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**BUILDING AND MAINTAINING ONLINE CUSTOMER LOYALTY DURING THE  
GLOBAL HEALTH PANDEMIC**

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## ABSTRACT

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Customer loyalty is the main goal of marketing efforts for its profitability for both companies and customers. The purpose of this thesis is to examine how Finnish cosmetic companies build and maintain online customer loyalty during the global health pandemic (COVID-19). This thesis contributes to understanding the main factors affecting customer loyalty and how it can be strengthened. This thesis consists of the theoretical and empirical parts. The theoretical part consists of the extensive literature review, which presents the antecedents and consequences of customer loyalty. The empirical part of this thesis follows the qualitative research process. The data used in this thesis is collected through the semi-structured interviews conducted with the case companies' management to reflect their personal experiences on the ongoing pandemic.

The findings indicate that the global health pandemic affected the case companies differently. The importance of online stores is highlighted among the interviewees to overcome the crisis businesswise. The case companies did not utilize any different approaches or tactics to create customer loyalty during the pandemic. However, the case companies described having different methods to strengthen customer loyalty regardless of the pandemic. Furthermore, the importance of having social media platforms is emphasized among the case companies. Also, the connection between customer satisfaction and loyalty is widely recognized among the case companies, which indicates that customers who have received good service are more likely to repurchase from the same e-tailer. Additionally, customer service plays a significant role when the company is facing critical events. In this case, well-managed situations have a positive effect on customer satisfaction and customer loyalty.

As conclusions, the consequences of global health crises cannot be forecasted in advance. From a business perspective, overcoming the crisis relies heavily on e-commerce, and having an online store to sell products to customers is vital when meeting customers face-to-face is not possible due to the restrictions derived from the global health pandemic.

## TIIVISTELMÄ

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Asiakasuskollisuus on markkinoinnin päätavoite sen kannattavuuden vuoksi sekä yrityksille että asiakkaille. Tämän tutkielman tavoitteena on tutkia millä tavoin suomalaiset kosmetiikkayritykset rakentavat ja ylläpitävät online-asiakasuskollisuutta maailmanlaajuisen terveystilanteen (COVID-19) aikana. Tämä tutkielma auttaa ymmärtämään, mitkä tekijät vaikuttavat asiakasuskollisuuteen ja miten yritykset voivat vahvistaa asiakasuskollisuuden muodostumista. Tämä tutkielma koostuu teoreettisesta ja empiirisestä osasta. Teoreettinen osa koostuu laajasta kirjallisuuskatsauksesta, joka esittelee asiakasuskollisuuden taustoja ja seurauksia. Tutkielman empiirinen osa puolestaan on jatkoa kvalitatiiviselle tutkimusprosessille. Tutkielmassa käytetty data perustuu puolistrukturoituihin haastatteluihin, joissa kerättiin kohdeyritysten johdon kokemuksia käynnissä olevasta pandemiasta.

Tutkielman tulokset osoittavat, että maailmanlaajuinen terveystilanne on vaikuttanut kohdeyrityksiin eri tavalla. Verkkokaupan merkitys kriisin voittamisessa korostui laajalti haastateltavien keskuudessa. Kohdeyritykset eivät ole käyttäneet erityisiä lähestymistapoja tai taktiikoita luodakseen asiakasuskollisuutta pandemian aikana. Kohdeyritykset kuitenkin kuvailivat, että heillä on käytössään erilaisia menetelmiä asiakasuskollisuuden vahvistamiseksi pandemiasta riippumatta. Tämän lisäksi kohdeyritykset korostavat sosiaalisen median merkitystä kriisistä selviytymisessä. Myös asiakastyytyväisyyden ja uskollisuuden yhteys on tunnistettu kohdeyrityksissä, mikä puolestaan osoittaa, että hyvää palvelua saaneet asiakkaat todennäköisesti ostavat uudelleenkin samasta verkkokaupasta. Asiakaspalvelulla on merkittävä rooli myös silloin kun yritys kohtaa kriittisiä tapahtumia. Tällöin hyvin hoidetut tilanteet vaikuttavat positiivisesti asiakastyytyväisyyteen ja uskollisuuteen.

Tutkielman johtopäätöksinä todetaan, että maailmanlaajuisen terveystilanteen seurauksia ei voida ennustaa etukäteen. Liiketoiminnan näkökulmasta kriisistä selviytyminen on vahvasti riippuvainen verkkokaupasta. Verkkokaupan merkitys korostuu erityisesti silloin kun asiakkaiden kohtaaminen kasvokkain ei ole mahdollista maailmanlaajuisesta terveystilanteesta johtuvien rajoitusten vuoksi.

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I am looking forward to the next adventures life has in store for me.

Helsinki, 28 May 2021,

Kaisa Tykki

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## LIST OF SYMBOLS AND ABBREVIATIONS

<b>B2B</b>	Business-to-Business
<b>B2C</b>	Business-to-Consumer
<b>CEM</b>	Customer Experience Management
<b>COVID-19</b>	Coronavirus Disease 2019
<b>CRM</b>	Customer Relationship Management
<b>D2C</b>	Direct-to-Consumer
<b>DCM</b>	Digital Content Marketing
<b>E-commerce</b>	Electronic Commerce
<b>E-loyalty</b>	Online Loyalty
<b>eCRM</b>	Electronic Customer Relationship Management
<b>eWOM</b>	Electronic Word-of-Mouth
<b>OSE</b>	Online Shopping Experience
<b>RM</b>	Relationship Marketing
<b>SEA</b>	Search Engine Advertising
<b>SEO</b>	Search Engine Optimization
<b>SME</b>	Small and Medium-Sized Enterprise
<b>SST</b>	Self-Service Technologies
<b>WHO</b>	World Health Organization
<b>WOM</b>	Word-of-Mouth

# **1 INTRODUCTION**

This thesis aims to provide a comprehensive overview on the creation of online customer loyalty for researchers and marketers. The first chapter of this thesis briefly introduces the background of the research, followed by the aim of the study and research problems. Subsequently, the preliminary literature review summarizes the broader literature review presented in the next chapter, and after the theoretical framework connects the concepts of this research and introduces the relationships between them. Furthermore, definitions of the key concepts are presented and explained. Then the research questions and objectives as well as delimitations of the study are identified. The introduction also defines the chosen research methodology and finally presents the structure of the thesis chapter by chapter.

## **1.1 Background of the study**

The role of the internet has grown significantly over the years with more consumers shopping online. The ongoing global pandemic has accelerated the transition of consumers to shop online more frequently than before. Online commerce is predicted to grow even further, and therefore marketers are expected to meet the consumers' growing demand both online and offline. (Morgan 2020) The spectrum of different brands and products on the internet is immense, and therefore companies need to find a way to stand out positively from their competitors. With the growing popularity of the Internet, online customer loyalty has increased its importance within marketers. Customer loyalty as a theme for research has been around for decades. Various researchers have created different definitions for the concept including Oliver (1999), Dick and Basu (1994), Wang (2010), and Carter, Wright, Thatcher and Klein (2014). Regardless of definitions, harnessing customer loyalty has numerous benefits for both the company and the customer. Customer loyalty can be described as a profitable necessity for every company both in an offline and online environment (Reichheld & Scheffer 2000, 105-106).

The World Health Organization (WHO) defines COVID-19 as a newly discovered disease cause by coronavirus SARS-CoV-2. WHO became familiar with the new virus in the end of December 2019 when there were first reported cases of the virus in Wuhan located in People's Republic of China. (World Health Organization 2020a) The virus spreads mainly through droplets of saliva or discharge from the nose (World Health Organization 2020b), which is why people have been recommended or in some countries even ordered to stay at home to avoid the spread of the virus. The Finnish government declared the state of emergency in the mid-March

and decided to shut schools in order to stop the spreading of the coronavirus (Yle 2020b). Later, the Finnish government decided to close the borders of the capital city area, Uusimaa, in the end of March 2020. Uusimaa is the most populated region of Finland and had the highest number of confirmed coronavirus cases, and therefore closing the borders was expected to slow down the spreading of the virus. (Yle 2020c) Shutting down the society had a remarkable impact on the country's ability to survive the health pandemic relatively well compared to other countries. Also, the successful reopening after a couple of months of the outbreak had a positive impact on the Finnish society and had a less severe effect on the economy. (Milne 2020)

The switch towards e-commerce and online direct-to-consumer (D2C) strategies have accelerated during the global health pandemic. Mildly over a half of the global consumers find authenticity and honesty as extremely important factors affecting their shopping behavior. (Buchanan 2020) The EY Future Consumer Index examined the changes in consumer behavior. The 27% of people reduced spending among all categories while 26% of people have not changed their spending habits and 11% of people are spending more. (Balis 2020) Chief Executive Aki Kangasharju from the Research Institute of the Finnish Economy (ETLA) predicted in the spring of 2020 that the switch from offline to online shopping would more likely be permanent (Reuters 2020). Additionally, the popularity of Finnish online grocery shops grew exponentially since the spring of 2020. Customers are placing orders for their groceries online and visiting the physical stores less often. The ease and convenience are described to be the main factors for customers to switch online. (Yle 2020a) The shift from brick-and-mortar stores towards online stores is emergent due to the reason that consumers are limited to have physical interactions with each other (OECD 2020). McKinsey & Company predicted online shopping continues to increase, and especially discretionary categories, such as skincare and makeup, showed 15 percent of growth among online shoppers. (Charm, Coggins, Robinson & Wilkie 2020) The eventual outcomes of the health pandemic are still unclear for the crisis is still ongoing. However, the history shows that some companies have been able to benefit from the economic downturns and even recessions. These types of crises may also create both temporary and permanent changes. For example, the SARS outbreak in 2003 in China may have been one of the main reasons for the growing popularity of e-commerce (Jacobides & Reeves 2020, 76).

Furthermore, consumers' values may have changed due to COVID-19, and therefore companies need to understand the expectations of customers regarding the brands. Strengthening the

loyalty of existing customers as well as enhancing loyalty among new customers can be done by investing in personalization and technologies which will lead to relevant interactions. (Boudet, Gordon, Gregg, Perrey & Robinson 2020, 6) Building brand loyalty during the ongoing pandemic is vital to keep current customers committed to the company as well as turn one-time shoppers into regular buyers. The same rules apply to enhancing customer loyalty during the pandemic and under conventional circumstances. Customer loyalty during the pandemic can be encouraged by providing superior customer service, offering personalized service, creating communities, launching a loyalty program, and collecting customer feedback. (Forbes 2020a) Companies are required to adapt to the new situation by emphasizing customer-centric philosophies in order to perform successfully in the market. The new situation has created new problems among customers such as fear and financial constraints which companies are required to research and understand to be able to meet customers' wants and needs. (Deshpandé, Mintz & Currim 2020)

During the ongoing pandemic, value and convenience can be described as the main factors affecting customer loyalty (Morris 2020), and these factors are also important when considering customers' willingness to switch the brand. Additionally, availability can be described as a driver affecting consumers' decision to choose where to shop, while quality and purpose affect the decision when choosing new brands. (Charm, Coggins, Robinson & Wilkie 2020) According to the post-shutdown survey conducted by Wharton Baker WisePlum, free shipping and free returns were the most important factors which increased customer loyalty in an online environment (Danziger 2020).

Approximately 75 percent of consumers living in the U.S. have switched their shopping behavior due to economic pressure, store closings, and changed priorities, which have affected consumers' brand loyalties. Roughly one third of the consumers have tried a new brand and 73 percent of these consumers will continue with the newly found brand. (Charm, Coggins, Robinson & Wilkie 2020) Furthermore, 46 percent of consumers will continue purchasing locally sourced goods and 46 percent of consumers will continue purchasing locally after the pandemic. Consumers prefer shopping at closer stores, and they are also prioritizing local and national brands over global brands. The study suggests that brands could benefit from this trend by emphasizing the origins of locally sourced products. (Accenture 2020a, 4 & 11) Consumers began to contemplate their own consumption during the pandemic, and they aspire to favor locality and more mindfully and cost-effective ways of shopping. Preferring locality may be

due to the active encouragement to favor local or national products and services or favoring authentic and artisan products. (Accenture 2020b)

Online shopping has become more popular due to its easy nature. According to Posti, free delivery, parcel tracking and control, and predictive delivery notices are the main factors increasing the popularity of online shopping. (Posti Group 2020) Also, the research conducted by the United Nations Conference on Trade and Development (UNCTAD) shows that the vast majority of total respondents preferred home deliveries over other delivery options during the pandemic (UNCTAD 2020, 30). According to the survey carried out by the Posti Group, approximately 60 percent of Finnish people buy online every month, and a third of Finns buy online every week. The coronavirus pandemic accelerated the popularity of online shopping up to 30 percent. Additionally, 75 percent of Finnish shopping online consider buying domestic products important (Posti Group Oyj 2020)

Furthermore, the global beauty industry has grown steadily for the past few years. (Gerstell, Marchessou, Schmidt & Spagnuolo 2020, 3) The purchased beauty products were worth approximately half a trillion dollars in 2019. However, these sales declined by 10 to 30 percent during the first half of 2020 because of the COVID-19. (Marchessou & Gerstell 2020, 103) The global cosmetics market is also expected to continue the substantial growth for the next years (Bloomberg 2020). Nasdaq predicts three trends that may be shaping the future of the cosmetics industry. First, the problems related to the pandemic will probably last for a longer period of time, which means that consumers are still going to avoid visiting the retail stores, clinics, and salons to some extent while people are spending more time at home. The effects of temporarily closing the retail stores, clinics, and salons will still have an impact on the traffic for the people who are staying at home. Additionally, consumer spending habits have changed, and they are using fewer cosmetic products due to the use of face masks. Secondly, personal care products are having positive demand, which means that skincare, haircare, and other personal care products are growing their popularity among consumers. Organic and clean skincare products are evolving their popularity among consumers. Thirdly, the intensity of rivalry in the cosmetics industry is considered as very high. The cosmetic companies are constantly trying to launch new products and expansions. The goal is to stay relevant among the competition while consumers may be looking for alternatives. (Bagree 2021)

Consumers have spent more money on skincare and other personal care products and less money on other cosmetics products including makeup due to the lack of social outings and

spending more time at home (Bagree 2021). For example, lipstick has been the one beauty product which popularity has been consistent even during the second world war. The phenomenon is called the *lipstick index* which has been used since the recession of 2001. This refers to the increasing sales of lipstick during the economic recession. (Simons 2020) The explanation for this is that people cut out luxury products and hold on to the considerable necessities during the times of economic uncertainty. However, COVID-19 has changed the situation and the lipstick index is no longer valid within the beauty industry. (Onyeagoro 2020) The sales of color cosmetics, including lipsticks, decreased dramatically in 2020. The reason for this dramatical drop may be the mask-wearing and spending more time at home. (Simons 2020) Also, new conditions related to the coronavirus have also emerged within the beauty industry. For example, dry hands from using hand sanitizer and breakouts, “*maskne*”, from using the face masks. (Marchessou & Gerstell 2020, 106)

Some experts estimate that natural beauty as well as skincare and wellness products will continue being popular among consumers, while the others believe that consumers will return to full-face glamour after the pandemic is over (Simons 2020). However, the Finnish skincare brands have evolved for the last few years, and there are nowadays numerous providers in the market. The most popular themes of the Finnish cosmetic brands include purity, northern nature, and sustainability (Sarén 2019), which are the characteristics associated with natural cosmetics that are predicted to continue their popularity among consumers.

## **1.2 The aim of the study and the research problem**

The global health pandemic has created different kinds of uncertainty all around the world. Consumers tend to purchase more essential goods and less from discretionary categories, including travel and apparel. However, there are differences between countries in terms of consumer purchasing behavior, and for this reason it is relevant to conduct research in the Finnish context as well. Additionally, consumers have also responded to the global crisis by changing their behavior. (Charm et al. 2020) The pandemic has affected multiple areas of people’s everyday life, such as communications and information, working life, travel, and health.

The aim of this study is to present the relevant literature on customer loyalty and connect the empirical findings with the theory. More specifically, this thesis also aims to collect information from the case companies to explore different strategies and ways companies have utilized to

build and maintain online customer loyalty during COVID-19. The effects of COVID-19 can be seen in numerous industries and the global economy in general. However, the effects the pandemic has on customer loyalty are still rather unknown.

The literature review indicates that customer loyalty has been studied extensively for several decades. For example, Day (1969), Jacoby and Chestnut (1978), Dick and Basu (1994), and Reichheld and Schefter (2000). The researchers have examined the concept of customer loyalty within different contexts and what factors affect to the creation of loyalty. The more recently conducted researches, for example by Carter, Wright, Thatcher and Klein (2014), Bilgihan (2016), and López-Miguens and Vázquez (2017), focused on the aspect of online loyalty. However, it is still unknown how the findings apply during the COVID-19 pandemic, but also within the cosmetic industry and more precisely on the Finnish market. A deeper understanding of the effects of COVID-19 on customer loyalty requires more research on the subject. It can be noted that it still appears to be unclear how companies can strategically build customer loyalty during the global pandemic. This thesis aims to fill this research gap by examining the existing literature on customer loyalty in general and observing newly found studies on the subject. This thesis addresses the gap more precisely through the presented research questions which presented later in this chapter.

### **1.3 Preliminary literature review**

Customer loyalty is the main goal of marketing (Watson, Beck, Henderson & Palmatier 2015, 790; Dick & Basu 1994). Also, superior long-term profits derive from superior customer loyalty (Reichheld & Schefter 2000, 107). There are also other benefits of customer loyalty. For example, loyal customers are less price-sensitive, they spend more time with the company, and pass on positive word of mouth. (Kumar & Shah 2004; Reichheld 1996) Also, decreased need to find information on alternative products or services, increased resistance to counter-persuasion, and spreading positive word-of-mouth information are also other consequences resulted from customer loyalty (Dick & Basu 1994, 106-107).

Early studies of customer loyalty examined the behavioral aspect of loyalty, which means that the focus was on the repeat purchasing (Jacoby & Chestnut 1978; Oliver 1999). Later, the two-dimensional loyalty was introduced. The two-dimensional aspect includes both attitudinal and behavioral aspect. (e.g., Day 1969; Dick & Basu 1994; Oliver 1999; Watson et al. 2015) Customer loyalty consists of relative attitude toward a brand, service, store, or vendor, and also

patronage behavior (Dick & Basu 1994, 100). A customer who makes frequent purchases may not necessarily be loyal to the company. Also, a loyal customer may not make repeat purchases but is still loyal to the company. (Reichheld 2003, 48). Harnessing customer loyalty can lead to the creation of competitive advantage (Dick & Basu 1994, 99), and ultimately generate profitable growth (Reichheld 2003, 48).

Tucker (1964, 32) defines brand loyalty as a biased choice behavior with respect to branded merchandise. Similarly to customer loyalty, the early studies of brand loyalty focused on repeat purchasing behavior (Farley 1964; Tucker 1964; Day 1969), whereas more recent studies have shifted from one-dimensional to multi-dimensional approach (Jacoby & Kyner 1973, 1). Over the decades, the approaches to customer loyalty research have diversified and expanded. Hence, researchers have identified three dimensions to the research of brand loyalty. Behavioral loyalty and attitudinal loyalty, including emotional and cognitive aspects, form a tri-dimensional approach to loyalty research. (Worthington, Russell-Bennett & Härtel 2010) Brand loyalty is a complex phenomenon that requires a multidimensional approach to measure it accurately (Jacoby & Kyner 1973, 1).

There are various antecedents of customer loyalty that researchers have found during the decades. Researchers have found a positive relationship between customer loyalty and satisfaction (e.g., Oliver 1999; Balabanis, Homburg & Giering 2001; Reynolds & Simintiras 2006). Trust is also one of the main factors when examining factors affecting customer loyalty (e.g., Reichheld & Schefter 2000; Watson et al. 2015; Chaudhuri & Holbrook 2001).

There is a growing interest towards customer loyalty in an online environment. Additionally, both “online-only” retailers and multi-channel retailers compete in the same environment which is the online environment (Rose, Clark, Samouel & Hair 2012). The basics of building customer loyalty both in an offline and online environment are the same, and the main goal is to encourage repeat purchases. However, the internet enables faster trading between customers and the retailer. Also, consumers’ tolerance for inconsistency and mediocrity is declining. (Reichheld & Schefter 2000, 113) The value of customer loyalty tends to be more important online compared to the physical world. Understanding the antecedents and consequences of online customer loyalty as well as developing and maintaining loyalty are the key elements to be able to compete successfully (Srinivasan, Anderson & Ponnnavolu 2002).

## 1.4 Theoretical framework

The theory of this thesis consists of the key concepts presented later and discussed in the literature review. This research focuses on the formation of online customer loyalty. The aim of the theoretical framework is to examine how the given factors, online service quality attributes, affect on the formation of satisfaction and trust, and ultimately leading to e-loyalty. Then, the customer-centric outcomes as well as the company-related outcomes are presented. The theoretical framework is discussed in more detail in the third chapter of this thesis. The theoretical framework is visualized here in the Figure 1.

The theoretical framework of this thesis is based on six conceptual frameworks or models, which are the conceptual framework of e-loyalty by Gommans et al. (2001), the conceptualization of service quality delivery through website by Zeithaml et al. (2002), the modeling of eTail quality research by Wolfinbarger and Gilly (2003), the sequential framework on online service quality and (dis)satisfaction drivers by Holloway and Beatty (2008), the conceptual model of customer experience quality by Lemke, Clark and Wilson (2011), and lastly the model of CRM-outcomes chain by Homburg et al. (2020). Five different phases of the theoretical framework are formed based on these frameworks and models. On the left side of the figure, there are five online service quality attributes, which are *content marketing*, *customer service*, *website*, *reliability*, and *security and privacy*. Then, the online service quality attributes lead to the creation of *value*, *satisfaction*, and *trust*. Furthermore, these attributes ultimately lead to the formation of *e-loyalty*. Furthermore, the customer-centric outcomes including *willingness to pay more*, *repurchase intention*, and *word-of-mouth* are presented on the right side of the figure. Lastly, the outcomes for the company, *profitability*, can be found on the bottom right of the figure.

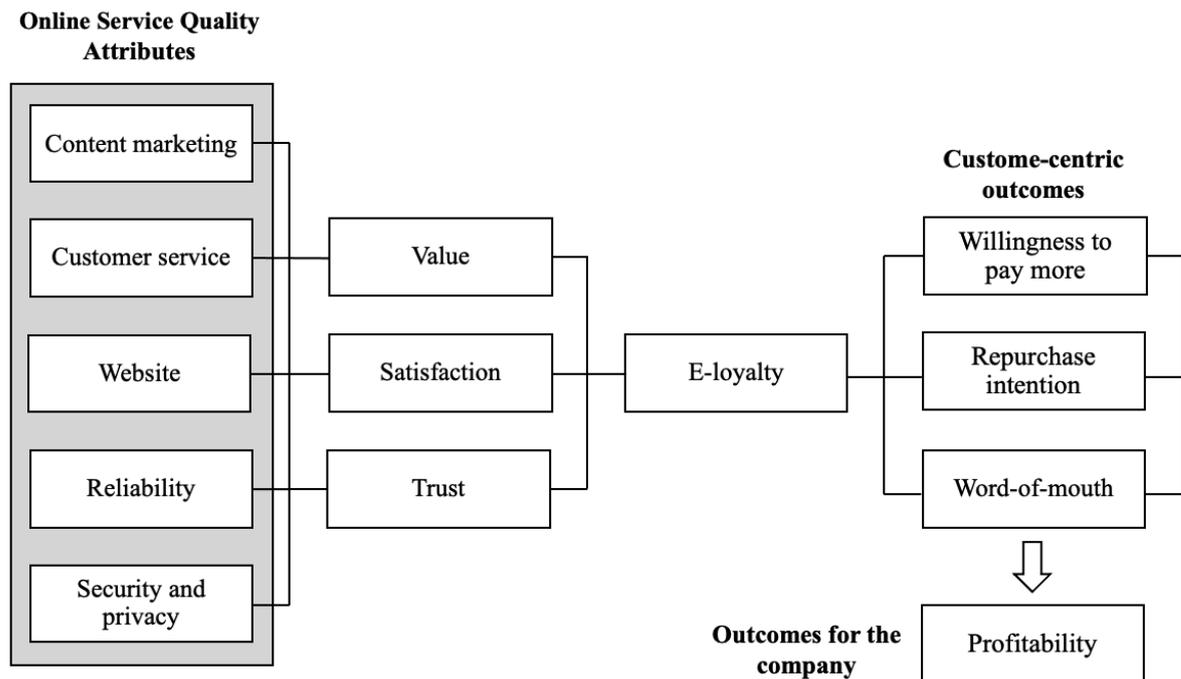


Figure 1. Theoretical framework of the thesis.

### 1.5 Definitions of the key concepts

In this section, the key concepts of the theoretical framework are presented briefly. **Content marketing** aims to attract and retain customers through the brand content which customers perceive as valuable and relevant (Pulizzi 2012, 116). Social media provides a two-way communication channel for businesses, and it can also be an effective tool for businesses to build their brand and engaging customers with the content (Taiminen & Karjaluo 2015, 635-636). **Customer service** consists of helpful and quick responses on the customer inquiries (Wolfenbarger & Gilly 2003). Customer service also includes addressing critical incidents and complaint handling (Homburg & Fürst 2005, 102). The online environment and shopping experience measure the **website** quality (Wolfenbarger & Gilly 2003; Ha & Stoel 2009). Additionally, the quality of website can be measured through the level of interactivity and the depth of information (Shankar, Smith & Rangaswamy 2003).

The accurate presentation of the product as well as delivering the product in the given time frame refer to the **reliability** (Parasuraman, Zeithaml & Malhotra 2005). Reliability also indicates how well the given information on the website match with the purchased product (Wolfenbarger and Gilly 2003). **Security and privacy** indicate the level of trust and security customers have towards the website (Parasuraman et al. 2005).

Perceived **value** refers to the customer's evaluation on the pros and cons which are related to the possible purchase (Yang & Peterson 2004, 803). Customer **satisfaction** can be defined as the consumer's feelings of outcomes of the consumption which lead to either pleasure or displeasure (Oliver 1999). Customers who feel they have perceived more value from the purchase are often more satisfied with their purchase (Watson et al. 2015, 792). **Trust** often refers to brand trust, which can be defined as a consumer's willingness to believe that the brand performance expectations match with the actual outcomes (Chaudhuri & Holbrook 2001, 82). The level of trust also indicates a customer's confidence towards the provider.

**E-loyalty**, or online loyalty, can be described as a customer's favorable attitude toward the online retailer, which leads to repeat buying behavior (Srinivasan et al. 2002). Online loyalty as a concept is fairly similar with customer loyalty and the main difference is the online environment. For the reason that the concepts of customer loyalty, brand loyalty, and online have different definitions based on the interpretations created by various researchers. These concepts are used interchangeably in the literature despite their multidisciplinary definitions created by the researchers. The differences between the concepts of customer loyalty and brand loyalty have not been precisely addressed in the literature, and therefore the differences are difficult if not unfeasible to define. Hence, this thesis also applies to these concepts interchangeably in order to create a versatile overall picture of the topic.

**Willingness to pay more** can be defined as a customer's intention to purchase from the same retailer (Zeithaml, Berry & Parasuraman 1996, 38). In line with this, **repurchase intention** indicates the customer's likeliness to engage themselves in repurchase behavior. Also, loyal customers are more likely to make purchases more often (Chaudhuri & Holbrook 2001, 82). **Word-of-mouth** (WOM) can be defined as a consumer's volitional post-purchase communication activity (Oliver 1980; ref. Dick & Basu 1994, 107). Furthermore, eWOM refers to electronic word-of-mouth occurring on the internet in different platforms (Hennig-Thurau, Gwinner, Walsh & Gremler 2004, 39) **Profitability** of the company refers to, for example, the increase of sales and cost reduction (Rafiq, Fulford & Lu 2013, 495). Additionally, the ability to acquire cost savings is also another feature of the company's profitability (Reichheld & Sasser 1990, 107).

## 1.5 Research questions and objectives

The ongoing pandemic has created various types of problems in today's world of business. For this reason, this thesis aims to examine on whether the abnormal circumstances have shaped the way of doing business and more specifically changed the ways of fostering customer loyalty. The existing academic literature has a narrow knowledge of the role customer loyalty among cosmetic companies. Additionally, the global health pandemic is a fairly new topic among academic researchers and therefore more studies are needed to fill in the gap on the importance of customer loyalty during pandemic and how the companies can contribute to strengthening that loyalty. Hence, the aim of this research is to examine the creation and maintenance of customer loyalty. The managerial purpose of this study is to provide useful information for companies to utilize in their efforts to build long-term relationships with loyal customers in an online environment. The main research question of the study is as following:

*RQ: How do the companies build and maintain online customer loyalty during COVID-19?*

Three sub-questions are formed to provide a comprehensive answer to the main research question. The role of social media is prominent in today's business world. The importance of having different social media channels, for example, to advertise, educate, and engage consumers is vital for the business to be able compete against competitors within the same market. The opportunities provided by social media are endless but important for the marketing strategies. Therefore, the first sub-question examines the role of social media, and more specifically on how the case companies have utilized different social media platforms during the global health pandemic. Hence, the first sub-question is as follows:

*SQ1: What is the role of social media when building and maintaining online customer loyalty during COVID-19?*

Customer service is another significant part of the business for the reason that it helps in solving any problems or inquiries customers may have regarding their orders and purchases. Customer service plays an important role during critical incidents, and it can affect customer satisfaction and ultimately to customer loyalty either positively or negatively (Homburg & Fürst 2005). Customers can be highly satisfied without becoming loyal customer for the specific provider when there are various providers in the market (Shankar et al. 2003).

For this reason, the second sub-question aims to understand how customer service impacts customer loyalty. Additionally, this sub-question seeks to find an answer to how the companies have utilized customer service on overcoming the effects of the coronavirus crisis. Therefore, the second sub-question is as follows:

*SQ2: How does customer service affect on building and maintaining online customer loyalty during COVID-19?*

Satisfied customers often return to the company to make repurchases. Also, satisfaction and customer loyalty are closely linked with each other (e.g., Oliver 1999; Dick & Basu 1994; Homburg & Giering 2001; Yang & Peterson 2004). Therefore, the third sub-question examines how customer satisfaction affects on building and maintaining customer loyalty. This sub-question aims to find the different approaches which may influence on how the case companies invest in customer satisfaction and what factors can decrease customer satisfaction. Thus, the third sub-question is as follows:

*SQ3: What is the role of customer satisfaction management when building and maintaining online customer loyalty during the COVID-19?*

This research aims to find the answers to the above-mentioned research questions by examining the relevant literature and conducting qualitative data through the company interviews. The three sub-questions support the main research question by finding the connection between each question.

## **1.6 Delimitations**

There are a few relevant limitations to this research. Loyalty is affected by various different matters, and therefore this thesis focuses especially on the factors defined in the research questions. Firstly, the empirical part of this study examines different strategies and practices on building online customer loyalty among seven selected Finnish natural cosmetic companies. Also, the empirical part relies mainly on the managerial perspective, which includes the experiences and interpretations of the executives. Therefore, the customer perspective is excluded from this study to keep the focus solely on the business perspective.

Furthermore, this study focuses only on the business-to-consumer (B2C) aspect excluding the transactions between two or more businesses, commonly known as the business-to-business (B2B) aspect due to their different characteristics. Also, the aim of this research is to study how

the case companies engage in the creation of customer loyalty among consumers. Additionally, the lack of academic research on the effects of the coronavirus on customer loyalty subtracts the variety of studies used in the theoretical part of this thesis. More comprehensive academic literature will be likely available in the near future.

### **1.7 Methodology**

The data in this thesis was gathered through seven semi-structured interviews to collect versatile narratives on the subject. Semi-structured interviews include a list of themes and questions that are covered in the interviews. This method also allows analyzing the phenomenon through the questions of “*what*”, “*how*”, and “*why*”. (Saunders, Lewis & Thornhill 2016, 391-392). Furthermore, semi-structured interviews focus on specific topics with interview questions conducted in advance but also allowing the interview to naturally flow along the interviewees (Puusa & Juuti 2020, 17).

The interviews were selected as a research method to gather information on the interviewees' experiences, opinions, and information about the research phenomenon which is not available from external sources. Additionally, the interviews enable access to information that is not available elsewhere for the interviewees have internal information on the company for they present the top management. The interview questions were conducted and sent to the interviewees beforehand to provide the interviewees an opportunity to become more familiar with the subject. Later, the interview recordings were transcribed and converted into a more analyzable table format, which allowed more rigorous review of the responses, and to compare both similarities and differences in the responses.

### **1.8 Structure of thesis**

The structure of this thesis is presented in this subchapter. This thesis is divided into the theoretical and empirical part. The theoretical part consists of chapter two and three while the empirical part includes chapters four and five. This thesis consists of altogether six chapters.

The first chapter of this thesis is the introduction to the research by presenting the aim of the research together with the research problem, research questions, and objectives. The second chapter presents the theoretical background of this research by reviewing the relevant literature for this thesis. The relevant concepts to the research are discussed in more depth and the most commonly known definitions for these concepts are covered. The theory examines the antecedents affecting customer loyalty and assesses various consequences derived from it. This

chapter aims to create a comprehensive understanding on the main concepts of this research. The third chapter presents the theoretical framework of this research in more detail. The conceptual framework of e-loyalty is examined in more detail including the antecedents and outcomes of the creation of e-loyalty. Later, the research findings are analyzed through the theoretical framework.

The fourth chapter highlight the chosen research methodology following with the chosen data collection and data analysis methods. Subsequently, the qualitative research method is presented in more detail. This chapter also addresses the quality of the research. In the fifth chapter the empirical findings of the research are discussed and analyzed. The main research question and the three sub-questions are answered through the empirical findings. This chapter also connects the empirical findings with theory.

Finally, the main conclusions are presented, and the research questions are answered in the sixth chapter. Also, the theoretical contributions and managerial implications are defined. Lastly, the limitations of the thesis are discussed critically and suggestions for further research are presented.

## **2 LITERATURE REVIEW**

The literature review presents relevant research for this study. This chapter aims to create an overview of customer loyalty. The first section begins with a brief background and history of customer loyalty, followed by a more specific introduction to customer loyalty and brand loyalty. The antecedents and phases of customer loyalty are examined in the next section. After that, the characteristics affecting customer loyalty are identified and analyzed. The last section of this chapter focuses on online loyalty, and the factors affecting that are discussed in more detail. Eventually, the summary of the literature review is illustrated in the *Figure 3*.

### **2.1 Background of customer loyalty**

The concept of brand loyalty has been around for decades. Farley (1964), Tucker (1964), and Day (1969) were among the earliest researchers examining the concept of brand loyalty. Later, the concepts of customer loyalty emerged within the academic researches. For example, Dick and Basu (1994), Oliver (1999), and Pritchard, Havitz and Howard (1999) conducted their researches of the concept. Oliver (1999, 34) defines customer loyalty as “*a deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior*”. According to Dick and Basu (1994, 99) customer loyalty is “*viewed as the strength of the relationship between an individual’s relative attitude and repeat patronage*”. Both definitions similarly comprise attitudinal and behavioral aspects of loyalty. Measuring customer loyalty should include both of these above-mentioned aspects to create a comprehensive overview (Watson et al. 2015, 794).

Customer loyalty can be defined as a consumer’s intention to stay with the company (Zeithaml, Berry & Parasuraman 1996; Wang 2010, 253). Customers become and stay loyal when they believe that the company can provide them the best choice alternative. Therefore, customers need to believe that the company offers the best deal, for example, in terms of quality and low price. (Oliver 1999) Customer loyalty can also be described as the overall attachment to the certain product, service, brand, or company (Oliver 1999; Wang 2010, 253-254). However, loyalty is not necessarily based on a single product, and consumers may also have multiple brands they are loyal to (Oliver 1999). Customers stay loyal to the brand even when there are no differences between similar brands (Tucker 1964, 34).

Customer loyalty research has focused primarily on brand loyalty. The history of brand loyalty in academic literature can be traced to the early 1920s. The early studies focused for the most part on the behavioral aspect of loyalty. Some studies emphasized the sequence of purchased brands, others the proportions of the purchased brands, and some measured the probabilities of purchases. Some researchers combined different behavioral criteria in their studies. (Homburg & Giering 2001, 46) Early studies of brand loyalty focused only on repeat purchasing (Anderson & Srinivasan 2003, 124). Farley (1964) was among the first researchers presenting the one-dimensional brand loyalty, and the studies then focused merely on the repeated purchasing behavior. Later, Day (1969) added attitudinal aspect to the one-dimensional brand loyalty, and then introduced the two-dimensional brand loyalty with both behavioral and attitudinal aspect. Some of the researchers argued that the behavioral aspects of loyalty did not distinguish true loyalty from spurious loyalty. Spurious loyalty can occur when there are no alternative options available for the customer and therefore have to make the decision based on the lack of alternatives. (Day 1969; Jacoby & Chestnut 1978; Anderson & Srinivasan 2003, 124). True loyalty is the most desirable state of loyalty for the company, and which consists of high repeat patronage and high relative attitude (Dick & Basu 1994, 102).

One of the most popular definition of brand loyalty was founded by Jacoby & Kyner (1973, 2) who examined brand loyalty through six necessary conditions. According to the researchers brand loyalty is described as “*the biased (i.e., non-random), behavioral response (i.e., purchase), expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (decision-making, evaluative) processes*”. The definition refers to the multidimensional aspect of brand loyalty where brand loyalty does not mean repeat purchasing behavior alone, but it also includes an attitudinal aspect. According to the researchers, repeat purchasing is not an efficient indicator to measure brand loyalty. Therefore, the researchers suggested marketers to pay more attention to the underlying reasons for the behavior for repurchasing. (Jacoby & Kyner 1973, 1-2 & 8)

Chaudhuri and Holbrook (2001) identified brand loyalty as two-dimensional with behavioral and attitudinal aspect. Behavioral brand loyalty focuses on repeated purchases, whereas attitudinal brand loyalty highlights the commitment to the perceived value of the brand. (Chaudhuri & Holbrook 2001) Worthington, Russell-Bennett and Härtel (2010) present the most recent perspective to brand loyalty, which is a tri-dimensional approach. The researchers highlight that brand loyalty includes behavioral loyalty and attitudinal loyalty with two

components, which are emotional and cognitive loyalty. The researchers argued that the three-dimensional approach provides a more detailed overview when analyzing the strengths and weaknesses of the company. (Worthington, Russell-Bennett & Härtel 2010, 244)

Companies can affect the needs, wants, and demands of customers by maintaining, managing, and improving the online servicescape, which is called online loyalty (Harris & Goode 2004). E-loyalty can be described as '*an enduring psychological attachment by a customer to a particular online vendor or service provider*' (Carter et al. 2014). The design and marketing of a website attract different types of customers. Some customers are more loyalty-oriented while others are seeking for the best price offer. (Reichheld & Schefter 2000, 110). Online loyalty can be divided into two categories based on the customer commitment on the repurchase intentions. These categories are *affective* and *continuance commitment*. Affective commitment refers to an emotional attachment, customer's positive attitude toward a brand, service, or provider. Continuance commitment is based on the cost-benefit calculations, more closely referring to the high switching costs and preferences to maintain the long-term relationship between the provider and customer. (Bendapudi & Berry 1997; Zins 2001; Fullerton 2003; Evanschitzky et al. 2006; Carter et al. 2014).

Trust is the key element in e-commerce as well as in traditional commerce, but especially in an online environment where the stages of the purchasing process are not visible compared to brick-and-mortar stores where the foundation of trust relies on personal relationships and interactions between the customer and the retailer. (Kim, Ferrin & Rao 2009) The main similarities online stores share with physical stores in the terms of building customer loyalty is trust and satisfaction.

Physical stores are important for the customers because they offer the possibility to experience the product by touching and feeling it. This contributes to customer inspiration and consequently creates customer loyalty. (Herhausen et al. 2019) The Internet also has its downsides in the terms of retailing. For example, there is strong price competition between rivalries leading to lower profits. Therefore, competing successfully in the highly competitive market space requires developing and maintaining customer loyalty. (Peterson 1997; Srinivasan et al. 2002) The absence of physical elements in an online environment creates different kinds of challenges for marketers when creating e-loyalty. However, the value of loyalty can be more significant on the internet compared to the physical world. (Reichheld & Schefter 2000, 107)

There are also some differences between the characteristics of online and offline environments. The acquisition of new customers is significantly more expensive compared to the physical stores. However, the expected profit growth is quicker. (Reichheld & Schefter 2000, 106) Also, the costs of retaining customers are significantly lower than the acquisition of new customers (Oliver 1999). Online stores need to spend more money to attract customers compared to physical stores. It can also take several years before these new customers become profitable for the company. (Blattberg & Deighton 1996; Watson et al. 1998; ref. Caruana & Ewing 2010) Customers may be less price-sensitive online compared to offline (Degeratu et al. 2000; Lynch & Ariely 2000; Shankar et al. 2001; Shankar et al. 2003). Also, brand names may have a stronger impact in an online environment (Degeratu et al. 2000; Shankar et al. 2003)

In conclusion, several researchers have examined both customer loyalty and brand loyalty through repeat patronage and repeat purchasing behavior. Also, various researchers highlight the attitudinal phase of customer loyalty and brand loyalty. Therefore, both loyalties consist of behavioral and attitudinal aspects. Customers tend to choose the company with the best possible alternative which can include low price and quality of a product. Researchers examining brand loyalty highlight the perceived value of the brand and also, the emotional and cognitive phases. As conclusion, customer loyalty and brand loyalty are very similar concepts and therefore the concepts are used interchangeably in this thesis. Online loyalty or e-loyalty differs from the two for this is valid only in an online environment.

## **2.2 Different types of loyalty**

Dick and Basu (1994) present the Relative Attitude-Behavior Relationship by using a four-field table. The table is visualized here in the *Figure 2*. The categories in the table are the following: *'No Loyalty'*, *'Spurious Loyalty'*, *'Latent Loyalty'* and *'True loyalty'*. *'No loyalty'* refers to a situation where both relative attitude and repeat patronage are low. This could be the case, for example, when there is a new provider that has entered the market and whose products or services are unfamiliar to customers. Another possible situation could be when there are various providers in the market, and their products or services are similar to each other, and there are no specific differences between the products or services. In this case, it could be difficult to create high relative attitude. (Dick & Basu 1994, 101)

A low attitudinal loyalty together with high repeat patronage leads to *'Spurious Loyalty'*. This situation could be possible when there are only a few options for a customer to choose from.

Social influence experienced by the customer could lead to spurious loyalty. High relative attitude and low repeat patronage leads to ‘Latent Loyalty’. Marketers find this situation seriously concerning because high attitudinal influences in a marketplace environment are difficult to manage. The most favorable condition of the four categories is ‘True loyalty’. This condition means that both relative attitude and repeat patronage are on a high level. (Dick & Basu 1994, 101–102).

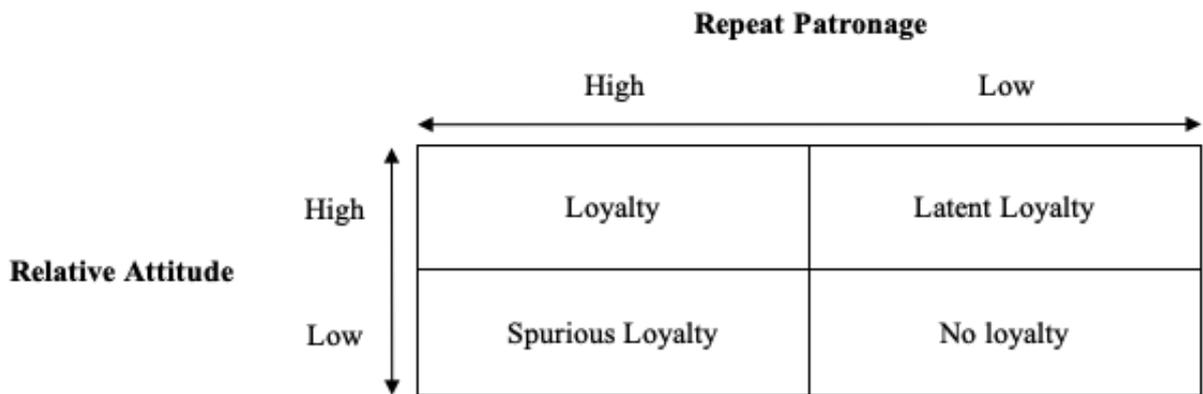


Figure 2. Relative Attitude-Behavior Relationship (Dick & Basu 1994, 101-102).

Baldinger and Rubinson (1996) have categorized customers into different groups based on their behavioral and attitudinal loyalty. Customers who are both behaviorally and attitudinally loyal to the brand are referred as ‘real loyals’. Loyal customers with no attitudinal attachment to the brand are called ‘vulnerables’. Real loyals are more likely to stay loyal to the brand compared to vulnerables. ‘Prime prospects’ refer to customers with high favorable attitudes for the competitive brand. (Baldinger & Rubinson 1996, 23)

**2.3 Antecedents of customer loyalty**

Dick and Basu (1994) examined the three antecedents of relative attitude contributing to customer loyalty, which are the following: *cognitive*, *affective*, and *conative* phases. The cognitive phase includes informational determinants, the affective phase focuses on feeling states, and last, the conative phase focuses on behavioral dispositions. Researchers identify four antecedents related to affective loyalty. These concepts are emotions, moods, primary affect, and satisfaction. Emotions are linked to the familiarity and safety of the environment perceived by the customer. For example, when the customer visits the same store frequently, becomes

familiar with the personnel and the environment these positive experiences lead to loyalty. Moods are not as intense as emotions and their duration is shorter. A customer with a good mood is more like to recall more positive items compared to a customer with a neutral mood. Different sensory experiences, such as scents in the physical store, can influence the strength of the specific association and latter to evoke primary effect. Researchers believe that the antecedent to loyalty is satisfaction. After purchasing the customer evaluates the performance and how well the purchase meets their expectations. (Dick & Basu 1994, 102 & 104)

Researchers have identified three antecedents to conative loyalty. These antecedents are switching costs, sunk costs, and expectations. Switching costs refer to the costs when customer is changing the provider. Switching costs can also be psychological, like perceived frustration when changing the provider and getting familiar with a new store. (Dick & Basu 1994, 105) High switching costs and difficult switching processes may influence a customer not to change the company but to remain with the current provider (Yang & Peterson 2004, 805; Balabanis, Reynold & Simintiras 2006).

Sunk costs mean the probability of a customer to return to the provider also in the future. For example, a customer who purchases more of the same provider's products or services tends to make purchases from the same provider also in the future. Future expectations is the last antecedent to conative loyalty. Future expectations measure the fit between customer needs and marketplace offerings. These expectations have an impact on the customer's intentions to postpone or increase the repurchase of a product. (Dick & Basu 1994, 105)

Similarly to the research carried out by Dick and Basu (1994), Oliver (1999) presented the framework for customer loyalty that consists of the same three phases of loyalty, which are cognitive, affective, and conative loyalty. However, the researcher added the fourth phase to this framework, which is action loyalty. The research highlights customers' ability to become loyal at every attitudinal phase. The first phase is cognitive loyalty, which is relies on knowledge or experience-based information. Customers show loyalty directly to the brand based on the information. (Oliver 1999) Harris and Goode (2004) also studied the four levels of loyalty and were able to find the links between the four levels of loyalty. They also emphasize the strong connection between perceived value and loyalty. (Harris and Goode 2004) The second phase of loyalty is affective loyalty. This is a stage where a liking or attitude for the brand has developed due to the cumulative satisfying occasions. This phase includes the satisfactional aspect. In this phase of loyalty, customers are subject to switching, which refers

that perceived satisfaction does not guarantee loyalty. Conative loyalty is the third phase of loyalty, which includes behavioral intentions. This stage is affected by the repeated positive effects toward the brand. Conation means a commitment or intention to repurchase the brand. Even when there could be a brand-specific commitment to repurchase, there is no certainty that this will come true. (Oliver 1999) The fourth, and the most desirable phase is the action loyalty where intentions to purchase turn into action. In this phase of loyalty, customers are eager to overcome obstacles that might prevent them from having the desired product or service. Action loyalty, however, is difficult to observe and measure. (Yang and Peterson 2004, 802; Oliver 1999) This framework of the cognitive-affective-conative framework is completed with the action phase of loyalty. To summarize Oliver's framework, cognitive loyalty is based the performance aspect of the brand, affective loyalty refers to the likeability of the brand, conative loyalty is present when the customer has a focus to repurchase the brand, and last action loyalty is the commitment to the action of repurchasing the brand. (Oliver 1999)

### **2.3.1 Customer satisfaction**

Various researchers have identified the connection between customer satisfaction and loyalty (e.g., Dick & Basu 1994; Oliver 1999, Homburg & Giering 2001; Yang & Peterson 2004; Balabanis et al. 2006; Rose, Clark, Samouel & Hair 2012; Herhausen, Kleinlercher, Verhoef, Emrich & Rudolph 2019). Satisfaction can be defined as the difference between expectations and performance. Customers who feel like perceiving more extensive value from using a product or service are often more satisfied with the product or service. (Watson et al. 2015, 792) Customer satisfaction precedes customers' willingness to repurchase (Cronin, Brady & Hult 2000; Mittal & Kamakura 2001; Seiders, Voss, Grewal & Godfrey 2005). Researchers also highlight, that creating loyalty by satisfying and inspiring customers is important for the company to maintain competitive advantage against its competitors (Edelman & Singer 2015; Herhausen et al. 2019).

Likewise in an offline environment, satisfaction is an antecedent of customer loyalty in an online environment (Anderson & Srinivasan 2003; Balabanis et al. 2006; Rose et al. 2012; Herhausen et al. 2019). Satisfaction is formed in the consumer's mind when the prior expectations meet with the actual quality after purchasing the product or service (Oliver 1980; Parasuraman et al. 1988; Oliver 1999; Kim et al. 2009). Dissatisfied customer is more likely to search for alternatives and prevent the current retailer to create a closer relationship with them compared to satisfied customer (Anderson & Srinivasan 2003). Even though the researchers

discovered a positive link between e-satisfaction and e-loyalty, the link is not significantly strong between the two factors (Balabanis et al. 2006). Therefore, customers can be loyal without being highly satisfied, and also vice versa. Customers can be loyal without being satisfied, for example, when there are only a few alternatives available in the market. Additionally, customers can be highly satisfied but not loyal when there are plenty of alternatives available. (Shankar et al. 2003)

### **2.3.2 Customer trust**

Trust is another antecedent of customer loyalty (e.g., Reichheld & Schefter 2000; Carter et al. 2014; Watson et al. 2015). Trust can be defined as a customer's confidence in the reliability of the provider (Watson et al. 2015, 792). Companies can gain a competitive advantage by forming relationships with customers and offering them products or services based on their individual preferences, which further enhances trust and later creates customer loyalty (Reichheld & Schefter 2000, 107-108). The formation of trust can be defined as a part of the attitudinal phase of loyalty. The researchers also highlight that consumer behavior is not the only indicator of customer loyalty. (Carter, Wright, Thatcher & Klein 2014)

Similarly with the offline context, multiple researchers highlight online trust as the most important antecedent of online loyalty (Reichheld & Schefter 2000; Reichheld et al. 2000; Ribbink et al. 2004; Harris & Goode 2004; Floh & Treiblmaier 2006; Liang & Chen 2009; Yee & Faziharudean 2010; Rafiq et al. 2013, 500; Toufaily et al. 2013; López-Miguens & Vazquez 2017). Trust is a strong antecedent when analyzing customers' repeat purchase intentions (Morgan & Hunt 1994; Zins 2001; Fullerton 2003; Evanschitzky *et al.* 2006; Carter et al. 2014). The size and perceived reputation of the online store affect the perceived trust towards the e-tailer. Trust also has an impact on customers' attitudes and perceptions of risk. (Järvenpää et al. 2000; Hwang 2014, 978) Trust can be even more important factor in an online environment because most of the times customers have pay for their purchases in advance, and they cannot be entirely sure when and if their orders will be delivered (Economist 1999; ref. Balabanis et al. 2006).

### **2.3.3 Customer value**

Researchers have found a link between value and customer loyalty (Blackwell, Szeinbach, Barnes, Garner & Bush 1999; Ryan, Rayner & Morrison 1999). Zeithaml (1988, 14) defines customer value as *“consumer's overall assessment of the utility of a product based on*

*perceptions of what is received and what is given*". This refers to the initial expectations a customer may have of the product or service match with the actual outcomes after the purchase. The evaluation between the sacrifices and relative rewards of the purchase are related with the value perceived by the customers (Yang & Peterson 2004, 803).

Furthermore, customers who perceive a greater value from using a product or service tend to be more satisfied with the product or service. Ultimately, this enhances customer loyalty. Various studies highlight that customer loyalty is based on delighting customers and delivering value through products and services (Oliver 1999; Parasuraman & Grewal 2000; Yang & Peterson 2004, 799-800). Perceived value contributes to the creation of loyalty by reducing a customer's willingness to seek for an alternative provider. In other words, a satisfied customer is unlikely to make a repurchase if they feel like they have not received the greatest value for their money and therefore they are more likely to switch the provider. (Anderson & Srinivasan 2003, 128)

#### **2.3.4 Customer commitment**

The researchers have theorized that commitment is another antecedent of customer loyalty (Day 1969; Pritchard et al. 1999; Hennig-Thurau, Gwinner & Gremler 2002; Watson et al. 2015). Commitment indicates a consumer's long-term orientation toward a relationship with the company (Hennig-Thurau et al. 2002). Additionally, commitment reflects the consumer's desire to retain and maintain the relationship with the brand (Morgan & Hunt, 23), and it usually refers to consumer's attitudes of attachment towards a certain brand (Pritchard et al. 1999, 335).

Pritchard et al. (1999, 344) found that the strength of a consumer's commitment can be determined by "*a complex causal structure in which their resistance to change is maximized by the extent to which they (1) identify with important values and self-images associated with the preference, (2) are motivated to seek informational complexity and consistency in the cognitive schema behind their preference, and (3) are able to freely initiate choices that are meaningful*". A customers' affectionate ties with brand affect to the commitment (Fournier 1998), and further the creation of loyalty (Thomson, MacInnis & Park 2005).

#### **2.3.5 Other antecedents typical in an online environment**

Unlike in an offline environment, some researchers have found the link between e-loyalty and interactivity in e-commerce (Deighton 1996; Watson et al. 1998; Srinivasan et al. 2002; Cyr, Head & Ivanov 2009). Interactivity has been found to create a sense of connection. Also, the

online presence of the retailer strengthens good customer relations and helps to create loyal customers. (Cyr, Head & Ivanov 2009) Customer loyalty does not inevitably derive from technology but a superior customer experience (Reichheld & Schefter 2000; Caruana & Ewing 2010). Also, when a customer experiences a negative incident with the retailer, and the company can recover from the critical incident effectively, this may have a positive effect on customer loyalty (Gilly 1987; Walsh, Evanschitzky & Wunderlich 2008). Also, website quality is an antecedent of e-loyalty (Toufaily, Ricard & Perrien 2013; López-Miguens & Vázquez 2017). Creative design of a website can help the retailer to characterize itself positively in the minds of consumers (Srinivasan et al. 2002).

Generating customer loyalty in an online environment is more difficult but also more significant compared to offline retailing (Harris & Goode 2004, 139; Goode & Harris 2007). This can be justified by the fact that online environment has a more competitive nature and competition is relatively easy. Also, customers need to pay less when searching for an alternative product or service. (Harris & Goode 2004; Rafiq et al. 2013, 494-495) Online providers tend to rely on two strategies to create e-loyalty. The first strategy is to build customer trust, while the second strategy aims to create costs that keep customers from changing the provider. Both strategies enhance e-loyalty by emphasizing the customer's relationship with the provider. (Carter et al. 2014)

The company's ability to match online claims and promises with the physical delivery creates service consistency. Service consistency on the other hand develops trust and also further, loyalty. (Harris & Goode 2004). When customers have a positive attitude toward the brand, they are also more likely to have a positive attitude toward the website of a brand. (Balabanis & Reynolds 2001; Wang, Pallister & Foxall 2006). Furthermore, Srinivasan et al. (2002) identified eight e-business factors (8C's) affecting customers' e-loyalty. These factors are *customization, contact interactivity, cultivation, care, community, choice, convenience, and character*. According to the results of the study all the factors, excluding convenience, affect customers' e-loyalty. (Srinivasan et al. 2002). Balabanis et al. (2006) examined five factors influencing e-loyalty, which are *website and technology, customer service, value proposition, trust and security, and brand building* (Gommans, Krishnan & Scheffold 2001, 47) Additionally, corporate reputation and website design can affect to the creation of online loyalty (Caruana & Ewing 2010). The same rules apply to retailers in both offline and online environments. However, marketers need to pay closer attention to the pace and speed of their

product and service improvements to maintain customer loyalty because customers can be more sensitive to inconsistency and mediocrity. Today, due to the opportunities created by the Internet, customers have more alternatives available regardless of time and place. (Reichheld & Schefter 2000, 113)

#### **2.4 Individual characteristics affecting customer loyalty**

There are individual characteristics affecting customer loyalty. Previous studies have shown that information processing declines with older age. Older people rely on their own experience of the key features of the product when making a purchase decision. While younger people rely on the sales personnels' expertise before the purchase decision. (Homburg & Giering 2001, 49) Customers' loyalty to the sales personnel develops overall customer loyalty towards to company (Yim, Tse & Chan 2008).

Younger consumers, the generation Y or the Millennials, are often called '*digital natives*'. They are also heavy online shoppers, and therefore the online user experience is important. They prefer brands with higher brand equity in an online environment. Trust is the most important factor also for the Millennials when building e-loyalty. (Bilgihan 2016) Older consumers make decisions based on fewer criteria when they form loyalty towards the retailer whereas younger consumers tend to seek alternative information that might have an influence on their loyalty. Therefore, loyalty and satisfaction have a stronger bond for older consumers. (Walsh, Evanschitzky & Wunderlich 2008)

Homburg and Giering (2001) examined five characteristics that could have an impact on customer satisfaction and loyalty. These characteristics are *gender, age, income, involvement, and variety seeking*. The first three characteristics are demographic and the last two are psychological. The outcomes of the research indicate that age, variety seeking, and income are significant characteristics when creating the connection between customer satisfaction and loyalty. Gender and involvement did not have a significant effect on this relationship. In conclusion, personal characteristics have an important role when creating customer satisfaction and loyalty. (Homburg & Giering 2001, 48-50 & 57)

There are some differences between consumers based on their thresholds or tolerance levels of repurchasing. For example, consumers with a higher level of thresholds are less likely to repurchase the brand compared to the consumers with lower thresholds. (Mittal & Kamakura 2001) Also, consumers with lower level of education are less likely to switch brands. This may

be due to the low returns to scale in the search for information about other brands. (Ratchford 1999; Mittal & Kamakura 2001) In an online environment, there are differences between online customers based on their tolerance of risk. Online trust affects differently on the perceived trust among the risk takers and risk avoiders. Trust does not directly affect customer loyalty among the risk takers. Risk taking customers are able to utilize the website without trusting the website but trusting the technological aspect. Loyalty can be developed later in the future. Alternatively, trust beliefs and intentions to utilize the website have a direct impact on customer loyalty within the risk avoiders. Risk avoiding customers require a sense of initial trust to develop customer loyalty for the website. (Hwang 2014, 981)

## **2.5 Consequences of customer loyalty**

Customer loyalty can be valuable for both the company and its customers (Yang & Peterson 2004, 802). The company can benefit in multiple ways from loyal customers. For example, loyal customers are forgiving over the unfortunate incidents happening in customer service, less sensitive to price, and spread positive WOM information about the company. Also, these customers become profitable as well as a valuable asset for the company. (Anderson & Mittal 2000; Yang & Peterson 2004, 802) Loyal customers are more willing to pay premium prices (Reichheld & Sasser 1990, 107) and they are less sensitive to price changes in comparison with non-loyal customers (Reichheld & Sasser 1990; Srinivasan et al. 2002). Additionally, Reinartz and Kumar (2002) state that there is a link between loyalty and profits of the company. Understanding the link will give proper insight into which customers are the most important for the company. (Reinartz & Kumar 2002, 86 & 90) Customer loyalty does not only have a positive impact on profitability by reducing the costs of acquiring new customers but also increasing sales per customer (Rafiq, Fulford & Lu 2013, 495). Loyal customers also increase the probability of cross-selling (López-Miguens & Vazquez 2017) and demand less time and attention from the company they are loyal to (Yang & Peterson 2004, 802).

There are consequences derived from customer loyalty also for customers. Dick and Basu (1994) present three consequences for customers resulted from customer loyalty. The first consequence is the need to search for information. Various researches indicate that increasing experience, learning, satisfaction, and repeating purchases decreases the need for information regarding other brands. The second consequence is resistance to counter-persuasion. This refers to the efforts of other brands' trying to get the customer to change the brand but with unsuccessful attempts. The third is word-of-mouth information. Customers are more likely to

spread word of mouth information of when there have been emotional experiences involved in their purchase. (Dick & Basu 1994, 106-107) Additionally, consumers tend to avoid taking unnecessary risks. Therefore, brand loyalty often reduces the possible risks of poor product quality, the safety of payments, and other risks among both non-store consumers and online customers (Roselius 1971; Ward & Lee 2000; ref. Wang, Pallister & Foxall 2006).

## **2.7 Creating customer loyalty**

Customer relationship management (CRM) helps companies to build long-term and profitable relationship with customers. CRM consists of processes supporting the business strategy. Typically, CRM has four different dimensions, which are customer identification, attraction, retention, and lifetime development. The main idea of CRM is to serve customers better and develop steady relationships. Companies can gain competitive value by developing long-term relationships with customers and turn them into loyal customers. (Ngai, Xiu & Chau 2009; Wang 2013, 9-10; ref. Chang, Wong & Fang 2014) Companies need to both acquire new customers as well as retain the existing customers to ensure the profitability of the business also in the future. Acquiring new customers tends to be unprofitable during the first years of the relationship. (Anderson & Srinivasan 2003, 123) In addition to this, Reinartz and Kumar (2002) suggest sorting customers by scoring them on their purchase frequency and the amount of money spent on these purchases. Recency, frequency, and monetary value (RFM) tools are often used for these purposes. However, RFM tools do not measure loyalty properly. For example, buying behavior for frequently and infrequently bought goods varies significantly. (Reinartz & Kumar 2002, 90) Long-term customers are profitable for the company, and they are also more likely to purchase additional services as well as spread positive word-of-mouth information compared to the short-term customers. These customers are also willing to pay higher prices. (Zeithaml, Berry & Parasuraman 1996, 33)

Understanding that a clear differentiation and special value proposition play a key role when building profitable loyalty among customers (Reinartz & Kumar 2002; Kumar & Shah 2004). The main goal of customer experience management (CEM) is to create and retain long-term customer loyalty (Homburg, Jozić, & Kuehnl 2017, 384). Fournier and Avery (2011, 64) argue that CRM programs may not be effective due to the fact that they often focus mainly on high-cost and low-value customers. They suggest that managers should focus merely on the relationship aspect and improve good relationships and turn around bad relationships. The researchers also suggest three reasons why CRM programs often fail. First, companies forget

to treat consumers as real people and addressing deeper and relational needs is missing. Second, there are various types of relationships that require different types of CRM programs. Third, companies may not recognize that relationships are two-sided, and these relationships can develop with every interaction. (Fournier & Avery 2011, 64)

The creation of customer loyalty is based on three components, which are product satisfaction, journey satisfaction and customer inspiration. Product satisfaction measures the post-purchase evaluation of the product, which means the outcome of the customer journey. Journey satisfaction measures the stimuli process during the customer journey. (Herhausen et al. 2019) Customer inspiration measures the cognitive transformation of stimuli. It also includes feelings of novelty. Physical stores often have a stronger impact on the inspirational aspect for their tangible elements which customers can try and experience on the spot. (Kleinlercher, Emrich, Herhausen, Verhoef & Rudolph 2018; ref. Herhausen et al. 2019) Researchers suggest that companies fail to create a strong customer loyalty since they are unable to establish emotional bonds with their customers. Customers tend to create affectional ties with brands. These affectionate feelings can vary from friendly affection to passionate love, and sometimes even obsession. (Yim, Tse & Chan 2008)

Reinartz & Kumar (2002) identified four different customer relationship management strategies for different customer segments. Researchers identify four types of customers based on their profitability and loyalty to the company. These are *Strangers*, *Butterflies*, *True Friends*, and *Barnacles*. Strangers have no loyalty and are non-profitable for the company, and therefore it is suggestible not to invest in these types of customers. The second most valuable type of customers are the Butterflies. These customers are considered as profitable but disloyal customers. Butterflies are chasing after the best possible offer while trying to avoid building a relationship with any of the providers. It is important for the company to recognize these temporary customers and not investing in them because Butterflies rarely turn into loyal customers. (Reinartz & Kumar 2002, 93-94)

True Friends are the most loyal customers but on the other hand not exceedingly profitable. Barnacles are long-term customers and, tend to have a lot of potential for the highest profits. Satisfied customers are usually both profitable and loyal. It is desirable to turn True Friends into *True Believers* by rewarding customers for their loyalty. True Believers are considered the most profitable customers for the company. Barnacles tend to be the most problematic customers, but they can become profitable for the company. These customers may be non-

profitable in the beginning but could potentially spend more and therefore should be invested in. The spending patterns of each customer can be monitored by utilizing information technology solutions. (Reinartz & Kumar 2002, 93–94).

Moreover, the coronavirus pandemic has affected the formation of customer loyalty. However, the topic is fairly new, which is why it has been studied very little in the literature. As discussed earlier in this study, coronavirus has changed consumers' values and loyalties. Convenience, availability, and conveying value are defined as the key factors affecting customer loyalty during the pandemic. Marketing efforts should focus on conceiving, communication, and delivering value to the customers during the times of pandemic. Identifying the meaning of value to customers when they are creating new purchasing routines helps smaller and mid-tier brands to compete successfully in the market. During the pandemic, companies are expected to meet customers' needs and desired outcomes instead of focusing only on the product itself. Safety, security, and assurance are enhanced characteristics which can help companies to create competitive advantage during the crisis. (Knowles, Ettenson, Lynch & Dollens 2020) The global pandemic has forced consumers to create new habits. For example, when they cannot shop in physical stores, they switch to shopping online (Sheth 2020). Also, when the preferred brand is out of stock, this situation encourages a consumer to find a new brand, which may lead to the creation of loyalties towards new brands (Hamilton 2020).

## **2.8 Summary of the literature review**

In conclusion, the literature review can be summarized into six different categories, which are *company level characteristics, customer level antecedents, individual characteristics, types of loyalty, company level consequences, and customer level consequences*. The summary of the literature review can be find visualized in the *Figure 4*.

The first category of the summary is the company level characteristics. This category includes customer relationship management (CRM) as well as relationship marketing. The second category is the customer level antecedents including satisfaction, trust, commitment, switching costs, and perceived value. The company level characteristics together with the customer level antecedents lead to the third category which includes the different types of loyalty. Additionally, the fourth category, individual characteristics, also affect to the types of loyalty. Individual characteristics of consumers include age, level of education, income, variety seeking, and thresholds.

Later, the types of loyalty lead to the last two categories, which are the company level consequences and the customer level consequences. The company level consequences include positive word-of-mouth, increased sales, increased cross-selling, and reduced customer acquisition costs. The customer level consequences consist of reduced perceived risks, and feelings of commitment and attachment.

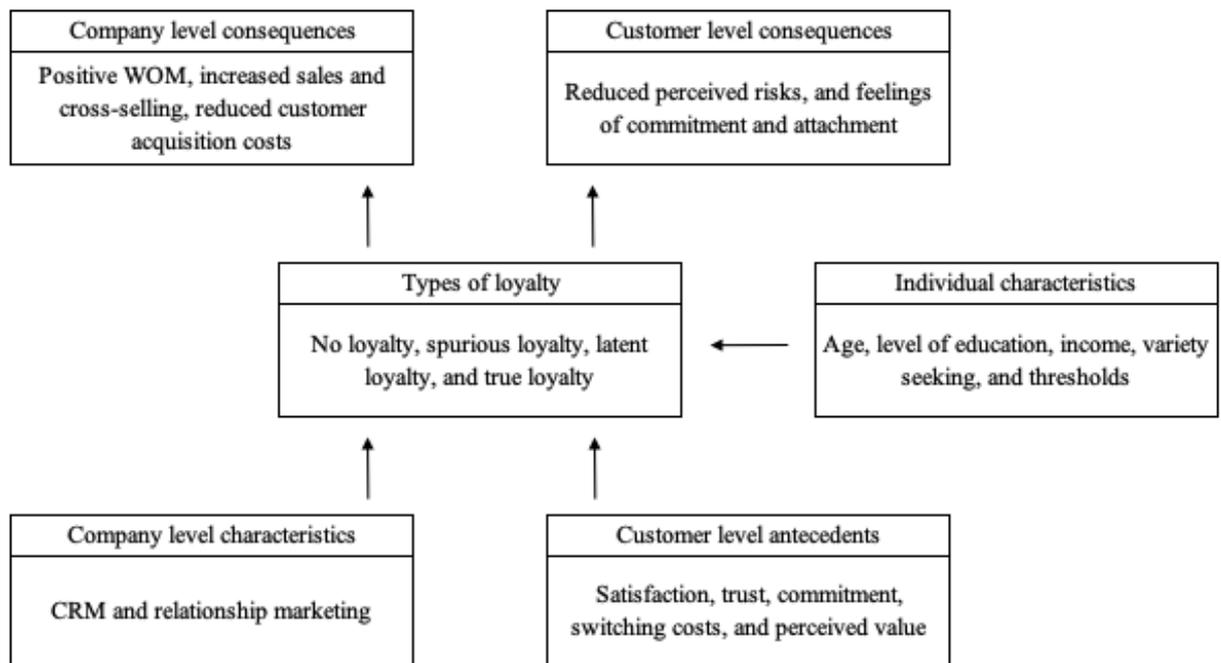


Figure 3. Summary of the literature review.

### 3 THEORETICAL FRAMEWORK

This chapter introduces the theoretical framework of this thesis. This thesis utilizes the conceptual framework of e-loyalty to structure the research problem in more detail. The aim is to examine the sources of building loyalty in an online environment and what are the benefits of e-loyalty for the company. The theoretical framework is presented previously in the first chapter of this thesis. However, the figure is presented again in this chapter for the convenience of the reading experience.

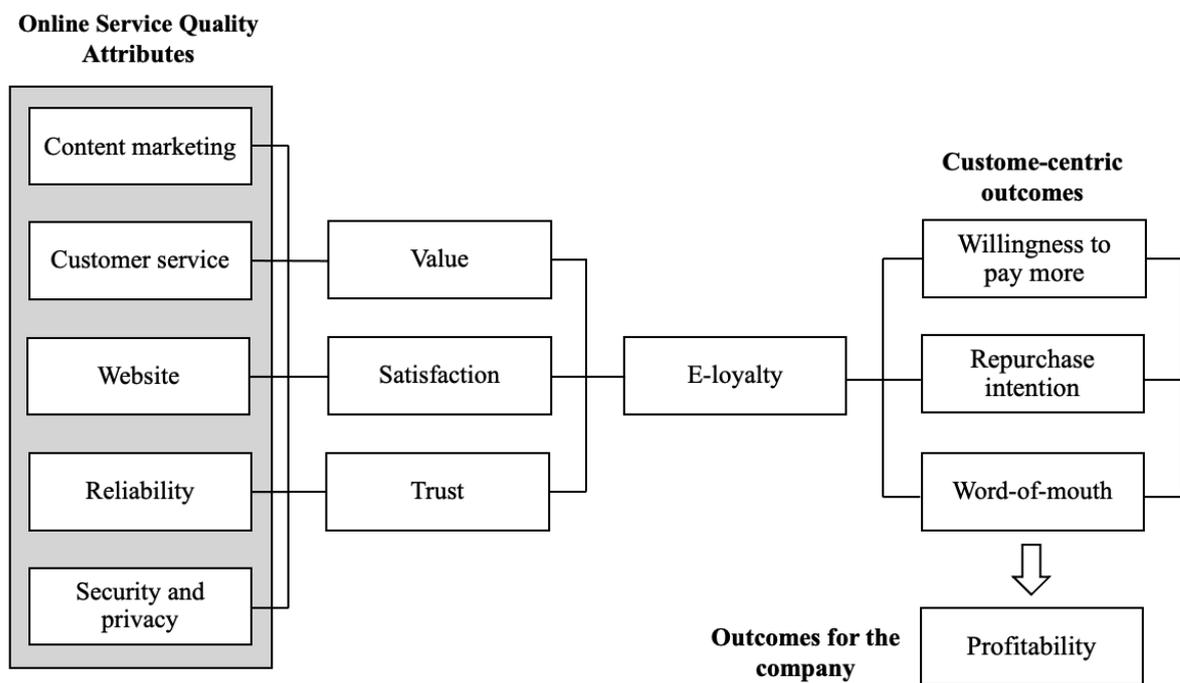


Figure 4. Theoretical framework of the thesis.

#### 3.1 Theoretical background

The literature review examined the consistent literature on customer loyalty while the theoretical framework discusses on the topics that are important for the construction of the theory of this thesis. Some of the topics covered in this section are repetitive, as they may have already emerged in the literature review. However, these topics are still important to highlight, as these are the main focal points of this thesis. The theoretical framework consists of the relevant concepts which are covered also in the three sub-questions. Hence, the theoretical framework includes the concepts of social media, satisfaction, and customer service, which are

also highlighted in the research questions. Therefore, it is relevant to examine them in a broader context. It is also important that the theoretical framework also retains other concepts relevant in terms of the coherence and versatility of the thesis. Furthermore, the research questions are examined more closely in the chapter five, which covers the empirical findings of this research.

The purpose of their research is to examine the underlying drivers of e-loyalty leading to the beneficial consequences. The theoretical framework of this study discreetly follows the research “*From Brand Loyalty to E-Loyalty: A Conceptual Framework*” by Gommans, Krishnan and Scheffold (2001). Conventionally, the core of their framework consists of *attitudinal loyalty, behavioral intent, and behavioral loyalty*. Attitudinal loyalty consists of the attitudes customers have for the certain brand. Behavioral intent refers to the likeliness of a customer to purchase the brand or repurchasing the brand. Behavioral loyalty traditionally includes the repeat purchasing behavior of customers. The researchers examined that there are five drivers affecting online loyalty, which are *value proposition, brand building, trust and security, website and technology, and customer service*. Broad range of choices, product quality, guarantees, and pricing influence the value propositions and e-loyalty. Widely known brands as well as the domain and website names contribute to the building of brand image. Trust and security have traditionally included third party approvals, encryption, and authentication. Trust in an online environment is different compared to the physical stores when the buying process relies only on the images and information provided of the product. The characteristics of website and technology refer to, for example, the downloading speed of the website, checkout processes and personalized interface. Occasionally the websites are customized to match the preferences of the customers, which usually refers to the larger e-tailers rather than the smaller players in the market. Finally, providing online assistance within the online store is useful. However, customers tend to look a phone number to contact the customer service, when providing online assistance may not be enough for all customers. Customer service category may also include the delivery and payment options. (Gommans, Krishnan, Scheffold 2001, 45 & 47-52)

Furthermore, Wolfenbarger and Gilly (2003) identified four factors affecting online quality, which are *fulfillment and reliability, website design, customer service, and security and privacy*. The researchers argue that the factors mentioned above are strongly connected with customers’ perceptions of the quality and satisfaction, customer loyalty, and also attitudes for the website. Furthermore, Lemke, Clark and Wilson (2011) created a conceptual model of customer

experience quality. The model expresses how the communication, encounter, service encounter, and usage encounter lead to value-in-use. Also, the experience context has an impact on the value-in-use ultimately leading to the relationship outcomes. Communication encounter includes communication and customer's relationship with the company. Service encounter is divided into product quality, service quality, and network quality. Usage encounter comprises of the relationship with other customers and social impact. Commitment, purchase, retention, and word-of-mouth are defined as the relationship outcomes. (Lemke, Clark & Wilson 2011)

Additionally, Holloway and Beatty (2008) explored in their research factors affecting consumer satisfaction and dissatisfaction in an online environment. The researchers identified four dimensions to classify the results of the study. These dimensions are *website design and interaction, fulfillment and reliability, security and privacy*, and *customer service*. Website and interaction include all the website elements the consumer experiences on the website excluding customer service. This dimension includes navigation, information search, order processing, shipment tracking, product availability, and product and price offerings. Furthermore, fulfillment and reliability bring together customer expectations of the order based on the information available from the website and whether these expectations match with the order they have received. Also, the correct delivery price and the condition of the product after the delivery have an impact on the outcomes on the realization of the reliability dimension. Then, customer service is defined as helpful and responsive to customer inquiries. Additionally, returns and complaints are answered shortly both during and after the purchase. Lastly, security and privacy include secured credit card payments and securing the shared information provided by the customer during and after the purchase. (Holloway & Beatty 2008, 355-356) In addition to this, Zeithaml, Parasuraman and Malhotra (2002) also examined five online service quality (e-SQ) perceptions, which are *information technology and content, ease of use or usability, privacy or security, graphic styles*, and *reliability or fulfillment* (Zeithaml, Parasuraman & Malhotra 2002, 363). Furthermore, Homburg, Klarmann and Vomberg (2020) examined the customer relationships management outcomes. According to them, the marketing activities carried out by the company lead to the drivers of customer loyalty including satisfaction and trust. These drivers eventually lead to customer loyalty with customer loyalty intentions and behavior, such as repurchase intentions, positive WOM, and tolerance or acceptance for price increases. These factors eventually lead to the economic outcomes of the company.

In conclusion, the theoretical background of this thesis is based on six conceptual frameworks or models, which are the conceptual framework of e-loyalty by Gommans et al. (2001), the conceptualization of service quality delivery through website by Zeithaml et al. (2002), the modeling of eTail quality research by Wolfinbarger and Gilly (2003), the sequential framework on online service quality and (dis)satisfaction drivers by Holloway and Beatty (2008), the conceptual model of customer experience quality by Lemke, Clark and Wilson (2011), and lastly the model of CRM-outcomes chain by Homburg et al. (2020). The concepts and definitions discussed in these researches are examined and discussed in the next section.

### **3.2 Online service quality attributes**

The first online service quality attribute is content marketing. Content marketing includes various methods that companies can utilize in their marketing efforts. According to Google Trends, content marketing has become one of the fastest growing search terms in the field of marketing. The purpose of content marketing is attracting and retaining customers by creating valuable and relevant content of the brand. Content marketing includes, for example, newsletters, blogs, webinars, and podcasts. (Pulizzi 2012, 116)

The purpose of digital content marketing (DCM) is to increase consumer brand perceptions and sales by enhancing consumer engagement, trust, and relationships. (Hollebeek & Macky 2019) Meuter et al. (2000, 55-57) examined different factors affecting customer satisfaction and dissatisfaction withing the self-service technologies (SST). The satisfying factors include, for example, ease of use, and saving money and time. However, the factors causing dissatisfaction among customers include technological failures, lost orders, and poor complaint handling.

SMEs typically use one-way communication channels to provide information for customers such as newsletters and email advertisements. Additionally, search engine optimization (SEO) is important to attain visibility for the company's website. Search engine advertising (SEA) and paid advertisements can be used to inform consumers of the products or services the company provides. Then, the use of two-way communication channels enable the interactivity between the company and its customers. The two-way communication channels include blogs and social media channels. Social media is an efficient tool for building the brand, engaging customers, and creating relationships with customers. (Taiminen & Karjaluo 2015, 635-636)

The role of social media has evolved through the past years. Both companies and consumers are able to influence and contribute to the content. Consumers are sometimes seen as brand

advocates for their ability to promote the content. Social media provides companies an ability to connect and engage with their customers in a way that is very different compared to the traditional media. Companies can deliver the message for customers in a more informative manner rather than making it look like an advertisement. (Kilgour, Sasser & Larke 2015, 327) Consequently, different message delivery strategies on social media have an effect on processing the information and engaging the customers, but also affecting on brand equity and loyalty. (Ashley & Tuten 2015, 16) The key questions for companies are “*How to stimulate customers to distribute the message?*” and “*Who should you reach to distribute the message?*”. Learning to know the users of social media helps companies to create an insight on what type of content is relevant for these users in order to get them share the content of the company. (Kilgour et al. 2015, 333) Laroche et al. (2013) studied the impact of brand communities in social media positively impacting brand loyalty while strengthening a customer’s relationship with the brand, other consumers, the company, and other products provided by the company. Additionally, consumers are more likely to purchase the brand they follow on social media which refers to behavioral loyalty (Nisar & Whitehead 2016).

The second online service quality attribute is customer service. Customer service refers to helpful and quick responds to the inquiries customers may have (Wolfenbarger & Gilly 2003). Occasionally, companies receive complaints from customers deriving from critical incidents. Complaint handling may have either a positive or negative impact on customer satisfaction and loyalty. Although satisfaction after a complaint has a strong impact on customer loyalty, the overall satisfaction, which has been accumulated over time, does not have a significant effect on customer loyalty. (Homburg & Fürst 2005, 102 and 108) However, complaints may provide valuable information for the company, which can later be used to improve the service (Meuter et al. 2000, 53). In addition to this, Grewal et al. (2008) examined customers’ repurchase intentions after a service failure. Their findings indicate that if the compensation is a necessity in a situation when the company is responsible for the failure happened and if the failure has occurred recently. Compensating has an effect on customers’ satisfaction. Occasionally, depending on the width of service failure, customers may be content with only an explanation when the compensation is not required. (Grewal, Roggeveen & Tsiros 2008)

The third service quality attribute is website. Website quality can be measured through the website environment interface or the shopping experience (Wolfenbarger & Gilly 2003; Ha & Stoel 2009). Shankar et al. (2003) examined two factors, *interactivity of website*, and *depth of*

*information on the website*, to affect customers' satisfaction for the online service. Researchers argue that carefully designed website with interactive properties increases the likeliness of customer satisfaction for the website. The interactive properties may refer to the possibilities of customers to personalize the information they are searching. Additionally, offering a sufficient amount of information on the website has an effect on customer satisfaction. In addition to this, Trevinal and Stenger (2014) studied customers' online shopping experiences (OSE) through the focus groups with differing demographic. The researchers found that website design and aesthetics affect consumers' trusts as well as the overall perception of the quality of the website.

The fourth service quality attribute is reliability. Reliability refers to the accurate presentation of the product, delivering the product on time and an accurate order (Parasuraman, Zeithaml & Malhotra 2005). Reliability, or fulfillment, includes providing sufficient information on the product to ensure customers that their expectations match with the actual product they have purchased. Also, ensuring customers that the purchased product will be delivered to them within the certain timeframe. (Wolfenbarger & Gilly 2003)

The fifth and the last service quality attribute is security and privacy, which refers to the customer's sense of security and trusting the website (Parasuraman, Zeithaml & Malhotra 2005). The key factors affecting consumers' beliefs about safety are their trust for the online retailer and internet technology. Consequently, trust guides their online shopping behavior. (Ha & Stoel 2009). Credit card payments and privacy of shared information are linked to the security and privacy (Wolfenbarger & Gilly 2003).

### **3.3 The formation of value, satisfaction, and trust**

Content marketing, customer service, website, reliability, and security and privacy lead to the creation of value, satisfaction and trust. Satisfaction is linked to e-loyalty (Anderson & Srinivasan 2003). With the opportunities offered by the Internet, customers are able to compare different products and find a competing offer (Shankar et al. 2003). Recent academic researches have focused mainly on the online service quality and less attention has been paid to the drivers affecting customer satisfaction online (Holloway & Beatty 2008, 347).

Trust is defined as even more important factor online among consumers than lower costs and broader selection. Ultimately, trust leads to online loyalty. (Schefter & Reichheld 2000, 107; Harris & Goode 2004) Trust is important factor in e-commerce for the reason that customers are required to provide sensitive personal information, such as home address or phone number,

and financial information including their credit card numbers. Customers need the assurance that companies are not misusing their sensitive information after the purchase process. Additionally, trust increases the likeliness of future transaction and affects positively on building long-lasting relationships between the company and its customers. (Bhattacharjee 2002, 212)

Perceived value refers to the customer's evaluation on the relative rewards and sacrifices which are associated with the offering. The researchers highlight that perceived value is one of the main drivers of customer loyalty which also has an impact on customer satisfaction. (Yang & Peterson 2004, 803 & 815) Perceived value has a stronger effect on online customer loyalty compared to customer loyalty attained in an offline environment. Also, customers perceiving value online finally leads to online customer loyalty. (Hult, Sharma, Morgeson & Yufei 2019) Furthermore, customers can become loyal without being highly satisfied and vice versa. When there are fewer of alternatives available in the market, customers can be loyal without being satisfied for they do not have plenty of alternatives to choose from. Also, when there are plenty of alternatives in the market, then customers can be highly satisfied without the need to become loyal for the specific provider. (Shankar et al. 2003) Yang and Peterson (2004, 814) argue that strengthening customer loyalty requires investing in customer satisfaction and providing better product or service value to the customers. Keeping customers satisfied also requires understanding their needs and handling any occurring problems in a way that best serves the customer.

### **3.4 The outcomes of e-loyalty**

The theoretical framework of this thesis consists of three customer-centric outcomes of e-loyalty, which are willingness to pay more, repurchase intention, and word-of-mouth. Moreover, these outcomes focus on the customer perspective. However, these outcomes are beneficial for the company due to their contribution to the overall profitability and increased sales. Willingness to pay more refers to the customer's willingness to purchase from the same e-tailer in the future regardless of the possible price increases (Zeithaml, Berry & Parasuraman 1996). Long-term and loyal customers are more willing to pay more for the products and services (Reichheld & Sasser 1990, 107; Chaudhuri & Holbrook 2001). Customers are more likely to pay higher prices when they have reached fulfillment, referring to the product delivery or responsiveness by the company (Pavlou & Dimoka 2006, 396). Loyal customers are also

willing to increase the frequency of their purchases. Willingness to pay more increases the profitability of the company. (Chaudhuri & Holbrook 2001, 81-82)

E-loyalty can be defined as a customer's favorable attitude for the e-tailer leading to repeat purchasing behavior (Srinivasan, Anderson & Ponnnavolu 2002). Repurchase intentions can be defined as a customer's likeliness to engage in repurchase behavior in the future (Seiders et al. 2005, 27). Edelman (2010) presented the consumer decision journey indicating that consumer go through consideration and evaluation phase before making the decision to buy. After the purchase, consumers enter the enjoy-advocate-buy loop which create the loyalty loop. However, if the consumer experiences a strong bond with brand, they make a repurchase without re-entering the bond-advocate-enjoy phases. (Edelman 2010, 64-65)

Nowadays, consumers are able to spread word-of-mouth more freely on the internet compared to the traditional ways of doing it. eWOM may occur on the Internet, for example, via different opinion platforms, discussion forums, and news pages. (Hennig-Thurau et al. 2004, 39) Loyal customers provide free but valuable advertising for the company by spreading WOM. In some cases, the majority of sales can be the results of positive referrals from the customers' side. The costs savings that the company is able to gather from its loyal customers are adding up to the steady profits. (Reichheld & Sasser 1990, 107)

The antecedents of WOM are satisfaction, loyalty, quality, commitment, trust, and perceived value. However, the researchers argue that satisfaction impacts WOM more positively compared to loyalty, but on the other hand disloyalty has a strong impact on negative WOM. (de Matos & Rossi 2008) The more value customers perceive from the relationship with the company, the less likely they are to leave the relationship. Also, the likeliness of spreading positive WOM increases with the satisfaction. Occasionally, customers who have received high value from the company become supporters or fans in addition to which they are persuading others to also show they loyalty for the same company. (Mckee, Simmers, Licata 2006) Furthermore, from the business perspective the customer-centric outcomes including repeat purchasing behavior, willingness to pay more, and positive WOM will lead to the maximization of profits for the companies for the reason that customers are willing to pay higher prices, make purchases more frequently and spreading positive experiences of the company, which may raise other consumers' willingness to purchase from the same provider.

## **4 METHODOLOGY AND DATA COLLECTION**

The purpose of this chapter is to provide theory to support the empirical part of this qualitative research. This chapter presents more closely the methodology used in the research. First, the methodology and scope are introduced. Second, the selection of qualitative research is validated, and the key characteristics of qualitative research are presented. Third, the data collection methods following with data analysis methods are explained in more detail. Finally, the reliability and validity of this research are presented with explanations.

### **4.1 Methodology and scope**

This thesis consists of both primary and secondary data. Primary data means collecting information for the specific purpose or research problem. (Malhotra & Birks 2006, 94) Primary data can be collected through, for example, semi-structured, in-depth, and group interviews (Saunders, Lewis & Thornhill 2016, 388). The primary data of this study consists of the semi-structured interviews. The semi-structured interviews were chosen for the data collection method to collect information on the companies which is not available elsewhere. Another reason for this was to collect the type of information that is truly based on the interviewees' own experiences, assessments, and knowledge. The aim of the interviews was to collect in-depth and practical information on how the companies survived the coronavirus pandemic and what were the most important strategies the companies have utilized.

Unlike the primary data, secondary data refers to data, which has been obtained beforehand and is not related to the actual research problem. Secondary data is often easily accessible and inexpensive. However, the secondary data may be outdated and dependable. (Malhotra & Birks 2006, 94 and 96) Using secondary data helps to understand the context of the research subject. Secondary data can be collected, for example, from the news, company websites, and annual reports. (Puusa & Juuti, 2020 189-190) The secondary data was collected mainly from the websites of the case companies. Secondary data also includes the financial information of the case companies regarding the size of the businesses based on the number of employees as well as the annual turnover and balance sheet total. The financial information of the companies was gathered from the Finnish financial newspaper Kauppalehti. The secondary data was collected to create more detailed background information on the case companies.

## 4.2 Qualitative research

Every research is driven by an aim or purpose, which gives guidelines to the strategic choices for the research. Research can have multiple purposes and they may vary during the research process. Researchers have identified four main features for the research, which are exploratory, explanatory, descriptive, or predictive. (Hirsjärvi, Remes & Sajavaara 2009, 137-138) Qualitative research seeks to understand the phenomenon under study through the people by paying attention to their experiences, thoughts, feelings, and meanings they give for the phenomenon. Qualitative research also aims for versatile and detailed information on the phenomenon. (Puusa & Juuti 2020, 9 & 11) This thesis follows the qualitative research design for the necessity to collect in-depth information of the case companies through interviews. The aim is to find and analyze experiences of the case companies have experienced during the phenomena of the global health pandemic.

Various academics describe qualitative research through its differences compared to quantitative research. The empirical part of qualitative research consists of non-numeric data, such as written text, instead of numeric data, which is distinctive for quantitative research. (Saunders, Lewis & Thornhill 2016, 165; Flick 2007, 2-3; Eriksson & Kovalainen 2008, 6) Qualitative research can be defined as “*a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible. They turn the world into a series of representations, including field notes, interviews, conversations, photographs, recordings, and memos to the self.*”. (Denzin & Lincoln 2005, 3) This definition refers to the interpretive nature of conducting qualitative research and studying the phenomena in its natural settings.

## 4.3 Data collection methods

The chosen research method should be suitable for solving the specific research problem. Efficiency, economic, accuracy, and reliability can be used as the criteria when selecting the suitable research method for the study. An interview is one of the most popular forms of data collection. It is also a flexible research method that includes linguistic interaction with the respondent. (Hirsjärvi & Hurme 2015, 34) The empirical data was collected from the semi-structured managerial interviews. Semi-structured interviews, also known as theme interviews (Hirsjärvi & Hurme 2015, 47), include a list of themes and main questions for the interviewee. However, the use of these questions may vary between different interviews. (Saunders, Lewis

& Thornhill 2016, 391; Eriksson & Kovalainen 2008, 83) The interviewees were allowed to ask complementary questions or clarifications on the questions, which allows interviewees to provide more versatile answers for the questions.

The companies were selected through convenience sampling, which means that the interviewees were chosen primarily for their availability and willingness to participate in the study. The companies were approached with an e-mail including general information about the thesis and the objectives of interviews. The interview questions were formed beforehand and also sent to the interviewees before the actual interview was conducted. The interviews were conducted during the time period of February and March 2021. They were held via Teams, Google Meet, and telephone. The anonymity of the interviewees was highlighted to encourage the interviewees to provide meaningful and truthful answers. All interviews were recorded and verbatim transcribed to gather detailed information and to avoid factual errors.

#### **4.4 Data analysis methods**

Thematic analysis is a generic approach when analyzing qualitative data. The main goal of this data analysis method is to discover themes or patterns that can be found across all data which has been gathered. Thematic analysis is the most suitable option when analyzing either large or small qualitative data sets which lead to descriptions, explanations, and theorizing. (Saunders et al. 2016, 579) Thematic analysis method was chosen for this research for the descriptive nature of the empirical part.

The interviews were conducted via telephone, Teams and Google Meet. Each interview was digitally recorded to ensure the validity of information. After the data collection, the interview recordings were carefully transcribed into written form. The transcriptions included altogether 52 pages of written text. Saunders et al. (2016, 572) suggest correcting any transcription errors which they refer to as data cleaning process. After the data cleaning process, each transcription was taken into closer observation to produce a detailed summary of the key points that emerged from the interview. Later, the transcriptions were organized into a more analyzable format. The transcriptions were exported into the Excel spreadsheet, where each question was inserted to a separate tab and the answers of each company were collected in sequence under the same question. This was done to find the similarities and differences between the interviews.

#### 4.5 Quality of the research

Traditionally the quality of the research has been examined through reliability and validity of the research. Reliability can be defined as replication and consistency (Saunders, Lewis & Thornhill 2016, 202), and it can be measured through a measurement that indicates the consistency in results when the measurement process has been repeated (Malhotra & Birks 2006, 159). Validity can be reviewed through the appropriateness of the used measures, accuracy of the analysis of the results and generalizability of the findings (Saunders, Lewis & Thornhill 2016, 202). Validity can be obtained when the characteristics of the phenomenon under investigation can be reproduced through measurement. (Malhotra & Birks 2006, 159)

Both reliability and validity can be divided into internal and external aspects. Internal reliability refers to the consistency of research. For example, sometimes there are multiple researchers conducting interviews and analyzing data, which leads to their mutual agreement of observations and analysis. External reliability indicates consistent findings gathered repeatedly through the used data collection techniques and analytic procedures or if another researcher replicated these findings. Internal validity can be achieved when there can be found a causal relationship between two variables. External validity seeks to provide answer to the question whether the research findings can be generalized to other settings or groups. (Saunders, Lewis & Thornhill 2016, 202-204)

The main objective of qualitative research is to attain a rich and profound understanding of the phenomenon under examination. That is also the most relevant aspect when assessing the quality of the research. (Puusa & Juuti 2020, 187) Additionally, the interaction between data collection and data analysis have an effect on the quality of the research (Saunders et al. 2016, 568). Since this thesis is carried out as a qualitative study, the quality of the research is examined through different criteria, which is more suitable for qualitative research. Tracy (2010, 839) presents eight criteria of quality for qualitative research. The purpose of the classification is to provide more suitable evaluation of the quality for qualitative research. The criteria include a *worthy topic*, *rich rigor*, *sincerity*, *credibility*, *resonance*, *significant contribution*, *ethics*, and *meaningful coherence*. A worthy topic means that the research is relevant, timely, interesting, and significant. This thesis contributes to the fairly new phenomenon, the coronavirus, which has not yet been studied profoundly particularly from the perspective of customer loyalty. Rich rigor consists of, for example, adequate and practical theoretical constructs, sample, and context which characteristics this thesis aims to closely follow. Achieving sincerity requires, for

example, self-reflexivity, honesty, and transparency from the researcher. The findings of this thesis are analyzed objectively and reported truthfully. The credibility relies on the trustworthiness and plausibility of the research findings. The findings are based on the genuine responses provided by the interviewees. Resonance can be defined through the ability of the research to reflect the experiences of the research subjects, which can be explored from the findings of this thesis. Evaluating whether the research provides a significant contribution, for example, theoretically, practically, and morally. This thesis contributes to the research field of studying customer loyalty during the pandemic, which has been studied little in the recent academic literature. The ethicality of the research refers to procedural ethics, situational and cultural ethics, relational ethics, and exiting ethics. This thesis contributes to ethicality by providing the interviewees an encouraging and safe environment ambiance for them to be able to describe their experiences and opinions freely without feeling insecure or pressure. Also, the findings are presented in a way that supports the anonymity of the interviewees by not revealing any information which may lead to the recognition of the companies. Lastly, meaningful coherence consists of achieving the research purpose, fitting the methods and procedures to the goals, and interconnecting literature, research questions, and findings together, which this thesis aims to follow closely. (Tracy 2010, 839-848)

According to Hirsjärvi et al. (2009, 113), the following characteristics are affecting on the evaluation of the source, and these are the date of the source, origins of the source data, the credibility of the source, the reputation of the author, prestige of the publisher, impartiality, veracity, and liability. Source criticism has been used in the selection of academic literature and researches. The theoretical part of this study includes a condensed history of customer loyalty. Therefore, the dates of the sources vary between the decades, however, the researches can be considered as relevant of the academical world of today. Also, the reputation of the authors can be considered as reliable and stable for the reason they are referred to in several other researches. The reliability of the sources has also been observed through the trustworthiness of publishers and academic journals and the sources used in the research.

The interviewees were selected through conventional sampling to collect relevant information in relation to the goals for this thesis. However, each interviewee represented the top management of the case companies, which contributes to collecting coherent information on the companies. The interviews were planned beforehand, and the interview questions were sent to the interviewees in advance. The interview questions were the same for each interviewee.

However, some additional interview questions may have emerged during the interview. Each interview was recorded and transcribed, which minimizes the probability of false information. The interviews were conducted in Finnish, which additionally minimizes the probability of misunderstanding the questions and the concepts addressed in them. However, the interview questions and answers were later translated into English to have the information in a more comparable and analyzable format. Both the interview recordings and transcriptions were scrutinized several times to avoid any errors. Also, the transcriptions were compared to the audio recordings several times to ensure the consistency of the information in them. Each transcription followed the verbatim method, which means that the interviewees' speech as well as non-speech sounds, such as filler words and self-corrections, were written down. Verbatim transcriptions ensured capturing of different feelings of the interviewees.

Furthermore, the empirical findings are validated through theoretical findings which strengthens the quality of the results. Also, the consistency of the empirical findings indicates the overall reliability of the research.

## 5 EMPIRICAL FINDINGS AND DISCUSSION

This chapter presents the empirical findings of the study. The research problem is examined by providing answers to the main research question and the three sub-questions. Later, the research findings are analyzed and discussed with the direct quotations of the interviewees included. Also, the findings are interconnected with the theoretical part of this study to examine their reflection to the existing research.

### 5.1 Background of the case companies

All the seven case companies are either organic or natural skincare companies. Half of the case companies provide artisan, hand-made cosmetics products, and hair care products. Some of the companies also provide other products, such as accessories or products from other categories. The case companies do have similar characteristics, for example all the companies are cruelty-free brands, which means that their products have not been tested on animals. Also, all the companies' products are made in Finland. Furthermore, the vast majority are labeled as vegan brands. Two of the companies manufacture their products not only in Finland but also elsewhere. The companies are not presented in more detail, nor the name of the companies or interviewees are revealed in this study due to the protection of the anonymity.

*Table 1. Introduction of the case companies.*

<b>Skincare company</b>	<b>Artisan cosmetics</b>	<b>Haircare products</b>	<b>Other products</b>	<b>Vegan brand</b>	<b>Cruelty-free brand</b>
Company A	No	No	No	Yes	Yes
Company B	No	No	No	Yes	Yes
Company C	No	No	Yes	Yes	Yes
Company D	Yes	Yes	No	Yes	Yes
Company E	Yes	Yes	Yes	No	Yes
Company F	Yes	Yes	Yes	Yes	Yes
Company G	Yes	Yes	Yes	No	Yes

According to Statistics Finland, the employee headcount and annual turnover or balance sheet total define whether the company can be categorized as a small and medium-sized enterprise (SME). SMEs have a total maximum number of 250 employees and an annual turnover not exceeding 50 million euros or an annual balance sheet total not exceeding 43 million euros.

(Statistics Finland 2021) Each of the case companies can be categorized as small and medium-sized enterprises (SMEs). The majority of the companies can be classified as micro-companies, while only one of the case companies can be labeled as a medium-sized company.

## **5.2 The effects of COVID-19 on the case companies in general**

Half of the case companies expressed that the coronavirus has hardly affected their business while few companies described on having difficulties to run a business during the first outbreak of the coronavirus. Company B concludes that they have been active online through different distributors since the company does not have a brick-and-mortar store. However, the company does have one physical distribution partner selling their products among other brands. Company C also sells their products straightly through their website for customers. They are doing business exclusively online, and they do not have any brick-and-mortar stores selling their products. The company recognizes that the pandemic has slightly affected their security of supply. They describe on not being affected by the pandemic directly.

Company D discussed that they experienced an abnormal situation during the spring of last year for a few weeks. They explained that their retailers stopped ordering products from them, and the circumstances seemed to be precarious at the time. However, the orders were record-breaking for their business during the last summer. The company reflects their last year when people could not travel abroad any longer, they were traveling increasingly domestically. That may have intrigued domestic farms to order products from the company to sell at their farm shops. After the summer the sales has been relatively steady.

*”When this coronavirus started over a year ago, one could say that retailers, in particular, then stopped selling and ordering. But then, it did not last more than a few weeks. We have had well enough work so far. You could say that coronavirus has not really affected us.” – Company D*

Company E explained that the coronavirus affected their business only in a positive way. The company explained that during the times of the pandemic, they might have had more time to manufacture their products. Also, consumers seemed to have more time to spend at home and browsing online, which may have affected their business positively by increasing online store sales.

*“Well, in my case, it has affected positively, ha ha! Firstly, I have had more time to make the products. And secondly, the fact that people have seemed to have more time being at home and surfing online. When there is no brick-and-mortar store, the online store has attracted customers nicely.” – Company E*

Company F experienced the same kind of situation like Company D regarding the orders from their retailers. They have recognized similar behavior during the current spring when it is more difficult to find new retailers to collaborate with. The company were quickly to respond to the ongoing situation by developing their own online store and systematically investing in online marketing. The company also mentioned receiving financial aid from the Finnish Government to tackle the crisis. The coronavirus pandemic has significantly affected the business of Company A which sales dropped 70 percent. The most likely reason for the sharp decline in sales is that their main sales channel has previously been the different events and trade fairs. Additionally, Company F describes that the events and trade fairs were important also for their company to be able to find new customers and do the sales.

Only a few of the case companies, Company D and Company F, recognized the grown popularity of domestic tourism. Company F believes that domestic tourism will be lucrative during the next summer. Company G trusted on making quick decisions, for example, launching a new product for their selection. The new product they launched was a hygiene product, which was invented to suit better the ongoing circumstances.

As conclusion, the global health pandemic has affected the case companies very differently. The vast majority of the case companies were not affected by the coronavirus pandemic at all. However, many of the companies experienced some degree of a business shock in the early months of 2020 when the effects of the first wave of the pandemic began to show in Finland as well. The research findings indicate that certain factors may increase the probability of surviving a coronavirus pandemic, while other factors may reduce the chances of successful survival. The results of the empirical part of this research indicate that companies with the main focus on e-commerce rather than event and trade fair sales or brick and mortar stores are more likely to keep their sales on pre-pandemic level or even increase their sales. The more sales are based on online sales, the better the chances of success in overcoming the crisis successfully. In addition to this, the number and diversity of retailers have an impact on overcoming the pandemic. Regarding diversity, retailers can operate in an online environment, or they can sell products from the physical store.

Inventing new products can improve sales at a time when sales of the conventional selection of products have slowed down or declined. The abnormal situation can be turned to the advantage of a business by launching products that consumers find helpful or meaningful during difficult times. This can be, for example, launching a hand sanitizer or disinfectant cleaning product during the health pandemic.

The case companies were also asked about their experiences on different purchasing patterns and consumer behavior during the pandemic. Half of the case companies admit recognizing different consumer behavior. For example, Company A noticed that customers wanted to support the company by purchasing multiple products from them even if they were not in urgent need of buying new products. The company finds that this was done to support the entrepreneur. These actions are perceived to be valuable and appreciated within the company. In addition to this, Company D explained that they have recognized that customers tend to purchase products online and avoid visiting physical stores. Company B highlights that in the beginning of the virus outbreak during the spring of 2020 they recognized hoarding behavior among customers. But after the first outbreak subsided, consumers returned on using fewer skincare products instead of multiple different products, which emphasized the role of easiness in skincare.

*“When this started in Finland, and people stayed home from March onwards, people bought and hoarded products quite terribly, perhaps with the idea that now the products are running out or something. But not really after that.” – Company B*

The other half of the case companies described on not recognizing any differences in consumer behavior in general during the pandemic. However, some of the case companies admitted recognizing some changes in individual consumers. For example, Company E highlighted that they have been receiving more orders, which may be due to the fact that consumers are spending more time online while searching for alternatives. Additionally, Company F argued that at some point customers were active on buying local and domestic products. However, these attributes do not seem to attract customers anymore and the importance of social media and marketing efforts are highlighted to be the main factors to do successful business.

*“Not really. Merely just that there have been more orders and people have clearly had more time to spend online and maybe explore different options.” – Company E*

Company B argued that consumer behavior can change quickly due to the abnormal circumstances when people are forced to stay at home and follow the orders. Also, the

importance of the online store is highlighted as a vital factor for overcoming the situation. Additionally, the other few case companies stated that it is vital to have other alternatives regarding the business. Company F discussed the importance of having versatile distribution channels and not relying on one specific retailer.

*“At the strategic level, everything can happen, and one has to be prepared for everything. Situations can change unexpectedly, and businesses need to take those plan B’s and plan C’s into account.”* – Company C

Having the focus on one specific thing could be very crucial for the business in general. Company E emphasized that whether the particular business field declined significantly, it would be pivotal to discover new solutions to replace the existing activities that are no longer working in the current situation. Both Company D and Company E discussed the reverse sides of the global health pandemic. They both also described positive experiences regarding their businesses. Company D discussed their business concept to be different compared to many other industries. The daily human contacts were moderately minimal for their ability to work from home. Company E described their business field to have been affected positively by the pandemic. They argued that the reason for this could have been the fact that people have had more time to spend on their computers and search for alternatives.

### **5.3 The role of social media on customer loyalty**

The first sub-question seeks to understand the role of social media in the creation and maintenance of online customer loyalty during the global health pandemic. This sub-question aims to find out the different ways of how the case companies have utilized social media. The vast majority of the interviewees discussed on utilizing social media differently during the pandemic. However, only one of the case companies, Company A, mentioned that they have learned to utilize social media differently compared to the pre-pandemic times. They have also learned targeted advertising.

*“We have learned to use social media differently or in a new way, and to more targeted advertising.”* – Company A

Company E describes the ways their company has invested in social media by hiring an employee to take care of the social media. Other case companies discussed on investing in customer service more compared to the pre-pandemic times and others argued on utilizing

social media the same way as before. For example, Company B states that they have not utilized any new marketing tactics during the pandemic. They have been using the same social media channels as before the pandemic. However, they have drawn more attention to the actual content on social media. The company also highlights that the current situation has caused other problems, such as skin related problems which can be addressed in the content of social media.

*“We still have all the same channels that we have been using previously, but it is precisely the proper content that we have been considering of, how we can take advantage of the fact that people spend more time at home and so on.” – Company B*

All in all, the importance of social media has been widely recognized among the case companies. All companies are involved in social media on some levels. All the case companies describe on increasing the use of social media or alternatively keeping it on the same level as before the pandemic. None of the case companies described on making changes to the direction of where they have used social media less than before.

The vast majority of the case companies did not recognize utilizing any different approaches or tactics to create customer loyalty during the pandemic. However, some companies pointed out approaches or tactics they have used. For example. Company A discussed increasing telemarketing and contacting customers through phone. Additionally, Company B described on modifying the content of Instagram to suit better the circumstances, including the national lockdown, of the time. In practice, the company acknowledged that the majority of people stayed at home, wore less make up, and were more devoted to taking care of their skin. Also, sharing instructions and inspiration on social media on how to create do-it-yourself (DIY) skin care products, which customers can do at home with using the company’s products. Also, addressing issues which have been risen due to the coronavirus, such as breakouts caused from wearing the face masks called maskne.

*“We have been thinking more through the content of Instagram, for example, what people are currently doing and especially in the last spring when there was a wide lockdown in Finland. People had more time for skincare, and they potentially wore less makeup. Maybe more about how we can serve our customers, and how our products can benefit them.” – Company B*

Company D believes that customers make repurchases if they are satisfied with the product. They also mention that many of the customers, who have used their products, recommend

their products forward. Some of these recommendations are seen publicly on social media, which is the kind of visibility which may be hard to buy when customers initially recommend their products. Additionally, this also increases the number of orders.

*“It’s nice to see that many of those who have used our products have recommended them either privately or even quite publicly, which is what we see on social media as well. This is the kind of visibility that is hard to buy with money when customers start to recommend our products spontaneously.” – Company D*

Company F discussed that their customers actively share their social media posts. They define their current position as a very grateful for the reason that they feel like customers are engaged to the success. However, the company has not measured their customer loyalty with any specific tools. In addition to this, Company E explained that they repeatedly present and occasionally showcase customers on social media how their products are made by hand. According to the company this has an influence on their perception of customers’ trust.

#### **5.4 The role of customer service on customer loyalty**

The second sub-question examines the effects of customer service on building and maintaining online customer loyalty during the global health pandemic. This sub-question aims to find out the role of customer service, and what kind of approaches the case companies have utilized customer service to overcome the crisis. The vast majority of the case companies describe on investing in customer service or continuing to provide customer service in the same way as before the pandemic. However, the companies have utilized different approaches on increasing their customer service. For example, Company C described on investing in customer service by increasing the number of customer service agents. Company G and Company D both explained that they have received positive feedback from the customers regarding their good service, which they have been continuing to provide to their customers during the pandemic. Company F mentioned that their focus is on answering customer inquiries as quickly as possible through different social media channels. However, some of the case companies argue that it is difficult to distinguish the actions and improvements which have been made due to the pandemic and regardless the pandemic. Some of the changes may be due to the business growth in general.

*“It is hard for us to define what we have done because of the pandemic and despite the pandemic. Everything is moving forward within the same chaos.” – Company C*

One of the companies, Company A, explains that the ways to encounter customers have changed due to the coronavirus. The company explained that the pandemic has limited their ability to meet the customers face-to-face and therefore, they are not currently able to provide as good customer service as before the pandemic.

*“In general, we did our customer service by meeting the customers in department stores, job fairs and trade exhibitions. Of course, we cannot do as good customer service as before the corona because we have been tied to the office. That is what we can handle over the phone and online.”* – Company A

Each of the companies recognizes that critical incidents may affect customer loyalty either positively or negatively depending on how the incident has been handled from the customer’s aspect. The majority of the companies discuss that replacing or refunding the faulty or wrong item to the customer is important regarding their future relationships with these customers. Furthermore, a few case companies mention that customers are generally satisfied or grateful for the response from the company’s side. Company E encourages customers through different marketing platforms to give feedback. They also highlight that any kind of feedback, both positive and negative, is in the best interest of the company, and companies should always respond to the received feedback. Also, the role of customer service is seen as the pivotal factor when addressing critical incidents. Company C reflects that friendly customer service nearly every time defuses the situation apart from the few exceptions.

*“Yes, they have. Friendly customer service, with only a few exceptions, it always settles the situation.”* – Company C

Approximately a third of the case companies highlight the role of notice of defects. Company D and Company E both discuss that whenever customers give notice of defects, the companies respond to them by sending the customers a new corresponding product. Sometimes the complaints may be due to an error made by the post office, or sometimes the customer has stored the product incorrectly as instructed. However, the connection between complaints and customer satisfaction is widely recognized among the case companies.

*“But then, we always react whether there comes a complaint. And quite often, especially if the customer sends us pictures, then we replace the product by sending them a new similar product.”* – Company D

Furthermore, whenever Company E receives any complaints from customers the company pointed out the importance of never questioning the complaints and providing a quick response to the feedback. The company relies on serving their customers always as good as they can.

*"Whenever I receive complaints, I never question any of them because there aren't that many. I'll send a new product right away, for instance. With fast service, as fast as possible, we try to affect customer satisfaction."* – Company E

Also, in some cases which may be difficult to figure out, it may be easier for the company to receive the complaint and compensate the product to the customer by sending them a similar product. Providing information on the website on proper ways to, for example, storing the product correctly may help the companies to avoid future misunderstandings.

In addition to this, the role of receiving feedback from customers is also highlighted among the case companies. Company C and Company D described on listening to customers and making changes and improvements based on the feedback they receive from customers. If there happens to be several wishes, both companies take these feedbacks into closer consideration and make changes based on the customer feedback.

*"We have improved the consistency and packaging of the products whenever we've received wishes from the customers."* – Company D

Company F follows the feedback and messages they are receiving from customers, for example, through social media. Their general perception is that both customer satisfaction and trust are well taken care of. However, the company does not find the traditional measurement methods suitable for their company. Company G finds it important that their products match the expectations that customers may have regarding their products. That refers to being transparent and open. The company also explains that for the reason that they are doing business with their own faces and customers know who are behind the company are the factors affecting customers' trust towards the company.

*"It shows in those messages and feedback. And of course, now that we can't meet the customers in person at trade shows and markets, then it takes place through social media, and that's how we get feedback."* – Company F

The connection between customer service and trust is also noticed among the case companies. Company C relies on doing business in an honest manner which means that customers are not

strictly committed to the orders and they can discontinue their orders at any time. Also paying closer attention to the price level and price-quality ratio at a competitive level. Their main goal is creating such credibility among customers that they can trust the company without the fear of being fooled. The role of customer service is also highlighted. Customer service needs to be active and researchable whether the customers need to contact the company whenever it is necessary.

### **5.5 Customer satisfaction among the case companies**

The third sub-question examines the connection between customer satisfaction and customer loyalty during the global health pandemic. This sub-question seeks to find out how the case companies invest in customer satisfaction and what is the role of satisfaction in the creation of online customer loyalty. Moreover, this sub-question aims to find the factors which can decrease customer satisfaction. Each of the case companies described on having different methods to build and measure customer satisfaction. For example, Company B described that they have regularly conducted surveys to build customer satisfaction while Company C told that they measure customer satisfaction through the number of returned items and renewed orders.

*“We have customer service phones and emails which we can be contacted through. They are used to search for slightly larger feedback pile-ups and then deduce what may need to be changed, developed, or better communicated. It is direct customer feedback and its analysis.”* – Company C

The role of customer feedback on customer satisfaction was also emphasized among the interviewees. A third of the case companies explained that customer feedback is an indicator for customer satisfaction. Additionally, Company B mentioned customer reviews, which they consider as another indicator for customer satisfaction.

*“And then, even more concrete are the reviews people leave on our website or Instagram, or anywhere. We follow them really closely.”* – Company B

The case companies also described on what changes they have made to serve customers even better during the challenging times. A third of the case companies, Company A and Company B, both discussed on contacting their customers individually by phone. According to Company A, the motivation for the thousands of phone calls was to collect feedback from the customers.

The feedback collected was mainly positive. Company B contacted their largest customers and interviewed them on their experiences of the brand.

Improving and developing customer service is one way to affect customer satisfaction. Company G points out that constantly enhancing and developing customer service and being easily accessible and available for the customers is essential. Approximately a third of the companies, Company E and Company G, aim to make a positive contribution to customer satisfaction by adding hand-written thank-you letters to the orders. Company G also mentions adding small gifts, such as chocolate, to the orders. Moreover, all the case companies agree that customers satisfaction affects customer loyalty. Additionally, the vast majority of the case companies emphasize that satisfied customers continue ordering and repurchasing the products. Satisfied customers are also more likely to try out other products of the same company as well. Referencing to this, Company F highlights that there is plenty of supply in the market thus dissatisfied customers will look for the replacement product elsewhere.

*“Well, I think that is quite crucial. If you are happy with something, then you will remain as a customer. I think that’s really the heart of it all.” – Company F*

However, there were differences among the responses regarding their viewpoints and experiences on customer satisfaction. Company A recognizes that it is essential to keep customers satisfied in order to keep them as customers. Customer relationships can be lost even with the smallest of mistakes, for example, if the postal service delivers a package to the wrong pick-up point, then the company may have to compensate for the incident to the customer. On the other hand, Company D discusses that the orders from the online store occasionally include surplus products from the manufacturing process, which the customer can try out. The company has been praised for these extra gifts, and customers have shared photos of their orders on social media. These actions add up to the positive coverage of the company. This appears to be a very similar action on what Company G has utilized to build customer satisfaction. Then, Company E highlights that there are plenty of suppliers in the market and therefore dissatisfied customers can look for the replacement product elsewhere. Even if the company has a good offer for a particular product, customers may no longer order the company’s products if they have previously experienced poor service.

*“It’s really important. When there are so many options they can order from somewhere else because there are similar products on the market.” – Company E*

## 5.6 Customer loyalty during COVID-19

The main research question aims to find out how the companies build and maintain online customer loyalty during the coronavirus pandemic. The case companies were asked about their perceptions of customers' loyalty towards their companies, and the answers were very similar in general. Company A and Company F describe their customers as highly loyal. Company B and Company E define their customers as loyal. Company C, Company D, and Company G consider their customers as fairly loyal. In summary, all the case companies describe their customers as loyal with slight nuance differences.

However, there are some differences on how they measure or explain their experiences of customers' loyalty. The majority of the case companies have recognized that existing customers are more likely to make repurchases or try other products as well. Company B utilizes the *Return Rate*, which according to them, indicates that once a person becomes their customer, they are more likely to make a repurchase and stay as their customer. Company C recognizes this same kind of behavior among their customers that when the customer is familiar with one of their products, they likely also try other products from the same brand based on their initiative. According to Company C, this type of behavior indicates brand loyalty. Company D believes that customers make repurchases if they are satisfied with the product. They also mention that many of the customers, who have used their products, recommend their products forward. Some of these recommendations are seen publicly on social media, which is the kind of visibility which may be hard to buy when customers initially recommend their products. Additionally, this also increases the number of orders. Company D describes these factors as the ways to measure customer loyalty.

*"They are pretty loyal. They will order more if they like the product. We have existing customers from many years back."* – Company D

Company G explains that customer loyalty can be acknowledged when the existing customers order new products immediately to try out after they have launched on the website. Also, the company has recognized that some of the customers purchase products from different product lines. On that account, the company has branded itself to be available for everyone and not only for people who are more '*ecologically awakened*'.

Other experiences also emerged among the interviewees. Company A highlights when people are looking for a solution for their long-lasting skincare problems, and they finally find the

solution that genuinely works for them, they become loyal customers. This indicates that solving the customers' problems may strengthen their loyalty towards the company. Company F discussed that their customers actively share their social media posts. They define their current position as a very grateful for the reason that they feel like customers are engaged to their success. However, the company has not measured their customer loyalty with any specific tools.

*“We have such a grateful position that customers want us to succeed. Customers somehow empathize with our growth and success story, which is very exceptional, in my opinion.”* – Company F

### **5.7 Building and measuring customer loyalty**

Company A has acknowledged the importance of rewarding loyal customers. They have explored the customer register as well as the order history to recognize the loyal customers. However, they have not yet taken a step towards rewarding their customers more systematically. Another way of measuring customer loyalty is through the number of placed orders. Company C measures customer loyalty by following the continuity of the placed orders. Additionally, Company B also tracks the number of orders.

Company F describes their aim on building customer loyalty through their products meaning that the expectations of the products match with the actual products. The company believes that when consumers find the right products that work on their skin, they become loyal customers. Also, engaging customers in different activities, for example by giving their customers a chance to name their products. Company D utilizes newsletters as the source of providing information regarding their products. They have different newsletters for retailers and customers. Sometimes the newsletter can include discount codes or information on their new products that are soon launching. The purpose is to evoke feelings of expectancy.

A third of the companies discuss on not building or measuring customer loyalty at the moment. Company E states of receiving and observing feedback from customers and making adjustments or improvements based on the information provided by the customers. Despite of not currently measuring customer loyalty. Company G reflects on possibly starting to measure it in the future. The majority of the case companies did not recognize utilizing any different approaches or tactics to create customer loyalty during the pandemic. Company A discussed increasing telemarketing and contacting customers through phone, and they have also planned on building

a variety of new online sales concepts. Company G described on relying on doing the business same way as before the pandemic and the improvements are not done because of the pandemic.

*“We have not really done any specific actions because of the pandemic. Any so-called improvements or developments that we have constantly made would have been made anyway.”* – Company G

Company C has not recognized utilizing different approaches or tactics to create customer loyalty during the pandemic. The company describes on their goal on always providing the best possible service.

*“We try to do our best all the time and develop our business. In other words, some things have been improved, of course, but they have been done regardless of the pandemic. That is the general development and improvement that we are constantly trying to do.”* – Company C

## **5.8 Summary of the findings**

In conclusion, most of the attributes presented in the theoretical framework emerged in the empirical research within the case company interviews. The summary of the research findings can be found in the *Figure 4*. Four of the online service quality attributes were highlighted among the case companies. Firstly, the content marketing especially engaging in social media activities. Secondly, the role of customer service was highlighted in the various answers of the case companies. Thirdly, having a website, or an online store, is emphasized in a way that having an online store is vital to survive the global health pandemic. Fourthly, the role of reliability emerged in the company interviews in a way that some of the case companies described matching customer expectations with the actual products meaning that the customers receive the product they thought they ordered.

Furthermore, the role of satisfaction and trust are also emphasized among the case companies. The connection between customer satisfaction and loyalty is widely recognized among the case companies. Additionally, the role of trust is emphasized among the case companies. Consumers’ trust can be enhanced, for example, by showcasing on social media how the products are made or strengthening the credibility of the company in a way that customers are able to trust the company without the fear of being deceived.

The case companies recognized various factors affecting customers' loyalty towards them. Additionally, the companies described on having different ways to measure and build customer loyalty. Two of the customer-centric outcomes of e-loyalty were emphasized among the companies, which were word-of-mouth and repurchase intention. The customers of the case companies are recommending the products they have tried forward, which refers to positive word-of-mouth. Also, customers' repurchase intention is closely linked with satisfaction, which refers to the situation when a customer is satisfied with the product or service, they are more likely to make a repurchase. Also, some of the companies recognized that the customers who have already make the first purchase are more likely to return to make a repurchase. These customer-centric outcomes may affect positively on the profitability of the company through repeat purchasing behavior. Also, spreading positive word-of-mouth of the company may enhance the willingness to purchase among those customers who have not yet made their first purchase.

Despite the similarities, there are still a few differences which can be considered as the alternative or additional attributes for the theoretical framework. Firstly, security and privacy are not emphasized among the companies. Secondly, the role of perceived value is not brought up by the case companies. Thirdly, none of the case companies described on recognizing customers' willingness to pay more for their products.

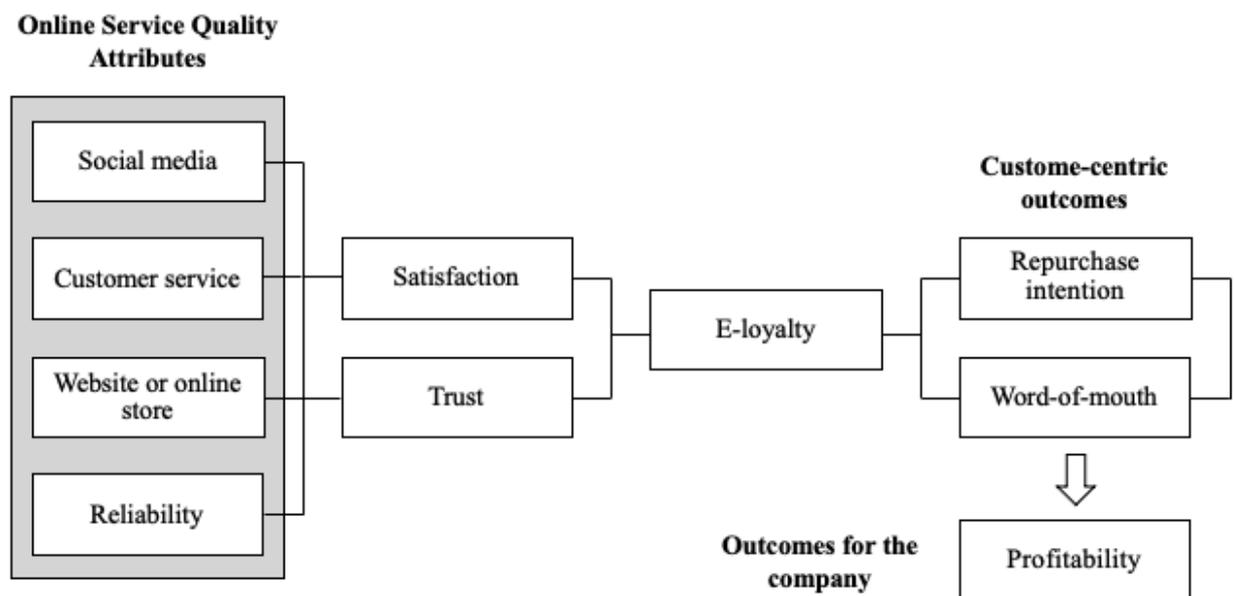


Figure 4. Summary of the research findings.

## **6 CONCLUSIONS AND FURTHER RESEARCH**

The final chapter of this study summarizes the empirical results and conclusions of the research by providing answers to the research questions. Also, the theoretical contributions and managerial implications are presented. The last section of this chapter concludes with assessing the main research limitations and suggestions for further research.

### **6.1 Results and conclusions**

The initial aim of this research, which was previously presented in the first chapter, is to examine how the companies have built and maintained customer loyalty during the global health pandemic. The ongoing health pandemic has been studied fairly little for the reason that the phenomenon is relatively new in today's business world. The outcomes of the pandemic can already be seen in various industries. However, there is only a little research done on how the pandemic has affected customer loyalty. Therefore, this thesis aims to fill this gap by examining the outcomes of the coronavirus pandemic on the Finnish cosmetic industry and how the companies have tackled the challenges derived from the abnormal situation.

The main research question of this thesis was to examine ways the companies build and maintain online customer loyalty during the times of the coronavirus pandemic. There were three sub-questions formed to create a comprehensive answer to the main research question. The first sub-question explored the role of social media in building and maintaining online customer loyalty during the pandemic. Then, the second sub-question sought to examine the role of customer service in creating and maintaining online customer loyalty. Lastly, the third sub-question focused on the role of customer satisfaction management when creating and maintaining online customer loyalty. Each sub-question addressed the issue through the context of the coronavirus pandemic.

Generally, the research results indicate that the global health pandemic has affected the case companies very differently. The vast majority of the case companies were significantly not affected by the health pandemic while others were affected by the virus at some level. Some of the issues raised in the empirical study are difficult to distinguish from the actions taken in response of the health pandemic and the actions that would have been done regardless of the pandemic, for example, due to the business growth and development.

The importance of online stores is highly emphasized among the case companies. The particular reason for this is the explosive growth of the popularity of e-commerce worldwide. Without the

opportunities offered by e-commerce, overcoming the health pandemic would have been more challenging for the majority of the sales come from the online sales. Another reason for this is that the physical stores may have faced regional restrictions during the coronavirus outbreak. Also, customers avoided visiting physical stores and preferred shopping online to avoid physical encounters with other people. Additionally, due to the stay-at-home orders, customers may have had more time to spend at home and search for information on new products and e-tailers.

Each one of the case companies consider their customers as loyal in general. Some of the case companies do not measure the level of loyalty in any way while others utilize some measuring techniques to create an understanding of customer loyalty. The correlation between customer satisfaction and customer loyalty is recognized among all the case companies. Also, the findings of this study indicate that customer satisfaction is closely linked with the customer's willingness to repurchase. In other words, customers are more likely to return to the company to purchase other products when they have been satisfied with the previous purchase.

The importance of providing good customer service at all times is emphasized among the case companies. The majority of the case companies described on increasing customer service or keeping it at the same level as before the times of coronavirus. Additionally, all the case companies recognized that handling critical incidents or notice of defects well by listening to the customer's experiences can affect positively on customer loyalty. Furthermore, some of the case companies highlight that feedback from customers has an impact on their products for the reason that the companies are making adjustments and improvements based on the feedback received.

Lastly, social media is a vital part of business today and each of the case companies described on utilizing social media at some level in their businesses. However, the ways of using social media platforms differed among the interviewees. Each of the case companies described on either increasing or keeping the utilization of social media at the same level as the pre-pandemic times.

## **6.2 Theoretical contributions**

This part of the thesis presents and examines the research findings and reflects them to the existing academic literature to highlight the similarities and differences. The theoretical part and empirical part of this study can be considered to be generally in line with each other. This

thesis fills the gap by examining the formation and maintenance of customer loyalty during pandemic within the Finnish cosmetic industry. The main research question of this thesis aims to find out how the companies build and maintain online customer loyalty during the coronavirus crisis. The three sub-questions were formed to support the answer to the main research question.

The first sub-question focused on the role of social media on building and maintaining online customer loyalty. Social media can help companies to build their brands and engaging customer by creating relationships with them (Taiminen & Karjaluo 2015, 636). Furthermore, the connection between social media and customer loyalty is recognized (Ashley & Tuten 2015; Nisar & Whitehead 2016). Each of the case companies do have social media accounts and are engaged on social media activities. The majority of them argued using social media channels differently during the pandemic compared to the pre-pandemic times. Also, all the case companies discussed on increasing the activity on social media or keeping it at the same level during the crisis. The opportunities created by the crisis were recognized by understanding the increased time consumers spent on the internet searching for alternatives and new products.

The shift from physical stores towards e-commerce has been recognized among the academics as well as in other researches (Jacobides & Reeves 2020; Charm et al. 2020; Buchanan 2020; Reuters 2020). This change is also highlighted in the answers provided by the case companies. Each of the case companies described on having an online store. However, the importance of e-commerce somewhat varied among the case companies. Furthermore, the second sub-question was formed to find out how customer service affects on the creation and maintenance of online customer loyalty. Customer service supports the creation of customer loyalty (Gommans et al. 2001; Homburg & Fürst 2005; Balabanis et al. 2006), also during the times of pandemic (Forbes 2020a). The empirical findings highlighted that some of the case companies started investing more in customer service during the pandemic while others continued providing the same level of customer service as before the pandemic. However, the investments may not necessarily have been done due to the pandemic but due to the business growth in general. Multiple case companies recognized the role of customer service when handling critical incidents such as notice of defects and complaints. Additionally, handling critical incidents well has an effect on overall customer satisfaction. Furthermore, each of the case companies recognized the effect of critical incidents on customer loyalty. Therefore, customer service is closely linked to customer loyalty.

Researchers have found a connection between customer experience and customer loyalty (Caruana & Ewing 2010; Reichheld & Schefter 2000). Also, the empirical results indicate that customer experience affects customer loyalty. Furthermore, handling critical incidents effectively can have a positive impact on customer loyalty. The empirical part supports the theory for that each of the case companies have faced critical incidents while doing business. Also, it was widely recognized among the case companies that the effect of handling the critical incidents well and in a friendly way has a positive impact on customer loyalty. Then, the third sub-question examined the role of customer satisfaction management when building and maintaining online customer loyalty. Various researchers have recognized the connection between customer satisfaction and customer loyalty through the decades (e.g., Oliver 1999, Homburg & Giering 2001; Yang & Peterson 2004; Balabanis et al. 2006; Rose et al. 2012; Herhausen et al. 2019). Hence, the theoretical part of this study supports the empiricism in that there is a connection between customer satisfaction and loyalty. Each of the case companies recognized that satisfaction has an impact on customer loyalty and whether the customers are not satisfied with the service, they will start looking for an alternative elsewhere because there is plenty of other suppliers in the market.

Loyal customers are less price-sensitive, and they also increase the probability of cross-selling (Anderson & Mittal 2000; Rafiq, Fulford & Lu 2013, 495; Yang & Peterson 2004, 802;) Altogether, loyal customers are the most profitable customers for the company. The empirical results indicate that customer satisfaction is linked to the customers' willingness to repurchase, which ultimately leads to customer loyalty.

Despite the multiple similarities between the theory and the empirical findings, there are still some differences between the two. Various researchers recommend using more customer-centric strategies (Deshpandé et al. 2020; Forbes 2020a) as well as personalizing and investing in technologies (Boudet et al. 2020, 6) during the global health pandemic. Surprisingly, most of the case companies described on not having to utilize any different tactics to create customer loyalty during the pandemic. Generally, the empirical results indicate that the case companies did not utilize any different tactics to create customer loyalty during the pandemic. Also, the majority of the companies argued that the changes and improvements made were due to the business growth and not because of the pandemic. Furthermore, the empirical findings of the study indicate the behavioral aspect of loyalty meaning that the case companies described

customers' loyalty mainly through repeated purchases. Less attention was paid to the attitudinal loyalty, which highlights the customers' perceived value from the brand.

### **6.3 Managerial implications**

The research findings revealed several managerial implication suggestions. This research aims to provide practical guidelines and real-life examples for other companies to examine and utilize in their business practices. The findings of this research are mainly applicable for the small and medium sized companies operating in Finland, especially for companies within cosmetic industry. The aim is to provide concrete examples of the actions that other companies may utilize to build and maintain customer loyalty to overcome the global health pandemic or other similar circumstances successfully. The following recommendations are based on the theoretical and empirical findings. These suggestions allow both new and existing companies to look more critically at their own operations and make changes to the operations that need to be adjusted or change the direction. Furthermore, the recommendations are indicative in helping companies find ways of building and maintaining customer loyalty during the challenging times.

Investing in customer service in all times and not only during the times of pandemic, is necessary. Being easily accessible and delivering excellent customer service can strengthen customer loyalty. The importance of customer service is emphasized in problem situation, for example, when handling complaints or notice of defects. Customers look for a channel to get in contact with the company when certain things need to be clarified. If the company manages to handle the problem well, this can increase the customer's satisfaction with the company and the company will be able to turn an unfavorable event to its profitable advantage. There are different ways for companies to be accessible for customers. In addition to the phone number and email address, customer communications technology may also include, for example, a mobile app or chat service.

Social media is another communicational channel, which enables customers to find them about the company. Investing in social media platforms and keeping them up to date helps customers to find the company. During the lockdowns and stay-at-home orders, people increase the time they are spending on social media. Posting pictures and videos, and providing information on existing products, introducing new product launches, and revealing discount codes for the website purchases. Updating social media account regularly keeps the company relevant and

helps new customers to find the company. Additionally, getting likes and gaining new followers helps other consumers to find social media accounts. Addressing any problems or concerns that customers have may arouse customers' willingness to make a purchase or repurchase and become loyal customers for the company. Social media can also be seen as a platform that binds customers together through similar experiences. Also, encouraging the audience to support local and domestic brands especially during the global health pandemic can evoke feelings or needs among customers wanting to help the company through difficult times. Informing about any changes due to the different situation. Another way to inform customers of changing policies or new product launches is through newsletters.

E-commerce is a vital part of the business world today. The research findings strongly indicate that the most important factor when considering the survival from the health pandemic is having an online store to be able to continue the business. When people have more time to spend at home, they are more likely to spend their spare time online and searching for new alternative products on the market. Keeping the website up to date is important for the reason that customers are looking for the information firstly from there or social media channels. Furthermore, investing in search engine optimization which allows a company to occur on the top of search results and making it easier for customers to find the company's website among competitors.

Another source for information is the newsletters, which may be considered as a more professional communication channel of the company to receive the latest news from the company. Newsletters can include information, for example, on possible changes due to the abnormal circumstances, new product launches, discount codes or other useful information to help customers to keep up with the latest news. Newsletters can also be an effective way to also improve or measure customers' engagements (Agrawal 2017). An option to subscribe for the mailing list for newsletters could be available on the company's website or a direct link from the social media platforms to encourage customers to subscribe to the newsletter. Personalizing the newsletters by addressing the customers by their names or recommending them products based on their purchasing history can emphasize the engagement rate.

Finally, reaching out and contacting customers individually during the times of pandemic may strengthen the customer loyalty. However, this may be more valid when the company is small or medium-sized and the number of customers is limited. This way the companies are able to collect feedback from customers and vice versa providing customers answers to the questions

they might have. By doing this, the company can retain its relationships with the customers and customers can help the company to overcome the crisis by supporting them by purchasing their products.

#### **6.4 Limitations and further research**

There are several limitations that need to be taken into consideration when analyzing the findings of this research. The empirical part of this research focuses on the different actions and practices the companies have utilized to build and maintain customer loyalty. This research examines the different actions and practices how the Finnish cosmetic companies have utilized to build and maintain customer loyalty during the global health pandemic. Therefore, this study may not necessarily provide a comprehensive description for other business fields to utilize. Also, the focus is mainly on the managerial aspect, which excludes knowledge and experiences of employees from other company levels.

The focus of this study has been mainly on the B2C aspect, which generally excludes the B2B aspect. Therefore, the findings and outcomes of this study can only be applicable on B2C markets. In addition to this, there is a lack of academic research regarding the effects and outcomes of the ongoing pandemic on customer loyalty. The lack of academical research narrowed the variety and versatility of reliable data.

This research focuses only on the organic and natural cosmetics industry in Finland. Therefore, the findings of this research cannot be generalized to other industries for the reason that there may be both industrial and geographical variations on what strategies the companies utilized during and after the health pandemic. Larger sample and carrying out interviews for a larger number of companies including extension of the research to larger companies instead of SMEs. This research utilized convenience sampling, which affected decreasingly on the total number of interviewees. Therefore, in order to obtain more diverse empirical data, the more participants are needed to involve in the study. Additionally, comparing companies that are geographically dispersed creates a more comprehensive overlook on how these companies survived the global health pandemic and how they managed to contribute on the creation of customer loyalty, but also whether there are any geographical differences.

There is future research potential in interviewing or creating an online questionnaire for customers. This type of research could gather more detailed information on what customers expected from the companies and how well their expectations matched with the real action

taken by the companies. Further research can also be extended in other business fields and not focusing exclusively on natural cosmetic companies.

Furthermore, the concept of relationship marketing as well as brand-consumer relationships bring more multidimensionality to the research of customer loyalty. For example, analyzing how consumer-brand relationships have changed or how customers perceived their relationships with the specific brands during the global health pandemic. Additionally, exploring how the companies intentionally fortified relationship marketing during the exceptional times.

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## **APPENDICES**

### **Appendix 1: The interview questions for the case companies**

1. How would you describe your company? How would you describe your brand?
2. How do you differentiate your products from other brands?
3. How do you ensure the quality of your products?
4. How do you build and measure customer satisfaction?
5. How do you build and measure trust?
6. How loyal would you describe your customers be? How do you build and measure customer loyalty?
7. How do you think customer satisfaction affects customer loyalty?
8. Have you recognized any critical incidents, such as accidentally sending a faulty product to the customer? How did it affect customer loyalty? Any feedback from customers?
9. How did the COVID-19 affect your business? How did you managed to recover from it?
10. Did you utilize different approaches or tactics to create online customer loyalty during the pandemic?
11. Have you recognized different purchasing patterns or consumer behavior during the pandemic? After the pandemic?
12. Did you invest in customer service more than usual during the pandemic?
13. Did you use any different marketing tactics, for example, regarding social media during the pandemic?
14. Have you received any customer feedback or other comments on customers' behalf that affected your marketing strategies or communication etc.?
15. What did you learn out of COVID-19?

## **Appendix 2: The interview questions for the case companies translated in Finnish**

1. Miten kuvailisitte yritystänne? Entä brändiänne?
2. Millä tavalla tuotteenne eroavat muiden brändien tuotteista?
3. Miten varmistatte tuotteidenne laadun?
4. Kuinka rakennatte ja mittaatte asiakastyytyvääisyyttä?
5. Kuinka yrityksessänne luodaan ja mitataan asiakkaiden luottamusta?
6. Kuinka uskollisiksi kuvailisitte asiakkaitanne? Millä tavoin luotte ja mittaatte asiakasuskollisuutta?
7. Kuinka uskotte asiakastyytyvääisyyden vaikuttavan asiakasuskollisuuteen?
8. Oletteko kohdanneet yrityksessänne kriittisiä tapahtumia (esimerkiksi asiakkaalle epähuomiossa lähetetty viallinen tuote)? Mikäli kyllä, niin millä tavalla huomasitte niiden vaikuttaneen asiakasuskollisuuteen? Oletteko saaneet asiakkailta palautetta tähän liittyen?
9. Millä tavoin COVID-19 on vaikuttanut yritykseenne? Kuinka selviydyitte siitä?
10. Hyödynsittekö erilaisia lähestymistapoja tai taktiikoita online-asiakasuskollisuuden luomiseen pandemian aikana?
11. Oletteko tunnistaneeet erilaisia ostotapoja tai -käyttäytymisiä pandemian aikana? Entä sen jälkeen?
12. Panostitteko asiakaspalveluun tavallista enemmän pandemian aikana?
13. Hyödynsittekö erilaisia markkinointitaktiikoita (esimerkiksi sosiaalisen median suhteen) pandemian aikana?
14. Oletteko saaneet asiakkailta palautetta tai muita kommentteja, jotka vaikuttivat markkinointistrategiaan tai viestintään?
15. Mitä opitte pandemiasta? Merkittävimmät opit?

### **Appendix 3: The cover letter for the interview request in Finnish**

Hei,

Olen toisen vuoden maisteriopiskelija Lappeenrannan-Lahden teknillisestä yliopistosta (LUT) ja teen pro gradu -tutkielmaa **asiakasuskollisuuden rakentumisesta suomalaisissa luonnonkosmetiikkayrityksissä koronakriisin aikana**. Olen kiinnostunut tutkimaan minkälaisia keinoja ja strategioita kriisin aikana on käytetty ja miten kriisistä selvitettiin.

Olisin kiinnostunut haastattelemaan yrityksenne johtoa tämän aiheen tiimoilta. Haluaisin kuulla teidän kokemuksianne ja näkemyksiänne kriisistä selviytymisestä. Tutkimukseen osallistuminen on vapaaehtoista. Haastattelu nauhoitetaan ja litteroidaan ainoastaan tätä tutkielmaa varten, mikäli haastateltava antaa tähän suostumuksensa. Aineiston käsittely on luottamuksellista, ja tutkielmassa ei esitellä yrityksen tai haastateltavan nimeä anonymiteetin turvaamiseksi.

Tutkielma on englanniksi, mutta haastattelu voidaan toteuttaa joko suomeksi tai englanniksi haastateltavan toiveiden mukaisesti. Haastattelukysymykset voidaan lähettää haastateltavalle etukäteen. Haastattelun kesto on noin 45–60 minuuttia. Haastattelu voidaan vallitsevan tilanteen johdosta järjestää videopuhelun välityksellä esimerkiksi Teamsissa tai Skypessä.

Mikäli olet kiinnostunut osallistumaan tutkimukseen, niin olethan yhteydessä minuun puhelimitse tai sähköpostitse viimeistään **perjantaina 5.2.2021 klo 15.00**, jotta voimme yhdessä löytää haastattelulle sopivan ajankohdan. Vastaan mielelläni mahdollisiin lisäkysymyksiin.

Ystävällisin terveisin,

Kaisa Tykki

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