LULEÅ
UNIVERSITY
OF TECHNOLOGY

BACHELOR'S THESIS

Customer Club as Marketing Activity

A Case Study of SAS EuroBonus

CAROLINE SIEGBAHN
JENNY ÖMAN

Social Science and Business Administration Programmes

INTERNATIONAL BUSINESS AND ECONOMICS PROGRAMME

Department of Business Administration and Social Sciences
Division of Industrial Marketing
Supervisor: Manucher Farhang

ACKNOWLEDGEMENTS

For ten weeks in the spring of 2003, we have dedicated our time for writing this thesis. It has been an interesting experience that has taught us not only the art of thesis writing but also the art of co-operation and staying positive when progress has seemed to stagnate. There are several people we would like to express our gratitude towards, as without these people the completion of our thesis would have been impossible.

First of all, we would like to thank our supervisor, Associate Professor Manucher Farhang who has guided us throughout the entire process.

We would also like to express our appreciation to our respondent at SAS, Sophia Nybell, director of EuroBonus, who took the time to provide us with valuable information vital for the completion of our thesis.

Finally we would like to thank our friends and family for their support during these ten weeks.

Luleå University of Technology
June 2003

Caroline Siegbahn   Jenny Öman

ABSTRACT

The increased competition of today, has forced companies to develop new marketing activities in order to differentiate from competition. Companies have realized the importance of creating and maintaining relationships with their customers in order to survive on the market, where a relatively new, and increasingly popular, concept concerning building relationship is loyalty schemes. The purpose of this thesis is to gain a deeper understanding of the role of the specific loyalty scheme customer clubs as a marketing activity within international companies. To reach our purpose we have explored and described the objectives of customer clubs, depicted specific characteristics pertaining to customer clubs, and finally investigated the marketing effects of customer clubs. One case study has been conducted on an international company within the airline industry in order to satisfy our stated purpose. Our study shows that the main objective for companies within the airline industry to utilize customer clubs is to identify their customers and gather information about them. Furthermore, we found certain characteristics were necessary in creating an effective and successful customer club. Finally, our study showed that the actual marketing effect customer clubs has was not necessarily the desired effect of customer retention rather the ability to create and maintain an accurate customer database.

SAMMANFATTNING

Dagens ökade konkurrens har tvingat företag att utveckla nya marknadsföringsaktiviteter i syfte att differentiera sig själva från konkurrens. Företag har insett vikten med att skapa och behålla relationer med sina kunder för att överleva på marknaden. Lojalitetsprogram är ett relativt nytt koncept gällande skapandet av relationer och har på senaste tiden ökat i popularitet. Syftet med denna uppsats är att få en ökad förståelse av rollen som det specifika lojalitetsprogram kundklubb spelar som en marknadsföringsaktivitet inom internationella företag. För att uppnå detta syfte har vi undersökt och beskrivit syftet med kundklubbar och skildrat specifika egenskaper av kundklubbar. Slutligen har vi utrett marknadsförings-effekterna av kundklubbar. En fallstudie har utförts på ett internationellt företag inom flygindustrin för att uppnå vårt syfte. Vår undersökning visar att företag inom flygindustrin huvudsakligen använder sig av kundklubbar för att kunna identifiera sina kunder och samla information om dem. Vidare har vi identifierat vissa egenskaper som är nödvändiga för att etablera en effektiv och framgångsrik kundklubb. Slutligen visar vår studie att den önskvärda effekten med att behålla kunderna inte nödvändigtvis uppnås genom kundklubbar utan istället skapar de möjligheten att etablera och behålla en kunddatabas.

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1 INTRODUCTION

*T*his initial chapter starts by presenting a background to the research area, followed by a problem discussion on the roles of customer clubs. Thereafter the research purpose of this thesis is presented as well as the research questions. Finally this chapter will provide the reader with the demarcations of the study and end in an outline of the thesis.

1.1 Background

Today's development of competition in the business environment, has forced the companies to analyze and revise their current marketing strategies. (Kotler, 2003) The traditional promotional mix has been used by companies and organizations in order to focus on direct communication with various target group by using advertising, personal selling, public relations, sales promotion, and direct marketing. (Brassington & Pettitt, 2000) Today however, it is no longer enough for companies to be skilful in acquiring new customers through clever marketing campaigns, the importance for companies to build relationships with their customers and increase sales to these customers is increasing. Not only has the amount of suppliers offering the same products increased, consumers are faced with advanced technology giving them the ability to gain information about many different suppliers of the same product or service. The fact that switching from one brand to another has become simplified also imposes a threat to companies today. Furthermore, consumers are becoming more price conscious, more demanding, less forgiving, and are approached by more competitors with equal or better offers. (Kotler, 2003)

In the past, focus has been on achieving increased profit through improved selling of products and services as one-time sales. Companies tried to increase their market share by minimizing costs in resources, production, and transaction. (Duddy & Kandampully, 1999) This has, however, in the past two decades changed, and the focus has shifted towards the idea that "*to satisfy the customer is the mission and purpose of every business*". (Drucker in Duddy & Kandampully, 1999, p. 316) This shift requires a managerial approach where serving the customers is considered to be the primary task and that a detailed knowledge about the customer is essential in order to gain a leading market position. Today, companies have understood that, in order to be successful on the market, building a network of sustainable relationships is of high importance. Relationship marketing is used as a tool to create relationships with customers and other parties involved in the business process. This should enable companies to focus on customer retention, offer superior products, and generate customer loyalty. (Payne *et.al.,* 1999)

1.1.1 Increased Relationship Between Companies and Customers

In accordance to the increasing importance of creating loyal customers, and hence generating profitability, the significance of relationship marketing has grown tremendously in recent years. (Payne, *et. al.,* 1999) By using relationship marketing, firms will not only strengthen their competitive advantages but also provide extra value to the customers and increase the company's market opportunity. (Duddy & Kandampully, 1999)

Today there exists no universal definition of the concept relationship marketing. Various researchers have tried to contribute to the widespread understanding of the concept, however opinions differ remarkably on the core definition. (Duddy & Kandampully, 1999) One definition by Grönroos is that *"relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by a mutual exchange and fulfillment of promises."* (Grönroos in Harker, 1999, p. 16) In contrast, Bennett states that *"consumer relationship marketing is the organizational development and maintenance of mutually rewarding relationships with customers achieved via the total integration of information and quality management systems, service support, business strategy and organizational mission in order to delight the customer and secure profitable lasting business"* (Bennett in Harker, 1999, p. 18) However, the fundamental principle of relationship marketing is that the higher the customer satisfaction is, the more likelihood is that the customers will stay with the firm. (Payne *et. al.,* 1999)

1.1.2 The Aim of Relationship Marketing

Loyalty
The aim of relationship marketing is to create loyal consumers. (Payne *et. al.* 1999) There are different reasons for emphasizing loyalty. One reason is that immense media options are available to the customers, making it more difficult to reach and acquire new consumers. This along with the fact that consumers have less time to consume and interpret messages they receive, lead to the importance of keeping current consumers happy. (Duffy, 1998) Oliver states that loyalty is *"a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior."* (Oliver, 1997, p.392) Furthermore, he states that the ultimate level of loyalty is when the consumer rebuys a product or service and sticks to the specific brand no matter to what cost. In order for a consumer to become and remain loyal, the perceived value must be that the product offers the best alternatives among competitors. Furthermore, the consumer must be unreachable for competitors' marketing efforts. (Oliver, 1999)

Previous researchers argue that it is important to distinguish loyalty from consistent purchasing, as the latter may also be the result of, for example, coincidence or customer convenience and not brand loyalty. (Ibid) In addition, it can be said that few consumers are 100 percent loyal to a single brand, but instead polygamous loyal, meaning that they are loyal to a few number of brands within a specific product range. (O'Malley, 1998)

Assael (1992) argues, that continuous behavior is not a sufficient indication of loyalty to a brand. This means, that neither attitudinal nor behavioral measures alone are adequate when it comes to explaining or defining loyalty. Despite the fact that satisfaction alone is not an accurate measurement when determining customers' loyalty, it is considered to be an essential element when creating loyalty. (Mc Illroy & Barnett, 2000) This means, that customers with high satisfaction are more likely to stay loyal longer, buy more when the company introduces new products, upgrade existing products, and talk favorably about the company and its products or services. They also have the tendency to pay less attention to competing brands, be less sensitive to price, offer product or service ideas to the company, and cost less to serve than new customers. (Kotler, 2003)

Retention
Relationship-marketing focus on creating loyal customers which in turn leads to customer retention. "*Customer retention can be defined from the behavioral perspective meaning the customer feels close and committed to the organization and is accordingly willing to behave loyally by recommending the supplier and repurchasing his products and services*". (Stauss *et.al*., 2001, p. 11) However, customer retention is also defined as being a process rather than a task, meaning that it is "…*the process by which an organization identifies and maintains a relationship with prime customer groups. Such relationships should add value to both producer and consumer…*" (Stewart, 1996, p.5) There are various reasons for focusing on customer retention. Firstly, since researchers have stated that it costs five times more to generate new customers than retaining existing ones creating loyal customers becomes essential. (McIlroy & Barnett, 2000) The fact that it takes a competing firm a great deal of effort to induce satisfied customers to switch away from their current suppliers is another argument for customer retention. (Kotler, 2003)

There are two ways in which customer retention can be strengthened. One is to establish defection barriers making it difficult for the customer to switch to another brand. This means that the customer would experience high capital costs, high search costs, or the loss of loyal-customer discounts when switching to another supplier. However, a better approach to retaining customers is to deliver high customer satisfaction meaning that delighting customers makes it more difficult for competitors to use lower prices as a strategy to get customers to switch supplier. (Kotler, 2003)

Customer Database
Today companies have realized the importance of satisfying and retaining customers and building the relationship capital within the company, meaning that the customer database attained through relationship marketing has a value. (Kotler, 2003) Some forms of relationship marketing enables companies with poor data about their customer to gain market research information by allowing the customers to identify themselves at the point of purchase or service delivery. (Dowling & Uncles, 1997) With the use of this information, companies can easily identify who their customers are and thus more correctly target marketing campaigns to the most accurate audience. (O'Malley, 1998)

1.1.3 Loyalty Schemes

In all forms of the relationship marketing activity loyalty schemes, the concept is to build strong and lasting relationships with customers by rewarding loyalty, which should result in customer retention. If well thought out and carefully implemented, a loyalty scheme has an effect on the tendency for customers to defect from a certain brand. It may be due to the fact that the customer experiences a potential economic loss when switching to another brand, or in some cases, the customer experiences a psychological reluctance to switching since the customer feels committed to the brand. (Duffy, 1998) The trend today is that companies in most industries are moving towards building loyalty and retaining customers. Loyalty strategies are being studied, evaluated or implemented on order to cultivate strong relationships with their customers. (Butscher, 1996)

Loyalty schemes started in the airline business after the federal control of domestic air service was deregulated, leading to the market determining fares and levels of service. In an industry where no great differentiation between prices, selection, and service could be identified

attempts were made to achieve differentiation. Leading the way, American Airlines introduced its frequent flyer program, AAdvantage, offering free travel in exchange for loyalty. United Airlines who offered a similar program, Mileage Plus, was the next to implement such a strategy. Soon after, every company within the airline industry created or participated in some form of loyalty program. Other industries followed in adopting this strategy, for example, the retail industry created loyalty schemes where their customers were offered special customer cards. Throughout time the loyalty programs, first introduced by American Airlines, have evolved and become more sophisticated. (Duffy, 1998) The development has led to the formation of the loyalty scheme customer club, where the companies offer extended benefits to its members. Furthermore, customer clubs enable companies to improve the profile of its members and successfully reach their customers with targeted promotion offers. (Slight, 1995)

1.2 Problem Discussion

Customer clubs is a form of loyalty scheme that is increasing in popularity and success especially in Europe. International companies such as Volkswagen, Nike, and Reebok all have customer clubs. (Butscher, 1996) The creation of customer clubs has begun to take off by many manufacturing and service companies in different industries. (Stauss, *et.al.*, 2001)

Customer clubs have advanced from being just customer cards, which mostly offered discounts and other superficial services. Today the aim of the customer club is to develop some form of emotional relationship with members, which, in turn, should lead to added value to the customer and create a long-term relationship between the customer and the company. (Butscher, 1996) Of all the loyalty schemes, customer clubs belong to the most important and particularly cost-intensive, and are among the most comprehensive strategic instruments companies can use in creating customer retention. By offering the club members value-added services and a wide range of benefits, companies seek to increase customer loyalty and thereby increase customer retention. Examples of such value-added services and benefits are for example club magazines, direct mailings, and special club service centers, all which have the intention of building and keeping contact with their members. Furthermore, the customer clubs offer benefits such as member discounts, favorable conditions of payment along with financial advantages via bonus programs. (Stauss *et.al.*, 2001).

Many companies have chosen to adopt customer clubs as it has increased in popularity. This in turn has led to that, in some cases, there is no direct competitive advantage in using customer clubs as everyone offers similar rewards, and the adoptation is more about matching competitors than to offer customers added value. Furthermore, once implemented it is difficult, if not impossible, to remove the club leading to the fact that it is a costly kind of loyalty scheme. (O'Malley, 1998)

Although loyalty schemes in general are becoming more popular and has gained a wider acceptance among marketers in the past decade (O'Malley, 1998), few theoretical or empirical research has been carried out on the specific loyalty scheme customer clubs and the retention effects they generate. (Strauss *et. al.,* 2001) O'Malley (1998) states that it is important to re-evaluate to what extent loyalty schemes actually create loyalty. Moreover, Oliver (1999) also mentions that there is no direct correlation between customer satisfaction and customer loyalty and hence difficulties may arise when measuring loyalty of customers. This in turn can lead to difficulties when measuring the retention effects on customer clubs.

(Ibid) In view of the above we felt that fresh research in this area may shed additional light and clarify a few outstanding points in connection with customer clubs.

1.3 Purpose and Research Questions

Given the problem discussion the purpose of this thesis can be stated as following:

To gain a deeper knowledge of the role of customer clubs as a marketing activity in international companies.

The following three research questions have been posed in accordance with the issues raised in the purpose.

1. *How can the objectives of international companies in forming customer clubs be described?*
2. *How can the factors involved in the formation of customer clubs be described?*
3. *How can the marketing effects of customer clubs be described?*

1.4 Demarcations

While the motives and structure for customer clubs and loyalty schemes differ drastically between industries, and since loyalty schemes in the airline industry started back in 1981 and have since then evolved in the entire airline industry, it is an interesting industry to look upon when investigating the overall role of the loyalty scheme customer club. (Duffy, 1998) According to many researchers relationship marketing is a relatively new and paradigm-shifting concept. Research has been made on the use of relationship marketing, however little research has been conducted on the use of customer clubs in the service industries. Due to time limitations this thesis will not focus on all the aspects regarding customer clubs. Therefore, the research is limited to answering the research questions from an international company's perspective.

1.5 Outline of the Thesis

This section will provide the reader with an overview of the content of this thesis, which is divided into six chapters: introduction, literature review, methodology, data presentation, data analysis, and conclusion and implication. The contents of the first chapter have already been presented and should be familiar to the reader, therefore the focus of this outline will be to give a brief description of the content in the following chapters.

In order to more clearly illustrate the outline of this thesis, the following figure has been conceived.

Figure 1.1: Outline of the Thesis
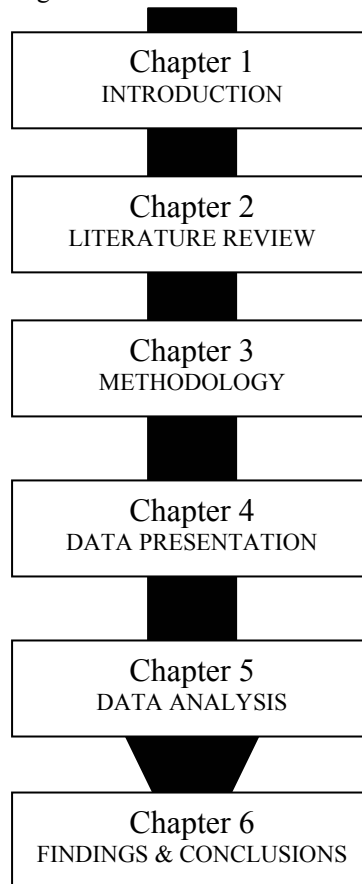
Chapter two: In this chapter, theories relevant to the purpose and the stated research questions will be presented. These theories will be narrowed down to the conceptual framework, where the theories that best fit the purpose will be stated and clarified in a emerged frame of reference.

Chapter three: This chapter will illustrate how the research process was carried out. It will also give an explanation to the methodology used and motivate the choice for this type of research procedure.

Chapter four: In this chapter, the organizations used as objects for the research study will be introduced. The chapter will also present the empirical data collected during the research process.

Chapter five: After the data collecting process, the findings will be analyzed in this chapter with help of the theories stated in the conceptual framework. This means that the actual findings will be compared to the theories.

Chapter six: Finally, chapter six will draw conclusions from the analysis of the data. It will also present a discussion of the implications and suggest areas for further research.

1.6 Summary

This chapter started by presenting a brief introduction on the area of research, followed by a problem discussion on the topic. Moreover, the purpose of the thesis was stated as well as three research questions. Thereafter, demarcations of the thesis were stated and finally an outline of the thesis was given. The following chapter will provide a literature review on research done in the different areas of each research questions.

2 LITERATURE REVIEW

The previous chapter presented a brief introduction to the research area and discussed related issues. In the end of the chapter the research purpose and the research questions were stated. This chapter will review literature relevant to the research purpose and the research questions. Firstly, theories on the objectives of forming customer clubs will be presented. Thereafter theories on the factors involved in the formation of customer clubs will be reviewed, and lastly this chapter will investigate the marketing effects of customer clubs.

2.1 Objectives of Customer Clubs

There are numerous reasons for a company to implement a loyalty scheme. First of all, a company has the desire to reward loyal customers, secondly, a company uses the loyalty scheme in order to generate information about the customer, and to manipulate their behavior. A company may also have the desire to use loyalty schemes as a defensive measure to combat a competing scheme. (O'Malley, 1998)

Reward Loyal Customers
Researchers claim that the main objective of using loyalty schemes is to reward loyal customers and their repeat purchasing. Since many customers repeatedly visit certain retailers, it makes sense to take part of the loyalty scheme. The customers are rewarded through discounts or other rewards. (Ibid)

Generate Information
Until recently it has been difficult for companies to recognize their most profitable customers, since the information collected mainly concerned the products not the customers. With the introduction of loyalty schemes, however, customers have willingly cooperated with providing data, enabling the company to establish a quite accurate customer profile by combining this information with other sources such as geodemographics, lifestyle and credit history. In turn, the information can be used to more accurately target the customers and create special offers, since sufficient information is given in order to diversify their offers. (Ibid)

Manipulate Consumer Behavior
Although the main objective is to reward customer loyalty, one essential aim is to manipulate consumer behavior. This means, that by using individually targeted incentives, companies can alter consumer behavior and motivate them to change their purchasing behavior. (Ibid)

A Defensive Measure to Combat a Competing Scheme
Although not clearly stated, many companies decide to launch loyalty programs due to fear of competitive parity. In the 1980's after American Airlines launched their AAdvantage program, many airlines soon followed in order avoid the competitive disadvantage of not having such a scheme. (Ibid)

Further Objectives
Furthermore, Stewart (1996) identifies the following objectives for developing a loyalty scheme such as a customer club. First of all, by creating a customer club, customer acquisition costs and marketing expenditure can be reduced. Another objective is to increase the revenue on existing customers by extending business with these customers. Thirdly, using a loyalty

scheme such as a customer club enables companies to develop tangible measures for customer service. Finally, companies may choose to use a customer club in order to follow the competition, meaning that such a loyalty scheme is implemented in fear of being exceeded by competitors. (Ibid)

2.2 Factors Involved in the Formation of Customer Clubs

In order to be successful in creating a customer club there are some factors to take into consideration. Firstly, it is essential to use a extended marketing mix when focusing on customer retention.(Rosenberg & Czepiel, 1992) Moreover, it is important to have a clear and structured currency. (Duffy, 1998) Lastly, it is important to consider how the customer rewards are linked to the loyalty scheme. (Dowling & Uncles, 1997)

2.2.1 The Marketing Mix

The development of the marketing mix has its base on the understanding of customers. It consists of four elements, product, price, promotion, and place, forming a major aspect of the marketing concept implementation. These four areas, known as the 4-Ps, are the main decision areas that marketers need to manage in order to be a cut above their competitors in exceeding customer needs. The decisions involving product include deciding which products or services should be offered to a group of customers, choices regarding brand names, warranties, and packaging. Decisions involving price is an important element of the marketing mix. Price represents what the company receives for the product or service and also what the customers' perceived value of the product or service is. Promotion means how the company chooses to target their audience to make them aware of their product or service. The fourth P, place, implies decisions made concerning the distribution channels, in order to make the product available to the customers. (Jobber, 1998)

2.2.2 Customer-Retaining Marketing Mix

In creating a marketing plan, the marketing mix plays a central role. However, the marketing mix is traditionally developed mainly for customer acquisition, rather than customer retention. Therefore, it is necessary to conceive two marketing mixes, one for customer acquisition, and one for customer retention. The marketing mix for customer retention is extended with several elements; product extras, reinforcing promotions, sales force connections, specialized distribution, and post-purchase communications. (Rosenberg & Czepiel, 1992)

Product Extras
In order to retain customers, the product offer must be extended to include more than what initially attracted the customer to the product. This means that the company should present the customers with a total *product/service system* including related offers. This should lead to the customers realizing the existence and value of a total consumption system. Important is also the development of an *easy-to-remedy* feature, which should facilitate the rescue process of a displeased customer. In the case of a product breakdown service, a product extra would be to offer a *preventive maintenance* items and services. (Ibid)

Reinforcing Promotions
To effectively promote products, the promotion should be aimed at existing customers. The company can obtain benefits by reinforcing communication to their existing customers if they know who they are. In order to increase the knowledge about their customers and loyalty on products already purchased, companies should tune into their customers. Furthermore, keeping a database on actual customers facilitates direct communication between the customers and the company. Another promotional device, for reinforcing communication with customers, is the use of *customer-only publications*. These publications are targeted towards the customers who already, to some degree, are committed to the company. *Direct mail* is also a method in communicating with the customer. This enables the company to investigate the customers' desires, satisfaction with previous purchase, and intention for future purchase, at the same time as it reduces the risk of confusion concerning the current purchase. In order to follow up purchases, *telemarketing* is used as it is a more personal approach than mail. (Ibid)

Sales Force Connections
Since the salesperson is the key figure when closing a sale either in the retail or service industry, the sales force plays a decisive role in the customer-retention function. Therefore, the sales force must be oriented towards establishing a *long-term relationship* with the customer. This means, that the sales force should concentrate on solving customer's problem rather than selling products or services, meaning this will lead to a prolonged customer retention. It is therefore up to the manager to encourage the sales force to concentrate on building relationships rather than concentrating on today's results at the expense of tomorrow's. An effective way to create a connection between the sales force and customers is using the *account executive system,* who is appointed to a specific customer and can thereby cater to their every need. The sales force is further strengthened by *supportive expertise*, a team of specialists responsible for solving customer concerns, or computerized databank facilitating the supply of routine information. (Ibid)

Specialized Distribution
Distribution explains the process of making the products available to the customer, which generally focuses on where the ultimate transaction takes place. However, as customer acquisition and retention are seen as separate functions, the distribution process must also be perceived as two separate methods. The first method, *separate distribution channels,* implies that one method is used to entice, welcome and complete first time purchases, and one method should serve the needs of repeat customers. In the retailing or banking industry, *the layout of facilities* is an effective way to handle the acquisition and retention of customers. Another vital factor in the distribution strategy is *dealer support,* and to which extent it fosters repeat buying. (Ibid)

Post-Purchase Communication
It is important that the company anticipates that customers may be unsatisfied after the sale. Therefore the company must be prepared to manage these complaints in order to prevent customers from defecting from the brand. One effective complaint and inquiry management method is for the company to have *assertive customer relations*, a department responsible for answering customer questions and solving problems. (Ibid)

2.2.3 Promotional Currency Model

The basic idea of a loyalty scheme is to reward the customer for behaving loyally. In order to be successful in this, the company has to decide upon a relevant promotional currency, which the members can save and later redeem for either free or discounted products or services. The Promotional Currency Model furthermore implies that redemption in fixed levels are essential for motivating the customer to continue with the loyalty scheme, as this guarantees the customer to have a remaining balance after the redeeming leading to an improved customer retention. (Duffy, 1998)

Name the Promotional Currency
Firstly the company has to name the promotional currency; which might be for example points or miles. This is an important stage, as a diffuse currency might create confusion among the customers, and is therefore to be considered the first step towards a successful loyalty scheme. (Ibid)

Select Unit of Measure
When selecting the unit of measure it is crucial to choose an appropriate size, i.e. the customer has to perceive the units earned relevant to the amount spent within the company. By using a too low unit the customer perceives no value in joining the loyalty scheme. As a rule of thumb, an accurate promotional currency should for example be worth $ 0.01 per unit, as this is a clear and simple amount for the customer to keep track of. (Ibid)

Select Tier Structure
In order to stimulate and influence the behavior of the customer the loyalty scheme has to use an accurate tier structure. There are two different approaches to tiers system, both based on spendings. The first approach implies that "the more you spend the faster you earn" which may motivate spending but not necessarily saving. This approach may be an incentive for the customer to spend within the company as the promotional currency represents an economic cost of defection, however there is no guarantee that this approach satisfies the objectives of retention. The second tier structure approach is based on "the more you save the more it's worth". This approach motivates the customer both to spend and to save. As the economic cost of defection grows in accordance to the growing member's balance, this approach can be seen as a powerful tool in creating economic cost of defection. (Ibid)

Redemption of Currency Units
A significant consideration is the redemption of the currency units. The redemption is a method for the company to drive incremental sales, improve customer retention, and increase the share of customers. A way to influence the customers buying behavior is to set an expire-date of the rewards gained from the loyalty scheme. This would mean, for example, if a customer purchases on an average of once every 60 days, setting an expiry date of 30 days might stimulate the customer to shop within those 30 days, hence increasing the sales. (Ibid)

Scheme Accounting
All kinds of promotional currency schemes require accurate program accounting systems in order to keep track of the customers' bonus balance. This system must be able to deal with different points earned by members, as well as the redemption rates, and finally it must be able to provide the customers with balance sheets. (Ibid)

2.2.4 Linking Customer Rewards to Loyalty Schemes

In order to investigate the loyalty schemes' effectiveness, in the area of influencing the buying behavior of the customer, three psychological dimensions need to be further analyzed. Those being:

- Direct or indirect effect
- How buyers value the rewards offered
- The effect of timing (Dowling & Uncles, 1997)

Direct or Indirect Effect
Deal-loyalty instead of brand-loyalty might be the outcome of many loyalty programs, meaning that the different incentives many loyalty schemes offer leads to loyalty to the scheme instead of to the core product or service, i.e. indirect effect. This is especially true in case of loyalty schemes in low-involvement products such as for example gasoline companies. Furthermore, if the scheme offers exotic and out of proportion incentives for the buying behavior the customers have a tendency to become loyal to the scheme instead of loyal to the brand. However, for high-involvement products and services it is the opposite, meaning that even a rather small incentive create loyalty towards the core product or service instead of towards the program, and hence the incentives generates an direct effect. It is furthermore stated that schemes who use incentives directly connected to the products or services offered by the company better fits the goal of loyalty marketing, than those that offers indirect incentives. (Ibid)

How Buyers Value the Rewards Offered
O'Brien and Jones (1995) states five elements which determine the value of a loyalty scheme, which has been further confirmed by Dowling and Uncles (1997) and O'Malley (1998). These five elements include;

Cash Value	- how much the reward represents as a proportion of spend
Choice of Redemption Options	- the range of rewards offered
Aspiration Value	- how much the customer desires the reward
Relevance	- the extent to which rewards are achievable
Convenience	- ease of participation in the scheme

According to Dowling and Uncles (1997) these five elements, together with the psychological benefits from belonging to the scheme, makes up the customer's perceived value of the program.

The Effect of Timing
When the rewards of a loyalty scheme are available, i.e. the timing, affects the attractiveness of the loyalty scheme. This means, that a delayed redemption reward has a negative psychological impact on the loyalty scheme. Many incremental loyalty reward schemes try to alleviate this problem by frequently sending their members statement sheets on the accurate points balance. (Ibid)

2.2.5 How To Design an Effective Loyalty Scheme

In order to create an effective and successful loyalty scheme there are three aspects to take into consideration; enhance the value proposition of a product or service, fully calculate the costs of the loyalty scheme, and design a reward scheme that maximizes the buyer's motivation to make the next purchase. (Dowling & Uncles,1997)

Firstly, the design of the scheme should *enhance the value proposition of a product or service*, for example a frequent-flyer club should enhance the value of the airline. Secondly, before implementation, the *full cost of the loyalty scheme has to be calculated*, where costs such as database creation, maintenance, and value of rewards claimed, has to be included. Moreover, there are less visible costs that may not be neglected; an example of such a cost is the opportunity cost of managers' time spent on the loyalty program. The third aspect is to *design a reward scheme that maximizes* the buyer's motivation to make the next purchase. Several schemes accomplish this by using an incentive to make the customer spend enough to gain access to different reward levels. This is successfully done, by evaluating the current buying behavior of the customer and adapting the incentive thereafter. The main idea is that no matter what kind of scheme adopted by the company, it should be designed to fit the profitability of the different types of customers, which in turn will motivate the most profitable customers to increase their business with the company. (Ibid)

2.3 Marketing Effects of Customer Clubs

By offering the club members value-added services and a wide range of benefits via a customer club, companies seek to increase customer loyalty and thereby increase customer retention. (Stauss *et.al.*, 2001)

2.3.1 Loyalty

In a theory presented by Dick and Basu (1994) three different kinds of loyalty are recognized, those being spurious-, latent- and sustainable loyalty. Spurious loyalty implies a temporarily loyalty based solely on, for example, convenience of the customer, special offers, or influence of other people. Latent loyalty involves a higher degree of attitude towards the company though not to the extent where the purchasing behavior is influenced. The final type is the sustainable loyalty where the customers have a strong preference, which influences the purchasing behavior of the customers to remain loyal over time. This is attained when a company has developed and communicated a scheme with long-term benefits for the customers. (O'Malley, 1998)

Loyalty development can according to Oliver (Oliver in Oliver 1999) be divided into four different phases; cognitive-, affective-, conative- and action loyalty. The first phase occurs when the customer has gained knowledge and information about a specific brand, which in turn has led to preference of that brand to other alternatives. However, cognitive loyal customers may be inclined to change brand if satisfaction is not fulfilled. The following phase to cognitive is the affective loyalty phase. In this, the customers are more engaged in the brand, hence pleasure, satisfaction, and likeableness of the brand are of higher importance. Affective customers are not as inclined to defect as cognitive customers are, however they are not totally loyal to the brand. Next step in the loyalty development is the conative phase,

which is a result of repeated positive experiences when purchasing the brand. The customer has in this stage developed a re-purchasing pattern directly connected to the brand and are thereby more committed. Finally, when achieving conative loyalty the customers become inclined and committed to take action to re-buy or re-patronize the preferred brand, hence action loyalty is obtained and thus the company has succeeded in retaining the customers. (Oliver, 1999)

2.3.2 Customer Club Retention Chain

The customer club retention chain attempts to illustrate the relations between customer club membership and expected economic success.
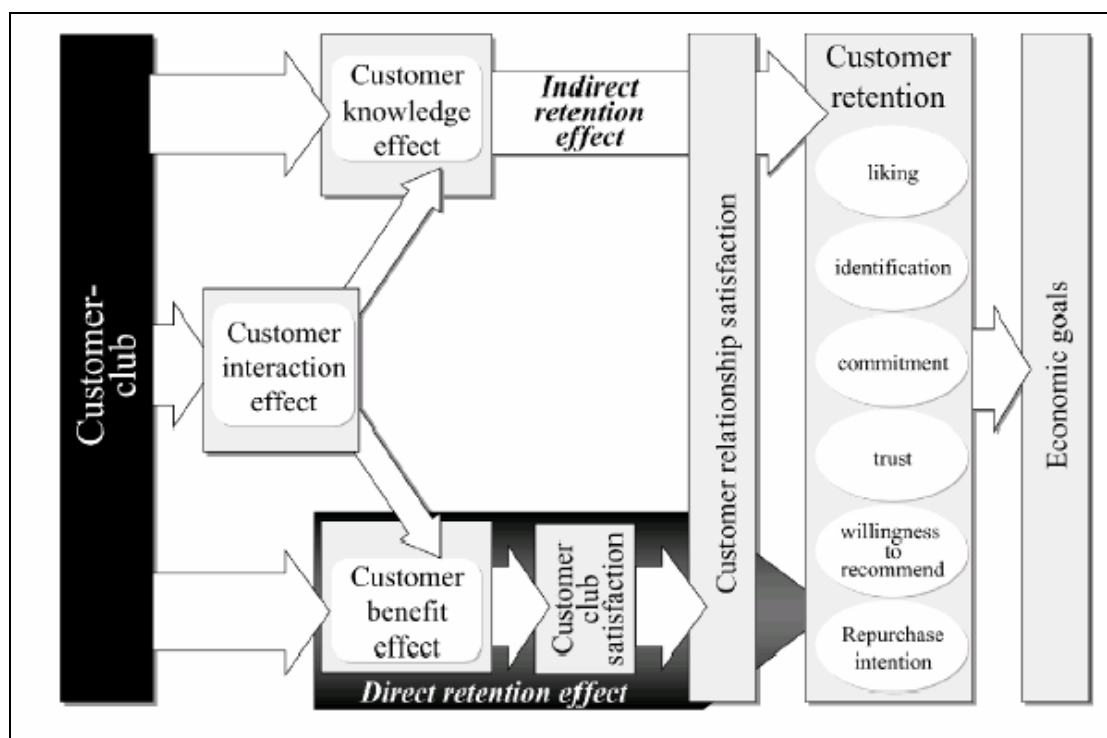
Figure 2.1: The Customer Club Retention Chain
Source: Stauss *et.al,* 2001, p. 10

The customer club should function as a platform creating more frequent contact and feedback opportunities between the customer and the company called the *customer interaction effect*. As a result, the company can build a close contact with the member for the entire customer lifecycle. The customer interaction effect is also divided into indirect and direct effects, as customer interaction not only leads to an improvement of the company's knowledge about the customer, but also is perceived by the customers as a part of the club services. (Stauss *et. al.* 2001)

Another essential objective for customer clubs is to increase the organizational knowledge about the club member, called the *customer knowledge effect*. The company receives detailed information about the members from the first point of registration on. Information about the customers interests, personal situation, and demands are collected in a member database,

which enables individualized marketing measures. (Butscher, 1998 in Stauss *et. al*., 2001) The *indirect retention effect* is a result of the knowledge effects. This is achieved by the data supplied by the club members, enabling the company to target the customers with a one-to-one marketing approach. This, in turn, facilitates the offering of individualized products and services to their customers. Since the retention effect is not caused by how the customers perceive the club experiences, rather by how the company utilizes the collect customer data, this is an indirect retention effect. (Stauss *et.al.,* 2001)

The motivation to become a member of the customer club depends on if the customer perceives a distinct advantage of becoming a member, the *customer benefit effect.* This means that the customer will only willingly supply the company with details and take part of the club if they perceive the benefits to be higher than the costs. Therefore, the customer club should offer exclusive services that have either a financial, material, or communicative attractiveness to the member along with the perceived advantages of interaction between the customer and club. The *direct retention effect* is related to the customer's perceived *benefits.* This means, that if the customers identify with the company and become loyal solely through their club membership and the associated benefits, a loyal relationship has been achieved. Furthermore, the direct retention effect is affected by the satisfaction the customer club generates among its members. The following figure, Figure 2.2, is an enlargement of the box customer club satisfaction presented in Figure 2.1. (Ibid)
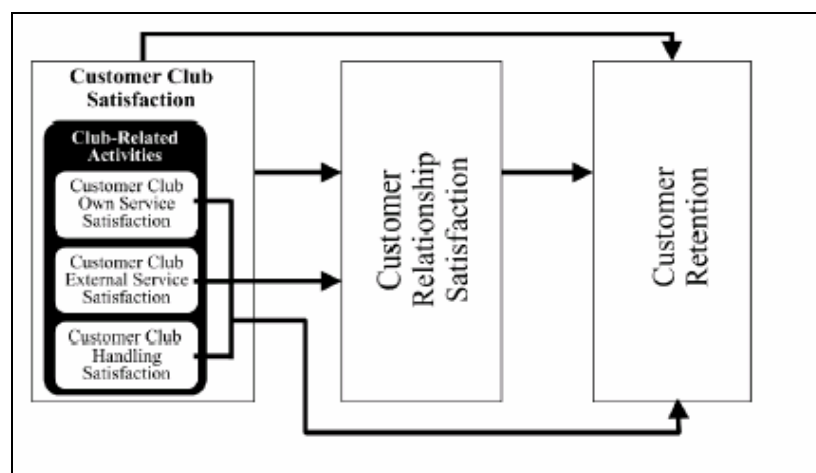
Figure 2.2: The Customer Club Satisfaction Chain
Source: Stauss *et.al.,* 2001, p. 11

Inserting elements related to this part of the chain, *club satisfaction, relationship satisfaction, and customer retention* further develops the direct retention part of the retention chain. These elements show the relation between customer club activities and their economic effects. (Ibid)

How satisfied the club members are with all the aspects of the customer club is called *customer club satisfaction.* This is the result of a comparison of the expectations and how the members perceive the club, and to what extent they are referring to their club contacts. Customer club satisfaction can be divided into three areas of performance and experience; *Customer Club (CC) Own Service Satisfaction, CC External Service Satisfaction,* and *CC Handling Satisfaction.* The *CC Own Service Satisfaction* is achieved by to what extent the club offers services and benefits such as a club magazine or loyalty points. *CC External Service Satisfaction* imply that the club have co-operating partners who offer club members services at more favorable conditions, this could be for example special rates for hotels or car

rental services. In the case of *CC Handling Satisfaction,* the procedures of the transactions pertaining to the club have an effect on satisfaction, meaning how the crediting benefits are registered or how they proceed. These three areas of club satisfaction also illustrate that customer club satisfaction is not only a result of the performance quality of the club itself but also the performance quality of the co-operating partners. This becomes important when services are offered by external partners, or when intermediaries handle club transactions. The overall satisfaction of the customer during the entire business relationship with the customer club is referred to as *customer relationship satisfaction,* meaning that all customer experiences has had with the company are represented. (Ibid)

The next stage in the customer club retention chain is the *customer retention* stage. This is regarded from a behavioral perspective, namely how close and committed the customer feels to the company and how willing they are to behave loyally, by recommending the company and repurchase products or services. If all the aspects of the customer club are successfully fulfilled, this should lead to customer retention which in turn should result in that the companies reach economic success. (Ibid)

2.4 Conceptual Framework

The previous section reviewed literature and presented theories relevant to the research purpose and the research questions stated in chapter one. Based on that theoretical review, this section will illustrate the conceptualization of the research questions and end up with an emerged frame of reference in order to illustrate how the research questions correlate.

The main idea of building a conceptual framework is according to Miles and Huberman (1994, p. 18) that it *"explains, either graphically or in a narrative form, the main things to be studied".* Meaning that it is the current version of the researcher's map of the territory being investigated, and it specifies who and what will and will not be studied. The authors further state that the conceptualization of the research questions will assist when forming an interview guide, which in turn will enable data collection. (Ibid)

2.4.1 Objectives of Customer Clubs – Research Question One

There are various objectives to implement a loyalty scheme such as a customer club. However, O'Malley (1998) states four main objectives of loyalty schemes and these will be utilized in this thesis. Those are:

- Reward Loyal Customers
- Generate Information
- Manipulate Consumer Behavior
- A Defensive Measure to Combat a Competing Scheme

Stewart (1996) identifies four other important objectives, which also will be investigated in this thesis. Those objectives are:

- Reduce Costs of Customer Acquisition and Marketing.
- Increase Revenue from Existing Customers

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- Develop Tangible Measures for Customer Service.
- Keep up with Competition.

2.4.2 Description of the Factors Involved in Forming a Loyalty Scheme - Research Question Two

The marketing mix presented by Jobber (1998) focuses on acquiring new customer instead of retaining the old ones and will therefore not be regarded in this thesis. However, the extended marketing mix is of use when creating customer retention (Rosenberg & Czepiel, 1992) and will due to that be utilized. One part of the Customer-Retaining Marketing Mix that will not contribute to the wider understanding of the role of a customer club, is the specialized distribution, and hence this part will be excluded. The parts of the extended marketing mix that will be included are as follows:

- Product Extras
- Reinforcing Promotions
- Sales Force Connections
- Post-Purchase Communication

Furthermore, Duffy (1998) proposes that when implementing any loyalty scheme there are specific criteria for deciding upon a relevant promotional currency. These criteria are applicable on all kinds of loyalty schemes and hence also for customer clubs and will therefore be regarded in this thesis. The different criteria are defined as follows:

- Name the Promotional Currency
- Select Unit of Measure
- Select Tier Structure
- Redemption of Currency Units
- Program Accounting

This thesis will focus on the role of customer clubs as a marketing activity from the company's perspective, and therefore all elements stated by Dowling and Uncles (1997) when linking customer rewards to loyalty schemes are not relevant. As a consequence, how buyers value the rewards offered, will be excluded. The two other parts, of Dowling and Uncles theory on linking customer rewards to loyalty schemes, contributes to the wider understanding of the role of customer clubs and will therefore be investigated, those parts are:

- Effect of Timing
- Direct or Indirect Effect

According to Dowling and Uncles (1997) there are three aspects to take into consideration when creating an effective and successful loyalty scheme. However, the aspect to fully calculate the costs of the loyalty scheme is irrelevant since the purpose of this thesis is to gain a deeper understanding on the role of customer clubs as a relationship marketing activity and will therefore be excluded. The two other aspects will be considered as these are relevant to the research question and those are:

- Enhance the value proposition of a product or service
- Design a reward scheme that maximizes the buyer's motivation to make the next purchase

2.4.3 Customer Clubs' Marketing Effects– Research Question Three

As stated in the problem discussion, in chapter one, customer clubs seek to increase customer loyalty and hence customer retention. Therefore, this thesis will investigate which *kind of loyalty* customer clubs generate. (O'Malley, 1998) Furthermore, it is of interest to identify in which *phase* of the loyalty development members of customer clubs are. (Oliver, 1999)

The customer club retention chain, presented by Stauss *et.al.* (2001), attempts to illustrate the relations between customer club membership and expected economic success. However, as the economic goals of a customer club will not be investigated in this thesis, this part of the customer club retention chain will be excluded. The other parts of the chain are all relevant and will be further analyzed. The different parts are:

- Customer club
- Customer interaction effect
- Customer knowledge effect
- Indirect retention effect
- Direct retention effect
- Customer benefit effect
- Customer club satisfaction:
  -Customer Related Activities:
  - Customer club own service satisfaction
  - Customer club external service satisfaction
  - Customer club handling satisfaction
- Customer relationship satisfaction
- Customer retention

2.4.4 Emerged Frame of Reference

The previous section provided a conceptualization of the research questions. This chapter will provide a graphic illustration of the frame of reference in order to illustrate how the questions correlate and how they serve to answer the research purpose. The emerged frame of reference is presented in Figure 2.3.

The large shadowed boxes illustrate the three different research questions, that when answered will reply to the research purpose. The smaller boxes, inside the shadowed ones, represent the different theories that will be used when trying to answer the research questions. The arrows illustrate how the questions correlates to each other, meaning that the objectives of a customer club influences the factors involved when forming the customer club. Further on, the factors involved in the customer club influences the marketing effects of the customer club, and lastly, the marketing effects of the club and the objectives are dependent on each other.

The Role of Customer Clubs

RQ 1 Objectives

Objectives:
Reward Loyal Customers
Generate Information
Manipulate Consumer Behavior
Combat a Competing Scheme
Reduce Costs
Increase Revenue
Develop Tangible Measures
Keep up with Competition.

RQ 2 Factors Involved

Customer-Retaining Marketing Mix
- Products Extras
- Reinforcing Promotions
- Sales Force Connections
- Post-Purchase Communication

Promotional Currency Model

Linking Customer Rewards to Loyalty Scheme
- The Effect of Timing
- Direct or Indirect Effect

Design an Effective Loyalty Scheme
- Enhance value proposition of a product or service
- Maximize the buyer's motivation to make the next purchase

RQ 3 Marketing Effects

Loyalty

Customer Club Retention Chain

Figure 2.3: Emerged Frame of Reference

2.5 Summary

This chapter has reviewed literature relevant to the purpose of the thesis. It started by presenting theories on objectives of customer clubs, followed by theories concerning factors involved in the formation of a customer club. Lastly, theories connected to the effects of customer clubs were presented. In the end of the chapter a conceptual framework was presented, which later on emerged in a frame of reference. As this chapter has revealed what will be investigated in this thesis, next chapter seek to explain how the research work of this thesis was conducted.

3 METHODOLOGY

In chapter two, literature relevant to the research purpose and the research questions were reviewed. Furthermore, a conceptual framework was presented in the end of the chapter, which in turn emerged into a frame of reference. Chapter three will provide the reader with a presentation and motivation of the methodology used in this thesis. This chapter will work as a guideline for the reader to understand how the research process is carried out.

3.1 Research Purpose

To state the purpose of the research is, according to Eriksson and Wiedersheim-Paul (1997), to inform the reader about the intentions of the thesis and how the result can be utilized. Further on, they claim that there are various approaches to the research purpose and that there are three different views on how to relate to the structure of the problem area; exploratory, descriptive, and explanatory. (Ibid)

If the purpose of the thesis is to gain an increased understanding of the problem, an *exploratory* research approach is particularly useful. (Saunders, Lewis and Thornhill, 2000) An exploratory research aims for basic knowledge within the problem area, (Wallén, 1996) and tries to develop relevant propositions for further inquiries. (Yin, 1994) Further on, exploratory research is useful when the problem is difficult to demarcate, as well as when important characteristics and relations are hard to determine. (Eriksson &Wiedersheim-Paul, 1997)

The purpose of a *descriptive* study is to develop isolated empirical generalizations and explain them. (Ibid) Miles and Huberman (1994, p. 90) explain descriptive studies as making *"complicated things understandable by reducing them to their component parts"*. If the research problem is clearly stated, but the intention of the study is not to perform research between causes and symptoms, a descriptive study is applicable. This means that the researcher knows what he/she wants to investigate, but not the answers. Would the researcher want to explain, understand, predict, and decide, a good description is essential, hence a descriptive study. (Eriksson &Wiedersheim-Paul, 1997)

An *explanatory* research tries to make complex issues understandable by presenting how the component parts interconnect according to some rules. (Miles & Huberman,1994) Explanatory research involves analyzing causes and relationships, where not only traditional causal explanations, but also explanations of a certain purpose are stated, as for example when examining if one specific factor affects another. Explanatory research also tries to identify factors that together cause a certain phenomenon. When conducting an explanatory research the researcher has to consider using different models, as one single model is not sufficient in explaining a certain phenomena or reach a complete explanation. (Eriksson &Wiedersheim-Paul, 1997)

However, when conducting a research it is not necessary to select only one of these three different approaches. Reynolds (1971) suggests a mixed procedure where the research is divided into three different stages; exploratory, descriptive and explanatory studies. At which stage a research belong depends on ambitions and knowledge within the research area. In the explanatory stage, the researcher aims to get a better understanding of the research area. In the

next stage, the descriptive stage, the aim is to develop thorough descriptions of a certain patterns that were expected during the exploratory stage. In the final stage, the explanatory, Reynolds implies that the researcher is looking for the relationship between cause and effect. According to Reynolds the aim is to provide the researcher with a cycle of theory construction, theory testing, and finally a theory reformulation. (Ibid)

This thesis will explore, describe, and start to explain the retention effects of customer clubs in international companies. Since the purpose of the thesis is to gain a deeper knowledge about the role of customer clubs within international companies, the research purpose is somewhat exploratory. However, the study is mostly descriptive as we intend to describe the discovered patterns of the exploratory stage, meaning that the deeper understanding gained in the exploratory stage will help us describe the research area of the thesis.

3.2 Research Approach

3.2.1 Inductive versus Deductive Research

There are two different approaches to conducting research, inductive and deductive, which represent different research philosophies. Valid conclusions can, however, be drawn despite which research approach is chosen. If the researcher chooses to draw conclusions based on empirical data by instituting theories and models from occurrences in reality, the researches is performing an inductive research. However, if the researcher chooses to investigate already existing theories, the researcher is performing a deductive research. (Eriksson & Wiedersheim-Paul, 1997; Thurén, 1991) This implies that the existing theories or models will function as a guideline for deciding what information should be selected, how this information should be interpreted, and how the results relate to the theory. (Patel & Davidson, 1994)

As we have based our empirical study on already existing theories and models, the research approach was done in a deductive manner. In order to draw conclusions, the results found in the empirical study will later be compared to the theories and models described in the early chapters in this thesis

3.2.2 Quantitative versus Qualitative Research

There are two main methodological research approaches within social science, quantitative and qualitative approaches. Both aims for creating a better understanding of the surrounding society and to gain knowledge of how individuals, groups, and institutions act and have an influence on one another. (Holme & Solvang, 1991) According to Kumar (1999) the researcher chooses approach according to three different criteria; the purpose of the study, how the variables are measured, and how the information is analyzed.

The aim of a quantitative research is to; based on the results of the research, make generalizations. A quantitative research approaches the research problem from a broad perspective and is relatively structured and formalized, meaning that a limited amount of information is gathered from various research units using systematic and structured observations. The results of a quantitative research are assumed to be measurable and presentable in numbers and statistics. (Holme & Solvang, 1991)

A qualitative research approach does not, however, aim to make generalizations, but to gain a deeper understanding of the collected data and problem studied. This is conducted by gaining a large amount of information from few research units (Ibid) Conclusions drawn from a qualitative research are often based on non-quantifiable data, such as attitudes, values, or perceptions. (Lundahl & Skärvad, 1992)

Based on the discussion above, along with the stated research purpose and the research questions, the chosen approach of this study will be qualitative. The reason for selecting this approach is that the purpose of the thesis is to gain a deeper understanding on the role of customer clubs within international companies. Furthermore, we do not intend to make generalizations, but to study a relatively small sample, which enables the possibility to investigate several variables and hence, reach the desired understanding.

3.3 Research Strategy

There are, according to Yin (1994), five different research strategies a researcher can utilize, those being presented in table 3.1 below. He continues by claiming that which strategy most suitable to use is determined through looking at three different conditions, which consists of;

1. Form of research question posed
2. The extent of control an investigator has over actual behavioral events
3. The degree of focus on contemporary as opposed to historical events

An outline of the different available research strategies, and how they correlate to the three different conditions, is presented in the figure below.

Table 3.1: Relevant Situations for Different Research Strategies

Research Strategy	Form of Research Questions	Requires Control Over Behavioral Events	Focuses on Contemporary Events
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival Analysis	Who, what, where, how many, how much	No	Yes/No
History	How, why	No	No
Case Study	How, why	No	Yes

Source: Adapted from Yin, (1994 p. 6)

By looking at the first condition, the form of research question, it can be stated that since the research questions of this thesis are formulated with "how" all of the five different research strategies are applicable. However, the research does not require any control over behavioral events and hence experiment can be excluded. As this thesis aims to investigate the role of customer clubs of today, it focuses on contemporary events; therefore history can also be excluded. We have already stated that our research will have a qualitative approach, a survey is therefore not suitable since it has a rather quantitative character, this in turn leaves two research strategies of interest for this thesis; archival analysis and case study. (Lundahl & Skärvad, 1992)

An *archival analysis* is conducted through the use of secondary data, meaning data collected by someone else for another purpose. This might result in difficulties as the data is gathered for another purpose, however it is a cheap and relatively fast research strategy. (Eriksson &Wiedersheim-Paul, 1997) Yin (1994) states that a *case study* implies investigating many variables on few entities, in order to get a deep situational picture. Moreover, he claims that a case study is generally superior when it comes to answering how and why questions about a specific topic. There are two different types of case studies; single- and multiple case studies. A single case study investigates a single entity in depth, whereas a multiple focuses on two ore more entities enabling the researcher to make comparisons. (Yin, 1994)

The purpose of this thesis is to gain a deeper knowledge about the role of customer clubs within international companies, this, together with the research questions and the conceptual framework, lead to a limited number of variables to investigate in a deep and detailed manner. It is furthermore essential to acquire primary data in order to conduct an investigation as accurate as possible and therefore archival analysis is not suitable. Consequently, a case study is the best alternative for this research, as it allows in depth investigations on few variables, furthermore this strategy suits the selected qualitative approach. How this case study is utilized is presented in the next section. Furthermore, due to time limitations, a single case study has been chosen.

3.4 Data Collection Method

According to Yin (1994) there are six different sources of evidence that can be used when collecting data for case studies. They are: documents, archival records, interviews, direct observation, participant-observation, and physical artifacts. He states that no single source of evidence has a complete advantage over the others, instead the different sources complement each other with their strengths and weaknesses. These strengths and weaknesses can be found in the table below, Table 3.2. (Ibid)

Table 3.2: Six Sources of Evidence: Strengths and Weaknesses

Source of Evidence	Strengths	Weaknesses
Documentation	• Stable- can be reviewed repeatedly • Unobtrusive – not created as a result of the case study • Exact – contains exact names, references, and details of an event • Broad coverage - long span of time, many events, and many settings	• Retrievability – can be low • Biased selectivity, if collection is incomplete • Reportin bias – reflects (unknown) bias for author • Access – may be deliberately blocked
Archival Records	• *(Same as above for documentation)* • Precise and quantitative	• *(Same as above for documentation)* • Accessibility due to privacy reason
Interviews	• Targeted – focuses directly on case study topic • Insightful – provides perceived causal inferences	• Bias due to poorly constructed questions • Response bias • Inaccuracies due to poor recall • Reflexivity – interviewee gives what the interviewer wants to hear
Direct Observations	• Reality – covers events in real time • Contextual – covers context of event	• Time-consuming • Selectivity – unless broad coverage • Reflexivity – event may proceed differently because it is being observed • Cost – hours needed by human observers
Participant Observation	• *(Same as above for direct observations)* • Insightful into interpersonal behavior and motives	• *(Same as above for direct observations)* • Bias due to investigator's manipulation of events
Physical Artifacts	• Insightful into cultural features • Insightful into technical operations	• Selectivity • Availability

Source: Yin, 1994, p. 80

According to Yin (1994), the researcher should consider using multiple sources of evidence when conducting a case study, as it would strengthen both the reliability and the construction validity of the study. This is called triangulation, and the most important advantage of using the method of triangulation is the development of converging evidence, this means that any finding or conclusion in a case study is more likely to be accurate and convincing if it is based on several sources of information.(Ibid) The data collected can further be divided into primary and secondary data, where primary data are collected to address the specific purpose of the study. Secondary data is, on the other hand, collected for a different purpose and is conducted by other people than the researcher. (Lundahl & Skärvad, 1992)

Due to the discussion above, together with the strengths and weaknesses presented in table 3.2, we found that interviews along with documentation are the most suitable data collection methods for this case study. The interviews are considered as primary data and the documentation as secondary.

Interviews are one of the most important sources of information for case studies according to Yin (1994). It allows the researcher to focus directly on the topic of the case study, which in this case is the role of customer clubs in international companies. Interviews are suitable when in-depth information is desired (Holme & Solvang, 1991), and it allows flexibility and closeness to the respondents. There are three different forms of interviews; open-ended, focused, and survey, where open-ended is the most commonly used. In an *open-ended* interview the researcher asks the respondents unstructured questions which allows the interview to be more of a discussion. (Yin, 1994) Lundahl and Skärvad (1992) state that the purpose of unstructured interviews is to encourage the respondent to discuss his/her own values, attitudes, and perceptions. A *focused* interview only lasts for a brief period of time, for example an hour, and follows a set of questions derived from the case study protocol. The character of a focused interview is still open, and it may be conducted by a conversation between the respondent and the researcher. The third type of interview, *survey*, contains more structured questions than the two types already mentioned, and is a combination between a survey and an interview. (Yin, 1994) Furthermore, the questions are, along with the purpose of the study, completely outlined before the interview takes place. (Lundahl & Skärvad, 1992)

The most appropriate type of interview for this thesis is *focused interviews* since the topic of discussion is already set, and it allows the researcher to have informal conversation based on pre-determined topics. (Yin, 1994) Interviews can be conducted either by telephone or face-to-face, and we chose to use face-to-face as it enables both a better feedback from the respondent and enables the researcher to read non-verbal language and use visual aids. (Lundahl & Skärvad, 1992) The interview was furthermore conducted in Swedish, as it is the mother tongue of the respondent. A mini disc was used during the interview in order to register the empirical data, which also enables double-checking after the interview. In addition to the mini disc, notes were taken during the entire interview. The interview guide was sent to the respondent two days prior to the interview, in order for the respondent to prepare for the interview and hence answer the questions as accurately as possible. The interview took about one and a half hour to conduct.

Finally, we have used documentation in order to collect secondary data relevant to the study. This has been conducted by visiting the website of the company, and studying brochures and other printed sources of the company, provided by the respondent.

3.5 Sample Selection

As it would be too impractical, too expensive, if not impossible to collect data from all potential units included in a research problem, a smaller number of units, a sample, is often selected as a representative of the entire population (Mann, 1995), (Zikmund, 1994). According to Mann (1995, p. 8), population can be defined as *"all elements – individuals, items, or objects – whose characteristics are being studied"*. However, Zikmund (1994) states that a sample does not perfectly represent the population from which it is drawn and can therefore not guarantee the researchers that it is the general truth for the entire population. Nonetheless, due to limited time and financial resources allocated to this thesis, making an investigation of the entire population impossible, a sample selection has been chosen as a representative.

The first step in choosing our sample selection was investigating which companies were suitable for our research purpose, meaning they had to have a well established loyalty

program in the form of a customer club. Although the loyalty programs offered by the airline industry traditionally were established as frequent flyer programs (Butscher, 1996), we detected characteristics in the EuroBonus program at Scandinavian Airline Systems that were similar to those pertaining to a customer club, and therefore chose to use this as a sample of a customer club. Another important factor when choosing the sample was that the company should be active on the international market in order to satisfy the international aspect of our research purpose.

When the company had been chosen, the next step was to find the most suitable respondent with the most knowledge about their company's customer club, in order to receive the most suitable information. This was done by carefully explaining the purpose of our research with our initial contacts, which helped us come in contact with those who could supply us with the most accurate information.

The company chosen as a sample in this thesis is Scandinavian Airlines System and their customer club, EuroBonus. The chosen interview respondent within this company was Sophia Nybell. The fact that she is the director for SAS EuroBonus led us to believe that she was the most suitable respondent for our case study. The face to face interview was conducted on April 28, 2003 at the head quarters in Frösundavik in Stockholm, Sweden.

3.6 Data Analysis

According to Yin (1994) data analysis includes examining, categorizing, tabulating, or otherwise recombining the collected data. He further states that every investigation should start with a general analytical strategy in order to clarify what to analyse and why. The intention with analysing the collected data from the interviews is to find answers on the research questions stated in chapter one. (Miles & Huberman, 1994)

There are according to Yin (1994) two different types of analytical strategies. The first strategy implies a reliance on theoretical propositions, meaning that the researcher obtain the research questions from previous studies. Thus, the findings and the previous studies are being compared which in turn implies that focus is on relevant data whereas irrelevant data can be ignored. The second, and less preferable, strategy is to develop a descriptive framework for structuring the case study. This can be considered an alternative when there is little previous research conducted in the area of research. (Ibid) Since there are sufficient research conducted in the area of customer clubs we will utilize the first strategy in this case study. The research questions of this thesis have been derived from previous studies and the collected data will be compared with these studies.

Miles and Huberman (1994) describe the qualitative data analysis as consisting of three simultaneously occurring flows of activities and that it focuses on data in the form of words. The three activities are:

1. *Data reduction:* The process of selecting, focusing, simplifying, abstracting, and transforming the data. The aim is to organize the data in order to draw and verify the final conclusion.

2. *Data display:* To take the reduced data and display it in an organised, compressed way in order to simplify the process of drawing the conclusions.

3. *Conclusion drawing and verification:* At this stage the researcher begins to decide what things mean by noting regularities, patterns, explanations, possible configurations, casual flows, and propositions. (Ibid)

This thesis relies on the proposition stated above, meaning that the data collected for the research questions is reduced and simplified through use of within case analysis. The within case analysis is conducted in the way to compare the empirical findings with the already existing theories and concepts mentioned in the conceptual framework. After reducing the data, and displaying it in an organised way, the research questions can be answered and hence a conclusion derived from the research can be drawn.

3.7 Quality Standards – Validity and Reliability

In order to avoid systematic and random errors in empirical studies, and hence increase the quality of the study, it is crucial that questions and data collection are thoroughly prepared. Validity and reliability are two important factors in this matter as they determine the quality standard of the research. (Eriksson & Wiedersheim-Paul, 1997) Yin (1994) suggests four commonly used tests when determining the quality standard of a case study research. These are:

- *Construct validity*: Using the accurate operational measures for the studied concepts.
- *Internal validity*: Establishing a causal relationship, from where specific conditions are shown to lead to other conditions, as distinguished from spurious relationships.
- *External validity*: Establishing the domain to which a study's findings can be generalized.
- *Reliability*: Demonstrating that the operations of a study, such as the data collected, can be repeated with the same results. (Ibid)

Yin (Ibid) further suggests different tactics to use in order to increase the quality of the study. In order to increase *construct validity* one tactic is to use multiple sources of evidence (Ibid), in this study both documents and interviews has been used and hence increased construct validity. Another tactic to increase the construct validity is to establish a chain of evidence, meaning that it allows the reader of the case study to follow the derivation of any evidence from initial research questions to ultimate case study conclusions. (Ibid) This has been made possible by first conducting an interview guide based on the theories presented in the frame of reference. Furthermore, our supervisor as well as other people read the interview guide before the interview was conducted in order to confirm that the questions were clear and understandable. Efforts were made in order to find a respondent with the right knowledge and experience to answer our questions. Furthermore, continuous citations have been made throughout the research from where the evidence was collected in order to strengthen the chains of evidence. During the interview a mini disc was used in order to allow the possibility to double-check the answers after the interview, and hence the risk of misinterpretations was minimized. As the interview was conducted face-to-face the construct validity was strengthen due to the fact that it was possible to read and interpret the respondent's non-verbal language. It is, however, possible that the construct validity was slightly lowered since the interviews were held in Swedish and thereafter translated into English. This may have caused some distortion of the respondent's answers, however, since the respondent were willing to answer questions or obscurities occurred after the interview this risk was diminished.

However, since *internal validity* according to Yin (1994) is for explanatory or causal studies only it will not be further discussed as this thesis is mainly of descriptive character. Furthermore, *external validity* concerns the degree of generalization that can be derived from the research (Ibid) and since this thesis is a single case study, that does not aim to generalize, external validity will not be further discussed.

Finally the *reliability* has to be considered when looking at the quality standard of a study. Yin (Ibid) claims that the use of both a case study protocol and a database increases the reliability of a study. A case study protocol is intended to guide the investigator through the case study, and we are of the opinion that chapter three, together with the interview guide, functions as a case study protocol. A database has not been established for this study, however, the mini disc and all the notes from the interview has been kept should anyone want to review or listen to them, and thereby the reliability is increased. Furthermore, by trying not to asking any leading or subjective questions we tried to avoid influencing and biasing the respondent. As a final step in order to make sure that another researcher would reach the same result if repeating the study, we were cautious to select the respondent with the most sufficient knowledge about the specific topic of the study.

3.8 Summary

This chapter has presented how the research work in this thesis was carried out. Next chapter will present the empirical findings of the studied case SAS's EuroBonus.

4 DATA PRESENTATION

After presenting the data collection method in the previous chapter, this chapter will begin with a short presentation on Scandinavian Airline System followed by a presentation on SAS's customer club EuroBonus. The data collected is related to the research questions and will therefore be presented in separate sections according to the research questions. The presented empirical data will be based on the interview with Sophia Nybell, the director of EuroBonus, as well as data from documents.

4.1 Scandinavian Airline System

Scandinavian Airline System, SAS, was founded in 1946 when the Danish parent company, DDL, Swedish Intercontinental Airlines, and the Norwegian parent company, DNL, merged to form SAS in order to perform intercontinental operations. SAS is the Master Brand in the corporation SAS Group an incorporated company where the major shareholders are the Swedish State (21,4 per cent), the Danish State (14 per cent), and the Norwegian State (14,3 per cent). Besides SAS, the SAS Group includes a number of cooperating partners within related areas to the airline business, these include subsidiary and affiliated airlines, airline support business, airline related business, and hotels.(www.sas.se)

According to the SAS Group Annual Report 2002, Scandinavian Airline System had an operating revenue of 37 163 million SEK and employed a number of 7 556. SAS alone had 21 866 million travelers using their airline services. SAS is also a part of Star Alliance, the world's leading airline alliance which was launched in 1997. Besides SAS, the members include Air Canada, Air New Zealand, All Nippon Airways ANA, Austrian Airline Group, bmi British Midlands International, Lufthansa, Mexicana, Singapore Airlines, Thai Airways International, United Airlines, and Varig. With this internationally spanning alliance, SAS can offer its customers 729 destinations in 124 countries and 10700 daily departures. (The SAS Group Annual Report, 2003)

EuroBonus
EuroBonus was established in 1992, and is a bonus system offering benefits for its frequent flyers in order to develop long-term, profitable relationships and also to facilitate the entire travel procedure for their customers. The bonus system functions as a customer club where members can apply for the EuroBonus Basic level and must later qualify to reach the Silver and Gold levels. EuroBonus has a total number of 2 539 826 members spread between Denmark, Norway, and Sweden. In total, the number of Silver EuroBonus members make up 8,0 per cent of the total members and Gold EuroBonus members make up 3,6 per cent, this leaves a total of 88,4 per cent of EuroBonus Basic members.(Ibid) EuroBonus does not have a specific marketing strategy in order to attract new members as it is up to the customers to take the initiative to become a member. Any traveler can become a EuroBonus member by simply applying to the EuroBonus customer club. In order to upgrade to a Silver member, a total of 35 000 points must be earned, and for a Gold membership, 100 000 points must be earned. However, a soon as a traveler has flown with SAS Business Class 50 times, meaning 25 return flights, or 50 full price domestic flights within Denmark, Norway, or Sweden with SAS, or in Finland with either SAS or AirBotnia, the traveler automatically becomes a Gold member.(SAS EuroBonus Memberguide, 2003)

4.1.1 The Objectives of the EuroBonus Customer Club

According to Sofia Nybell, the director of EuroBonus, the foremost important objective for SAS to utilize a loyalty program is to identify their customers, which enables the company to create a customer database that can be used for various purposes. Gathering information about the customers and their travel habits is essential for SAS as it allows communication with the members. The database created EuroBonus functions as a platform, both for direct marketing as well as for customer investigations. Should the company, for example, like to promote a new destination in Asia the database can provide information on which customers travel regularly to Asia and hence marketing can be directed towards those customers. SAS furthermore uses the database frequently in various customer investigations in order to select the most appropriate customers to ask specific questions about the company and its products and services.

Identifying the customers furthermore allows the company to reward loyal customers, by using the different levels within the program, i.e. Basic-, Silver-, and Gold members. The policy is that the Gold members should be treated in a special way as a reward for their loyal behavior. The benefits offered are differentiated in the different levels, in order to reward the customers for their loyal behavior. To communicate and introduce the customer to the company are crucial parts in the loyalty building process. EuroBonus strives for creating rationally and emotionally loyal customers. Rational loyalty is defined as those customers who are loyal to SAS due to the benefits gained through EuroBonus whereas emotional loyalty includes a relationship between the company and the customer. Rational loyalty is usually the first step in creating loyal customers, but with time, the customer become acquainted with the company, its products and services, and hopefully emotional loyalty is created. Emotional loyalty is the degree of loyalty that EuroBonus strives for as it involves a higher degree of attachment of the customer to the company. SAS place high effort in giving the customers the feeling that "It's Scandinavian", meaning that the customer should have the feeling of home whenever entering a SAS airplane, which is another approach to create the emotional loyalty.

Another objective for SAS in utilizing EuroBonus is to be competitive; however EuroBonus is on a fairly modest level when it comes to different benefits offered to their customers. Due to their limited budget, EuroBonus has no possibility to compete with other customer clubs when it comes to offering new and attractive benefits, therefore EuroBonus focus mainly on facilitating the traveling for their members.

Lastly, another objective is to retain the customers since the cost of retaining a customer is a tenth of the cost of acquiring a new. It is therefore crucial to reactivate customers that already have established some form of relationship with the company, extend business with them, and encourage them to join and stay with the EuroBonus program.

4.1.2 Factors Involved in Forming the EuroBonus Customer Club

EuroBonus offers several benefits to all members, differentiation, however, is made between EuroBonus Basic, Silver, and Gold members, as SAS aims to reward those travelers most loyal to SAS, meaning those who spend the most time and money with the company, making them the most valuable to SAS.

One benefit applicable to all EuroBonus members, is the ability to earn points by flying with SAS or any of their cooperating airlines. Another benefit offered to the EuroBonus members, is the facilitated internet use with regards to the booking procedure. The option to travel ticket-free on certain destinations is a service offered to all EuroBonus members in order to facilitate the entire traveling process and thus increasing the convenience level for their customers. All EuroBonus members are also offered the possibility to combine their EuroBonus membership card with a credit card either from Diners Club or MasterCard, allowing them to earn points on purchased items.

EuroBonus offers their Silver and Gold members extended benefits that are not available to their Basic Members. As a Silver or Gold member, a customer automatically has a high priority on waiting lists on fully booked flights and a seat guarantee when booking 48 hours in advance. These most valuable customers also receive special benefits and have the possibility to upgrade in SAS's own hotels as well as partner hotels. Besides the possibility to earn points on rental cars at partnering rental car dealerships, a benefit offered to all EuroBonus members, Silver and Gold members also receive special advantages and discounts. Furthermore, Silver and Gold members are allowed extra luggage without extra charge, ten kilos for Silver members, and twenty kilos for Gold members. Other benefits exclusively for Silver and Gold members are that they receive discounts at the Duty-Free shops in certain airports, as well as the access to Diners Club airport lunges if they possess a EuroBonus/Diners Club card. As a Gold member, the benefits become even more exclusive, for example, Gold members have access to the Star Alliance lounges marked Star Gold. When traveling in Sweden, Denmark, Norway, or Finland with a EuroBonus/Diners Club or MasterCard, the Gold members also receive extra travel insurance. A Gold member also has the benefit of free parking at certain airports in Finland.

Another service that EuroBonus offers to its members is a quick remedy to complaints and problems. Even in the case of complaint management a differentiation is made between EuroBonus Basic-, Silver-, and Gold members, meaning should any problem arise, the Gold members have the highest priority, followed by the Silver members, and lastly, the EuroBonus Basic members. As in any service, communication after the sale is important to EuroBonus. In some cases EuroBonus has to deal with complaints in order to offer their customers the best possible service. EuroBonus takes into consideration who is complaining, meaning the Complaint Management Unit uses the database in order to identify which members are complaining what they complain about. If for example, many Gold members, who travel frequently, complain about a certain procedure, this may be a good indication that this particular procedure was not successful. EuroBonus annually uses member surveys as a method to see how their members perceive EuroBonus in relation to their competitors. These surveys do not, however, go out to all 2.5 million members but to random segments in ten different markets; the Scandinavian markets, Sweden, Norway, Denmark, Finland, some markets in USA, and some in the rest of Europe. EuroBonus also offers their members the possibility to express their opinions by contacting EuroBonus. However, the bilateral part of the communication, meaning a dialogue between EuroBonus and its members, although it is desired, is difficult to establish, since it implies a major technical solution.

EuroBonus members are targeted by more marketing than non-members, where certain marketing methods are differentiated between the EuroBonus Basic-, Silver-, and Gold members. EuroBonus uses the database in order to study the travel patterns of their members enabling them to divide their members into different parameters, in order to segment and choose the right target group for certain campaigns. Four times a year EuroBonus sends a

newsletter, SAS News, to all their members. The Silver and Gold members, however, receive a thicker newsletter with more offers aimed towards these groups. Internet is another marketing method that EuroBonus uses. Every month, EuroBonus sends out an email of offers and latest news to all members who have specified their email address. The EuroBonus members also have access to a EuroBonus hotline where, they can book flights or handle any other issues. The member is prioritized after level, which is made known as they must dial in their membership number; this is in order to give their best customers the best and quickest service.

The customers' perceived value of SAS is closely related to whether the customer is rationally or emotionally loyal to SAS and EuroBonus. Those customers who have reached the point where they are emotionally loyal have a emotional connection with the company, meaning if SAS or the customer should make a mistake, the tendency to forgive and forget is higher. The desired effect of having such emotionally loyal customers is that their perceived value of SAS as a company should be high.

Although EuroBonus aims to motivate customers to repeatedly travel with SAS, other factors play an important role in customers' choice of airline company. First of all, price plays a crucial role, closely followed by the network, meaning to which destinations the company flies, how many departures, at what times, and with what connections. The third most important factor influencing the choice of airline, is the product itself, this includes everything from meals and interior of the planes, to attitudes of the staff. Although not being the determining factor, many travelers tend to choose an airline that offers some form of loyalty program, but the program they choose to join, happens in many cases, just by chance.

The amount of points collected is based on within which zone the member travels. The zones are divided into areas of the world, for example, Europe is one zone, and North America (except for Hawaii) is another zone which implies that the same amount of points are earned when traveling within a zone, without regards to actual amount of kilometers traveled. EuroBonus has two different types of points, Basic points which determine the membership level but can also be used to redeem for Bonus travel, and Extra points which can be used for travel. The Basic points can be collected when flying with SAS, or any of the Star Alliance or partner airlines, and the Extra points can be collected when using any other of the partnering service, for example staying at one of the partnering hotels. The points can not only be used for bonus travel with any of the partnering airlines, they can also be used for any other offers from SAS, for example going on a cruise, renting cars or staying at a hotel. This is known as "burning points". The redemption of points can occur immediately when enough points have been collected. As EuroBonus is under control and restriction of the Scandinavian governments, who also are the major shareholders in the company, EuroBonus benefits had to be airline and travel related, this means that points can not be redeemed to gain any form of material products. The domestic markets in Sweden and Norway were, in the past, considered as major markets for EuroBonus, however, due to restrictions from the Swedish and Norwegian governments there is today a limited ability to earn points in these markets. This, together with the fact that SAS has started to offer less routes to Europe and the rest of the world, has resulted in that EuroBonus is more or less administrating a program for all of their partners.

4.1.3 The Marketing Effects of the EuroBonus Customer Club

In the past, EuroBonus has mainly focused on business travelers, however beside those, anyone over 18 has been welcome to join the program. Today, EuroBonus has started to investigate other potential customer segments. This has lead to the realization that youth is an important target segment as they are the future business travelers. There are considerations to implement a lower age limit as a result of inquiries from existing members, however communication to persons under 18 for marketing purposes is by law not allowed, and therefore no direct marketing could be targeted to this segment.

The EuroBonus credit cards that have been developed in cooperation with Master Card and Diners Club allow the members to collect points when purchasing with the card. The reason for implementing such cards was to reach those members that were solely traveling on routes that did not allow any EuroBonus points. As the points earned are saved for a maximum of five years the member is automatically withdrawn from the customer club if no points have been earned within this period of time. Therefore, by offering the possibility for the members to collect points on other occasions than those purely travel related, EuroBonus is able to maintain the customers within the club and keep an accurate database.

EuroBonus utilizes two main tools to communicate with their members. The first is SAS own newsletter SAS News, in this newsletter EuroBonus has their own pages where information and news about the program is displayed. Moreover, once a month EuroBonus sends an e-mail to its members informing about news and different events. There are seven different e-mails sent based on the location of the member; Sweden, Norway, Finland, Denmark, Europe, USA, and Asia. This kind of communication is effective when EuroBonus wants to inform the customer about various matters.

In order to be an attractive program it is essential to have various co-operating partners. Since SAS, compared to many other international airline companies, is a rather small company, they would not be attractive to the frequent international travelers without their partners. Those travelers consider partners to be more of a "must-be" instead of a delighter. SAS has various cooperating partners and their main partners are the twelve other airline companies within the Star Alliance co-operation. Beyond those companies EuroBonus has several other co-operations with companies in; the airline industry, the hotel industry, the car rental industry, as well as in the credit card industry. All the co-operations are spread world wide with exception to the credit card industry which only includes the Scandinavian countries. How EuroBonus select their partners varies in the different industries; for example partners within the airline industry are selected by the managers at SAS, who thereafter instruct EuroBonus to implement these partners in the program. Non-airline partners are selected directly by the managers within the EuroBonus program. The customers have, however, a strong influence on partner decisions, and it is common to use various customer investigations in order to decide which partners to establish a co-operation with. The quality of the partners' products is frequently controlled through a detailed controlling partner process, where not only the products are controlled, but also the internal and external communication of the company as well as internal procedures and systems. This quality control is carried out as EuroBonus aims to prevent all kinds of problems that may occur in a partner co-operation. The quality is furthermore controlled by the Complaint Management Unit. If unexpectedly high amount of complaint concerning any of the co-operating partners occurs, EuroBonus tries to investigate this as soon as possible in order to find the source to the problem and a solution.

Whether EuroBonus creates customer retention or not is very complex as opinions varies a lot between the different levels of members. Should a member have negative experiences of traveling with SAS, they most likely change to another airline company, even if the member is satisfied with EuroBonus. However, Gold members, for example, tend to have a strong feeling of affinity and identification with EuroBonus and SAS, as they have established a strong relationship with EuroBonus, and are therefore more likely to stay with EuroBonus and SAS. Basic members do not tend to identify themselves with the company to the same extent as Gold members, and do not have the same feeling of affinity, and hence are more likely to defect from the company. Silver members are placed somewhere in between Basic- and Gold members when it comes to identification and the feeling of affinity. Reliability furthermore affects the members' willingness to stay with SAS. The fact that most members perceive EuroBonus to be an easy, reliable, and secure customer club that is convenient to follow also influence the members' willingness to recommend both EuroBonus and SAS to others. However, the willingness to recommend SAS alone is neither high nor low but somewhere in between. As mentioned above; product, network, price and program influences the customers when deciding on which company to travel with, where the foremost influencing factor is price. However, establishing a relationship with the potential customers influences the customers to at least consider traveling with SAS. In order to be more competitive SAS has recently lowered their prices and intends to continue to lower the prices even more. By being a member of EuroBonus the customer has made an active choice to establish a relationship with SAS, and under normal conditions, where no major problems occur, they are likely to stay with the club.

4.2 Summary

This chapter has presented the empirical data collected during the interview with Ms. Nybell as well as the data collected from documents. In the next chapter, the empirical data will be analyzed by the use of the theories from the conceptual framework.

5 DATA ANALYSIS

The previous chapter presented data collected during the interview, as well as data found in documentations. This chapter will compare the empirical findings with existing theories presented in the conceptual framework. In order to provide an overview over each research question the following sections are divided according to the stated research questions. In each section, a within case analysis is conducted comparing the empirical findings with theories related to the specific area.

5.1 The Objectives of Customer Clubs

In this section data collected concerning the company's objectives in implementing and utilizing a customer club will be compared to the different theories in the matter. The analysis, dealing with the objectives of implementing customer clubs, will be based on the four main objectives by O'Malley (1998), as well as the four objectives by Stewart (1996).

The most important objective for SAS to utilize EuroBonus is to identify the customers and generate information about them. The information collected through EuroBonus is gathered in a customer base, which functions as a platform and is utilized for various purposes, for example marketing can be directed towards the most appropriate customers via the customer base. Rewarding loyal customers is another important objective of EuroBonus, which is done through the use of the different levels within EuroBonus. For example, Gold members, those utilizing EuroBonus the most, are always treated in a special manner and have more favorable conditions than basic members.

Furthermore, EuroBonus aims for creating both rationally and emotionally loyal customers. However, EuroBonus does not intend to manipulate the consumer behavior of the members in any other manner than to create an emotional bond between the company and the customer. This in turn should influence the customers' desire to stay with the company as well as indirectly influencing the consumer behavior.

Lastly, since almost every airline company today has their own customer club, it is essential to be able to offer similar benefits in order to be attractive for the customers. However, since EuroBonus has a fairly limited budget and is not able to compete with their largest competitors, their main focus is therefore on facilitating traveling for their members instead of offering other attractive benefits. O'Malley (1998) claims that there are four main objectives of loyalty schemes; to reward loyal customers, to generate information, to manipulate consumer behavior, and as a defensive measure to combat a competing scheme. However, O'Malley (1998) further claims that the foremost important objective is to reward loyal customers.

The cost of retaining a customer is a tenth of acquiring a new customer and due to that fact, EuroBonus aims to retain SAS's customers and hence diminish the cost of customer acquisition. Furthermore, the marketing cost is reduced through the use of the database, which enables the company to direct specific marketing campaigns towards the most appropriate customers. SAS does not directly aim to increase revenue from their existing customers, however the idea is to use EuroBonus as a tool which, by creating loyal customers, indirectly aims to do so. The database created through EuroBonus is also a way for SAS to develop

tangible measures for customer service. The database enables the company to communicate with its customers and thereby detect potential problems at an early stage. Furthermore, the database enables the company to gather the customers' opinions on various matters, and thereby develop services to suit the customers' desires. As mentioned above, SAS has implemented EuroBonus in order to follow the competitors and offer their customers similar benefits as other airline companies offer.

These objectives are in accordance with the four objectives, mentioned by Stewart (1996), those being; to reduce costs of customer acquisition and marketing, to increase revenue from existing customers by increasing business with these customers, to develop tangible measures for customer service, and to keep up with competition.

The table presented below is created in order to clarify how the empirical findings correlate with the theories. "Yes" represents a positive correlation and "no" represents a negative correlation.

Table 5.1: Objectives of Customer Clubs

Objectives	SAS EuroBonus
Reward Loyal Customers	Yes
Generate Information	Yes
Manipulate Consumer Behavior	No
Combat Competing Schemes	No
Reduce Costs of Acquisition and Marketing	Yes
Increase Revenue	Yes
Develop Tangible Measures for Service	Yes
Keep up with Competition	Yes

5.2 Factors Involved in the Formation of Customer Clubs

In this section, the data collected on the factors involved in the formation of customer clubs will be analyzed by comparing the empirical data with the theory from the conceptual framework of this thesis. The analysis will be based on the theory of customer-retaining marketing mix by Rosenberg & Czepiel (1992), the criteria on deciding relevant currency model by Duffy (1998), and Dowling and Uncles's (1997) theories on how to design an effective loyalty scheme and on linking rewards to loyalty schemes.

Customer-Retaining Marketing Mix
EuroBonus has features that extend the traditional offer of airline travel service. First of all, all members of the EuroBonus customer club are able to collect points by flying with SAS or any of their cooperating airlines. EuroBonus furthermore facilitates the entire traveling process by offering their members services such as more convenient Internet use when booking a ticket, the ability to travel ticket free on certain destinations when traveling with SAS, and the possibility to utilize the member service hotline in order to gain information about special offers. EuroBonus also offers their members information about special offers via emails that are personalized according to the members' current membership status. Furthermore, all EuroBonus members have the option of combining their membership card with either Diners Club or MasterCard, which further enables them to earn points on purchases made. EuroBonus extends the product even further to the members that are most

valuable to the company, meaning those utilizing EuroBonus the most. These members, the Silver and Gold members, are offered special benefits such as having a high priority on fully booked flights, the possibility to upgrade when staying at SAS's own and partner hotels. Furthermore, they are offered favorable deals on rental cars from cooperating rental-car dealerships. EuroBonus also offers their members *easy-to-remedy* features should problems or complaints arise before, during, or after the entire travel procedure, measures are taken in order to remedy this as soon as possible. Differentiation is made here, however, between the members on the status of their memberships meaning that those with Silver or Gold memberships are prioritized. These features are in accordance to Rosenberg & Czepiel (1992) who state that in order to retain customers, the original product offer must include more than what traditionally attracted customers to the offer, i.e. *product extras,* by having a total *service system* including offers that are related to the initial product, and some form of *easy-to remedy* features. (Ibid)

The customer base EuroBonus supplies, facilitates the communication with the members, which in turn, facilitates the promotional communication with the customers. The database enables EuroBonus to study the travel habits and membership status of their members, in order to personalize and target their promotion more correctly. Apart from direct mail via the Internet and a membership hotline, EuroBonus also communicates with their members by using a newsletter, SAS News. This newsletter is created in accordance to the membership level of their members by using the information supplied by the customer database. In connection with the theory by Rosenberg & Czepiel (1992), that when *reinforcing promotions* sufficient information about the existing customers is necessary in order to communicate the promotion to those customers, EuroBonus effectively directs their marketing to those customers already existing within the company.

EuroBonus does not have their own sales force handling travel bookings and issues for the members, as they use the same customer service hotline, SAS Direct, as non-members. However, if the customer is a Gold member, they have the option be placed in a Gold member queue guaranteeing faster service. While Rosenberg & Czepiel (1992) state, that the salesperson is the key figure when closing a sale in the retail or service industry meaning that the *sales force connection* plays a decisive role in the customer-retention function, this is not a feature EuroBonus offers their members.

An important aspect for EuroBonus is that there is an established complaint management unit dealing with customer issues. Furthermore, EuroBonus annually uses member surveys in order to distinguish their position compared to their competitors. However, a bilateral flow of communication although desired is not possible as it is too difficult to establish, due to the major technical solution it would require. According to the customer-retention marketing mix, *post-purchase* communication is an important feature, meaning that the company must communicate with their customers after the sale. (Rosenberg and Czepiel, 1992)

Promotional Currency Model
EuroBonus has a well structured promotional currency that is easy to identify and does not create any problems during the redemption process. The name of the promotional currency is points, divided into either Basic points or Extra points. In order to decide the *unit of measure*, zones are used, meaning that a certain amount of points are rewarded depending on the zone within the member travels. EuroBonus offers points for flights; however, their *tier structure* is not designed in such a way that directly motivates members to spend money on the services offered. The members can redeem their points collected with EuroBonus in exchange for

travel with SAS or any of the partner airlines, along with "burning" them on other offers. This *redemption of currency units*, does not, however, stimulate the consumption behavior of the members. EuroBonus uses the Internet and account statements sent out via mail in order to keep their members up-to-date with what their current account status is. This *program accounting*, is also useful for EuroBonus, as staying informed about their members, and the amount of points they have, enables EuroBonus to further target their members with promotions from SAS. The structure of EuroBonus promotional currency correlates well with *The Promotional Currency Model* (Duffy, 1998), which is a model on how the promotional currency used to reward loyal customers should be designed.

Linking Rewards to Loyalty Schemes
The EuroBonus members can redeem their points as soon as they have enough points eligible for redemption. This indicates that there is a positive effect of timing, since the members do not need to wait a long time in order to receive their award. EuroBonus has an idirect effect on linking their customers to the loyalty scheme. The reason for this indirect effect is because of the fact that SAS has decreased the number of flights to the rest of Europe and the rest of the world which have been taken over by other international partners. This change has led to the fact that EuroBonus is administrating a program for their partners, indicating that the members have become loyal to the EuroBonus customer club, rather than to SAS. Dowling and Uncles (1997) stated in their theory on *Linking Rewards to Loyalty Schemes*, that the effect of timing and the direct or indirect effect are two important aspects to consider when forming a customer club. (Ibid)

Designing an Effective Loyalty Scheme
To which extent EuroBonus enhances the members' perceived value of SAS is closely related to whether the members are rationally or emotionally loyal to SAS. Those members who are emotionally loyal, have a connection with SAS leading to that they have a high perceived value of the company. Another factor that influences the perceived value is the membership status of the customers since this is directly connected to the benefits gained. The benefits also have a strong effect on how the members value the company, meaning the higher or more exclusive the benefits, the more the EuroBonus enhances the members' perceived value of SAS.

Although EuroBonus has the aim to motivate customers to make repeat purchases, other factors play an important role in if a customer chooses to travel with SAS. Those being; price, network, product, and lastly the availability of a loyalty scheme. This means, that EuroBonus is not the determining factor for a customer's choice of flying with SAS. On the contrary, Dowling and Uncles (1997) state that a loyalty scheme should enhance the value proposition of a product or service, and that it should be designed in such way that it maximizes the buyer's motivation to make the next purchase.

In Table 5.2 the analysis is presented in a tabular form in order to gain a clear overview.

Table 5.2: Factors Involved in the Formation of a Customer Club

Customer Retaining Marketing Mix	SAS EuroBonus
Products Extras	Yes
Reinforcing Promotions	Yes
Sales Force Connections	No
Post-Purchase Communication	Yes
Promotional Currency Model	
Name	Points
Unit of Measure	Based on Zones
Tier Structure	No
Redemption of Currency Units	Fast
Scheme Accounting	Yes
Linking Rewards to Loyalty Scheme	
Direct or Indirect Effect	Indirect
Effect of Timing	Positive Effect
Designing an Effective Loyalty Scheme	
Enhance the Value Proposition of Service	Only at High Membership Level
Maximize Customers Motivation to Repeat Purchase	No

5.3 Marketing Effects of Customer Clubs

The empirical findings regarding the effects of customer clubs will, in this section, be compared to the related theories. The first theory brought up is presented by Dick and Basu (1994) and concerns loyalty and the development of loyalty. The analysis will moreover be based on the customer club retention chain, developed by Stauss *et. al..* (2001)

Loyalty
EuroBonus aims to create emotionally loyal customers by creating a relationship between the company and the customer, and thereby strengthening the customers' preference to stay with the company. This can be compared to *sustainable loyalty*, recognized by Dick and Basu (1994), where the customers have a strong preference and remain loyal over time.

Moreover, EuroBonus strives for influencing the consumers' behavior to stay with the company, become loyal, and thereby re-purchase SAS's services. In connection with Oliver's (1999) four phases loyalty development, this can be identified as the *conative*- and *action phases*, which includes a re-purchase pattern directly connected to the brand.

Customer Club Retention Chain
The foremost important effect of EuroBonus is the customer base attained, which functions as a platform for communication with the members. Information is first gathered in a member database when the customer becomes a member of EuroBonus, facilitating communication with the members. When comparing with the customer club retention chain by Stauss *et. al. (2001)*, EuroBonus can be identified as *the customer club*, which should function as a platform creating frequent contact and feedback opportunities. This contact and feedback is called the *customer interaction effect* and can be both direct and indirect, meaning that the company gains knowledge about their customers via the customer club (indirect effect) as

well as influences the customers to perceive themselves to be a part of the club services (direct effect). (Ibid)

The information gathered by EuroBonus can be viewed upon as *the customer knowledge effect* and the result of this is called the *indirect retention effect*.(Ibid) This means that EuroBonus target their marketing differently in accordance to the information gathered in the customer base.

EuroBonus has no marketing in order to influence SAS's customers to become members in the club; the customers have to take the initial contact with EuroBonus. However, the benefits offered from being a part of the club functions as a motivator for this initial step. This can be compared to further elements in the customer club retention chain. Firstly, the *direct retention effect* is, according to Stauss *et. al.* (2001), related to the customer's perceived benefits. This direct retention effect is dependent on three inserting elements; the customer benefit effect, the customer club satisfaction, and the customer relationship satisfaction. Firstly, the *customer benefit effect* means that the customer is only willing to become a member of the club and supply the company with information if they perceive the benefits to be higher than the costs. (Ibid)

EuroBonus offers loyalty points called Bonus points and the Bonus points collected by the members are registered in a special account statement, which the customers can view at any time on the SAS homepage. EuroBonus does not offer their members a specific club magazine but some pages in SAS's own newsletter, SAS News, are directed to EuroBonus members. Furthermore, EuroBonus has various co-operating partners mainly within the airline industry but also in the hotel-, the car rental-, and the credit card industry. An on-going quality partner process on these co-operating companies is utilized in order to secure satisfaction among the EuroBonus members. This satisfaction is further strengthened as the members are able to take part when selecting new partners and have a strong influence on these decisions.

Compared to the theory, how satisfied the club members are with the customer club and all the surrounding aspects of the club is called the *customer club satisfaction*, and the satisfaction is dependent on three different club related activities. Firstly, the *customer club own satisfaction* are the services and benefits offered by the club. Moreover, the co-operating partners offered via EuroBonus can be seen as the *customer club external satisfaction.* Lastly, the *customer club handling satisfaction* influences the overall customer club satisfaction. (Ibid)

Moreover, EuroBonus strives for facilitating traveling for its members to a large extent. The Complaint Management Unit handles complaints and problems for all customers of SAS, however EuroBonus members always have the highest priority in order to secure the satisfaction of the members. Furthermore, the quality control of the different partners to EuroBonus is a step towards generating customer relationship satisfaction. This can be identified as another element of the customer club retention chain (Ibid); the *customer relationship satisfaction,* which is defined as the overall satisfaction of the customer during the entire business relationship with the customer club.

The retention effect of EuroBonus is a complex issue as it varies between the different levels of members. Even if a member has a strong relationship with EuroBonus, and feel committed to the club, a bad experience can easily erase this relationship. However, to what extent the

member is willing to defect from the company is somewhat influenced on how strong the member identifies with the company (Ibid), and thereby Gold members are more inclined to stay with SAS than, for example, Basic members. The foremost influencing factor, when customers decide which airline company to travel with, is the price. However, EuroBonus may influence the members to at least take in consideration to travel with SAS, and encourage the members to compare SAS's prices with those of the competing firms. EuroBonus does not have any major influence on its members' tendency to stay loyal to SAS. The last part of the customer club retention chain brought up in this thesis is the *customer retention*, this part indicates that the more close and committed the customers feel to the company the more willing they are to behave loyally. (Ibid)

Table 5.3 presented below is a simplified version of our analysis.

Table 5.3: Marketing Effects of Customer Clubs

	SAS EuroBonus
Loyalty	
Type of Loyalty	Sustainable
Level of Loyalty	Conative- and Action
Customer Club Retention Chain	
Customer Club	Yes
Customer Interaction Effect	Yes
Customer Knowledge Effect	Yes
Indirect Retention Effect	Yes
Customer Benefit Effect	Yes
Customer Club Satisfaction	Yes
Customer Relationship Satisfaction	Yes
Customer Retention	No

5.4 Summary

In this chapter, the collected empirical data has been analyzed and compared with the use of the theories from the conceptual framework. The following chapter will present the findings and conclusions derived from this chapter as well presenting the implications for management, theory, and future research.

6 FINDINGS AND CONCLUSIONS

In the previous chapter the empirical findings were analyzed comparing the data with theories. This chapter will benefit from the findings of the analysis in order to provide answers to the posed research questions presented in chapter one. Moreover, this chapter will draw conclusions for this thesis and try to satisfy the stated purpose:

> *"To gain a deeper knowledge of the role of customer club as a relationship marketing activity in international companies"*

In the end of this chapter implications for management, theory, and further research will be presented.

6.1 How can the Objectives of International Companies in Forming Customer Clubs be Described?

Several different objectives in forming a customer club can be identified. However, by looking at the overall picture of the investigated case, SAS' EuroBonus, some interesting conclusions can be drawn.

Even though theories revealed that the main objective in forming a customer club is to create loyal customers, the investigated company SAS identified an additional important objective in forming their customer club EuroBonus, namely to identify their customers and generate information about them, which is further collected in a customer base. By using this customer database several other objectives, presented in the theories, are indirectly accomplished; i.e. diminishing the marketing costs, develop tangible measures for customer service, and manipulate consumer behavior.

We found that today customer clubs are frequently used within the airline industry and are considered more as benchmarking instead of delighters for the customer, and thereby customers do not become loyal to a specific airline to the same extent as when frequent flyer programs were initially introduced. This has led to that airline companies introduce their customer club for other reasons than to retain the customers, and in the case of EuroBonus the objective is, as mentioned above, to generate information about their members. The statement of Ms. Nybell that "EuroBonus is basically a program administering all of their co-operating partners' customers" further strengthens this conclusion, meaning that EuroBonus does not influence the customers to become loyal to SAS but to the customer club EuroBonus.

Due to the fact that every airline company has their own customer club, it becomes essential for SAS to follow the competition and utilize a customer club such as the EuroBonus, and thereby another objective, for SAS to utilize EuroBonus, is to follow the competition.

Analysis of our data also revealed that the levels within the EuroBonus club, the Silver and Gold levels, is a way for SAS to reward loyal customers. However, it can be concluded that since the members of EuroBonus are able to collect points with any of the co-operating partners, and not only when traveling with SAS, the members become loyal to the scheme. Thereby it is not possible to state that EuroBonus aims at creating loyal customers to SAS. However, by rewarding loyal customers EuroBonus is able to keep an accurate and up-to-date

customer database, which is their main objective. From this, we draw the conclusion that rewarding loyal customers is a tactic to reach their objective instead of an objective in itself.

The following statement will summarize and reveal the main objectives of international companies in forming a customer club derived from the findings of the investigated company SAS:

- Identify customers
- Generate information about the customers
- Follow competition

6.2 How can the Factors Involved in the Formation of Customer Clubs be Described?

The study done on EuroBonus confirmed the theories on which certain factors are required when forming a customer club. Our study of EuroBonus, however, revealed that some factors, proved to be less important than others when forming a customer club active in the airline industry.

By investigating EuroBonus we discovered that some parts of the customer-retaining marketing mix were not as strongly applied as others. Although the theory states that product extras in the form or total service systems are a necessary in order to develop a customer-retaining marketing mix, the investigated case of EuroBonus, proved to have no major total service system for SAS. This could be because of the fact that EuroBonus is a customer club for SAS, a company that offers only one service, that being passenger transport services. However, when looking at EuroBonus on its own, the many co-operating companies allow EuroBonus to extend their offer beyond their traditional offer of collecting points.

The research proved that EuroBonus applied Easy-to-Remedy features on the SAS airline service where differentiation is made between the different types of membership levels. Our research further proved that EuroBonus did not have any specific sales force connections only available to their members but offered however, their Gold members more convenient services. What can be concluded with regards to these two elements in the customer-retaining marketing mix is that they become more applicable when a customer has reached the higher membership statuses, which could be a result of the fact that EuroBonus prioritizes these customers, as they are the most valuable customers for SAS.

We found that the two elements of the customer-retaining marketing mix most easily identified in EuroBonus are reinforcing promotions and post purchase Communications. This shows that EuroBonus puts more weight on the elements of the customer-retaining marketing mix that involve communication with their customers. A reason for this could be that EuroBonus is mainly used as a method in collecting information about their customers in order to create a sufficient database which is used as a tool for targeting certain customer segments.

The promotional currency model is a model supplying further factors important in the formation of a customer club. Our findings proved that EuroBonus had most parts described in the theory, an understandable name, a clear unit of measure, a specific strategy on how the customers can redeem their collected points, and finally a specific program accounting.

When considering the theory on linking customer rewards to loyalty schemes, our finding, from this case study, is that EuroBonus has an indirect effect on SAS. This means that members of EuroBonus become loyal to the customer club instead of loyal to SAS and therefore become deal-loyal rather than company-loyal. We found that this is due the fact that EuroBonus offer the ability to collect points, not only via SAS, but also via their co-operating partners, and the result of this is that the EuroBonus members can chose to travel with various other companies and still be rewarded with points. The theory further states that the effect of timing of the rewards affects the attractiveness of the loyalty scheme. EuroBonus allows their members to collect points immediately, and offer them the possibility to redeem the points as soon as the right amount has been collected. Therefore, it is reasonable to believe that this has a positive psychological impact on the members. Should the redemption of the points collected be delayed, it could influence the members negatively and they might consider joining another club, therefore it is important for EuroBonus to continue offering this fast remedy.

Another factor important in the formation of a customer club is that it should be designed in such a way that it enhances the members' perceived value proposition of SAS as a company. We discovered in our research on EuroBonus, that those members whos perceived value proposition of SAS is the highest, are those who have become emotionally loyal to SAS. The emotional loyalty is created among Silver- and Gold- members since they are offered more benefits along with their membership than the basic members, and are therefore more often reminded of the value EuroBonus brings to SAS. The theory also mentions that an effective loyalty scheme should maximize the buyer's motivation to make the next purchase with the company. The original aim of customer clubs was to reward customers for loyal behavior, and motivate them to continue to travel with the company, however, that is not the actual effect today. Many other factors are more important today in the customer's choice of airline, price, network, actual product, and lastly the availability of a loyalty program. It is reasonable to believe, that when customer clubs within the airline industry were originally established, the threat of competition mainly with price was much smaller, making companies with customer clubs such as EuroBonus believe that an effective way to compete was by increasing their relationship marketing activities. Today, however, a loyalty program alone cannot compete with other airlines that have better price, network, and product. Therefore, it can be concluded that EuroBonus is not designed to effectively maximize customer's motivation to make the next purchase with SAS.

The following list will briefly summarize our conclusions on the factors involved in the formation of a customer club derived from our investigation of SAS's EuroBonus customer club:

- The elements in the customer-retaining marketing mix that are emphasized when creating a customer club within the airline industry, are those related to communication with the members, and the creation of a customer database.
- Customer clubs within the airline industry tend to create deal-loyal customers rather than company-loyal customers.
- The member's perceived value of the company and whether they are loyal or not, is closely related to their membership status due to the extended benefits these members are offered.
- Customer clubs within the airline industry has no major effect on maximizing customers' motivation to repurchase services from the company as many other factors play a more important role.

6.3 How can the Marketing Effects of Customer Clubs be Described?

Based on this case study, EuroBonus, we found that a customer club influences the members to become loyal to the scheme and thereby re-purchase travel services of either the company utilizing the customer club, or any of their co-operating partners. Compared to the theories presented in the conceptual framework it can be concluded that customer clubs generate sustainable loyal customers. This is because EuroBonus has created a relationship with the customers and influences them to remain loyal over time through offer them long-term benefits. However, since EuroBonus only offers these benefits to their Silver- and Gold members, it is only possible to state that it is those members who become sustainably loyal to the club. The benefits offered furthermore influence the members willingness to re-purchase services offered via the club and thereby the club member has reached the loyalty development phases conative- and action loyalty.

This case study furthermore reveals that there are many aspects to take into consideration when investigating the effects of the customer club. After analyzing the different parts of EuroBonus, and their effects, we found that EuroBonus most parts of the customer club retention chain developed by Stauss *et. al.*. However, even though EuroBonus has reached both customer club satisfaction as well as relationship satisfaction, we could not find that it generated a customer retention effect as mentioned in the theory. This could be a result of many factors. Firstly, since there is such an immense competition within the travel industry, were all companies have similar offers, there are few possibilities of differentiation from competition. Hence, the customer club has more of a benchmarking function instead of functioning as a customer-retaining tool. The immense competition has also resulted in the fact that the customers search for different criteria when choosing which company to travel with, those being price, network, product, and the availability of a customer club. Since price is considered to be the most important factor it can be assumed that the customer club has little impact on retaining the customers. Lastly, we found that since EuroBonus offer the ability to collect points on all of their co-operating partners' flights the customers might stay loyal to the companies within the EuroBonus co-operation instead of loyal to SAS.

To sum up the effects of customer clubs we list our main conclusions based on the investigated case:

- Customer clubs might create some amount of sustainable loyalty, to the club, among their most valuable customers, however this is often a direct effect of the amount of benefits offered.
- Even though a customer club has all the important characteristics it cannot be concluded that it directly leads to customer retention as this is influenced by other factors.

6.4 Overall Conclusions

The purpose of this study was to gain a deeper knowledge of the role of customer clubs as a relationship marketing activity within international companies. The overall conclusion we were able to draw after analyzing the empirical data from the case study on SAS's EuroBonus, is that the main role of a customer club within the airline industry is to function

as a database where information about the members is collected in order to target promotion and communicate with the members.

Most theories on loyalty schemes claim that the main effect should be to create loyal customers and therefore retain them. However, this is not a conclusion we could draw from our research on SAS's customer club EuroBonus. Although the desire is to create loyal customers who will keep using the company's services, other external factors play a more important role when choosing an airline. We can therefore conclude, that customer clubs within the airline industry no longer offer their customers something more than their competitors, rather it has become an offer that must be existing in any traditional airline service, and has therefore no effect on customers staying loyal to the company.

Figure 6.1, below, shows how the conclusions we were able to draw, on each of the stated research questions, correlates. These together, provide a base for a deeper knowledge about the role of customer clubs within international companies.
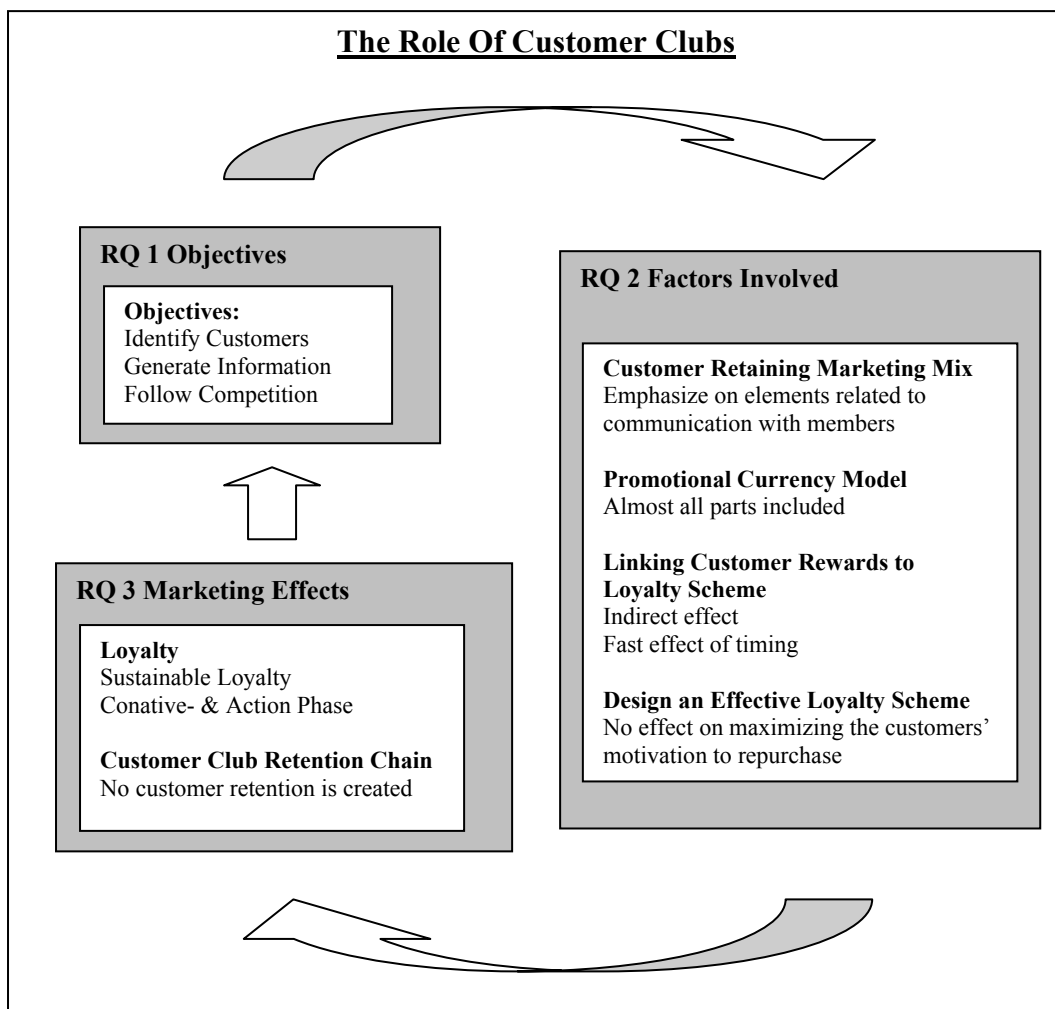

Figure 6.1: The Role of Customer Clubs

6.5 Implications

This section will provide the reader with further recommendations. The first section will present recommendations for managers followed by sections on recommendations for theories and for further research.

6.5.1 Implications for Management

Our first implication is directed toward managers of companies that are in the process of implementing the loyalty scheme customer club. It is important to thoroughly investigate the surrounding business environment and discover the prevailing trend. The objectives set for forming a customer club may be influenced by the patterns within the business environment should many competing companies have customer clubs, the objectives might be to identify the customers or to keep up with competition. However, if being the first company to implement a customer club within a certain industry, the objectives might be to generate customer retention. Furthermore, when implementing a customer club we recommend the manager to consider all parts involved in a customer club as they all contribute to the possible success of the customer club. However, some factors are more important and it is essential that the managers do not exclude these parts when forming the customer club.

Our last implication for managers concerns issues that arise after the implication. The manager has to realize that once implemented it is difficult to remove a customer club as the customers might then experience that the service level is lowered. Furthermore, since we concluded that a customer club has no, or little, impact on customer retention managers should carefully consider what the company wants to accomplish by creating a customer club.

6.5.2 Implications for Theory

Most parts of the theories brought up in the frame of reference presented in chapter two seemed to correlate well with the empirical findings of this thesis. However, there was one aspect of the Customer Club Retention Chain developed by Stauss *et. al.* (2001) that did not correlate and that was the predicted customer retention effect. The predicted retention effect is not valid in all industries and therefore we recommend that an addition to the theories in this area should be contemplated in order to cover different industries.

Furthermore, as existing theories are directed towards the product industry, we recommend the theories to be revised in order to better fit the characteristics of the service industry. Also the objectives presented by O'Malley (1998) and Stewart (1996) should be revised in accordance to the objectives of a service company.

6.5.3 Implications for Further Research

Although the use of customer clubs is a marketing activity that is well established in the airline industry, interesting areas for further research arose during the process of this thesis. As time and resources permitted for this thesis were limited, it was impossible to investigate all factors concerning costumer clubs. Therefore, it would be of interest to further investigate other aspects pertaining to customer clubs, in order to contribute even more to the understanding of the use of customer clubs as a marketing activity.

The first area that is interesting for future research is to investigate how effective customer clubs are as a marketing activity from the customers' point of view. This would be done in order to understand the value of a customer club out of their perspective which is the essence of marketing. What also would be interesting to investigate is in which industry customer clubs are most effective. Finally, to investigate how customer clubs affect revenue and the economic success of a company, is another way to further develop the understanding of customer clubs. One aspect that also needs further investigation is the comparison of the marketing effects of different loyalty schemes and how effective they are in creating the desired effects of customer loyalty and customer retention.

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APPENDIX A

Interview Guide English Version

General Information:

- Company name
- Name and position of respondent
- Number of employees
- Year of company establishment
- Products/Services
- Annual turnover
- Line of industry
- Year of EuroBonus establishment
- Approximate percentage of marketing budget designated for EuroBonus
- Please specify the different levels of the EuroBonus Customer Club

Section A – Objectives of Customer Clubs

1. Why does your company have a customer club such as the EuroBonus?
   a) Main objectives: Please rate to which extent the following objectives pertain to your company's objectives for having a customer club.

Main Objectives	Low	Average	High
Reward Loyal Customers			
Generate Information			
Manipulate Consumer Behavior			
A Defensive Measure to Combat a Competing Scheme			
Reduce Cost of Customer Acquisition and Marketing			
Increase Revenue from Existing Customers			
Develop Tangible Measures for Customer Service			
Keep up with Competition			

   b) Other objectives, please specify

Section B – Factors Involved in Forming Customer Clubs

1. Does EuroBonus offer any:
   a) Products extras such as
      i. *Service system* with related offers
      ii. *Easy-to-Remedy* features
      iii. *Others,* please specify

   b) Reinforcing promotion targeted at the EuroBonus members
      i. Do you differentiate your promotion towards different customers, i.e. EuroBonus Basic/Silver/Gold

2. What role does the sale force play for EuroBonus program?
      i. On the different levels?

3. How Important are *post-purchase* communications for EuroBonus?

          i.   With regards to complaint management
          ii.   Assertive customer relations

4. Describe your promotional currency:
   a) Name
   b) Unit of Measure
   c) Tier Structure
   d) Redemption
   e) Scheme Accounting

5. Does EuroBonus enhance the value of SAS, if yes; in what way?

6. Does EuroBonus maximize the buyers' motivation to make the next purchase of travel services with SAS?
   a) Do the different levels influence this?

Section C – Marketing Effects of Customer Clubs

1.What kind of customer loyalty does EuroBonus aim to generate?

2. How do you motivate your customers to take part of EuroBonus?

3. How does EuroBonus interact with the customers?
   a) Does this interaction generate an indirect- or direct effect or both?

4.What services and benefits does EuroBonus offer besides air miles?

5.Does EuroBonus have cooperating partners besides the Star Alliance?
          i.   Which companies?
          ii.   Which industry?
          iii.   How do you select your cooperating partners?
          iv.   How do you control the quality of the cooperating companies?
          v.   How do you believe the customers perceive these cooperating companies?

6. How do you perceive that EuroBonus effects customer retention when regarded from a behavioural perspective?

Please rate the perceived retention effects concerning the different elements.

	Low	Average	High
Liking			
Identification			
Commitment			
Trust			
Willingness to recommend			
Repurchase intention			

7. Anything you would like to add regarding the customer retention effects of EuroBonus?

APPENDIX B

Interview Guide – Swedish version

Allmän information:

➢ Företags namn
➢ Respondentens namn och befattning
➢ Antal anställda
➢ År förtaget bildades
➢ Produkter/service
➢ Årlig omsättning
➢ Industrigren
➢ År då EuroBonus bildades
➢ Ungefärlig del av marknadsföringens budget som avsätts till EuroBonus
➢ Vänligen definiera de olika graderna av EuroBonus medlemskap

Sektion A: Mål med kundklubbar

1. Varför har ert företag en kundklubb som EuroBonus?
   a) Huvudskäl; vänligen värdera till vilken grad följande skäl stämmer överens med företagets skäl till att använda sig av en kundklubb.

Huvudskäl	Låg	Medel	Hög
Belöna lojala kunder			
Skaffa information om kunderna			
Manipulera kundernas beteende			
Ett defensivt sätt att överträffa konkurrerande klubbar			
Minska kostnader för att locka nya kunder			
Öka intäkterna från existerande kunder			
Utveckla kundservice			
Vara konkurrentkraftiga			

   b) Andra skäl, vänligen definiera

Sektion B; Delar i bildandet av kundklubbar

1. Erbjuder EuroBonus några
   a) Produkttillägg som till exempel:
      i. *Service system* med relaterande erbjudande
      ii. *Åtgärds*-paket
      iii. Annat, vänligen specifiera

   b) Marknadsföring speciellt riktad mot EuroBonus medlemmar
      i. Differentierar ni er marknadsföring mot de olika typerna av EuroBonus kunder; guld och silver kunder.

2. Hur stor roll spelar säljpersonalen för EuroBonus?
      i. Varierar den för de olika nivåerna

3. Hur viktigt är kommunikationen med kunden *efter köpet* för EuroBonus programmet?
   i. Gällande klagomålshantering
   ii. Gällande byggandet av en relation med kunden

4. Beskriv EuroBonus "valuta"
   a) Namn
   b) Måttenhet
   c) Struktur: t.ex.; "ju mer du spenderar desto fortare tjänar du" eller "ju mer du sparar desto mer är
   d) det värt"
   e) Utbyte av valuta mot t.ex. tjänster/produkter
   f) Tillgodoräknande av valuta

5. Förhöjer EuroBonus kundernas upplevda värde av SAS, om ja; beskriv hur?

6. Försöker EuroBonus maximera kundens motivation att boka nästa resa med SAS
   a) Påverkar de olika kund-nivåerna detta?

Sektion C: Kundklubbars marknadsföringseffekter

1. Vilken typ av kunder syftar EuroBonus att generera?

2. Hur motiverar ni era kunder att bli medlemmar i EuroBonus?

3. Hur kommunicerar EuroBonus programmet med sina medlemmar?
   a) leder denna kommunikation till en indirekt- eller direkt effekt, eller båda?

4. Vilka tjänster och fördelar erbjuder EuroBonus sina medlemmar utöver möjligheten att samla poäng?

5. Har EuroBonus några samarbetspartners utöver Star Alliance?
   i. Vilka företag?
   ii. Inom vilka verksamhetsområden?
   iii. Hur väljer ni era samarbetspartners?
   iv. Hur kontrollerar ni kvalitén på de samarbetande partnernas produkter?
   v. Hur upplever ni att EuroBonus medlemmar uppfattar dessa samarbetande företag?

6. Hur upplever ni att EuroBonus påverkar SAS möjlighet att behålla sina kunder om man ser till beteendet hos medlemmarna?

Vänligen ranka hur ni upplever möjligheten att behålla existerande kunder gällande de olika elementen:

	Låg	Medel	Hög
Nöjdhet hos medlemmar			
Identifikation			
Samhörighet			
Pålitlighet			
Vilja att rekommendera			
Benägenhet att resa igen med SAS			

7. Någonting ni skulle vilja tillägga gällande EuroBonus påverkan på SAS möjlighet att behålla sina kunder?