Customer clubs in a relationship perspective: a telecom case

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Abstract

Companies in the telecom industry – and in many other consumer markets – have introduced customer or loyalty clubs over a number of years. Customer clubs have been used as a loyalty-building measure following the deregulation of telecom markets in Europe. They were introduced as a strategic instrument intended to foster customer retention and to contribute to increased sales and profitability. These clubs are the most recognizable part of many CRM strategies. Their short- and long-term effects on loyalty are not obvious, however. The aim of this article is to explore the effects of the customer club on customer relationships in telecommunications by presenting results from two qualitative studies, which are quantified and reported in terms of responses to the club. The results of this empirical study in a Swedish telecom company reveal that the majority of customer-club members do not perceive their membership as adding value or contributing to higher commitment and improved loyalty. Nevertheless, there are differences between non-members and members regarding their perceptions of the service provider. The target group of club members has significantly higher satisfaction with the company than the non-member customers.

Introduction

Telecom markets have changed dramatically in recent years. Customers in many European countries who used to have only one service provider now have a wide variety to choose from. The fight to attract and keep customers has resulted in the development of relationship-marketing strategies. The telecom companies are developing a mix of relationship-marketing tools to establish and build profitable customer relationships. One such tool is customer clubs. In this article we adopt the original view and nature of relationship management. With the concept of relationship marketing, we focus on the need for companies to be market oriented by building up the ability to manage networks, relationships and interactions (Grönroos, 1983; Gummesson, 1987). In other words, the main focus has not been on attracting new customers, but on expanding the relationship with existing customers. Earlier statements regarding relationship marketing have been the starting point for companies establishing customer clubs.

It has been fully accepted in marketing literature that long-term customers are more profitable than temporary customers (Reichheld and Teal, 1996; Johnson, 1998). Customer clubs are built on that logic. The more loyal the customer is and the longer he or she is retained, the more sales and profits he or she generates. Customer clubs are formed and function slightly differently in different companies, including the way customers sign up for membership, what happens over time as the relationship evolves, and ways in which more sales are generated. Some clubs openly communicate the benefits of membership not only to all of their current customers, but also as a marketing effort to potential new customers. Naturally, the more widely advertised clubs tend to be more easily recognized among customers. The opposite is also common: some clubs are virtually unknown to customers other than those who are members, let alone to customers on a more general basis. The latter design and logic implies that customers automatically position themselves as members or non-members of the club as a consequence of the extent to which they use the product. This is the case with the customer club that is the subject of this study. The way in which a customer becomes a member of the club is, once having achieved a specified volume, by making a deliberate choice to join or not.

Customer clubs could be considered to lock customers into a relationship with the company and to build a switching barrier, since being a member means that future benefits accumulate in the form of rebates, products or special offerings.

These offerings may also be seen as rewards, making the customers more willing to stay in the relationship. Loyalty programs, however, seem to have become so common that their effect on the individual consumer can be questioned. It is almost as if having a loyalty program is a prerequisite. Customers sign up in competing programs to get the price cuts, and do not become loyal or committed. As a result, we are now in a situation in which consumers participate in several loyalty programs and passively collect points out of habit rather than feeling challenged to spend more on each shopping trip or to shop more frequently. This is hardly surprising, given that most schemes even offer rewards to indiscriminate shoppers for what is, in essence, disloyal behavior if all customer relationships are considered. Customers enroll in a number of clubs since they have nothing to lose by doing so. At the same time, these clubs are expensive for a company to keep going. One of the questions a company must ask itself is – is it really worth it?

Customer clubs may be viewed as one kind of relationship-marketing activity. In its early stages, relationship marketing was seen as a tool for retaining customers instead of continuously focusing on attracting new ones (Berry, 1983; Grönroos, 1983). The modern view is more advanced and is expressed in the following way: "Why not seek a more balanced marketing effort to not only open the front door for new customers, but also to close the back door to existing customers?" (Berry, 2002, p. 71). Thus, we need a dual focus. We need to service existing customers and to "recruit" new ones at the same time, possibly by using different tools or finding different, well-planned and fruitful ways of using those we have in order to reach marketing objectives. It is in this context that companies must decide where the customer clubs fit – they are not the only tool. Such a club ought to be considered mainly as a tool for sharing value with customers in proportion to the value their loyalty creates for the company. This notion is captured well by O'Brien and Jones (1995, p. 75), who state: "The goal must be to develop a system through which customers are continually educated about the rewards of loyalty and motivated to earn them".

The aim and structure of the article

This article focuses on how customers view a customer club and the effect this club has on the relationship with the service provider. The aim is to deliberately study how customers in a Swedish telecom company perceive their customer-club membership, and to assess the effect of membership on value, satisfaction and, ultimately, on loyalty.

In order to achieve our aim we carried out an empirical study divided into three parts. We started by moderating focus-group interviews with respondents who were members of a customer club. We then conducted interviews among members and non-members of the club, based on the results of the focus-group discussions, and verified the results in a quantitative study.

We start the article by presenting our theoretical frame of reference, which is based on two key concepts: customer satisfaction and value related to loyalty. We also consider the possible impact of commitment, and especially its communicative construct. The section following the theoretical framework gives the results of our data analysis. We conclude with a discussion on the limitations and contributions of the study, and offer suggestions for future research.

Customer clubs as a perspective on loyalty

We build our theoretical reference frame on the logic that satisfaction and value affect loyalty in customer relationships (Bolton and Drew, 1991a; Bolton et al., 2000; Johnson et al., 2001). Studies with a distinct focus on customer clubs and on programs dealing with relevant loyalty influencers are rare in marketing literature. Stauss et al. (2001) present a relevant study as far as the concepts considered here are concerned. The setting is different in many respects, however. It is not a service setting but a manufacturing company, and even the service part of the product is much different. We still include their study because it points out important conceptual findings on an overall customer-perception level. Their fundamental finding that the perception and evaluation of the customer clubs have a discrete function in terms of satisfaction and loyalty may also be significant in our study. In other words, the club is evaluated separately and not merely included in the overall evaluation of the service provider.

Satisfaction and customer clubs
Stauss et al. (2001) introduced a new determinant of relationship satisfaction with customer clubs, which they label "club satisfaction". The authors studied the customer club of a German car manufacturer and learned that satisfaction with it had a major effect on relationship satisfaction. The attitude towards the club affected the customers' attitude towards the brand more than the overall satisfaction with the dealer.

The nature of customer clubs differs profoundly between companies, depending on the service character on the one hand, and the additional manufacturing or physical-product attribute on the other. Those in service companies often stress individuality, one aspect of which relates to the character of the service: some services, such as professional services, are more suited to individual arrangements. When the car and the telecom industries are compared, for example, the difference between continuous and discrete service is apparent. The only reminder of being a telecom customer comes in the form of bills or specific, targeted information. In other cases, customers may have to present a club card when they use the service, but this does not apply to phone services. In the case of the car, the customer makes a deliberate choice every time he or she visits the dealership to have the car serviced or to buy spare parts. Customers are also constantly reminded of the make each time they drive.

In the telecom industry, the satisfaction-evaluation dimension could easily be assumed to be of a technical nature. Telecommunications customers, however, perceive difficulties when they evaluate the different kinds of technical solutions included in the product (Srinivasan, 1987). Therefore, the longer customers use a service, the more monetary value is likely to ensue from the perception communicated by the provider (East *et al.*, 1995). The role of satisfaction in customer-club membership accordingly includes not only the effect of membership, but also other complex liaisons. Such aspects may take priority in perceived dimensions of customer loyalty. For example, Srinivasan (1996) and Mittal and Lassar (1998) point out the need to reduce the complexity by introducing industry-specific perceptions and thus loosen the general connection between the concepts included in customer perception. The reason for this is that the dimensions differ in terms of their influence on the consequences. This assumption applies not only to customer clubs and their effect on satisfaction with the service provider, but also to the fact that customers may not evaluate all dimensions when considering loyalty. Stauss *et al.* (2001) put forward the same implication in referring not only to industry-specific details regarding customer clubs and satisfaction, but also to industry-specific customer clubs and satisfaction. Consequently, industry-specific or even club-specific studies may be needed in order to further understanding of how a customer club should work.

Value and the customer club

In an early study, Bolton and Drew (1991b) considered value related to the telephone service. During the time they were studying telephony, deregulation took place in the USA and customers were in limbo. The authors found that the strategy change affected customer perceptions. When competition increases, the value concept becomes more relevant as an influencer of loyalty. Given the special situational factors, satisfaction, directly and through perceived quality, was still the most influential factor on value, while income limits were considered sacrifices. We define value as the consumer's perception of the benefits minus the costs (sacrifices) of maintaining an ongoing relationship with a service provider (Zeithaml, 1988).

In their more recent article, Bolton *et al.* (2000) found that competition clearly affects loyalty through membership of a loyalty program. Closely related to such a view is the theory of goal and action for understanding the mediating role of value in relationships (Sirdeshmukh *et al.*, 2002). Sirdeshmukh *et al.* (2002) describe customer goals for maintaining the relationships and their actions for achieving them. Higher-level goals are considered superordinate, and the authors suggest that value has such a role in customer relationships. They also suggest that other concepts are regulated to ensure the attainment of goals at the highest level. In this context, the role of price in loyalty stands clear. Srinivasan (1987) argues further that customers do not evaluate the technology itself, because it is too complicated for most of them. The only process they may perceive is technology change, and they are still not able to evaluate it. As Simonson and Tversky (1992) put it, performance defines the goal of a purchase. Price, for example, which is a key element in telecom-customer perceptions, is merely considered to be a tool with which to achieve the goal. It is the one quality indicator that customers can fairly and easily evaluate, and the rest of the service is much more intangible. Consequently, whereas experience may be perceived as more important than price, and thus may affect choice probability, price may affect its extent. Price is converted into the language of performance. Performance uncertainty, which may appear as uncertainty related to possible wrong choices, needs to be reduced in order to facilitate choice. Customers need to feel safe in their purchasing. Nowlis and Simonson (1996) also discuss this in terms of how different kinds of attributes intrinsically compete based on the ease of comparison. Thus, satisfactory experiences are important when strong customer relationships are built in a business such as telecommunications, in

which the competing products are rather similar and, moreover, difficult to evaluate given the rare contacts with the company (Liljander and Roos, 2002).

Communication effectiveness
The consequence is that communication effectiveness is imperative in perceptions of quality, including value. A further consequence for the customer club is that such a function may help in building long-lasting relationships (Sharma and Patterson, 1999). Sharma and Patterson (1999) show that communication effectiveness has a considerable impact on customer commitment to service providers. This impact stems not only from the direct effect of the technical quality, but also from several indirect effects including both technical and functional quality. In other words, the effectiveness takes hold as the quality perceptions have both direct and mediating effects on commitment. Accordingly, when customer clubs are considered in terms of special satisfaction dimensions affecting loyalty to service providers, the effectiveness of the communication becomes important. Thus, communication includes the strategy and design of the club, the effectiveness and conformity of the strategy, and customer perceptions of it.

Loyalty
This telecom customer club aims at influencing customers to increase their use of the services that the company offers. One important point is that an increase in use should imply a decrease in the usage of competitors' products as a result of heightened perceptions about the possibilities on offer (Srinivasan, 1987).

Johnson and Gustafsson (2000) distinguish between satisfaction regarding the evaluation of performance attributes of customer clubs and the effect on loyalty, with a view to furthering understanding of customers' loyalty intentions. Customer evaluations of the company's services may accordingly not always equal their evaluations of the customer club and the effects on loyalty. Moreover, the members' evaluations may not be the same as those of non-members. Therefore, in order to understand the typical effect of this particular telecommunications company's services on loyalty, and simultaneously to include the customer-club effect, we decided to compare the evaluations of members and non-members. The findings of Stauss *et al.* (2001) concerning the car industry and differences between members and non-members represent a more complex service constellation than telecommunications. Still, bearing in mind the fact that the latter is clearer in terms of performance than a constellation

including producing, selling and service functions, the evaluations of members and non-members may be distinguishable.

Research context and method

Research context
The customer club in question was introduced in 1999 with a view to keeping and developing 25 percent of the most valued customers. The target group is primarily customers with a consumption value of more than €300 per year. Swedish Telecom sends information about the customer club to these most valued customers and the initiative comes from the company. In other words, the club could be considered to have a rather passive membership. To date, 617,000 customers have joined it (Swedish Telecom's annual report for 2000). Membership is free of charge and members collect points when they use different services – one point for every crown spent. These points may be used for buying telecom-related products, and also for weekend trips and other types of recreational activities. The points expire two years after they have been earned. Members receive a quarterly magazine and information about their account (the points balance) and different offerings. The offerings most often focus on selling new services or selling more of the existing ones. Members also have access to a special service center offering something extra.

The qualitative studies
The qualitative part of our study was designed to include both focus-group and in-depth interviews. We included two different kinds of tools for interviewing and collecting the qualitative data in order to achieve appropriate richness in terms of understanding the variables behind the customers' evaluations of the telecom company's customer club.

Focus-group interviewing
The first part of our qualitative study involved two focus groups moderated by a research professional. Two sessions were conducted, including a two-hour discussion per group, and the moderation was held in a larger Swedish city. The two focus groups consisted of seven and five customer-club members respectively. One of the provisos was that all of the members also belonged to some other club besides that of the telecom company. This criterion was set partly because we wanted to be able to compare the club under investigation to other clubs. We also wanted to know whether or not customers were able to distinguish their memberships if they belonged to several clubs.

Furthermore, it may be easier for them to describe their membership in relation to something else. The focus-group customers were chosen on the particular basis that they were capable of both describing their membership properly, and also of comparing their experiences of the telecom customer club and of other clubs and memberships.

The starting sample from the telecom company was set so that all of the respondents had the same consumption of telecom services. The company then provided us with a list of 800 names from which the respondents were chosen. The focus-group sessions were preceded by interviews so that we could identify the respondents and confirm their willingness to participate. Age was also a significant factor in ensuring that we could communicate the necessary information, and only customers between 30 and 55 years old were included. Furthermore, the respondents were required to have been members of the telecom club for at least six months, and in addition to be members of one or more other customer clubs. They were offered an incitement of €30 each. The interviews were taped and transcribed for the analysis.

Telephone interviews

After the focus-group sessions, 24 members and non-members of the customer club were interviewed by a group of final-year MBA students under the authors' supervision. This time we set the requirement that the respondents should be considered high consumers of telecom services. Again the telecom company gave us a list of 800 customers who fulfilled the laid down conditions, and of these 12 with customer-club membership and 12 without were randomly chosen. The objective in the telephone interviews was to find out why customers who had something to gain by joining a club chose not to. We wanted to know if this had more to do with their relationship with the company or with the set-up of the club itself. Thus a total of 36 customers were interviewed with a view to deepening our understanding of the attributes of the customer club that were brought to surface by the focus-group respondents. The reason for carrying out a two-stage empirical study was that we regarded this problem as explorative in nature, given the very limited amount of studies that have been carried out. Those conducted so far have mostly been quantitative.

Analysis and results

The overall analysis indicates that the customers did not perceive customer-club membership as adding relevant value to their relationship with the telecom company. It appears, however, that on the whole, those in the club differed in their evaluation of the company. Accordingly, the customer club seemed to add value to the relationship indirectly rather than to influence retention.

Focus-group interviews (members)

Customer-club members who participated in the focus groups concentrated their discussions around a variety of issues regarding their relationship with the telecom company. Some of them were not able to express their reason for joining the club, while others had more precise motives and opinions about the club program. The topics that were brought up during the sessions are summarized in Table I.

The focus-group respondents were all members of the customer club. The discussion on the reasons for signing up as a member revealed that the decision was not deeply considered. Either the customers did not really know why they had signed up, or they were expecting financial benefits. In other words, they considered membership in terms of a function with "a lowering price effect", or as an "I can't lose anything" routine. Thus, the only more generic effect appeared to be reducing the cost rather than adding something "extra" to the service or the relationship. One could talk about loyalty bought rather than loyalty earned.

When the contents of the program were discussed, the customers thought that it was rather difficult to reach the necessary levels. Some of the benefits were considered unattainable, even for heavy users of telephony, as indeed they were. In sum, the respondents thought that the bonus system was rather fair and easy to understand.

Where the respondents did experience some problems was with the homepages and in keeping track of all the necessary codes to access the membership pages. They had also perceived some problems in collecting the different benefits on the Internet when using the codes. It was difficult to receive replacement codes if the original ones had been lost. It seems that the club procedures were regarded as rather complicated.

The respondents did not like the procedures involving the support personnel of the company, and also found communication with the customer-support department complicated. They pointed out that communication means personal contact, which should be easy and fast. Customers were often stuck in automatic support systems that they found unhelpful. Moreover, they pointed out that they wanted reward products to be related to telecommunications, in the form of cash cards, for example. Theater evenings taking place elsewhere

Table I Customer-expressed reasons for becoming club members, and their opinions concerning the club program

Topics	Customer comments
Customer-expressed reasons for taking out membership:	
Benefits in terms of less costly telephony	"It seemed to be OK. There were some advantages I could get by collecting the points."
Heavy user of telecom products	"In some ways you might hope to get back some of the money spent on phone bills."
No specific reason, better to be a member than a non-member	
Better overall information about [company]	
Customers discussed the content of the customer-club program:	
The basis for collecting points	"It takes a lot of points to reach even the lowest level of bonuses, but it's reasonable enough
The expiry dates of the points	anyway."
The club magazine	"When you get the phone bill the bonus points are all included so it's not a problem."
The Web site	"If I call and tell them that I've lost the codes among the mountain of paper that I receive, then I think it ought to be rather easy to get new ones from [company]. Instead I'm expected to call in and queue, only to find out that I'm talking to the wrong person. Then it takes weeks to get the new codes."
	"Spend a little less on the magazine and make it simpler, to me it's very expensive and useless."
Customers suggested reward products:	
Cash cards	"Normally I think that it's better to get a rebate or a voucher, then you really feel that you're saving
Product-related	money."
The discussion on the particular telecom product focused on:	
Contact with the personnel	"I avoid contact with [company's] customer support. There's no way to get through to them."
	"I want to have contact. Human contact and fast."

and not where the customers normally lived were not really considered worthwhile.

While the results of the focus-group interviews only indicate the direction of customer interest regarding the reasons for membership initialization, the content of the program, opinions concerning reward products, and the telecom product, the interviews among members and non-members specified the focus of interest and the possible differences among the distinct customer groups. One interesting point concerning the subject matter of the interviews was that the telecom product drew much less attention than the program itself. Loyalty issues were also discussed, and quite straightforward reasons for participating in loyalty programs were revealed, as can be seen from the comments below:

> The loyalty programs I care about are the ones I save money on when I use them.

> I don't want any kind of club feeling, I want to have the best deals. I feel no loyalty whatever towards the company, I'm doing this for purely egoistic reasons.

> I don't want any kind of club feeling, I have the cards for practical reasons.

Telephone interviews (members and non-members)
We noticed distinct issues between the two groups in the responses regarding their perceptions of the performance of the company. Naturally, the content of the program was perceived differently.

Needless to say, the non-members had difficulties evaluating it, but their opinions about the overall performance of the company were most valuable.

Table II shows the topics that were brought up during the focus-group interviews in the light of the interviews with members and non-members in the subsequent part of the qualitative study. The results of the second round imply that there were differences in perception between members and non-members.

The two groups seemed to have explicit motives in terms of being a member or not. The members appeared to think that they had nothing to lose by joining, while the non-members appeared to be uninterested in the benefits that the club had to offer. The latter claimed that they really had no need for more telecom-related products, and as a consequence were not interested in membership. The question is – are they uninterested in the club, or is it the company that they want no part of? Naturally, the non-members did not know enough about the procedures and, more interestingly, even though they said that they were not interested in the benefits, they seemed to have very limited knowledge about what these actually were.

The in-depth interviews with the members confirmed the findings from the focus-group sessions in that the customers felt that the club procedures were too complicated. The telecom company seems to assume that their customers want to spend time learning to cope with the technical aspects of their product. It was also interesting to find that the members of the club did not really seem to appreciate the benefits they received, but they had still chosen to be members.

Table II Differences between members' and non-members' responses regarding the performance of the company

Focus	Members	Non-members	Differences
Membership initialization	1. "We can't lose anything" 2. Price benefits 3. More information about the company Customer comments: "It's better to be a member; I have nothing to lose by joining."	Don't know enough about the benefits Customer comments: "The offers you receive don't really interest me, I'd prefer a rebate. I have no use for telecom-related products."	Differences in perception concerning the attraction of the program
The content of the program	Opinions: 1. Time-consuming to learn about the content of the program 2. "My pages" complicated to use 3. Poor knowledge about special offers 4. Subscriptions (points basis) based on family size, not personal as in the current program 5. Members want more personalized programs Customer comments: "I tried to register on the Internet but it was too complicated so I didn't manage it."	No experience	
Reward products	Cash cards instead of event-related rewards Customer comments: "Sure the offers are nice, but I'd be more satisfied with a lower bill."	No experience	
The telecom product	1. Excellent network coverage 2. Negative about queuing for customer support 3. Good knowledge of the range of products and services Customer comments: "[company] is old and has existed for a long time. You know what you get from them." "[company] has a certain level of quality in their services and they have a good network." "My relationship with [company] is good since I never have any problem."	1. Positive regarding billing issues 2. Positive regarding network cover 3. Switching intentions as a consequence of customer support 4. Poor service 5. Long queues 6. High prices Customer comments: "Well, I would recommend [company] but only to someone that I know can pay the bills." "[company] feels pretty safe. There are many new players on the market and I know very little about them." "Relationship? Well they send a bill and I pay it."	Differences in perception, generalization may give further answers

All this makes us question the design of the customer club, but it also implies other differences among members and non-members.

Does a relatively poorly designed club still manage to do what it is supposed to do in terms of building a relationship? At least the communication of the club message is apparently not fully effective. From the comments in the last row of Table II, it seems that the members clearly regard the telecom company more highly than the non-members, and that this specific company is more reliable compared to others. The most interesting question, the impact of the program on loyalty, remains unanswered. Therefore, we decided to try to verify the results of the qualitative studies. A good summary of what the respondents seem to think regarding the studied customer club and its impact on the relationship is given in the quotation below:

> If I save money by switching to another operator, then the club membership is not really worth anything.

Verification

A telephone survey was carried out in order to verify that the variables captured in the previous qualitative studies were relevant. In all, the survey covered 898 respondents, and a representative sample in terms of age and geographical spread of all of the telecom company's customers was used. The respondents were asked to rate a number of issues on a ten-grade scale. The different questions that were used in the survey were ones that have been tested in other studies. Those regarding quality, customer satisfaction and loyalty are questions that have been used in national customer-satisfaction studies (Fornell, 1992; Fornell *et al.*, 1996). The price variable that was used was suggested by Johnson *et al.* (2001).

The sample (Table III) comprised 135 (15 percent) respondents who stated that they were members and 566 (63 percent) who stated that they were non-members. This would indicate that there are 600,000 members among 4,200,000 customers (14 percent), which in turn suggests that the proportions in the study are right. It was nevertheless interesting to find that, in our sample, 197 respondents stated that they did not know whether or not they were members. This supports our experience when we tried to recruit respondents for the interviews: a lot of members

Table III Members and non-members of the customer club

	n	Percentage
Member	135	15
Non-member	566	63
Do not know	197	22

declined to be interviewed because they were not aware that they were members.

Reliability of constructs has been studied in terms of the internal consistency of the variables (coefficient alpha). Table IV shows the coefficients for each construct. Generally, the reliability is satisfactory. Peterson (1994) discusses the levels of Cronbach's alpha: acceptable levels have traditionally been in the range 0.5-0.6. To be safe, the coefficient should be above 0.7. The values are all well above 0.8 in this study. Since there was a large difference in sample size between the groups, we tested for homogeneity of variance, and no significant differences were found.

If the loyalty club were to have the effects that it was originally intended to have, we would expect that the customers who were members would give higher ratings on all of the included variables, but especially on intended loyalty. The measures of intended loyalty that we used are given in Table IV.

Given the kind of the service, i.e. continuous, it is clear that customers do not choose a specific service provider every time. In other words, the nature of the service most likely plays a key role when it comes to customers and their intentions to stay loyal. Customers buying discrete services in hotels and restaurants, for example, usually decide on their service provider each time, while continuous services such as telecom and public transportation are consumed on a more regular basis, or as a routine and embedded in every day life. Accordingly, in the telecom business, a customer uses the same service provider until he/she chooses another.

Loyalty

The most interesting question in the quantitative part of the study was on loyalty. Concepts such as retention and re-purchasing are frequently used as indicators of loyalty (Dufer and Moulins, 1989; Reichheld and Sasser, 1990; Bolton and Drew, 1991a; Cronin and Taylor, 1992; Denison and Knox, 1993; Reichheld and Teal, 1996; Stauss *et al.*, 2001).

All the loyalty questions are given in Table IV. One of them measured the intention to switch, and three questions could be considered measures of intended loyalty. In other words, if the respondents were choosing today, would they choose the company again? Generally, the members achieved higher scores for these questions on intended loyalty, but overall the scores did not turn out to be significant. The only question on which the difference could be considered significant was whether or not the respondent had a reason to switch. The members seemed to have had less reason than the non-members. Then again, both groups thought they would continue as customers of the telecom company. These results make us

Table IV Differences in loyalty, customer satisfaction, price and quality evaluations between members and non-members of the customer club

	Member	Non-member	Alpha	Sig.
Loyalty	7.18	6.79	0.88	0.19
Continue as a customer of the company	8.14	7.59		0.032
No reason for switching	7.14	6.69		0.14
Likelihood of speaking favorably about the company to others	6.46	6.19		0.34
Likelihood of choosing [company] again	6.98	6.69		0.29
Customer satisfaction	7.06	6.68	0.89	0.03
Overall satisfaction	7.37	6.75		0.00
Performance versus the customer's ideal service provider in the category	7.23	6.84		0.06
Expectancy disconfirmation	6.62	6.50		0.54
Price	5.09	4.74	0.87	0.10
Price compared to quality	5.46	4.80		0.01
Price compared to other companies	4.89	4.74		0.53
Price compared to expectations	4.90	4.74		0.51
Quality	7.47	7.23	0.85	0.15
Overall quality	7.32	7.24		0.64
Customization	7.23	6.99		0.26
Reliability	7.87	7.52		0.06

question how well the loyalty program actually works, and we need further proof as to what effects it actually has on the overall evaluation of the company. As can be seen from Table IV, measures regarding customer satisfaction, price and quality were also included in the study.

Satisfaction

Customer satisfaction may actually be a better indicator of actual future behavior than loyalty intentions in some contexts (Edvardsson *et al.*, 2000). Loyalty can be bought but satisfaction cannot. Since we adopted a relationship perspective, we considered customer satisfaction as an overall evaluation of the consumption experience. Cumulative customer satisfaction as such is usually assessed on three survey measures: overall satisfaction, expectancy-disconfirmation, and performance versus an ideal product or service in the category (Johnson *et al.*, 2001).

Table IV, in fact, shows significant differences between members and non-members on customer-satisfaction measures, which in turn implies that the loyalty program actually has some effect. Members are generally more satisfied with the company as a service provider. There was no difference between the two groups when the company's performance was compared to the respondents' expectations, however. It is notable that the qualitative study gave the same results in this respect.

Value

In qualitative terms, value seemed to be a key dimension for the respondents. It is usually measured according to the perceived level of quality compared to the price or prices paid

(Zeithaml, 1988), and consequently consists of two dimensions – price and quality. It is normally claimed that price is a variable that is very difficult to measure, and researchers end up with a mix of the two, but in Johnson *et al.* (2001) it is shown that price can be measured separately and relevant measures can be derived. Three measures for each dimension are included in this study.

The questions related to price in Table IV concerned perceived price. We used survey questions requesting customers to evaluate price relative to a variety of benchmarks, including comparisons of the actual versus the expected price, competitors' prices, and quality. Overall, price seemed to be the variable on which the respondents gave the telecom provider the lowest ratings. Once again, the differences between the members and the non-members were mostly not significant. The only significant difference that we found was when price was measured in relation to quality.

Quality was measured using one overall and two more detailed measures. Quality experts (Deming, 1981; Juran and Gryna, 1988) delineate two primary components of the quality experience, the degree to which a product or service provides key customer requirements (customization), and how reliably these requirements are delivered (reliability). If we do not look at the different dimensions of this variable, but rather focus on the combined measure, the differences in results between the members and non-members are non-significant, which again is somewhat discouraging. If the reliability component is considered, however, it seems as though the members of the customer club rate the telecom company's

performance more highly. If we go back to Table II, we see that this is logical: the members seem to be content with what they get from the company – an old, established, reliable organization.

Discussion

Both the qualitative and the quantitative parts of our study produced the same results concerning the influence of customer-club membership on satisfaction and inferred loyalty. Thus the effects of customer clubs are unclear rather than obvious. Generally the members rated the telecom company's performance more highly, but the difference was not significant in most cases. If we had accounted for the financial costs of running the club, the results may have been even less clear. Therefore, we have good reason to question the effects of customer clubs in CRM after having carried out this three-stage empirical study, and having surveyed the relevant literature.

The contribution of the study to the literature on customer clubs is twofold. First, the strengthening effect of the club on customer relationships is indistinct. We noticed some effect, but would like it to be more decisive. Second, it appears that the communicative function of customer clubs in telecommunications is important. The reason for this is not apparent based on the results of this study. However, the design of the club is likely to play a role. The role is related to the effectiveness of the communication, and the company should ensure that the customer club does not detract from other functions included in the service-provider strategy.

Initial customer perceptions of customer-club programs reveal differences in opinion in terms of the perceived value of club membership. Naturally, customers who initiate membership perceive the benefits that the program offers, while those who do not believe it to be a good investment do not even rate the benefits offered highly enough to consider joining. Membership of this particular customer club was not offered to all customers included on the database. Those who were not chosen based their perceptions on more general opinions, formed as a result of media campaigns and advertised program offerings.

In conclusion, we could say that the choice of target group, together with the design and communication of the customer-club benefits, may explain the poor effects of membership on inferred loyalty. While the company chooses the members of the customer club, it may hold back from openly communicating the details in deference to the customers excluded from it. Therefore, it may be more sensible to include all customers and rather control the levels of membership. According to the literature (Sharma and Patterson, 1999), the communication effectiveness influences relationships both directly and indirectly. Here, the indirect influence operates through satisfaction, while a more generously communicated program could enhance the direct effect. The financial effects for the service provider would not be significant because of the reduction effect of the introduction levels. Customers would still be likely to perceive that they all had a chance, and the company could unreservedly publicize the details of the program. This would not only increase satisfaction among members, but would also strengthen inferred loyalty. In sum, we were not able to ascertain the effect on loyalty among telecom customers that Stauss *et al.* (2001) found among car-club members.

Limitations of the study
The approach of the study may be considered rather narrow in terms of generalization regarding customer clubs, and therefore, we cannot draw any conclusions that refer to such clubs in all services. Because of the qualitative approach employed in the first two parts, we naturally have small samples on which to base our understanding. Another approach would have been to base the quantitative questionnaire on the literature and leave out the qualitative part. However, the lack of literature on customer clubs from a relationship perspective made us include the qualitative studies in order to enhance our understanding of the club function. We still consider our research to be in progress.

Future research
The results of this study open up a few natural paths for future research on the role of customer clubs. Recent literature (Lemon *et al.*, 2002, p. 11) suggests that customers "are forward-looking with respect to the decision to remain in or leave service relationships". The future in this context, and from the customers' point of view, concerns whether to remain a customer of the telecom provider or to change. Customers maintain a dialogue with themselves concerning their own expectations of their future behavior. These findings are in line with findings from a study on switching behavior that indicate how customers can specify their future behavior by relating to influencing factors (Edvardsson *et al.*, 2002). The influencing factors reveal differences in customer perceptions, with implications for the relationship strength. In order to be able to base their context-related expectations on some facts, customers need reference points. We suggested earlier in the article that a customer-club program should

pursue frequency of use for the same reasons. Do the programs of service providers succeed in that mission? That is our first path.

The second option, which is related to some extent to the first one, is to concentrate research effort on the role of the program. How do customers perceive the club? In our qualitative study, those who were included in the program discussed it in terms of a separate entity. They chose between the benefits in a way that is comparable to choosing between providers. The choice behavior in terms of award products appeared to be detached from that related to telecom providers. The second research path focuses on the difficulty of relating the effect of the program to the relationship. Do customers relate the program at all to the relationship with the telecom company when they use the benefits? The results of this study cast doubts on this possibility. There was a heavy focus on the customer-club program among the members, which indicates a need to relate the customer-club-satisfaction dimension in telecom to what Stauss *et al.* (2001) suggested for the car industry.

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