

thegreenlabels

The road to customer loyalty at thegreenlabels

RESEARCH REPORT

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6372 words, excluding title page, table of contents, executive summary, appendices,
and source references

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Study program code: CO-ICM-FNL-M-19-2020

Study subject: Professional Proficiency Test

Wordcount: 6372

Key words: *Customer loyalty, loyalty program, trust, transparency*

Date of submission: 25.5.2021

Executive Summary

The research report was created to be able to give communication advice for thegreenlabels (TGL). TGL is an online sustainable fashion and beauty retailer, founded in 2018 and based in The Netherlands. TGL is currently unaware of what motivates customers to be loyal to TGL, and how this loyalty can be encouraged. The Netherlands is TGL's biggest market and therefore, the focus is on strengthening the Dutch loyal customer base.

The advice question aims to solve TGL's communication issue and is formulated as following: *"How can we increase the number of loyal customers for TGL and consequently strengthen the current Dutch loyal customer base?"*.

The research's objective is to deliver a communication advice on increasing the number of loyal customers of TGL in The Netherlands by evaluating the effectiveness of the current loyalty strategy and by establishing criteria for an effective loyalty strategy.

In order to be able to conduct desk and field research, and thereby develop a communication advice, the following central research question was answered: *"What are the key factors that affect customer loyalty?"*

The research started with a literature review, which revealed the knowledge gaps. This was followed by field research with a survey (91 participants) and individual interviews (5 participants). The target audience were females aged 25-45 located in The Netherlands with an interest in sustainable fashion.

The results revealed the key factors to be trust, transparency, customer engagement and customer connection to the brand. Customer loyalty can be encouraged by forming a positive relationship between the customer and the brand, which is based on trust. Moreover, customer loyalty can be strengthened by the marketing strategy loyalty programs.

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List of Abbreviations

LP: loyalty program

TA: target audience

TGL: thegreenlabels

Chapter 1 – Introduction

1.1 Problem Overview

thegreenlabels (TGL) is an online retailer of sustainable fashion and beauty. TGL was founded in 2018 in Amsterdam, after the founder Claudia Angeli gained awareness of environmental and social problems of the fashion industry. TGL serves as a platform, where people can easily find curated sustainable fashion and beauty from brands that produce ethically. TGL envisions a “world where people can easily find and buy products that have a positive impact, both on themselves and the world” (thegreenlabels, 2021). TGL’s current main markets are The Netherlands, Germany, and Belgium.

Aside from having a positive impact on the environment and society, TGL is focused on its customers. Next to gaining new customers, TGL aims to grow its loyal customer base. In the whole lifetime of TGL, TGL has had 5752 customers, of which 455 are returning customers (have purchased more than once) (thegreenlabels, 2021). From these 455, 160 have purchased more than twice, which TGL considers as loyal customers (thegreenlabels, 2021).

TGL’s founder Claudia Angeli stated to be unaware of the current customer loyalty, due to limited resources (personal communication, 2021). Customer loyalty is important for TGL, as it brings certainty and gives an indication that the customer is likely satisfied with the customer experience and is willing to purchase again (Larikka, personal communication, 2021). Furthermore, next to ensuring a stable customer base, loyal customers often act as brand advocates, spreading positive messages and recommending the brand to other people, who become potential customers (Shoemaker & Lewis, 1999).

In November 2020, TGL launched a loyalty program (LP) called “thegreenclub”, with the aim to increase the number of loyal customers and strengthen the relationship with current loyal customers by rewarding them for their loyalty (Angeli, personal communication, 2021). The LP currently has 262 members, of which 19 are actively using it, which means spending points and using the discounts. TGL wants to find out what are the main motivations behind customers repurchase decisions, as well as motivations behind joining the loyalty program.

In order to start the research, the following advice question was formulated:

How can we increase the number of loyal customers for TGL and consequently strengthen the current Dutch loyal customer base?

This questions aims to fill in the knowledge gap of what motivates customers to be loyal to TGL. In order to develop a communication advice for TGL, field and desk research was conducted to collect valuable insights .

1.2 Research Scope

The primary research problem was formulated as following:

This is mainly the problem of a loyal customer base for a fashion retailer.

The objective of the research is displayed in *Figure 1*.

Figure 1.

Research objective

The objective of the research project is to deliver a communication advice on increase the number of loyal customers of TGL in The Netherlands by evaluating the effectiveness of the current loyalty strategy and by establishing the criteria for an effective loyalty strategy. This will be achieved by understanding:

1. What motivates customers to be loyal to TGL
2. What are the barriers for customers to become loyal
3. How can marketing be used to increase customer loyalty
4. The impact of the current loyalty program on customer loyalty
5. What can be improved in the loyalty program
6. What motivates customers to join the loyalty programme

The central research questions and sub-questions are visible in *Figure 2*.

Figure 2.

Research Questions

CRQ: What are the key factors that affect customer loyalty?

- What factors positively impact customer loyalty according to the literature?
- What motivates customers to be loyal to TGL?
- What are the barriers for customers to become loyal to TGL?
- What are the important factors of marketing in increasing customer loyalty according to the literature?
- What is the impact of the current loyalty programme on customer loyalty?
- What can be improved in the loyalty programme?
- What motivates customers to join the loyalty programme?

The main target audience (TA) for this research are TGL customers, located in The Netherlands, which is the most successful market for TGL (thegreenlabels, 2021). Therefore, the focus is on strengthening the existing Dutch customer based. To answer the research questions and to create a communication advice, a number of research methods and tactics were used.

Firstly, a theoretical framework was created to establish an overview of existing literature. This was followed by a literature review, which provided relevant theoretical findings and identified the knowledge gap. The research methodology established the conceptual and technical design of the research. The data collected from the research was analysed in the results section. Both the field and desk research data were concluded in the conclusions section and revealed the answers from the previously stated research questions. This later served as a foundation to the follow-up Advice Report.

Chapter 2 – Literature Review

2.1 Key concept I – Barriers and motivators impacting customer loyalty

Customer loyalty to a brand is commonly defined as “the commitment to repurchase from a brand constantly, over time” (Islam et al., 2014, p. 549). Sierra et al. (2015) agree with this statement, adding that loyal customers often recommend the company, as well as remain immune to the marketing efforts of the other competitors.

There are many benefits to customer loyalty, thus companies actively initiate various activities to maintain and build customer loyalty (Islam & Rahman, 2016). One of the benefits is that loyal customers often act as brand advocates, spreading a positive message and recommending the company to friend and relatives, who become potential customers (Shoemaker & Lewis, 1999).

In the study by Islam & Rahman (2016), it was found that customer engagement supports the motivation to become loyal to a company. Customers can engage with the brand for example through social media, newsletter, chat, or email. Furthermore, brand image and brand love influence customer engagement (Islam & Rahman, 2016). Dobni & Zinkhan (1990) defined brand image as “the sum of total perceptions (reasoned or emotional) attached by consumers to specific brands”. A positive brand image inspires the creation of brand love towards a brand among consumers (Islam & Rahman, 2016). It is suggested that customers tend to assign human attributes to the brands they use, which leads to emotional attachment and the creation of brand love (Islam & Rahman, 2016). Customers are more likely to engage with the brand when the brand image is positive and reflects and improves one's self-image and self-identity (Hansen & Jensen, 2009). Noh & Johnson (2019) add that when the consumers identify with the brand, the brands marketing efforts and other brand communication can positively influence consumers purchasing behaviour.

Brodie et al. (2011) confirm that customer engagement significantly increases customer loyalty, as while engaging with a brand, customers might establish strong emotional bonds and engage in loyalty behaviours, such as spreading positive word-of-mouth and repeating a purchase. It is suggested that brands should develop marketing and branding strategies that encourage customer engagement with the brand (Islam & Rahman, 2016). Such strategies can be for example social media, blogs, where the brand can engage customers in conversations in order to establish a positive brand image and brand love (Islam & Rahman, 2016).

Taking into consideration the sustainability aspect of TGL, it is relevant to discuss the topic of “green loyalty”. With the increasing concern about environmental issues, a new segment of customers has emerged – green customers (Dabija et al., 2018). For these consumers, the environmental impact

of the brand and the product they are purchasing is very important, resulting in the purchase decision being based on the sustainability aspect (Dabija et al., 2018). The process of the creation of customers loyalty slightly differs and is commonly referred to as “green loyalty”. According to Chen (2010) green loyalty “measures a consumer’s level of repurchasing intentions, accounting for a company’s attitude to the environment and its commitment to promote sustainability”.

For consumers purchasing sustainable fashion, the strongest value is associated with brand trust, which highlights the importance of marketing communication to create and maintain brand trust (Park & Kim, 2016). To be trustworthy, sustainable fashion brands should provide credible sources and proof of their sustainability claims, as well as develop marketing communication strategies, which facilitate trust towards the brand (Dabija & Bejan, 2017). It is important to be transparent about the brand's sustainability efforts, offering in-depth information about processes and business operations (Dabija & Bejan, 2017). Delivering honest and transparent communication consistently can increase and strengthen customer trust and therefore loyalty (Dabija & Bejan, 2017).

2.2 Key concept II – loyalty program

Customer loyalty can be achieved and enhanced by the marketing strategy loyalty programs. Loyalty programs (LPs) can be described as a marketing technique for gaining customer loyalty that benefits both the customer and the company (Luxton, 1998). It refers to a membership-based program between a customer and a company, which intends to build a relationship and increase customer loyalty towards a particular brand by providing a range of benefits, which are often referred to as rewards (Kwiatk et al., 2016). These rewards can offer a variety of benefits to customers that have reached a certain status, for example through a repeat purchase behaviour (Fullerton, 2003). LPs are “one of the most powerful retention marketing tools that build a strong long-term relationship” (Butscher, 2002).

It is important to note, that there is a difference between loyalty to a program and loyalty to a company. As discussed above, loyalty to a company is driven by emotional connection and the relationship between the customer and the company, while program loyalty is driven by economic incentives that appeal rationally to a customer (Evanschitzky et al., 2011). To find the right balance, the customer needs to be able to identify both with the company and with its LP. This means that the loyalty programme must address important motives underlying customers intentions or attitudes for the customer to develop an identity that influences the behaviour and attitude towards the loyalty programme and the retailer (Evanschitzky et al., 2011).

Retailers need to carry out focused research in order to find the customers motivations and understand the identities. This can be done for example through a simple survey on the website, which can determine goals that are important to the customer (Evanschitzky et al, 2011). Based on these goals one can form the basis for meaningful rewards to the valuable customers. Secondly, it is important to implement those elements into LPS in ways that customers feel more belongingness and connection to the loyalty programme. This helps in order to create valuable relationships with returning customers.

2.3 Key concept III – Marketing strategies for customer loyalty of an online retailer

Several marketing strategies enhance customer loyalty. According to Muniesa & Giménez (2020), crucial strategies for growing loyalty are digital marketing strategies, as the success of online fashion retailers largely depends on the digital and analytical capabilities of the companies (Muniesa & Giménez, 2020). Next to that, an important factor in forming customer loyalty is trust (Miller & Lu, 2019). Trust can be created by building meaningful relationships between the customer and the company (Miller & Lu, 2019).

As was stated in the first concept, trust is an important factor in forming customer loyalty. In the sector of e-commerce, the online environment must facilitate trust, for example through transparent information, responsive customer service, and other operational aspects (Suzianti *et al.*, 2015).

Among sustainable retailers, the term “green trust” plays a significant role. Green trust is defined as “reliance on something according to consumer expectations on its effect on environmental performance which could be identified from its ability to fulfil customer’s expectations and needs.” (Abdul & Baktash, 2019). It is suggested that to increase the level of customers trust, marketers should acquire transparent information about their products, such as certificates (Abdul & Baktash, 2019). This can make customers feel more confident when purchasing sustainable products. It is also suggested to highlight sustainability factors in products, this can be called “green labelling”, which can help the customers recognize the different sustainable features (Abdul & Baktash, 2019).

Important digital marketing tools include for example search engine optimisation, social media tools and influencers (Muniesa & Giménez, 2020). Social media marketing (SMM) is a two-way communication, which provides an opportunity to elevate the brand value by exchanging ideas, inspiration, and information among people online (Kim & Ko, 2012). This allows customers to engage and form a relationship with the company, which can lead to increased customer loyalty (Leung, 2013). Kim & Ko (2012) agree with Leung, adding that SMM contributes by strengthening customer relationships and creating purchase intent, thus is considered as an effective marketing

communications tool. Furthermore, email marketing is very effective for increasing customer loyalty, as it enables the company to share new information about the company, such as new products or events (Muniesa & Giménez, 2020).

2.4 Conclusions and knowledge gap

The literature review provided insights into the three key concepts *barriers and motivators impacting customer loyalty*, *loyalty program* and *marketing strategies for customer loyalty of an online retailer*. Several conclusions have been identified when applying the findings to TGL, resulting in knowledge gaps.

Barriers and motivators impacting customer loyalty

First, this section concludes that customer engagement is an important factor in building customer loyalty, thus TGL should continue actively engaging with customers, for example on social media or blogs, facilitating the space for conversation. By this TGL can nudge the customers in the creation of a positive brand image resulting in a reflection of the self-identity of a customer in a brand. Second, the term “green loyalty” is important for TGL to note that the creation of green loyalty requires the customer to trust a brand and therefore providing transparent information and communication is key. TGL would benefit from understanding why customers are returning and what motivates them to purchase from TGL.

Loyalty program

In conclusion, TGL should aim to reflect customer loyalty into the loyalty program, appealing not only with economic incentives but also with an emotional connection and sense of identity. In order to find out the customer’s specific wants and needs from a loyalty program, it is useful to carry out field research among customers, for example through a survey on the website.

Marketing strategies for customer loyalty of an online retailer

It was found that digital marketing strategies go hand-in-hand with the trust factor. Thus, TGL must aim to be transparent and trustworthy as possible, having honest and open communication with customers. TGL should continue with its SMM, proactively engaging with customers and facilitating the space for conversation. The field research should find out whether customers feel a connection with TGL.

Chapter 3 – Research Methodology

3.1 Conceptual Research Design

3.1.1 Research Questions

The in-depth research questions that were derived from the knowledge gaps of the literature review are:

What motivates customers to be loyal to TGL?

What motivates customers to participate in TGL loyalty program?

How satisfied are TGL customer with the brands loyalty program?

3.1.2 Research Objectives

To answer the central research question, sufficient knowledge about the motivation and barriers of TGL customers is needed. This is needed to fully understand what draws loyal customers to become and remain loyal to TGL. This will help to set the focus on making the potentially loyal customers loyal. It is needed for confirmation of what TGL is doing well, as well as what can be improved so that customers connect and identify themselves with the brand and want to repurchase.

To answer the sub-question, evaluation on how the current loyalty program (LP) is doing is needed, including the awareness of the LP among the customers, as well as what motivates customers to join and participate. Furthermore, the research aims to find out what do customers perceive as valuable in an LP.

3.1.3 Operationalization

To deliver those research objectives, research was conducted by operationalizing the knowledge gaps:

- Motivators for customer loyalty
- Motivators for joining TGL loyalty program
- Satisfaction of TGL customer with the loyalty program

Each concept was divided into several indicators with variables. Both closed and open questions for the field research were derived from the operationalization (see Tables 1-3).

Table 1.

Operationalization – Drivers for loyalty

Abstract concept: <i>Drivers for loyalty</i>
Knowledge gap: Motivators for customers to be loyal to TGL
In-depth Research Question: What motivates customers to be loyal to TGL?

Indicators	Variable	Questions
Connection to the values	<u>Type:</u> Feeling <u>Variable:</u> Feeling of connection to the brands values <u>Measurable entity:</u> Range from very low to very high commitment + open questions (OQs)	How connected do you feel to TGL values, mission and vision? In what way are your values aligned? (OQ)
Sense of identity	<u>Type:</u> Feeling <u>Variable:</u> Feeling of identity with the brand <u>Measurable entity:</u> Range from very low to very high feeling of identity + OQs	How important is it for you to be able to identify yourself with the brand? How important is this sense of identity to you?
Engagement with the brand	<u>Type:</u> Behaviour <u>Variable:</u> Behaviour with regards to engagement with the brand <u>Measurable entity:</u> Range from very low to very high engagement + OQs	How do you engage with the brand (for example social media, newsletter, or other)? (OQ)
Sustainability factors	<u>Type:</u> Opinion <u>Variable:</u> Importance of sustainability factors <u>Measurable entity:</u> Range from very low to very high importance + OQs	How important are the sustainability factors for your repeat purchase decision?
Customer service	<u>Type:</u> Opinion <u>Variable:</u> Importance of customer service <u>Measurable entity:</u> Range from very low to very high importance + OQs	How important is the customer service for your repeat purchase decision?
Ethical production	<u>Type:</u> Opinion <u>Variable:</u> Importance of ethical production <u>Measurable entity:</u>	How important is ethical production for your repeat purchase decision?

	Range from very low to very high importance + OQs	
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Table 2.

Operationalization – Participation in the loyalty program

Abstract concept: Participation in the loyalty program		
Knowledge gap: Motivators for customers to participate in the loyalty program		
In-depth Research Question: What motivates customers to participate in TGL loyalty program?		
Indicators	Variable	Questions
Awareness	<u>Type:</u> Knowledge <u>Variable:</u> Awareness about TGL LP <u>Measurable entity:</u> Yes/No	Are you aware that TGL has a loyalty program?
Participation	<u>Type:</u> Behaviour <u>Variable:</u> Participation in LPs <u>Measurable entity:</u> Yes/No	Do you usually participate in loyalty programs?
Interest	<u>Type:</u> Feeling <u>Variable:</u> Feeling of interest in LP <u>Measurable entity:</u> OQ	What interests you in loyalty programs? / What do you usually look for in loyalty programs?
Rewards	<u>Type:</u> Behaviour <u>Variable:</u> Being motivated by rewards <u>Measurable entity:</u> List (more answers possible)	Which rewards would motivate you to participate?

Table 3.

Operationalization – Satisfaction the loyalty program

Abstract concept: Satisfaction with the loyalty program		
Knowledge gap: Customer satisfaction regarding TGL loyalty program		
In-depth Research Question: How satisfied are TGL customers with the brands loyalty program?		
Indicators	Variable	Questions
Motivation	<u>Type:</u> Feeling <u>Variable:</u> Motivation to join TGL LP <u>Measurable entity:</u> List with options	What motivated you to join the LP?
Value of the rewards / added value	<u>Type:</u> Opinion <u>Variable:</u> Opinion on the value of the rewards <u>Measurable entity:</u> List with options	Which kind of rewards do you value the most?
Program design	<u>Type:</u> Opinion <u>Variable:</u> Opinion on the LP design <u>Measurable entity:</u> Yes/No/Neutrally	Do you find the design (visuals) of the LP appealing?
Likeability	<u>Type:</u> Feeling <u>Variable:</u> Feeling of liking the LP <u>Measurable entity:</u>	What do you like most about the LP

	OQ	
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3.2. Technical Research Design

3.2.1 Research Strategy

The field research explored the relationship between the customer and the brand, which made the combination of survey strategy and case study strategy the most suitable research strategies.

The first strategy applied was the survey, which consists of quantitative processing and analysis (Saunders et al., 2016). The data collection technique used was a website questionnaire, where the respondents were asked to answer the same set of pre-determined questions, which allowed valid quantitative data to be collected (Saunders et al., 2016). The survey strategy allowed the research to progress faster, as once the data was collected, it was immediately possible to start the data analysis.

Furthermore, the case study strategy was applied in the form of interviews, which allowed the collection of in-depth insights about the situation. According to Saunders et al. (2016), a case study research is most suitable when researching a changing situation, which applies to TGLs growing customer loyalty basis.

3.2.2 Research Material

A combination of several sources was used in the research. The field research main source were people, who provided insights quickly and flexibly. People were put in the position of respondents, giving insights about themselves, their opinions, feelings, attitudes, and behaviours. People were used as sources in both the survey and the oral interviews.

The second source were documents, which were carefully assessed and used in the desk research. These documents include research reports and academic literature, such as books and articles. These documents offered credible and reflective information, however, were acknowledged to be secondary sources, as they were initially created for the purpose of a different research.

3.2.3 Research Methods

The field research consisted of both quantitative and qualitative methods. The survey was a source of a large scope of quantitative data, accompanied by individual interviews, which provided insightful qualitative data.

Firstly, a survey was set live on TGL website through the survey tool Hotjar, which TGL regularly uses. This tool invited visitors to participate in the survey, in exchange for a 10% discount code. The aim of the survey was to gather insights on the customer loyalty and the loyalty program specifically.

The survey had two flows, one which was focused on website visitors that were members of TGLs LP, and one which had questions for respondents that were not members of the TGLs LP. This allowed the differentiation between the respondents and gathered insightful data from both sides. The survey gathered a total number of X responses, of which X were valid. The survey was anonymous, thus helped obtain honest answers, which increase the validity of the research (Visser et al., 2000).

Secondly, simultaneously with the survey, six oral interviews with TGL customers were conducted. The interviews were held online via Google Meets. The interviews focused on the overall understanding of customer loyalty. The interview analysis started by creating verbatim transcripts, which were later analysed through the software Atlas Ti. Firstly, initial codes were found, followed by final codes which helped identify the key insights and findings. The coding scheme consists of three main categories *Customer loyalty*, *Shopping experience*, and *Loyalty programs*. *Customer loyalty* includes the purchase motivation, and level of aligned values and trust. *Shopping experience* refers to customers purchase experience and employee interaction. *Loyalty programs* includes customer motivation to join a loyalty program. The coding scheme can be found in the appendix.

3.2.4 Research Planning

The research methods mentioned above took place as following:

- i. The survey was set live on the 7th of May and ran on the website till 16th of May
- ii. Six oral individual interviews via Google Meets were conducted between 4th and 20th of May

3.2.5 Sampling

As this research is a university project, it is bound to budget and time constraints. Additionally, the average number of sales per month is X, thus questioning all customers would exceed the available time and resources. Therefore, in search for a feasible approach, the research focused solely on customers from The Netherlands. In order to answer the research question about what motivates customers to be loyal to TGL, a representative sample was used. Based on this sample it will be possible to write a communication advice to TGL. As this research is not based on a sampling frame, non-probability sampling was used to find suitable research participants for the survey and interview.

All samples for the field research were based on non-probability sampling, as they were all non-random. All samples for the survey were based on the self-selection technique of volunteer sampling, as the research was based on customers willingness to participate in the survey (Saunders et al., 2016). A survey in the form of a questionnaire was placed on TGL's website, asking for participation from customers in The Netherlands. The participants were rewarded with a 10% discount code for their next purchase at TGL.

To select the interview participants, a combination of purpose non-probability sampling technique purposive sampling and volunteer sampling were used. For purposive sampling, emails were sent to selected returning customers from TGL customer database. Additionally, TGL website visitors were approached in a pop-up, asking to participate in the interviews. Those customers who either replied to the email or agreed to the interview via the pop-up were interviewed. As an incentive to participate, a 15% discount code was offered for their next purchase at TGL.

3.2.6 Validity and reliability

The quality of the research must be assessed with regard to validity and reliability. The combination of qualitative and quantitative data covers depth through individual interviews and breadth through the online survey.

3.2.6.1 Validity

To avoid researcher bias, the survey was consulted and test internally with TGL employees before publishing it on the website. The limited sample size was caused by the willingness of TGL customers to participate in the research. Therefore, the research was dependant on the customers interest in the topic, which might have led to a biased representation of the target population.

Additionally, several survey answers were considered invalid, which reduced the number of useful data.

3.2.6.2 Reliability

The research was conducted by a single researcher, which ensured the consistency of the research when interviewing, analysing, and coding. However, having multiple researchers could have reduced a potential bias and error.

Customers from The Netherlands were asked to participate in the research. However, there was limited control in ensuring the survey respondents were all from The Netherlands. Nevertheless, as the majority of TGL customers are from The Netherlands, it is assumed that the vast majority of survey respondents were based in The Netherlands. Therefore, the data is treated as reliable.

Chapter 4 – Results

4.1 Customer loyalty

The literature review (LR) revealed that for green customers it is important that their values are aligned with the values of the brand (Park & Kim, 2016). The survey results confirm this statement and show that the current level of feeling connected to TGL values among all survey participants is 4.35/5. This was analysed based on whether the respondent purchased 0-1 times (not a loyal customer) or 2 and more time (loyal customer). As can be seen in *Table 4*, a mean difference of $p < 0.05$ was detected with loyal customers showing that the feeling of connected values is higher.

Table 4

Mean differences between people who purchased 0-1 and 2+ times from TGL

	Times purchased from TGL	
	0-1x	2+x
Feeling connected to TGL values	4,29 ^a	4,69 ^b

a/b superscripts indicate a mean difference $p < 0.05$

The interviews revealed in-depth qualitative insights into what motivates customers to come back to TGL. The main motives appear to be sustainability factors, which are core for TGL's business. The interviewees repeatedly mentioned high-quality materials, ethical values, customer service and trust as the main motivators to return. Nevertheless, local production and CO2 neutral shipping are also not to be disregarded.

Next to the core sustainability factors, trust was found to be a key factor among all interviewees. This correlates with the findings from the LR, where Miller & Lu (2019) state that trust gives customers confidence when purchasing sustainable products and can increase customer loyalty. Abdul & Baktash (2019) mention that brands should present transparent information about the products or services and help customers orient themselves among this information. The interviewees were aligned with these findings, as they stated their need to trust a brand in order to repurchase, mentioning that "(...) whatever is communicated is actually also behind it, that it's not just a marketing thing but actually something that you are working on. If I can feel that I can trust you. Because I don't have the time to check everything. So I just wanna make sure I can trust."

Three out of five interviewees mentioned that the connection with the brand and people behind the brand is important for them. This is aligned with the survey findings, where it was shown that customers that feel connected to TGL values are more likely to return. One interviewee stated "I think I also met some of your colleagues and that also feels like you know that you are connecting with

people a little bit and you know who is behind a certain shop. And that is definitely for me more at the green labels, than if I would buy at a bigger brand for example. Because then you do not have that connection.” This is aligned with the LR, where the topic of customer engagement was discussed. Noh & Johnson (2019) stated that engaged consumers are more likely to create a positive brand image and brand connection, which can positively affect the consumers purchasing behaviour. In contrast, one interviewee stated that when purchasing a clothing item, she feels 80% connected to the clothing brand itself and only 20% to a retailer, such as TGL.

Furthermore, customer service was shown to play a significant role in customer loyalty, as when it is lacking, the customers feel discouraged to come back to the brand and repurchase. In contrast, one out of five interviewees noted that fast shipping is more important to her than customer service.

Additionally, regarding the purchase experience, the importance of the ease of use of the website was highlighted. An interviewee mentioned that the design must be intuitive for her to visit a web shop again. Moreover, she mentioned the need to feel inspired in her customer journey, stating that “Clothing is an experience, you want to be inspired with different styles. So, if a platform also offers that with a nice brand experience, with an email journey or newsletter, that inspires me. Or maybe a service or a nice loyalty program. That’s added value as well.”

4.2 Loyalty program

The survey revealed that out of 91 respondents only 17 were aware that TGL has a loyalty program. 4 out of these 17 aware respondents were members of the loyalty program. Two out of five interviewees were members of the LP.

The main reasons for joining the LP by survey respondents (91 participants) were discounts, rewards and offers. While interviewees mentioned the feeling of being rewarded for their loyalty. It was found that customers join the loyalty program when it is a brand that they feel connected to and they know they will most likely purchase again. “I actually didn't think about it too much, I probably thought I'm gonna buy something again, I might as well sign up”. Another interviewee repeated the importance of feeling valued by saying “(...)really feeling part of a community, like what you would have in the old days, like if you would go to the grocery shop, right at the corner, hey Isotta, nice to see you again, that feeling if you could transfer that in an email or a loyalty program I think that's really cool.”

The interviewees elaborated on their preference for rewards and agreed on the importance of receiving discounts in either % or €. One interviewee mentioned that the LP is not only about the

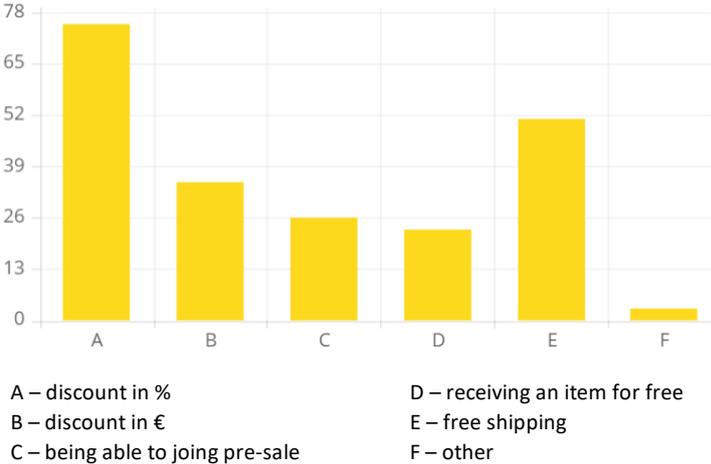
feeling of being connected to a brand, but also the value in a rational way, which must not be greedy. Two interviewees mentioned that being rewarded at different points in time, such as birthday or Christmas, also adds value and reminds the loyal customers that the brand thinks of them and values them.

Additionally, the survey open question “What do you usually look for in loyalty programs?” revealed more answers, such as: first news, updates, trends, information about the company/brand itself. This suggests that customers are interested in receiving the newsletter when signing up to the loyalty program.

The survey underlines the findings of the interview. As is visible in Figure 3 the survey respondents found discounts in % most valuable, together with free shipping and discounts in €.

Figure 3.

Customer survey responses for motivators to join loyalty program



As was mentioned earlier, the main reason for survey respondents to not join the LP was the unawareness of the LP, which was followed by the reason that the respondents do not usually participate in loyalty programs. Similarly, the interviewees that were not members of the LP noted that they do not usually participate in loyalty programs, as they do not see the need, especially, if the rewards are not satisfying enough or when they know they will not purchase very often from the brand. Another reason was that even though one interviewee was aware of the LP and was a loyal customer, she said “I never actually got to the point where I would click”. Additionally, survey respondents the need to not receive spam or be overloaded with information.

Chapter 5 – Conclusions and Implications for Recommendations

To conclude, the results from desk and field research will be combined to answer the central research question and sub-questions. Conclusions and implications for recommendations for the green labels will be imposed.

5.1 Conclusions

What factors positively impact customer loyalty according to the literature?

Desk research revealed that a good relationship between the company and the customer significantly strengthens customer loyalty. Customer engagement plays a big role, as it allows the creation of a positive brand image, which can lead to brand love, if self-identity is reflected in the brand. This means that it is important for customer to feel aligned with the brand. Customers might tend to associate human attributes, which form a stronger connection to the brand. Having a personal, individual connection to the brand is important as well. Trust has been found to be an important factor in increasing customer loyalty.

What motivates customers to be loyal to TGL?

The field research explored customer motivation to be loyal to TGL. TGL customers named sustainability efforts, ethical production, high-quality materials, customer service and trust as the main motivators to repurchase. Local production and CO2 neutral shipping were also considered as important by interviewees, but sustainability factors and trust were the driving factor for considering the brand in the first place and purchasing repeatedly. Moreover, customers appreciate feeling valued by the brand.

What are the barriers for customers to become loyal to TGL?

Bad customer service was found to negatively affect the repurchasing decision of interviewees. TGL customers request an honest and transparent communication and when this is lacking, they feel discouraged to come back. Another factor is missing information on the website. Lastly, customers mentioned that they might feel loyal to the particular brand and not to TGL as a retailer.

What are the important factors of marketing in increasing customer loyalty according to the literature?

Digital marketing is very important for online retailers, as it offers the opportunity for an open conversation with customers. Social media is an important tool, which allows customers to engage and form a relationship with the brand. Additionally, email marketing is considered as an important

marketing tool which enhances customer loyalty, as it provides a weekly connection with the customers.

What is the impact of the current loyalty programme on customer loyalty?

The survey revealed that the respondents neutrally agree that being a part of a loyalty program increases their customer loyalty to a brand. However, when it comes to TGL loyalty program, it was found that the loyalty program does increase the customer loyalty. Those customers that are members have purchased more often than those who are not.

What can be improved in the loyalty programme?

It was revealed that most survey respondents were not aware that TGL has a loyalty program. Therefore, significant promotion of the loyalty program has to be implemented to build the awareness. Furthermore, it was found that many of customers who were aware of the LP are not members. The interviews revealed that the customers simply did not register yet, with no apparent reason. Therefore, a call-to-action (CTA) must be implemented into the promotion of the LP. Interviewees also mentioned the feeling of being valued by the LP and the brand, for example by different points in time, such as birthdays or Christmas. Lastly, LP members value getting insights and news from the company, thus TGL can consider integrating this into its LP.

What motivates customers to join the loyalty programme?

Both the survey and the interviews concluded that discounts, rewards, and special offers motivate customers to join the loyalty program. Additionally, a highlighted factor was the feeling of being rewarded for the loyalty and the feeling of being valued. Generally, the customers join the LP when they know they will most likely repurchase. Interviewees also mentioned feeling a part of the community as an important aspect, which motivates them to join the LP.

Central Research Question:

What are the key factors that affect customer loyalty?

Key factors affecting customer loyalty are customer engagement, a connection between the brand and the customers, trust, and transparency.

5.2 Discussion

5.2.1 Limitations of the research

Several limitations need to be considered for a critical reflection of the findings. Firstly, the main resource were people, who can be subjective and might give socially desirable answers. Secondly, the research was intended to focus on all TGL customers in The Netherlands, however, for the research to

be feasible for one researcher, the resources had to be limited. Firstly, there was a time constraint which limited the research. Furthermore, next to the self-selection sampling of the survey participants, the small sample size of 6 interviewees might compromise the validity of the research. The small sample size of interviews was achieved by the time constraints. Additionally, with TGL just recently launching its loyalty program, TGL has a small number of customers that are active members of the LP, thus an in-depth evaluation of the current LP was limited.

Moreover, the research was conducted during the COVID-19 which led to a change in customers shopping behaviour and might not reflect the customer loyalty in a non-pandemic time. Lastly, due to health-safety reasons, the interviews were held online, which might have prevented a closer relationship to form.

5.2.2 Improvements and suggestions

In alignment with the limitations, several suggestions for improvements can be considered. A larger sample size for interviews is necessary for achieving a complete statistical measurement with participants from The Netherlands. It is advised to allocate more time and develop a strategy with interesting incentives for TGL customers to create a bigger sample of research participants.

Furthermore, in-person interviews might create a deeper relationship which could lead to more in-depth insights. Next to that it is advised to do separate interviews with active members of the loyalty program to gain in-depth insights into the LP.

5.3 Implications for research

Research found that customers need to feel a connection with the brand. The customers want to identify themselves with TGL, therefore this should be reflected in the promotional materials.

Furthermore, it was revealed that most survey respondents were not aware that TGL has a loyalty program. Therefore, significant promotion of the loyalty program has to be implemented to build the awareness. Furthermore, it was found that many of customers who were aware of the LP are not members. The interviews revealed that the customers simply did not register yet, with no apparent reason. Moreover, a call-to-action must be implemented into the promotion of the LP. Interviewees also mentioned the feeling of being valued by the LP and the brand, for example by different points in time, such as birthdays or Christmas.

It was found that customers value getting insights and news from the brands LP. Therefore, it is suggested to create the option to sign up for newsletter when signing up for the LP.

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Appendix

1. Survey questionnaire – field research

1. Thank you for participating! This survey aims to get insights into customer loyalty. Do you give consent for your anonymous data to be used in this research?

- Yes
- No

2. Which gender do you identify with?

- Male
- Female
- Other

3. How old are you?

- 15-25
- 25-35
- 35-45
- 45-55
- 55-70
- 70+

4. How many times have you purchased from TGL

- 0x
- 1x
- 2x
- 3+

5. How connected do you feel to thegreenlabels values?

1-5 (Not connected at all – Very connected)

6. How much do you agree with this statement?

7. Are you aware that thegreenlabels has a loyalty programme?

- Yes
- No

If yes:

8. Are you a member of the loyalty programme?

- Yes
- No

<u>Member of loyalty programme</u>	<u>Not a member of loyalty programme</u>
<p>What motivated you to join the loyalty programme?</p> <ul style="list-style-type: none"> • Being able to save up by earning rewards • Engaging with thegreenlabels • The design of the loyalty programme • Other: (open answer) <p>Which kind of rewards do you value the most? (more answers possible)</p> <ul style="list-style-type: none"> • Free shipping under 20€ • Getting discount in % (ex. 20% off) • Getting discount in € (ex. 40 euros off) • Getting an item for free <p>Do you find the design (visuals) of the loyalty program appealing? Yes/No/Neutrally</p> <p>What do you like most about the loyalty program? (OQ)</p> <p>If you could change anything in the loyalty program, what would it be? (OQ)</p>	<p>Do you usually participate in loyalty programs?</p> <ul style="list-style-type: none"> • Yes • No <p>Why have you not joined thegreenlabels loyalty program? (more answers possible)</p> <ul style="list-style-type: none"> • I wasn't aware of the loyalty program • I don't usually participate in loyalty programs • I don't want to share my email • I am worried about my data • It doesn't look very attractive • Other: (open answer) <p>What do you usually look for in a loyalty program? (OQ)</p> <p>Which rewards would motivate you to participate? (more answers possible)</p> <ul style="list-style-type: none"> • Discount in % (ex. 20% discount) • Discount in € (ex. 40€ off) • Being able to join a pre-sale • Item for free • Other: (open answer)

2. Semi-structured Interview Questions – field research

What level of commitment do you feel towards TGL?

Can you describe it?

Do you feel like your values are aligned with the values of the green labels?

How important is it for you to be able to identify yourself with a brand?

Do you feel that you identify yourself with TGL?

To what extent?

Do you engage with TGL somehow? (social media...)

How important are the ethical factors in manufacturing for your repeat purchase decision /for you to buy again?

How important are the sustainability factors for your repeat purchase decision?

How important is the customer service for your repeat purchase decision?

From the top of your mind, what factor would make you purchase again? / What motivates you to be loyal to a brand?

Are you aware that the TGL has a loyalty program?

What do you search for in a loyalty program?

Do you feel like loyalty program make you more loyal to the brand itself?

3. Verbatim Transcripts for Interviews 1-5



Interview-Jannemiek-
Evelo-4.5.docx



Interview-Isotta-van-
Oostrum-7.5.docx



Interview-Claudia-Kje
ms-7.5.docx



Interview-Sterre-vt-
Wout-7.5.docx



Interview-Lara-Pintea
-5.5.docx

4. Consent forms for Interviews 1-5



Consent form
Claudia thegreenlabel



Consent form Isotta
thegreenlabels_Signer



Consent form
Jannemiek thegreenla



Consent form Lara
thegreenlabels_Signer



Consent form Sterre
thegreenlabels_Signer

5. Interview recordings 1-5

https://drive.google.com/drive/folders/1c3ZNoPsueTQxPXJntopi_Lk1MNiVC99V?usp=sharing

6. Coding Scheme

Customer loyalty

Code	Definition
Purchase motivation	Interviewee speaks about the main motivations to purchase at TGL
Feeling aligned with values of TGL	Interviewee speaks about feeling that his/her values are aligned with the values of TGL
Feeling valued	Interviewee speaks about the importance of feeling valued by a brand
Trust	Interviewee speaks about the importance of trusting a brand

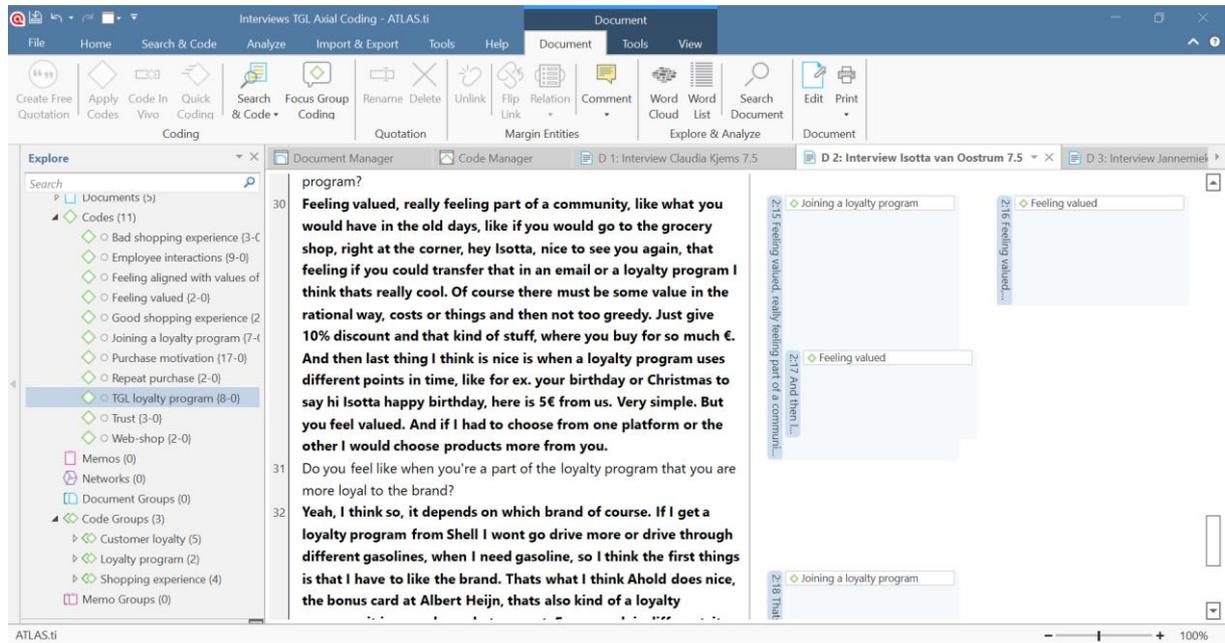
Shopping experience

Code	Definition
Employee interaction	Interviewee speaks about their interaction and/or connection with TGL employees during their shopping experience
Web-shop	Interviewee speaks about usability of a web-shop during their shopping experience
Good shopping experience	Interviewee speaks about their good shopping experience at TGL
Bad shopping experience	Interviewee speaks about their bad shopping experience at TGL

Loyalty program

Code	Definition
Joining a loyalty program	Interviewee speaks about their motivation to join a loyalty program
TGL loyalty program	Interviewee speaks about TGL loyalty program

7. Atlas.Ti Coding Interface Screenshot



8. Project Proposal



Project_Proposal_K.N
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Tables

Table 1.

Operationalization – Drivers for loyalty

Abstract concept: <i>Drivers for loyalty</i>		
Knowledge gap: Motivators for customers to be loyal to TGL		
In-depth Research Question: What motivates customers to be loyal to TGL?		
Indicators	Variable	Questions
Connection to the values	<p><u>Type:</u> Feeling</p> <p><u>Variable:</u> Feeling of connection to the brands values</p> <p><u>Measurable entity:</u> Range from very low to very high commitment + open questions (OQs)</p>	<p>How connected do you feel to TGL values, mission and vision?</p> <p>In what way are your values aligned? (OQ)</p>
Sense of identity	<p><u>Type:</u> Feeling</p> <p><u>Variable:</u> Feeling of identity with the brand</p> <p><u>Measurable entity:</u> Range from very low to very high feeling of identity + OQs</p>	<p>How important is it for you to be able to identify yourself with the brand?</p> <p>How important is this sense of identity to you?</p>
Engagement with the brand	<p><u>Type:</u> Behaviour</p> <p><u>Variable:</u> Behaviour with regards to engagement with the brand</p> <p><u>Measurable entity:</u> Range from very low to very high engagement + OQs</p>	<p>How do you engage with the brand (for example social media, newsletter, or other)? (OQ)</p>
Sustainability factors	<p><u>Type:</u> Opinion</p> <p><u>Variable:</u> Importance of sustainability factors</p> <p><u>Measurable entity:</u> Range from very low to very high importance + OQs</p>	<p>How important are the sustainability factors for your repeat purchase decision?</p>
Customer service	<p><u>Type:</u> Opinion</p> <p><u>Variable:</u> Importance of customer service</p> <p><u>Measurable entity:</u></p>	<p>How important is the customer service for your repeat purchase decision?</p>

	Range from very low to very high importance + OQs	
Ethical production	<u>Type:</u> Opinion <u>Variable:</u> Importance of ethical production <u>Measurable entity:</u> Range from very low to very high importance + OQs	How important is ethical production for your repeat purchase decision?

Table 2.

Operationalization – Participation in the loyalty program

Abstract concept: <i>Participation in the loyalty program</i>		
Knowledge gap: Motivators for customers to participate in the loyalty program		
In-depth Research Question: What motivates customers to participate in TGL loyalty program?		
Indicators	Variable	Questions
Awareness	<u>Type:</u> Knowledge <u>Variable:</u> Awareness about TGL LP <u>Measurable entity:</u> Yes/No	Are you aware that TGL has a loyalty program?
Participation	<u>Type:</u> Behaviour <u>Variable:</u> Participation in LPs <u>Measurable entity:</u> Yes/No	Do you usually participate in loyalty programs?
Interest	<u>Type:</u> Feeling <u>Variable:</u> Feeling of interest in LP <u>Measurable entity:</u> OQ	What interests you in loyalty programs? / What do you usually look for in loyalty programs?

Rewards	<u>Type:</u> Behaviour <u>Variable:</u> Being motivated by rewards <u>Measurable entity:</u> List (more answers possible)	Which rewards would motivate you to participate?
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Table 3.

Operationalization – Satisfaction the loyalty program

Abstract concept: Satisfaction with the loyalty program		
Knowledge gap: Customer satisfaction regarding TGL loyalty program		
In-depth Research Question: How satisfied are TGL customers with the brands loyalty program?		
Indicators	Variable	Questions
Motivation	<u>Type:</u> Feeling <u>Variable:</u> Motivation to join TGL LP <u>Measurable entity:</u> List with options	What motivated you to join the LP?
Value of the rewards / added value	<u>Type:</u> Opinion <u>Variable:</u> Opinion on the value of the rewards <u>Measurable entity:</u> List with options	Which kind of rewards do you value the most?
Program design	<u>Type:</u> Opinion <u>Variable:</u>	Do you find the design (visuals) of the LP appealing?

	Opinion on the LP design <u>Measurable entity:</u> Yes/No/Neutrally	
Likeability	<u>Type:</u> Feeling <u>Variable:</u> Feeling of liking the LP <u>Measurable entity:</u> OQ	What do you like most about the LP

Table 4

Mean differences between people who purchased 0-1 and 2+ times from TGL

	Times purchased from TGL	
	0-1x	2+x
Feeling connected to TGL values	4,29 ^a	4,69 ^b

a/b superscripts indicate a mean difference $p < 0.05$

Figures

Figure 1.

Research objective

The objective of the research project is to deliver a communication advice on increase the number of loyal customers of TGL in The Netherlands by evaluating the effectiveness of the current loyalty strategy and by establishing the criteria for an effective loyalty strategy. This will be achieved by understanding:

1. What motivates customers to be loyal to TGL
2. What are the barriers for customers to become loyal
3. How can marketing be used to increase customer loyalty
4. The impact of the current loyalty program on customer loyalty
5. What can be improved in the loyalty program
6. What motivates customers to join the loyalty programme

Figure 2.

Research Questions

CRQ: What are the key factors that affect customer loyalty?

- What factors positively impact customer loyalty according to the literature?
- What motivates customers to be loyal to TGL?
- What are the barriers for customers to become loyal to TGL?
- What are the important factors of marketing in increasing customer loyalty according to the literature?
- What is the impact of the current loyalty programme on customer loyalty?
- What can be improved in the loyalty programme?
- What motivates customers to join the loyalty programme?

Figure 3.

Customer survey responses for motivators to join loyalty program



A – discount in %
B – discount in €
C – being able to joing pre-sale
D – receiving an item for free
E – free shipping
F – other