggest continuing customers are more important in 1998.
For example, for a grocery shop, customer may be loyal to either the shop or a certain brand in the store. Therefore, it is reasonable that customers can be loyal to brand as well as products (Sällberg, 2004).

Besides Sällberg’s idea, in Torres-Moraga and his partners’ (Torres-Moraga et al., 2008) article, brand loyalty and product loyalty are researched more deeply. They argue that product and brand are two stages in the development to satisfy customers’ needs and preferences, and satisfaction and loyalty are two stages in the customers’ response (Torres-Moraga et al., 2008). According to Torres-Moraga et al. (2008) research, in the process of gaining customer satisfaction and generating customer loyalty, brand and product should be separately researched. It has more influence on innovative products, such as automobiles and electronic equipment, than traditional products such as fresh food and drinks. The advantages of doing this include market pioneering, first mover advantages, low-cost proactive innovation, and industry redefinition. On the other hand, the disadvantages of ignoring the product as an initial stage include loss of market opportunities or market leadership, high-cost innovation and brand development. (Torres-Moraga et al., 2008)

Besides the definitions mentioned above, there are also some other articles discuss about what is customer loyalty. In Ball et al. (2004), two factors are found: active loyalty and passive loyalty. Active loyalty refers to word-of-mouth and intention to use and passive loyalty means not switching even under less positive conditions (Ball et. al., 2004). Furthermore, Oliver (1997a) found four stages of loyalty, which are cognitive, affective, conative, and action loyalty. Besides these definitions, there are many other studies of customer loyalty. In the following part behavior loyalty and attitude loyalty will be introduced.

2.1.2. Two dimensions – Behaviour/Attitude loyalty

In Ball and his partners’ (Ball. et. al., 2004) article, there are two customer loyalty dimensions to be discussed, which are behavior loyalty and attitude loyalty. Behavior loyalty is defined as repeated transactions or percentage of total transactions and total expenditures. It can be simply measured with observation approach. In contrast, attitude loyalty is defined as positive affect for relationship and desire for retaining relationship continuance. It can be simply measured by a questionnaire method. (Dick and Basu, 1994)

As mentioned above, behavior loyalty is repeated purchase. It can offer advantages for companies. First, research on behavior loyalty can show the customer preference for a brand or product (Bowen and Shoemaker, 1998). Second, behavior loyalty can reflect a customer’s purchase intention (Mellens et al., 1996). Last, behavior loyalty can retain companies’ profit through increasing market shares (Chaudhuri and Holbrook, 2001). However, according to Ball and his partners (Ball. et. al., 2004), the research that combine behavior loyalty and attitude loyalty is more useful for practical
purposes. As Oliver (1999) states in his article, attitude loyalty reflects customer’s cognitive, affective, and co-native predispositions to continue relating to the brand or company. In this process often involve customer commitment (Oliver, 1999). Therefore, according to Ball and his partners (Ball. et. al., 2004), combining of behavior loyalty and attitude loyalty is powerful. It can influence first, customer’s intention to recommend the brand or company to others; second, the horizontal communication among customers and mouth-to-mouth communication; third, customer’s resistance to competitors’ offerings and persuasive tactics to attract new customers and buzz marketing.

2.1.3. Customer pyramid

The discussions above are about definitions of customer loyalty. For a better implementation of a customer loyalty strategy, understanding the customer is also important. In the following part, the methods of customer classification will be introduced. Because customer classification can better help companies visualize, analyze, and improve the behavior and profitability of customers (Curry, 2000). According to Torres-Moraga and partners’ article (Torres-Moraga et al., 2008), customer can be classified into three categories. The first is recent customers. They adopt the product that best fits their needs or best appeals to them emotionally and cognitively. The second is more experienced but not highly experience customers. They adopt a range of brands on the basis of both value and price. The last is some highly experienced customers. They become loyal to a brand. (Torres-Moraga et al., 2008)

Moreover in Curry’s (2000) book, they mention that customer can be classified into five categories. (As showed in the following Basic Customer Pyramid) As mentioned in Curry’s (2000) book, there are varieties of customer classifying methods that have been introduced during the past decades. Based on the research of these customer classifying methods, a basic customer pyramid is introduced.
The first part is active customers. It means persons or companies that have purchased goods or services from your company within a given period.

The second part is inactive customer. It means persons or companies that have purchased goods or services from your company in the past but not within the given period.

The third part is prospects customer. It means persons or companies with whom you have some kind of relationship—but they have not yet purchased any goods or service.

The fourth part is suspects. It means persons or companies that you could be able to serve with your products and services, but you do not yet have a relationship with them.

The last part is the rest of the world. It means persons or companies that simply have no need or desire to purchase or use your products and services. (Curry, 2000)

As mentioned above, according to Curry (2000), customer is classified to five categories. In these five parts, the active customer is more important. Therefore, Curry (2000) further classifies it to four parts in the following Standard Customer Pyramid. (Figure 2)

- The first part is defined as the “Top” customer. It refers to the top 1% of your active customers.
- The second part is defined as the “Big” customer. It means the next 4% of your active customers.
- The third part is defined as the “Medium” customer. It refers to the next 15% of your active customers.
- The last part is defined as the “Small” customer. It means the remaining 80% of your active customers.

The author’s classifying base is customer behavior critical, for example the sales avenue. The classifying makes the pyramid to be more helpful in understanding and analyzing customer behavior (Curry, 2000).
2.2. What is the benefit of customer loyalty?

From traditional perspective market share is the most important determinant of companies’ profit. Many companies have been involved in mergers and takeovers so that they can obtain economies of scale. In this way, they can reduce cost and increase profit (Hill & Alexander, 2000). However, there are also some companies to be exceptions. According to Hill and Alexander (2000), some companies who do not have the largest market share are more profitable than those with a bigger share. The reason of this is that they found customer loyalty is more profitable than market share.

As mentioned above, satisfaction and loyalty are two stages in the customer’s response to the company offerings (Torres-Moraga et al., 2008). Furthermore, satisfaction is found to be a necessary antecedent of customer loyalty (Zeithaml et al., 1996). First, customer satisfaction makes customer have a higher likelihood of repeating purchase; second, recommend others to try the source of satisfaction; third, become less receptive to the competitors’ offerings (Torres-Moraga et al., 2008). There is a lot of literature that states that satisfaction and loyalty are strongly related and this relationship between satisfaction and loyalty can be interchangeable. On the other hand, others claim it to be unidirectional (Torres-Moraga et al., 2008). In this thesis, the second idea will be adopted to build the theoretical framework.

From the companies’ perspective, implementing customer loyalty strategy is helpful for companies’ profit. It is claimed that 5% increase in customer retention leads to an increase of profits by 25% to 95% (Sällberg, 2004). Customer loyalty strategy can help companies to save money on a variety of costs (Sällberg, 2004), for instance:

- Costs of advertising to attract new customers;
- Costs of personal selling effort to new prospects;
- Costs of setting up new accounts for new customers;
- Costs of explaining business procedures to new clients;
- Costs of inefficient behavior during the customers’ learning process.

Moreover, in Nykamp’s (2001) book, he mentions that customers’ loyalty strategy has other advantages. The first is that companies will have customers on their side. The second is that successfully managing customers different is the key to success in modern business. Besides that, in Duffy’s (2003) article, he also mentions that a customer loyalty strategy can save money for companies. Furthermore, there are five more benefits of customer loyalty strategy to be mentioned in his article (Duffy, 2003).

- The first is “referrals”. It means that customers who become familiar with your brand will not hesitate to recommend the brand to friends and neighbors.
The second is “complain rather than defect”. It means that loyal customer will view the brand as theirs. When there are problems, thus they will contact with the company to make sure problems will be solved, but not defect.

The third is “Channel migration”. It means loyal customers are more willing to purchase a brand through multiple channels, for example, the internet. Doing this can increase their total consumption and reduce your cost of doing business with them.

The fourth is “Unaided awareness”. It means that loyal customers are much more likely to have your brand top of mind. It also helps with “referrals” and it helps bring other customers to your brand.

The fifth is “greater awareness of brand assets”. It means that loyal customers tend to be more aware of some of the auxiliary benefits a brand offers. Greater awareness of customer has impact on retaining customer loyalty. These customers tended to stay with the brand longer because they felt they received better value. For instance, a retailer found that loyal customers were more familiar with their free delivery service. This familiarity led to greater sales as a result of taking advantage of the free delivery.

2.3. How to obtain customer loyalty?

2.3.1. Why my organization?

As discussed above, implementing a customer loyalty strategy can bring benefits for companies. Especially in the following three cases, companies should adopt customer loyalty strategy so that obtain more advantages. (Nykamp, 2001)

Case1. Competitive differentiation suggests that it is difficult to compete in the business world on any other basis. For instance, when product, price, promotion strategy, and place of distribution can all be matched or bettered by competitors; or in some industries where the price of entry is high, you may not have the upper hand on one of these factors.

Case2. Heightened customer expectations are also difficult to ignore. The innovations quickly become the norm, and the barrier continues to be raised for those who seek to compete. For instance, those who maintain the status will find that they are increasingly disappointing their customer, as well as failing to attract new customer.

Case3. Adopting new technology, for example, the Internet, databases, analysis engines, make implementing of customer loyalty strategy easier and with more
efficiency. More and more companies or organizations will implement customer loyalty strategy and these tools. Those companies that don’t adopt those tools will fall behind its competitors.

According to Nykamp’s (2001) book, successfully implementing customer loyalty strategy have two key points. First, companies should recognize the potential value of current customer relationship. Second, companies should identify more opportunities to meet customers’ need. In this case, companies tend to be tied more closely with customers. And customers view companies as trustworthy providers.

In Duffy’s (2003) article, there are two factors that have impact on customer loyalty strategy to be mentioned. The first is High involvement. It has impact on customers’ choice and continuance on a brand. Before analyzing loyalty, companies must understand what facilitates the beginning of the relationship. Determine the extent to which the choice is a high involvement decision (Duffy, 2003). Moreover, when continuing to utilize a brand customers there will be habit. It can keep customer from defect. High involvement will make the habit stronger. The second is bad service experience. Deal with the factor correctly can bring companies valuable experience when dealing with customer relationship. Otherwise, customers may defect from companies or give up the brand (Duffy, 2003).

2.3.2. Four bases of customer loyalty

In Ndubisi’s (2007) article, four basis of customer loyalty strategy are mentioned, which are trust, commitment, conflict handling and communication. It is argued that the four identified underpinnings of relationship marketing are directly linked to and are capable of predicting customer loyalty (Ndubisi, 2007).

- “Trust” has been defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman et al., 1992). It is also defined as the belief that a partner’s word or promise is reliable and a party will fulfill his obligations in the relationship (Schuur and Ozanne, 1985). There are also some other definitions about trust, for example, the shared values (Morgan and Hunt, 1994), mutual goals, actions with positive outcomes and making and keeping promises (Ndubisi, 2007).

- “Commitment” is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt, 1994). According to Ndubisi (2007), commitment is higher among individuals who believe that they receive more value from a relationship. Highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received (Ndubisi, 2007) and highly committed firms will continue to enjoy the benefits of such reciprocity.
“Communication” is also an important underpinning of customer loyalty strategy (Ndubisi, 2007). It refers to the ability to provide timely and trustworthy information, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). Companies should keep in touch with valued customers, provide timely and trustworthy information on service and service changes (Ndubisi, 2007). It is the communicator's task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision (Ndubisi and Chan, 2005). Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction (Ndubisi, 2007).

“Conflict handling” is another important underpinning of customer loyalty. It is defined by Dwyer and his partners (et al., 1987) as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. In Ndubisi and Chan’s (2005) research, they found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality.

3. Theoretical Framework

In this chapter, the theoretical framework will be formulated. All the theories involved in this chapter are from chapter two. Furthermore, questions for interview will be given.

3.1. How to retain customer loyalty?

In the previous chapter, definitions of customer loyalty have been studied. In Sällberg’s (2004) book, some early definitions about customer loyalty are mentioned. In theses definitions, customer loyalty is regarded to be related with “purchasing”. It is argued that loyal customers’ purchasing frequency or amount of purchasing is high and they always continually purchase products of companies. Besides that, customer attitude is important for customer loyalty. In these definitions, there are some opinions argue that purchasing frequency and continue purchase are different and continuing customer is important for company’s customer loyalty strategy.

Besides, in Torres-Moraga and his partners’ (Torres-Moraga et al., 2008) article, they argue that product and brand are two stages in the development to satisfy customers’ needs and preferences. According to them, in the process of gaining customer satisfaction and generating customer loyalty, brand and product should be separately...
researched. It has more influence on innovative products. It has some advantages, such as first mover advantages, low-cost proactive innovation.

Before knowing how to retain customer loyalty, company must know if customers are loyal to it, which means company must measure customer loyalty. The factors mentioned in Sällberg’s (2004) definitions, such as “purchasing”, “frequency” and “amount” are important for company to pay attention to. Based on these definitions, the following questions will be formulated:

Q1. According to IKEA’s perspective, does customer’s purchasing amount/purchasing frequency represent customer’s loyalty? If it does, how much purchasing amount/purchasing frequency can be viewed as loyalty?

Q2. What approaches does IKEA adopt to improve customer purchasing amount/purchasing frequency?

Q3. According to IKEA’s perspective, is loyalty to brand equal to loyalty to product? If is not, which loyalty is more important for the company?

In Ball and his partners’ (Ball. et. al., 2004) article, there are two customer loyalty dimensions to be discussed, which are behavior loyalty and attitude loyalty. Behavior loyalty is defined as repeated purchase, which is the same with purchasing amount/frequency. Therefore it will not be discussed in the following part. Attitude loyalty is defined as positive affect for relationship and a desire for retaining relationship continuance (Dick and Basu, 1994). Attitude loyalty reflects customer’s cognitive, affective, and co-native predispositions to continue relating to the brand or company. In this process often involve customer commitment (Oliver, 1999). Based on this, the following question will be formulated:

Q4. How does IKEA treat customer’s attitude elements, such as cognitive, affective, and co-native predispositions? If these attitude elements are important for company, how does IKEA improve customer’s cognitive, affective, and co-native predispositions?

In Nykamp’s (2001) book, customer loyalty strategy can help companies to obtain more advantages in three cases. In another word, companies should pay more attention on customer loyalty strategy in the following three cases. First, competitive differentiation suggests that it is difficult to compete in the business world on any other basis. Second, heightened customer expectations are also difficult to ignore. Third, adopting new technology, for example, the Internet, databases, analysis engines, make implementing of customer loyalty strategy easier and with more efficiency. Based on these, a question will be formulated:

Q5. What is the reason for IKEA to implement customer loyalty strategy, for example, competitive differentiation is difficult to compete; or heightened customer expectations; or adopting of new technology; or other reason?
In Ndubisi’s (2007) article, four bases of customer loyalty strategy are mentioned: trust, commitment, conflict handling and communication. It is argued that the four identified underpinnings of relationship marketing are directly linked to and are capable of predicting customer loyalty (Ndubisi, 2007). “Trust” has been defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman et al., 1992). “Commitment” is a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt, 1994). In accordance with this, the following question will be formulated:

Q6. How does IKEA improve customer trust, for example, the shared values, mutual goals and making and keeping promises?
Q7. How does IKEA improve mutual commitment with customers?

3.2. Differences in China and Sweden Markets

In the chapter above, the methods of customer classifying have been introduced. In Curry’s (2000) book, they mention that customers can be classified into five categories, which are active, inactive, prospects, prospects and the rest of the world. Besides that Curry (2000) further classifies “active customer” into four parts, which are top, big, medium and small. According to Curry (2000), customer classifying can better help IKEA visualize, analyze, and improve the behavior and profitability of customers. However, different countries have different situations. In this thesis it will be examined if IKEA has different customer classifying approaches in different markets and if IKEA has its unique customer loyalty strategies that focus on different customers in different markets. Based on these theories, the following questions will be formulated:

Q8. Does IKEA have its own approach to classify customers based on different customer loyalty?
Q9. For those active customers, who purchase IKEA product with a given period, what approach does IKEA adopt to retain customer loyalty?
Q10. For some other customers, who have relationships with IKEA but seldom purchase IKEA’s product, what approach does IKEA adopt to improve customer loyalty?

Customer loyalty strategy can bring some benefits to companies. According to Sällberg’s (2004) article, customer loyalty strategy can help companies to save money on a variety of costs. Moreover, in Nykamp’s (2001) book, he mentions that customers’ loyalty strategy can help companies to have customers on their side. Furthermore there are five more benefits of customer loyalty strategy to be mentioned in his article (Duffy, 2003), like “referrals”, “complain rather than defect”, “Channel migration”, “Unaided awareness” and “greater awareness of brand assets”. In this
thesis it will be examined if the motivations that IKEA implement customer loyalty strategy are the same in different markets. Based on these, the following questions will be formulated:

Q11. Can IKEA reduce cost through implementing customer loyalty strategy? If it can, what cost can be reduced?
Q12. Which kinds of customers are influenced by implementing customer loyalty strategy, existing ones or new?

As mentioned before, In Ndubisi’s (2007) article, there are four bases for customer loyalty. “Communication” refers to the ability to provide timely and trustworthy information, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). “Conflict handling” is defined by Dwyer and his partners (et al., 1987) as a supplier's ability to avoid potential conflicts solve manifest conflicts. In this thesis will examine if IKEA has different method or channel to communicate with customers and solve conflict. In accordance with this, the following questions will be formulated:

Q13. Through what channel does IKEA communicate with customers and provide information?
Q14. How does IKEA mange customers’ feedbacks and complaints and how does it face and handle conflict?

As discussed above, fourteen questions are formulated based on the theories reviewed in the second chapter. These questions will be used for the interview to collect information. And after the interview, the information and data collected will be compared with the theories. The methods and strategy of conducting research and data collection will be discussed in the next chapter.

4. Methodology

In this chapter, firstly research purpose, research approach and research strategy used in this thesis will be discussed. Then, methods of data collection and analysis will be discussed. Finally, validity and reliability will be discussed.

4.1. Research purpose

There are many methods in the studies of business field. They can be classified into three types, which are Descriptive, Explanatory and Exploratory. Descriptive research is used to provide the description of certain phenomenon of individuals, situational or any other events that occur (Reynolds, 1971). According to Reynolds (1971) the purpose of this approach is develop empirical generalizations. Furthermore, a
A descriptive approach can be used when the research questions are well structured (Yin, 1994). Another important approach of business research is explanatory. Explanatory Research is used to develop precise theory and through which the empirical generalizations can be explained (Reynolds, 1971). This approach can be adopted when problems researched are cause-effect relationship (Yin, 1994). There are many advantages to the explanatory approach. For example, it has higher flexibility and it can be used handle some difficult demarcated problems (Yin, 1994). The last approach is exploratory. Exploratory research is designed for investigators to just “look around” with respect to some phenomenon, with the aim being to develop suggestive ideas (Reynolds, 1971). The purpose of adopting this approach is to collect more information for a given situation or problem. It can be used in a case that the research problems are new and not well know (Reynolds, 1971).

In this thesis, a descriptive approach will be adopted. The problems mentioned in previous chapters are about how IKEA retain customer loyalty and what are their differences of Chinese and Swedish markets. These problems are describing loyalty strategy of IKEA Company. Researches about the two questions are of descriptive approach. Besides this, another question is to study compared with IKEA Swedish Company, how the problem of customer loyalty strategy is solved. Therefore, the approach adopted in this thesis will partly turn to explanatory approach.

4.2 Research approach

Research approach refers to the approach that is used to collect and analyze data. There are many approaches can be used in researches. However, qualitative and quantitative approaches are adopted more frequently in the field of social science (Yin, 1994). There is a significant difference between the two methods. Qualitative method focus more on information described with words. In contrast, quantitative methods more focus on number and data collected in the thesis (Yin, 1994).

A quantitative approach refers to the search for knowledge that will measure, describe, and explain the phenomena of our reality (Graziano & Raulin, 1997). A quantitative approach is used in the natural sciences or when research questions are formalized or well structured. Generally speaking, broad surveys, especially wide investigations are used in this approach to find the answer to questions (Yin, 1994). A qualitative method refers to the research that needs the understanding of the phenomena from an inside perspective and investigating, interpreting is supposed to be used (Graziano & Raulin, 1997). Moreover, according to Yin (1994), a qualitative approach is usually used in case studies. The purpose of doing this is to get a better understanding of research problems and thorough information to research questions. Besides that, in the qualitative approach, the researchers’ own description, understanding and reaction are more important (Yin, 1994). The qualitative approach prefers to use case studies and interview methods to collect information. In this progress, interviewees are not given alternative options, through which more information is collected through qualitative
approach (Yin, 1994).

According to the discussion above, a qualitative approach will be adopted in this thesis. Because all the questions in this thesis are open questions, interviewees will not receive any alternative options. Moreover, information collected in an interview cannot be described in numerical mode. Besides that, the purpose of this thesis is to obtain a better understanding of customer loyalty strategy, but not a generalization. Therefore, qualitative approach is more suitable for this thesis.

Besides research approach discussion above, research strategy choice is important for a research. There are five strategies used in social science field, which are, experiments, surveys, archival analysis, histories, and case studies. Their characteristics are shown in the following table.

Table 2: Research strategies

<table>
<thead>
<tr>
<th>Research Strategy</th>
<th>Form of Research Question</th>
<th>Requires Control over Behavioral Events</th>
<th>Focus on Contemporary Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How/Why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who/What/Where</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>How many/How much</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Archival/Analysis</td>
<td>Who/What/Where</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td></td>
<td>How many/How much</td>
<td></td>
<td></td>
</tr>
<tr>
<td>History</td>
<td>How/Why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case Study</td>
<td>How/why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(Source: Yin, 1994)

In this thesis, the research topic is IKEA’s customer loyalty strategy in different markets, and control over behavioral events is not required; therefore, an experiment strategy is not suitable for this thesis. IKEA’s current customer loyalty strategy and current problems in customer loyalty strategy are studied in this thesis. The history strategy will thus not be adopted in this thesis. Besides that, archival analysis and surveys strategies are used in some researches that the research result can be predicted. However, the questions of this thesis are not like this; therefore, these strategies will not be adopted in this thesis. Finally, the only strategy used in this thesis is case studies. According to Yin (1994), this strategy can be used either in single case or in several multiple cases. As shown in table 2, case study is used in the situation that how/ why questions are asked. In this thesis, two single cases will be discussed and compared with theories firstly. And then, these two cases will be related with each other to discuss and compare with each other.
4.3. Data collection

In Yin’s (1994) book, six sources for data collection are mentioned, which are documentation, archival records, interviews, direct observations, participant-observation, and physical artifacts (Yin, 1994). Their characteristics will be shown in the following table.

As mentioned before, the qualitative approach will be adopted in this thesis. However, documentation and archival records approaches are used to collect data and information of numerical mode, which are used in the quantitative approach. Therefore these two methods will not be used in this thesis. Besides that, because of the limitation of time and energy, direct observation and participant observation will also not be adopted in this thesis. Because technological device is no necessary in this study, the physical artifacts approach will not be adopted. Therefore, the interview method will be adopted in this thesis.

Table 3: Sources for Data collection

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Used for collecting secondary data from, for example, statistics, official publications, letters, diaries, newsthesis, journals etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Archival Records</td>
<td>Also used for collecting secondary data from, for example, service records, organizational records, maps and charts, survey data, and personal records.</td>
</tr>
</tbody>
</table>
| Interviews | 1. Open-ended nature. To ask key respondents for the facts of a matter as well as for the respondents’ opinions about events.  
2. Focused interview. To interview for a short period of time.  
3. Structured interview. In lines with a formal survey. |
| Direct Observation | Used for providing additional information and increasing reliability. It usually involves observations of meetings, sidewalk activities, factory work, classrooms, and the like. |
| Participant-Observation | A special mode of observation that investigator is not only a passive observer, but take a variety of roles or participate in the events being studied. |
| Physical Artifacts | A technological device such as tools or work of art etc. |

(Source: Yin, 1994)

According to Yin (1994), there are three methods to conduct an interview, which are questionnaires, telephone interviews, and personal interviews. Questionnaire means to send respondents the questions they are going to answer without any interpretation and explanation. Telephone interview can be conducted by asking more complex questions and explaining misunderstanding and Personal interview means contacting with respondents face-to-face (Yin, 1994). In this thesis, questionnaires and personal interview will be used. Both Chinese and Swedish IKEA companies will be interviewed. Because of the reasons of distance and time difference, questionnaire...
approach will be adopted to interview Chinese company. And personal interview method will be adopted to interview Swedish IKEA Company.

4.4. Data analysis

In addition to data collection, data analysis is also important for studies. The purpose of data analysis is to pick the useful information from the mass amount of collected data (Yin, 1994). According to Miles & Huberman (1994), data analysis includes three steps, which are data reduction, data display and conclusion drawing/verification. Data reduction is helpful to sharpen data and information. Data display means that reduced data is displayed, organized and compressed. The last step is to draw a conclusion. In this step, the researcher’s different findings will be stated (Miles & Huberman, 1994). According to Yin (1994), two main strategies can be used in data analysis, which are theoretical propositions and case description. Researchers choose different strategy based on amount of previous researches. Theoretical propositions strategy means to formulate questions based on existing literature and to compare answers with existing theories. Case description strategy will be used when there are fewer previous studies (Yin, 1994).

In this thesis, Yin’s (1994) theoretical propositions strategy will be adopted in the process of data analysis. All the data collected will be compared with existing theories, because as mentioned above, the interview questions are formulated based on the existing researches and theories. To adopt this strategy, Miles & Huberman’s (1994) three steps will be adopted in the data analysis. First of all, all the data and information collected from interview will be visualized and reduced. Some useless information will not be mentioned or displayed in the following chapter. This will help readers to better understand what information or result is got from the interview. Second, all the useful information is displayed in the following chapter and all of these data are reorganized according to the order of the interview questions. Third, after all the information is displayed, the interview result will be compared with the theories and then the interview result of Chinese IKEA and Swedish IKEA will also be compared. These comparisons can provide the basis of drawing conclusion. For instance, through the comparison between empirical data and theories, we can learn what is advantage of customer loyalty strategy in the empirical case and if there is any differences from theories. Besides that, through the comparison between the two cases, we can learn the differences and similarities between these two different markets.

4.5. Validity and reliability

According to Yin (1994), there are two elements that should be considered, which are validity and reliability. Validity means the ability of an instrument to measure exactly what concepts it is supposed to measure (Yin, 1994). And reliability means the results of researches should be consistent if use the same research technology repeatedly (Yin,
Their characteristics are shown in the following table.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Establish correct operational measures for the concept to be studied.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Validity</td>
<td>Establish casual relationships, which show that other conditions leads to other results.</td>
</tr>
<tr>
<td>External Validity</td>
<td>Establish the field where the findings can be generalized.</td>
</tr>
<tr>
<td>Reliability</td>
<td>The research can be repeated through same technology and be with same results.</td>
</tr>
</tbody>
</table>

(Source: Yin, 1994)

In this thesis, to make sure the validity and reliability, many literatures and studies about customer loyalty strategy have been reviewed. Questions in this thesis are formulated based on existing theories. Therefore, the topic and questions are reasonable in this thesis. Moreover, to make sure data collected in the interview is objective, interviewees have been communicated before the interview. They have known the topic of interview questions; therefore, interviewees have enough time to prepare the answers. These two factors can make sure validity and reliability of question formulated and answer received. Besides that, study of two different markets in China and Sweden can increase external validity of this study.

5. Empirical study

In this chapter the briefly presentation of IKEA Company will be introduced. After that, the interview result of both IKEA in China and Sweden will be written. Interview results mentioned in this chapter have been organized and shortened. Some useless information will not be mentioned in this chapter.

5.1. Presentation of IKEA

IKEA’s vision is to create comfortable lives for more people. To achieve this aim, IKEA offers more well-designed and functional furniture products. And prices of these products are so low that more people can afford them. (http://franchisor.ikea.com/) IKEA’s concept guides the way that IKEA’s products are designed, manufactured, transported, sold, and assembled. And these processes help IKEA to realize its concept. In early 1940s, Ingvar Kamprad founded IKEA in Smaland in the south of Sweden and IKEA’s today’s concept came based on one of Ingvar Kamprad’s ideas, which is to reduce cost in every way possible - except on ideas and quality. Nowadays there are more than 300 IKEA's stores all over the world and IKEA has employees more than 130,000. Based on these, IKEA is one of the best world brands of furniture market. By the end of 2009 the sales of IKEA is more than
22713 million EURO. Its Catalogues have been printed in 27 languages and more than 56 editions. In 2009 the number of customers who have visited IKEA is more than 550 million. (http://franchisor.ikea.com/showContent.asp?swfId=facts9)

Although the topic of this thesis is about customer loyalty strategy, IKEA's traditional 4 p’s (product, place, price, promotion) will be studied in the following part. From the perspective of product, IKEA's products reflect and facilitate an easy, natural and unconstrained way of life and meanwhile it can meet most requirements based on limited room and money. (http://franchisor.ikea.com/showContent.asp?swfId=range9) Furthermore, from the perspective of price, IKEA's designing of products start on price and functional concern. IKEA's designers use innovative knowledge and low-cost producing process to ensure low price and high quality of product. Moreover, most IKEA's products are designed to be transported and assembled. Therefore, it can help to reduce transporting and storing cost. And for customers, they can get interests when they assemble furniture. (http://franchisor.ikea.com/showContent.asp?swfId=range5) Besides that, from the perspective of place, IKEA’s stores are great and they can provide more products for customers, and customers can help themselves to try products in stores. In the store, products are not simply displayed but in the ways of realistic room and real-life home. (http://franchisor.ikea.com/showContent.asp?swfId=store9) Finally, from the perspective of promotion, IKEA has its own special catalogue. All products of IKEA, furnishing solution, price, product and information are shown in this catalogue. It also includes how access a nearby IKEA store and the opening time of these stores. As mentioned above, the catalogue is printed in a huge number about 200 million every year, it has been a major promotion method of IKEA. (http://franchisor.ikea.com/showContent.asp?swfId=catalogue9)

5.2. Interview result of IKEA in China

In the following part, the interview result will be described. Firstly, the interview result of China IKEA will be introduced. The interviewee of this interview comes from China IKEA of Beijing. The position of the interviewee is a middle manager of customer service department of IKEA’s store in Beijing. Due to the reason of long distance and time difference, the interview was conducted by the email. All the 14 questions are sent to the interviewee and got back in a week. The questions were written in Chinese as it would be better for interviewee to understand the questions.

When answering the questions of purchasing frequency/amount, the interviewee thinks that loyal customer will buy more than others. He mentions that the purchase amount is more important for them to analyze customer’s loyalty, because the furniture always serves as durable products, only few people buy furniture at a high frequency. And for the second question, the interviewee thinks that it depends on customers’ collection of our products and the products’ price. However, the interviewee also mentions that they will reward those who buy large amount of our
products, such as the voucher and card of parking.

About how to improve customer purchasing amount, the interviewee mentioned that advertisement, such as TV, newspapers and internet, is the best method to let customers understand the products. Besides that, the interviewee says that they have some sales assistants in their store, who can give some suggestions to customers. Furthermore, according to the interviewee, customers can try most of their products in the store so that they have more chance to touch, feel the furniture, and this will lead to greater purchasing amount.

About loyalty brand and product, the interviewee thinks there is not a huge difference between their brand and products in IKEA’s store. According to interviewee’s opinion he thinks the loyalty to the brand is more important, because most customers in their store are attracted by their brand.

When the interviewee answers question about customer attitude, he says that it is more important to concern attitudes of those customers who have never come to their store. And he also mentions that they have many sales assistants in their store so that they can answer or help customers when necessary. Besides that, in their advertisement or some other channel to communicate with customers, they always tell the customers their value and goal. And to improve customers’ attitudes, the interviewee thinks the best way is to improve their service and providing more beneficial activities to customers. In another word, the interviewee thinks customers will have a better attitude towards their brand if they can make customers more comfortable and bring them more value.

According to the interviewee, he thinks the customer is the most important resource in the modern world. And in China’s market, there are thousands of furniture providers and the advantage of IKEA in some aspects such as the price is not quite clear. The interviewee says that they need to make customers understand what kind of value they can provide and to attract more customers they must understand their customers and make them understand IKEA better.

About how to improve customer trust, the interviewee says they have professional sale assistants in their store. These people are trained to provide helpful information to the customers and customers can really get some useful advices from them. Besides that, the interviewee also mentions that customers can try most of the products in the store so that customers will know the quality of the products by themselves. Besides that, according to interviewee opinions, he thinks the trust between customers and IKEA are established and improved during the transaction.

About improving mutual commitment, the interviewee mentions that they have certain employees to answer customers’ telephones or any other inquiries and all the information about their products, store, price or store activities are openly told to
customers. Moreover, the interviewee also says that customers are always viewed as their partners, because most of their products need to be assembled by customers themselves, they have involved in their business process. Finally, he mentions that IKEA gives customers significant respect and in turn the customers will respect IKEA with the same level.

According to the interviewee, they don’t have a unique customers classifying method. He thinks that most of IKEA’s customers are young people or those focus more on simple and cheerful life styles. Therefore, when promoting to customers, they will more focus on this group of customers. However, the interviewee also mentions that IKEA always treats every customer with the same respect.

For active customers, the interviewee mentions that they don’t have special method to retain customer loyalty but they have some rewards to those customers who buy IKEA products with higher amounts. Moreover, he thinks the best method to retain customer loyalty is to provide better services and better quality products. For attracting some other customers’ loyalty, the interviewee thinks that it is better to widen the communication channel, as he mentions, sometimes customers don’t buy IKEA’s products mostly due to the reason they don’t understand IKEA. Besides that, the interviewee also mentions that for IKEA to attract new customers, not only the information of the brand and products will be advertised, but also the current store activities will be told to customers, because sometimes some interesting promoting activities will also attract some customers.

When answering the question about customer loyalty strategy cost, the interviewee thinks some cost can be reduced and some cost can be increased. But he thinks that IKEA can get more benefits from customer loyalty strategy. The interviewee mentions that some promoting cost such as advertising can be saved when promoting to the loyal customers, as they know where to find the information they need. Meanwhile, according to the interviewee, some other cost such as communicating cost will increase. To get a better connection with customers, they need to communicate more with the customers. Finally, he also mentions it is worthy to implement customer loyalty strategy. The benefits got from it are much more than the cost spent on it.

According to the interviewee, existing customers are as important as the potential ones. He mentions that furniture is durable products. And one bad purchasing experience will be remembered by customer for quite a long time. Therefore, IKEA need to pay attention to existing customer so as to satisfy them will bring a second transaction opportunity and good word-of-mouth as well. Besides that, the interviewee says that IKEA cannot expect customers to buy the products with a high frequency, as furniture is durable product. Therefore, he thinks that they also need to get new customer so that they can get consistent revenue. Finally, the interviewee mentions that IKEA’s customer loyalty method can be used on both of existing and new customers. He mentions that the difference is that for existing customers they
will pay more attention on feedback control and communication and for new customers IKEA will focus more on advertising and promoting to make customers understand IKEA’s brand.

About communication channel, the interviewee mentions that they communicate with customers in variety of channels. First of all, they have advertisement on TV, newspaper. Second, they also have the products and store information on their website. Besides that, IKEA have some professional employees to answer and record customers feedback and inquiries. Last, in IKEA’s store, they have sale assistants who will have face to face communication with their customers.

About customers’ conflicts, the interviewee mentions that they need to pay significant attention on managing customers’ feedback and complaints, because furniture are durable products, one bad experience will be remembered by customers for a long time. He says that all customers’ problems will be recorded and then will be delivered to their different department to analyze and find reasons of the problems. Then the solution will be told back to customers. If customers are not satisfied with the solution, IKEA can have their workers to customers’ place and help to repair and solve the problem freely. And if the products have any problem that cannot be fixed, customers change another or return it back freely. Finally, the interviewee also says that IKEA always pay attention on the conflicts with customers. He says they are glad to discuss openly with customers and help customers to solve the problem.

5.3. Interview result of IKEA in Sweden

The interview of Sweden IKEA Company was conducted in the IKEA store of Stockholm. The interviewee is the sale manager of that store. The interview was conducted face to face and the duration of the interview was about 45 minutes. Before the interview, the interviewee was informed about the purpose of the interview and this thesis and all the questions were sent to the interviewee about one week before the interview; therefore, the interviewee had enough time to prepare the interview.

According to the interviewee, larger purchasing amount or frequency represent customers’ loyalty to the brand. IKEA has its own membership system to reward those customers who purchase IKEA’s products in large amounts or frequency. With such a membership card, customers can get some discount of the products and get the information of products and stores with a given period. Therefore, according to the interviewee, they are agreed that large purchase amount/ frequency represent customer loyalty. However, the interviewee also mentions that, besides the purchasing amount, sometimes customers’ word-of-mouth can also be viewed as customers’ loyalty.

About how to improve customer loyalty, the interviewee thinks that both activities before and during the transaction are important. According to him, customers must be
told what they can get at IKEA’s store before they come. And then, the service quality and promoting methods are also important during the transaction. Therefore, according to the interviewee, they have paid much attention on advertisements within variety of channels and the service and promoting methods as well. According to the interviewee, good purchasing experience and memory will make customers buy more and come to IKEA store again.

When answering the questions about loyalty to brand and products, the interviewee thinks that loyalty to brands and products are different. He thinks that customer’s loyalty to a product can be viewed as customers’ preference to the products. The interviewee mentions that IKEA has a special program to record and analyze the sales amount of each category of their products. With these recordings, they can analyze which kinds of products are more preferred by customers and which kinds are not. And understanding customer’s preference can help them to improve those products that are not so preferred by customers. And thus customers will be more loyal to the brand.

About customers’ attitude, the interviewee mentions that they always pay much attention to customers’ attitude. According to him, IKEA’s promoting strategy is to create the same value with their customers. Therefore, it is important for IKEA to know how customers feel about their products and brands. And about how to improve customers’ attitude, the interviewee says that the communication is the most important method. He also mentions that their membership system is a good instrument for doing this. With such a system, they have more chance to communicate with the customers. Besides that, the interviewee also mentions that the service quality during the transaction is important. As what IKEA sells is furniture, they aim to make customers feel at home.

About the reason of implementing customer loyalty strategy, the interviewee mentions that to get know of customers and get more idea of designing are the reason for them to pay attention on customers. According to the interviewee, to design products that can meet customers’ expectation, IKEA must communicate more with customers. Through their customer strategy, they can get the knowledge of customers’ attitudes towards their products. And based on this, they can improve their products quality so that the sales amount will be increased. Besides that, according to the interviewee, implementing customer loyalty can better help them to defend against their competitors.

About the trust of customers, the interviewee mentions that the basis of the trust is the quality of both products and services. Besides that, he also mentions the communication with customers is also important. Through communication, IKEA can better understand customers’ need and design products that can meet customers’ expectation. Besides that, the interviewee also thinks that the communication can help to establish close relationship between customers and the company. Therefore,
customers will stand on their company’s side and view the company as the partner. All of this can significantly help to build trust between customers and IKEA.

And about the mutual commitment, the interviewee says that the best way is to give customers chance to understand IKEA and their products. Therefore, all IKEA’s products are displayed with the form of setting-room and customers can freely try most of these products. Besides that, according to the interviewee, through website and some traditional channel and IKEA catalogue, they provide their product and store information to customers openly and customers’ feedback and inquiries will be handled carefully either.

When discussing customers classifying method, the interviewee mentions that IKEA’s customers are divided into several groups in their membership system. Customers who have a high level status in the system will receive more rewards and discount when purchasing the products. However, according to the interviewee, IKEA will not treat customers with different respect based on different level of loyalty. He thinks that the classifying method just help IKEA to better understand their customers and better reward them.

For active customers, the interviewee mentions that it is not difficult to retain their loyalty, because these customers have a better understanding of IKEA’s value. IKEA just need to pay attention on their feedback and keep the communication channel available. And for those inactive customers, the interviewee mentions that IKEA must make more effort to attract them. According to him, besides the traditional promoting methods, the communication between customers is also good approach. The interviewee thinks loyal customers’ advices or good word-of-mouth sometimes can better help to attract new customers.

About customer loyalty strategy cost, the interviewee thinks that compared with the traditional approach, the cost of implementing customer loyalty is low. To the loyal customers, the advertising cost can be saved. And because of the membership system, the cost of survey on customers’ attitude and preferences can also be saved. Besides this, the interviewee also mentions that customer loyalty can bring more benefits than the traditional promoting method.

About existing and new customers, the interviewee mentions that IKEA treats all customers with the same respect. However, he thinks that more effort needs to be made to attract new customers. According to the interviewee, IKEA’s customer loyalty strategy is more useful for the existing customers and therefore the promoting to these customers is easier and has a lower cost. The interviewee thinks that to attract new customers, advertising and communication is more useful. However, the interviewee also mentions that studies based on their existing customers can help to improve the efficiency of advertising and communication. And sometimes existing customers’ word-of-mouth can also be helpful.
About communication, the interviewee mentions two dimensions of IKEA communication strategy. The first one is “to customers”. According to the interviewee, when delivering information to customer, all the channel, such as TV, newspaper, website and IKEA catalogue, will be used. IKEA thinks that different communication channels can have an impact on different groups of people. Besides that, another dimension of IKEA's communication is “from customers”. According to the interviewee, it means to answer customers’ inquiry and help to solve customers’ problems. The second dimension of communication not only happens before the transaction, the interviewee thinks it is more important to focus on the period during and after the transaction. The interviewee also mentions that there are special customers service department in IKEA’s company. They will help to analyze and solve all the problems about furniture's quality, assembling and transporting. According to the interviewee, customers’ need is always at the most important position when IKEA deals with the conflicts. Customers can change or return the products if there is any problem that cannot be solved. All the problems and reasons of conflicts will be recorded in order to avoid it happens again.

6. Data Analysis

The data analyzed in this chapter are from the empirical part. The interview results will be compared with the theory described in the second chapter. Firstly the single case of IKEA in China and in Sweden will be analyzed separately. And then a cross cases analysis will be made between the two cases of China and Sweden.

6.1. Case analysis of IKEA in China

In the previous chapter, Sällberg (2004) mentions some early definition of customer loyalty in his book. The similarity of these definitions is purchasing amount or purchasing frequency. Besides that, in Dick and Basu’s (1994) opinion the factor of attitude is mentioned as a difference. And Sällberg (2004) suggests that for a brand or company, customers’ continuing purchasing and how often customers continue purchase are different. According to the interview results, loyal customers are important for company, because loyal customers always buy more than the others. Therefore, according to the interview, customers’ purchasing amount can represent customer loyalty. This is the same with Sällberg’s (2004) theory. However, as IKEA’s furniture are durable products. According to the interview, only few of people buy furniture at a high frequency. Therefore, it is difficult to use the items purchasing frequency and continues purchasing to measure customer loyalty in this case. And about how to improve purchasing amount and frequency, there are three methods mentioned in the interview. First, advertisement on multiple channels, such as TV, newspaper and internet, can help customers to understand products and companies.
Second, professional sales assistants can help customers when they are purchasing. Last, allowing customers to try the products can make customers understand more details about products.

In Torres-Moraga and his partners’ (Torres-Moraga et al., 2008) article, the authors argue, in the process of gaining customer satisfaction and generating customer loyalty, product and brand are two stages and should be separately researched. It has some advantages including market pioneering, first mover advantages, low-cost innovation. Based on the interview, there is no significant difference between brand and products in this case. According to the interviewee, most customers are attracted by the brand. This is not similar with the theory mentioned above.

According to Ball and his partners’ (Ball et. al., 2004), there are two customer loyalty dimensions, which are behavior loyalty and attitude loyalty. Behaviour loyalty is defined as repeated transactions or percentage of total transactions and total expenditures, which is similar with the purchasing amount and frequency mentioned above. Therefore, behavior loyalty will not be discussed in this part. Besides that, attitude loyalty reflects customer’s cognitive, affective, and co-native predispositions to continue relating to the brand or company (Oliver, 1999). It is more useful to combine behavior and attitude loyalty. According to the interview, customers’ attitude is important for company, especially those customers who have never come to us before. This result is the same with Ball’s theory. In the interview, some methods that can improve customer attitude are mentioned. First, providing some reward to customers can help improve customers’ attitude. Second, providing high-quality service during the transaction can leave good purchasing experience to customers. Third, communication with customers through multiple channels can better advertise company’s value. In a conclusion, to make customers feel more comfortable and bring them more value is the best method to improve customers’ attitude.

In Nykamp’s (2001) book, there are three cases mentioned, in which company should implement customer loyalty strategy to obtain more advantages. The first is that it is difficult to compete on any other basis. The second is heightened customer expectations. The last is adopting new technology. According to the interview, there are many competitors in the market and IKEA’s advantages, such as price and product and etc., are not clear. Therefore, IKEA need to pay attention on customers to obtain more competing advantages. This is similar with Nykamp’s first case. Moreover, Nykamp’s second and third cases are not mentioned in the interview. Besides that, another reason is mentioned in the interview. To attract more customers, company must understand customers and make customers understand company better.

In Ndubisi’s (2007) article, four basis of customer loyalty strategy are mentioned and the first of them is “trust”. “Trust” has been defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman et al., 1992). In the interview, the trust between customers and company is important for retaining
customer loyalty. There are some methods of improving customer trust mentioned in the interview. First, professional sale assistants can give customers more valuable information and customers can get benefits from them. Second, let customers try the products by themselves. They may trust company better if they can feel product quality by themselves but not hear from others. According to the interview, company should pay more attention during the transaction, as this is the best opportunity to establish trust between customers and company.

The second basis mentioned in Ndubisi’s (2007) article is commitment. According to Morgan and Hunt (1994), “Commitment” is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency. Based on the interview, openly communication is important for improving commitment. Furthermore, company need to view customers as partners and give customers significant respect.

The third basis mentioned in Ndubisi’s (2007) article is communication. It refers to the ability to provide timely and trustworthy information, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). According to the interview, communication with customers is important for company. In the interview some communication approaches are mentioned. First, company should tell customer products and stores’ information through such as TV, internet and newspaper. Second, communication during the transaction is important. Last, customers’ feedbacks and inquiries should be handled carefully.

The last basis mentioned in Ndubisi’s (2007) article is conflict handling. It is defined as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. Based on the interview, conflicts need to be handled carefully by company, because a bad experience will be remembered by customer for a long time. Some methods are mentioned in the interview, such as freely solving problems, changing and returning products freely and etc. In the interview company’s attitude towards conflicts is regarded to be important. Company should openly discuss and solve customers’ problems in conflicts.

In Curry’s (2000) book and Torres-Moraga’s et al. (2008) article, they think understand customers classifying is important for better implementing customer loyalty strategy. Because customer classifying can better help companies visualize, analyze, and improve the behavior and profitability of customers (Curry, 2000). However, in this interview, the company does not have customer classifying method. For the active customers, the company uses reward method to retain customer loyalty. Based on the interview, the best method to retain active customers’ loyalty is to provide better services and better quality products. Besides that, according to the interview, widen the communication channel is better method to attract new
customers.

In Sällberg’s (2004) book, he mentioned Customer loyalty strategy can help companies to save money on a variety of costs. In the interview, it is mentioned that some costs are reduced and meanwhile some costs are increased, such as the cost of communication with customers. This is not similar with Sällberg’s theory. Besides that, implementing customer loyalty can bring more benefits to company. Therefore, according to the interview, it is worthy to implement customer loyalty strategy.

Based on the interview, existing customers are as important as the potential ones and the customer loyalty strategy can be used on both of existing and new customers. According to the interview, managing of existing can bring a second transaction opportunity and good word-of-mouth as well. This is similar with Duffy’s (2003) theory of “referrals”. Besides that, it is mentioned in the interview that there is difference between existing and new customers when implementing customer loyalty strategy. For existing customers, company should pay more attention on feedback control and communication and for new customers, company should focus more on advertising and promoting to make customers understand company’s brand.

6.2. Case analysis of IKEA in Sweden

According to the interview, larger purchasing amount or frequency represent customers’ loyalty to the brand and his is similar with Sällberg’s (2004) theory. Moreover, customers’ word-of-mouth is also mentioned in the interview. This is similar with Dick and Basu’s (1994) theory of attitude. About how to improve purchasing amount or frequency, according to the interview, both activities before and during the transaction are important. Advertisements in variety of channels should be paid attention on. Furthermore, service and promoting method during the transaction is also important.

Based on the interview, the interviewee thinks that loyalty to product and brand are different. According to in the interview, loyalty to product can be viewed as customers’ preference to products. This is similar with Torres-Moraga's et al. (2008) theory. Furthermore, the interview mentions the research of customers’ preference to products is useful to improve customers’ loyalty to brand and this is similar with Torres-Moraga's et al. (2008) theory.

According to the interview, company should pay attention on customers’ attitude. IKEA’s promoting strategy is to create the same value with their customers. Therefore, it is important for IKEA to know how customers feel about their products and brands. This is similar with Ball’s et al. (2004) theory. And about how to improve customers’ attitude, it is mentioned in the interview that the member membership system is a good instrument for doing this. Besides that, the service quality during the transaction is important for improving customers’ attitude.
About the reason of implementing customer loyalty strategy, in this case, IKEA’s reason is to better understand customers and get more ideas of designing. This is not similar with Nykamp’s (2001) theory. Besides that, according the interview, implementing customer loyalty can better help company defend against their competitors. Therefore, this is similar with Nykamp’s (2001) first case.

In the interview, it is mentioned that trust is important. Its basis is the quality of both products and services. Moreover, communication is also important to establish trust between customer and company. And about the mutual commitment, according to the interview the best way of improving commitment is give customer opportunity to understand the company and products. Besides that, it is also mentioned in the interview that the information of company and product should be delivered to customers openly and customers’ feedback and inquiries should be handled carefully. And about the third basis of customer loyalty, it is mentioned that two dimensions of communication are important for company. The first one is “to customers” and another is “from customers”. About the first one, it means delivering information to customer with all the channels, such as TV, newspaper, website and IKEA catalogue. About “from customers”, it means answer customers’ inquires and help to solve problems. The last basis of customer loyalty is “conflict handling”. According to the interview, company should have special customer service department to help customer to solve problems about products quality, assembling and transporting. Besides that, it is mentioned in the interview that companies’ attitude is important for handling conflicts.

According to the interview, IKEA divides customers to some group in their membership system. The customers classifying method is regarded to help company to better understand customers and better reward them. This is similar with Curry’s (2000) and Torres-Moraga’s et al. (2008) theory about the advantages of customer classifying. For some active customers company need to pay attention on their feedback and keep communication channel available. For some other inactive customers, it is mentioned in the interview that communication among customers is important. Loyal customers’ good word-of-mouth can help to attract new customers.

In the interview, it is mentioned that customer loyalty can help to reduce cost compared with traditional marketing method, which is similar with Sällberg’s (2004) theory. Moreover, customer loyalty strategy can bring more advantages, for example, customers will view company as partner, which is the similar with Nykamp’s (2001) theory.

Based on the interview, for existing customers, it is easier to manage through customer loyalty strategy. And for new customers, company need to make more effort to get customers’ loyalty. Advertising and communication are more useful to attract new customers. However, study to existing can help to improve efficiency of
advertising and communication and sometimes existing customers’ word-of-mouth can also be helpful. This is similar with Duffy's (2003) theory of “referrals”.

6.3. Cross cases analysis

In the previous chapters, cases of IKEA in China and Sweden are researched. In the following part, these two cases will be compared with each other.

1. Purchasing amount/ frequency
The results of purchasing amount and frequency are shown in the following table. In the two cases, customers’ purchasing amount and purchasing frequency can be viewed as customer loyalty. Moreover, in the case of IKEA in Sweden, customer attitude such as word-of-mouth can also represent customer loyalty. Besides that, advertisement and service during the transaction are mentioned in both cases and this can be viewed as an important method to improve customers’ purchasing amount/frequency.

2. Loyalty to brand and products
About loyalty to brand and products, there are differences in the two cases. In the case of IKEA in China, loyalty to brand and products are viewed to be the same. However, in the case of IKEA in Sweden, loyalty to product and brand are different. These different attitudes of two different cases have been discussed in the previous chapter and according to the theories study, it is better to research these two loyalties separately. This has been shown in the case of Sweden; they think customers’ loyalty to products is important. The research of it can help to improve customers’ loyalty to brand. The results are shown in the following table.

3. Attitude loyalty
Behavior loyalty and attitude loyalty are two important dimensions of customer loyalty. Behavior loyalty is similar with purchasing amount and purchasing frequency. Therefore, it will not be studied in the following part. The result of research to attitude loyalty is shown in the following table. Attitude loyalty is regarded to be important in both cases. About how to improve customers’ attitude, service quality are mentioned in both cases that companies should pay attention on it. Moreover, proper reward and timely communication are also important to improve customers’ attitude. In the case of IKEA in Sweden, membership system can to help company communicating and providing reward to customers.

4. Why customer loyalty strategy
A customer loyalty strategy can bring advantages for company. In both cases, to defend against competitors is an important reason of implementing customer loyalty strategy. Besides that, both companies mention that customer loyalty strategy can help company to better understand customers. However, in the case of Sweden, customer loyalty strategy can also help to collect customers’ idea about new products and designing. This can help IKEA to better meet customers’ need.
5. The 4 bases of customer loyalty
In both cases, the four bases of customer loyalty are mentioned to be important. There are some methods are mentioned in the cases that can improve the four basis. The study results are shown in the following table. In the results, communication is the term that is mentioned most. Both cases have mentioned how they communicate with customers and the importance of it. Besides that, to improve customers’ trust and commitment, communication also plays an important role.

6. Customer classifying
There are differences about customers classifying in the two cases. In the case of IKEA in China, there is no customer classifying method mentioned. However, in another case, membership system can help company to classify customers. Besides that, for active and inactive customers, there are some approaches to retain and improve customer loyalty mentioned in the study. The results are shown in the following table. As discussed in previous chapter, there are two customer classifying methods mentioned. Based on the study of the two cases, it can be found that different companies have their own customer classifying method. It depends on different status of companies in different business environment and culture. However, the comparing of these cases showed that customers classifying method can better help to collect customers’ information and thus better meet customers need. Therefore, it is necessary for companies to implement customer classifying method.

And for new customers and existing customers, it is mentioned in the both cases that company should respect all customers. According to the case of IKEA in Sweden, customer loyalty strategy is more useful to manage existing customers. And it is regarded to be the same to both existing and new customers in the case of IKEA in China. The study results are shown in the following table.

7. Benefits of customer loyalty strategy
In the case of IKEA in China, it is mentioned that some cost are reduced meanwhile some cost are increased when implementing customer loyalty strategy. However, in the case of IKEA in Sweden, costs are regarded as something to be reduced. Besides that, it is mentioned in both cases that it is worthy to implement customer loyalty strategy.

Table 5 result of comparing the cases of China and Sweden

<table>
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<tr>
<th></th>
<th>IKEA in China</th>
<th>IKEA in Sweden</th>
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<tbody>
<tr>
<td>Purchasing</td>
<td>1. Customer</td>
<td>1. Purchasing</td>
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<tr>
<td>Amount and Frequency</td>
<td>rs’ purchasing amount represents customer loyalty.</td>
<td>amount/ frequency represent customers’ loyalty.</td>
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<td>--------------------------------------------------</td>
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<tr>
<td>4.</td>
<td>Customers can try the products</td>
<td>4.</td>
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</table>

<table>
<thead>
<tr>
<th>Loyalty to Brand/Products</th>
<th>No significant difference between brand and products</th>
<th>1. Loyalty to product and brand are different</th>
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<tr>
<td></td>
<td></td>
<td>2. Loyalty to product is preference</td>
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<td></td>
<td></td>
<td>3. customers’ preference improve customers’ loyalty to brand</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Attitude Loyalty</th>
<th>1. attitude of new customers is more important</th>
<th>1. important to know customers’ feeling</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. providing some reward</td>
<td>2. membership system is helpful</td>
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<tr>
<td></td>
<td>3. providing high-quality service</td>
<td>3. service quality during the transaction</td>
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<tr>
<td></td>
<td>4. communication with customers</td>
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<td></td>
<td>5. more comfortable and more value</td>
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<table>
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<tr>
<th>Why Customer Loyalty Strategy</th>
<th>1. Defend against competitors Company</th>
<th>1. defend against their competitors</th>
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<tbody>
<tr>
<td></td>
<td>2. need better understand customers</td>
<td>2. better understand customers</td>
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<tr>
<td></td>
<td></td>
<td>3. get more ideas of designing</td>
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<table>
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<tr>
<th>Trust</th>
<th>1. professional sale assistants</th>
<th>1. quality of products and services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. let customers try products</td>
<td>2. timely communication</td>
</tr>
<tr>
<td></td>
<td>3. service during transactions</td>
<td></td>
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<table>
<thead>
<tr>
<th>Commitment</th>
<th>1. openly communicate</th>
<th>1. let customer understand the company and products</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>2. view customers as partners</td>
<td>2. customers’ feedback and inquiries</td>
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<table>
<thead>
<tr>
<th>Communication</th>
<th>1. communication during the transaction</th>
<th>1. “to customers”-advertisement</th>
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| 35 |
### Conflict Handling

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<tr>
<td></td>
<td>1. changing and returning products freely</td>
<td>1. customer service department to solve problems</td>
</tr>
<tr>
<td></td>
<td>2. company’s attitude towards conflicts</td>
<td>2. companies’ attitude</td>
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</table>

### Customers Classifying

<table>
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<tr>
<th></th>
<th>Active customers</th>
<th>Inactive customers</th>
</tr>
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<tbody>
<tr>
<td>1.</td>
<td>provide better services and better quality products</td>
<td>keep communication channel available</td>
</tr>
<tr>
<td>2.</td>
<td>widen the communication channel</td>
<td>communication among customers</td>
</tr>
</tbody>
</table>

### Existing Customers

- Feedback control and communication
- Membership system

### New Customers

- Advertising and promoting
- Advertising and communication, existing customers’ word-of-mouth

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## 7. Conclusion

In this chapter, three research questions formulated in the first chapter will be answered. The bases of the answers are analysis of the interview results in the chapter above. Moreover, advices of further studies will be given after answering research questions.

### 7.1. Answer to research questions

1. **What kind of strategies does IKEA use to retain and improve customer loyalty?**

First of all in Sällberg’s (2004) book, purchasing amount and purchasing frequency are viewed as customers’ loyalty and it has been proved to be correct in previous studies. Both cases of IKEA in Sweden and China have shown that there are close relationship between purchasing amount/frequency and customer loyalty. To improve customer purchasing amount and frequency, advertisement on multiple channels are mentioned to be important. Moreover, service during the transaction also plays a significant role when improving customers’ purchasing amount and frequency. Besides that, customers’ attitude towards products cannot be ignored either. Companies should provide more chances to customers so that customers can try and better understand products and brands. As discussed in Torres-Moraga and his
partners’ (Torres-Moraga et al., 2008) article, customers’ loyalty to products and brands should be separately researched. This point has been supported in the case of IKEA in Sweden. And based on the case, the research of loyalty to products can help to improve customers’ loyalty to brands.

Besides that, in Ball and his partners’ (Ball et al., 2004) article, attitude loyalty is regarded as an important dimension of customer loyalty. In both cases, customers’ attitudes are proved as a factor that cannot be ignored by companies. To improve customers’ attitude loyalty, communication with customers is important for companies. Companies need to know how customers feel about the products and make customers feel more comfortable. Moreover, company need to pay attention on the quality of service. Sometimes proper reward is also helpful for companies to improve customers’ attitude loyalty.

Finally, in Ndubisi’s (2007) article, four bases of customer loyalty are described. All the four bases have been proved to be important in the two cases of IKEA. According to the studies above, in the four bases, communication and conflict handling play the role of instruments and with them companies can get customers’ trust and commitment. Therefore, when considering how to improve customers’ trust and commitment, openly and timely communication and efficient conflict handling cannot be ignored. Besides that, some other factors that have impact on customer loyalty are studied in the cases, for example, the service quality during the transaction and companies’ attitude towards conflicts.

2. IKEA has companies in both China and Sweden. How do they operate customer loyalty strategy in different markets?

In Nykamp’s (2001) book, three cases are mentioned where companies should pay more attention to customers so that they can get more advantages. According to the studies above, the first case formulated by Nykamp is mentioned in both cases, which is to defend against competitors. Furthermore, in the case of Sweden, getting ideas for designing from customers is another important reason for the companies to implement customer loyalty strategy, which is not mentioned in China’s case.

Besides the reason of implementing customer loyalty strategy, according to Curry (2000), customers classifying approach is also important, because it can better help companies visualize, analyze, and improve the behavior and profitability of customers. There is a difference between China and Sweden concerning the factor of customers classifying. There is not unique customers’ classifying strategy mentioned in the case of China. However, Curry’s (2000) theory is supported in the case of IKEA in Sweden. The membership system help IKEA in Sweden to classify customers and through it IKEA can provide more rewards to customers and better understand their customers.

According to Curry (2000), active customers hold most value for companies. It has
been proved in both cases that existing active customers are important for companies. However, there is a similarity in the two cases that potential and new customers are also important for companies. For active customers, it is mentioned in both cases that keeping communication channel available is a useful method to retain customer loyalty. However, the membership system of IKEA in Sweden makes the communication more efficient. And for the potential customers, it is mentioned in the both cases that advertisement is a useful method to attract new customers. However, IKEA in Sweden mentions that communication among customers is helpful to attract new customers, which is not mentioned in the case of China.

Finally, as discussed above, communication and conflict handling are two bases of customer loyalty. As shown in the two cases, there is no significant difference between China and Sweden. Some factors, such as attitude towards conflict, freely solve customers’ problem, are mentioned in the both cases. The reason of this may be the same organization culture.

3. Compared with it in Sweden market, how will companies deal with problems within the process of implementing customer loyalty strategies?

First of all, according to Curry (2000), customers classifying approach can help companies visualize, analyze, and improve the behavior and profitability of customers and this has been supported by the case of Sweden. Therefore, to develop a proper customers’ classifying approach is the first problem that Chinese company faces. As shown in the previous study, without such an approach, a company cannot focus on a certain group of customers when implementing customer loyalty strategy and thus the efficiency of customer loyalty strategy cannot be high. To solve this problem, some programs, like a membership system mentioned in the case of Sweden, should be adopted by Chinese companies. Through these programs, customers’ information, preference can be recorded and form basis of companies’ customer loyalty strategy.

Besides that, as mentioned in Torres-Moraga and his partners’ (Torres-Moraga et al., 2008) article, loyalty to brand and products should be researched separately and this has been proved to be helpful for companies in the case of Sweden. Therefore, Chinese companies should view brand and products as two stages when considering customer loyalty. This is the second problem that needs to pay attention on it. Especially for the companies that have a range of products, it is better to record customers’ attitudes towards each product. The analysis of this can help to understand customers’ preference and thus help to improve customers’ attitudes and loyalty to the brand.

Last but not least, compared with Chinese company, Swedish customers play an important role when Swedish company promote to new customers. This is the third problem that Chinese company should pay attention to. Existing customers’ word-of-mouth can have a significant effect on new customers’ attitudes towards the
company. Therefore, company should communicate more with existing customers and make them stand on the side of company.

7.2. Advice for further study

Because the approach used in this thesis is a personal interview, the interview result may be not that objective. Therefore, in a further study, it is better to conduct more interviews and survey among customers can better help to collect data and information. Moreover, observation on the method that the company treats customers is a useful approach to understand company’s customer loyalty strategy. Therefore, in the further study, the method of observation can be adopted to collect data and information.

Besides that, as mentioned in Hofstede’s (2004) book, there are five dimensions of national culture, which are Power distance, Individualism, Masculinity, Uncertainty avoidance and Long-term Orientation. According to his study (Hofstede, 2004), China and Sweden are extremely different in these five dimensions. Therefore, the style of communication and conflict handling may be influenced by the different culture in China and Sweden. In this thesis, the factors of communication and conflicts handling are only studied within the field of customer relationship and loyalty. The impacts of national culture are not concerned in this study. Therefore, in a further study, the impact of culture is a important dimension of this topic.
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