



Neuroscience as a Tool to Increase Customer Loyalty

Observation Study

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<p>Abstract: This thesis aimed to explain and observe how neuroscience could be used in order to improve customer loyalty. To answer the research questions, the research focused on observing customers, employees and the customer loyalty program in store to find out the connection between Company X's customer loyalty program and the Neuromarketing Method. After this it was also analyzed how neuroscience could be used in order to improve the customer loyalty program. The results showed that the connection between the Neuromarketing Method and the customer loyalty program were somewhat poor, which left a lot of space for improvement. Neuroscience could easily be used in the improvement of the customer loyalty program by e.g. focusing on the factors that did not support the Neuromarketing Method. As a conclusion, neuroscience is a very useful tool when a company needs more loyal customers or wants to improve the loyalty of its customers. The brain might be structurally complicated, but its functions are rather simple and therefore it is easy to have an influence in customers' loyalty. Hence, this is why companies, big and small, can benefit from the knowledge of neuroscience.</p>	
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<p>Tiivistelmä: Tämän opinnäytetyön tarkoituksena oli tutkia ja observoida miten neurotieteitä voidaan käyttää asiakasuskollisuuden kehittämiseen. Tutkimuskysymyksiin vastaukset löydettiin observoimalla asiakkaita, työntekijöitä sekä kanta-asiakasohjelmaa valitun yrityksen myymälässä. Tätä kautta tutkittiin kanta-asiakasohjelman ja Neuromarketing Methodin yhteyttä toisiinsa, sekä miten neurotieteitä voitaisiin käyttää kyseisen kanta-asiakasohjelman kehittämisessä. Tulokset osoittivat, että yhteys kanta-asiakasohjelman sekä Neuromarketing Methodin välillä oli huomattavan heikko, mikä jätti paljon tilaa kanta-asiakasohjelman kehittämiseksi. Neurotieteiden hyödyntämistä kanta-asiakasohjelman kehittämisessä voidaan helposti käyttää esimerkiksi keskittymällä niihin tekijöihin, jotka eivät tukeneet Neuromarketing Methodia. Yhteenvetona voidaan todeta, että neurotiede on hyvin hyödyllinen työkalu, jos yritys kaipaa lisää uskollisia asiakkaita tai haluaa vahvistaa nykyisten asiakkaiden uskollisuutta. Aivot saattavat olla rakenteellisesti monimutkaisia, mutta sen toiminnot ovat melko yksinkertaiset, jonka takia on suhteellisen helppoa vaikuttaa asiakkaiden uskollisuuteen. Tämän takia yritykset, pienet ja suuret, voivat hyötyä neurotieteiden tuntemuksesta.</p>	
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FOREWORD

When I graduated from high school, I applied to different universities to study psychology, even though I heard from quite a few persons that I will never get in. Back then, they were right. I did not want to let go of this dream, so I started to study neuropsychology on my free time. A year later I got accepted to Arcada University of Applied Sciences to study International Business after finding a passion for marketing and sales. Even though I was studying business, I never let go of the idea of studying psychology.

While I was focusing on school, I was also working in a company where I could see customers coming and going. Then I started to think that there has to be a reason why some of them are so loyal while the rest of them are not. So, I asked myself, why does this happen? What does it take to become a loyal customer? I thought that loyalty has to have some sort of a biological background, because so do other feelings and values too. Later on, I realized that business and psychology can easily be connected. Thanks to Google, it was fairly easy to find information about where these two concepts meet. I happened to come across with the concept of neuromarketing, that combines marketing and my favorite branch of psychology – neuropsychology. That inspired me to write my thesis about neuromarketing, since I wanted to write about something that would make the project enjoyable and teach me a lot of new things.

All in all, this thesis proved me that hard work really pays off, small details matter and that creating loyal customers can be a tricky journey, but a manageable one. To be successful is not a walk in the park, it needs a lot of knowledge from different lines of businesses and patience. Everything we do is based on our brain activity, so if we do not know what factors influence the customers' brain or purchase decisions, how can we ever create loyal customers?

1 INTRODUCTION

1.1 Background

Neuroscience's connection to the business sector has been researched before, e.g. with the help of neuromarketing, which is quite a new branch of science and research. Briefly, it combines marketing to neuroscience and studies the consumers' wants and needs from a scientific point of view (M. Georges et al., 2014, p. 7-8). When it comes to customer loyalty and neuroscience, the information about how to increase or even have an influence in customers' loyalty with the help of neuroscience is not that easily and quickly accessible. Even people who work among customer behaviour might not be familiar with the concept of neuromarketing, which supports the need for this research. In addition, reading, understanding, analyzing and putting the ideas in action can be quite time-consuming. Therefore, this thesis will be both an observation research about how neuroscience is used in a specific customer loyalty program, as well as an informative example for companies to use if they are struggling with gaining loyal customers or maybe need some new ideas to keep up the loyalty bond between the company and the customer. In order to make this thesis understandable for everyone, the aim is to explain things as simply as possible.

1.2 Research Aim

The aim of this research is to find out how the stages of the Neuromarketing Method can be seen in the chosen customer loyalty program. The Neuromarketing Method will be used as a foundation for the research since it puts together quite well how to gain loyal customers. With this information it is easier to point out the pros and cons of the chosen customer loyalty program and hence figure out how we can increase the customers' loyalty towards a service or a product with the help of neuroscience.

1.3 Research Questions

The main research questions that this research will be based on are: “How can the stages of the Neuromarketing Method be seen in practice in the chosen customer loyalty program?” and “How can the connection between neuroscience and the customer loyalty program be used in the improvement of the customer loyalty program?”.

1.4 Structure of the Thesis

This thesis is divided into six sections. The first section covers the background, research aim and research questions. The second chapter, theoretical framework, explains the common terms, what is already known about the topic and gives the reader a general understanding about customer loyalty, neuromarketing, neuroscience and how these three terms come together. In the methodology part it is presented by detail how the research itself was done, what customer loyalty program was chosen and how the observation was carried out. After this section, the results of the research are presented. Discussion of the results and conclusions of the whole research process take place at the end of this thesis.

2 THEORETICAL FRAMEWORK

In this chapter the concepts and definitions of neuroscience, customer loyalty, neuromarketing, and their relations between each other’s will be discussed. Some researches that are relevant to the thesis topic or support the topics around this thesis will be also presented.

2.1 Neuroscience

Neuroscience is a branch of science that focuses on the examination of the nervous system, the brain’s structure and functions with different kind of approaches. It has a really long history and according to philosophers and physicians, this branch of science reaches out all the way to 1700 BC. Over the centuries the brain has been investigated in almost

every sort of way, yet there is still a lot to investigate since there are still quite a few things about the nervous system and the brain that needs to be explained and researched. (Carter et al., 2019, p. 8-11)

To understand the importance of neuroscience we need to first understand how crucial the brain and the nervous system is in our daily life. To begin with, the brain is our most important organ and it is connected to the spinal cord. The brain's structure is rather complex, and it can be divided into quite many different areas and parts. All of these parts and areas are in charge of different functions e.g. emotions, language, movement, audition, olfaction, memorizing and visual processing. The brain is also in charge of keeping the body alive with the regulation of heartbeat, blood pressure, breathing, sleep cycle and other vitally important functions such as hunger and thirst. Briefly, no matter what do, there's always some sort of activity going on in our brain. (Carter et al., 2019, p. 6-67; Nienstedt et al., 1987, p. 526-533)

The brain receives information from all over our body in the form of electrical impulses with the help of the spinal cord. If we hit our toe to a table leg, the spinal nerves transmit the data from the toe to the brain along the spinal cord, so we know that we can be aware of what happened. When we want to pet our dogs, the brain sends movement commands to our hands. Otherwise we simply could not pet our dogs. Consequently, the spinal cord's most important job is to carry the nerve impulses along the spinal cord all the way to and from the brain. That's how the information of the world around us can be interpreted. (Carter et al., 2019, p. 38-69; Palo et al, 1996, p. 19-54)

When it comes to neuroscience and customer loyalty, the bond between these two topics has been researched quite a bit. According to neuroscience as a research field, we make most of our decisions non-consciously, which shows us that there is a connection between neuroscience and customer's decision making. This connects the dots between customer loyalty and neuroscience. The connection has been researched with the help of e.g. functional magnetic imaging (fMRI), electroencephalography (EEG), magnetic resonance imaging (MRI), magneto encephalography (MEG), eye tracking and galvanic skin response (GSR). An example of what sort of pictures functional magnetic imaging creates can be seen below. With these different techniques it is possible to measure

e.g. blood flows, electrical impulses and magnetic fields in the brain in different kind of situations. Even though these techniques were mainly created for medical use, nowadays they are also used in other fields, such as marketing research. (Martinez-Ribes, 2018; Tieteen Kuvalehti, 2019, p. 81-89)

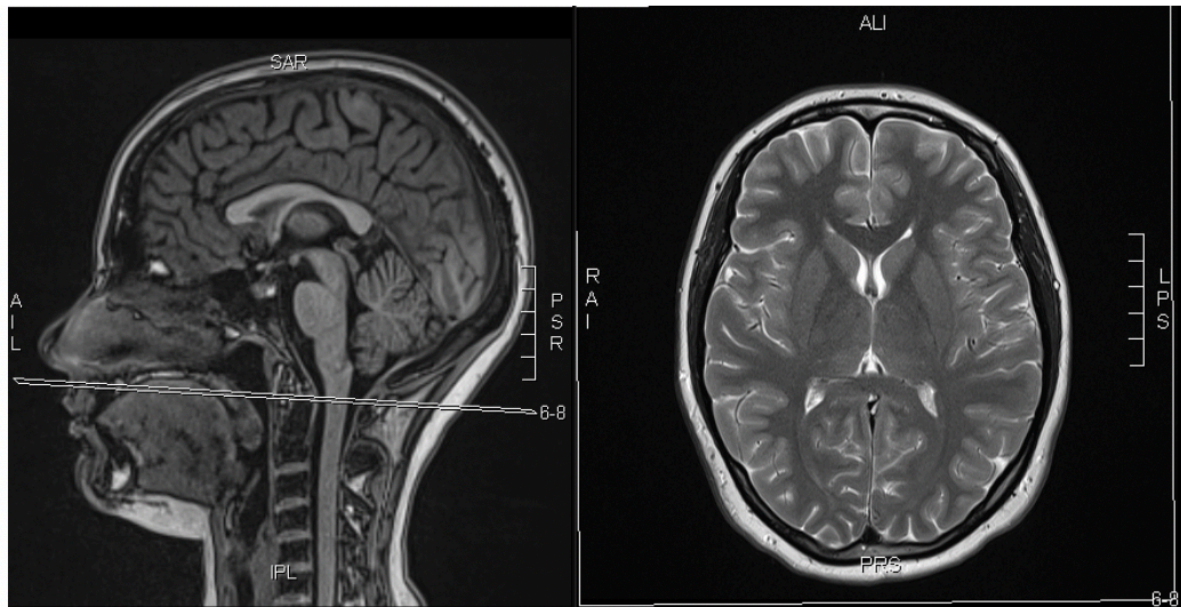


Figure 1. Example of Magneto Resonance Imagining. Image credit Roosa Lundqvist

With the above-mentioned research methods, it has been proved that there is brain activity behind customer loyalty. With fMRI it has been proved that certain brain parts actually lit up when a customer chooses to e.g. shop clothes from his or her favorite store. The experiment that proved this also located that the brain part that is associated with customer loyalty is called “the striatum”, which happens to be a region that is primarily known as a part of the brain that mediates e.g. anticipated rewards. If the activation is high in this area, it means that the customer associates higher emotional benefit with his or hers favorite clothing stores, than with any other store. (Plassman et al, 2007, p. 736-739)

2.2 Customer Loyalty

Customer loyalty is a concept that covers two terms. To start from the first one, the word “customer” is defined as a person or business that purchases either a product or a service from another business or person. Quite many sources have defined loyalty as an emotion or as a feeling or a duty to support something. Briefly, the word “loyalty” is based on feelings of support, commitment and a will to stay and trust in a company or a brand. (Collins Dictionary, 2020; Cambridge Dictionary, 2020)

Referring to the above-mentioned definitions, customer loyalty can be defined as a state that comes after a continuum of positive emotional experiences, satisfaction and value gained from a product or a service (Beyond Philosophy, 2020). In another words, when a customer is satisfied with a product or a service for a longer time, eventually the customer will most likely become loyal towards the product or a service.

Having loyal customers is something that every marketer, company or entrepreneur wants. It is something that can be built over time, though the journey to having a loyal customer can be speeded up with quite a simple way. To keep customers satisfied and loyal is all about delivering good service and products in order to satisfy the customer’s brain and therefore make him or her loyal to the company. When a customer is satisfied with a product or a service, the customer usually shares his satisfaction with a couple of friends whereas an unhappy customer might share his negative experience on a wider scale with the average of more than ten people. Therefore, paying attention to the big picture as well as the details during a customer encounter is important in order to make or keep the customer satisfied and loyal. Even telling the customer that he can trust the company to do the job for him can actually play an essential part in the trust building process. (M. Georges et al., 2014, p. 98, 108, 241-242)

2.2.1 Customer Loyalty Program

Customer loyalty programs are marketing strategies that focus on retaining loyal customers with different kind of rewards. If a customer is part of a customer loyalty program,

the customer can receive e.g. discounts after collecting a certain amount of points or when a certain amount of money is spent. This rewarding marketing strategy encourages customers to purchase from the same place in order to reach the wanted reward. (Chen, 2019; Baolong et al., 2018, p. 300)

Customer loyalty programs and their profitability has been also researched quite a lot. Quite a few of these researches point out a connection between customer satisfaction and a well-designed customer loyalty program. To create a working customer loyalty program, the rewards have to be attractive in the eyes of the customer and the purchasing frequency has to be on a certain level in order to keep the customer's engagement high. According to the studies and researches, a well-designed customer loyalty program will most likely create a loyalty bond between the customer and the company. This information proves the fact that with a well-functioning customer loyalty program it is possible to have an influence on consumer's loyalty towards a certain product or a service. (Gupta et al., 2018, p. 202-203; Söderlund et al., 2015, p. 52-53; Dooley, 2012, p. 100-103)

2.3 Neuromarketing

A big part of researching the connection between the consumer's mind and neuroscience is neuromarketing. This research field was said to be founded in 2002, which makes it quite a young field of science (Vlăsceanu, 2014, p. 764). Briefly, neuromarketing combines neuroscience and marketing together and helps to understand how our brains' functions can be used in order to improve products and methods of marketing as well as to understand how the brain makes decisions (Dooley, 2012, p. 13, 53). Research done among this field has e.g. proved that quality and legitimacy have an influence on the process of becoming loyal to a product or a service (M. Georges et al, 2014, p. 240-241).

The neuromarketing approach was inspired by the medical sector because that's where the studies of the brain comes from. With the knowledge of medical science, it has been possible to point out e.g. that when dopamine, one of our pleasure and reward-motivated

hormones, is being secreted the customer's desire to buy more becomes greater. To handle neuromarketing the right way, it is important to know what is ethical and what is not, since neuromarketing is roughly more or less about manipulating customers to buy a product or a service. (Dooley, 2012, p. 7)

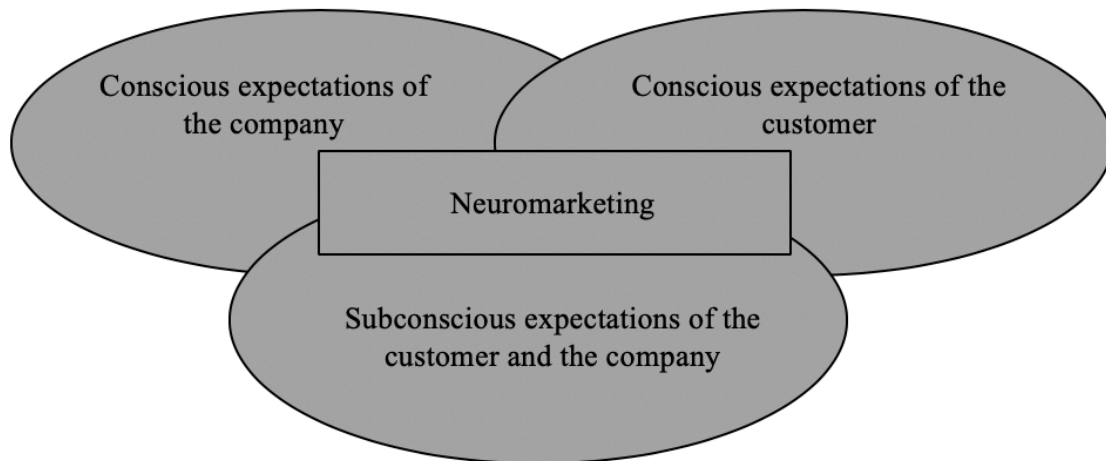


Figure 2. the Neuromarketing space. (M. Georges et al., 2014, p. 11)

The Neuromarketing space -figure explains in a simplified way what neuromarketing in reality does. It integrates the company's and the customer's conscious and subconscious expectations and motivations that can in the best scenario lead into a purchase decision, a satisfied customer or even create a lifelong loyalty bond between the customer and the company. In order to make the big picture work, the idea of neuromarketing is to convince the customer to buy but before that, to convince the decisions makers so that the marketers who are in charge of the neuromarketing part, can receive an adequate budget and other resources to simply make it work and eventually attract and please the customers with a never seen before approach. (M. Georges et al., 2014, p. 11)

Marketers and companies in general are investing in neuromarketing more and more all the time because by now the ones who know the importance of loyal customers are also aware of the fact that it is possible to predict one's purchase decision with 80 per cent accuracy. With tailored neuromarketing researches inside a company it is possible to find out what drives their customers to make the decisions they make. The research results can be used in improving marketing, selling, customer care channels, products and

basically everything. Even brand logos or company policies can be adjusted based on the results of a neuromarketing research results in order to increase the chance of getting more loyal customers. (M. Georges et al., 2014, p. 48-52)

2.4 The Neuromarketing Method

The Neuromarketing method is a method that covers 6 different stages of how to have an influence on the customer's mind. The Neuromarketing method is briefly based on satisfying customer's different needs and as stated before, becoming a loyal customer means that the customer is continuously satisfied with the product or the service. Since this thesis focuses on how to have an influence on customer loyalty with the help of neuroscience, this method model will be presented in this chapter because it summarizes in the best possible way how to do it. This model will also play a big role during the observation and therefore it is important to be familiar with the method in order to understand the conclusions of the observation thoroughly.

2.4.1 Stage 1 – Senses

To satisfy the customer's senses is one of the most essential parts when it comes to having an influence on someone's purchase behaviour. To draw attention to a specific product or a service, it is crucial to satisfy the customer's nose, ears, eyes, skin and sometimes even the sense of taste. The importance of this was mentioned before when it was stated that a customer becomes loyal after a continuum of positive experiences and to pay attention in satisfying our basic senses pays a big role in this.

The amygdaloid complex in our brain knows and decides what is satisfying and beautiful. This rather small part of the brain processes emotions, memory and making decisions. The process of deciding what pleases our eyes happens subconsciously and therefore the first impression is important, because it lasts and starts the whole process of satisfaction of the brain. We are smart enough to tell whether e.g. something smells bad, if the music is too high in a store or the colour of the product is not pleasant. The easiest way to satisfy the basic senses, is to keep it simple and add just a few adjustments, since we all have our

preferences when it comes to scents, colours, level of volume, taste and materials. (M. Georges et al., 2014, p. 91-99)

The ultimate way to satisfy the senses is to approach them all at the same time. A human brain is able to analyze all the senses at the same time, e.g. if we see when food is made, we can smell it and hear it. Sometimes even feel it and have a taste of it. This combines all the senses and in addition, might make us to buy the food, enjoy it and create a positive experience. Sometimes, this might even lead to loyalty towards the product. (M. Georges et al., 2014, p. 99)

2.4.2 Stage 2 – the Brain

In order to satisfy the brain, it has to be rewarded. This can easily be done by increasing the dopamine rush in our brain. As mentioned before, dopamine is a pleasure hormone that makes us feel good and encourages us to satisfy our needs. Our brain produces dopamine when we eat the food we really love, buy a product that represents our social status, do something that we really love or simply satisfy a vitally important need. To use this knowledge in the marketing world, a good example of creating the dopamine rush for a customer is serving salt nuts in a bar. Salt makes us thirsty and when you're thirsty in a bar, you will most likely buy a beverage to satisfy this fundamental need. Some companies might offer coffee for their customers in order to gain trust by satisfying a caffeine addiction, which again secretes dopamine in our brain. In addition, all of us are already aware of the fact that sex sells and that sex is more or less a fundamental need. It has been said that touch is a promise of sex, though in an evolutionary way. This information was used in a study where salespeople touched their customer's forearm in a selling situation and it turned out that the salespeople who touched their customer's forearm, actually sold more than the ones who did not. (M. Georges et al., 2014, p. 100-108)

2.4.3 Stage 3 – Emotions

Third stage of getting the customer's attention and to gain trust, is to satisfy the customer through emotions. Our six basic emotions are sadness, fear, anger, joy, disgust and surprise. For a salesperson, friend, family member or a marketer it is important to be able to react and act in the right way when a customer is showing some sort of feelings. To show understanding is crucial, because that is one way to gain trust since we all want to be heard and understood. (M. Georges et al., 2014, p. 109, 115)

The most important emotion of all the emotions, is stress. It drives us to do things because it makes us feel uncertain and that is a feeling that, for the most of us, is quite uncomfortable. Most of the companies already know how to create the rush of stress hormones in their customers. Marketing a product as a special edition and saying that there is only a limited amount of the product creates a slight rush of stress hormones in our brain, which makes us to buy the product, so that the feeling of uncertainty switches into the feeling of certainty. Briefly, the foundation of selling or marketing is to slightly stress out the customer in order to create a stress hormone rush in their brain as well as a necessary level of uncertainty, and then offer a solution to resolve the stress. (M. Georges et al., 2014, p. 110-115)

2.4.4 Stage 4 – Memory

During the journey of making loyal customers and becoming the obvious choice for the customer, being unforgettable is a thing worth aiming for. Increasing and creating memories is an effective and a memorable way to do this. To have an influence in the customers' purchase decision is, in a matter of fact, quite simple. In our brain, there are three different places where memories storage. These are called the episodic memory, semantic memory and procedural memory. In order to wake up the customer's brain when it comes to memorizing things, it is important to know what kind of things people principally storage and where. A person's personal history, stories and experiences are located in the episodic memory. Facts and data learned during life are found in the semantic memory. Procedural memory storages gestures, the knowledge of how to do things and procedures inside of it. The storage that we can have an easy influence in is the episodic memory. To

let the customer tell a story behind his reason to buy the product can be one way to reach the episodic memory, since the customer will most likely remember that he told the salesman the story behind the purchase decision. It is even better if the salesman reacts to the customer's story with his own story, then they will make the experience memorable for both of them. After we have created a memory or an informational moment with our customer, we can in the best scenario have an influence in the semantic memory, if the customer learns new facts or gets more data from us. The stronger the good memories associated to the company, the better the probabilities are that the customer will become loyal bond. (M. Georges et al., 2014, p. 118-121).

Like mentioned, to tell a story or associate the product or the service with a memory that you both share is one way to gain even more trust. Making up a story to remember or sharing a common memory creates the feeling of pleasure in the customer's mind and memory, and therefore might encourage the customer to do the purchase decision. To keep it simple and short is important, since logically easy things are easy to remember and later on easy to associate with certain things. The idea of making the customer to memorize things is to strengthen the bond between the company and the customer through the feeling of understanding and cohesion. In addition, to remember your customer, whether it is an individual or a company, is a big part of becoming unforgettable and strengthening the loyalty bond. (M. Georges et al., 2014, p. 119-123)

2.4.5 Stage 5 – Subconscious

For our brain, visible is important, because it affects our brain subconsciously. All the above-mentioned factors can affect our subconscious part of the brain and it is important that these factors are done the right way, since subconscious decisions are predictable because it works in the same way no matter who we are dealing with. To get inside the customer's brain and become accepted by the subconscious part is all about focusing on small gestures and external details that are proofed to actually work. According to an eye-tracking study, a customer examines the salesperson for elements that make the salesperson trustworthy and tells something about the salesperson's quality. The conclusion of this study was that if the salesperson wears a quality watch and shoes are something that makes him reliable and worth listening. Another study showed that if the salesperson is

tall, fit and thin, we subconsciously value, listen and place more authority in these kinds of persons. This is because even our subconscious part of the brain has its own opinions, that we cannot really change since they are more or less based on human beings' evolution. (M. Georges et al., 2014, p. 125-126)

To wear some sort of a sign of authority, giving something to the customer, e.g. a pencil or such, sets the subconscious brain in a situation where the customer might get a feeling of giving something back too which again increases the profitability of purchasing something. The tidiness of the store or the desk is also one way to show off one's level of authority, control and leadership. Another thing to remember, is to open the door for the customer, if only possible. With having good and old-fashioned manners is a way to create a good picture of oneself to the customer. This will make the salesperson familiar to the customer and therefore make the customer think that the salesperson actually is interested in the customer. To stay calm and not to show any stress is important, since in the middle of the purchasing process the customer is slightly stressed and feels quite uncertain and if the salesperson also shows the customer that he is stressed, it is a sign of weakness which might decrease the level of authority in the customer's mind. (M. Georges et al., 2014, p. 126-129)

2.4.6 Stage 6 – Conscience

When the customer's subconsciousness is reached, it is time to focus on the conscience. This is said to be the most difficult stage because it is all about satisfying the customer's reason to buy the product or the service. There are two ways to do this. First way is to help the customer to make the right decision based in their own interests. It is possible to have an influence in their emotions, instincts and illusions in order to guide them towards the purchase decision. Another way is to adapt the product or the service to the customers' needs by creating a product that is manufactured and designed only for them. To do this, a working customer relationship management system is needed in order to know what the customer really wants. (M. Georges et al., 2014, p. 132)

It is important to remember that the brain cannot take in too much information and it actually in some occasions takes in five times more information than what it can actually

handle. Because of this, there's even a recommendation for how many words per second there should be in an advertisement, which is approximately 800 words per minute. (M. Georges et al., 2014, p. 133)

In order to gain loyal customers, the one very important part of the conscious stage is to make sure that the salesman is not driving the customer to make an impulse purchase. A human being makes rational decision when the blood rush is in the brain's decision-making center which is located in the frontal lobe. When the blood is in the frontal lobe, it is easier for the customer to focus on his own interests and needs. In certain environments the sensory areas of the brain are so active that they need more blood which means that the frontal lobe will be left with less blood which brings the customer to a stage where he might make irrational decisions. Even though irrational decisions and impulse purchases are quite normal, loyal customers are made usually when the purchase decision is made rationally, since then the probability of regretting the purchase is lower. To regret irrational purchase decisions is more likely than to regret purchase decision that are made rationally. (M. Georges et al., 2014, p. 133-137)

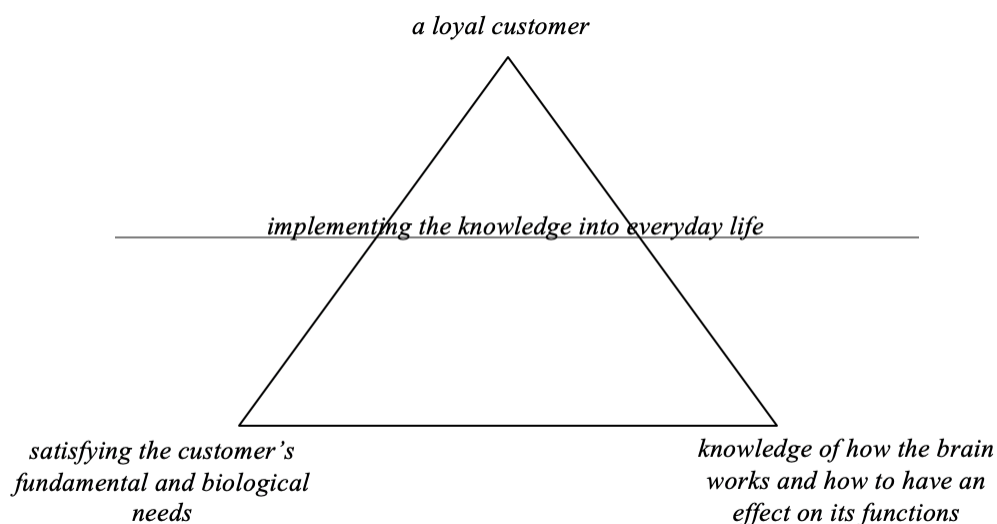


Figure 3. the Fundamentals of Creating a Loyal Customer. Image credit Roosa Lundqvist

In the figure above it is roughly showed what it takes to create a loyal customer. The

foundation of the whole process is to know how the customer's brain works, to satisfy his fundamental and biological needs. The implementing of this knowledge is the hardest part, since it takes its time before using the theory in everyday life goes smoothly.

This figure can be applied to the creation and the improvement of customer loyalty programs. A well-designed customer loyalty program works as long as it meets the customer's needs and demands. Briefly said, the better we know how the human being works on a biological level, the more we can have an influence in its decisions, if we only know how to market and sell in the right way.

3 METHODOLOGY

This chapter describes the method that was used to conduct the research, how the sample was selected, which materials were used, how the whole research process was carried out, how the data was analyzed and how trustworthy the results are.

3.1 Choice of Method

As a research method the author chose to use a qualitative research method. In a qualitative research the material is not collected in the form of numbers like it is done in a quantitative research. The idea in a qualitative research is to explain or find out more about a phenomenon and to explain it with e.g. observation and then analysis of the observation. Information retrieval in a qualitative research can be for example based on collecting the data in a verbal form with the help of e.g. face-to-face interviews. In this research, the researcher chose observation method to collect the data in order answer the research questions. With observation it was possible to get better and wider results since the topic itself is quite intangible and cannot be measured with numbers. When the information is in a form of numbers, like it is in a quantitative research, the results can be handled with mathematical methods which makes e.g. counting the mean or percentages way easier. In this research the aim was to find out the exploitation of neuroscience in a chosen customer

loyalty program by observation the interaction between a customer and an employee, therefore the author was researching a phenomenon that is in a way very complicated to measure with numbers. (Paavilainen, 2015, p. 17)

Hence, observation was the most logical choice since the aim was to create to get a better understanding of how the Neuromarketing Method is seen in practice in the customer loyalty program. During the observation, the author focused on taking brief field notes about incidents that occurred e.g. when a customer saw a product that was on sale or what happened when an employee helped a customer with something. In addition, the researcher observed both customers in the store as well as the customer loyalty program in general. (Bryman, 2012, p. 380, 276, 471)

3.2 Selection of the Sample

In this case, the participant sample were the companies that had customer loyalty programs. Sampling was simply done by researching secondary data about companies with customer loyalty programs and then choosing the sample out of that. Eventually one company was chosen based on if it fulfilled all the essential criteria. This sample selection method is called stratified random sampling which shortly means that the population, which in this case are companies, is stratified by criterion and after that the final sample is chosen by either with simple random sampling or systematic sampling. Since the research was an observation research, ad libitum sampling was also used. This means that the author observed everything that was going on during the observation. The criteria that the author had when selecting the final company were e.g. based on whether or not the company has a customer loyalty program, is it easy to observe the customers and the employees, is there enough secondary data to analyze the customer loyalty program, is the interaction between the customer and the employee long enough in order to analyze the incidences through the Neuromarketing Method and in general is it even possible to research the customer loyalty program closely enough to reach the research aim. The company that was chosen in the end was anonymized and will be presented as Company X. The company filled out the criteria in the best possible way, because they have a well-

known customer loyalty program which turned out to be quite a big one compared to other department store or clothing stores' customer loyalty programs. The observation was also easier to conduct due to the number of visitors at the store during the day. In addition to this, Company X was, and still is, one of the few places where employees still communicate with customers more often than e.g. in a grocery store. (Bryman, 2012, p. 192-193, 278)

3.2.1 The Chosen Company's Customer Loyalty Program

In this research the chosen company will be called Company X in order to anonymize it. The chosen company is a department store that was founded in the 19th century in Helsinki. It is known for selling quality brands that are somewhat exclusive in Finland and for its long and colorful history (Company X, 2014). Their customer loyalty program was renewed in October 2019 bringing greater benefits for the customers. Depending on how much money a customer spends, the more points the customer gets and thus can reach different levels and unlock better benefits. The customer loyalty program is quite a traditional one and therefore somewhat similar customer loyalty programs can be found. The idea of collecting points and then unlocking new benefits is an idea that can be found in quite a few clothing stores, so the results considering the improvement of the customer loyalty program with neuroscience can be compared to other customer loyalty programs. This customer loyalty program was built on 6 different levels: level 1 = 0 points, level 2 = 1000 points, level 3 = 3000 points, level 4 = 6000 points, level 5 = 10 000 points and level 6 = 25 000 points. The idea of the customer loyalty program is easy; the higher the amount of the purchase in total, the more points a customer gets. Depending on the customer's level, the better the benefits are. Though, the benefits focus mostly on discounts on products and services. The discounts can be received with a physical card or with using the customer loyalty program's smartphone application. (Company X, 2020)

3.3 Observation

The observation in total took 6 days, since there were 6 stages to observe. The author wanted to make the most out of the research and therefore focused on each 6 stages individually. The company which was chosen was visited during its opening hours during the rush hour in order to collect as many observations as possible. The whole research itself from the beginning of the observation to the finishing up the full field notes took 21 hours in total, which is shown in the figure below.

Stage	Date	Hours spent
Stage 1 - Senses	6.8.2020	4
Stage 2 – the Brain	14.8.2020	3
Stage 3 - Emotions	19.8.2020	3
Stage 4 - Memory	22.8.2020	3
Stage 5 - Subconscious	31.8.2020	4
Stage 6 - Conscience	9.9.2020	4
		Hours in total: 21

Figure 4. the Observation Study Schedule

The total amount of observations was not counted separately since the author created an observation chart that consisted of 30 questions and aimed to get as much information as possible to every question. When all of the questions were answered, the author went through them to see whether there was enough data to analyze or not. Some things took a little more observation than others, depending on the observation question. The overall aim was to get as much information as possible.

The information was collected by using a smartphone as a writing device, since it was the best option to look neutral when observing. After writing the field notes to the phone, the author wrote the observation questions and the observations down on a paper in order to make it easier for the analysis part.

3.4 Observation Chart

During the observation the author used an observation chart as a foundation that she followed when doing the observation. The chart was divided into six stages that were strongly based on the Neuromarketing Method and these six stages were all followed by specifying questions about each stage and their common characteristics. The chart was filled out based with the observations and the incidences. About a half of the specifying questions were focused on the customers' behaviour and the other half focused on the customer loyalty program. In some of the six sections there were more questions than in others, since some of the six stages are rather difficult to observe so thoroughly than others. During the analysis of the observation itself, the questions that focused on the customer loyalty program were emphasized a bit more than the customer behaviour ones, since the research emphasizes the connection between a customer loyalty program and the Neuromarketing Method. Customer behaviour observations were done in order to support the statements of the Neuromarketing Method and the customer loyalty program's functionality, since events that happen between an employee and a customer affects the usage, outcome and marketing of the customer loyalty program. Some of the questions repeated themselves a bit because the stages are a big entity and have an influence in one another. For the observation chart, see the appendix 1.

3.5 Data Analysis

Since qualitative research method is based on quite a large number of documents, this research is also based on quite a few documents. An observation chart, field notes, the observation questions, different coding stages and the analysis were all documents that were actually written on paper, so it might have taken a bit more time than if it would have been done on a computer.

In the analysis part the author used grounded theory as a tool to reach the wanted result. It is mostly used as an inductive research method when creating new theories from the acquired data (Mediani, 2017, p.1). Briefly, in this case the aim with grounded theory was to create a theory about how neuroscience can be used in increasing customers' loyalty when it comes to the chosen customer loyalty program. According to Bryman (2012),

grounded theory is defined as “an iterative approach to the analysis of qualitative data that aims to generate theory out of research data by achieving a close fit between the two” (p. 712). The theory created during this research was based on the observation and the Neuromarketing Method. In addition, it was crucial to be open to the data itself and not to be led too much by the theory behind it all.

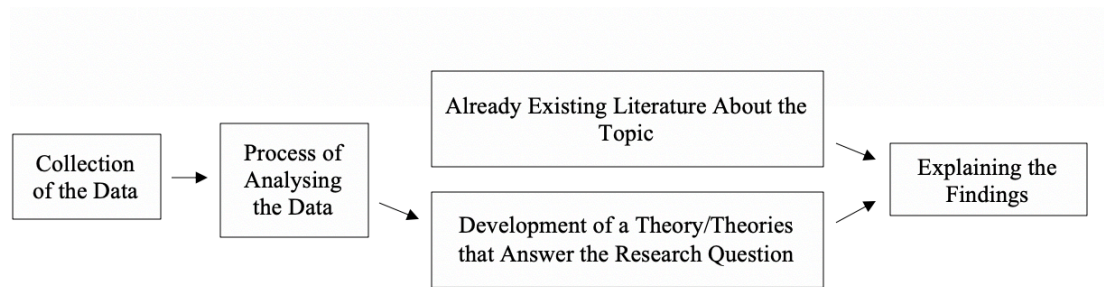


Figure 5. Grounded Theory. Image credit Roosa Lundqvist

The figure above explains briefly what grounded theory is in this case. The theory that answered the research questions was based on the theory that was created from the collected data and this theory was also supported or explained with already existing literature about the topic.

Just like in every sort of analysis, the information has to be coded on way or another. In this research, the coding was done by first simply categorizing, classifying, studying and simply putting the information into smaller pieces in order to group and categorize the information later on. This sort of a process is called open coding which is one part of coding grounded theory. As seen in the observation chart, the observation questions were already categorized based on the Neuromarketing Method, so the coding was done category by category. Each category’s answers were colour coded with a meaning on each colour. Green stood for a clear connection between the Neuromarketing Method and the customer loyalty program, yellow stood for a slight connection, pink stood for no connection at all and orange stood for encounters that can support the customer loyalty program’s functionality through neuroscience. For the colour coding, see appendix 1.

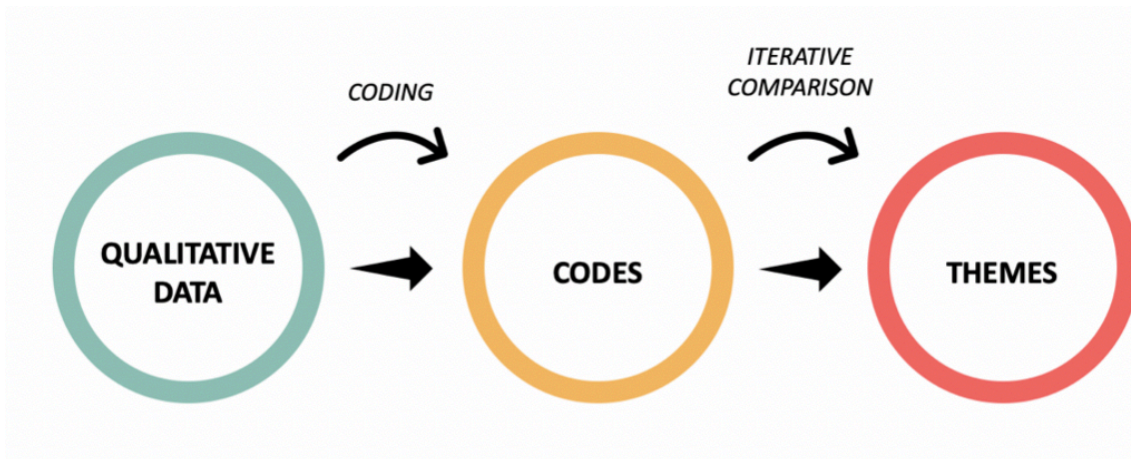


Figure 6. Coding Qualitative Data. (Nielsen Norman Group, 2019)

The second phase in the analysis was axial coding which means that the data that had been broken down during open coding was put together again by connecting the dots between categories. This was done, as Bryman (2012) put it, “by linking codes to contexts, to consequences, to patterns of interaction, and to causes” (p. 569). The idea of the procedure was to link the information into new categories in order to get a boarder view of the cause-effect relation. In other words, the colour coding that was done, was simply coded again. The colour categories were connected to see if there are e.g. similarities between the 6 stages. This part of the coding can be found in the results part.

The last phase that put all together was called selective coding, which is a procedure that basically points out the core category. After finding out the prevalent theme in the analyzed material, it was easier to draw conclusions and analyses because by then it was possible to point out where the possible problem is and then answer the research questions with proper data that supports the conclusions. (Bryman 2012, p. 565-569)

Briefly, during the coding part the connection between the Neuromarketing Method and the observation study was proven and simplified in order to point out which stages of the Neuromarketing Method can be recognized in the customer loyalty program as well as in the interaction between the employees and customers. The colour categories and which of these four categories stood out from the rest, will be discussed in the results part category by category.

3.6 Trustworthiness and limitations

Whenever doing a research it is a must to focus also on the possible problems that might occur and have an influence on the trustworthiness of the research. The results or what sort of issues will be faced during the research cannot be fully predicted, so if any sort of problem is to come, the researcher has to be able to solve it by thinking outside the box and adapt to the current situation.

To begin with, not all of the employees are as active as others and since the employees are also individuals, their selling skills and knowledge of how to sell might differ. Therefore, observing only one employee was not enough and at the same time it was really time consuming to observe more than a few employees and how they interact with customers. People also tend to behave in different ways depending on the situation which also makes it harder for observation studies to be fully reliable. (Bryman, 2012, p. 279-280)

Trustworthiness of the research depends on e.g. if the people that are being observed are aware of this and therefore change their behaviour. This would have affected the research results quite widely, so the observation was done without the customers or the employees' awareness of the observation (Bryman, 2012, p. 281). Due to the current situation considering COVID-19 and the restrictions based on it, some of the observation questions were really tricky to answer and it was also impossible to know e.g. whether the employees acted the same way a year ago as they did during the observation. In addition to this, the number of the customers at the store during observations was rather low which affected the results and made the analysis a bit harder than what was expected. Therefore, the author was aware that the results could differ quite a bit if the research would have been done during a time, when the pandemic did not affect our normal lives this much. However, with the data collected it was possible to answer to the research questions, leaving space for further research in the future.

4 RESULTS

The final results of the research ended up being quite clear after the coding process, so it was rather easy to point out the core category where the final conclusions, suggestions and the answers to the research questions were based on. Due to the current situation considering COVID-19 and the restrictions about going out and e.g. shopping unless it is necessary, most of the observations and the results ended up being based on the connection between the Neuromarketing Method and the customer loyalty program in-store rather than the actual encounters between the employees and the customers. Nevertheless, it was possible to find the connection between the core category and the research questions.

During the analysis of the observations the results showed that there was one category that stood out from rest of the categories. In total there were 30 observation questions that were answered by observations and after the colour coding of the results the difference between the categories varied quite a lot. The category that stood out was the yellow category that was classified as a category that had a slight connection between the Neuromarketing Method, the customer loyalty program and customer loyalty in general. In the orange category there were four observations, the green one matched with eight observations and to the yellow category belonged 17 observations. The pink category that stood for no connection at all to the Neuromarketing Method, matched with five observation answers of the overall observations. The results are explained boarder by category below.

4.1 Encounters That Support Customer Loyalty Program

The first category that was analyzed was the orange category that drew the connection between encounters that support the customer loyalty program's functionality through neuroscience. This category covered four observations out of the overall 30 observations. These observations were e.g. encounters where an employee was telling about the customer loyalty program's benefits to the customers with an enthusiastic attitude and when the employee understood the customer's problem about the customer loyalty program's

functionality and solved the issue leaving the customer happy and satisfied. These observations were not focused on any specific Neuromarketing Method stage, since the stages that the orange colour was found in, were the subconscious, emotions, memory and senses, which all had only one observation about an encounter that supported the functionality of the customer loyalty program.

4.2 Observations - Clear Connection

The second category that was colour coded was the green category that pointed out the observations that had a clear connection between the Neuromarketing Method and the customer loyalty program. In this category a few of the observations were also marked as orange, since it supported both categories. In the green category the observations answered to eight of the observation questions, showing that there were quite a few things that worked and drew a clear connection to the Neuromarketing Method. Most of the observations that were colour coded as green, belonged to the emotions stage and were all about giving the customer a chance to feel special and find solutions that fitted his needs, leaving the customer happy and strengthening the customers loyalty towards the company.

Another stage that drew quite a strong connection the Neuromarketing Method was the senses category. It is the first step to start to create a strong loyalty bond between the customer and the company and because of this the first observation question was focused on how all of the senses were fulfilled. All of the five senses were fulfilled, except for the taste sense, which could be fulfilled with the restaurants and grocery shops that were located in the shopping center, but because they were all different companies than the observed company, it was a bit controversial whether the taste sense would support the company's customer loyalty program. This incoherence was based on the fact that with the company's customer loyalty program it was not possible to get discounts or benefits at the places where one could fulfill the last sense, even though these places were located inside the shopping center.

4.3 Observations - Slight Connection

The third category that was on the analysis list was the yellow category, that focused on the observations that showed a slight connection with the Neuromarketing method and the customer loyalty program. This category was the hardest one to analyze and took more time than the rest of the categories, since it took a lot of effort to figure out whether the observation supported the Neuromarketing Method and could actually have an influence on customer loyalty or not. Briefly, the yellow colour covered all the observations that were somewhere in the middle of the meanings of colour categories of green and pink.

The yellow category was clearly emphasized in the stages of subconscious, conscience and the senses. In total the number of yellow colored observations in the whole analysis was 17 out of 30 observations. Subconscious category got the majority of the colour code yellow, leaving one out of six observation questions in that stage to another colour category. In next stage, conscience, three out of four observation questions were coded in the yellow category. When it comes to the senses, four out of six questions belonged also to this stage. The rest of the yellow colour codes were randomly divided between the rest of the Neuromarketing Method stages.

4.4 Observations – No Connection

The last category that was analyzed was the pink one that pointed out the observations that did not support the customer loyalty program's functionality through neuroscience or the Neuromarketing Method. In this category belonged also observations that could not be observed e.g. how a customer would react if an employee would have touched the customer's forearm. Observations that would contain physical contact belonged to the brain stage and were impossible to observe since keeping a safety distance in store was crucial. Either way, five observations out of 30 observations belonged to this category. The pink colour was found mostly in the brain stage, covering three out of five observation questions. In addition to this, the colour pink was found in emotions and memory stages.

5 DISCUSSION

In this chapter the results will be discussed, and suggestions will be made considering the customer loyalty program's further research.

5.1 Results

The results showed that the customer loyalty program of the Company X and the encounters observed at the chosen location did not draw a strong connection to the Neuromarketing Method. The analysis of the data emphasized that there is only a slight connection and only eight out of 30 observations showed a clear connection to the Neuromarketing Method. The stages where the clear connection focused on were senses and emotions, the first and the third stage.

As it was mentioned in the theoretical part of the Neuromarketing Method, the core of creating loyal customers is all about following the stages step by step and according to the results of this research, in this case these steps were not necessarily followed. Though, the Neuromarketing Method's stages were recognized in some ways, e.g. fulfilling all of the five senses was well done as well as being empathic and understanding towards the customer. The colour categories of yellow and pink focused on the factors that did not really follow the Neuromarketing Method and more than a half, 22 of 30 observations, belonged to this category. Briefly, according to the observation's results, the Neuromarketing Method or its stages were not recognized that deeply in the customer loyalty program. In addition, the encounters between the customer and the employee did not necessarily support the functionality of the customer loyalty program.

The connection between neuroscience and the customer loyalty program can be used in the improvement of the customer loyalty program in quite a few ways. First of all, the company has a strong brand and a long history, which means that improvement of the customer loyalty program could only strengthen the brand and bring in more customers. As the results showed, the connection was not too strong, which at the same time gives a lot of space and potential for improvement. The company that was chosen could easily pay attention to the factors that do not follow the Neuromarketing Method and improve

their customer loyalty program's functionality that way. The method is based on both neuroscience and marketing, and combining these two to the customer loyalty program, it can easily strengthen customer's loyalty towards any company. Even in this research's theoretical part quite a few researches about how to use neuroscience in e.g. selling situations were mentioned and therefore it can be said that the knowledge of neuroscience is useful in the process of creating a loyalty bond between a customer and a company.

The stages that should be improved with the help of neuroscience and the Neuromarketing Method are senses, the brain and subconscious. When it comes to the senses, the main problem seemed to be in the customer loyalty program. To make the customer loyalty program more sensational, the focus should be in approaching all the five senses at the same time. The taste sense is a bit tricky to approach, but with e.g. food samples this could be fulfilled too. To create more exclusivity for the customers with e.g. creating exclusive benefits for the ones that are part of the customer loyalty program, would make the customers' brain satisfied. The higher the customer's level in the customer loyalty program, the more exclusive and better the benefits should be.

A good example of a very exclusive customer loyalty program is the Finnair Plus customer loyalty program. It consists of five stages: basic, silver, gold, platinum and platinum lumo. There is a huge difference between the basic stage and the platinum lumo stage. With the basic stage the customer can only collect Finnair Plus points in order to get to the next stage, receive member offers and get different kinds of small benefits on e.g. products during the flight. The platinum lumo entitles the customer to check in one extra bag, special baggage, a seat from the business class, priority lane when going through security control, free beverages and snacks, Wi-Fi connection during the flight and access to Finnair Lounge where the customer can eat and drink as much as wanted, take a shower, relax in neurosonic chairs and there is also a kids' play area.

Such exclusivity drives the customers to achieve the highest level of the customer loyalty program, since they get a lot of different benefits. This also makes the customer loyal because they are aware of the benefits they will eventually get when using the same company's services. The Company X's customer loyalty program should also offer as exclusive benefits, so that the customers would create a stronger loyalty towards the customer.

What kind of exclusive benefits the company should come up with, that is up to them and their resources of making these kind of changes. (Finnair, 2020)

The changes considering the exclusivity of the customer loyalty program would satisfy the brain, have an influence in the customers' emotions and create memories that would only strengthen the customers' loyalty, if the memories are positive memories. When these stages are fixed, they will affect the customers' subconscious and conscience. To pay attention to subconsciousness, since that was the stage that had the most things to fix, the company should focus on the small details. For example, to make sure that the employees follow the same dress code, the store is clean, the products are at their own places, the shelves and the clothing racks are in order and the clothes are folded. There should not be any cardboard boxes laying around or messy and unorganized clothing racks. With even these small changes, it is very likely that the customers would strengthen their loyalty towards the company and new customers would get a very good first impression.

To create more loyalty towards the company, they should focus on the factors that create a high activation in the striatum, which was the brain part that mediates anticipated rewards. If e.g. the customer loyalty program's benefits are able to create a blood rush in this area, the customer will most likely start associating higher emotional benefit to the company. Furthermore, if the company or the customer loyalty offers after a continuum of positive emotional experiences, the brain will create a sort of a hunger to buy or support the company, because it wants and needs dopamine as well as a blood rush to the striatum.

5.2 Suggestions for Future Research

Since the observation study gave only a limited amount of results to analyze, this topic could be researched more thoroughly in the future. Interviewing both customers and the employees, doing a thorough research about the customer loyalty program and observing the behaviour in-store could give a better understanding and view of the factors that could be improved in order to satisfy the customer's brain in the best possible way. Because the Neuromarketing Method's functionality has been proved and based on several researches

that were also mentioned in the theoretical part of this thesis, it could be assumed that it is rather working. In this case, to make the company's customer loyalty program to work properly, it only needs a closer look at the big picture and improvements based on a more thorough research.

6 CONCLUSION

This thesis aimed to analyze the connection between neuroscience and the customer loyalty by focusing on Company X's customer loyalty program and the ways how the Neuromarketing Method shows in practice in sales situations and the customer loyalty program. Based on the results of the research it was also analyzed how the connection could be strengthened in order to improve the functionality of the customer loyalty program with the help of the Neuromarketing Method's stages.

Since our purchase decisions are based on hormone secretion, the backbone of making customers loyal is to have an influence in the customers' brain and satisfy the brain. This can be done in various ways with the help of the Neuromarketing Method, that is based on six different stages. There have been quite a few researches that support the functionality of this method and therefore it can be said that it is possible to have an influence in whether the customer becomes loyal or not.

The Neuromarketing Method was not implemented in the customer loyalty program that well, though similarities were found during the observation. This showed that there is a lot space for improvement and since most of the results showed a slight connection to the Neuromarketing Method, it should be fairly easy to improve the functionality of the customer loyalty program. The connection between neuroscience and the customer loyalty program can be used in the improvement of the customer loyalty program by first focusing on the stages of the Neuromarketing Method one by one. The stages that need extra focus the most are senses, the brain and subconscious.

All things considered, neuroscience should be used more when planning or improving customer loyalty programs since even though the brain is a rather complicated organ, at

the same time it is really easy and simple to have an influence in every customer because in the end our brain works the same way.

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APPENDICES

- * Green: clear connection between the Neuromarketing Method and the customer loyalty program
- * Yellow: slight connection between the Neuromarketing Method and the customer loyalty program
- * Pink: no connection at all between the Neuromarketing Method and the customer loyalty program
- * Orange: encounters that support the customer loyalty program's functionality through neuroscience

OBSERVATION QUESTION	OBSERVATIONS
1. Senses	
In what ways are the five senses fulfilled in the store?	
Is it possible to fulfill all five senses? If not, how can the x sense be replaced?	
In what ways does the customer loyalty program fulfill the senses?	
How is the customer loyalty program visible in store?	
What are the major factors the customer might focus on? (based on the senses)	
To approach all the five senses at once is the ultimate way to satisfy the customer's needs; how is this done in the store?	

2. The Brain	
What kind of things are found in store that would satisfy the customers brain? (e.g. rewards)	
In what ways is the customer able to satisfy his or hers fundamentally and vitally important needs?	
Touching the customer has an effect on the customer's purchase decision; does the employee touch e.g. customer's forearm in order to help the customer to do the purchase decision?	
In what ways can the customer loyalty program create a dopamine rush in the brain in-store?	
What kind of free of charge benefits there are available for customers that are part of the customer loyalty program?	
3. Emotions	
How are the employees reacting to customers' emotions of any kind?	 
What kind of limited editions or such are found in the store that would create a rush of stress hormones in the customers' brain?	
In what ways do the employees help their customer to make the purchasing <u>decision</u> ? Does the employee offer a solution for the possible feeling of stress?	
Does the customer loyalty program offer the customer any sort of special deals that can create a huge stress for the customers?	
Discounts offered only for the customer loyalty program participants; what emotions could the customer feel?	
4. Memory	
Does the employee tell a story or share an experience with the customer in order to make the encounter memorable?	
In what ways is the employee making the customer feel special and respected?	 
What kind of experiences of any kind does the customer loyalty program offer in order to create a good experience for the customer?	
What kind of memories can the customer loyalty program give for the customer?	

5. Subconscious	
What kind of elements are found in the employees' appearance that would make the employees more trustworthy? (brand clothes, watch, tall etc.)	
How does the customer react to the employee's appearance?	
In what ways could the encounter between the employee and the customer affect the customers' subconsciousness?	
Describe the customer loyalty program's visibility in store; how can the colours, placement of the discount tags etc. influence customers' subconsciousness?	
What factors in the previous stages affect subconsciousness when it comes to the customer loyalty program and its visibility in store?	
Visible important for the brain; describe the cleanliness of the store and is everything in order in general?	

6. Conscience	
Does the employee help the customer to find the wanted product?	
What kind of possibilities there are to customize or personalize the products for the customer?	
Customer loyalty program and the discounts; in what ways can these two together lead to impulse purchases?	
How does the customer loyalty program drive the customers to make rational or irrational decisions?	