STUDYING OF THE EFFECTIVE FACTORS ON A LOYALTY PROGRAM IN KITCHEN APPLIANCE BUSINESS

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A THEMATIC PAPER SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF MANAGEMENT COLLEGE OF MANAGEMENT MAHIDOL UNIVERSITY 2014

Thematic paper
entitled
STUDYING OF THE EFFECTIVE FACTORS ON A LOYALTY PROGRAM IN KITCHEN APPLIANCE BUSINESS

was submitted to the College of Management, Mahidol University
for the degree of Master of Management
on
January 4, 2014

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ACKNOWELDGEMENTS

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ABSTRACT

In current business situation, there is the high competition of the business world among companies to prevent their market shares as well as maintain the business sustainably. Therefore, several companies are trying to find out a tool that meet the above requirement and customer relationship management (CRM) is a beneficial tool for the companies to maintain their customer base to be longer with the company. Besides, CRM can help them to gain profits and revenues from both existing and new customers effectively. Inside of the CRM principle, the loyalty program is also a CRM tool that is widely used in nowadays. To successfully build a loyalty program, the company should create its loyalty program to meet the member's requirements in case of member's privileges, redemption point and timing as well as after sales service provided specially. However, the required investment is based on the company readiness to do CRM in terms of resources needed such as budgeting, people, customer database and corporate strategies aligned with CRM strategies.

To establish a loyalty program of a kitchen appliance company, the effective factors have been studied to find out what the factors are used by customers for making the decision to apply the loyalty program. Therefore, 10 variables are surveyed with 107 respondents by the questionnaire of 21 questions to find out the effective factors with factor analysis that is a start of a research process. This project would have benefited from more detailed and systematic analysis. However, time was a critical issue for this project. With factor analysis of data collected, the result has been revealed the two factors of member's benefits and after sales service attributes which influence the customer's decision to join the loyalty program after buying of a kitchen appliance. Therefore, CRM managers and marketers in the kitchen appliance business can use these factors for creating their loyalty programs to appeal customers to become members of the loyalty program more effectively and efficiently.

KEY WORDS: Loyalty program / Customer relationship management / Effective

Factor / Kitchen appliance

40 pages

CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER I

INTRODUCTION

At present, customer relationship management (CRM) has been implemented in several businesses which focus on building long-term relationship between customers and companies as well as increasing of repurchase. Generally, many companies use the CRM as a key strategy to build customer retention, loyalty and satisfaction more effectively. Besides, CRM can help those companies to sustain their profits in long term as well. However, not all companies will success by CRM program, but only some companies, which know how to implement CRM strategy effectively, get benefits or success with CRM strategy in the business. To sustain the business in long term, existing customers are the key of the company to continuously live in the business. Therefore, loyalty program is created in order to continuously maintain customers' behaviors in terms of the company products and services usage. New customers are also the target group of these loyalty programs, at the same time, the company expects their repurchase after using the company's products and services once. Tools in loyalty programs which are normally being provided to stimulate sales volume from existing customers are special discount rates, collecting points for rewards, free coupons, souvenirs, special events and activities for members and other privileges that normal customers cannot receive from their buying. With above privileges, the customers will be easily persuaded to apply for the loyalty program or be a member in the loyalty program of the company more effectively. This is a way for generating revenues from existing customers and help to boost growth in the business each year.

In the kitchen appliance business, there is a high competition among players in the market by using price strategy to compete with others. Most of them directly sell products such as gas hob, air ventilation hood, gas and electric oven and so on, via modern trade channels, for example, Home Pro, Home Works, Power Buy, Power Mall and else. On the other hand, they have no interests in putting investment

on outlets for direct-sales. This is the reason why the kitchen appliance companies have limited information of customers' database because the modern trade channels have never shared such data to them. One way for the kitchen appliance will be able to keep the customers' record is collecting warranty cards from the customers directly. However, the return rate of warranty cards, claimed by many service managers in household appliance business, is approximately 60% of total products sold in each month. This situation happens due to some Thai people do not like to send warranty cards back to the company and they will keep them until the product has a failure or any problems occurred, then they need to show warranty cards to get the after sales services from the company. With customer information restricted, a few kitchen appliance companies try to create a loyalty program to appeal customers to live with them in long term. Besides, they also try to transform the existing customers to be advocacy of their brands while this group of customers will suggest others to buy the products of the brands which they are using. One of outstanding methods in the loyalty program is the cooking class that is used to pull customers to join and embrace with the company or brand. An example of companies which are using loyalty programs is Verasu, the small appliance company who has own 5 outlets and Verasu corners. All locations are settled in big department stores, community malls and office buildings which are ideal for implementing the tactic of cooking class to gain customer loyalty and Verasu is more successful and well known in this area. As being the leader in this business, Pen-K Company is a big and old company in the kitchen appliance business that is using cooking class as loyalty program to engage customers into its brands and products. This activity will make customers feel more familiar with the products, services and brand. Besides, Pen-K also uses Facebook to be a tool to engage customers with company by letting customers make a booking of the cooking class via this channel only. By being a friend of the company's fan page, Pen-K makes use Facebook to communicate its products to the customers, including their close friends. Therefore a huge of people will see the company's products when they are promoted on Facebook. The loyalty program is a good way to communicate company's information, events, activities as well as products and services that embrace customers to be members of the company family.

To sustain the business in long term and gain more revenue from the kitchen appliance business, The Signature Brand Company has decided to use the CRM strategy to generate revenue from existing customers by using a loyalty program to reach its objectives. The membership program will be created to gain customers to be members of the company and privileges will be provided to appeal customers to purchase its products further. However, the company has no experience in the program, so they will have to study through research involving in the effective factors that have influenced on customers to register the membership program and figure out what benefits they want to gain from the membership program. With this study, it will support the company to create a successful loyalty or membership program and build customer retention and loyalty as well as customers' satisfaction to maintain long-term competitive advantage in this business.

1.1 The study question

The study question of this project was "What are the effective factors which have influenced on customers to register a loyalty program of a kitchen appliance company?" which will increase market's awareness of loyalty program in kitchen appliance business.

1.2 The study purpose

This thematic paper aims to study the effective factors that have influenced on loyalty programs in the kitchen appliance business. The purposes of this study are as follows.

- To understand the factors that could convince a customer to be a member of the kitchen appliance company.
- To understand the customer perspective to a loyalty program that they need to register and use.

- To suggest marketing managers, customer service managers or customer relationship management managers to build a successful membership program that meet customers' needs and values.

1.3 The scope of study

This research was conducted with the quantitative study through questionnaires that are focused on following scopes.

1. People who are using kitchen appliances in their home and the prospects who are willing to buy a kitchen appliance in the near future.
2. Sample size: 100 respondents are randomly selected.
3. Study period: November 2013.
4. The effective factors were analyzed by SPSS program to find the key factors which affect customer's decision to register to be a member in a kitchen appliance company.

For this study, there are contents that are consisted of introduction, literature reviews, data collection methodology, results, suggestions and recommendation, and discussion that will help to know what factors have influenced on customer's decision to join the loyalty program in the kitchen appliance business. Besides, there is a suggestion to marketers or CRM manager to know how to design an effective loyalty program to appeal customers to become members of their companies and retain existing members with the loyalty program longer. However, factor analysis is the initial step of a research process. More in-depth analysis requires more time to proceed while time is limited for this project.

CHAPTER II
LITERATURE REVIEW

2.1 Effective customer relationship management

Customer relationship management (CRM) is a powerful tooling of organizations to build close relationship with their customers effectively with the main purposes of building and maintaining the long-term relationship with customers as well as acquiring new customers. There is a survey of senior executives by Brain & Company's Management Tool 2001 (Gillies *et al* 2002) had founded that 72% respondents expected to have CRM program in place by the end of that year. The main reason is they want to implement CRM program as tool for building loyalty customers. However, only 14% of senior executives could get benefits as their expectation but nearly 60% said their CRM solutions were below expectations or replied "don't know". The cause of this failure is a mistaken view that CRM is a short cut for acquiring, building and retaining relationships with customers, which is wrong point of view. To be successful in CRM, there are three steps to lead managers who aim to use the CRM successfully, to achieve their expectations by developing a robust customer strategy based on good old-fashioned customer segmentation, realign the organization to support the plan and provide the appropriate tools and technology to support the organization's customer strategy and realigned organization.

To be successful with CRM strategy further, many firms struggle to change the way to provide their customers with products or services which are designed as product-centricity but they try to engage customer need and value to deliver the products or services which meet customer requirement as customer centric concept. The customer centricity (Shah *et al*, 2006) will support firms to gain profits from their customers more effectively because the products and services are consistent with their value. To change the product centricity to be the customer centricity in long term, the firm will have to align their cultures, processes, organization structure and financial metrics to support this strategy and drive them to go in the same direction.

Therefore, the customer-centered firm will get benefits from customers with their loyalty and profitability sustainably.

As many researches, the results indicate that the revenues are not contributed by most customers of the firm but 80% of firm's revenues come from 20% of firm's customers (Thakur and Summey, 2005). Therefore, firm should filter out their customers from its database to find out who are the profitable, potentially profitable and non-productive customers are because the costs to build relationship and retain the profitable and potentially profitable customers would be less than the other type. Besides, it is easy for the firm to manage their relationship with each group of customers independently. The Pareto filtering principle is a tool for eliminating customers as per above concept. The firm can provide some special privileges to profitable customers to maintain them with the firm in long term and gain further profits. Similar to profitable customers, the potentially profitable customers will subsequently turn to be profitable customers and generate profits for the firm in the future. Ang and Taylor (2005) categorized the customers in a telecommunication company by frequency of usage and actual gross margin. The customers were divided into four groups which were called stars, supernova, eclipse and black holes. Thereafter, the researchers used different strategies to each group to develop their relationship with the company in order to turn low and negative margin customers to be more profitable or viable customers. Besides, the result of the research stated that if the profitability of all customers can be better managed, then it will lead to a better overall financial health of the company because they save more expenses from managing customers efficiently.

For getting full benefits from CRM strategy and customer filtering, the data analysis is important to get deep insight of customer's behavior such as demography, purchasing power, and lifestyle as well as frequency of products in needs. The firm can make use from customer information, which get from customer directly or their transaction, to know what they need to buy daily or their purchasing behavior and then, the firm will be able to provide relevant products and services to its customer more effectively that will influence customers repurchase in their store further (Marsella *et al*, 2005).

2.1.1 Introduction for loyalty program

In the current competition in businesses changes over time and becomes stronger, business firms have been searching for the most effective tools to acquire and retain customers. To accomplish these goals, the loyalty program has been used as a vital tool for building, developing and retaining relationship among their customers. We have seen a number of firms apply loyalty program to achieve the goals in several businesses such as airlines, hospitality, financial services and retail businesses. In the US market, we found that there were more than two billion loyalty program memberships in 2011. The high adoption rate of the loyalty schemes has been found in many countries around the world (Kongarchapatara and Shannon, 2012).

2.1.2 Effective loyalty program

Although there are a number of previous researches in this area indicated that the effectiveness of the loyalty programs remains unclear (Kumar, 2008), but a number of previous researches reveal that the using of loyalty program are effective in terms of positive impact on consumer behavior, for examples, sales, share of wallet (SOW), patronage decision of customers and increasing in customer loyalty. To create an effective loyalty program, Kongarchapatara and Shannon (2012) proposed the five factors: Program Design Customer-related Factors, Market and Environmental Factors, Program Implementation and Post-participation Customer Behavior to study their impact to the loyalty program of retailing business. The results showed that a well-designed structure of loyalty program can have positive impact on the customer loyalty, both program loyalty and retailing store loyalty. Customer satisfaction is a key factor that affect to program loyalty and store loyalty. If the organization provides high quality service to customer, it will be positively related for customer loyalty as well. Therefore, if members are not satisfied with their loyalty program, they will not be a loyalty customer eventually.

Acatrinei and Puiu (2012) studied the effectiveness of loyalty program in retail stores in Romania. They evaluated the impact of loyalty card issued in terms of customer satisfaction and loyalty. The loyalty program aim to increase repurchase behavior, switching costs of customers, share-of-wallet rate, usage frequency and loyalty to the brand, product and service and store. Members will be received reward,

discount or cumulative points for redemption from their repurchase in firm's stores as well as promotional products. However, many members feel that the reward level should be reached properly and timing of redemption should not be longer than their expectation. Moreover, the gifts or any reward will have to match with their lifestyle. Therefore, marketers should take these points to design the loyalty program to focus on member information and make it to appeal customers further (Gundala *et al*, 2012) (Berman, 2006). Indeed, when the firm will issue a loyalty card, they should consider its advantages and disadvantages before issuing its card in table 2.1.

Table 2.1 Advantages and disadvantages of issuers and holders of loyalty card

Card	Advantages	Disadvantages
Issuer	• Identify the key customers • Create deeper relationship with customers • Tracking customer shopping behavior • Increasing sales • Consumers become advocates or believers • Customers become less price sensitive • Sell databases of consumer behavior legally	• The Cost of implementing and maintaining the program • A company has to make more effort to get out of it • Customers may switch easily to competitors after redeemed points • Information can be misleading • Rewards are not attractive sufficiently • System has some error for rewarding
Holder	• Financial benefits such as free gift, discount or purchase voucher • Customer experience and social advantage	• The incentive is not worth the effort • Loyalty cards can be more spies and less a benefit • The reward is not equal with the effort

The information on the table will help the firm avoid or improve its loyalty program more effectively before issuing as well as designing a loyalty program to be more attractive for customers in terms of rewarding, program benefits and protecting given information from members.

Gundala *et al* (2012) also studied loyalty schemes to know how the schemes create customer loyalty in Trinidad's supermarket retail sector. Loyalty has

an effective dimension and its key components of affective loyalty are customer attitude and customer satisfaction. The customer satisfaction directly influences to increase customer loyalty by perceived quality, value and brand equity (Mehdi *et al*, 2013). The brand satisfaction and brand attitude are antecedents of the customer's repurchase intension for a product. Brand preference and satisfaction are also an antecedent for repurchase intension. Therefore, the satisfaction has the relationship with repurchase behavior. If the loyalty schemes can increase customer satisfaction effectively with attractive rewards or discounts, the members will trend to purchase further and come back to the firm's stores to purchase products in the coming future.

The research in Trinidad has found that there were effective factors that are likely to generate loyalty among supermarket shoppers. Besides, they have determined the criteria to screen alternative factors which support the loyalty schemes designed to meet customer perceived. The factors have been screened (Berman, 2006) as outstanding rewards, points must roll over, points must be attainable, cardholders must feel special, shortest possible time to redeem points, discounts instead of points knowing rewards they are working towards, it must create excitement, and information on point's status. The loyalty schemes that are consisted of these nine factors directly influence both customer and brand loyalty in long run of the business. For example, 7-11 convenient stores in Thailand issue its loyalty program by issuing stamp for discounting 1 stamp per 1 Baht or collecting to redeem gifts in different levels. This program can increase its revenues dramatically and customer will be less sensitive price during the program period because they can use stamps to discount any products in the store. Some promotional products in its stores will give additional stamps than other products which this method will influence customers do not feel those products are so expensive. The main benefit of the program is 7-11 convenient stores can increase the customer loyalty eventually.

2.2 Relationship between customer satisfaction and customer loyalty

A research study of banking sector in Pakistan (Hafeez & Muhammad, 2012) was conducted to find impact and relationship of service quality, customer satisfaction and loyalty program on customer loyalty. The research indicated that

these three factors are important factors that can increase customer loyalty toward its bank but customers slightly satisfy with the services of bank operations. Although the result indicated that loyalty program can help banks to increase the customer loyalty effectively but Pakistan banks do not establish any loyalty program to general customers, in fact they only offer loyalty program to their corporate customers. Therefore, the loyalty program should be offered to retain customers because loyalty programs can develop strong relationship with all the customers that could directly and indirectly influence the success of firms.

As we have known (Bobalca and Ciobanu, 2011) that customer satisfaction can directly increase customer loyalty; the factors that affect customer satisfaction are identified and studied as a construct of loyalty. Therefore, the factors are divided in five dimensions which consist of personalization of the relation, the experience with the products, easiness of buying, reflection of the brand on self-image and professionalism of the salesman. Loyalty is also measured by its four dimensions as cognitive, affective, conative and action. To investigate the relationship between those factors and the loyalty, the affective loyalty is positively influenced by the reflection of the brand on self-image and by the experience with the products. The conative loyalty is positively influenced by the professionalism of the salesman, the experience with the products and the easiness of buying. The active loyalty is positively influenced by the conative loyalty and affective loyalty. The manager can use these factors with positive impact on behavioral loyalty to develop their short term strategies.

There is also a research (Yi and Jeon, 2003) that especially investigated how reward schemes of a loyalty program influence perceived value of the program and how value perception of the loyalty program affected customer loyalty. They had founded that the effects of loyalty program on customer loyalty were different depending on involvement. In high involvement condition, the direct rewards were preferable to indirect rewards that had no reward timing involved. In the low involvement condition, immediate rewards were more successful to building a program's value than delay rewards such as mileage program. In case of the relationship between value perception, program loyalty and brand loyalty (Figure 2.1), the value perception directly affected to the brand loyalty and there was a strong

relationship in high involvement condition more than low involvement condition. For indirect relationship, value perception would affect brand loyalty through program loyalty that they were stronger relationship in the low involvement condition than the high involvement condition. Therefore, brand manager should consider involvement as an important factor for designing a loyalty program.
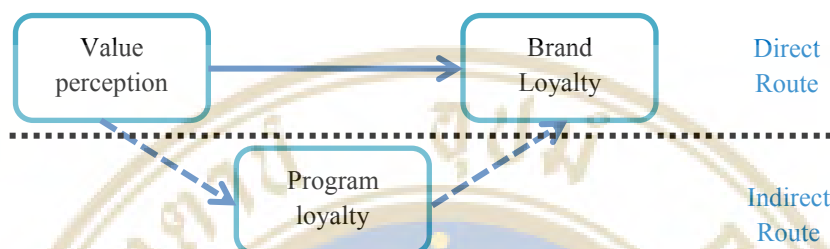
Figure 2.1 Relationship between value perceptions, brand loyalty and program loyalty

With the effects of customer satisfaction on customer loyalty, we have known that customer satisfaction is a key to increase customer loyalty and brand loyalty. Customer satisfaction can be measured via questionnaires of how well a company's products and services meet or exceed customer expectation. There is a research that studied factors to determine customer satisfaction in consumer durable white goods such as refrigerators, washing machines, air conditioners, and audio-visual equipment. Regarding to the analysis, there were fourteen factors extracted and ranked which were overall quality, worthiness, responsiveness, warranty, pre-sales, after sales service, loyalty program, usage experience, sales person's behavior, repair, reliability, customer service, product compatibility, and competitive price. Customers, who buy different products, will be affected by determining factors differently. For example, customers, who buy audio-visual equipment, will emphasize on service attributes (repair, pre sales, after sales service, customer service and reliability), product attributes (warranty and worthiness) and customer attributes (product compatibility and competitive price) which are the determining factors for customer satisfaction in audio-visual brands. While the determining factors for customer satisfaction in washing machine are service attributes and customer experience. For air conditioners, the determining factors are customer loyalty, price attributes and product

attributes. Therefore, firms in white goods industries will have to consider and study these determining factors for customer satisfaction thoroughly via consumer behavior, customer feedbacks and its employee feedback to know what the important factors are affected to their customer satisfaction. The benefits of the knowledge will help the firm in white goods industries to effectively improve or develop their products, services, operations, staff training and recruiting as well as customer experience which customers usually approach its products and services. When the products or services meet or exceed customer expectation, customer satisfaction will be increased effectively. By increasing of customer satisfaction, the customer loyalty will influence to repeat purchase behavior and the firm's revenues increased.

2.3 Developing an effective loyalty program

To develop the customer loyalty program effectively (Berman, 2006), there are four broad types of loyalty program which are generally used to increase customer loyalty as following details.

1. Type 1: Members receive additional discount at register which this membership open to all customers and each member receives the same discount regardless of purchasing history considered. This type of the program has no customer information such as demographic data or purchasing history. Therefore, there is no specific communication to target group of members to increase repeat purchase behavior in a certain product that firm needs to focus on.

2. Type 2: Member receive free when they purchase N units which this membership open to all customer like type 1 but firm cannot link purchases to specific customers in customer database.

3. Type 3: Member receive rebates or points based on cumulative purchases that will encourage members to spend more to receive qualifying discount.

4. Type 4: Member receive targeted offer and mailing which members are segmented bases on their purchase history. This type of membership need to have customer database supported about customer demographics and purchase history.

In developing, implementing and controlling an effective loyalty program, there are 10 steps involved in the planning and implementation of an effective loyalty program which are proposed as following steps.

1. Outlining loyalty program objective: the objectives of a loyalty program must be clear and relevant to the program type. The objectives can be involved with revenues, profits, customer loyalty and increased information on consumers.

2. Developing a budget: the loyalty program budgets should be reflected all expenses that will be used in the program to make sure budgets will cover all operations in each loyalty program activity.

3. Determining loyalty program eligibility: The program eligibility should be based on customer profitability. The members will have to be segmented to know who are the lower profitable customers and find an appropriate tool for managing this group to generate revenues for the firm further or consider not maintaining the relationship longer. Another alternative that will help to eliminate low profitable customer to join the loyal program is determining a minimum purchase requirement. Then the loyal program will have only profitable customers joined.

4. Selecting loyalty program rewards: all loyalty program types should be considered to select which type is most appropriate to the firm in aspects of financial status, strategy, customer behavior and needs, competitors and so on.

5. Considering partnership with others: to make the program more attractive to members, the firm should consider strategy alliances to cooperate with others that will get benefits together. For example, the airline business has partnership with hotels and travelling agents to offer special discounts to members when they redeem their cumulative points.

6. Building an appropriate organization: firm may have to establish new departments such as call center and staff to serve and support its members when they have any inquiry or seeking for help.

7. Developing and maintaining the loyalty program database: The loyalty program database has to reflect purchase data for firm's channels as well as firm's partners. Firm should link and collect demographic data and credit history data into their loyalty program database.

8. Managing an internal data warehouse and data mining capacity: the loyalty program provider needs to manage its data warehouse and data mining capability to analyze the data that is used for promotional, marketing research and segmentation purposes. This helps firm to get benefits to make use its database to analyze customer's behaviors which helps firm generate revenues in specific channels and products.

9. Evaluating the success or failure of the loyalty program: this is the final stage of loyalty program development that will help firm to know the program performance. Firm can make a survey regularly to gauge its member's satisfaction and feedback which can be used to adjust, improve or develop the program to meet member's requirement further. Besides, firm can establish some activities or promotion to grab the opportunities from evaluation.

10. Taking corrective action: This is the last step for taking corrective action in the event that loyalty program performance does not meet objectives determined. This step will support the loyalty program runs effectively to reach the goals.

The above 10 steps of developing and implementation for an effective loyalty program will bring firm or marketers to create appropriate the loyalty program to meet firm's objectives more efficiently and help firm to build and maintain customer loyalty sustainably.

CHAPTER III
DATA COLLECTION METHODOLOGY

3.1 Research methodology

This study aims to find the factors which affect to a loyalty program in kitchen appliance business, and to develop an effective loyalty program that can increase customer loyalty in long run of the business. Besides, the increasing of customer loyalty will simultaneously generate revenues and profits for the business as well. Therefore, the key of developing an effective loyalty schemes is to know what the attributes can appeal members to regularly use the program to repeatedly purchase the firm's products.

By the previous researches, there was a proposed a construct of 14 factors that determined customer satisfaction in consumer durable (Krishnan and Hari, 2011), particularly white goods such as audio-visual equipment, refrigerator, washing machine and air conditioner. The factor analysis method was used to extract key factors and the result of this analysis delivered attributes which can increase customer satisfaction as service, product, customer, customer experience, customer response, price, and customer loyalty. Additionally, another research (Gundala *et al*, 2012) used loyalty schemes to create a construct which were consisted of outstanding rewards, point must roll over, point must be attainable, cardholders must feel special, shortest possible time to redeem points, discounts instead of points, knowing rewards they are working towards, it must create excitement and information on point status. This research was for studying customer loyalty created by loyalty scheme in supermarket retail sector.

To find factors which affect to loyalty schemes in the kitchen appliance business, so loyalty schemes is by to create a construct which are modified from the model that proposed by Gundala *et al* (2012) as shown in figure 3.1. The construct created is consisted of 10 variables as regularly maintenance service, discount for repairing service, extended warranty, immediate discount, buying promotional product

with special price, cumulative points for redemption, unlimited timing of redemption, attending special events and activities, redeem points with other allied companies, and getting membership information annually. There is a differentiation as the proposed model in previous research by adding 3 variables of after sales activities because after sales activities are an important key when customers consider buying of a consumer durable (Krishnan and Hari, 2011). The consumer durable may have a failure in the future and customer would like to make sure that they will get the good after sales service from the firm when they face any failure with their appliance. These variables will be analyzed to find its relationship with loyalty schemes and to know which variables will appeal customers are interested to register the loyalty program. Besides, factors analyzed can be indicated that which factors can help to increase the customer loyalty and membership loyalty more effectively.
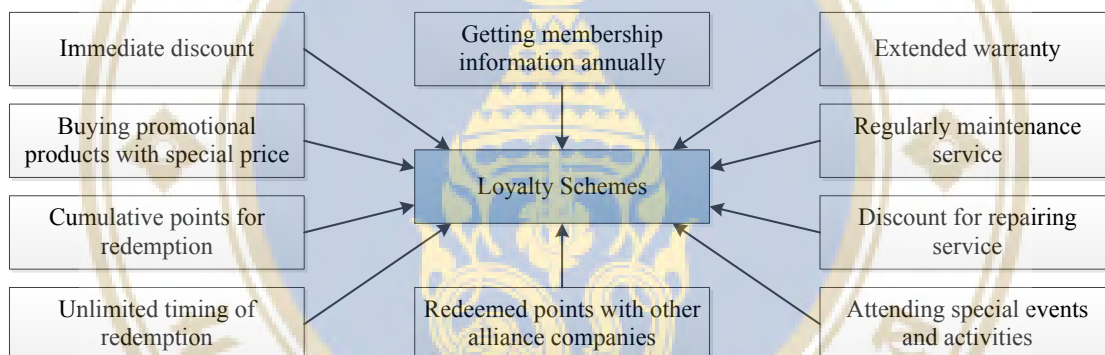
Figure 3.1 Modified constructs of loyalty schemes
(Source: Gundala *et al*, 2012)

3.2 Data collection

This study used the quantitative research to measure the rating scale of the 10 variables. The questionnaire was created with 21 questions, which are contained with demographic questions, brand awareness, usage frequency, effective channels for communicating to the target group, distribution channels and Likert's rating scale of 10 factors. These questions will be benefits to the firm's CRM manager, marketing manager or marketers for knowing customer information and understand consumer behaviors such as the place that they usually buy the appliances. The online

questionnaires were distributed to respondents who have kitchen appliances in their home. The list of respondents was pulled from the customer database in the Signature Brand Co., Ltd. 140 respondents was invited to make the questionnaire and they was selected to make sure that they could use the internet and had e-mail address for direct sending the questionnaire to them correctly. For data analysis, 10 variables were used for identifying the customer loyalty by factor analysis model with varimax rotation method will be used to analyze the data collected.

3.3 Factor Analysis

Factor analysis is a statistical method used to categorize the related variables into the same factor and to reduce unrelated variables. The variables in the factor usually have the high relationship between them which the relationship would be either positive or negative value. Each variable of factors are unrelated or have low correlations. The benefits of factor analysis are following details.

- The method is used to reduce the quantity of variables to the same factor. The acquired factors can be used as variables for further statistical analysis as regression and correlation analysis, ANOVA, discriminant analysis and so on.

- The correlation structure of studied variables can be observed.

- Each factor can be described as the variable inside which can be used for strategic planning.

Therefore, the factor analysis is a preliminary method for more detailed analysis such as regression and correlation analysis which spends more times for analyzing. As time is a key issue of this project, more detailed analysis can be used in the next project in the future.

CHAPTER IV
RESEARCH FINDINGS

4.1 Data analysis

As the questionnaire has been sent to 140 respondents, there were 107 respondents accepted to answer the questionnaire and we found two respondents (1.87% of all respondents) specified that they had no kitchen appliances used in their homes or rental shelters. However, those two respondents had experiences for using the appliance in other places, for instance, office because they specified that they used the appliance every day. In other words, there were 105 respondents (98.13% of all respondents) specified that they had and used the kitchen appliances in their homes. By respondents surveyed, there are 27.1% of all male respondents and the rest of 72.9% is female that is a great number of kitchen appliance users as shown in table 4.1.

Table 4.1 Gender of respondents

Gender	Number of Respondents	Percentage of Respondents
Male	29	27.1%
Female	78	72.9%
Total	107	100%

Therefore, the data collected of 105 respondents will be analyzed about their demography and behaviors in details, hence, the firm could launch any program or promotion in order to impress the customers.

According to the data concerned for age range in table 4.2, the information indicates that the age range of 31 – 35 years old is the highest portion or 36.2% of all respondents. The age range during 26 – 30 years old is the second portion (21.9% of all respondents) and people during 36 – 40 years old are the third portion (21% of all respondents).

Table 4.2 Age range of respondents

Age Range (Years Old)	Female	Male	Total	Percentage
21 - 25	4	1	5	4.8%
26 - 30	18	5	23	21.9%
31 - 35	29	9	38	36.2%
36 - 40	11	11	22	21.0%
41 onwards	14	3	17	16.2%
Total	76	29	105	100.0%

When we combine the number of age range between 26 – 40 years old, the information indicates that the percentage of this group of respondents is 79.1% of all active respondents. However, people with the age of 41 years old onwards are also important with a certain number of 16.2% of respondents.

As the income data analyzed in table 4.3, the highest portion of income is 50.5% of all respondents or the people who earn more than 40,001 Baht per month, so this group of people trends to be the profitable customers for the kitchen appliance business in the future and the firms should penetrate them with product or market penetration strategies to gain more profits and revenues. In the other words, the profitable customers or 49 people with income more than 40,001 Baht per month are between 31 years old onwards that represents 46.7% of the respondents because they have more purchasing power than other groups.

Table 4.3 Income of respondents

Income (Baht)	Age Range (Years Old)					Total	%
	21 - 25	26 - 30	31 - 35	36 - 40	41 up		
10,001 - 20,000	3	7	2	1	1	14	13.3%
20,001 - 30,000	2	4	9	3	2	20	19.0%
30,001 - 40,000	0	8	7	2	1	18	17.1%
More than 40,001	0	4	20	16	13	53	50.5%
Total	5	23	38	22	17	105	100.0%

Besides, people who earn monthly income between 20,001 – 40,000 Baht trend to be the potential profitable customers for the kitchen appliance business that represent 36.1% of the active respondents and their ages are more than 21 years old. Therefore, the firm in this business should build relationship with this group of customers and turn them to be their profitable customers in the future.

When data is analyzed deeply in occupation, the information has been shown in table 4.4 that the office employees who earn the monthly income more than 40,001 Baht or 66.7% of all respondents have the biggest purchasing power. The business owner who earns the monthly income more than 40,001 Baht is the second on ranking or 17% of all respondents.

Table 4.4 Occupation of respondents

Occupation	Income (Baht)				Total	%
	10,001 - 20,000	20,001 - 30,000	30,001 - 40,000	More than 40,001		
Office employee	8	10	10	42	70	66.7%
Business owner	1	4	2	10	17	16.2%
State enterprise /Civil servant	1	4	3	1	9	8.6%
Professor /Teacher /T.A.	1	2	2	0	5	4.8%
Housewife	3	0	0	0	3	2.9%
Unemployed	0	0	1	0	1	1.0%
Total	14	20	18	53	105	100.0%

There were six educational levels which have been surveyed, categorized as lower than high school, high school, high vocational certificate, bachelor degree, master degree and doctoral degree respectively as shown in table 4.5. By data analysis

of education level data, the biggest group of people graduated the bachelor degree at
53.3% of all respondents and the second group of respondents, who graduated the
master degree, was 41.9%. To combine with income data, the information indicates
that the people, who graduated the bachelor and master degrees, earn monthly income
more than 40,001 Baht is counted as 50.5% of all respondents. Besides, if we combine
the people who earn monthly income in the range of 30,001 – 40,000 Baht, we will
discover that the people who graduated the bachelor and master degree is 67.6% of
total respondents.

Table 4.5 Education level of respondents

Education Level	Income (Baht)				Total	%
	10,001 - 20,000	20,001 - 30,000	30,001 - 40,000	More than 40,001		
Lower than high school	1	0	0	0	1	1.0%
High school	0	0	0	0	0	0.0%
Diploma	0	1	0	0	1	1.0%
Bachelor degree	10	11	10	25	56	53.3%
Master degree	3	6	8	27	44	41.9%
Doctoral degree	0	2	0	1	3	2.9%
Total	14	20	18	53	105	100.0%

With the usage frequency of kitchen appliance surveyed, the information
indicates that 78.1% of total respondents normally use kitchen appliances everyday as
shown in table 4.6 and it has demonstrated that people can touch kitchen appliances in
several places such as home or office. The appliance becomes a part in daily life.

Table 4.6 Usage frequency of kitchen appliance

Usage Frequency	Total	%
Everyday	82	78.1%
3 - 4 times per day	2	1.9%
3 - 4 times per week	7	6.7%
1 - 2 times per week	9	8.6%
1 - 2 times per month	5	4.8%
Total	105	100.0%

With the information in table 4.7, respondents mostly got information about kitchen appliances though TV and cable TV at 47.6%. Internet is the second source at 17.1% that respondents receive information and the product catalog is the third at 16.2% that respondents use for selecting products to buy. Family members and friends is the next channel at 8.6% that respondents want to get product information which they have bought in terms of usage, function and durability as well as after sales service.

Table 4.7 Communication channels for product information

Communication Channels	Total	%
TV/Cable TV	50	47.6%
Internet Websites	18	17.1%
Catalog	17	16.2%
Family members/ friends	9	8.6%
Social Medias	5	4.8%
Magazines/newspaper	3	2.9%
Others	3	2.9%
Total	105	100.0%

When respondents want to buy a kitchen appliance, they will think of department stores at 39% particularly their electronic and electric appliance department such as Power Buy or Power Mall. Some respondents will go to modern-trades at 37.1% which provide products and services in home such as Home Pro,

Home Works, Boontavorn or Taiwatsadu. Besides, 18.1% of total respondents will go to buy kitchen appliances in hyper markets such as Tesco Lotus or Big C and a few of them will buy the appliances in kitchen appliance's showrooms or internet. The information of distribution channels which the respondents will consider, has been shown in table 4.8.

Table 4.8 Distribution channels of kitchen appliance

Distribution channels	Total	%
Department stores	41	39.0%
Modern-trade	39	37.1%
Hyper Market	19	18.1%
Showroom	3	2.9%
Others	3	2.9%
Total	105	100.0%

It is obvious that the most favorite brand of kitchen appliance in respondents' thoughts or the top in their minds is Electrolux at 56.2%. SMEG/MEX is the second brand at 8.6% and Siemens is ranked as third at 6.7% that respondents will think of when they eager to buy a kitchen appliance. The favorite brands have been shown in table 4.9.

Table 4.9 Favored brands of kitchen appliance

Favored Brands	Total	%
Electrolux	59	56.2%
SMEG/MEX	9	8.6%
Siemens	7	6.7%
Samsung	5	4.8%
Toshiba	5	4.8%
Sharp	4	3.8%
Philips	3	2.9%
HAFALE	1	1.0%
TEKA	1	1.0%
Others	11	10.5%
Total	105	100.0%

We have surveyed to find out what the motivation to buy a kitchen appliance when the respondents buy it at the first time or what the first criteria that they use to make decision to buy it. By the surveyed data, the information indicates that product innovation is the first motivation that motivates them to buy the product at 30.5%. The recommendation from friends and family members (20%) also influence respondents to buy the product that their friends or family members have had some experiences with those kitchen appliances. Some respondents at 14.3% buy the product because it has an attractive design and meet their needs. Other respondents buy the product because they perceive it through any advertising media at 12.4%. 9.5% of total respondents consider the promotion that appeals them to buy. The motivation to buy kitchen appliance at first time has been shown in table 4.10.

Table 4.10 Motivation to buy for kitchen appliance

Motivation to buy	Total	%
Product innovation	32	30.5%
Recommendation from friends or family	21	20.0%
Attractive design	15	14.3%
TVC, print ads, radio and other advertisements	13	12.4%
Good promotions	10	9.5%
Product Demonstration	5	4.8%
Salesperson	5	4.8%
Others	4	3.8%
Total	105	100.0%

4.2 Results

In this study, we will use the factor analysis to find out relationship between our variables and factors which directly influence to loyalty schemes and customer loyalty increased. The SPSS program is used to analyze data statistically for factor analysis. Subsequently, we have received the result of this factor analysis as following details.

Table 4.11 KMO and Bartlett's test

Kaiser-Meyer-Olkin measure of sampling adequacy.		0.860
Bartlett's test of sphericity	Approx. Chi-Square	340.676
	df	36
	Sig.	0.000

KMO is calculated by using correlation and partial correlation to test whether the variables in the sample data are sufficient to correlate or not. The KMO value should be greater than 0.5 for the factor analysis to be proceeded. By the above results from the table 4.11, we get the KMO value is 0.860, therefore it means that we can proceed with factor analysis in the next step. Bartlett's test of sphericity is used to find out the relationship between the variables. Besides, a p-value < 0.05 indicates

that it makes sense to continue with the factor analysis, and then we found that P < 0.000 in the above table, therefore this can be concluded that there is the relationship between our variables.

Table 4.12 Total variance explained by initial Eigen values

Component	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	4.146	46.067	46.067
2	1.078	11.972	58.040

Extraction method: Principal component analysis.

As the results in table 4.12, it is obvious that we can find two factors extracted simultaneously the cumulative variance is 58.04%. Therefore, we can reduce ten variables to two factors instead.

The variables are in the table 4.13 as redeemed points with other allied companies (0.819), cumulative points for redemption (0.795), buying promotional product with special price (0.774), unlimited timing of redemption (0.761), attending special events and activities (0.676), getting membership information annually (0.559) and immediate discount (0.524) are the factor 1. Thus, the factor 1 can be named as "membership's benefit attribute". As the factor 2, the extended warranty get highest score is 0.819 and regularly maintenance service is 0.799. Therefore, the factor 2 can be named as after sales service attributes.

Table 4.13 Varimax rotated factor loading matrix

Attributes	Factor Loading	
	F1	F2
Redeemed points with other allied companies	0.819	
Cumulative points for redemption	0.795	
Buying promotional product with special price	0.774	
Unlimited timing of redemption	0.761	
Attending special events and activities	0.676	
Getting membership information annually	0.559	
Immediate discount	0.524	
Extended warranty		0.819
Regularly maintenance service		0.799

By the above result, we can conclude that the factors, which influence the customer loyalty through loyalty schemes provided for customers, are membership's benefits and after sales service attributes in kitchen appliance business that we focus on. The conclusions of factors which influence the customer loyalty have been shown in figure 4.1.
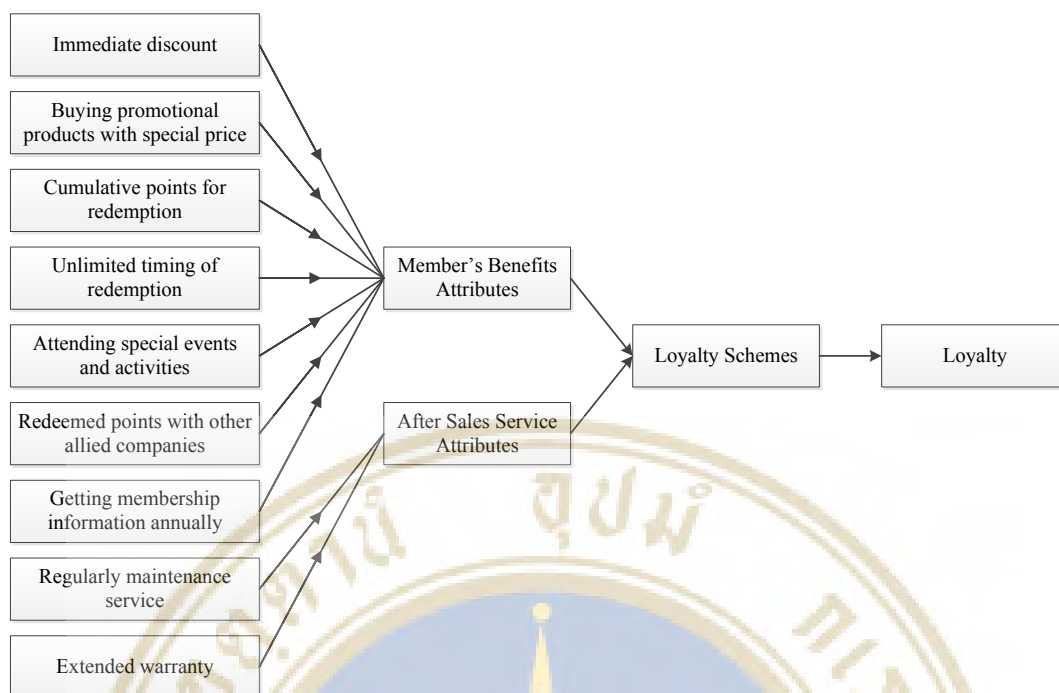
Figure 4.1 Factors which affect the customer loyalty (Source: Data analyzed)

4.3 Suggestions and recommendations for marketers and CRM managers

To create an effective loyalty program in kitchen appliance, the marketers or CRM managers should focus on the benefits which will be provided to their members thoroughly. To appeal customers to become their member, the immediate discount can be used to appeal customers by discounting the price of the product that they want to purchase immediately. Customer will register the loyalty program for getting the offering because they think that it will help them to get the product with cheaper price. This is a tool for opening customer's mind to buy firm's product effectively. In case of customers buy the products with a certain amount, marketer can offer the customers to become the membership automatically and give a privilege for buying a promotional product with special price, however, the promotional product should be meet what the customer needs and can be used in their life style. Therefore, customers will decide to register the loyalty program and the firm can gain more profits for this promotion. As the consumer behaviors in using kitchen appliance, the customers trend to like cooking in their kitchen or make some bakery. For providing the activities to appeal the target group, marketer should analyze the data in member

database to know who prefer cooking food or bakery and then provide the activity such as cooking classes to them. Moreover, marketer can demonstrate other consistent products in the cooking to customers that will help to gain more profits and revenues in the product line indirectly. Marketer can particularly communicate the firm members by any information that is relevant to member's needs such as promotion, new product information or privilege for member only. This is an effective communication channel for marketer to their focused customers. To make members feel worthiness, the firm should provide the cumulative points for each purchasing of member which member can redeem their points when they reach a certain number by offering a free voucher, free gift or any privilege which meet their needs and life style. The cumulative points can be redeem with other allied companies which they usually use products or services with those companies; it will help the members feel worthiness for becoming a part of the company. Besides, the cumulative points should be redeemed regardless of timing for redemption or provide adequate time for redemption the points. Because kitchen appliance is a kind of consumer durable, if marketer provides the extended warranty when customer becomes a member, the member feel that the product will be protected in long term. Moreover, if marketer offers a free service of regularly maintenance service to the members, the member feel differently from other brands and the firm can offer other products or replacement parts to the member with special price. Therefore, this is a way to gain revenues from the loyalty program provided.

CHAPTER V
DISCUSSION

The results have been shown that the target group should be focused by the firm is office employees, who graduated bachelor degree and master degree, earn monthly income more than 40,001 Baht. The firm should communicate with this target group through TV/cable TV, internet websites and product catalog that are the effective channels for this target group. Products is interested by the target group are the products have innovation and attractive design which support the target group decide to buy them more easily. Besides, the target group also considers what their family members or friends suggest or recommend about the products. The advertisement via TVC, print ad or others is a key that influences the target group to buy the products as well. For the distribution channels of this target group, the target group normally goes to department stores, modern-trades and hyper markets when they want to buy kitchen appliances. This is an important information that firm will have to consider and make use to provide products and services to customers with effective methods in the right places which customers generally visit there when they want to buy the products.

To analyze the effect of factors to customer loyalty, the construct created is consisted of 10 variables as regularly maintenance service, discount for repairing service, extended warranty, immediate discount, buying promotional product with special price, cumulative points for redemption, unlimited timing of redemption, attending special events and activities, redeem points with other allied companies, and getting membership information annually. Above 10 variables are contained in the questionnaire that is used for surveying with 107 respondents, and then the data is analyzed with factor analysis technique in SPSS program. The results indicate that there are 2 factors, which are member's benefits and after sales service attributes delivered. It can be concluded that the membership and customer loyalty is influenced by member's benefits and after sales service attributes. Therefore, marketers,

marketing managers or CRM managers can use these factors to create a loyal scheme that influence to customer's decision to become a member of the firm effectively and efficiently. Moreover, this will help marketers gain more revenues and build the long term relationship between customers and the firm sustainably. For the future study, the hypothesis of member's benefits and after sales service attributes can be studied to find the inter-relationship of these factors to know how they affect to the customer loyalty in the future.

Concluding Remarks: this research requires more in depth analysis to uncover greater levels of detail.

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