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**CUSTOMER LOYALTY IN BUSINESS**

**Views of students of Centria University of Applied Sciences**

**Thesis**  
**CENTRIA UNIVERSITY OF APPLIED SCIENCES**  
**Business Management**  
**March 2018**

**ABSTRACT**

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<b>Degree programme</b> Business Management		
<b>Name of thesis</b> CUSTOMER LOYALTY IN BUSINESS Views of students of Centria University of Applied Sciences		
<b>Instructor</b> Eija Torkinlampi	<b>Pages</b> 33+3	
<b>Supervisor</b> Katarina Broman		
<p>The main aim of this thesis was to examine the essence of customer loyalty and its improvement in the business. Customer loyalty means customers' willingness to buy a brand frequently over all others. It is both an attitudinal and behavioral experience with one brand that satisfies the customers' needs and desires. If the customers are familiar and satisfied with one product having other options, then it is customer loyalty. It always encourages customers to buy more, spend more and feel positive emotional experience about a shopping. In business sector, customer loyalty plays important role to up lift the business as well as it focuses on establishing good relationship between consumers and suppliers. The loyal customers are the prime sources of generating profits and bringing more new customers in the business.</p> <p>Similarly, the thesis also focused on customer loyalty programs to promote the customer loyalty. Loyalty programs are such programs offered by a company to encourage their customers on continuous shopping. In business, it's more expensive to acquire new customers than to retain the existing customers. So, the company should provide excellent products with affordable price as well as maintain loyalty programs to satisfy their customers. It's true that if the customers are not satisfied and happy with the brand, they will not come to purchase the product again and again. Customer satisfaction is the key element to boost up the business with loyal customers. Therefore, the thesis emphasized on the relationship between customer satisfaction and customer loyalty.</p>		

**ABSTRACT**

**Key words**

Business, Customer loyalty, Customer loyalty programs, Customer satisfaction, Products and Services

## ABSTRACT

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## 1 INTRODUCTION

Customers are the key elements to run the business. According to Business Dictionary Customer is defined as, "A party that receives or consumes products and has the ability to choose between different products and suppliers". Customers can be both individual and business that spend their money on those goods and services from companies that meet their needs. Attracting such customers by excellent products should be the primary goal of every business because it is the customers who create demand and spend the money on those goods and services. The customers who feel happy with the companies' goods and services are always expected to buy the products continuously. It means satisfied customers are the companies' loyal customers who come for repurchase again and again from the same company over a long period of time.

Customer loyalty is essential to sustain the business. The business sectors' progress and success depends on their loyal customers. The business sectors must give first priority to their customers then only think about the profit. They must have the motto of 'Serve first, sell second'. Customer satisfaction is the key element or leading indicator of every business to uplift as well as to create loyal customers. Therefore, the needs of customers should be cared by every business. In this 21<sup>st</sup> century, many companies are getting established to compete with each other. In this competitive environment if the company gets success to build a solid and loyal customers by providing the excellent services or products with affordable price then it is not far to be a number one company with high volume of customers as well as name and fame.

The thesis also focuses on the essence of customer loyalty programs to improve and promote the customer loyalty. Customer loyalty programs are the rewards programs given by a company to encourage their customers to frequent purchasing. It provides customers free merchandise, rewards, coupons and so on. Likewise, the thesis also points out the benefits of customer loyalty programs to maintain customer loyalty in the businesses in a long-term basis. It helps to generate the profits in a company through maintaining consumers-suppliers relationship. As we know unless the customers are happy or satisfy with the product, they will not come for repurchase. Customer satisfaction and customer loyalty are inter-related with each other. They are the two sides of a same coin. But it's not compulsory that every satisfied customer is loyal to one brand.

The thesis also points out the customers as the net promoters of every business, which help to decrease the costs related with products' advertisements. It costs more for every business to acquire a new customer than to retain an old customer. So, it's necessary to build positive emotional experience in customers by creating customer satisfaction, customer retention and customer loyalty. In today's world of competition, many competitors on the same field are growing day to day. In such situation to compete with each other, the company should produce the qualitative and quantitative products with affordable price as well as list the customers in first priority. The company also provides various loyalty programs to attract more customers.

The thesis covers five parts. The first part is related with introduction where aim of the thesis is explained, second section is related with overall view related with customer loyalty including definition of customer loyalty, its types, factors and determinants influencing customer loyalty and relationship between customer satisfaction and customer loyalty. The third section presents the importance of customer loyalty in business, customer loyalty programs, its benefits and strategies to boost up the business by maintaining customer loyalty. Likewise, fourth section is related with the explanation of research method and analyzes the results collected from the survey with students of Centria. The conclusion is included in the final part.

The primary and secondary sources are used in the thesis to collect the information. Here, you can find the author's own views and opinions on the related topic as well as the information picked up from secondary sources such as books, internet, e-sources and so on. While talking about the research method, the quantitative research method is used. The survey is conducted in questionnaire form where students of Centria are participated. The results of the survey have been analyzed through graphs and bar-diagrams.

## **2 CUSTOMER LOYALTIES AND CUSTOMER SATISFACTION**

Customer loyalty and customer satisfaction are the most essential parts of the business. To run the business smoothly and continuously in market, customer loyalty is very important. In this chapter the issues related with customer loyalty such as the definition of customer loyalty, its types, factors and determinants as well as the relationship between customer satisfaction and customer loyalty are explained.

### **2.1 Customer Loyalty**

Customers may be an individual or business that purchase the goods or services produced by the company. They are the actual bosses in a deal who are responsible for profit in the business because they create demand for goods and services so that the company produces more goods. The customers are one who is the user of the products or services produced by the company and judge those products' quality with other people. They are the sources of generating profit that always spend a greater share of wallet. So, every company must produce the quality products or services with affordable price to attract more customers and make more sales. It is costly for business to acquire a new customer than to retain an existing customer. Therefore, the businesses should be aware of their products as well as their customers' type such as loyal customers, discount customers, impulse customers, need-based customers and wandering customers to treat them well (Management Study Guide 2008, 11).

The business sectors always expect their customers or consumers to be loyal who continuously involve in their business profit. Customer loyalty means the success of the suppliers to establish long-term relationship with their customers and also achieve rewards in interacting with its customer. It is the tendency to choose a particular product over all others due to satisfaction with the product or service. The customer loyalty always encourages customers to buy more consistently. The loyalty may be product specific or it may be company specific. When a loyal customer buy same product repetitively then he may be described as brand or product specific loyal. On the other hand the customers may also buy different products of the same manufacturer then they may be described as company specific loyalty (Management Study Guide 2008, 43).

Loyalty also means a continuous trust or devotion of customers to the supplier on certain grounds although he may have other options. It is not compulsory that the product used by the customers always be best. Sometimes the unexpected defects will appear in the products or there will occur some problems with the supplier in respect of his product supply. If the customers don't want to use other options than preferring the same products continuously with the same suppliers thinking that the suppliers will provide them the more beneficial and valuable products than others then this is the true customer loyalty. This type of long-lasting customer loyalty may be created by listing the customers in number one priority and always caring about providing them the excellent products. Likewise, the company always tries to attract their consumers to get familiar with brands in this competitive environment (Management Study Guide 2008, 43).

Every company prefers to acquire loyal customers but only certain customers came in value of the company profile while rest of the customers may disappear with time. Loyal customers are grouped as true friends, butterflies, barnacles and stranger. True Friends are such customers who always express positive emotional experience about the goods and products with their relatives and friends. It makes more sales and leads company towards profit without other expensive advertisements. Next group is Butterflies who are not particularly loyal but have spent money on the products and brought in good revenue. Barnacles are third group category of loyal customers who rarely make a purchase and may not bring more profit. The fourth group of loyal customer is a stranger who is not necessarily loyal to the company. Loyal customers buy more, more regularly, and the cost of selling to them is low and they will recommend that product to others (Reinart & Kumar 2002).

Loyalty is the continuous belief of a customer to the products or services offered by the company. The loyal customers every day make decisions on where to spend their time, money and effort. They spend more money, buy more, stay longer and tell more people about the products and suppliers that they are fully satisfied. The customer loyalty exists long term only if the suppliers make the customers feel that they are number one priority in their lists. Some customers are inherently loyal to the supplier with whom they are doing business. They always prefer to stay in long-term relationship with him. Loyal customers always stay with one product or supplier and also recommend the suppliers or products to others. The most three importance causes that a customer being loyal with one company are if the products and services are considered under customer's preferences, if the products and services are



considered under customers value and if the customers' experiences, perceptions and beliefs about the company as well as about its products and services are highly valued (Ranade 2012).

Customer loyalty may be different according to the selling-buying process. If the process of selling and buying is done directly from supplier to customers then there is direct relationship and also loyalty but if the selling is done with two or more intermediaries then the loyalty is measured at different levels. In such situation the suppliers have to focus on their loyalty retention plan and judge the loyalties of the intermediaries. It also depends upon the amount of importance that they give to every intermediary and the ultimate customers.

## 2.2 Types of customer loyalty

All the customers are not same and they do not have same buying habits. The buying habits of customers may determine according to their financial condition, family situation, life style, geographic location and also the relationship with the suppliers and its products. The relationship with the retailer can be influenced by general needs of customers for the retailer's products and services, friends and relatives opinions about the products and suppliers.

Basically, four types of customer loyalty exist in the market. They are; No loyalty, Inertia loyalty, Laten loyalty and Premium loyalty (Griffin 2002, 22-34).

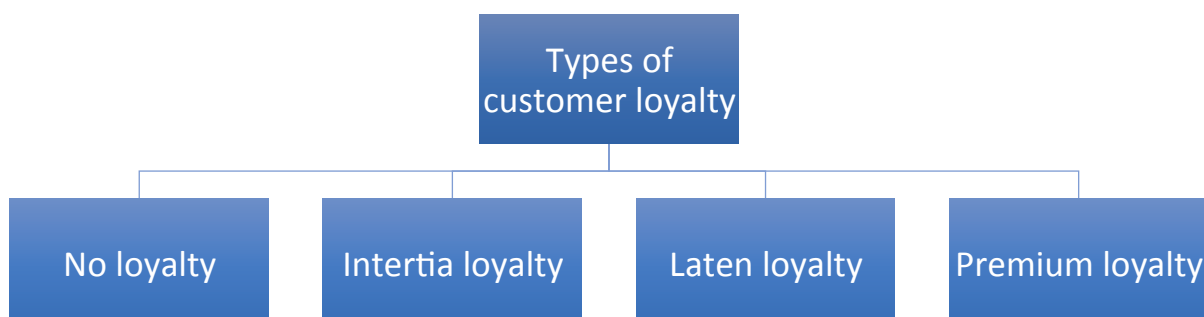


FIGURE 1. Types of customer loyalty (Griffin 2002, 22)

The customers who are not loyal with one product or service and the company then they are referred to as no loyalty customer. These customers have weak behavioral and attitude towards a specific vendor. They cannot stay in certain products or services because of various reasons like; habit of testing variety, concerned more on the price rather than quality and so on. They can go anywhere to fulfill their needs and desires. Therefore, they only add certain amount of money to the business so the businesses avoid targeting those customers because they will never be loyal customers.

Low level of attachment but high repeat purchase of products or services produces inertia loyalty. The nonattitudinal and situational factors affect more for buying. In this type of loyalty, customers buy products or services out of their habits. They only have certain degree of satisfaction with the products and services even they are repeat consumers. This type of loyalty is mostly seen in frequently bought products and services. By actively courting the customers and providing the products or services in differentiation form compared to other competitor's products can change this type of customers into a higher form of loyal customers.

The customers with high and positive attitude towards a specific supplier but a low repeat purchases are referred as latent loyalty customers. The customers with latent loyalty have a positive attitude towards a specific vendor or products (Harvey 2017). The situational effects such as affordability, narrow distribution channels, inconvenient store location or hours and lack of continuous availability determine the repeat purchases rather than their attitudinal influences. If a company gets success to remove these situational problems can definitely achieves benefits from the customers.

This is the most leverageable loyalty among the four types of customer loyalty. The customers with high level of attachment and repeat products and services are know as premium loyalty customers. This type of loyalty is preferred for all customers of every business. These customers are also known as vocal advocates for the products and services. They are the frequent purchasers of products or services and always refer others (their family, friends and relatives) to use it.

### **2.3 Factors and determinants influencing the customer loyalty**

It's very expensive and difficult to bring the new customers in and attract them for purchasing the products or services with introductory offers, huge promotional campaigns or discount codes. The customers always want to buy the products that are according to their needs and desires. If the company is able to build long-term relationship with the customers then they will be loyal and they can buy more and more from them. But it's not easy to keep the customers happy and transfer them in the loyal customers. Here are some factors and determinants that influenced customer loyalty (Lawton 2016).

The core offer is not only gimmicks and loyalty card programs but it is core offer that influences customers to stay long term in the business. The business should understand the customers' wants and desires while offering the products or services. They always keep in mind that the needs and desires of customers influenced by different factors such as the location of the business, standard of the offering and quality of the products and services. The customers like different offers like discounts, free gift with purchase, which keep them coming back for repurchases.

Satisfaction is another important influencing factor of customer loyalty that creates a long-term relationship with the business. The customer satisfactions differ according to the customers' needs. The price, value and availability according to customers' expectation also influence on creating satisfaction. The ongoing satisfaction always determines customer loyalty towards the products or services and it's cheaper to make satisfied customers happy than acquiring a new customer (Chambers 2017). When the customer gets qualitative products or maximum profits from the products with minimum price then there occur the high customer satisfaction that leads high customer loyalty as well as the relation between customers and suppliers become long last.

Elasticity also plays vital role in influencing the customer loyalty. If the services or products offered by the company are common and carry the similar features as other products carry then the customers will move to find another company with special and unique features. Therefore, the company should have the motive to provide the products and services with unique and specific features to their customers. The customers, who are not satisfied with the products and services, try to research a lot before investing in the products, than only make decision on using the products and services.

Demographics like age, income, nationality, sex and location also play vital role on influencing customer loyalty. It is predicted that less affluent customers are more loyal than other because they can't

afford the risk of moving to different brand thinking if the products will not suitable for them. Generally, the older customers are likely to stay longer than younger customers because the younger customers always want to test the new one. Nowadays, there are lots of competitors in the business where the customers find similar markets in same location. In such situation the products with high technologies, advertisements and customer services are able to build good and lost lasting relationship with the customers.

Switching cost means all type of problems such as emotional, technical, financial, operational or psychological faced by the consumers while using the products or services. The switching costs make the costs of products expensive for a customer, which make difficult or expensive for customers to change brand time to time so they try to find another company that has the ability to satisfy their needs in more effective way. There is greater chance that the customers will remain loyal in one brand when the cost of switching is in favor of the customers.

Trust is another important determinant of customer loyalty that causes dedication due to reduction in negotiating cost between customers and suppliers and also lessens customers' fear of opportunistic behavior. It impacts on both purchase behavior and decision of the customers. If the services and products provided by the company are according to the customers' expectations then it creates trust in customers. The customers' trust towards the company gives favorable positive feedback to the company over the other competitors as well as they always remain loyal in terms of repeat purchase behavior.

Likewise, the digital environment also influences the customer loyalty. The digital technologies are the quickest methods to communicate with customers, hearing their problems and resolving them. Richard Lawton (2016) also points out some ways such as simplicity, social media, online customer service, loyalty programs, prominent reviews, payment options in which the digital technologies help to build trust and loyalty online. If the businesses put their customers in forefront of their digital platform then they will earn high volume of customer loyalty as well as their customers will spread good words about their business.

## **2.4 Relationship between customer loyalty and customer satisfaction**

Customer satisfaction is a measure of how well the products or services provided by a company meet the expectations of a customer. It is a marketing term that examines the expectations of the customers' needs by the products and services provided by the company and the good customer satisfaction involves various factors such as the quality of the product, the quality of the service provided, the location atmosphere where product or service is purchased and the price of the product or service. Customer satisfaction is very important because it provides metric in the business that can be used to manage and improve the business as well as leads the customer loyalty (Beard 2014).

Similarly, Customer loyalty is referred to as customer retention where customers purchase the current products and services repeatedly rather than choosing other competitors' brands. It also shows loyal attitudes about the products, services, brands or businesses that help to associate with repeat purchases. As we know customers are the link of every business. In today's world of competition, the business can't run without customers. Therefore, the customer satisfaction and customer loyalty should be incorporated in long-term basis to achieve the company's revenues (DeFranzo 2012).

There are some differences between customer satisfaction and customer loyalty. Customer satisfaction measures the customers' reaction to a products or services. The customers' satisfaction will be high when the products or services work well. But customer loyalty is little bit different. It measures customer loyalty behavior by knowing how many customers repurchase the products or services rather than choosing other competitors and customer loyalty attitude by measuring customers' opinions on repurchasing the products or services (Selligent 2016).

Customer loyalty will increase significantly when customers are highly satisfied and at the same time the customers' loyalty will decrease, when the customer satisfaction level drops. In today's dynamic corporate environment, the customer satisfaction is very important. The primary reason for customer's intentions to switch may be their dissatisfaction with the products or services. It is believed that the customers who are not satisfied with the products are more likely to tell their unfortunate experiences with almost ten people, which is the main reason of losing more customers. On the other hand the customers who are satisfied are more likely to tell their good experiences with other four or six people around them, which increase the customers. As well the business will be able to build and maintain

long lasting relationships with customers. The satisfied customers always show the intentions of repurchase (Daikh 2015, 10-11).

Customer satisfaction and customer loyalty are the two sides of same coin. In the absence of one, another cannot go properly and smoothly. The satisfied customers lead to customer loyalty of the business. The relationship between customer loyalty and customer satisfaction that customer loyalty will go high when satisfaction accomplishes a certain level and customer loyalty will drop when satisfaction drops. If the customers are satisfied with products or services then they will carry purchasing continuously and will also spread positive experiences to others, which help to increase both sales and profitability of the company. The relationship between customer loyalty and customer satisfaction can be explained in two aspects; customer expectation and price fairness (AI-Maslam 2015, 27-29).

**Customer expectation:** It is said that customer expectation leads customers' satisfaction and customer loyalty. The products and services offer by the company must be able to meet the customer expectation. They should be based on the customers' experiences. It is very difficult to meet the customer expectation so the company must concern on quality, connect with the customers and go for better customer service than the previous (Taylor 2017). The quality of products is the prime expectation of the consumers while buying the products. The consumers always stay long term with the company where they find their expected products. The customers also expect a friendly and effective communication with the company in solving their inquiries. Nowadays, the company can easily connect with their customers through email or web chat. If the company tries to do far better than the previous then it helps to keep customers loyal.

**Price fairness:** Price is the amount of money that consumers pay for using the products or services. The price influences the customer satisfaction because the value of products and the price always come together. While purchasing or evaluating the products the customers also think about the price. Usually the customers judge the price and service quality equally. The customers involve in repeat purchase when the price is reasonable and the way it is fixed that help to generate their satisfaction level. Even if a product is with high quality but the perceived price is not fairness then it does not help to develop the customers' satisfaction. Charging price fairness leads customer satisfaction and loyalty.

### **3 IMPORTANCE OF CUSTOMER LOYALTY AND LOYALTY PROGRAMS IN BUSINESS**

Customer loyalty is the core of every business. The business must keep their customer satisfied so that they can get success and profitable. As we know today customers have more choices and are more demanding. If they do not get the treatment that they expect from your company then they simply move to next competitors. The CEO and co-founder of Totango generates five tips to maintain customer loyalty; make customers love your products, a customer success team, create a customer health score, nurture your paying customers and learn from churn (Nirpaz 2012). In this section the issues such as importance of customer loyalty in business, definition of customer loyalty programs, its benefits and the strategies to boost the customer loyalty have been discussed which are very essential to maintain in business sectors.

#### **3.1 Importance of customer loyalty in business**

Customers purchase goods and products over comparable ones available in the marketplace. The business need marketing to promote the products so customer's loyalty helps to attract the new customers to use the products and goods. If products are liked and spoken by the customers then it is brand loyalty. Investing time and energy in promoting customers loyalty should be an integral component of any business marketing strategy. As we know Loyal customers are more beneficial and profitable than other customers. To expand the business, every company must promote their customer loyalty. Here are some importances of customer loyalty in business (Hobbs).

Loyal customers always purchase the goods or services again and again over time. On the basis of business type and sales cycle the suppliers may end up selling more to loyal customers in a year than to the first time customers. Customer's loyalty helps to make customers purchasing the goods and services again and again over time. It uplifts the positive way to run the business and increase the number of customers and sales too. Loyal customers trust the company products and use it continuously. For

example; women are used to buying the vegetables and fruits from a vendor regularly because the women trust the vendor that he sells fresh fruits and vegetables in a comfortable price.

If the suppliers build good relationships with their loyal customers then it will be easy for them to sell their goods and services in high volumes. This may happen naturally or the suppliers choose the incentive process for their customers. Higher volumes mean greater sales that lead the business to higher profits. If any business builds close relationship with loyal customers, it helps to sell goods and products in higher volumes. It leads towards greater sales and profits.

Customers with brand loyalty have good relationship with the business. They always think and trust the suppliers that they will provide quality products and services. This will help to create a great opportunity to fulfill all needs of the customers' than the traditional ones that the suppliers currently meet. The suppliers can sales the products to loyal customer across product lines and increase sales volume without focusing so much on attracting new customers. Customers who exhibit brand loyalty have a relationship with the business. The customers trust the goods and products and customer service. This creates a great opportunity to fulfill more of the customers' needs than the traditional ones currently meet. If the business has more loyal customer then it tends to be safer from the draw of the competition. Establishing strong relationship with customers can make the business top from their competitors. The loyal customers always spend more money to buy the products that protect the business from the competitor and also reduce the risk of price sensitivity (Touch Dynamic 2018).

Loyal customers are also the business word of mouth advertiser and always tend to talk about the business. They always bring new customers in the business. The satisfied customers with the brands or products always come to buy the same products and also prefer others to use the products. They always give the positive head start of your brands to those people who aren't familiar with your business (Robb 2015). Customer's loyalty plays a role of marketing, which attracts new customers to use goods and products. Loyal customers talk about goods with other people and it brings new customers. Today the new business spends more money for marketing and advertising but customer's loyalty helps to talk about goods and products publicly without any cost. Loyal customers act as a brand ambassador.

As we know always the things do not go in right way even in the best business. Sometimes the business will get wrong order; sometimes it doesn't meet a deadline to deliver the products to customers. These types of mistakes are dangerous for the business and damage the reputation in the eyes of new customers. It also loses the customers but if the customers are loyal to the business then they give ben-



efit of the doubt. If the business maintains good level of customer service and quality that helps to achieve brand loyalty from the first time, the customers will forgive the business when bad things happen to it. It is very difficult to satisfy every customer like wrong deliver, not deliver goods in time, and damage products etc. that damage the reputation of business. If there is loyal customer then they will forgive the company when difficulties occur. Customers provide honest and positive feedback to the company so it helps to change negative things.

Loyal customers are very important that help to protect the business in this modern time because there are many businesses, which are providing more facilities and services. So, customer loyalty makes strong business and gives an effort to compete with other business. Loyal customers always show honest and high-quality feedback. Loyal customers always help to improve the business' products and services by giving solicit feedback (Airas 2015). They always provide the business solicit feedback as well as also help to measure customer experience and satisfaction. If the business wants to launch and test the new products and brands then they can utilize them in their loyal customers and can receive their feedback about the products or services (TechOneStop).

### **3.2 Customer loyalty programs**

To get started with your new business and to expand your business you need the customers who repeatedly purchase your products and services and also bring more and more new customers. So to turn the customers into repeat customers every business should considered on customer loyalty programs. With the help of right customer loyalty programs your customers will come back to buy your products and services and become your brand loyalists. Customer loyalty programs are categorized into two groups; limited and open. Limited loyalty programs need a membership fee in a completed application form and also try to channel membership towards the primary target groups. There are some certain criteria to fulfill in order to qualify for membership and also focus the primary target groups and help to keep out freeloaders. On the other hand, open loyalty programs do not need entry conditions but this often include many members who have no benefits to the company and also make membership more attractive and easier for a larger number of people (Butscher 2002, 6-7).

Customer loyalty programs are also known as the way to reward your customers for encouraging them to return to stores where they frequently make repurchases as well as to be loyal (Investopedia 2018). It also helps to strengthen customer relationships and rewards them for brand loyalty as well as pro-

vides the company information about their consumers. Here are some loyalty programs that reward the customers to be repeat customers (Thomsen 2017). The customer loyalty programs are not easy to develop and manage but if they are set up in right way then customer loyalty programs will play great role to get success in the future. Real perceived value to members, developing a sound financial concept, obtaining support from the whole organization, from top management to entry-level employees and fully exploiting the loyalty programs potential to provide data to support other company departments are some important factors that should be considered (Butscher 2002, 7-8).

The point system is one of the common and simple rewarding programs to your customers. It is based on spending more to get more. On the basis of this loyalty program the frequent customers will get a certain number of points depending on the size of their purchases and the more points can be used for discounts, a freebie or special customer treatment (Bernazzani 2017). This type of rewarding program will increase average spend per customer and also encourage them to invest more in your company's brands. In this program, customers earn points for transactions, engagement or visits as points for rewards. For examples: GameStop, Walgreens, southwest Airlines etc. It maintains price integrity and flexibility to fund the programs so the point system should be in easy and simple form that helps customers to understand and calculate (Thomsen 2017).

The tier system loyalty program is based on the levels of loyalty and. The customers with high brands loyalty can receive higher level of rewards. If the customers purchase more products, they will receive more points and the more points give them higher tier status in a loyalty program. This program provides both immediate gratifications with short-term attainable and long-term aspirational rewards. The role of communication plays a vital role in this program. Aspiration purchases help to achieve a greater status and profit. For example; Starbucks reward, Chico, whyndham rewards etc. They focus on high value customers and deliver superior experiences across touch points.

The value-based loyalty program is for such businesses that have large focus on charities. If the business creates loyalty program on the basis of their customers' value then the customers are more likely to be brand loyalists. , In this program customers are highly involved to participate and see the value of goods and products. For example; when people want to buy some goods and products through online shopping, sometimes the customers get free shipping.

Partnering up with other businesses can create the coalition program of loyalty program. It can give more opportunities and choices to customers as well as build new business relationship (Thomsen

2017). The customers always spend more and be loyal to the company that provide them different products and services with high quality. This program is run by two or more than two business company and the customer data is collected in a shared customer database. For example: Canadian based air miles programs, American express etc.

The game program is based on game app. The customers like the programs that are related with the game. If the company brings the loyalty program with game app then there will exist more customers to participate in the program, which increase customer loyalty in the business. It also increases company's sales and provides entertainment to their customers (Thomsen 2017). The game program encourages repeat purchases.

The paid program is that type of program, which is based on monthly or annual payment by customers to join the business member club and this results on offering the customers discounts, free shipping and other benefits (Thomsen 2017). It is one of the effective loyalty programs that increases repeat customers as well as leads on creating more new customers.

Hybrid loyalty program is a combination of two or more type of loyalty system (Thomsen 2017). For example, if the company combines point-based system and a tier system to make customers easy to calculate their points and encourage them to reach on next level of loyalty. The customers are also encouraged spending more money on purchasing more. These are some loyalty programs but it is not compulsory that all the businesses must apply these loyalty programs to increase their repeat customer. Some businesses are gaining lots of repeat customers by their unique products such as Apple brand.

### **3.3 Benefits of customer loyalty programs**

The customers, who first time purchase your company's products or services are not sure to come back again in your company and interact with you. So, to make such customers as repeat customers the loyalty programs play vital role. The company can encourage its customers to become repeat customers by targeting them with right loyalty programs. There are many financial as well as non- financial benefits of customer loyalty programs in the business (LoyaltyLion 2014).

Customer loyalty programs stop the businesses from competing on price with other competitors. As we know the customers make a purchase with high emotional. Loyalty programs teach the company to do

the business focusing on their customers' emotional side and make them happy and satisfied. As a result they see the business more than a collection of products that will help to build the loyalty to the business and also build an emotional connection between the company and customers (LoyaltyLion 2014).

Loyalty programs benefit a company for implementing solid strategies to retain existing customers. It is very expensive to acquire a new customer rather than to retain an existing customer. Therefore, the right and effective customer loyalty programs motivate the customers to spend more money on purchasing products and services repeatedly. It also helps to lift in customer retention that increases company's profits.

Loyalty programs help to increase customer lifetime value by guiding you to monitor your customers' steps before they purchase and allowing you to reward them at each step. The customer loyalty programs help the company to measure the customer lifetime value of each of the company's customers. It also calculates how the customers are valuable for the company in present and in the future. The loyalty programs help to provide behavioral data of customers' purchasing habits that increase the customers' lifetime value.

Building personal relationship is another benefit of loyalty programs. The customer loyalty programs help to build personal and emotional relationship between the company and the customers by showing the customers that the company truly values them. It also provides the company the data on your customers such as their behaviors, needs and other activities so that the company can be able to provide better products and services according to their customers' needs.

Loyalty programs help to create brand advocates. The loyalty programs not only focus customers to spend more money on the brands but they also help customers to become a brand advocates of your company (LoyaltyLion 2014). The customers with brand advocates refer your company's products and services to their family, friends and relatives that increase your company's generating profits.

### **3.4 Strategies to boost the customer loyalty**

In the business loyal customers are much more important than new customers. It is too expensive to attract the new customers than maintaining the existing customers loyal. It is necessary to build customer loyalty in the business to remain competitive. The loyal customers help to maintain the marketing cost with manageable size and invest more investment on improving the quality of the company's products and services. Here are some strategies of customer loyalty that help to boost the customer loyalty in the business (Onibalusi 2016).

Improving customer experience is one of the important strategies to build strong customer loyalty. Customer experience is the most essential tools for increasing customer loyalty because the customers are those, who first experience the products or services and this impact on how much customers want to come back and interact with a company again. The customers always want to buy from suppliers who know them and their needs. The key rule of building loyalty is serving the customers excellent products according to their experience. By providing the products and services according to the customers' experience leads the customer satisfaction, which increases the customer loyalty in the business.

Improving employee morale is another key rule of customer loyalty. The employee performance, their touch and interactions with the customers in the business affect the customer loyalty. Therefore, the business must serve their employees first so that they, in turn, can serve the customers very well. As well as holding regular meetings with staff and discussing on the topic related with the company also help to improve employee morale. The customers always show their loyalty to that company who treat them well and care about their needs and desires.

Showcase your customers' success story also help to build strong customer loyalty with the business. The success stories of your customers influence existing customers into bringing more people to your business. It also helps to motivate the existing customers and also help to build trust of other new customers. Similarly, the review of every customer such as their complaints and other feedback about the company give guidelines to improve the services and acquire more customers.

Rewarding the loyal customers is another strategy to implement for leading customer loyalty. Loyalty programs always offer customers opportunities that influence customers to stay long term with a company. The loyalty programs are essential in the business, which encourage customers to become repeat purchasers. As we know the loyalty programs are in many forms for example point systems where the customers earn points in every purchase, which make them to purchase valuable goods or services. These programs reward the customers on frequent purchasing which help to generate the profits in a company.

Similarly, There are three core-marketing strategies to increase customer loyalty. The marketers can operate the programs based on these approaches (Custer 2017). Limited time only promotions strategy means to attract customers in a company by providing effective promotional strategy. It is an acquisition strategy to attract the customers. It is believed that this strategy is more effective than other pricing strategies because it motivates customers to purchase the goods and products when promotional price is temporary. This strategy works quite well but it will not build a long-term relation with the customers.

Reward for purchase strategy encourages the customers to repeat store visits and increase in average order value. It is a strategy, which promotes the customers' purchasing habits by rewarding them in every single purchase they make. For example if a company offers 10% discount in each purchase then it resulted incremental store visits of customers within 30 -45 days of the initial purchase.

Points based rewards program is another strategy based on retention program where customers earn points for every purchase. This strategy promotes customers to enroll in a simple points based program that helps to generate two or three additional point of sale transaction frequency.

## 4 CONDUCTING RESEARCH

Research methodology is a systematic process of collecting information and getting knowledge so that the decisions can be made in right way. As we know every business wants to know everything about their products, services, programs, policies and many more so that they can use further improvements to make their business better. In everyday life the businesses usually face issues like ongoing complaints from customers, financiers issues, forecasting and future plan issues, in such situation the research help every business to decide rationally. Research methodology is the process and tool that helps to reduce the risk in managerial decision-making. It is a systematic inquiry for systematic knowledge and also process of planning, acquiring, analyzing and disseminating relevant data, information and insights for mobilizing the organization to take appropriate decisions and actions that help to turn the maximize business performance (Sac deva 2008).

According to Sachdeva (2008) good research generates dependable data so these features must be carried by every research methodology; Purpose clearly defined, research process detailed, research design thoroughly planned, high ethical standards applied, limitations frankly revealed, analysis adequate for decision makers' needs, findings presented unambiguously, conclusions justified, researcher's experience reflected. Similarly, Kothari (2004,1-2) in his book research methodology defined research as a search for knowledge. It is systematic and scientific method consisting information on a specific topic, enunciating the problem, formulating a hypothesis, collecting and analyzing the facts or data and reaching certain conclusions. It is an academic activity that helps to generalize and formulate a theory. The main objective of research is to find out truth, which is hidden with the help of study, observation, comparison and experiment.

#### **4.1 Quantitative research method**

In education, the research methods are mainly divided into two types: Qualitative research and Quantitative research (Muijs 2004, 1-5). Qualitative research refers that type of research, which is based on word association tests, sentence completion tests, story completion test and other similar projective techniques. This type of research carried when the researchers are interested in investigating the reasons for human behavior. The peoples' opinion and attitude about particular subject or institution, it means how they feel or what they think about the related subject is qualitative research. On the other hand quantitative research is the measurement of quantity or amount. It is used to express the phenomena that can be expressed interms of quantity (Kothari 2004, 2-4). It is the method where phenomena are explained by collecting numerical data that are analyzed statistically.

In this thesis the author has used quantitative method of research, which includes a questionnaire. The questions are specially based on customer loyalty. In this survey the author included the Students of Centria University of Applied Sciences and collected their viewpoints on the related topic. The collected information or statistical data were evaluated through Microsoft Excel.

#### **4.2 Validity and Reliability**

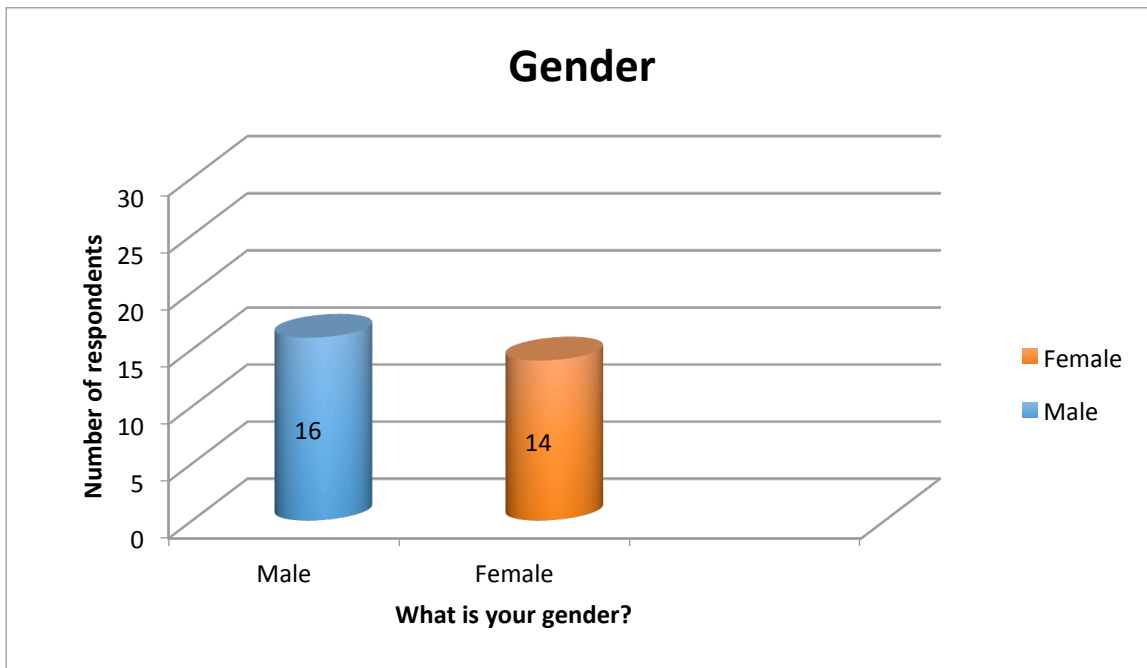
Validity and Reliability is very important when a test or other measuring service is carried out as a part of the data collection process. Validity refers to the degree that test whether our measuring device is measuring the aspects that we intended it to measure or not or it is the believability of the research that examines the entire experimental concept of the research as well as examines whether the results meet all the requirements of the research or not. Validity is broadly divided into two types internal validity and external validity. Internal validity is the process of examine how an experimental design is structured and how all steps of research method take place. On the other hand external validity is the process of generalizing the results and questioning in the research (Shuttleworth 2008).



Reliability is another term where consistencies of a test, survey, observation or other measuring device are measured. It is the ability of testing the research findings to the extent that they are repeatable or the test will be said reliable if it gives the same repeated result under the same conditions. It can be measured internally and externally. Internal reliability measures how well the test is measuring what you expect it to measure and external reliability generalized the test or measure beyond what you are using it for (Stephanie 2016).

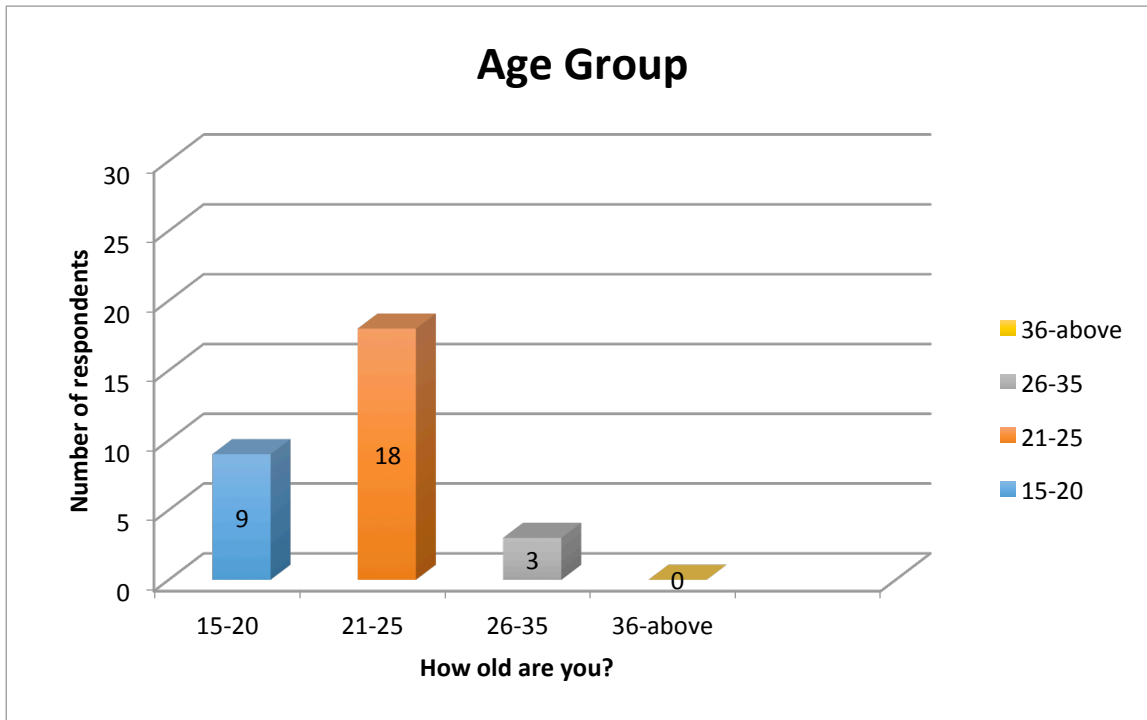
### **4.3 Processing and analyzing of data**

The author of this thesis has done the survey using the quantitative research method. This survey was conducted in Centria University of Applied Sciences. For the analysis of this survey, 30 national as well as international students were selected and they were provided the structured questionnaire to fill up. The questionnaire was based on the importance of customer loyalty in the business as well as the requirements to improve it in business. The survey will be fruitful and effective to understand the opinions of students on customer loyalty. The answers that are collected in the form of data have been analyzed through Microsoft Excel in the form of graphs.



GRAPH 1. Gender of Participants

The above bars (GRAPH 1) show the gender, the number of male and the number of female respondents who participated in the survey. Out of 30 participants, the majorities of participants were male included 16 in numbers and the rest were female included 14 in numbers. The bars show that male participants were more in comparison of the female participants.



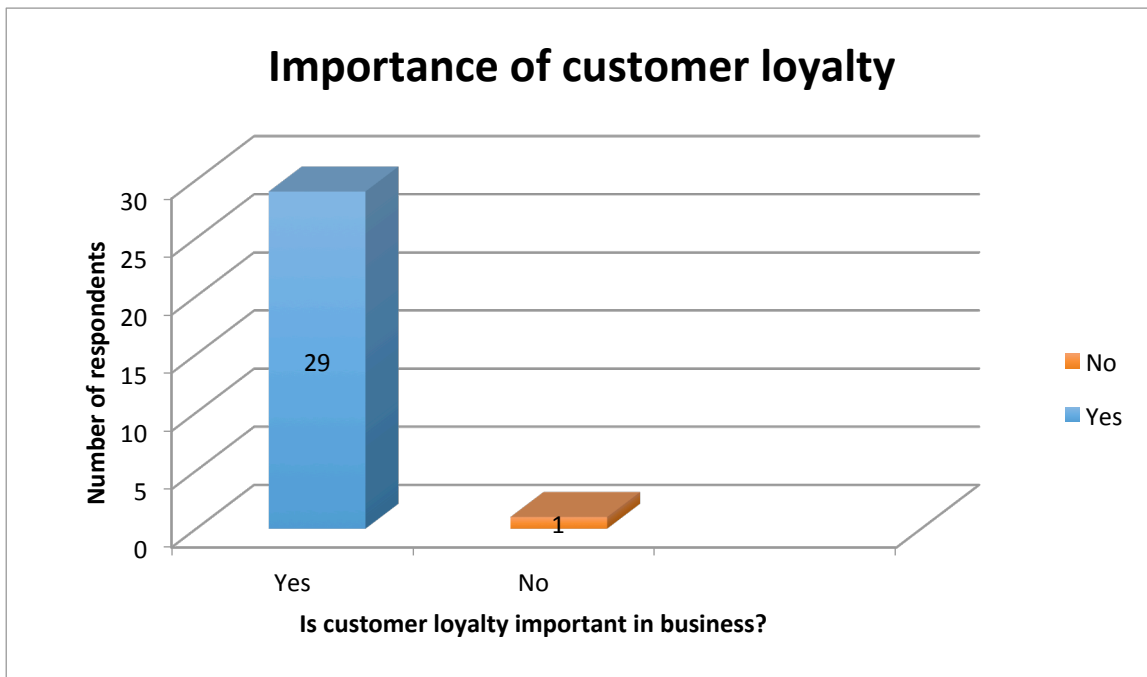
GRAPH 2. Age group of Participants

The above bars (GRAPH 2) show the age group of the participants involved in the survey. Out of 30 participants, the majorities of the participants were from the age group of 21-25 that included 18 participants in number. At the same time, the minorities of the participants were from 26-35 age group and the numbers of participants were three. Likewise, the second highest age group consists of 15-20 where the numbers of participants were five.



GRAPH 3. Meaning of customer loyalty

In this question of the survey, the participants had chosen more than one option to present their answer. Most of the participants chose satisfaction as their answer of customer loyalty. From the above (GRAPH 3) it is clear that satisfaction option is chosen 16 times whereas the option of favor one brand over all others is chosen 15 times. Similarly, the participants had asked to describe something else if they had different views than the options. As a result, this option is chosen 2 times describing as customer loyalty refers as the trust and common respect with the company. Likewise, if the participants were unknown about the meaning of customer loyalty then the option I do not know is given but from the graph it is cleared that none of the participants were unknown about it.



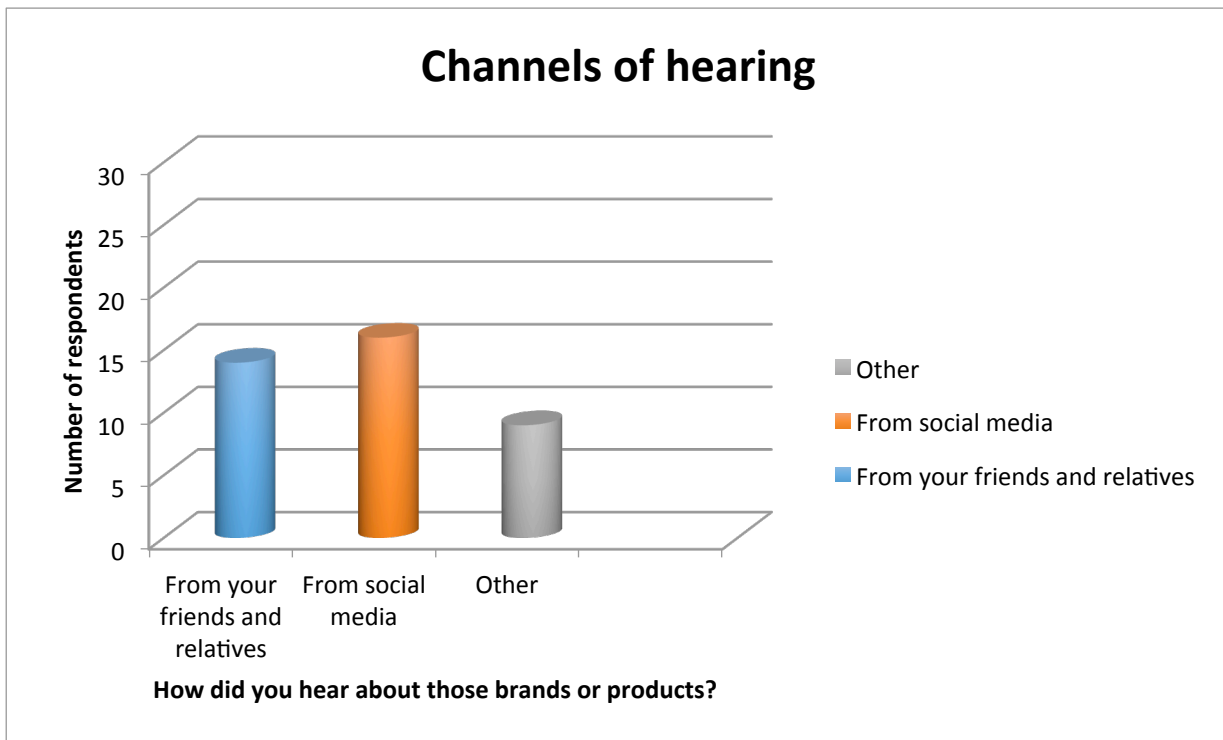
GRAPH 4. Importance of customer loyalty

The above bars (GRAPH 4) show the opinion of the participants on the importance of customer loyalty in business. Within the survey of 30 students, 29 respondents stated customer loyalty is important in business describing that it helps to sustain the business, whereas 1 respondent stated customer loyalty is not important in business.



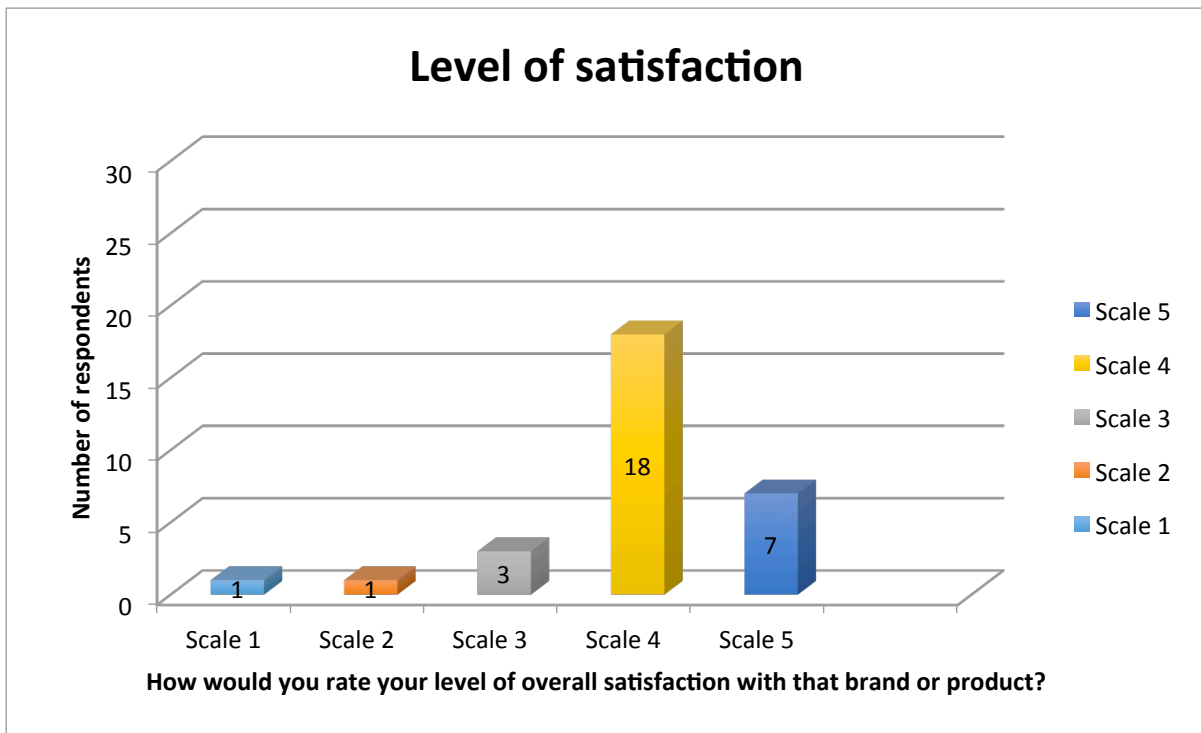
GRAPH 5. Loyal to any brand or product

The above bars (GRAPH 5) show the participants' opinion on the loyal to any brandy or product. Among 30 participants, the majorities of participants, which represent 26 in number, were loyal to one brand or product. Specially, their loyal brands or products were daily usable products like cosmetics, clothes and shoes. The rest 4 respondents were not loyal to any brand or product due to their choice and budget.



GRAPH 6. Channels of hearing

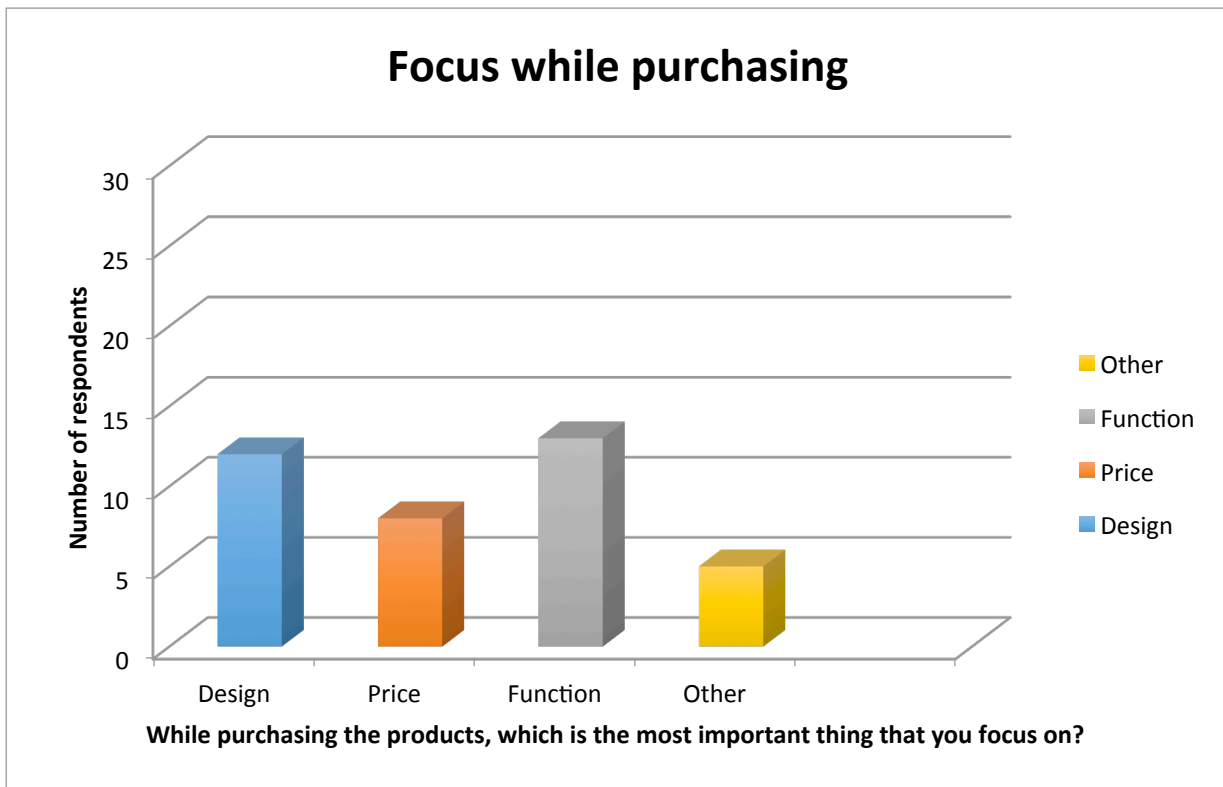
The above bars (GRAPH 6) show the information on channels of hearing about those brands or products. Most of the respondents had chosen social media as their channel of hearing. From graph 6, it is cleared that the option of social media is chosen 16 times, whereas the least selected option was other with only 9 respondents. Similarly, the option from your friends and relatives is chosen 14 times. The participants had asked to specify other if their channels of hearing were different than the options. As a result the 9 participants knew about the brand or product by visiting the stores themselves situated in their hometown.



GRAPH 7. Level of satisfaction

The above bars (GRAPH 7) represent the level of participants' satisfaction with their chosen loyal brand or product. Within the survey of 30 students, 7 respondents were extremely satisfied with their chosen brand or product, whereas 1 respondent was extremely dissatisfied. Additionally, 1 respondent rated scale 2 for his/her level of satisfaction. The number of participants who rated scale 3 and 4 to show their level of satisfaction were 3 and 18 respectively.





GRAPH 8. Focus while purchasing

The above bars (GRAPH 8) represent the most important thing that the participants focused while purchasing the products. The graph shows that the majorities of the participants focused on products' design and function while purchasing. The option design and function of the products were chosen 12 and 13 times respectively. Among other options, price is chosen 8 times and 5 participants agreed with other things rather than the given options. The participants had asked to specify if they focused on different things while purchasing the products and the 5 participants considered quality of product.



GRAPH 9. Requirement to improve customer loyalty

In this question of the survey, the respondents had the option to choose more than one alternative. The above bar (GRAPH 9) shows that the majorities of the participants agreed that the quality and price of products is very essential to improve customer loyalty. The option quality and price of products is chosen 21 times, whereas the options the relationship between customers and the company and effective customer loyalty programs were only chosen 9 and 6 times respectively. Similarly, the participants had asked to specify if they had different opinions on the improvement of customer loyalty. In this aspect 1 respondent considered attractive customer service as an essential requirement to improve customer loyalty.



GRAPH 10. Customer loyalty and customer satisfaction

The above bars (GRAPH 10) represent the connection between customer loyalty and customer satisfaction. Within the survey of 30 students, 25 considered customer loyalty and customer satisfaction are linked with each other. They explained that the satisfied customers only came to purchase the product again and again which create customer loyalty. Meantime, 5 respondents explained that customer loyalty and customer satisfaction are not linked with each other because it is not fixed that the satisfied customers always come to purchase the product again and again.

## 5 CONCLUSIONS

Customer loyalty refers to the customer who chooses a particular product against another to fulfill his/her need. It is the success of the supplier to maintain a long-term relationship with the customer. The loyalty may be product specific and company specific. When a customer repetitively purchases the same product then such customer is referred to as being brand loyal and a customer purchases different products of the same manufacturer then such customer is referred to as company specific loyalty. The loyal customers always respect their supplier even having some problems and prefer to continue with the same supplier ignoring other options. The loyal customers always think their supplier provides them the best and beneficial products than others.

As we know customer loyalty is very essential to every businesses. The customers are the heart of a business and it is important to keep existing customers as well as getting new customers. The loyal customers are valuable to expand the business by sharing positive experiences with their relatives and friends who may be unfamiliar with the business so every business must invest in customer loyalty. If the loyal customers feel that they are getting quality and better service from you then they do not prefer to go elsewhere. As a result your competitors do not get chance to appeal. The loyal customers are the sources of building good and strong relationship between the customers and the company as well as help the business to make economic advantages.

This thesis has gone into depth to understand the importance of customer loyalty in business as well as also pointed the requirements to improve customer loyalty. The author has come to know building the customer loyalty gives the business a high return. Understanding the customers' needs and desire, providing them good product or service, building good loyalty programs to reward the customers and staying in touch with the customers will help to improve the customer loyalty. During the thesis writing the author figured out customer satisfaction with the quality product or service leads the customer loyalty in business.

The questionnaire method of research carried out during the thesis helped to analyze and determine the importance of customer loyalty in business as well as the students' views on improving it. Although the author figured out various differences in the answers of the respondents, it seems all the respondents know about customer loyalty and its importance in the business.

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**SURVEY QUESTIONNAIRE ON CUSTOMER LOYALTY**

This survey is studying customer loyalty and it is conducted to analyze some facts about the importance of customer loyalty in business. We have selected students of Centria as our target group for this survey. This survey is anonymous and your identity will not be revealed. You are kindly requested to answer the questions as they relate to you. You can choose the options and cross (x) the right one in the box.

1) What is your gender?

- Male                       Female                       Other

2) How old are you?

- 15-20                       21-25                       26-35                       36-above

3) What does customer loyalty mean to you?

- Favor one brand over all others  
 Satisfaction  
 Something else, describe-----  
 I do not know

4) Is customer loyalty important in the business?

- Yes, why-----  
-----  
 No, why-----

5) Are you loyal to any brand or product?

Yes (If Yes, what brand or product)-----

No (If No, why?)-----

6) How did you hear about those brands or products?

From your friends and relatives

From social media

Other, what-----

7) On a scale of 1 to 5 where 1 represents 'extremely dissatisfied' and 5 represents 'extremely satisfied' how would you rate your level of overall satisfaction with that brand or product?

1

2

3

4

5

8) While purchasing the products, which is the most important thing that you focus on?

Design

Price

Function

Other, which-----

9) In your opinion, what things are required to improve customer loyalty?

Quality and price of products

Relationship between customers and the company

Effective customer loyalty programs

Other, explain-----



10) Are customer loyalty and customer satisfaction linked with each other?

Yes, why-----

No, why-----

Thank you for your kind co-operation and participation.