THE RELATIONSHIP BETWEEN EMPLOYEE MOTIVATION AND CUSTOMER LOYALTY

HAMK
HÄMEEN AMMATTIKORKEAKOULU
HÄME UNIVERSITY OF APPLIED SCIENCES

Bachelor's thesis

Valkeakoski International Business

Spring 2019

Anastasiia Danilova

HÄMEEN AMMATTIKORKEAKOULU
HÄME UNIVERSITY OF APPLIED SCIENCES

ABSTRACT

International Business
Valkeakoski

Author Anastasiia Danilova **Year** 2019

Subject Analysis of the relationship between employee motivation and customer loyalty

Supervisor(s) Dawn Aarnio

ABSTRACT

The purpose of this thesis was to examine what relationship does employee motivation and customer relationship factors have and how to use this knowledge in order to achieve a competitive advantage. The study was conducted for Company X, a small business of three employees in the beauty market.

The study researches the subjects of motivation at work and customer loyalty. It gives a thorough understanding of the theories of motivation both traditional and contemporary, as well as gives proper vision on the concepts of loyalty programs.

The research was implemented with a qualitative method in order to gain in-depth knowledge of the subjects. Secondary and primary data were used in this work. The theoretical background was researched through books, articles, and other relevant literature. The interview, as well as the follow-up questions, brought huge value to the thesis.

The research brought up current issues the case company has and that are needed to be considered. In addition, it shed light on the best practices for the company's further decisions.

Keywords Customer loyalty, employee motivation, competitive advantage.

Pages 40 pages including appendices 40 pages

CONTENTS

1 INTRODUCTION

There is a research gap when observing how employee motivation - the inner motivation of a company, affects customer loyalty. The aim of this work is to fill this gap and primary motive is to establish the link in the relationship between inner company motivation and customer loyalty, and in which case, this knowledge can be used as a competitive advantage for the Company X. Therefore, the research question of this study is: How can employee motivation and customer loyalty be used as a competitive advantage?

Every aspect in the business field is interconnected with one another. This research will be conducted in the framework of inner motivation inside the company, company performance, customer loyalty strategies and programs, benefits of those programs for customers and strategies that can boost customer engagement to a company. In order to understand the core of these interconnections, one needs to understand the qualities and characteristics of the aspects it possesses. As it was mentioned before, the main aim of this work is to address the gaps in between the topics; however, the attention will be also on determining the key concepts of each subject.

Customer experience is the center of attention for most of the companies and every company strives to satisfy its customers. Therefore, they constantly must improve and upgrade their ways of working. To understand how to create the most suitable for target customers' loyalty programs, companies need to understand what actually satisfies its client. That may sound vague and cliché but most of the companies do not thoroughly know what their customer needs. When Procter & Gamble, a giant in world marketing, was striving to boost sales, the decision they made was to decrease the number of variances of Head & Shoulders shampoo product from 31 to a smaller amount. That decision was made based on a customer survey and showed that what P&G's B2C customers actually needed is a smaller amount of options. The result of this risky move was the growth of 5% in hair care segment of the market. (Trout & Rivkin, 2016, p. 18)

The heart of any company is its employees. To make them satisfied at their workplace, to make them comfortable with the workflow and to make them motivated is the key function of Human Resource Management (HRM) department. The thesis addresses such issues as theories of motivation and the impact of employee motivation factor on overall company performance.

Simply, good performance of a company contributes to the quality of products (goods and services) it provides; hence customers tend to be more satisfied and happy. Customer satisfaction, customer loyalty – it all bound and depend on each other. A satisfied customer is willing to be loyal to the company that is able to fulfill his or her wishes and needs.

This thesis also sheds light on the wide subject of customer loyalty programs and the actual use of them, as well as on how by improving either customer loyalty or customer satisfaction aspect to get the best result.

1.1 Background of the study

Companies compete against each other all the time. Nowadays, there is no industry without a dominant market leader. Every CEO wants to have a competitive advantage against other businesses in the niche. A company needs to have a solid mission and clearly defined objectives. The resources that can provide positive outcomes are human resources. Personnel is the component of the company's system that is able to support a company. That is why businesses need to invest in the human resource department. Richard Branson, Virgin Group CEO, once famously stated that customers come second, while employees come first. (Branson, 2016)

Happy employees lead to even happier customers. Employees that are involved and committed satisfy customers' needs better. This study is concentrated on the linking chain that connects employee motivation and customer loyalty. The degree of how one affects another. (Misra, 2018)

The study is a guideline for the case company in terms of motivating employees and consequently enhancing the customer loyalty factor. However, work can be useful for other companies as well.

1.2 Research objective and research questions

One of the main directions of this study is motivation. How does the classic theory lead to the contemporary studies on motivation and how the knowledge of engaging employees can be used for the company's benefit? Another direction of this work is the customer loyalty factor.

The focus of this study is how the combination of these two concepts can affect company's success.
The research question is – how can employee motivation and customer loyalty be used as a competitive advantage?

1.3 Case company

Case company for this thesis is called Company X on purpose. The description of the company, the field of its activities, the statistics and other relevant to this study information is presented in this thesis.

Company X was founded in 2010 in Finland. Currently, the company has three employees and situated in the city center of Tampere city. The company offers wide range of cosmetology services. According to the company's website and the interview that was taken from the CEO, 90% of all services is lash-extensions related, 8% - sugaring related and 2% - facial procedures related. The distribution revenue screencast is taken from the Company X's CRM system and displayed below. (See figure 1.)

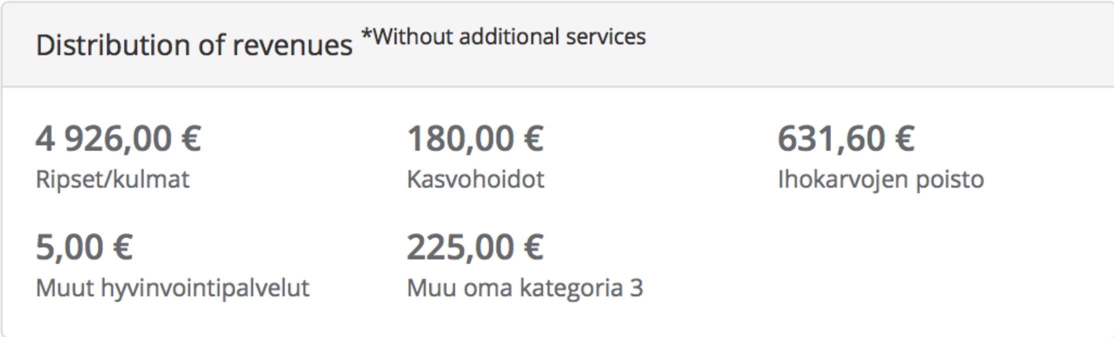

Figure 1. The graph illustrates the distribution of case company revenues without additional services. (Author's note: Ripset/kulmat - lash-extensions, kasvohoidot – facial procedures, Ihokarvojen poisto – sugaring.) (Timma, 2019).

Average order value is €15, with purchase price of €7.42 and profit of €7.58. This information is taken from the CRM system that the company is using. The screencast is displayed below. (See figure 2.)

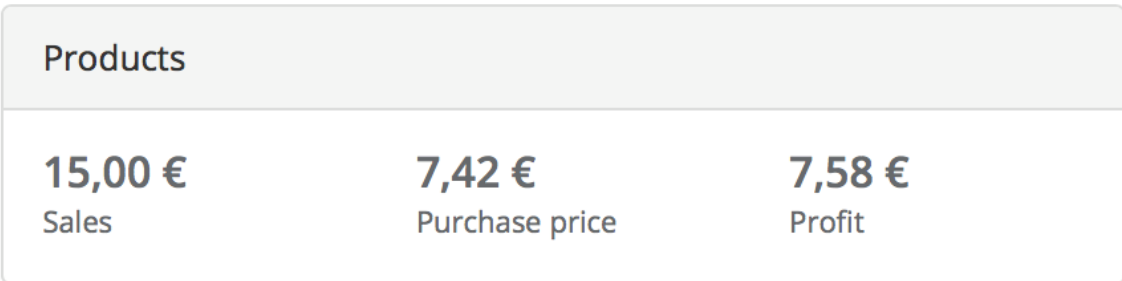

Figure 2. demonstrates average order value (sales), purchase price and the profit that the company receives. (Timma, 2019)

As the example of company's turnover, the screencast of the number of reservations and sales rates for the period of April 2019 is displayed below. (See figure 3.)

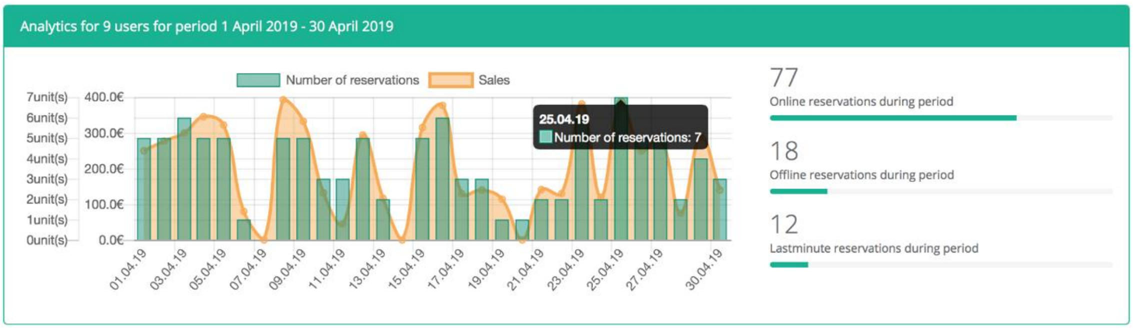

Figure 3. demonstrates the analytics for the users of this particular system for the period of April 2019. The blue columns illustrate the number of reservation made and the yellow areas demonstrate the actual sales rates. (Timma, 2019)

Additional selling implies care products, cosmetics, etc. Additional selling's share in the company is small, since the competition with the supermarket giants (Lidl, Stockmann, etc.) is close to impossible, says the Company X CEO. However, the company is striving to increase the share of additional products.

According to the company's CEO, Company X has been developing its loyalty strategies since 2013. Main concept of all strategies the company has is that after a particular number of paid orders, the customer gets a discount for using the next service. It is easy for customers and profitable for a company in long-term. In the case company of this thesis, the customers need to buy services nine times in order to get a 20% discount for the 10^{th} purchase. Other giant users of this particular loyalty program is Fazer Café, for example.

One of the current loyalty cards that the Company X is using is displayed below. (See figure 4.)

Figure 4. demonstrates the actual discount coupon which the customer gets after using the company's services once. It allows to get the 20% discount to the tenth procedure.

Since the company currently employs three workers, the motivational strategies do not top the priority list of the company's management. However, the CEO is willing to invest time and resources in developing the programs and strategies that will assist in growing business and improving sales' rates.

2 THEORY BACKGROUND

2.1 Motivation at the workplace

Since the company, which is examined in this research is a rather small business; the concept of employee motivation of a small enterprise will be researched. Employee motivation is the level of employees' willingness to contribute to their workplace; it is also a direct outcome of the interactions with the manager. The importance of work motivation cannot be underestimated. Without proper motivational level at the working place companies risk to decrease their position at the market, since motivated employees bring better results, maintain the favourable atmosphere for productive work at the workplace and, most importantly, it allows organizations to achieve higher results. ("Employee Motivation - Encyclopedia - Business Terms", n.d.)

Level of energy, creativity and engagement – all of these are the components of a motivational factor. No matter what is the economic situation on the market, management department is responsible for motivating employees process. Low level of employee involvement into working life, in other words low level of motivation, can be extremely troubling for a small business, such as complacence and disregard. Theories of motivation explain either motives and encouragement or involvement and implication (empowerment, widen range of rights and opportunities). ("Employee Motivation - Encyclopedia - Business Terms", n.d.)

Small businesses are able to be workplaces with high motivation ratings, because of the easiness of giving and receiving feedback, of the possibility of direct approach to the authorities (lower power distance). Companies strive to create high employee retention rates to verify that the key employees are satisfied, motivated and employed. By maintaining tolerable retention rates of employees, companies do not work against moral principles and do not increase expenses because of the employee turnover. (Parker, 2001) ("Employee Motivation - Encyclopedia - Business Terms", n.d.)

It is a common fact that individuals show higher effectiveness index when working in a non-stress, creative workplaces where they are able to make a difference. When working at such favorable atmosphere, ideally the result of the processes can play a role of a reward. However, tangible and emotional rewards in combination with human need of accomplishment and by applying reward and recognition programs allow companies to achieve greater results. (Parker, 2001)

2.2 **Importance of motivation**

Why is motivation important? Why do companies strive to keep their employees motivated? Why some do not? Even though the motivation factor's importance is hard to underestimate, many companies do not pay much attention to it, assuming that the impact from it would not worth the investment.

According to Gallup's recent research, more than 70 percent of the employees are lacking the engagement to the working process and suffer from the work dissatisfaction that cost to the US approximately from \$450 to \$550 billion per year in productivity loss. (Sorenson & Garman, 2013)

According to Schaufenbuel, understanding intentions and motives of the employees will certainly lead to evident improvement of the company's performance. In addition to employee engagement, the handling of uncertainty by the employees will increase, the innovation and creativity levels will rise and utterly this will lead to increase in employee retention rates. (Greenberg, 2019), (Rogers, 2017), (Napolitano, 2017)

When talking about motivation, the engagement factor comes up. Motivated employees are engaged into the working process, they are interested in the company's success and they are ready to put own effort in order for a company to thrive. Gallup notes, "These employees [those who are not committed] are emotionally disconnected from their companies and may actually be working against their employers' interests; they are less productive, are more likely to steal from their companies, negatively influence their coworkers, miss workdays and drive customers away." (Sorenson & Garman, 2013), (Napolitano, 2017)

There is an enormous amount of different motivational strategies. From country to country, companies prefer different ways of keeping the employees motivated. However, there are such theories of motivation that can be applied to any business worldwide.

2.2.1 Maslow's theory of motivation

Abraham Maslow, based on his Maslow hierarchy pyramid introduced theory that is focused on psychological needs of employees. He claimed that there are five levels of basic human needs that can be fulfilled at the work place. (Theories of Motivation (GCSE), 2019)

Once the lower stage of the hierarchy is achieved, it is possible for the employee to level up and to be motivated by the opportunity of satisfying the needs that are at the next stage of hierarchy. In other words, lower level of the pyramid should be 100% satisfied before taking the next step to the higher level. As an example to this theory would be a situation, where an individual strongly needs the sleep and before he or she fulfills this particular need, there is no chance of functioning normally. (Theories of Motivation (GCSE), 2019)

Maslow suggests that motivation concept works by this principle - fulfill an employee's basic need and the positive outcome will not keep waiting. Physiological needs are the first and foremost aspects that are a priority for a human being, and fulfilling these needs should be a management's target number one; otherwise, an employee will acquire decrease of pleasure in life. One of the main responsibilities of the management department is to provide different types of incentives in order to carry out each necessity with seriatim and move forward through the hierarchy. (Theories of Motivation (GCSE), 2019)

Furthermore, an important thing that managers should pay attention to is that every individual is unique and the pace varies from one person to another, so managers should therefore offer different set of incentives depending on the individual characteristics of the employees. (Theories of Motivation (GCSE), 2019)

To sum up Maslow's theory of motivation it is clear that before an individual is able to be in a motivated state of mind and therefore to achieve higher-level needs, he or she should first fulfill basic needs from the lower stages of the pyramid. (Theories of Motivation (GCSE), 2019)

2.2.2 Herzberg's theory of motivation

Herzberg's motivation-hygiene theory or dual-factor theory claims, that there are two sets of factors that are causing individual to feel satisfaction or opposite – dissatisfaction. Herzberg also claimed that these two factors are completely independent of each other and one does not influence another in any way.

According to Herzberg, it is not enough to satisfy the demands that are referred to the basic needs and in order to motivate an individual a manager should therefore verify whether the employee is not concerned of fulfilling the elementary needs first. As an example of the statement written above could be an individual who is not satisfied and therefore is not motivated with the wage of a minimum level or working conditions that hardly meet general safety standards. This theory resembles Maslow's one in terms of favoring only those needs that are of a higher rank (achievement, recognition, responsibility of a more varied and interesting task, etc.)

However, even though Herzberg used Maslow's hierarchy as a basis, he suggested a relatively varied and, some say, more in-depth approach by adding a new addition to the theory. He suggested that a particular set of characteristics could satisfy an individual while the different set of incentives and characteristics can lead to total dissatisfaction and, in some cases, even to anger towards the organization. To sum up, satisfaction and dissatisfaction factors are not directly proportional and in no way affect each other's indicators. In other words, by providing employees with higher salary or better and more suitable benefits, manager does not necessarily avoid appearing of dissatisfaction factor. The author of the theory suggests attending both sets of characteristics instead in order to achieve better results and outcomes. (Herzberg, Mauser and Snyderman, 1959)

2.3 **New approach towards motivation**

The traditional theories are often the most popular and HR managers of big corporations often prefer them to contemporary theories. This chapter will describe the theories that appeared not long ago in history of management.

2.3.1 Three needs theory

Three needs theory or McClelland's Theory of Needs is considered a contemporary theory about employee motivation (McClelland, 1960), yet it is also based on the Maslow's hierarchy. The theory explains that regardless of such human physical characteristics as age, sex, race or culture, humans possess one of the same needs: power, achievement and affiliation. The theory is also known as Acquired Needs theory, since it revolves around those human needs that had been acquired by an individual throughout his or her whole life. Simply, the theory claim that needs for achievement, power and affiliation are the key motivators for human behavior. (Kukreja, n.d.)

The need for achievement term speaks for itself; it is the willingness of an individual to achieve particular goals. For a doctor, it is discovering new ways to save humans' lives and getting to be published, for an artist it is to be recognized, etc. High achievement needs mean that individual possessing such needs would be most probably motivated by high-risk goals, since the presence of a challenge plays a role of a trigger when talking about motivation. According to the article, such workers take deliberately planned decisions and are not troubled with the feedback they receive. It is important to them to work in a result-oriented environment and difficult objectives motivate them. Such individuals choose individual work instead of working in teams. (Kukreja, n.d.)

Need for power describes the control, authority and leading. These who possess this need often are good leaders with the desire to affect and change others' decisions. They care about reputation a lot and desire their ideas to be accepted by fellow colleagues. For a manager it is important to know that this type of employee usually gets motivated the most by the competition and the possibility to gain higher status. (Kukreja, n.d.)

The last category of this theory is people whose biggest need is for affiliation. The features inherent to this category are group work, socializing, lasting relationships and high-risk situations' avoidance. Employees in this category prefer collaboration and believe that it is more efficient and productive to work together in a team. These individuals tend to stick to the traditional way of doing business and do not favor change. They are driven by the desire to be loved and appreciated, they fear rejection and disapproval. Best-suited positions for this type of individuals are customer related. (Kukreja, n.d.)

This theory gives thorough understanding of the personality type and addresses possible strengths and weaknesses of people by knowing what need motivates them the most. According to the Three Needs Theory, the company can assign each employee a type and then approach him or her according to the type. Employees who take charge when working in a group, who prefer to finalize and check the final results most likely need control and consequently, they belong to the power needs type. Therefore, the key motivator for this particular team member would be power. (Kukreja, n.d.)

2.3.2 Job Characteristics Model theory

Another contemporary theory that is presented in this thesis is Job Characteristic Model theory. From the name, it is clear that the theory uses jobs characteristics to identify the impact that will make on the employee's outcomes. (Sharma, 2017)

According to this model, there is five main job components that affect three most relevant psychological states: experienced meaningfulness of the work, experienced responsibility for the outcomes of work and knowledge of the result of the work activity. The job components or the job dimensions are as follows: skill variety, task identity, task significance, autonomy and feedback. The author of the theory claims that, for example in skill variety dimension, the more an employee is expected to have various skills the more interesting and motivating such working environment would be for the worker. Similar situation is with task significance dimension – if an employee is able to comprehend the importance of the task he or she is doing, then it is more likely that the motivation index would be comparably higher. (Sharma, 2017)

The job dimensions are closely interconnected with psychological states factor. In the graph below (see figure 5), it is demonstrated that the power of psychological states of an employee directly affects the utter motivation and job satisfaction. (Sharma, 2017)

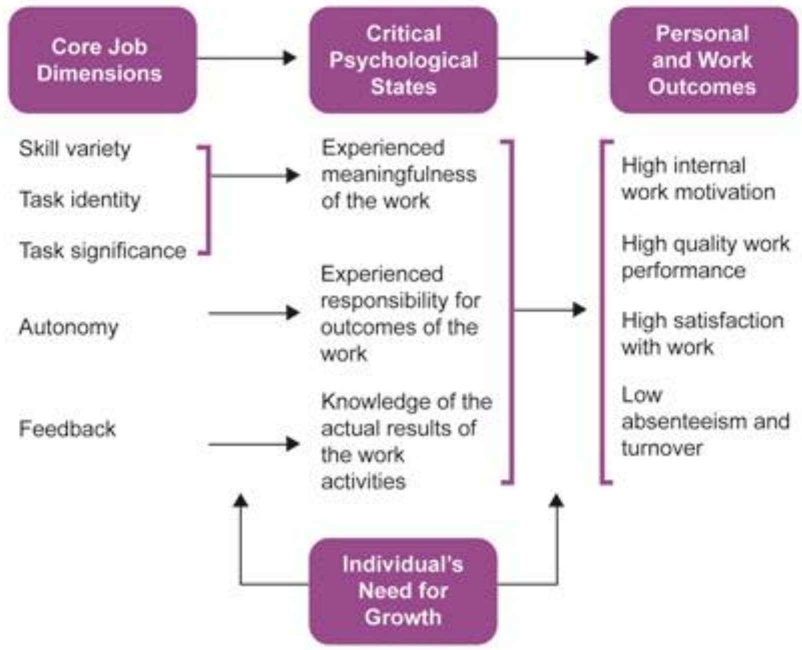

Figure 5. Explains the meaning of the terms of core job dimensions, critical psychological states and personal and work outcomes and demonstrates the relationship between them. (Sharma, 2017)

This theory can be applicable to any business and the results are most often positive. This theory gives a company an opportunity to design jobs or create new ones, to show to employees their worth and to strengthen their confidence, to increase involvement and commitment and to combine tasks in order to achieve the necessary skill variety that was discussed previously.

2.4 Comparison of the traditional and modern theories

A natural question after discussing the characteristics and features of traditional and contemporary motivational theories is: what is the difference and what is better to use?

All human resource contemporary motivational theories are based on the traditional ones. Traditional theories played the role of a starting point for many of the modern theories. The difference is that new approaches are more challenging, more risky even; however they certainly are more effective when used properly. They require new technologies; however, it is undoubtedly that they are beneficial. New approaches also tend to be more personalized.

Contemporary theories are more complicated and advanced in comprehending, but once the concept is clear to the one using it, the process gets smoother. Contemporary theories, on the opposite to traditional ones, work closely with the factor of job satisfaction. They seek ways to make an employee simply happy at the work place, not ways on how to increase employee's productivity level.

When in traditional theories the most common tool is pay, because as it was discussed earlier it seeks to fulfill the basic needs in order to proceed to the needs of recognition and status. Which then leads to the benefit of the company. Traditional theories, on the contrary to the contemporary ones, do not personalize its approach but rather generalize it. These theories do not take into account the fact that individuals differ a lot from each other.

Traditional theories will always be there, but the market is in the constant movement and catching up to the trend is vital. Contemporary theories took a step forward and approached employees as complex human beings and came up with the instruction to every person.

2.5 Motivation as a competitive advantage

In the modern world of tremendous amount of various services available for a customer, businesses are forced to cope with the always-rising demand and growing economy. In order to succeed in it, companies need to have a unique detail, a detail that will identify them and by this create a competitive advantage on the market. (Harvard Business Review, n. d.)

How can motivational factor be a competitive advantage for a small business? According to Harvard business Review "The Impact of Employee Engagement on Performance", through maintaining and establishing metrics for measuring, assessing and improving techniques companies can achieve high results in the overall performance. (Harvard Business Review, n. d.)

Nowadays, companies of all sizes are focusing on the engagement and commitment of their employees, because effective, proactive workers are in the "front row" of the path towards the growth and prosperity. Therefore, the business's success directly depends on the employees' level of intelligence, qualification and productiveness. (Harvard Business Review, n. d.)

The research demonstrates that even though the importance of the measuring systems is difficult to overlook, a big number of contemporary organizations consider measuring the metrics and indexes of employee engagement rather challenging and resource consuming. (Harvard Business Review, n. d.)

According to the article, factors that are most likely to bring success are: high level of customer service (80%), Effective communications (73%), high level of employee engagement (71%), strong executive leadership (71%), efficient productivity (68%), continuous quality improvement (59%), strong sales and marketing capabilities (58%). (Harvard Business Review, n. d.) (See figure 6.)

Figure 6. demonstrates the percentage rates of core factors that bring success to the company. High level of customer service 80%, effective communication 73%, high level of employee engagement 71%, strong executive leadership 71%, efficient productivity 68%, continuous quality improvement 59%, ability to innovate 59% and strong sales and marketing capabilities 58%. (Harvard Business Review, n. d.)

Despite the fact that all the factors that are stated on the graph are important for the company, factors — high level of employee engagement, efficient productivity, quality improvement and ability to innovate directly depend on the way employees feel at work. Therefore, the importance of the motivation aspect in any organization is hard to underestimate and corresponding decisions should be made.

2.6 Execution of motivational techniques

The necessity of motivating employees on the working place has been described in this thesis several times; however, the execution part has not yet been fully covered. The more companies grow and more organizations strive to create and maintain favorable and pleasant working atmosphere for their employees, the more competition among other businesses in the same niche rises. There is a constant chase for the qualified people in today's market.

As this thesis takes a close look at the beauty sphere; the most effective and innovative strategies are discovered. The examples of execution of motivation techniques in the beauty salons will be researched in this chapter.

Preston Wynne Spa in Saratoga, California believes that reward program is one of the best motivation strategy. They, however, claim that the best strategy is pay-based praises and the only downside for it is the limited budget. As it was mentioned and discussed previously in this thesis (2.4 Comparison of traditional and contemporary theories) paying to get the employees motivated is not the ideal way of motivating the employees. (Moncayo, 2015)

The company made a research where they contacted experienced entrepreneurs in the field in order to create the best strategies on how to keep employees' interest high. (Moncayo, 2015)

The core of one of the strategies was to arrange the contest. The idea behind it was that the more worker brings profit to a company the higher are the chances of a victory for him or her. The company emphasizes the importance of daily reminders of the contest. On daily morning meet-ups before the shifts, in the break rooms, etc. It is crucial to be visual. The company also mentions that during the contest, the process should be discussed and the employees must be aware of the rules and rewards, they certainly should not be vague. Those who lead throughout the contest should be recognized in order to keep the competitive vibe at the workplace. In addition, the contest should not be one-time incentive; it is the best for a company to arrange similar type of activities and motivational programs on a regular basis. Such work activity can raise not only employee retention rate at a company but also improve employee loyalty and inner relationships. (Moncayo, 2015)

Another effective strategy of keeping the employees motivated is bringing the new clients into the company. "The beauty salon employees are capable of anything, they just need the direction and a motive", says Nick Brown, co-owner of Velvet Nail Lounge in Troy, Michigan. The company can benefit a lot if the employees would be involved into the marketing. The implementation of such strategy can be done with the help of referral cards that give a discount. Such referral cards can be distributed along the local restaurants, cinemas, etc. the important feature of execution strategies like these is recognition of achievements and updates on the process. Brown also gives a professional advice to keep the digits of the competition as a secret as soon as the final competition week hits. He explains that those who are losing will lack any motive to keep competing. (Moncayo, 2015)

Next on the line of the effective motivational strategies implementation are, as Brown calls them, education benefits. This strategy is the "win-win" situation for a company and the employee. It is a common fact that the investments in employees and their education are the best. It is smart to use it also as a competition reward. The advantages of such a strategy are the possibility of spreading the information - gotten from i.e. educational fair by one of the employees - further to fellow colleagues. (Moncayo, 2015)

The most underestimated strategy in the list is recognition and bonding in the organization. It is very important for employees to know their worth. The most valuable asset of any organization is its employees and companies need to make employees feel appreciated and valued. If it is done properly, the employee loyalty rate will be positive as well as the retention rate. Also, when noticing that the atmosphere in the company can use some improvement, it is important for a manager to make corresponding decisions, arranging after-work gathering for example. (Moncayo, 2015)

2.7 Performance management and why motivation is important for it

This thesis has already taken a close look on the notion of motivation; the ways motivational strategies affect the society and how to implement those motivational strategies in practice. The question whether motivation factor boosts company's performance remains. Do the resources spent on the improving motivational aspect at the company worth the efforts? (Iancu & Robescu, 2016)

Does the motivation have an influence on employee performance at all? Performance management is an important factor of any organization. Performance means profit, and profit is the goal of the most of the organizations. The research from a Romanian university shows that indeed there is a strong relationship between motivation factor and performance. (Iancu & Robescu, 2016)

In this chapter, the necessity of motivational aspect at the company is described and researched. As it was mentioned previously, motivation and employees' performance are interconnected; however, the two phenomena are not alternatives and certainly cannot be treated as equally relevant aspects. As it can be seen from the graph below (See figure 7.) the performance is not improving, when the motivation rate arise. Effective implementation of a task is not necessarily relies fully on the motivational factor, but other factors as well. The research that is used in this chapter as a reference claims that even if people are motivated enough, but do not possess required skills for the job, the task performance would not be at the top. In this case, one should not choose motivation factor over skills and competences. They are equally important. (Iancu & Robescu, 2016)

Another important detail to mention is that the research showed that motivated people fear the fail and, therefore, lower by their behavior the overall performance. (Iancu & Robescu, 2016)

As a conclusion, the article emphasizes that the most effective ways of motivating employees in order to develop organizational performance are effective leadership, leaders' language when increasing the performance and employees' recognition demonstration. (Iancu & Robescu, 2016)

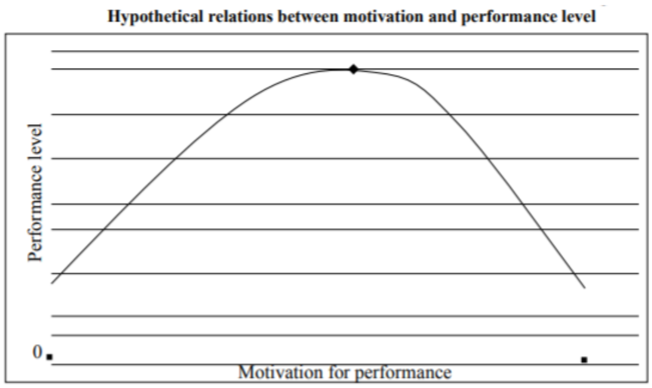

Figure 7. demonstrates the graph of the hypothetical relations between motivation and performance levels. (Iancu & Robescu, 2016)

The author of the thesis wants to highlight some of the statements from the article that is analysed previously. The motivation factor is incredibly important for an organization in order to grow and develop; however, it is not the only factor that affects overall performance. When doing business it is important to find the balance between important factors and not to rely on one aspect too much.

2.8 Customer loyalty and customer satisfaction

This chapter focuses on customer loyalty and customer satisfaction aspects. To proceed with it, the term customer acquisition should be described. Customer acquisition is the process of obtaining new customers for the business. Even though, it might seem that saying "the more customers the better" works with every business and in every industry, it is actually often very individual and depending on the situation, companies need to decide for themselves whether they want to acquire a very specific niche of customers, or they want their product or service to stay unique and luxurious. (Trout & Rivkin, 2016)

J. Trout, in his book "Power of Simplicity" (2016), claims that the urge of companies to occupy the niches of a particular business is not always a right decision because of several reasons. Firstly, as it was mentioned before, many companies literally do not provide their customers with the products they actually need. Companies nowadays, says Trout, continuously try to grow. As in the example with Nike – there is an excessive amount of options and that approach towards doing business is a quite common one, since a relatively big number of megabrands strive to combine related and unrelated product categories for one brand. Nike is attempting to be "the only sports brand", while customers (B2B – retailers, shops) need more other brands and not only Nike. (Trout & Rivkin, 2016, p. 145)

The second reason could be illustrated in the example with Xerox. The company was working on different equipment other than copying machines. After nearly 20 years, Xerox realized that its customers need only a particular type of equipment in which the company is believed to be truly good at (copying machines, scanners). (Trout & Rivkin, 2016, p. 145)

There are different types of companies in terms of prices. Examples of such companies could be Chanel, Prada, Versace and Nike. Expanding the brand, especially if the brand is already powerful and luxurious, is not necessarily a good strategy for the company's development. The reason is that brand-conscious customers care about the product only if it is unique. If the company produces a big range of the products, the brand will eventually become mainstream, therefore the quality "luxurious" will be lost and the term "fast-fashion brand" will be acquired. (Trout & Rivkin, 2016, p. 123)

The process of customer acquisition is vital for any company and sometimes it can get rough and rather difficult.

Beauty sector of business is extremely competitive in Nordic countries, especially in Finland. The process of opening up a business in the beauty sphere is simplified by the government compared to previous years and encourages people to become entrepreneurs and start a business in the beauty industry. However, due to economic challenges that Europe was facing, sales in the beauty business sphere were rather low and modest growth was seen, especially in the Finnish market. As a result, competition in the sphere has increased thereby creating the so-called customer sensitivity aspect, where customers are not willing to overpay for relatively same service or a product, and tend to base their choice on affordability rather than on the uniqueness of the product. (Kagan, 2018)

According to the article published by the U.S. Commercial Service, in 2015, the market value of beauty and personal care products of the Nordic region was $5 billion, where Finland had a share of $863 million. While Norway, Denmark and Sweden were facing growth, the Finnish market experienced a decline of 0.6%, but the forecasts for 2020 for the country are positive. (U. S. Department of Commerce, 2015)

Cosmetics, Toiletries and Skincare Market Overviews 2015

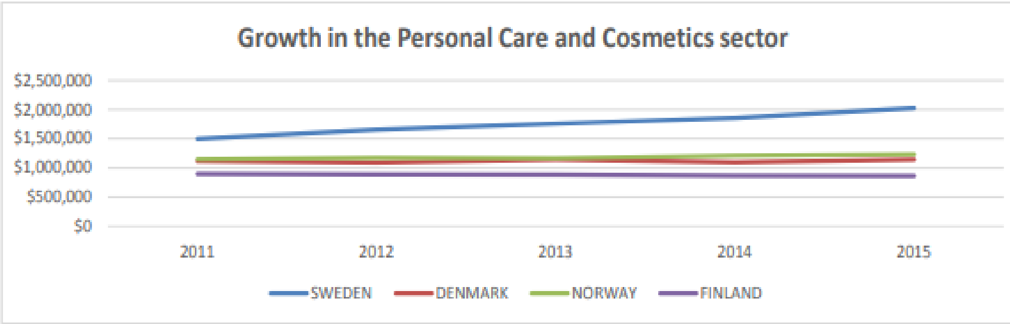

Figure 8. illustrates the growth in the personal care and cosmetics sector by countries. Blue line demonstrates Sweden, orange Denmark, green Norway and purple Finland. (U. S. Department of Commerce, 2015)

The graph shows tolerable numbers for the Finnish market and, as it was mentioned before, due to competition and current economical state, in order to survive in this market, customer loyalty programs should be applied. (See figure 8.)

What are customer loyalty programs? Obviously, they are programs that make customers loyal to a brand or a company. The reasons why companies need to maintain and develop their loyalty programs are simple: loyal customers do pay more than others do; they tend to stay with the brand or a company even in bad for business times. Customers that love and appreciate the brand are willing to spread the word about their positive experiences, thereby executing word-of-mouth marketing. The counting of the usefulness of loyalty programs can go on. The main idea is that the companies truly need loyalty programs, regardless of the niche of the company, the size of it and the origin.

2.9 Customer loyalty for a beauty salon

Beauty sphere is a very competitive one and companies are always striving to find new ways of attracting and acquiring new customers. This chapter will focus on creating a competitive advantage for a case company in the beauty sphere.

According to statistics and many pieces of research made in the sphere of loyalty programs for beauty salons, the problem of underestimating the power of measuring is overlooked. The first step to increase the customer loyalty level is to measure, then assess and ultimately, improve.

Measuring the customer loyalty data monthly is crucial and should be executed easily – in a click of a mouse.

- How many clients do not use the company services anymore (or churn rate);
- How many customers do return on the second visit;
- How often customers book the appointments (frequency of appointments);
- What is the exact percentage of returned customers;
- The average price of ordered services. ("Increase customer loyalty in your salon", n.d.)

By collecting the metrics mentioned above with the frequency of a month, the company will be able to track the patterns and trends in the discovered data. These simple steps will allow a company to create a competitive advantage, since often many businesses neglect basic loyalty strategies, which might lead to lower results.

It is a common fact, that giving a discount and providing bonuses can please the costumer. However, companies do not always provide such a feature due to the low return rate and owner of the businesses often do not see the necessity. ("The Art of Giving Coupons", 2019)

According to the research on how coupons affect people's happiness executed by Dr. Paul J. Zak, professor of neuro-economics at Claremont Graduate University, customers who get coupons to the certain service feel more relaxed, healthy and happy. In this research, half of the clients did receive a coupon that provided a certain level of money-off on the next purchase, while the other 50% did not. The result of the research showed that emotions related hormones – oxytocin – surges when the discount coupon is received. The level of the appeared joy when receiving the coupon was higher than when receiving a hug or even a kiss. (Wong, 2015)

To conclude the power of providing the coupons, bonuses and discounts for the company's customers – the growth of the oxytocin in a human being is measured as 38%. The level of happiness is increased by 11%. The respiration rate – the number of breaths an individual makes when excited or inspired – is decreased by 32% of the customers who did not receive the coupons compared to the customers who did not. (Wong, 2015)

In today's world full of the tremendous amount of omnifarious coupons and vouchers, if the business is willing to keep up with the modern world, or continue receive profit in other words, it needs to adopt practices, which will bring joy and delight to a customer. Receiving an exclusive offer, a voucher from a favorite salon, or an extremely suitable discount for the service – all of this can start the customer's urge to bring profit to the company. (Wong, 2015)

2.10 Execution of customer loyalty programs

The topic of the relationship between customer satisfaction and customer loyalty has been discussed. However, even though, the necessity of loyalty programs has been highlighted, the actual tools and real examples of loyalty programs have not been introduced. This chapter covers the topic of how the beauty salons, such as the case company of this study, can utilize a loyalty program to gain competitive advantage at the market.

Firstly, it is important to mention that when building up a strategy for a company, one must think about the importance of customers that a company already possesses. It is a common fact that retaining an old customer is worth more than acquiring a new one. Many successful companies throughout the years have given up otherwise profitable loyalty programs. Subway finished its loyalty policies with so-called Sub Club cards. Australian supermarket chain Coles stopped a program rewarding company's stocks owners to receive from 3 to 7.5% discounts. Such huge decisions are not made easy, they are well thought through. (Nunes & Drèze, 2006)

Loyalty programs, alike with those mentioned previously for example, are created in the environment of a highly competitive market in order to gain new customers. Should companies concentrate more on the customers that are in one way or another loyal already? A recent study from Harvard suggests companies a new vision on the necessity of loyalty programs. (Nunes & Drèze, 2006)

The perfect loyalty program is not only a set of steps for a company to make the customers stay but a program that does not do any wrong for the company. Loyalty programs allow companies to keep the clients even during the rough times. They keep customers from defecting; they make it hard for a customer to leave. (Nunes & Drèze, 2006)

A popular loyalty program buy-nine-get-one-free is known to everyone. The concept of this program is based on the fact that the company considers a particular item unnecessary and is ready to give it away. The important feature in this particular loyalty program is that the habitual buyer receives a quantity discount. He or she would probably buy the item anyway. It is much better for a company if the customer will purchase more types of products, not items. The company benefits from increasing the repertoire of customer's purchase. Therefore, instead of giving away the tenth procedure, the case company can offer a customer a different service as a gift. (Nunes & Drèze, 2006)

The North Face company uses the so-called The Points Program. This points system is based on the principle: the more the customer spends, the more he or she receives. Every time a client purchases the service from Company X, he or she receives the number of points depending on the size of the sum they spent. The example of implementing such a strategy in terms of marketing is displayed below. (See figure 9.) Rewarding the customers with points, the company increases the average order value and encourages them to commit to the brand that then leads to increased customer loyalty rate. (Kristensen & Thomsen, 2019)

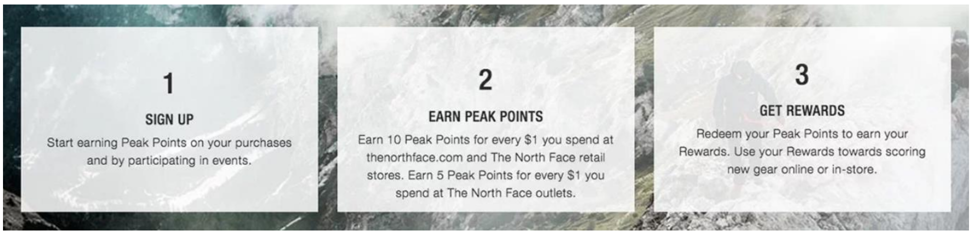

Figure 9. demonstrates the screencast of the North Face company's loyalty programs retrieved from the official company's website. (Kristensen & Thomsen, 2019)

Another loyalty program that would be a valuable option for Company X is similar to The Paid Program at Barnes & Noble. The paid program is for those companies that have an already existing client base, because otherwise it is highly unlikely for new customers to join the rewards program since they are not familiar with the company yet.

The concept of the program is that the customer pays on a regular basis to be a VIP client of this company. In return, customers get exclusive services or unique benefits that will bring them more value than the price they pay. Company X can offer its clients such program by integrating solid proposals for the customers into the system. For example, such an offer may include monthly free vouchers. Vouchers would allow a customer to choose the preferable service for free or with a significant discount. The illustration of the way Barnes & Noble implements and markets the program is displayed below. (See figure 10.) (Barnes & Noble, 2019) (Kristensen & Thomsen, 2019)

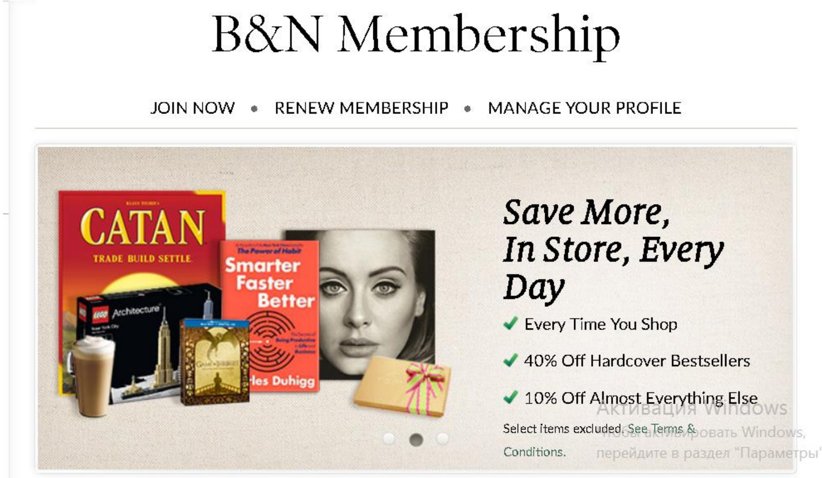

Figure 10. demonstrates the voucher for the loyalty program B&N company uses.

Another loyalty program that is worth companies' attention is charity based. There is an upcoming trend of charity programs and the beauty salon is the perfect business for implementing such a strategy. By offering customers to buy services and products from Company X and promising that part of the profits will to charity will enhance the brand and increase interest in the customers, especially the younger generation. A successful example of such a program is The Body Shop animal welfare charity named Born Free USA. The example is displayed below. (See figure 11.)

Figure 11. demonstrates the Body Shop company's animal welfare charity named Born Free USA

A downside of this strategy is the obligation to a constant commitment to sustainable development. A company needs to be environmentally friendly and use plastic free components for the industry, which might be challenging, since the services that Company X provides include lash services. They consequently contain such ingredients as polyester and other synthetics.

Case company could have such a program with Greenpeace Norden. Nowadays more and more people prefer brands and companies that are benefiting the environment.

2.11 **Relevance over loyalty**

According to Harvard Business Review article (Bellin, Zealley & Wollan, 2018) on the use of marketing loyalty, Maslow introduces an innovative framework for reassessing the traditional four pillars of marketing: product, price, place and promotion. These four pillars are indeed the base for present companies' marketing strategies.

However, companies, when implementing targeting strategies, often neglect the factor of change. The factor of change in this case would be the index of probability that the individual (customer) makes the decisions differently depending on the time, context and personal state of mind or simply customer's mood. In addition, it is common that the fact - that the market is organic and is in the constant state of change - is often being neglected. In general, four P's are the factors that do not take into account the factor of change. Moreover, technologies of today are so advanced and accessible that customers expect more from both of the aspects of marketing and experience. (Bellin, Zealley & Wollan, 2018)

The article suggests using five new P's instead: purpose, pride, partnership, protection, and personalization. When using five modern "pillars" framework, it is easier for targeting process to adjust to any change that may occur in the customer behavior. These five factors directly correlate with the Maslow hierarchy of needs. Purpose, pride, partnership and protection are the needs that can be classified as "self-actualization" needs, according to Maslow's hierarchy. Personalization is the P that allows companies to connect with customers around these needs. (Bellin, Zealley & Wollan, 2018)

The article questions the relevance of loyalty programs and encourages companies to catch the upcoming trend and start thinking about the quality and personalization of the products. It is rather challenging, but once the business is first in the market with this solution, sales rates demonstrate significant growth, brand recognition factor improves and customer acquisition rate goes up. (Bellin, Zealley & Wollan, 2018)

The graph below illustrates the difference between two similar terms. (Figure 12.) The popularity of loyalty programs occurred in the 2010s and currently companies do not mind concentrating on them. However, the relevance row clearly demonstrates the advantage in terms of usability. (Bellin, Zealley & Wollan, 2018)

How Marketing Moved from the Mass-Market Era to the Era of Relevance

A combination of technology, data, and organizational goals has ushered in each new growth stage.

GROWTH ERA	MASS-MARKET	SEGMENT	CUSTOMER	LOYALTY	RELEVANCE
Decade	1960s–1970s	1980s	1990s	2010s	2020s
Technology enabler	Mass production	Market research	Enterprise IT	Advanced CRM	Digitization of everything
Performance indicator	Volume	Purchase funnel	Customer lifetime value	Customer retention	Customer attraction
Market approach	Mass appeal	Segmentation	Proposition innovation	Tailored incentives	Personalization
Management focus	Product and scale	Channel and scale	Channel and relationship	Experience and relationship	Experience and personality

Figure 12. demonstrates the difference between two terms that are discussed thoroughly in the thesis.

According to the research, the US market alone loses $1 trillion in annual revenues to the competitors because of the relevance issue. Loyalty is undoubtedly an important factor in any business; however, it is crucial to see the big picture here. The customer starts to expect more and more from companies. “In this way, companies need to become like more like living businesses, building and sustaining symbiotic ties with their customers as if those relationships are with a concierge, butler, or friend.” (Bellin, Zealley & Wollan, 2018)

2.12 Motivation and customer loyalty as a competitive advantage for a company

The topics of employee motivation and customer loyalty have been covered in this thesis. Companies that apply knowledge of employee motivation are those who get engaged workers. The last ones give positive outcomes for the overall company’s performance. Customers in their turn tend to recommend the business only if they got a good experience from it. Customer service is the frontier of a company. It is the first factor that the customer sees. Therefore, customers’ experiences are formed by interactions with the staff. When the employees are engaged, they want to perform not only for the personal gain, but also for the sake of a company. They are interested in the success of a company; therefore, they are better focused, and have better attitudes. Once again quoting the great Richard Branson, “employees first, customers second”. (Branson, 2016) (Saxena, 2015)

Barney (1991) suggests that not all resources of a company can be qualified as a source of competitive advantage. In order to do that the resource must be rare and unique; it must contain the features that others do not. It must also be non-substitutable. The resource for sustained competitive advantage, Barney was talking about, is a human resource.

Coff (1994) claims, that human resources are the key to sustained competitive advantage due to causal ambiguity, (“causal ambiguity is a lack of understanding of cause-and-effect interactions between resources and competitive advantage”. (McIver & Lengnick-Hall, 2017))

Guest (1990) argues, that a) if the company manages to sparkle the competitive vibe inside the working environment by giving employees interesting assignments and projects b) if the company can demonstrate the sufficient level of trust in its employees, then the employees consequently respond with high rates of involvement, engagement and performance.

Many more bright minds highlighted the influence of employee motivation factor on customer loyalty. It demonstrates that the factors causing the emerge of competitive advantage are not financial or technological anymore, they shifted from those to humanitarian. (Al-Rfou & Trawneh, 2009)

3 CURRENT CASE COMPANY’S SITUATION

The topics of customer loyalty and employee motivation from the theoretical point of view were thoroughly discussed in this study. This chapter is dedicated to the case company’s current motivational strategies for providing the best possible working environment for its employees and loyalty programs for the customers.

Company X is a small sized company and as it was mentioned before, the CEO has not considered the motivational factor as a key ingredient to better work performance. Throughout this research, the author demonstrates the necessity of motivational strategies in the working environment. Therefore, the goal of this thesis was to convince the head of a case company to reconsider some of the ways of doing business.

The services that the case company provides can be ordered on a regular basis if the customer is satisfied. The interview demonstrated that the employees are fully aware of the fact that customer’s satisfaction is directly dependent on the quality of service. Mood swings, rude attitude, and other human negative behaviours can make the customer leave (the industry is full of businesses that provide relatively same services).

In addition, the interview demonstrated that all the employees and the CEO are bonded and trust each other. This factor was especially important in the research since employees spend all of the working time together in a medium sized salon. When the interviewee asked about to what extent the employees are motivated at the workplace, the answer was unclear and not defined. However, the analysis showed that the level of the employees' commitment to the company's success was relatively low and could use some improvement.

As it was mentioned before, demotivated or not motivated employees damage company's performance on many levels. Firstly, it lowers the productivity level. An unmotivated employee sets the bar low for other colleagues and not just one employee's productivity level shows a significant drop, but the overall productivity suffers. Secondly, the unmotivated employee is often an unhappy one. Working with such people is hard and not appealing to others. Apathy at work is a serious issue if not handled properly.

According to the research, the employees' levels of motivation can be an improvement but are not at a risky level.

Talking about the loyalty strategies the company uses, it is important to mention that the company uses the loyalty program (buy 9, get the discount on the tenth) for many years already. With the practices and tips presented in this study, the company can increase significantly its performance levels.

4 CONDUCTING RESEARCH

"Research methodology is a way to systematically solve the research problem" (Kothari, 1985). It defines the process of conducting the research scientifically. Since different problems require a different solution, it is crucial for a researcher to understand and fully comprehend which methodology to choose when applying it to a particular problem. Therefore, the researcher needs to have a profound theoretical background and know about components of various techniques. (Kothari, 1990) (Nguyen, 2017)

According to Kothari (1985), "when we talk of research methodology, we not only talk of the research methods, but also consider the logic behind the methods we use in the context of our research study, and explain why we are using a particular method or technique, and why we are not using others, so that research results are capable of being evaluated either by the researcher himself or by other". In other words, when conducting research it is utterly important to clarify the goal of the study, to stick to the research question and keep that focus. Otherwise, the research will acquire dissonant nature and lose its credibility and validity. (Kothari, 1985)

4.1 Research methods

Research methods are ways of approaching a research question. Theoretically, they are normally divided into two groups: qualitative and quantitative research methods. The division allows the methods to be fully involved in the subject of a study and gives the opportunity to research data in the most effective way.

Depending on the research question, different research methods should be applied. A qualitative method, for example, should be utilized in case of the research concentrating on the in-depth studying of the phenomena than gathering generalized results. The qualitative method is also usually used when the non-numerical data needs to be collected and when the causality of the events needs to be figured out.

Quantitative method in its turn should be utilized in case of the research concentrating on such terms as statistics incidence and prevalence. The downside of such methods is the lack of in-depth research on the topic. Quantitative methods are good when the researcher seeks for general information about the subject or when the questionnaire (one of the tools of quantitative method) is aimed for a wide range of people. ("Data Collection Methods - Research-Methodology", n.d.)

Another classification divides the research methods into two categories secondary and primary data collection methods. Secondary data collection method or research method is the process of gathering info from those sources that have been published. Books, magazines, online journals, etc. Primary data collection methods are quantitative and qualitative, which were discussed previously in this study. ("Data Collection Methods - Research-Methodology", n.d.)

The research method that is used in this thesis work is qualitative.

4.2 Reliability and validity

Issues concerning reliability and validity in a thesis work need to be addressed precisely.

The term of reliability refers to the issue of the number of respondents that are participating in the research. A single observer does not provide an objective opinion. He or she, if talking about a single resource of the research, is rather considered as a subjective observer. The reason for that is the factor of human nature. According to Wilson (2010), the reliability of any work is compromised once a researcher adopts a subjective approach towards the study. ("Reliability and Validity - Research Methodology", n.d.)

Term of validity of research is responsible for evaluating the resources that have been used for the data collection process. According to Oliver (2010), validity is a compulsory requirement of any scientific work.

In this thesis, three respondents are the sources of the thesis. Company X has three employees, therefore the CEO and the workers were interviewed. In addition, websites with customers' feedback and recommendations were researched as well. Considering the number of the personnel at Company X, the data gathered is considered reliable.

4.3 **Data collection**

Data collection is a process of collecting information from all sorts of relevant and valuable for the research sources. The information is collected in order to answer the research question, solve the research's problem and evaluate the outcomes. In the case of this particular thesis work the data collection aims to gather all relevant information about employee motivation, customer loyalty and the relationship between these two terms.

As it was mentioned previously, both primary and secondary data collection methods have been utilized. When at the beginning of the research work, secondary data was collected. Various academic resources that are listed in the "References" chapter have been collected in order to better understand and comprehend the core of the subjects of employee motivation and customer loyalty, their combination and effect on the company's performance.

Primary data was collected throughout the three interviews. Interviews are qualitative method technique, which involves "conducting intensive individual interviews with some of the respondents to explore their perspectives on a particular idea, program or situation." (Boyce & Neale, 2006). There are three types of interviews: structured, semi-structured and unstructured. Since the semi-structured interview was used in this work, a thorough explanation would be given. The semi-structured interview consists of a prepared set of questions but allows the possibility of asking additional unprepared questions that appeared due to the was conversation was going. ("Interviews - Research-Methodology", n.d.)

Interviews were from 20-40 minutes with the employees and the CEO of the Company X. The interviews were semi-structured and had a unique nature. General questions were:

- How motivated do you feel at the workplace?
- How do you consider your work performance?
- Do you think that the customer's feedback depends on the degree you are involved with the company?

The nature of the interviews was conversational and valuable findings were collected.

In addition, there was constant communication with the CEO of a company. The aim of the additional communication was to improve the overall quality of the research, the usability of findings for Company X and additional quality control.

5 ANALYSIS

As it was mentioned previously, the empirical research was implemented with the help of the interview technique. According to Kothari (2004), when researching the problem, the data collected often is inadequate and irrelevant. The data is compromised by human nature as it was explained in the previous chapters and becomes irrelevant. The data for this research was collected with the expectation that respondents might be afraid that the answers would affect their current job position.

5.1 Interview analysis

Due to the fact that the personnel is comparably small, the atmosphere inside the group is favourable and people are not afraid to express their concerns, complains and other expressions, it might be due to a cultural fact. The research was conducted in Finland and Finnish people are famous for their honesty. (Hofstede, 2010)

The findings regarding the motivational subject as such; employees are not often being praised. As it was mentioned in the theoretical part of this research the employee recognition is an important part of any motivational strategy in the company. Employees need to understand that they are valued in the company. Employees do not feel highly motivated; however, they do not feel demotivated. According to this research, such state is called low involvement and interest in the company’s life. That does not necessarily mean that customers’ retention rate would drop.

The findings also demonstrated the lack of casual meetings outside of the office. As it was stated before in this thesis, casual gatherings, such as after-work outdoor activities, for instance, are healthy for the overall community motivation and are crucial when talking about enhancing the employee motivation factor.

5.2 SWOT

SWOT is the abbreviation for the strengths, weaknesses, opportunities and threats. It is a popular tool for identifying the components of the organization in order to develop. When describing the four factors of SWOT, it is often that the features of the business that are considered as strengths and weaknesses are internal, while opportunities and threats are considered as external factors.

This thesis uses SWOT analysis to identify the directions in employee motivation and customer loyalty factors for the Company X growth.

Strengths. The atmosphere among the employees in the company is comparably good. Workers seem to trust each other and are open-minded towards the new challenges. The beauty industry is highly competitive; however, it also means that it is very flexible as well. Therefore, such state of the industry the business operates in, allows employees to be the artists of their own. This fact is very important for overall employee well-being. In addition, since the market is competitive the new trends are always upcoming and this gives the management an opportunity to arrange new challenges for the boosting of employee motivation rate.

Weaknesses. All provided services at Company X depend on the human factor. Therefore, there is a high risk of company's performance rate immediate drop when facing employee demotivation and stagnation. Constant attention should be paid to the customers' attitudes since the clients' first contact is the personnel (human aspect is the most difficult to control). Once practices that are suggested in the study are applied, it is very important to proceed with the implementing; otherwise, all gained results will be lost. According to the findings in this research, loyalty programs that are currently used by Company X are old-fashioned and do not bring as much value as it should.

Opportunities. Developing the brand name for the company since the employees are already committed to each other and are willing to increase their own effectivity. There is a big number of loyal customers and applying the suggested practices would show results quickly. Employees are highly customer oriented.

Threats. There is high employees' turnover rate in the whole industry. Due to the high competition on the market, there is always a better place to work. High turnover rate tells more about the company than about the employee, meaning that it is a comp any's responsibility to take care of employee's state. In case of motivation level drop, the whole business suffers.

6 RECOMMENDATIONS

Since this study is conducted for Company X, this chapter includes the author's recommendations on the issues of customer loyalty programs and employee motivation in order to gain competitive advantage on the beauty salons' market.

First set of recommendations concerns traditional versus contemporary motivation theories. The author of the study recommends applying contemporary theories, because, as it was said in the theory part, the contemporary theory allows companies to focus their motivation strategies based on the individuals of the company, not on the general staff itself. Therefore, it allows managers and CEOs to act according to the right and precise information, which consequently leads to greater work performance.

Another set of recommendations includes tactics that are related to the motivation factor. It is important not to underestimate the power of the employee engagement concept. As it was already highlighted in the theory part of the thesis, disengaged employees are able to not only do less than engaged employees, those who are not genuinely interested in the company's success might be even against company's prosperity. In general, the competitive advantage can be achieved if the employees are engaged in the performance and are committed. They are motivated to work in order for a company to grow. By achieving these metrics, companies move towards the advantage on the market.

The "Execution of motivational techniques" part gives an overall look for the specific tips that can be utilized successfully by the case company. The author suggests using the tips gradually, meaning that in order for a company to use the full advantage out of them, the company needs to figure out the main goals it wants to achieve.

Throughout the first chapters of the parts that are dedicated to customer loyalty factors, it is clear that the author of the thesis is not fond of following traditional patterns concerning customer loyalty programs. Instead, the relevance of the product itself for a customer is highlighted as a more appealing feature.

7 CONCLUSION

Every company's goal is to achieve high effectiveness and high organizational performance rates. Nowadays, there is a tremendous amount of literature, which allows companies to reach maximum potential. Some of the ways of how to improve overall performance have been presented in this work.

The first part of this thesis, the chapters about motivational factors, highlighted the difference between the old, traditional ways of seeing employee involvement and employees' motives. The conducted study emphasized that the attention of traditional theories of motivation is mainly on the financial way of motivating, while the contemporary theories address more advanced and at the same time narrow factors that affect people's minds.

Following, the comparison of the theories' approaches has been examined and options were evaluated as well. Both of the approaches are considered valuable for the management practice, however, as it was stated in the theoretical part of the thesis, traditional theories are applicable to those situations when the in-depth method is not needed. Unlike contemporary theories, traditional theories provide sufficient general information and classifications. Most of the contemporary theories are based on traditional theories; therefore, they both contain the concepts of each other. Contemporary theories, in general, examine each employee individually while traditional ones generalize and provide a bigger picture. According to the findings, contemporary theories are more suitable for Company X.

Moreover, the different techniques of implementing the researched theories were analyzed and explained, as well as the successful examples of the businesses are presented. Despite the fact that many techniques, tools and strategies are explained, the most effective and least costly is traditional customer recognition technique.

Equally important for this research is the competitive advantage factor. In order to gain it, the subjects of motivation and loyalty were thoroughly investigated. From the findings, it is clear that the competitive advantage is possible to achieve if the case company would follow recommendations and will consider the suggestions that are presented in this work.

Furthermore, the thesis takes a close look at the performance management factor. This factor played a role of a linking element towards the customer loyalty part. The author emphasizes the power with which the motivation factor affects organizational performance; however, it is important to understand that motivation is not the only source for success. Companies must make sure that they are aware of the situation and not assume that by investing money, time and efforts in only improving motivational strategies at the company will be the key to success. The key to success is the balance of many factors, motivation included.

Moving on to the customer loyalty chapter, thesis brought up the topic of customer acquisition and argued whether it is always good to acquire as many customers as it is possible. The thesis also demonstrates that the customer acquisition process is rather challenging and requires a lot of financial investments. Even though, for some companies customer loyalty programs are required, for others, these programs are not high priorities. Anyway, due to competition and economic state, customer loyalty programs should be applied. The thesis also tries to address the necessity of growth strategies for a company. Is it always good or does it have its significant downsides too? With real examples from companies-giants, this work demonstrated that growth does not equal profit in the long term. Additionally, the ways of applying customer loyalty programs were examined.

Finally, the chapter has a close look at the competition in the market of the case company of this study. With the help of the Department of Commerce and its report issued in 2015, the real situation with statistics and forecasts is investigated.

Furthermore, the thesis concentrates on the factor of customer loyalty programs for beauty salons and suggests various loyalty program examples. It also offers recommendations and strategies for the Company X.

With all said above, thesis demonstrates the outcome of the study – the competitive advantage for the Company X in terms of employee motivation and customer loyalty factors.

Empirical part of the study defines the research methods, reliability and validity, data collection, analysis of the company and given suggestions.

REFERENCES

Al-Rfou, A., & Trawneh, K. (2009). Retrieved on April the 4th 2019 from https://pdfs.semanticscholar.org/804e/2300c8b56781c5d3c6c0aab86594d46949be.pdf

Barnes & Noble (2019). B&N | *Membership*. Retrieved on April the 7th from https://www.barnesandnoble.com/membership/#

Barney, J. (1991). *Firm resources and sustained competitive advantage.* Journal of Management, 17(1): 99-120.

Bellin, J., Zealley, J., & Wollan, R. (2018). *Marketers Need to Stop Focusing on Loyalty and Start Thinking About Relevance.* Retrieved on March the 27th from https://hbr.org/2018/03/marketers-need-to-stop-focusing-on-loyalty-and-start-thinking-about-relevance

Boyce, C. & Neale, P. (2006) *Conducting in-depth Interviews: A Guide for Designing and Conducting In-Depth Interviews* Pathfinder International Tool Series

Branson, R. (2016). *Richard Branson: Put Your Staff 1st, Customers 2nd, & Shareholders 3rd* | Inc. Magazine. Retrieved on April the 28th from https://m.youtube.com/watch?v=NPiCYoX-S_I

Coff, RW. (1994). *Human Assets and organization control: implication of the resource- based view*. St. Louis: John M. Olin School of Business Washington University

Data Collection Methods - Research-Methodology. Retrieved from https://research-methodology.net/research-methods/data-collection/
Employee Motivation - Encyclopedia - Business Terms. Retrieved on March the 19th from https://www.inc.com/encyclopedia/employee-motivation.html

Greenberg, M. (2019). *According to Neuroscience Research, the Brain Can Be Retrained to Increase a Person's Motivation.* Retrieved on March the 19th from https://onlinemba.unc.edu/blog/neuroscience-motivation-kimberly-schaufenbuel/

Guest, D. (1990). *HRM and the American dream*. Journal of Management Studies, 27(4): 377-397.

Harvard Business Review. *The Impact of Employee Engagement on Performance.* Retrieved on April the 7th from https://hbr.org/resources/pdfs/comm/achievers/hbr_achievers_report_sep13.pdf

Herzberg, F., Mausner, B. and Snyderman B., (1959). *The Motivation to Work* (2nd ed.). New York: John Wiley.

Iancu, A-G., & Robescu, O. (2016). *The Effects of Motivation on Employees Performance in Organizations*; Volume 0 (0) Issue 0 (2016).

Increase customer loyalty in your salon. Retrieved on April the 7th from https://www.lockhart-meyer.co.uk/increase-customer-loyalty-in-your-salon/

Interviews - Research-Methodology. Retrieved on April 28th from https://research-methodology.net/research-methods/qualitative-research/interviews/

Kagan, J. (2018). *Price Sensitivity*. Retrieved on March the 28th from https://www.investopedia.com/terms/p/price-sensitivity.asp

Kothari, C. R. (1985). *Research Methodology: Methods and Techniques.* New Age International (P) Limited, Publishers

Kristensen, E., & Thomsen, R. (2019). *7 Powerful Customer Loyalty Programs for E-Commerce (2019).* Retrieved on April the 17th from https://sleeknote.com/blog/customer-loyalty-programs

Kukreja, S. *McClelland's Theory of Needs (Power, Achievement and Affiliation) - Management Study HQ.* Retrieved on April 13th from https://www.managementstudyhq.com/mcclellands-theory-of-needs-power-achievement-and-affiliation.html

McIver, D., & Lengnick-Hall, C. (2017). *The causal ambiguity paradox: Deliberate actions under causal ambiguity* - Derrick McIver, Cynthia Lengnick-Hall, 2018. Retrieved on March the 31st from https://journals.sagepub.com/doi/abs/10.1177/1476127017740081

Misra, P. (2018). *Investing in Your Employees Is the Smartest Business Decision You Can Make.* Retrieved on March the 19th from https://www.entrepreneur.com/article/315095

Moncayo, J. (2015). *How to Motivate Your Salon Staff to Sell More, Be More Productive, and Even Be Happier - Nailpro.* Retrieved on April 18th from https://www.nailpro.com/manicurist-motivation/

Napolitano, A. (2017). *Benefits of Highly Motivated Employees - business.com.* Retrieved on April the 19th from https://www.business.com/articles/the-benefits-of-highly-motivated-employees/

Nguyen, L. (2017). Retrieved on March the 4th from https://www.theseus.fi/bitstream/handle/10024/138260/Linh_NguyenMy.pdf?sequence=1&isAllowed=y

Nunes, J., & Drèze, X. (2006). *Your Loyalty Program Is Betraying You.* Retrieved on March the 16th from https://hbr.org/2006/04/your-loyalty-program-is-betraying-you

Parker, O. (2001) *Pay and Employee Commitment.* Ivey Business Journal.
Oliver, V. (2010) *301 Smart Answers to Tough Business Etiquette Questions* Skyhorse Publishing, New York USA

Reliability and Validity - Research Methodology. Retrieved on March the 31st from https://research-methodology.net/research-methodology/reliability-validity-and-repeatability/

Rogers, M. (2017). *Employee Motivation/Retention Strategies - business.com.* Retrieved on March the 31st from https://www.business.com/articles/7-employee-motivation-and-retention-strategies-used-by-tech-giants-you-can-make-use-of/

Saxena, M. (2015). Retrieved on March the 31st from http://www.iracst.org/ijrmt/papers/vol5no42015/1vol5no4.pdf

Sharma, A. (2017). *A Motivation Theory: Job Characteristics Model: Management Funda; V4 Issue 3.* Retrieved on April the 17th from http://www.thehrpractice.in/prerana-archives/2017/5/20/a-motivation-theory-job-characteristics-model-management-funda-v4-issue-3

Sorenson, S., & Garman, K. (2013). *How to Tackle U.S. Employees' Stagnating Engagement.* Retrieved on April the 4th from https://news.gallup.com/businessjournal/162953/tackle-employees-stagnating-engagement.aspx

The Art of Giving Coupons. (2019). Retrieved on March of 28th from https://www.lockhart-meyer.co.uk/hate-giving-salon-discounts-try-this-trick/

Theories of Motivation (GCSE) (2019). Retrieved on April the 17th from https://www.tutor2u.net/business/reference/theories-of-motivation-gcse

Timma (2019). Retrieved on May 30th from https://timma.fi/

Trout, J., & Rivkin, S. (2016). *The Power of Simplicity*. (p. 18). Moscow: Mann, Ivanov and Ferber.

U. S. Department of Commerce (2015). *Personal Care & Cosmetics Products. The Nordic Region.*

Wilson, J. (2010) *Essentials of Business Research: A Guide to Doing Your Research Project* SAGE Publications

Wong, D. (2015) *What Science Says About Discounts, Promotions and Free Offers.* Retrieved on March the 19th from https://www.huffingtonpost.com/danny-wong/what-science-says-about-discounts_b_8511224.html?guccounter=1&guce_referrer_us=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_cs=OsgSXTCHkrayzuObKbRdQw