

Saimaa University of Applied Sciences  
Business Administration, Lappeenranta  
Degree Programme in International Business

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## **Increasing Customer Loyalty, Case: Electricity Sales Company**

## **Abstract**

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Increasing Customer Loyalty in a Case Electricity Sales Company

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The purpose of this thesis was to research how the case company could improve their customer loyalty. The study was commissioned by a Finnish electricity sales company. The organization consists of a grid company and a sales company, but this research covers only the sales company. The other purpose was also to gain information about which loyalty benefits are mostly wanted and how the current loyalty program could be improved.

The theoretical part presents some theories that can be useful in future projects for example advancing the customer relationship management- programme, so the organization is able to expand without the difficulties of having too small resources. The overall aim is to find what makes the customers happy and how they could also get the information from the case company, that they have been acknowledged and appreciated.

The research was carried out by using a qualitative research method. Information was gathered from scientific articles and books and by sending questionnaires to the current and former electricity sales customers. The respondents were chosen randomly with a few criteria from the company's database. These customers and former customers were sent a questionnaire on their opinions by mail. The results were analysed by listing the responses and analysing the frequency of responses

The results of the study show that the loyal customer concentration benefits are in this case most beneficial if they offer the customer a financial benefit. Customer concentration benefits can make customers more committed to the company, but are not the most important factor when choosing a sales company.

The company name has been encrypted because the thesis contains confidential information. The thesis has also been shortened in order to ensure the privacy of the company information and the results.

Keywords: Customer loyalty, loyalty programme, electricity sales company, loyalty benefits, customer satisfaction, customer relationship management

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# 1 Introduction

## 1.1 Background information for the study

Nowadays electricity sales have become more competitive and consumers are more willing to look at offers over the internet or for example by calling different electricity companies. Electricity is a difficult product to sell, and the electricity sales company must be certain that the customer knows the costs of the product, how it is produced and how they are going to receive the invoices. Price and trustworthiness are the main issues that concern the customer. The trend is definite that consumers are and also should be more conscious about their environment and the future changes in it, and this results in consumers demanding power that is generated by wind power, solar energy, and other forms of renewable energy. Many large electricity companies offer multiple electricity product options to the customer, which can be a good technique to gain environmentally conscious customers. This also can maintain their satisfaction of their decision of buying their electricity from that specific company. Satisfaction is the key element in retaining customers. For many electricity is unnoticed in daily life, but it is a necessity, and the usage is only observed from the invoices, that are usually seen as negative.

Because the buying process in many ways depends on the customer, they often know where to start looking for the right price and the right product. Nowadays also many electricity sales companies have the resources to call potential customers around Finland, which makes switching the electricity sales company effortless. This increases the need to improve the customer loyalty programme. In the case of electricity, for some, it is merely the price that matters, for some, they know that they could demand extra value in addition to the purchased electricity. Most common extra value used in many companies, also other than electricity companies, are bonus cards which also have monetary value to the customer. It is also common that new customers are rewarded with free electricity for a limited amount of time or value, but retaining the customers are only done with continuing the agreements after the time-limited agreement has ended.

## **1.2 The aim of the research and research limitations**

The objective of this thesis is to find out ways to improve the case company's customer loyalty and find out what kind of loyalty benefits are valued by the customers. The intention is to renew the loyalty programme based on the results found in this thesis.

The research is covering all customers of the electricity sales company. The electricity sales company is a power company that is the seller of the electricity. The electricity grid company owns the power grid of the grid area and does the maintenance and power grid construction work in the grid area. All customers in the grid area are the grid company's customers, but they can choose their electricity sales company, as the competitive bidding is allowed in Finland.

The questionnaire and the research focus on the customers that are within the loyalty program, customers that buy their electricity with the ordinary list price, and the former customers that have changed their electricity sales company. This way the research is trying to cover all points of view of the three different types of customers. The research does not include the electricity grid company, because the grid company cannot have any customer loyalty programme and because customers cannot change their grid company within the grid area. However the questionnaire includes responses from the former electricity sales customers, which are also current electricity transfer customers, thus their opinions in this research are also valid, also because they have already made the decision to switch their electricity sales company.

## **1.3 Research questions**

The main questions in the thesis are:

"How is the case company able to increase their customer loyalty?"

This question covers the main issue that consists of various matters included in this thesis, and this question can be answered by answering also to the other sub questions.

"What loyalty benefits are most attractive to electricity sales customers?"

This question will answer what benefits customers think are the most useful to them in a customer loyalty programme.

”How much do customer loyalty benefits affect when choosing an electricity provider?”

With this question the importance and validity of a customer loyalty programme will be defined.

#### **1.4 Theoretical framework**

The most important theories used in this research are the Uncles', Dowling's and Hammond's loyalty theories, which were found especially useful for explaining how electricity consumers' behaviour or buying decisions can be perceived, and for example if the loyalty programs appeal to them. The reason behind choosing only one loyalty theory is the fact that there are three different loyalty explanations included which are stated as the three most popular researched conceptions of loyalty. Moreover the customer relationship marketing-theory written by Markley, Ott and Toit shows how segmentation of customers based on their needs can affect the customer satisfaction significantly.

The common terms in this thesis are 'grid company' and 'sales company'. A grid company is the electricity transfer company, which owns the electricity grid of the specific area. The grid company transfers the electricity and maintains the electricity meters and the grid. An electricity sales company is a company where a consumer can choose to buy their electricity from. In Finland everyone is free to do competitive bidding between their local electricity sales company and nationwide sales companies. 'Competitive bidding'- term used in this thesis means to receive sales offers from nationwide and international electricity sales companies and to be able to switch the sales company.

#### **1.5 Method of research**

The research method used in the empirical part of the research is qualitative. The empirical research is implemented by a questionnaire which was sent to randomly chosen current and former electricity sales customers. The customers were chosen on the condition that they were over 18 years old and have an

electricity transfer agreement with the grid company that is part of the case company. Three different questionnaires were made with partly same, and partly different questions. The responses were checked manually and conclusions were made based on the regularity of the responses among the respondents and how many in the different target groups had similar ideas and opinions.

The qualitative research method was chosen because it was more appropriate for the data that was received and desired from the research. Qualitative method fitted more, because there were a lot of open-ended questions and the information received from the questionnaire was not based only on numbers and statistics, but in opinions of the respondents. Qualitative research leaves room for interpretation of the results thus there are more to interpret than numbers. (Travers 2004, pp. 6-10)

## **1.6 Study structure**

The thesis consists of an introduction part, a literature review, an empirical research, research results and a conclusion. The introduction describes the background of the research and why it is worth studying. The literature review covers issues that have relevance in this thesis and to the empirical research. The literature review will deal with issues such as customer relationship marketing, customer loyalty, customer loyalty programs and customer satisfaction. The empirical study will handle the case company and the case company's loyalty benefits in more detail. The research results are lastly analysed based on the responses to the questionnaire. Conclusion includes some development ideas to the case company based on the study results.

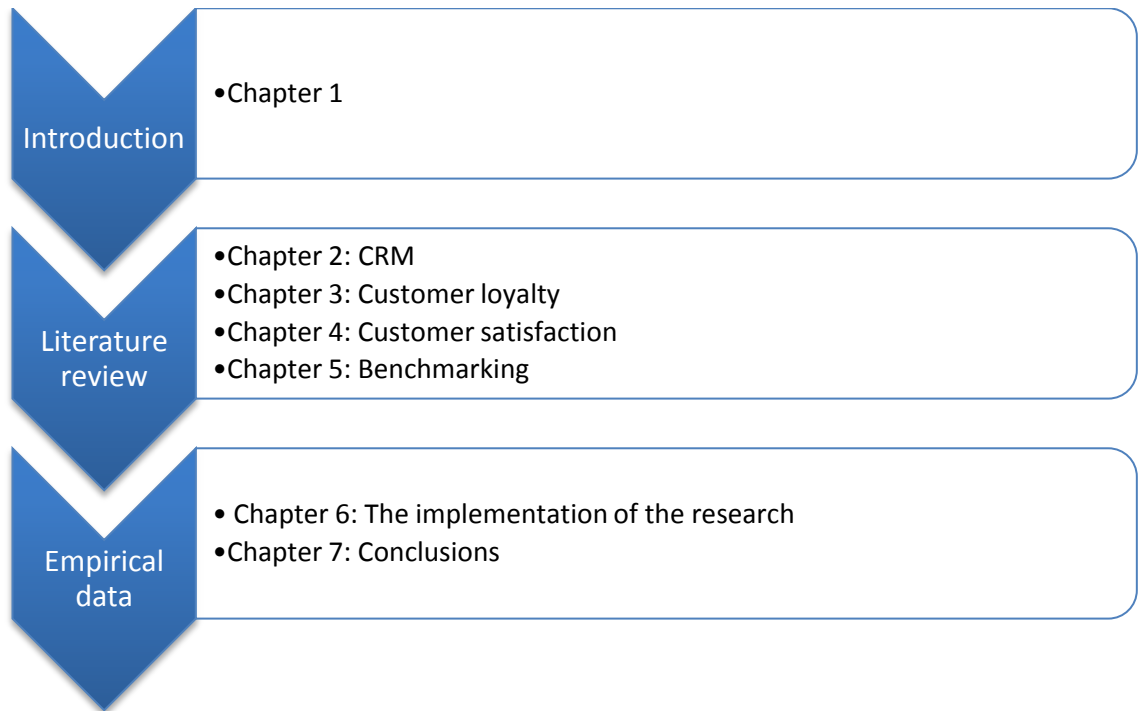


Figure 1. Study structure

## 2 Customer relationship marketing

Because there are active and passive customers, it would be important to the company to know how they can familiarize the company with all of their of customers, and also to change negative conceptions to positive. All of the customers are important to the company, and their management communication should be made easier and more up to date. This chapter provides information about how an organisation is able to maintain customer relationship marketing in detail. This chapter also has information about customer segmentation and its importance.

### 2.1 Fuctionality of customer relationship marketing

Customers are kept satisfied when their expectations are fulfilled. Expectations can vary between customers for products and services and that is why they need individual care. If the company is able to treat customers as individuals, the customer is getting concrete value as a customer from the company, and



will probably respond with being a long-term customer. The satisfaction can also spiral towards other people as free advertisement of good individualistic care. In this kind of relationship the interaction is mutual and both receive trust and loyalty from each other. A goal-oriented relationship between the customers and the company is the kind where both can benefit from each other. These days even though price is important to customers, customers also want a good service experience and the experience begins when the customer first makes the decision to buy the product or service, and continues throughout the customership. (Markley et al. 2007, 32-36.)

The electricity market is thriving and buying decisions can easily be made over the internet or on the phone. Usually these days electricity agreements are made for a limited-time, which can take away some of the customers for a short or longer period of time. This creates pressure to differentiate somehow from the competition, even though the product is the same. The price competition is intense, and the challenge is to convince the customers to keep choosing them as their sales company. Keeping in touch with offers could mean winning lost customers back because the customers feel that the local company cares for their customership.

It is challenging to focus both on attracting new customers and maintaining existing customers. The company should provide similar products and services as the competition and also preferably some extra value; that could be proficient service personnel. It is an aspect that makes the buying process more convenient and easier. If the personnel have good solutions for the customers and recommendations, people may be even ready to pay a little extra for the product or service which offers individualistic solutions and personal selling, and this aspect compares well to the competition, and should also be communicated well to the customers. (Markley et al. 2007, pp.32-36, Ruskin-Brown, 2006, pp.33-82). The market area makes its own challenges, but the main issue is to actively maintain relationships with customers.

## **2.2 Steps to implement customer relationship marketing**

Attracting new customers happens by attracting attention and awakening the potential customers' interest, and then with familiarization with the products and services that the company offers. These are the first steps in building new relationships. After this, the customer relationship management begins to take care of the customer, making sure that they are happy with the product and the service that they have received and that they want to maintain the relationship also in the future. The situation stabilizes as the customer has been a customer for a while and the company begins to aim for a long-term relationship with customer relationship marketing actions. This process begins with building a base for the relationship and when it is stable it is developed further into a profitable relationship. This requires much from the organization and its personnel, they should be motivated and committed to taking these steps and maintaining them as the customers will expect. (Donovan & Samler 1994.)

At first when the company is trying to attract new customers, it has to use much *external* marketing. This means advertisement that the outside world can see. When the new customer has got interest in the company's products, the sales personnel should begin the marketing process to the customer. The seller should convince the customer that it is worth buying more from them than its competitors. This is called *interaction marketing*. In the future where the customership is maintained, it is important that the staff is trained and kept motivated. (Ruskin-Brown 2006, pp.70- 80; Donovan & Samler 1994.)

### **2.1.1 The extended marketing mix**

Previously the customer service sector may have been reduced to a minimum and then thought it as a competitive advantage, but without resources the company cannot carry out always satisfying service and retaining long-term customers. These days it has also been noticed that the traditional 4 P's are not enough (product, price, place and promotion). They are considered in many organisations as self-evident, and that they must have been determined well before opening a business. The 4 P's are important to the new customer, but do

not fulfil expectations, wishes or needs of the variety of customers in a longer time frame. (Ruskin-Brown 2006, pp. 68- 71.)

The new and more customer-oriented marketing mix includes the company's own product or service, price, place, promotion, people, process and physical evidence. 3 extra P's can be the advantages that the competition does not yet have and they should be highlighted as the company's competitive advantages. Thus, the customer service needs to always be up-to-date with knowledge about the products and services; the processes should be quick and easy to the staff with as little possible pitfalls as possible. Also to please the customers, extensive information and handouts possible to give to the customer as physical evidence for the done transactions, which may also increase trust. In the end, the overall service quality and know-how define the success of the company's marketing activities. (Hytönen 2013; Ruskin-Brown 2006, pp.33-82.)

### **2.1.2 Customer segmentation**

Customer segmentation offers a company a possibility to gain success with gaining customer satisfaction and loyalty by narrowing the focus in different target customer groups. By narrowing the focus into the target groups it can widen the overall loyal customer base by increasing the satisfaction. Companies may fail if they try to fit products and services to too large groups of customers, even if they have different needs. This is why it would be helpful to analyse the customer needs and differentiate the product types and service possibilities so that the customer can feel that the product fits just his/her needs. The aim is to serve the customers better than the competitors can. (Markley et al. 2007, pp.32-36.)

So called "design target group" is the epicenter of a target group. The design target group is the group of customers that are the most likely to become loyal to the company and are the most content with the products that they chose or was chosen to them. The design target group can be enthusiastic about promoting the company to others and also be able to influence others, which can be more effective than any marketing campaign. The design target group may be small, but the surrounding customers also share some of those attributes. The

easiest way to spot promising Design targets is to ask current customers: "How likely are you to recommend our company's products or services to a friend or a colleague?" and the answer option is given on a scale of zero to ten, and the respondents will fall into three key groups. Customers who respond with scale 9-10 are categorized as the "promoters" and the company's loyal customers. Those who answer with 7-8 are called "passives" that are unlikely to recommend the company and are not particularly loyal. Responses under the scale 6 are "detractors" and have at least some dissatisfaction with the company, and are likely to drive new potential customers away. When the percentage of detractors is being reduced from the percentage of promoters, it yields the company's Net promoter score. According to the Bain's analysis it correlates closely with the company's growth. (Markley et al. 2007, pp.32-36.)

Companies can get even more knowledge about their customers if they subdivide them to groups based on their profitability to the business. Profitable promoters are more likely to accept a new offer from a company than an unprofitable detractor who is not content with the product or the service. They are more likely to turn to a competitor instead. (Markley et al. 2007, pp.32-36.)

A High profitability <b>Detractor</b>	B High profitability <b>Passive</b>	C High profitability <b>Promoter</b>
D Low profitability <b>Detractor</b>	E Low Profitability <b>Passive</b>	F Low profitability <b>Promoter</b>

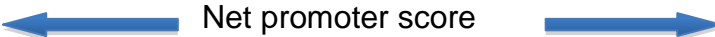


Figure 2. Finding the design target (Markley et al. 2007).

With this system of segmenting the customers, the company is also able to do a profile of a satisfied customer and the detractor customers, both profitable and non-profitable. By interviewing some of the promoter-customers it is possible to

know if there is something that the customers appreciate especially. With these responses it could be possible to plan how the company is able to convert the detractors and passive customers to promoters also by highlighting the positive aspects that the company gets praises from. (Markley et al. 2007, pp. 32-36; Ruskin-Brown 2006, pp.74-82.)

In the case company's case it is always the big electricity consumers who pay their invoices, who are profitable customers. Also the profitable customers can be kind of passive, because the product is not something that the company has to buy repeatedly, but comes automatically, and the contacting and price-checking can be forgotten by the loyal customers. This is why contacting the promoting customers and rewarding would be important in order to also win back the detractors who may be active bidders. The passive become quickly active detractors if they do not receive maintenance from the company, which is what they may expect. (Markley et al. 2007, pp. 32-36 ; Inghilleri, Solomon, Schulze & Horst 2010.pp. 7-13.)

### **3 Customer loyalty and loyalty programs**

The aim of loyalty programs is to retain customers and to increase purchase levels, and also defending one's own customer base. But what if loyalty is merely a passive acceptance pattern rather than attitude-based purchasing pattern? Loyalty programs have been popular in different fields of business, and they have also been used in energy markets. To know how effective a loyalty program is, the number of loyal customers, the sales amounts and the customer attitudes can be monitored. Jacoby and Chestnut (1978) and Dick and Basu (1998) have also written that there is no universally accepted definition for customer loyalty and that these three models are the most popular conceptions of customer loyalty (Uncles, Dowling, Hammond 2003.)

Long customer relationships are vitally important to all companies these days. Long-term relationships with customers ensure stability in a company and makes steady growth possible. There are many ways to try to improve customer loyalty. Loyalty cards, bonus gifts and price reductions are examples of some of

the most common ways to promote loyalty. It is important to know what is the right tactic to approach old and new customers this case in the electricity sales industry, because the customers may have different needs and wants. Thus, the satisfaction of customers is the key factor in retaining customers, which affects their loyalty. The following chapter is about loyalty, how it can be measured, and the different types of loyalty, and how they can be affected.

### **3.1 What is customer loyalty?**

Customer loyalty generally means what the customer could show to a company, a brand, a service provider or a shop. In the following paragraphs will be introduced three models that illustrate popular ways to comprehend customer loyalty. The first model describes that loyalty is mainly an attitude, that can lead to a relationship between the company and the customer. The second model means that loyalty is expressed in terms of past and present behaviour, for example the past purchasing patterns of a particular product. The third model illustrates that the buying behaviour is modified by the customer's characteristics, the circumstances and/or the purchase situation. (Uncles et al. 2003.)

#### **3.1.1 Model 1**

When the customer has strong attitudes and positive image toward the brand, it is possible that the customer will want to buy this brand repeatedly. The customer's own community, their own identity, relatives and friends may influence the decision-making. This kind of loyalty based on attitudes can be measured by asking how much someone likes a brand, how committed they are, would they recommend the brand to others, and do they have positive associations about the brand compared to other brands. Attitudinal-loyalty is usually single-brand loyalty. It has been shown that attitudinally loyal customers are less prone to negative information about the brand than disloyal customers. If loyalty is increased with powerful brand awareness, the revenues from loyal customers may increase over time. (Uncles et al. 2003.)

### **3.1.2 Model 2**

This model is seen to be the most controversial between these three models, but also it has the best support of the data behind it. It is seen controversial because in first hand the model is defined by the customer's past purchase pattern and there is less importance in the customer's motivation or commitment behind the past purchases.

Researchers have found with a large amount of data that only a small group of people are 100 percent loyal to one brand and also that a small group of people are not loyal to any brands. The majority of the people were loyal to certain brands in a product category. People that repeatedly buy the same brand, do not have any particular attitude or commitment toward the brand, but see it easier and time-saving, not having to find a new brand. The loyalty to the same brand is due to satisfaction from the previous purchases and it leads also to weak commitment to the brand. (Uncles et al. 2003.)

### **3.1.3 Model 3**

In model 3, where the buying is moderated by the customer's characteristics, circumstances and/or the purchase situation, it is argued that the best way to perceive loyalty is to allow individualistic variables to modify the attitude and the behaviour of the customer. If the customer has a strong attitude towards a brand it may only give a weak prediction if the customer wants to preserve an on-going relationship with the brand due to the customer's circumstances, which could include a number of issues that prevent the future sales. The individual characteristics include a desire for variety, individual habits, need to conform, tolerance for risk, and for example the need for comfort. The purchase situation aspects that can affect the loyalty are deals, promotions, product availability and the occasion of usage. The model consists of three factors, the prior attitude to the brand and the characteristics of the consumer, the purchasing situation and the circumstances, and the up-dated attitude towards the brand and actual purchasing behaviour. (Uncles et al. 2003.)

### **3.1.4 Choosing the model**

The difference between model 1 and model 3 is the comprehension of individual characteristics and the purchasing situation. In model 1 the aspects are preventing loyalty, whereas in model 3 they are in a primary and unavoidable role to gain loyalty. These three models use different approaches and therefore in practice can be used in different ways.

Model 1 aims to modify the consumer's attitude and tries to create positive associations to the consumer. It (model 1) frequently uses image, advertising, personal service and loyalty programs to retain their customers. The model 2-spokesmen have a different view, as they focus on the consumer's behaviour. They also assume that consumers may view the brand marketing more as information that sustains the consumers' awareness rather than convincing information about the brand, that would change their level of commitment or opinion of that brand. Also model 2-customers can participate in loyalty programmes, but are said to be less influenced by them than in the model 1 is assumed by their spokesmen. The companies who apply this method are mainly trying to retain their customer base by expanding their distribution, benchmarking and avoiding supply shortages. (Uncles et al. 2003.)

In case of model 3 the companies choose a different approach to sustaining customers. They offer longer opening hours, product-, and service variety and differentiation, appropriate product mix for their customers' needs, 24-hour call centers, online services, etc. Also price promoting can be useful to gain customers that would otherwise choose the competitor. Companies that use this approach may also use loyalty programmes as continuous promoting programme, even if there is very little differentiation between the products of them and their competitors. (Uncles et al. 2003.)

## **4 Customer satisfaction**

Customer satisfaction is the key element in retaining one's clients. Without customer satisfaction the business can slowly or very quickly decrease. This hap-



pens especially if there are strong competitors that the customer can choose from. Word-of-mouth is especially well linked with customer satisfaction. Pleased customers may want to tell their friends and family about the good service and product they received with good value, and also they may want to warn others if they have experienced dissatisfying service or have received a poor quality product from a certain company. (Markley et al. 2007, pp. 32-36.)

The question is how to make customers satisfied, not why. Implementation is often considered the main issue that determines the success. The ten-step approach has ten questions that allows the organisation to study how they can improve the customer satisfaction. (Donovan & Samler 1994.)

#### **4.1 How to maintain customer satisfaction?**

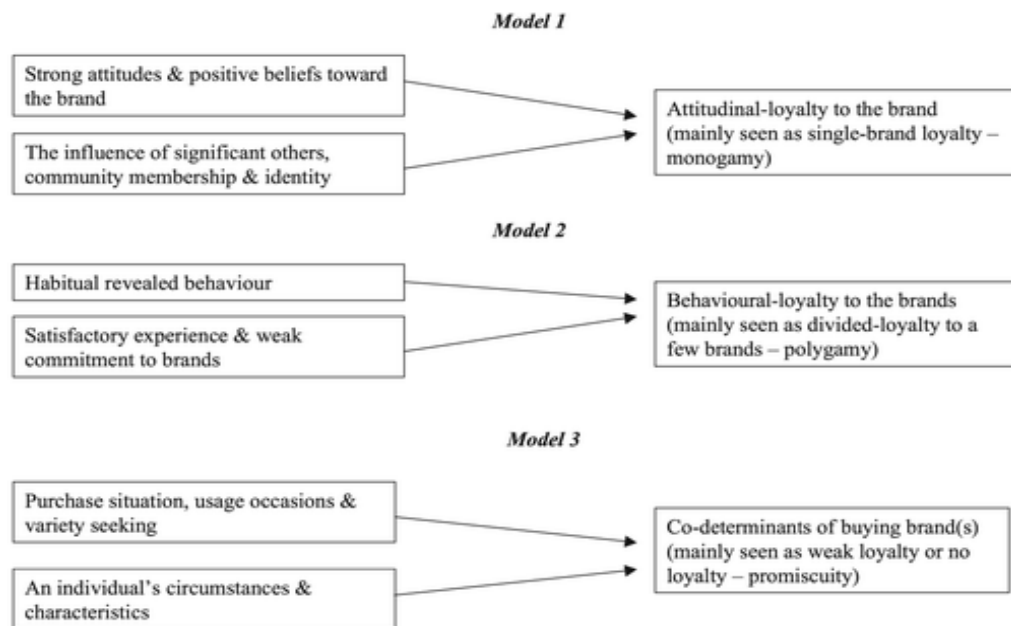
In the case of electricity, customers use the service, because it is considered a basic necessity. Simultaneously customers can these days also have additional expectations towards the company and its services. After the service has been bought by the customer, they can be satisfied, dissatisfied, or have neutral feelings about the sales experience and the product itself. It is important that the customers' expectations are fulfilled.

The perceived service quality is not only experienced from the customer point of view, but it can be heard from the word-of-mouth or advertisement. Service quality and customer satisfaction are not also always synonyms. This is why it is also important to promote the products and also be in contact with the customers. In the annual customer satisfaction questionnaire that was conducted in 2014, could be seen that the customers that were in contact with the company had better image of the case company than the customers that had any contact. Customers that are passive towards the case company may easily be persuaded to change to another electricity sales company. This matter can be controlled with contacting the customers that are planning to change the electricity sales company. (Annual case company customer satisfaction survey results 2014.)

Furthermore, it could be profitable to do preventive contacting towards passive customers that have not changed their listed priced product to a more affor-

ble one during the period that they have been the case company's customers. As word-of-mouth is powerful, this may increase the loyalty and/or satisfaction of customers as they are taken care of, even if everyone are not contacted right away. Word-of-mouth can also be a destructive factor in case that only those who are about to switch their sales company are contacted, but those who are loyal with a higher price are not contacted. If those loyal customers would be informed about a lower price through someone else, it could mean distrust and dissatisfaction towards the company. (Annual customer satisfaction survey, 2014; Hytönen, 2013)

What kind of loyalty applies to most of the electricity consumers? As many electricity consumers these days are aware of the median price, they will want to receive as low price offers as possible. Best describing electricity customers would be Model 2, because if they have switched to a competitor, there is dissatisfaction, but they do not seek variety, but steadiness and certainty. (Uncles et al. 2003.)



**Figure 3.** Conceptualizations of customer loyalty

The figure above demonstrates the three (3) models that were explained previously about different types of loyalty perceptions in the journal "Customer loyalty and customer loyalty programs". (Uncles et al. 2003).

## 4.2 Monitoring customer satisfaction

The following instructions of customer relationship marketing process and monitoring customer satisfaction was written by Donovan and Samler. The steps help dividing the process and most importantly dividing the tasks when developing to a next stage in the process, so that the implementation is possible. The instructions start with questions that should be researched in detail within the organization in order to implement the customer relationship marketing process. The process in itself could be helpful and relevant to an organisation, that is changing their strategy to be more customer-oriented in order to retain customers. (Donovan & Samler 1994.)

The steps have to be followed in order for the ten step approach to be efficient to the company. The ten step- approach is found to be helpful to organisations to start being more customer-oriented. If the system is not right for the company it will become clear in the third step.

*Step 1: Setting the service vision.* What service plane does the business aspire to? What makes the organization's service package different from the competition? How will the service vision be communicated simply and effectively to customers, employees and business partners?

*Step 2: Gaining commitment.* What are the most obvious shortcomings between the service vision and existing business practices? What major projects will the organization need to initiate at the outset? Who are the key individuals, by name, who will sponsor, facilitate and manage the necessary changes? Does the organization have enough people who are committed and have the right skills and experience to overcome the inevitable resistance to change?

*Step 3: The go/no go decision.* What is the overall probability of success? What are the risks and benefits associated with each major project? Can the organization afford the necessary investment of money and key human resources? Does the organization have the will and ability to become customer driven? If not, stop now.

*Step 4: Segmenting the customer base.* What are the particular needs of specific customers in different markets? What is the nature and quality of the business relationships with key customers? What role does the organization play in the success of its customers?

*Step 5: Defining the success criteria.* How will the organization measure the success of the Delighting Customers programme in business terms? How will the company measure and reward teams and individuals when operating in its chosen service plane?

*Step 6: Customer feedback systems.* How can the organization capture the customer's viewpoint most effectively? How important are confidentiality and independence in this process?

*Step 7: Analysing results.* How will the results of customer feedback be interpreted and help to build a customer driven organization? Who will analyse the results and who will be responsible for service improvement and evolution?

*Step 8: Making change happen.* How will the organization be made to change in response to customer feedback? How will continuous service improvement be driven through a combination of quick fixes and long-term organization re-engineering?

*Step 9: Communicating the changes.* How will the organization communicate back to customers what they have told the researchers and how the business is responding? What will be the impact of this response on customers, employees and business partners? How will the loop be closed? How will the company decide when is the right time to communicate?

*Step 10: Choosing where next to compete.* How can the total product be embellished in order to move qualitatively into the next dimension of service? What new investment in skills and infrastructure is required for success in this next, higher service plane? Or will the business choose to remain on the same service plane? If so, where will efforts be focused to enhance existing services and effect process efficiencies? (Donovan & Samler 1994.)

If the sales indeed would rise after careful customer relationship marketing, it would be advisable to check the infrastructure for flaws and imperfections, so that the processes would run smoothly, and there were no chances of tasks being disappeared and undone. Also like mentioned in the process, the organisation should be ready for an increased demand, and also therefore infrastructural changes may be in order the sooner the better, before implementing the process.

## **5 Benchmarking**

The main concern the electricity sales companies have, are the issues that the competitors are able to do better and that they are able to persuade your customers to change their sales company. As it was mentioned before, maintaining the satisfaction of your customers is the issue that can be influenced mostly with ease, and it may not have to do with the competitors' competitiveness. It can be possible due time that even a smaller company can be equivalent to a bigger company, when the satisfaction of the customer is put first.

Customers are mainly used to seeing electricity offers online and they usually accept the types of products that the big multinational companies offer and make them as their benchmark. Thus, that they want to choose how the electricity is produced, how long the agreement is, and so on. And then there are things that separate the competitors from each other. Firstly the price, secondly, the terms of the time-limited agreements especially. Here companies may influence their customers' satisfaction without doing much of anything; When a customer is once offered a good priced agreement for two years, for example, it is later changed back to the on-going agreement with a higher price, if the customer is not actively contacting the case company in order to make a new agreement with a possibly higher or a lower price. The situation may however be dangerous, as the customer will again check pricing when the time-limited agreement is expired. If the price could be kept unchanged and on-going after the time-limited period, it may be that the customer would feel more content with the effortless-ness. The system where the customer does not have to renew the agreement

would allow customers to receive the same low-priced electricity, but they also may check the offer that is sent to them in order to make a new time-limited agreement if it is profitable for the customer. ( Hanman 1997.)

There should be an overall strategic goal when starting a benchmarking project. The goal is used to assist to determine relevant benchmarking projects. The plan should consist of what and who to benchmark. There are options of benchmarking customers, competitors, non-competitors and suppliers, both internally and externally. When the objective is to improve customer service, it is appropriate to begin with making a customer survey that includes a customer and competitive benchmarking analysis. There is a good example of this made by Lambert and Stock. This kind of a customer benchmarking survey shows how the customer compares your company to the competitors'. It also gives comparison how satisfied customers are over all and how well their expectations are fulfilled with all the sales company's services. (Hanman 1997.)

YouGov carried out a research about the opinions of the electricity sales companies and the sales company switching process in 2013 for Energiateollisuus. This research got in total 1004 responses. The research concluded that in eastern Finland every fifth had switched their electricity sales company in the last two years. In whole Finland every third has switched their electricity sales company during the last two years. Apart from price, the second most common reason for changing the sales company is moving to another city, and this is also one reason why young consumers were more likely to change the consumer. (Energiateollisuus 2013.)

According to the study, the reason for not doing any competitive bidding is satisfaction to the present sales company. Every seventh respondent said that they had not had the time to do competitive bidding and the same number of people did competitive bidding but in the end they did not switch their sales company. 2 out of 3 knew how electricity pricing is determined, but every third did not know about facts about switching electricity sales companies. Familiarization with the energy business influenced the respondents' opinions about the energy business. The respondents who were not familiar with competitive bidding were less satisfied with the energy business. (Energiateollisuus 2013.)

## **6 The implementation of the research and research results**

The aim of the research was to find out how the case company is able to increase their customer loyalty. Three differentiated customer satisfaction questionnaires were made to regular customers, to customers that had switched their electricity sales company, and to customers that have not yet made a loyalty agreement with the case company. With the surveys the customers were given the opportunity to state their opinions about the customer loyalty-program and how it should be improved, or should there be a loyalty program.

From these three target groups, the respondents were chosen with a random sample with some criteria and limitations. The respondents are over 18 years old and live in the grid area. All respondents therefore have a customer relationship with at least the electric grid company.

The questionnaires were sent by post to the customers. The first due date was after two weeks the questionnaires were sent, but there were not enough responses from the target groups. It was necessary to send more questionnaires. First 200 questionnaires were sent, but the number increased to a total of 276. The received total was 63 responses. The response rate was 22,8%. The low response rate can be due to the fact that the surveys were conducted during the summer. Summertime was not probably the best time of the year for this kind of survey, because customers can be away from home and also not be interested in answering surveys that have to be sent back by post. Furthermore the customers might have thought that even if they answer the survey they cannot influence the development of the loyal customer concentration benefits.

The questionnaire was tried to be created in the way that it would take a minimum time for customers to answer it but the results would give a fundamental overview of the customers' opinions about their value customer loyalty benefits and how they should be developed.

The respondents rarely answered all of the questions. If the questionnaire was remade, it would be advisable to make less open-ended questions and make more multiple-choice questions. This way there could be more certain opinions of the respondents and more responses to questions. Furthermore if the ques-

tionnaires were done in electronic format, it would speed up the process. This could make the interpretation stage more manageable. There was no search available to choose respondents with email address, and therefore the sending by post and examining the replies took much of time, when the responses could be unclear as they were handwritten. If there are questionnaires made in the future, it should be made somehow possible with the software to choose a wide range of people who receive the questionnaire form and also easily respond.

The interpretation of the results was made by making a checklist of the responses and what kind of similarities and differences there were and how frequently there were the same responses. This process was made with the help of Excel.

## **7 Conclusions**

The main purpose of the research was to figure out what kind of benefits would be attractive and valuable to the loyal customers of the case company. With the research it was also possible to find out what are the most important factors when choosing an electricity sales company. The main points in this thesis are that the customer relationship marketing system needs to be established and it could be done with the help of customer segmentation. This way there would be clear contacting systems and processes that would be for example annually implemented in order to maintain the contact and being able to do the daily work also. Furthermore the results of the processes could be analysed to see if the sales or the customer satisfaction have increased. As a recommendation, the loyalty programme could be re-marketed to the customers as not a customer binding loyalty programme, but customer friendly, effortless, and segmented product designed to the individual customer's needs. Moreover the software systems may need an update in order to make these developments possible to implement.

The overall results of the research were not surprising. Even though in the future the questionnaires should be made short and in an electronic form in order to receive more responses, this gave a lot of information about the mindset of the



electricity consumers. It confirmed that sincerity, convenience, communication and price are the key factors and the over all satisfaction to the service.

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