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# **Long-term customer relationship: A study on how to achieve long-term customer relationship in the car retail sector**

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## Master thesis within General Management

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## Abstract

In the literature today, there is an apparent absence of generally accepted models for how to achieve customer loyalty within the car retail sector. Researchers have proposed that it is less expensive to serve long-term customers than newly acquired customers (Reishheld, 1994; Mittal & Lassar, 1998; Zineldin, 2006). However, the overall experience of satisfaction will play a crucial role for companies' ability to build a long-term relationship with its customers (Gee, et al. 2008). Upon this gap, we decided to build a framework where we propose that the delivery within "sales and service" plays a crucial role for the perceived customer satisfactions associated with the retailer. In the study, we first investigated the circumstances within "sales and service" domains that leads to customer satisfaction and secondly, we examined whether fulfilled customer satisfaction in the "sales and service" domain leads to a long-term customer relationship for the car retailers. In accordance with the purpose of gaining knowledge on long-term customer relationship building within the car retail sector, we developed further knowledge that is applicable for car retailers as well as for the industrial wisdom within the automotive industry.

In the study, we applied the deductive approach. Hypotheses was generated based on existing literature, and were developed into a proposed framework, see figure 2. We tested these hypotheses by applying a qualitative study to confirm or refute them. The study follows a qualitative research approach, by way of reason that we wanted to gain deep insight into how all the interviewees experience and their treatments within the car retail context; the study was conducted based on qualitative data from semi-structured interviews from ten participants.

Our study concludes that there is a general trend within the empirical findings that is mostly confirmed by the existing literature, that can provide a model which leads to perceived customer satisfaction within sales and service for a specific car retailer. The circumstances from "sales and service" that leads to customer satisfaction within the car retail sector are when the retailers: *Work hard to achieve a personified relationship at all levels of the customer interaction, focusing on products offering and services according to the customers' current needs, while delivering in a professional way according to their profession and always staying honest with the customer.*

The results further reveal that 60 per cent of the interviewees are willing to stay in a long-term customer relationship with the retailer that can best fulfil the expectations set out above. Although recent research shows that customer loyalty is decreasing (Laurell & Parment, 2015), our findings reveal that customers continue to believe in long-term customer relationship with the car retailers. As such, managers should put in places processes and measures that can achieve greater customer satisfaction throughout the "sales and service" period.

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# 1 Introduction

## 1.1 Background

### 1.1.1 The importance of the car industry in Sweden

Sweden with less than 10 million inhabitants, is home to three globally recognized automotive producers; Volvo cars, Scania, and Volvo trucks. This makes Sweden unique in that it is one of the countries in the world where the automotive industry has the most important role for the economy (Bilsweden, 2017). The Swedish automotive industry including its suppliers employs about 136 400 individuals within the country. 54 000 of those individuals are directly employed by the automotive producers. The industry represents 12 per cent of the earnings from the Swedish export industry when it comes to exports of goods (FKG, 2017). Above that, the automotive industry is one of the most R&D intensive industries within the country (Bilsweden, 2017).

For a long period, the year 1988 was known as the golden year for the Swedish car retailers; during that year 343 963 cars were newly registered, a record that lasted for 27 years. In 2015, a new record level was set with 345 108 newly registered cars being counted at the end of the year. This golden era continued even during 2016, where the record from the year before was exceeded by 8 per cent. Of the total of 372 318 newly registered cars recorded in 2016, Volvo cars had the biggest market share with almost one fifth of the Swedish market (Bilsweden, 2017). During 2016, the Swedish market represented 13 per cent of the total sales volume for Volvo cars (Volvocars, 2017).

In 2015, there was 263 000 business cars in Sweden; during the last 10 years the amount of business cars had increased by 30 per cent. This is of great importance, as approximately half of all business cars drivers within Sweden are allowed to freely choose their car among retailers and brands with the limitation of 7,5 pba<sup>1</sup> (Perment, 2016). During the same period of time, consumer car leasing has grown from representing only a few percent of the consumer market to represent 27 per cent of the consumer market during 2015 (Perment, 2016). Together, this indicates a transformation in the market where it becomes more and more common to lease cars where the service agreement most often is included in the leasing costs. This make it easy for the customer to compare the total cost of ownership (or leasing) between the different offers. This also leads to a situation where the lessee is committed to staying within the authorized system during the agreement period, which is usually a three year agreement (Perment, 2016).

Despite the golden years, Perment (2016) argue that the trends indicate that the market soon will change. The urbanization, car-sharing services, self-driving cars along with

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<sup>1</sup> (pba) price base amount 2017: 1 price base amount = 44 800 SEK  
7,5 price base amount = 336 000 SEK

decreasing interest in car ownership among the younger car users, will affect the market in the long run. All the while, rising interest rates and recession will likely affect the market within a shorter time horizon.

All this, will lead to a situation where the competition will grow stronger and it may become more important than ever, for managers of car retailers, to know how and what measures to put in place, to build a long-term customer relationship.

#### 1.1.2 The competition within the car retail industry in Sweden:

Perment (2016) explains that in contrast to many other industries the car industry is driven by a focus on high production volumes rather than a focus on high profit. The underlying reason for that is the high development cost in comparison to the low production cost within the automotive industry. This led to a situation where the car producers in general, dimension the production lines with an overcapacity of 50 to 60 per cent, with the anticipation that sale volume shall increase. With this mindset, the car producers trying to push the high-volume focus to the importers who in turn put pressure on the retailers. All this, leads to a situation where the retailers struggle with high competition and low margins. Perment (2016) also explain that the situation within Sweden is characterized by a higher level of competition than in many other countries, due to the Swedish regulation regarding business car taxation. The regulation forces the different producers to offer business cars with equal pricing just below 7,5 pba. This makes Swedish business car ownership the least expensive in Europe. Beyond this, total cost of ownership become a general measurement within consumer leasing, which also intensifies the competition. The high competition leads to a situation where large dealer groups are growing stronger and stronger through the acquisition of small companies.

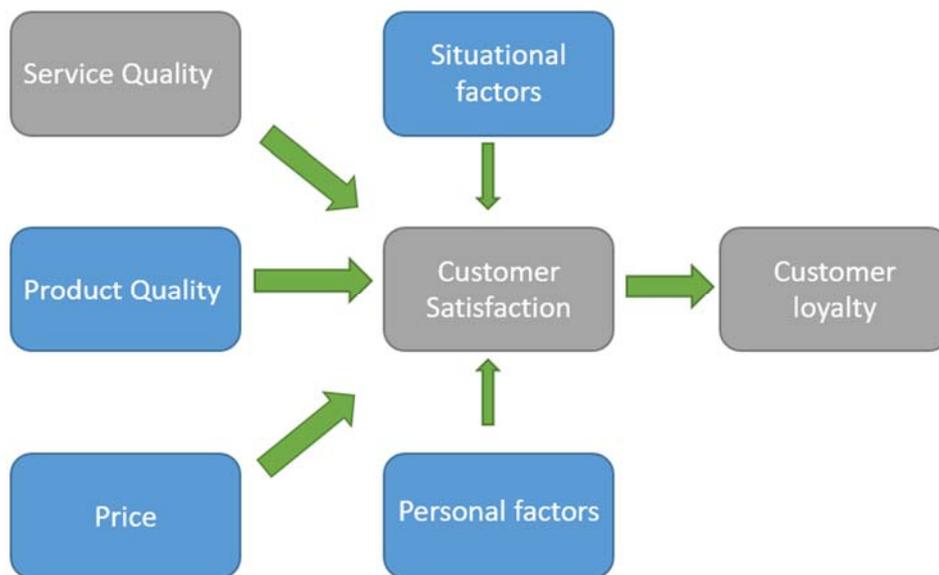
#### 1.1.3 Customer loyalty

Fornell (1992) states that companies that can achieve customer loyalty that is sustainable over time, will achieve competitive advantages against their competitors. Furthermore, he explains a paradoxical situation that, a satisfied customer is not necessarily going to be a loyal customer but a loyal customer is in general a satisfied customer. This correlation is the outcome when a homogeneous supply focus meets a heterogeneous market demand. Grönroos (1994) further explains that there is a paradigm shift taking place from the transactional marketing with a production orientated focus, to a relationship marketing with relationship building as the cornerstone of marketing. Within the new area of relationship marketing, Grönroos (1994) proposes that the quality of customer interactions will become more important and will take a central role in how business will be conducted in the future. Gee, Coates, & Nicholson (2008) agree with this when they state, “that strong service leads to satisfaction, which in turn leads to loyal behaviour”.

Although it is commonly accepted that customer loyalty is crucial to retaining current customers, the literature has failed to agree on a uniformly accepted definition of customer loyalty, Gee, et al, (2008); Setó-Pamies, (2012); Ostrom et al., (2010). The following

statement from Majumdar (2005, p. 62) stating that "Customer loyalty is a complex, multidimensional concept" may be considered as one of the best attempt to describe the complexity connected to the definition. In contradiction to that, Setó-Pamies (2012, p. 1262) defines loyalty behaviour as "repeat purchases from the same supplier or an increase in the strength of the relationship with the same supplier"; while many others simplify the definition of customer loyalty as a pattern of past purchasing activities (Gee, et al, 2008). Within the field of literature there is also an active debate regarding if the customer loyalty is connected to a specific brand, a specific salesperson, a specific store, the service quality, or the mix between them; in somehow everything seems to be connected.

Since the literature has failed to agree on a uniformly accepted definition of customer loyalty, there is almost absence of generally accepted models for how to achieve it. The model according to Figure 1 below is commonly used in the literature and is supported by authors, including, Olsen and Johnson (2003); Chiao and Bei (2001); Tor and Lindestad (1998). According to Wilson, Zeithaml, Bitner, and Gremler (2012), the model is one of the most generally recognized models within the literature today. The model shows that customer satisfaction is influenced by the company performance within service quality, product quality, and price. Above that, customer satisfaction is also related to situational factors and personal factors, which include the customer's emotional state of mind and influencing opinions from family members. A positive sum of the constituent components will lead to future purchase intentions, which contribute to the target outcome, increasing customer loyalty to the company.



*Figure 1 Customer perceptions of quality and customer satisfaction*

*Source: (Wilson et al., 2012, p. 74)*

#### 1.1.4 The importance of maintaining customer loyalty

In sales and market departments, the debate on how to maintain customer loyalty often tends to fall in the shadow of the more lively debate of how to attract new customers, although it takes a lot more resource in both time and money to attract new customers than invest in the customers the company already have (Bull, 2003). Research from Reishheld (1994) on the cost of losing customers proves the significant value that loyal customers add to a company. His research covered a range of industries and the outcome proves that a 5 per cent increase in customer retention rate can affect the total company's profit with a positive contribution of 35 to 95 per cent. For the car service business, his result proves that a 5 per cent increased customer retention rate will affect the total company profit with a positive contribution of 81 per cent (Reishheld, 1994). Beyond this, highly satisfied customers are more likely to spread a positive word of mouth reputation about their purchasing experience, which increases the chance that those customers recommend and influence their network to consider the same product/service for future purchases (Andersson, Fornell, & Lehmann, 1994). This means that by achieving satisfied customers a company can create a snowball effect with future purchases by new customers.

Due to the high transparency that internet offers, customers are nowadays able to compare offerings from different suppliers in an efficient way (Laurell & Parment, 2015). This has affected the strategies companies deal with their customers. To still be competitive, companies have to adapt their organization structure to these new conditions and tailor how they communicate with their customers to convey a message that attracts the customers in an effective way. This together with the changing attitudes and consumer behaviour of shopping around and price comparison have led to a trend where consumer loyalty in generally has decreased (Laurell & Parment, 2015).

### 1.2 Problem discussion

Car retailers are operating in a business segment that is very affected by what situation the world economy is facing. For instance, during a recession, the demand for new car purchases drops. In such difficult times, it is more important than ever for retailers to have built up long-term relationship with the customers; so they remain loyal even in tough times when the economy facing recession (Nguyen, Sherif, & Newby, 2007). Customer relationships are very important in today's business climate and something that is directly related to a company's profitability. Businesses with high loyalty among their customers tend to have a bigger market share and increased profit. It is better cost benefits ratio for working and engage with existing customer than spending money and time in finding new customers (Andersson, et al. 1994).

If a good relationship is created, there is a high chance that the customer shares their experience further with his or her network. Therefore, this kind of relationship is extremely valuable for a company and a very effective marketing strategy where a substantial amount of money on marketing can be saved. The way of attracting new customers will be driven automatically which is also equal to increased sales. It is a time-consuming process for

creating a relationship and loyalty, but in the long run, it can be worthwhile. Loyal customers are more likely to ignore other competitors and their strategies for attracting new customers (Moller & Hansen, 2006). On the other hand, to not fulfil a customer's expectations can be devastating for a company, because dissatisfied customers in general share their experience to between 10 and 20 other people (Zineldin, 2006).

The Swedish car retailers nowadays facing a gold era where the number of newly registered cars for two years in a row (2015 and 2016) is breaking the all-time high record (Bilsweden, 2017). In this climate of hard competitiveness, it is important to build a stored loyalty among customers, and make them more resistant to the constant pressure from other brands (Peelen, Van Montfort, Beltman & Klerkx, 2009). Nowadays brands invest much to establish and understand how to achieve long-term customer relationship. The high competition within the industry has made the car producers want more control over the distribution channels, and in many cases, the importers are owned directly by the manufacturers. Their demands on the car retailers increases and includes demands on the corporate profile, marketing activities, expected sale volumes and authorized service location etc. (Perment, 2016). These activities must be handled correctly for a retailer to still manage to keep their competitive effectiveness (Mittal & Lassar, 1998).

For car retailers, every single customer is worth a considerable amount of money and those are not only related to the sales price of the car. For a company where 20 per cent of the total revenue comes from the aftermarket sales and service, it is common that this business for itself can represent up to 80 per cent of the total profit for the company (Perment, 2016). This exemplifies the great potential in how profit can be generated through aftermarket activities. If a car retailer in some way, loses a customer to another company, it can be a loss over a lifetime (Heidelberg, 2003). To lose a customer as mention earlier, can be crucial for an enterprise with a business model of retaining long-term customer relationships. Zineldin (2006) highlight the lifetime value concept to explain the value of long-term customer relationship. He mentions a scenario where a young first-time buyer purchases an inexpensive Volvo car. A couple of years later the same customer may buy a medium-priced Volvo car. After a few more years the same customer may buy a new Volvo premium car. He states that the total profit from the three transactions can be five times higher than the profit from the first purchase. Zineldin (2006) state that "understanding a customer's value in this light could affect how the customer is treated". As mentioned previously, due to the high pricing transparency and the intensive competition within the Swedish car retail sector, together with the declining customer loyalty among consumers it is perhaps more important than ever for the retailer to understand how to achieve long-term customer relationship (Perment, 2016). During times of rising interest rates or recession, the demand for new cars is going to drop (Nguyen et al. 2007; Perment, 2016). In such difficult times, it is more important than ever for the retailers to have a strong relationship with their customers so they still are loyal even in those tougher times (Nguyen et al. 2007). The activities that can lead to customer loyalty are described in figure 1. The model describing that customer satisfaction is linked to three key factors: price, service quality, and product quality. Through our review of the marketing literature, we found that

fundamental dimensions such as trust and value were missing in this model. Those findings together with our previous findings related to an absence of a generally accepted model for achieving customer loyalty, leads us to identify a gap for further research.

Upon this gap, a decision was made to use our newly acquired knowledge to build and test a framework adapted for the situation that car retailers are facing today. In order to distance ourselves from the fact that the literature still has failed to agree on a uniformly accepted definition of customer loyalty (Gee et al. 2008; Setó-Pamies, 2012; Ostrom et al., 2010), we decided to focus on the factors behind long-term customer relationship. This choice is supported by the following statement that “most managers and marketers would, of course, agree that establishing long-term business relationships is about development and survival” Zineldin (2006, p.431). In this thesis, we are focusing on long-term customer relationship as a close relationship between a company and the same customer that can last for a lifetime, as proposed by Zineldin (2006). The framework of how to achieve Long-term customer relationship and its content are thus described fully in the theoretical background section of this thesis. Another way that this research is differentiated from previous research is that this study focuses on the customer perspective and applies a qualitative research approach to test the framework.

### 1.3 Purpose and research questions

The purpose of this study was to gain knowledge about long-term customer relationship within the car retail sector, knowledge that is applicable for car retailers as well as for the industrial wisdom within the automotive industry. In this study, we have investigated if there are circumstances that lead to Long-term customer relationship according to the framework in figure 2 of the theoretical background section. To clarify, our research focused on long-term relationship of customers purchasing or leasing of new cars. The research was based on the customer perspective. Our two research questions are stated below:

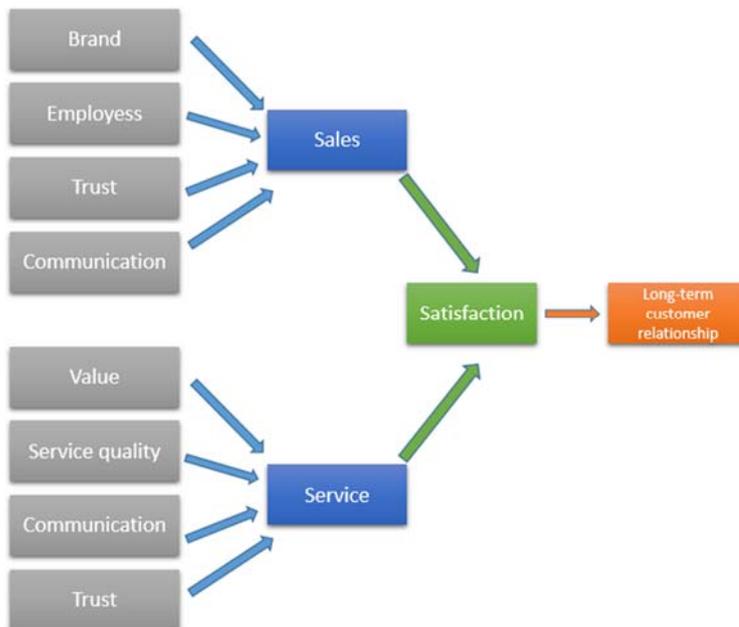
RQ1: Which circumstances from sales and service leads to satisfaction within the car retail sector?

RQ2: Can satisfaction through sales and service lead to long-term customer relationship for car retailers.

## 2 Theoretical background

This chapter builds upon theories connected to the framework in Figure 2. The framework focus on long-term customer relationship in the perspective of purchasing or leasing of new cars. In our thesis, we refer to long-term customer relationship as a close relationship between a company and the same customer that can last for a lifetime, as proposed by Zineldin (2006). The key components in the car retail sector are selling cars and offering after sale service for their customers. Since the overall experience of satisfaction will play a crucial role for the company's ability to build a long-term relationship with its customers (Gee, et al. 2008), the two subcategories of sales and service play an equally crucial role for the perceived customer satisfactions connected to the retailer.

With the background knowledge from (Perment, 2016) concerning the business model that a car retailer represents together with our literature study, we identified the following variables as central components for the framework: brand, employees, trust, communication, value and service quality. Those variables were further divided between sales and service, which derived the structure according to the framework in Figure 2. Thorough analysis of the literature, a relationship was found between brand, employees, trust, communication, value, service quality and how these aspects are related to satisfactions. These theories are related to RQ1. Furthermore, thorough analyses of the literature we found a relationship between perceived customer satisfactions and customer's intention to maintain a long-term customer relationship with a company. These theories are related to RQ2. Each component variable of the framework is elaborated in the sections within this chapter. Although, satisfaction is the focal dimension within the framework, this chapter starts with that subsection, with the aim of developing the overall picture presented by the literature. Apart from that, this chapter follows the bottom up structure, connected to the framework in Figure 2.



*Figure 2 Framework of long-term customer relationship*

## 2.1 Satisfaction

According to the literature there exist as many definitions of the word satisfaction as it exists authors that have written about the phenomena. Every person have their own view of what satisfaction means because of it typically related to previously experiences. Oliver (1997) describes that almost everyone knows what satisfaction is, but when they are being asked for a definition they struggle to answer. (Oliver, 1997, p. 8) defines satisfaction as “the customer's fulfilment response to the product or service itself, provided a pleasurable level of consumption-related fulfilment, including levels of under – or over fulfilment”. This means that satisfaction is related to the customer perceived experience of a product or a service. If the customer perceived experience is fulfilled according to the customers' needs and expectations then satisfaction will occur.

Customer satisfaction can be described as the outcome when perceived quality meet or go beyond the level of expected quality (Gee et al. 2008). For achieving this, it is necessary for all departments within a firm to collaborate to fulfil the customer's needs and expectations (Grönroos, 1994). Even Oliver (1997) describe the fulfilment as the outcome where the customer's needs have been met by the expectations, but satisfaction can involve other aspects as well and can differ depending on what context it is about or what kind of service it about. For instance, in a service context satisfaction can be linked to feelings of pleasure which make the customer experiences happiness and joy (Oliver, 1997). Fornell (1992) argues that one of the benefits of achieving high customer satisfaction are that the cost of attracting new customer normally decrease, because of the positive word of mouth that satisfied customer will spread to their friends.

When a customer faces a purchase situation he/she stands in front of different trade-off decisions. The trade-offs will be done between different aspects, such as price versus quality and kindness from personnel versus offers from another company. It is important for retailers to be aware of those trade-offs. In order to make the customer satisfied, the company needs to develop an understanding of the customer's needs. Customer's emotions are also something that can be reflected in the overall satisfaction. The emotional state can influence the customer's attitude to a product/service even before it gets introduced to the customer. Happy and good mood versus anger and frustration can lead to totally different outcomes for the same interaction. Emotions like anger and frustration are related and often lead to dissatisfaction (Oliver, 1997). The overall experience of satisfaction will play a crucial role for company's ability to build a long-term relationship with its customers (Gee et al. 2008). Satisfaction is one of the cornerstones to long-term customer relationship and may also be the only one (Setó-Pamies, 2012). From the literature, we found a clear connection between customer satisfaction and long-term customer relationship.

## 2.2 Sales

Within this section, the particularly important sales dimensions that lead to satisfactions are presented. The subsections about Brand and Employees describe the terms and their connection to customer satisfaction.

### 2.2.1 Brand

For a company, brand play an important role in the marketing strategy. A brand is more than just associated with an icon, name, picture, or slogan. A brand is the asset that exists to grab the customer's attention and imagination of a company; the brand has the job to interact and build a relationship with the products and services that the company offers to its customers (Nguyen et al. 2007). Brand can pay real dividends for a company. For instance, it can increase revenue and also have greater capital efficiency for companies. By working with branding in an efficient way, marketers can move away from their traditional focus on advertising and consumer awareness-building to see branding in a general picture in their marketing strategy (Nguyen el al. 2007).

The literature on brand does talk about the brand equity and how that term is important. Brand equity is linked to the value it can generate by having a brand that is memorable, linked to high quality and have reliability stamp. The idea is to create a brand that is going to be recognizable for the customers. To manage competitive advantage, brand equity can work as an instrument for achieving that but it also requires a reliable customer pool. Brand equity can help companies to have better control over their customers, and having access to more information which helps to create a better market communication (Aaker, 1991). In some literature about brand equity authors describe the phenomena from a more financial perspective, while Aaker (1991) approaches equity from a more customer perspective and relates the value of the brand to the value of the company. Strong brand equity is related to increased brand value and strengthens the customer's experience of the brand which relates to increased customer satisfaction (Aaker, 1991).

Aaker (1991) list the five different aspects that related to brand equity and those are the most important from a viewpoint of a customer. Brand loyalty is seen as the most important cornerstone in brand equity and making it from a customer perspective. Loyal customers tend to be less price sensitive and are not that affected by other competitors joining the market (Moller & Hansen, 2006). The brand loyalty can be divided into two different aspects, mental and behaviour (Andersson et al. 1994). The authors state that mental is related to the word to mouth which can be either crucial or effective brand management for a company. While they state that behaviour in brand loyalty is related to more physical action and is linked to a number of purchases a customer has conducted.

A brand is associated with a certain type of overall quality, which is not necessarily linked to the product specifications. Perceived quality will direct impact the purchase decision and the equity of the brand, which will happen when a customer is not motivated or can, assimilate a detailed analysis (Aaker, 1991). Brand awareness is built upon two different

approaches, brand recognition, and brand recall. A brand that has been recognized has a higher chance of being purchased than an unknown brand. That's why it's hard for a new brand to enter and be "one of the brands" that are evaluated (Aaker, 1991, p. 19). Brand recall is associated with a product category and the ability for the customer to relate a certain brand to a specific product category. Talking about cars, Keller (1998) proposes that brands like BMW, Volvo, and Saab may be the first three that come in mind within Sweden.

Brand association is linked to the customer ability to think of what characterizes a brand. For instance, McDonald's, is strongly associated with Ronald MacDonald or just hamburger in general (Keller, 1998). Furthermore (Aaker, 1991), proposes that brand representation plays an important role for how the company positions themselves for attracting the right customer segment. If a company achieves a successful brand representation it will be hard for competitors to challenge. To summarize, the model of Aaker (1991) does he connect brand loyalty together with brand awareness which provides the customer with confidence in their purchase decisions which gives satisfaction to the customer. Brand associations, perceived quality, and brand awareness leads according to the author brand extensions and improved competitive advantage (Aaker, 1991).

### 2.2.2 Employees

Research related to Employees in the marketing literature mainly focus on the interactions between customer-oriented employees and the customers. In the marketing literature, loyal employees are often referred to be one of the company's most valuable assets to drive profit within a company (Reishheld, 1994; Zineldin, 2006). Nguyen et al. (2007) highlight that it is the employee's as the sales force and the customer care representative role to build and maintain a high-quality relationship with long-term customers. Schlesinger and Heskett (1990, p. 81) state that "Sooner or later, new technology becomes available to everyone. Customer-oriented employees are a lot harder to copy or buy".

Bowen, Gilliland, and Folger (1999) propose that satisfied employees who feel that they are supported by their employees tend to deliver better service to their customer, who in turn will lead to a higher overall satisfaction among the customers. They state this proposal on research that was "done in a variety of service companies, such as banks, car rental agencies, and department stores, shows that employee satisfaction correlates significantly with customer satisfaction" (Bowen et al., 1999, p.8). Reishheld (1994, p.14) follow the same line and state that "employee retention increases because of job pride and job satisfaction increase, in turn creating a loop that reinforces customer retention through better service". This is also supported by Zineldin (2006), who further propose that companies should offer recognition and reward to loyal employees in order to increase the employee retention. Reishheld (1994, p.12) state that "loyal employee learns, over time, how to serve the customer, and the loyal customer learns how to access the business system in a way that makes it easier to be well-served".

If customer-oriented employees are not satisfied with their job, it will be hard for them to achieve customer satisfaction (Schlesinger & Heskett, 1990; Rosenbluth, 1991). In the literature authors as Mosley (2007); Wilson et al. (2012) state that service employees are an important part of how the customer perceive a company and its offering. Mosley (2007) highlights the importance that customers perceive an authentic service experience which links the company and their services with the brands that they promote. He states that the most celebrated service companies today meet this demand by ensuring that the employees “have a clear understanding of the brand promise, and then encourage employees to act naturally” (Mosley, 2007, p.128). Authors as Wilson et al. (2012, p.250) go even further when they state that “employees are the brand”. They mention that for services as haircutting, personal trainer or child care the service employees are the brand since their services it the product that the company offering to their customers. But they don’t stop there, they also highlight that the service that customers perceive from contact employees (even in companies with more complex offerings), may personalize the company in the customer's eyes. Thus, an employee's poor service delivery significantly can influence the perceived customer satisfaction between the customer and the company. To summarize the literature concerning Employees, we found a close connection between how customer-oriented employees treat their customers and the satisfaction perceived by the same customers.

## 2.3 Service

Within this section, service dimensions who lead to satisfactions are be presented. The subsection about Value describe the value proposition that customers receive from service and the section about service quality describe the customer’s perceptions about the service process.

### 2.3.1 Value

Due to the more demanding customers across the globe and high competitiveness around organizations, enterprises search for new ways of sharpened their competitive advantage. In the past, much focus has been on reorganizations, quality management, and product development (Woodruff, 1997). Today there a lot of companies in every sector that competes with each other. They release quite similar products and also advertise themselves mostly the same. In a company that has a business model to provide low price products is a dangerous player because in transaction marketing it is much focus on price rather than relationships and added value which make transaction market customer are more price sensitive. On the other hand, to treat a customer well can be seen as added value which is something that the product doesn’t do itself. This can lead to more than just one purchase, it has high chance to lead to long time relationship and repeatable purchases (Grönroos, 1994).

Value can mean separate of things, for some, it is related to price and for some, it related to the experience in a purchase (Woodruff, 1997). The author defines that “Buyers perceptions of value represent a trade-off between quality or benefits they perceive in the

product relative to the sacrifice they perceive by paying the price” (Woodruff, 1997, p.140). Further Zineldin (2006) argue that the total value provided to a customer should be higher than the total cost to a customer. Where the total value involves, a function value, product value, service value etc. and the cost values can be money, time, shopping efforts and energy spent.

Research supports that customer experience value of the product differently when they purchase a product then they do after or under usage, the attributes of a product having a high priority in choosing decision meanwhile the consequence of the purchase are more silent when a customer are about to evaluate the use of the product (Woodruff, 1997). Customer may predict that under the purchase decision they obtain a value, but under the usages of the product they experience obtained value. This is important for the company to map to be able of developing products that are in the customer's interests and identify “attribute drivers” and what criteria’s customer think of in their purchase decision. Is it on time delivery, product quality, social interaction, or conditional value (Woodruff, 1997). This kind of knowledge about the customer requires databases and can be could to fill up to use in other marketing activities. These databases can help to provide custom made communication which creates customer value (Heidelberg, 2003).

If a company can offer flexibility in their delivery it is something that will create added value to the customer (Ulaga, 2003). One of the major jobs each company has to face is to ensure the whole organization working towards an effective way to de deliver value propositions to its customers, those it will affect the customer satisfaction positively (Reishheld, 1994).

### 2.3.2 Service quality

Due to the literature, there are two widely spread perspective of the content within service quality; the “Nordic” perspective by (Grönroos, 1984) and the “American” perspective by (Parasuraman, Zeithaml, & Berry, 1988). Common for the two perspectives is that both of them try to conceptualize how customers perceive and evaluate service quality in their minds. In our research, we decide to focus on the Nordic perspective. The Nordic perspective by (Grönroos, 1984) takes into account the perceptions of two dimensions; Technical quality and Functional quality. The technical quality is described as the quality of the technical outcome while functional quality is related to how the customer perceives the multiple interactions during the process that lead to the outcome. Grönroos (1984, p.40) also tried to simplify the content of Technical quality and Functional quality in terms of “What?” and “How?” The interactive process related to functional quality is even stated as “the moments of truth” by Grönroos (1990, p.6). Further on Grönroos (1994, p.11) state functional quality as “the customer’s perception of the various interactions with the company” and other authors as Mittal and Lassar (1998, p.188) state that “functional quality depends on the interpersonal skills and caring mindset of service Employees and a customer” while Zineldin and Bredenlöv (2001, p.487) state that functional quality “concerns how the company deliver the product/service”.

When a similar technical quality can be provided by several company's the multiple interactions during the process that lead to the outcome, will be the domination parts in how customers perceive the service quality (Grönroos, 1994). By that reason, Grönroos (1994) propose functional quality as the dominating dimension within the Nordic model of service quality. His proposal was further proven by Mittal and Lassar (1998) in their study related to car repair services. They conclude functional quality as a significant preventer for the customer's predisposition to switch supplier. Mittal and Lassar (1998, p.188) state that "once the car is repaired well (resulting in satisfaction), the functional quality (e.g. mechanic's caring and empathy) becomes the driving force for customer loyalty beyond satisfaction". This is even supported by Gee et al. (2008, p.362) who state that "strong service leads to satisfaction, which in turn leads to loyal behaviour". Despite that functional quality is stated to be a significant prevention for the customer's predisposition to switch supplier "the moments of truth with their tremendous marketing impacts are frequently both managed and executed by people who neither are aware of their marketing responsibilities nor are interested in customers and marketing" (Grönroos, 1990, p.6).

To summarize the literature about service quality we found a close connection between perceived service quality and "loyalty beyond satisfaction" (Mittal & Lassar, 1998, p.188). The functional quality is proposed to be the dominating dimension in how customers perceive the service quality according to the Nordic perspective (Grönroos, 1994). Thus when a similar technical quality can be provided by several companies then functional quality become the domination parts in how customers perceive the service quality (Grönroos, 1994). But in order to achieve satisfaction in first place, the technical quality need to be well performed (Mittal & Lassar, 1998).

## 2.4 Common dimensions between sales and service

Within this section, the common dimensions between sales and service that lead to satisfactions are presented. The subsections about Trust and Communication describe the terms and their connection to customer satisfaction.

### 2.4.1 Trust

The literature about Trust exists in a broad field of disciplines, for example in the field of social, psychology, philosophy, and marketing research. Trust turns out to be a central role in the discipline of marketing research. To mention some authors that have focused on trust in marketing, Grönroos (1990); Morgan and Hunt (1994); Garbarino and Johnson (1999); Terblanche and Boshoff (2006); Gee et al. (2008); Setó-Pamies (2012). Among them, the definition of trust is very similar; Grönroos (1990) propose that trust is a product achieved by mutual exchange and fulfilment of promises, while Setó-Pamies (2012) 22 year later propose trust as an emotional force that commits customer to the company.

And between them, Morgan, and Hunt (1994) who was the authors of the “trust and commitment theory”, who propose that the emotional force that commits customer to a company need both the mediators of trust and commitment. Garbarino and Johnson (1999, p.81) developed that theory further and proposed “a more restricted form of the theory by hypothesizing that trust and commitment are mediators only for high relational customers and not for weak relationship customers”. In their research, they conclude satisfaction as the mediators of trust and preference for familiar actors as the mediators of commitment for high relational customers. While the authors found overall satisfaction along as the main driver for future intentions among the weak relationship customers. In addition to Morgan and Hunt (1994) trust and commitment theory, Garbarino and Johnson (1999, p.81) propose that “trust, and commitment play different roles in the prediction of the future intentions for low and high relational customers”. Their work is even supported by Gee et al. 2008) who support the trust and commitment theory for relational customers, by proposing that the emotional force that commits the customer to the company need the both mediators of trust and commitment.

According to Grönroos (1990), there are three aspects of trust connected to how the customer will trust into the company itself, those aspects are; trust to the sales force within the company, trust to the technology offered by the company and trust to the process within the company. To summarize the literature concerning Trust, it was founded that Trust is as central role in the marketing research. The definitions of Trust are very similar to the literature. Above that a connection between trust and satisfaction was identified, since satisfaction is proposed to be the mediator of trust for high relational customers.

#### 2.4.2 Communication

Mohr and Spekman (1994) state that communication is the key to success, those it is a central part of all aspects in an organization. If the communication doesn't work, it will affect the company's performance negatively. Communication is an important toll in the retail sector to achieve long-term customer relationships, because it will allow the retailer to create regular customer contact in the time between car purchases and services (Heidelberg, 2003). In the literature concerning communication in the retail context, two basic cornerstones were identified, the first one is relationship communication and the second one is marketing communication.

The first cornerstone in communication is relationship communication, which is about the social interactions that occur between a customer and the company. The value of these social interactions is crucial to consider in areas where customer contacts are a central part in the daily work, those when several companies manage to deliver similar products and quality the social interaction becomes essential and can be the domination on in a customer's purchase decision (Grönroos, 1994). The social interactions are common mentioned in the literature concerning relationship marketing, which according to Wilson et al., (2012) is the philosophy where customers prefer to do business with companies that they have an ongoing relation with. According to Parasuraman, Zeithaml and Berry (1988) reliability is one of the most important aspects in relationship marketing. Reliability is about to deliver the service that is promised and meet the requirements that have been said in the interaction between the customer and supplier, such as provision of services, price, delivery time and problem resolution (Wilson et al. 2012). Mohr and Spekman (1994) also confirm this by proposing that a company must take responsibility of what has been stated in an agreement and deliver according to the performance criteria's, otherwise dissatisfaction will occur. Beyond reliability then responsiveness, assurance and empathy is mentioned as central areas to consider within relationship marketing (Wilson et al. 2012).

Responsiveness is defined as the willingness to help customers and offer them the service they need, which include meeting a customer's request of complaints, problems that they want help with or simple questions to get responded. To manage this in a good way a company need front line personnel that is trained to handle the interaction with the customers (Wilson et al. 2012). Assurance is linked to establishing trust in relationship marketing, those relationships is built upon trust. This aspect is crucial in purchases where the customer is not sure about the outcome he/she is going to retrieve (Wilson et al. 2012). Lack of assurance can lead to poor information exchange and decreasing the effectiveness of problem-solving (Mohr & Spekman, 1994). Empathy is to care about the customers and see how the company can provide value according to the customers' needs (Wilson et al. 2012). The authors also propose that if a customer feels uniqueness and specially treated the customer experience higher satisfaction. Finally, they propose that personnel must have a professional response to the customers to build up trust and show the willingness to help and offer the service that they need. Thus, if the service provider fail to deliver within this area, dissatisfaction will occur.

The second cornerstone in communication is market communication who is about to find and use the right platforms in order to communicate with the company's customers. Included is advertising, webpage, brand promotion, direct advertising, etc. The idea with market communication is to create relationship with new customers and satisfy existing customers (Grönroos, 1994). According to Wilson et al. (2012) campaigns are one common way where companies try to attract customer through reduced price offers valid under a short time. Within the market communication the 4P method exists, which is a model that mapping the current strategic position that a company has. The 4P represents promotion, place, price, and product (Grönroos, 1994). These four aspects together could be used to decide which type of market communication that should be developed to reach the target customer (Grönroos, 1994).

Further author as Dhalén (2003) propose that companies must be flexible regarding how they adapted the advertisement to the customer. This is also supported by Wilson et al. (2012) who argue that if a customer feels uniqueness and specially treated the customer experience higher satisfaction. Iyer, Soberman and Villas-Boas (2005) propose targeted advertising as one way to make the customer feel uniqueness. They state that targeted advertising decreases the chances of waste, because the advertisement coming to the right customer segment.

## 2.5 Long-term customer relationship

The term of long-term customer relationship is different depending on whom the question is put to, but still the definitions are very similar. Grönroos (1990, p.6) state that "Long-term customer relationships mean that the objectives of marketing is mainly to go for enduring relationships with the customers". While Terblanche and Boshoff (2006, p.33) state that long-term customer relationship is "both a long-term 'attitude' and long-term behavioural pattern, which will be influenced by multiple shopping experiences over time". Zineldin (2006) he refers to long-term customer relationship as a close relationship between a firm and the same customer that can last for a lifetime. Apart from their different views on the term long-term customer relationship, they agree upon that the perceived satisfaction from the multiple interactions will affect the customer's intentions for future purchases.

Terblanche and Boshoff (2006) further state that repeated sales and increased profitability will be the company's rewards for maintaining long-term customer relationship. (Grönroos, 1990; Zineldin, 2006; Gee et al. 2008) did a more specific statement where they highlight that long-term customer relationship not always will be profitable for the company. (Gee et al. 2008, p.370) propose that "operating costs for customer segments should be monitored to ensure they are not disproportionate to the profit the organisation receives from these customers". While Zineldin (2006) propose that the value of a long-term customer relationship shall be measured due to the customer's potential lifetime value for the company.

Above the lifetime value concept, it is less expensive to serve long-term customers than new acquired customers (Reishheld, 1994; Mittal & Lassar, 1998; Zineldin, 2006). Meanwhile the revenue will increase for a long-term customer; the cost of serving the same customer will decline (Reishheld, 1994; Fornell, 1992; Mittal & Lassar, 1998; Terblanche & Boshoff, 2006; Zineldin, 2006). The reason for this is that long-term customers know the processes within the firm and how to use them (Reishheld, 1994; Zineldin, 2006). Since they know the processes they ask fewer questions, also the number of misunderstandings and problems would be fewer (Zineldin, 2006). For instance, car mechanics will become more efficient in troubleshooting new problems for a particular car if they know what is done with the car in the past (Mittal & Lassar, 1998). Another economic advantage associated with serving long-term customers is that “costs shrink as the expense associated with acquiring and establishing relationships with new customers and replacing old one’s declines” (Reishheld, 1994, p.14). This is also supported by Bull (2003) who further state that it takes a lot more resource in both time and money to attract new customers then invest in the once the company already have.

To summarize the literature concerning long-term customer relationship, there is a clear connection to economic advantages associated with long-term customers. Above that a connection was found between the perceived customer satisfactions from the multiple interactions and the customer’s intention to stay within the long-term relationship.

## 3 Method

### 3.1 Research design

Within this thesis, a descriptive research design has been applied which according to Yin (1994) is used when the characteristics of a problem or a phenomena that have been explored before is described and studied more deeply. The descriptive research design has the focus of filling in missing parts of a research area and expanding the topic (Yin, 1994). Within the topic of understanding long-term customer relationship, previous research has been made. But what has not been explained, are the aspects that are viewed in the framework in Figure 2, and how these are applicable in the industry of a car retailer. This research area is therefore suited to a descriptive approach, were the characteristics of a problem or the phenomena that have been explored before now is described and studied more deeply. To fulfil our purpose a deductive reasoning has been used and we have developed a framework according to Figure 2 where the different relations between the variable is going to be tested. The deductive approach starts with findings from the theory where hypotheses are proposed, which then follows up with data collection and analysis in order to test the hypotheses in the end. According to Babbie (2007) hypotheses is tested through the result from the empirical data who either rejected or confirm them. The aim is to describe and see if there are any connections between the variables in the model and develop a further understanding of the phenomena Long-term customer relationship. The research of long-term customer relationship started from existing theory were a gap was identified. Upon that gap, a framework was made on a ground of existing theory concerning sales, service and long-term customer relationship. Upon that theory, we proposed hypothesis according to the framework in Figure 2. After that a development of the two research questions according to chapter 1.3 were made.

This thesis going with a qualitative approach and hypothesis according to the framework in Figure 2 are tested through the data that is collected during the interviews. Later on, the general circumstances from sales and service that leads to satisfaction within the car retail sector was collected. Finally, the hypothesis concerning the relationship between satisfaction and long-term customer relationship in the framework was tested against the empirical outcome from the interviews. The test was made according to Babbie (2007) who proposed that hypothesis should be either confirming or rejected in order to draw conclusions.

### 3.2 Research approach

According to Easterby-smith, Thorpe, and Jackson (2015) there are two ways of how to work with a research: positivism and social constructionism. In this thesis, the positivistic approach was applied in general, apart from the data collection, where we used an approach of social constructivism. The main characteristics for the positivistic approach is the central parts of reliability and validly together with high level of generalizations of the results. Which reflects the importance to measure what is going to be tested and to come up with research questions where the answer can contribute with high level of

generalizations (Easterby-Smith et al. 2015). All of these aspects can be founded in this study. The goal with this study is to test if the hypothesis related to the different variables in the framework in Figure 2 leads to Long-term customer relationship. The positivistic approach follow a distinct structure of how the research is conducted and how the analysis and discussion is done (Easterby-Smith et al. 2015), which can be followed in this thesis, with same structure and same heading through the whole document. The empirical data which is obtained from the interviews is based on the interviewee's own experiences within the car retail context. The approach of social constructionism allows us as researcher to gain deeper information of the phenomena. The social constructionism allows the researcher to investigate peoples own experiences and inner feelings of their treatments in the context of a car retailer.

Depending on the aims of a thesis, different kind of research approaches are suitable; the two general approaches are the qualitative or the quantitative research methodology. The quantitative research approach is used when the researcher try to generalize the results by sampling data from a larger population by adopting different kinds of surveys. The qualitative research approach is commonly used in more exploratory research design, where the researcher want to understand a phenomena in more depth. Qualitative research is characterized by few research objects which are going to promote the work with detailed information (Easterby-Smith et al. 2015). In this thesis, we apply a qualitative research approach, because we want to have a deeper understanding of the customer's perspectives in their buy-service-leasing experience and relationships to the car retailers.

### 3.3 Data collection

The empirical data comes from the interviews that have been conducted according to the interviewee's own experience of long-term customer relation within car retail sector. To back up the empirical data from the interviews a theoretical background is gathered from academic articles which provide the thesis with previous research and theories on the topic. To be able to find facts, theory and previous research about our research topic we started our work with a literature review, where academic articles were gathered to find a research gap. All information was gathered mostly from the database PRIMO which Jönköping university provide, Web of science was also used to find relevant academic articles, only peer-reviewed articles was selected. To identify relevant articles the following keywords where used: Long-term customer relationship, customer satisfaction, customer loyalty, automotive industry, trust, service quality, market/relationship communication, value, employees, and brand. To be able to find a connection between these, the words has been used in combination with each other.

The qualitative approach was chosen for this thesis and the empirical data was gathered through interviews with interviewees recruited via the purposive sampling method. Purposive sampling means that the researchers choose the interviewee's based on their suitability, by relying on his/her own judgment. Babbie (2007) state that purposive sampling is a flexible and time-efficient data collection strategy. By those aspects, we decided to apply purposive sampling in our thesis.

### 3.3.1 Sample selection

In this thesis, the method of purposive sampling was applied. We relied upon our own judgement to choose suitable interviewees for the research. To increase the reliability with our sampling we decided to put up the qualifying criteria set out below:

- The interviewee has over time purchased or leased one or more new cars from a car retailer.
- These cars need to be purchased and serviced properly during the lease period or warranty period.
- Owners of business cars are allowed to participate if they are allowed to freely choose among retailers and brands.
- The latest car, need to be purchased or leased within the last 36 month.
- All of the questions in the interview are relate to the interviewees own expectations and experiences from the period of 0-3 years from purchase.

The choice is support by including both privately purchased cars as well as private leased cars because the buying behaviour and decision-making process in both cases is based on the individual's judgment. We also supported the choice to include the experiences from business cars owners (if the interviewee is allowed to freely choose among retailers and brands) with the statement from (Perment, 2016) that the buying behaviour and decision-making process is based on the individual's judgment. Above that the leasing processes and leasing time are similar between private leased cars and leased business cars (Perment, 2016).

### 3.3.2 Interviews

According to Easterby-Smith et al. (2015) is it beneficial to have the interviews face-to-face because the researcher can find it easier to create a relaxed atmosphere where the researchers gain the trust from the interviewee. Therefore, most of our interviews have been conducted face-to-face and some by phone or skype because the interviewees were located in another part of the country. During the interviews, we found it effective to record the conversation and take additional notes. Later on, when we transcribed the interview the recording were put to good use.

The data collection was gathered through semi-structured interviews, conducted according to the interview guide in the (Appendix 1). The Semi-structured approach is commonly used in business and market research and allows the researcher to ask open questions according to an interview guide and then dig deeper in the interviewee's stories. It is also beneficial approach when the researcher is interested in many different areas in the specific topic (Babbie, 2007).

The interview guide in (Appendix 1) is based on the framework described in Figure 2 in the theoretical background. All the questions are founded upon the theoretical findings from the different subsections in the theoretical background. The Interviews were arranged according to the approach described as follows. Firstly, we gathered the interviewee's own

expectations and experiences of the dimensions within sales and services separately to see under which conditions they can lead to satisfaction. For instance, when we asked about trust the question is connected to satisfaction *“How does a car retailer maintain the trust that allows you to remain really satisfied with your car purchase?”* (Appendix 1). To make sure that the interviewees understand the question and the topic we started every question with a small text where we describe the phenomena of each variable. This is example of how we present the brand variable *“A car retailer can represent one or more car brands, the width of the brand representation can vary greatly depending on the retailer”* (Appendix 1).

Finally, the interviewees were asked about their intentions to stay in a long-term customer relationship with a company that can fulfil the satisfaction according to their expectations from sales and services. If their intention was to not stay in a long-term customer relationship with a company, we would follow up by ask them why? We would additionally ask what more they would expect in order to stay in a long-term customer relationship with a company? In our thesis, we refer to long-term customer relationship as a close relationship between a company and the same customer that can last a lifetime, as proposed by Zineldin (2006).

### 3.4 Data analysis

The data analysis is performed from the material that was gathered during the interviews and concerning the recordings and the notes that were taken during the interviews. The first step was to transcribe all the interviews. The transcribing took place in the program Microsoft-word, where we filled in the answers in a document identical to the interview guide in the (Appendix 1). Within this document, we wrote in what respective interviewee have responded to each of the questions, just below the question. In the end, we have ten different answers for each of the question, all of them labelled with the interviewee’s name. This method helped us to structure and categorizes our data before the analysis started. To analyse the data, content analysis was chosen, by the reason as proposed by Babbie (2007) that it is a flexible and time efficient method.

The content analysis started with identification and search for commonly used words (codes) or themes that the interviewees talked about. These words and themes were then categorized into different content areas, the different content areas were highlighted in different colours. The different content areas were later on prioritized and sorted as the outcome to the research questions. The outcome was later on presented in the empirical data chapter according to the structure applied in the interview guide in the (Appendix 1). The empirical data were compared with the theories from the theoretical background chapter in order to come up with conclusions based on previous research as well as conclusions that extend the existing field of literature. All the conclusions are presented in the analysis chapter.

### 3.5 Research ethics

In our thesis, research ethics are considered as a central part. The research ethics that has been applied originate from (Bell & Bryman, 2007), but is applied in the way as it is adapted by (Easterby-Smith et al. 2015). The cornerstones mentioned by Easterby-Smith et al. (2015) is to ensure a well-informed consent from the interviewees, that no harm will come to anyone and that privacy and anonymity of individuals and organizations will be promised. During the interviews we ensured that no harm will come to the interviewees, particularly since some of the interviewees are active in the industry. We have made sure that the interviewees are well informed about the consent of the research well in advance before the interviewee. To fulfil these requirements on the ethics was every interviewees, contacted before hand and presented ourselves and the purpose of the thesis to gain their trust. After that, we politely asked them to confirm if they would like to participate and if we could ask questions about their car-retail experiences. After the presentation, we booked a meeting and once again give the interviewee an informed consent about our research. The two other research ethics areas which we took into account were related to protecting the privacy and the anonymity of the individuals and organizations who either were participating or mentioned during the interviews. At the start of each interview, interviewees were informed about these ethics aspect so they can talk more freely without causing harm to anyone.

### 3.6 Trustworthiness

Guba (1981) introduced four areas to make sure that the trustworthiness still is maintained in qualitative research, they include: credibility, transferability, dependability, and confirmability. The credibility's purpose is to make sure that the study measure what has been intended to investigate and find the relevant data for the research (Shenton, 2004). In this thesis, we have ensured the credibility by setting up requirements for which kind of interviewees we have interviewed. This so that we find the right persons that can provide us relevant information regarding their experiences within the car retailer business to secure that correct data is sampled. Transferability is about how the thesis can be applied to another context (Shenton, 2004). In the section of future research have we described a few areas where this research can be applied to another context; it could be other retailers in other business areas for example. Shenton (2004) describes dependability as, if the research should be repeated with same theories, method and same interviewees should it also come down to same results. To secure the dependability has an in-depth description of methodology with how the interview guide was conducted, how the data has been analysed and what research design that we have used. Finally, the confirmability is a degree of how much the research is involved in the interviews which can affects the answers (Shenton, 2004). The interview guide gave us a structure to follow with questions where the interviewees themselves could reflect on the questions with no influences of the researcher. During the interviews, the interviewees' answers were recorded and transcribed, which according to Shenton (2004) is one way to secure the confirmability.

## 4 Empirical Data

In this chapter, the result from the interview guide in (appendix 1) is presented. The interview guide is based on the framework in Figure 2 in the theoretical background section, and the questions are built upon the theories presented in the theoretical background. This chapter follows the structure so the different expectations that lead to satisfaction for sales and service are presented in section 4.1 with the purpose of answering RQ1 while the interviewee's intention to stay in a long-term customer relationship with the dealer that can satisfy their expectations from the various aspects related to sales and service are presented in section 4.2 for the purpose of answering RQ2. Below in Table 1, the 10 interviewees are described and in Table 2 the data for the retailers that our interviewees refer to are presented.

Interviewees					
Interview	Age	New cars owned	Experience from company	Car purchase/ Private leasing/ Company leasing	Duration of interview
P1	40	4	I, B & C	Private leasing	1h
P2	33	2	I	Purchase/Private leasing	1h
P3	37	2	I & B	Company leasing	1h
P4	35	3	G	Company leasing	1h
P5	29	1	J	Car purchase	1h
P6	51	12	A, I & D	Car purchase/ Company leasing	1h
P7	58	3	E & F	Car purchase/Company leasing	1h
P8	52	1	F	Private leasing	1h
P9	50	2	H	Car purchase	1h
P10	58	10	F	Company leasing	1h

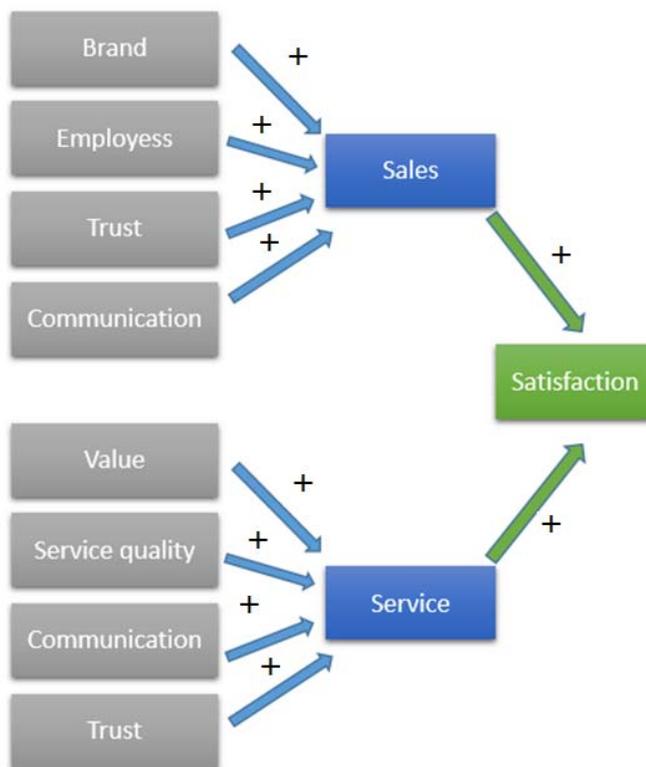
Table 1 Data about our interview interviewees

Company data						
Company	Car brands	Low price (L)/ medium price (M)/ premium (P) -brands	Number of employees	Revenue (sek)	Revenue /employee (sek)	Company form
A	2	M	8	100 431	12554	independent company
B	2	M	14	102280	7306	independent company
C	2	M	18	96801	5378	independent company
D	2	M & P	39	323305	8290	independent company
E	3	M & P	66	284354	4308	independent company
F	4	L, M & P	102	643785	6312	independent company
G	4	L, M & P	n.a.	n.a.	n.a.	corporate group
H	4	L, M & P	n.a.	n.a.	n.a.	corporate group
I	8	L, M & P	n.a.	n.a.	n.a.	corporate group
J	9	L, M & P	n.a.	n.a.	n.a.	corporate group

Table 2 Data about the company our interviewees refer to

#### 4.1 RQ1: Which circumstances from sales and service leads to satisfaction within the car retail sector?

Below is all the gathered data from the interviewees' expectations from sales and service that lead to satisfaction. This section follows the structure according to the interview guide in (Appendix 1), which is based on the structure of the framework described in Figure 2. The questions in the interview guide clearly ask for the interview expectations in order to feel satisfaction from the different dimensions related to sales and service. This section follows the structure according to the interview guide in (Appendix 1), which is based on the structure of the framework described in Figure 2.



*Figure 3 Circumstances from sales and service that leading to Satisfaction*

##### 4.1.1 Sales

In this subsection, we have gathered the interviewees' expectations from sales that lead to satisfaction. This subsection follows the structure according to the interview guide in (Appendix 1), which is based on the structure of the framework described in Figure 2. The questions in the interview guide clearly ask for the interview expectations in order to feel satisfaction from the different dimensions related to sales. All the answers are related to the interview expectations according to the current question. This subsection is divided within the subsubsections brand, employees, relationship communication, market communication, and trust that all are linked to the sales perspective.

##### 4.1.1.1 Brand

This subsubsection responds to the brand question according to the interview guide in (Appendix 1). A car retailer can represent one or more car brands, the width of the brand

representation can vary greatly depending on the retailer. When we asked the interviewees how many car brands they expect that a car retailer represent in order to remain really satisfied with their car purchase in the long-term, their preferences was divided within three main areas. Those who answered that it doesn't matter how many car brands a retailer represent, more important is that the retailer can offer a car that meet their demands concerning price and product (P1,P2,P7 & P10). "I want a retailer that can match my needs, and that offer a range of price, quality and products that can meet my expectations over time" (P1). Opposite to those who prefer a car retailer that meet their demands concerning price and product, there are those who answered that they prefer car retailers who is specialized within just one or two car brands. They want the specific experience which occurs when the employees is specialized in a small range of brands (P3, P6 & P9). "Retailers who offer to sell more than two brands can be compared with El-giganten, they are not good at anything" (P6). Above the discussion concerning the number of brands represented by the retailer there are those who highlight the importance that the retailers represent options within the low-price, middle price and premium segment, no matter if they represent more or less than two brands. Those interviewees see the value in a retailer who offers a wide product range that can meet the changing demands that occur over a lifetime. Then they can buy from the same supplier regardless if they are locking for a premium or a low-price car (P4, P5 & P8).

#### 4.1.1.2 Employees

This subsection responds to the Employees question according to the interview guide in (Appendix 1). How the customer perceives themselves to be treated from employees has proven to be both important and critical in studies of customer satisfaction. When we asked the interviewees what they expect from the employees at a car retailer in order to remain really satisfied with their car purchases their preferences where able to be collected within four main areas. Firstly, it is common mentioned among the interviewees how importance it is with an active and friendly reception from the employees. The employees shall as soon as possible welcome the customers with a friendly reception (P1, P3, P4, P5, P6, P7, P8, P9 & P10). "I expect that the employees give me a friendly reception when I enter the retailer" (P10). "They should be quick to take care of me" (P7). Secondly, the interviewees express that it important that the employees are service minded and possess good knowledge about the products as well as the offers. The seller should be service minded and be able to respond in a professional way to the different questions that customers might ask (P1, P3, P4 & P5). "I expect a personal commitment and that the seller will share their knowledge" (P4).

Thirdly, despite that the interviewees expect that the salesperson is service minded they also expect that their need for privacy is respected. The salesperson should sense whether the customer desire helps or just want to be left alone and have a look (P1, P2 & P5). "The seller should give me a friendly reception and be flexible and sense whether I desire help or just want to have a look" (P5). Finally, the interviewees expect that the seller listens to them and ask the right questions with the purpose to analyse and understand their needs. The salesperson should be good in analysing the customer's needs a use that information to

guide the customer to the offer that creates the highest value proposition for the same customer (P2, P6, P7, P8 & P9). “I do not want to experience that they try to sell me a product that doesn't fill my needs” (P2).

#### 4.1.1.2 Trust

This subsection responds to the Trust question according to the interview guide in (Appendix 1). When we asked the interviewees how a car retailer maintain the trust that allows them to remain really satisfied with their car purchases their preferences where able to be collected within three general areas. Firstly, the interviewees express that trust to the retailer is build when the promises from the personnel is fulfilled. Trust to the retailer occurs when they fulfil the promises that the salesperson or other personnel have given to the customer (P1, P5, P6, P8, P9 & P10). “Trust is maintained when the seller is responsible for what he says or what we have agreed upon” (P8). Secondly, the interviewees express that one important thing that builds trust is when the salesperson shows interest for the customer after the delivery. Thus, trust to the retailer occur when the salesperson a while after the purchase reconnecting to the customer, to ask about the customer's experiences from the purchases (P1, P2, P5, P7 & P8). “Something that builds trust is when the salesman asks about the experience of the last purchase, and if everything has worked well” (P1).

Finally, the interviewees express that the salesman a while after the purchase reconnect to the customer will not be enough in order to remain trust to the retailer. The interviewees finally express that they expect their contact person/the salesperson to assistance them when questions arise and defend their interests if problems occur after the purchase (P1, P3, P2, P4, P5, P7 & P10). “If there are any problems or questions arise, I expect that my contact is taking responsibility so the problem gets resolved. He makes it easy for me and will not let his hands of only because the car is delivered. For me, that builds trust” (P4).

#### 4.1.1.3 Communication

This subsection responds to the Communication questions according to the interview guide in (Appendix 1). The interviewee's expectation in order to remain really satisfied with the communication from their car retailer was according to the interview guide (Appendix 1) divided within their expectations concerning social interactions related to the sales and within their expectations concerning advertising, webpage, brand promotion, direct advertising, etc. Below we have gathered the interviewee expectations of social interactions in order to remain really satisfied. Relationship communication within the car retail industry contains of many different aspects, such as in a customer-oriented way create trust and meet the customer's needs. The respondents linked relationship communication within sales to both how they were treated by the employees and also to how the car retailer follow-up activities against their customers. When the interviewees were asked how they think that the relationship communication between the car retailer and them should be in order to make them really satisfied with their car purchase, their response was able to categorize within two main areas. The number one priority among our interviewees, who they consider as an important factor for a further relationship were a friendly reception

from the employees. This is a cornerstone and the obstacle that the company has to pass in a good way in order to continue to build a relationship (P1, P3, P4, P6, P8 & P10). “I see the personal interaction when I enter a retailer as the most important one. When I enter the store I want someone to meet me with a greeting, as a customer, I want a personally treatment and feel noticed” (P1). “I expect personal integration where my customer needs are in focus” (P4). The second thing that the interview brought up was to consider as necessary if the retailer strives to achieve good relationship communication was to follow up the sales. That means that the salesman or the company calls or in some way get in contact with the customer a while after the purchase and then ask if the customer are pleased with the car, and also ask if there is further questions that the customers have thought about (P5, P6,P9 & P10). “I want the retailer to follow up my car purchase, listen if I was happy and satisfied with my car” (P9).

Marketing communication is an important way for the retailers to communicate with their customers. Marketing communication can be done through advertising, webpage, brand promotion, direct advertising, etc. When we asked the interviewees what they expect concerning the marketing communication from a car retailer in order to remain really satisfied with their car purchases their preferences where able to be collected within two general areas. Firstly, the interviewers expect to receive customized advertisement from the retailers by e-mail or regular mail. Advertisement containing new models, new technical equipment or other offers that suits the individual customer's needs (P1, P2, P4, P5, P6 & P9). “I want to feel personally selected in the communication that is addressed to me. I appreciate to receive customized offers by e-mail from the retailer, likewise, i appreciate a well-made magazine with inspirational reading from the brand” (P4). Above the expectation from the interviewees concerning customized advertisement the interviewers expect that the retailer has a structured, informative, and well updated webpage where information should be easy to find (P5, P6, P7 & P8). “I spend a lot of time on the retailer’s website” (P7)-

#### 4.1.2 Service

In this subsection, we have gathered the interviewees' expectations from service that lead to satisfaction. This subsection follows the structure according to the interview guide in (Appendix 1), which is based on the structure of the framework described in Figure 2. The questions in the interview guide clearly ask for the interview expectations in order to feel satisfaction from the different dimensions related to service. All the answer is related to the interview expectations according to the current question. This subsection is divided within the subsubsections value, service quality, communication and trust that all are linked to the service perspective.

##### 4.1.2.1 Value

This subsubsection responds to the Value question according to the interview guide in (Appendix 1). The word value is linked both to the price someone pays for a product or service but it is also related to the experience surrounding the purchase of the service or the product. In a car service perspective, it may for example be a brilliant treatment or a service time at short notice or that they offer the customer to test their most recent demonstration car during the time their car is left for service. When we asked the interviewees what value creation that makes them to remain really satisfied with their car's service many different aspects and experience were described. The interviewee's different aspects and experience were able to divide into three areas. Firstly, all the interviewees agreed on the fact that it creates added value when a retailer shows more effort and do the little extra to make the customer satisfied. For example, this occurs when the service employees do little more on the car than agreed in the service contract. "We left our car to complaints measures, during the same visit the employees updated the software in the entertainment system, which they usually only do when you leave the car for a regular service" (P1). "For me it creates added value when they thought outside the box and does little things such as refill windscreen washer fluid or replaced the wipers even if they are not included in the contract" (P2).

A few of the interviewees has actually mentioned the same concrete example of what value creation is for them and that is something that retailers can have in their mind when working with this kind of questions. As one value adding activity the interviewees mention such things as it's so simple to wash the car if it's dirty (P4, P7, P9 & P10). "I have worked in the service business in many years, and something that I have been taught is to leave a product to the customer in a better way than before" (P7). Another common value creating aspect is when the retailer offer different solution or services while the customers are waiting to receive the car from the service. Something that is appreciated is when the retailer offers the customer to borrow a free car during the time their own car is left for service (P3, P5, P6, P7 & P8). "I expect that the car retailer should ask me if I want to borrow a car, it should be in their interest to offer their customers to borrow a car for free. This to support the relationship which can lead to a long-term customer commitment" (P3)

#### 4.1.2.2 Service quality

This subsection responds to the service quality questions according to the interview guide in (Appendix 1). The interviewee's expectation in order to remain really satisfied with the service quality from their car services was according to the interview guide (Appendix 1) divided within their expectations of performed work quality and used materials and within their expectations of the treatment and the process related to the service. Below we have gathered the interviewee expectations of performed work quality and used materials related to the service in order to remain really satisfied. Their expectation is able to divide within three general areas. Firstly, the interviewees expect that a regular service should be correctly performed the first time. After a regular service, everything should just work afterward without the need to return back to the service provider again (P1, P2, P4 & P7). "Without exception, I expect 100 per cent performance on the service result" (P4). Secondly, apart from the expectations that the service should be correctly performed the first time, the interviewees also expect that the service provider will take good care of their car. The car should be delivered back in the same condition as when it was handed in for service (P1, P5, P7 & P9). "You should not find that the car is dirty inside after that the service guys been in there" (P1). For the third, the interviewees expect that the service provider is authorized, have the right competence and the equipment. Thus, it is generally expected is that the service should be professionally performed with the use of original spare parts and in a way so the guarantees are maintained (P2, P3, P5, P6, P8, P9 & P10). "I expect that all the notes according to the service book will be performed" (P6).

Further on when we gathered the interviewees expectations of the treatment and the process related to the service in order to remain really satisfied. Their expectation is able to divide within four general areas. Firstly, the interviewees expect that the service provider in the near future can meet their individual needs for time booking. Flexible time booking is important (P5, P6, P7, P8 & P10) "I expect a flexible time that suits me. So that I, for example, can leave the car at service in the morning before I go to work, and pick it up during the lunch" (P5). Secondly, they highlight that equal Important to the flexible time booking, is that the service provider can deliver punctually. The leave, pick up time and price shall be according to an agreement (P1, P3, P6, P7 & P10) "I expect that what we agreed on, regarding leave, pick up times and price applies" (P1). For the third, the interviewees expect to be told what is done with the car during the service. After the service, a clear briefing about what is done should be provided (P4, P5 & P9). "I expect to get a clear briefing of what is done in the service and why" (P4) For the fourth, the interviewees also express their expectations to have a friendly and familiar service contact. Commonly expected are a friendly reception from the employees and a personal service contact (P2, P3, P4 & P8) "I expect to be well treated and I expect to be able to go to the same service recipients every time I serve my car" (P3).

#### 4.1.2.3 Communication

This subsection responds to the Communication questions according to the interview guide in (Appendix 1). The interviewee's expectation in order to remain really satisfied with the communication from their car retailer was according to the interview guide (Appendix 1) divided within their expectations concerning social interactions related to the sales and within their expectations concerning advertising, webpage, brand promotion, direct advertising, etc. Below we have gathered the interviewee expectations of social interactions in order to remain really satisfied. Relationship communication within the car retail industry contains of many different aspects, such as in a customer-oriented way create trust and meet the customer's needs. When the interviewees were asked how they think that the relationship communication between the car retailer and them should be in order to make them really satisfied with their car services, their response was able to categorize within two main areas, the first area concerns the feedback the customer expect from the service provider and the and the second area concerns the process of getting in touch with the retailer. Concerning the first main area, some of the interviewees have experienced that they have been deceived in the service context where the car retailer had performed activities that aren't agreed. For instance, breaks have been changed when it's not necessary. In this case is it better for the service provider to call the customer before making any further changes, it just creates frustration (P5, P6 & P9).

Concerning the second main area, some of the interviewees stated that an important factor in the relationship marketing is where the company always feels accessible, where the customer can call, ask questions, and where the retailer is flexible in the way of handling the customers (P2, P5, P8 & P10). This concerns aspects as listen to the customer's needs, help the customer within a reasonable time, answer questions and be accommodating (P8). One of the interviewee stated that "When I leave my car to service I expect friendly reception and professional employees that takes care of me and my car in a good way" (P7). Common for this first main area is the importance of personal integration with the customer. Besides the expectations of personal integration and friendly reception the interviewees also expect a professional treatment where the employees convey the feeling that they are professional in what they are doing (P2, P7 & P9). One of the interviewee state "Through their response, employees can convey a sense that shows that they know their things" (P2).

Marketing communication is an important way for the retailers to communicate with their customers. Marketing communication can be done through advertising, webpage, brand promotion, direct advertising, etc. When we asked the interviewees what they expect concerning the marketing communication from a car retailer in order to remain really satisfied with their car services their preferences was nearly all the same in this question and the interviewees were united in the sense that they all appreciated price-reduced service offers from the car retailer. They responded that campaigns where the car retailer offers a discount on the service or personally targeted service proposal is expected by e-mail or regular mail (P1, P3, P4, P5, P7, P8 & P9). The following statements are representative for

the answers we have received “I expect campaigns are sent home to me regarding different service offers” (P5) and “Offers are always welcomed” (P7 & P8).

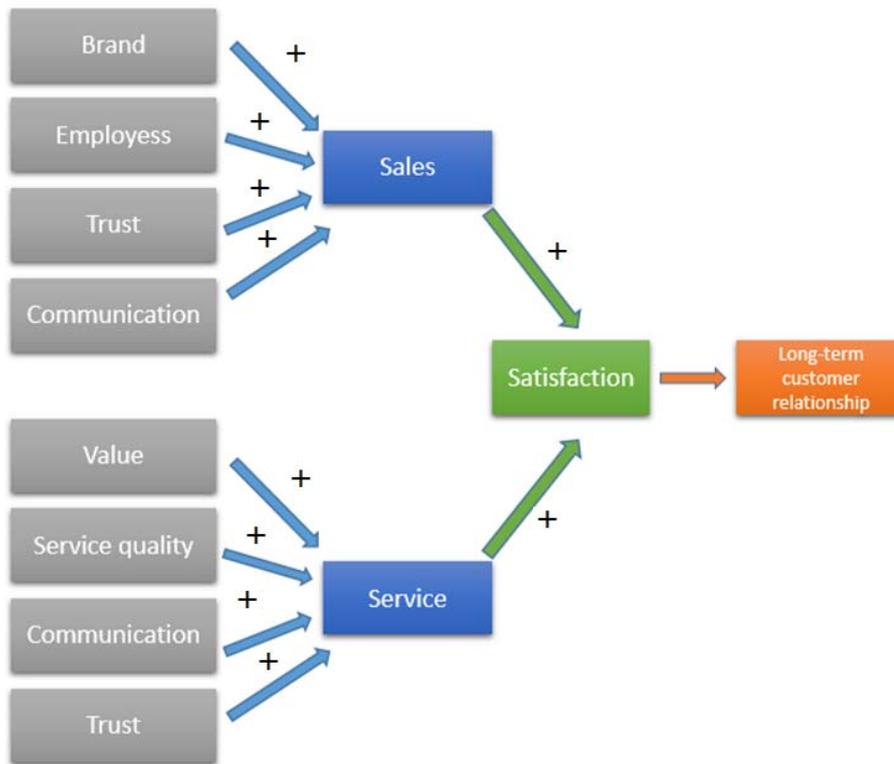
#### 4.1.2.4 Trust

This subsection responds to the Trust question according to the interview guide in (Appendix 1). When we asked the interviewees how a car retailer maintain the trust that allows them to remain really satisfied with their car services their preferences where able to be collected within three general areas. In the first general area, the interviewees express that trust is built when the service is correctly performed. Thus, trust to the service supplier occur when the personnel is perceived as professional (P1, P5, P6, P7, P8, P9, & P10). One interviewee states that “Trust is maintained when the service is performed correctly and in a way, so the warranties should be valid” (P5). In the second general area, the interviewees express that trust is built when the service provider is honest. The service provider needs to be honest with if something went wrong or was damaged during the service and also explain how they solved or attend to solve the incident (P5 & P7). One interviewee states that “In order to maintain trust, I expect that they are honest if something has gone wrong during the service, for example, ‘We happened to scratch your car but when we polished the scratch it disappeared’. I will not find it myself afterward” (P5).

The interviewees express that they are aware that things time to time can go wrong, but in those cases, the service provider need, to be honest in order to remain trust (P5 & P7). In the third general area, the interviewees express that one important driver for trust is that time agreement concerning service booking is fulfilled. The service provider need to fulfil their agreement concerning the leave and pick up time in order to build trust (P3 & P6). One interviewee states that “In order to maintain trust, I expect that the service provider keeps the promised times for the service” (P3).

#### 4.2 RQ2: Can Satisfaction through sales and service lead to long-term customer relationship for car retailers?

Below we have gathered the interviewee's intention to stay in a long-term customer relationship with the dealer that can satisfy their expectations from the various dimensions related to sales and service. This section follows the structure according to the interview guide in (Appendix 1), which is based on the structure of the framework described in Figure 2. Figure 4 below shows the potential relationship between satisfaction and long-term customer relationship according to RQ2.



*Figure 4 The relationship between Satisfaction and Long-term customer relationship*

#### 4.2.1 Long-term customer relationship

This subsection responds to the Long-term customer relationship question according to the interview guide in (Appendix 1). The findings in this subsection are based on the assumption that a retailer can satisfy the interviewees' expectations for the various dimensions related to sales and service according to the interview guide. Below we have gathered the interviewees respond to the question if this satisfaction from sales and service would make them stay in a long-term customer relationship with the retailer. Fulfilled satisfaction from sales and service within in the perspective of purchase or leasing of new cars tends to lead to a long-term customer relationship. The majority of the interview interviewees express that this satisfaction would make them stay in a long-term customer relationship with the retailer (P3, P4, P6, P8, P9 & 10). They responded, "Yes" (P3, P8, P9 & P10) or "Yes, definitely" (P4) or "Yes, I have purchased six cars in a row at the same place, the retailer meets all those requirements" (P6).

Three of the interview interviewees express that this satisfaction would make them stay in a long-term customer relationship with the retailer if in addition the following expectations are fulfilled... (P1, P2 & P5). They responded "Yes, but only if the dealer (without losing their personal approach) can offer a product range regarding price and product that meets my expectations over time" (P1) or "Yes, but only as long as there is not a better deal on price and product to find from other suppliers" (P2) or "Yes, if you have everything in the same place, easily accessible. service, collision damage workshop and tire service together with your personal salesman. Then I would stick to the same place all the time" (P5). Finally, one interviewees express that "The chances then become larger. However, since I have the privilege and also enjoy trying many different brands, I can't stay with the same dealer" (P7). Later on, he on express that "If they meet up to my expectations, I can definitely see myself re-establish long-term customer relationship, where I can find the most car for the money below 7,5 base amounts" (P7).

## 5 Analysis

This chapter presents an analysis regarding how the Empirical data from chapter 4 is related to the Theoretical background in chapter 2. In this chapter, the empirical data is compared with the theories from the theoretical background chapter in order to come up with conclusions based on previous research as well as conclusions that extend the existing field of literature. The analysis is performed and presented within the sections about; sales and service. This chapter, as well as the chapter before is based on the structure of the framework described in Figure 2

### 5.1 Sales

This section concerning sales presents an analysis regarding how the empirical data from chapter 4 is related to the theoretical background in chapter 2. The analysis is performed and presented within the subsections about; brand, employees, trust and communication.

#### 5.1.1 Brand

The empirical result shows that there is a spread among the interviewees concerning how many car brands or in other words the brand representation that they expect a car retailer to represent in order to remain really satisfied with their car purchase. Five of the interviewees based their respondents in a common area, where they argue that it doesn't matter how many car brands a retailer represent, more important is that the retailer can offer a car that meet their demands concerning price, quality, and product. This result support the statement from (Aaker, 1991) that brand representation plays an important role for how the company position themselves for attracting right customer segment, those if a company achieve a successful brand representation it will be hard for competitors to challenge. The results also support the statement from (Aaker, 1991) that perceived quality play an essential impact on the brand's equity which is linked to a brand's overall value. Thus, when the brand is not living up to the expected quality compared to price, then it creates dissatisfaction. Furthermore, the empirical results show that three of the interviewees prefers car retailers who are specialized within just one or two car brands. They stated that they want the specific experience which occurs when the employees are specialized in a small range of brands. All of the interviewees that mentioned that they prefer a specific brand are also loyal to their car brand and have been for a few years. Andersson et al. (1994) explain this as behavioural brand loyalty, which is linked to a number of purchases a customer has conducted. While, Aaker (1991) further states that when this happens, a successful branding has been made by the company.

#### 5.1.2 Employees

The empirical result shows that 50 per cent of the interviewees express that it is important that the employees are service minded and focus on the customer and do their best to meet the customer's needs and requirements. Which also is supported by authors like, Mosley (2007); Wilson et al. (2012) state that service employees are an important part of how the customer perceive a company and its offering. While author as Reishheld (1994, p.12) goes even further and states that “loyal employee learns, over time, how to serve the customer,

and the loyal customer learns how to access the business system in a way that makes it easier to be well-served". Four of the interviewees also mentioned that they expect that the employees possess good knowledge about the products as well as the offers. Among them one of the interviewees told a story about a bad experience from when he should purchase a car, and he knew more about the technical equipment of the car than the employees did. In the literature, Mosley (2007) highlights the importance that customers perceive an authentic service experience which links the company and their services with the brands that they promote. He states that the most celebrated service companies today meet this demand by ensuring that the employees "have a clear understanding of the brand promise, and then encourage employees to act naturally" (Mosley, 2007, p.128).

Three of the interviewees express that it important for a salesperson to sense whether a customer desires help or just want to be left alone and have a look, those they expect that their need for privacy is respected. In situations like this Wilson et al. (2012) highlight that the service that customers perceive from contact employees (even in companies with more complex offerings), may personalize the company in the customer's eyes. Thus, an employee's poor service delivery significantly can influence the perceived customer satisfaction between the customer and the company.

#### 5.1.3 Trust

The empirical result from the service context shows that six of the interviewees express that trust which the retailer has built when promises from the personnel is fulfilled. This confirms a theory from Grönroos (1990) that trust is a product achieved by mutual exchange and fulfilment of promises. Furthermore, five of the interviewees expressed that an important aspect that builds trust is when the salesperson shows interest in the customer's experience even after the delivery of the sold car. This confirms the theory from Morgan and Hunt (1994) who proposed that the emotional force that commits customer to a company need both the mediators of trust and commitment. Finally, seven interviewees express that even if the salesperson, gets in contact after the purchase, it will not be enough to retain trust to the retailer. Thus they expect their contact person/the salesperson to assist them when questions arise and to defend their interests if problems occur after the purchase. This partly confirms the theory from Grönroos (1990) who proposed that there are three aspects of trust connected to how the customer will develop trust with the company itself; those aspects are: trust to the sales force within the company, trust to the technology offered by the company and trust to the processes within the company.

In summary, additional to the existing theories of trust our empirical result shows that the interviewees also expect that their contact person/the salesperson should defend their interests towards the organization if problems occur after the purchase.

#### 5.1.4 Communication

The empirical findings on the interviewees' expectation with the communication from their car retailer was categorised into their expectations concerning social interactions linked to the sales and their expectations concerning, webpage, brand promotion, and direct

advertising. In a relationship context, the interviewees bring up a friendly reception from the personnel as the most important expectation. This was a requirement for the interviewees if the company would even have a chance to build further relations. One of the interviewees state that “When I enter a retail store I expect that someone is coming to me directly and ask if I want some help, most important is that I feel appreciated of the company” (P6). Wilson et al. (2012) supports this, where they argue that if a customer feels uniqueness and special treatment, the customer experience leads to higher satisfaction. This is further confirmed by some of the interviewees. One interviewee stated, “When I feel special treated by the company, then they have succeeded” (P10). Some of the interviewees also mentioned that if the retailer strives to achieve good relationship through communication they need to follow up the sales. That means that the salesman or the company calls or in some way get in contact with the customer a while after the purchase and then enquire if the customer is pleased with the car; further enquiry into the customer’s thought and feelings about their purchase can be obtained. Wilson et al. (2012) call this type of action assurance; the purpose of assurance is to establish trust in relationship communication. One of the interviewees states that “I expect an open and honest conversation where the company specific getting in touch with me in person. Further on I expect that the company can answer my questions, refer to me right or that they say, we will check it up and contact you later” (P5).

Market communication is the other road in the communication area. The empirical result revealed that 70 per cent of the interviewees expect to receive customized advertisement from the retailers by e-mail or regular mail. Advertisement containing new models, new technical equipment or other offers that suits the individual customer's needs where preferred. One of the interviewees state that “I like customized aimed advertisement and I like also when the retailers arrange different events, where you as a customer can test-drive different cars but also establish contacts with the company” (P9). Those results support the results from Dhalén (2003) who propose that companies must be flexible regarding how they adapted the advertisement to the customer. The results further support the findings from Iyer, Soberman, & Villas-Boas (2005) who propose that targeted advertising make the customer feel uniqueness and decreases the chances of waste, because the advertisement coming to the right customer segment.

In addition to the existing theory we propose that targeted advertisement is one puzzle piece that can be linked to the overall satisfaction. We support this theoretical contribution by the fact that 70 per cent of our interviewees actually requested targeted advertising.

## 5.2 Service

This section concerning service presents an analysis regarding how the empirical data from chapter 4 is related to the theoretical background in chapter 2. The analysis is performed and presented within the subsections: value, service quality, communication and trust.

### 5.2.1 Value

When it comes to value and value adding activities in connection with car servicing, all of the interviewees agreed on the fact that it creates value when a retailer shows more effort and do the little extras to make the customer satisfied. Some of the interviewees stated that they don't expect much, it is enough to be served by service minded personnel or that they do something extra on the car that is not stated in the service contract. This is also supported by Woodruff (1997) who proposed that value adding activities could be performed through activities as social interaction and on time delivery. The empirical results show that another appreciated value creating aspect is when the retailer offer different solutions or services to their customers while the customers are waiting to receive the car from the service garage. Something that is appreciated is when the retailer offers the customer to borrow a free demo car during the time their own car is left for service, as this saves time for the customer and add value through convenience. This is consistent with the proposal from Zineldin (2006) that the total value provided to a customer should be higher than the total cost to a customer. Where the total value involves, a function value, product value, service value and the cost values can be money, time, shopping around efforts and energy spent.

### 5.2.2 Service quality

Satisfaction with the service quality was highlighted to be based on two key aspects, according to the empirical data from our interviewees. The first aspect, relates to the expectation of the quality of the work performed and the quality of parts used. The second aspect relates to the expectation of the quality of processes employed by the company. Four interviewees expect that a regular service should be correctly performed the first time; such that after a regular service, everything should just work without the need to return back to the service provider. This result supports the findings by Mittal and Lassar (1998, p.188) who state that "once the car is repaired well (resulting in satisfaction)". Apart from the expectations that the service should be correctly performed the first time, four of the interviewees also expect that the service provider will take good care of their car. Additionally, seven of the interviewees expect that the service should be professionally performed with the use of original spare parts and in a way so the guarantees are maintained. All this further supports the findings from Mittal and Lassar (1998) who propose that in order to achieve satisfaction in the first place, the technical quality of service needs to be well performed.

Looking at the processes related aspects, we are able to categorise the empirical data into four general areas. Firstly, five of the interviewees expect that the service provider in the near future can meet their individual needs for time booking, thereby a flexible time booking is considered as important. Secondly, five of the interviewees highlight that it is

equally important to have the service provider deliver punctually. They expect that the drop off, pick up time and price shall be according to the prior agreements. For the third category, three of the interviewees expect a clear briefing afterwards about what was done with the car during the service. And for the fourth category, four of the interviewees express their expectations to have a friendly and familiar service contact person. The results within those four general areas support the findings from Grönroos (1994) who propose that when a similar technical quality can be provided by several companies the multiple interactions during the process that lead to the satisfaction outcome will be dominated by how customers perceive the service quality. The results also support the findings from Mittal and Lassar (1998, p.188) who propose that “once the car is repaired well (resulting in satisfaction), the functional quality (e.g. mechanic’s caring and empathy) becomes the driving force for customer loyalty beyond satisfaction”.

### 5.2.3 Communication

The empirical data on the interviewee’s expectation related to the communication from their car retailer was categorised into social interactions related to the servicing context and within their expectations concerning webpage, brand promotion, and direct advertising.. In a relationship context, the interviewees in general bring up a friendly reception from the personnel as the most important expectation. The other general expectation from the interviewees was to be able to trust that the service employees are going to take good care of the car. Three of the interviewees have experienced that they have been deceived in the service context where the car retailer has performed activities that were not agreed. For instance, breaks have been changed when such service was not yet necessary. In this case, the interviewees expect that the service provider call the customer before they make any further changes, otherwise it just creates frustration. This result supports what Wilson et al. (2012) propose, namely that employees must have a professional response to the customer to build up trust and show the willingness to help and offer the service that they need. If the service provider fail to deliver within this area, dissatisfaction will occur. One of the interviewees stated that “Knowledgeable employees, know what they are doing and do what has been said in the agreement” (P9). That statement refers to the basic criteria’s and what the customer refers to as obvious. This finding, support the research from Mohr and Spekman (1994) who propose that a company must take responsibility of what has been stated in an agreement and deliver according to the performance criteria, otherwise dissatisfaction will occur.

Market communication is the other road in the communication area. The empirical result revealed that the interviewees in general expect to receive campaigns where the car retailer offers a discount on the service or personally targeted service proposal sent by e-mail or regular mail. Those results once again support the results from Dhalén (2003) who propose that companies must be flexible regarding how they adapt the advertisement to the customer. According to Wilson et al. (2012) campaigns are one common way where companies try to attract customer through reduced price offers valid for a short time.

In addition to the existing theory, our empirical findings lead us to assume and propose that campaigns through customized advertisement may be the most effective way for a service company to attract customers. It can be a win-win scenario for both parts; the customer gets a cheaper service deal, while the company gets the opportunity to build up a relationship.

#### 5.2.4 Trust

The empirical result from the service context shows that six of the interviewees express that trust to the retailer is build when the promises from the service personnel is fulfilled. This confirms the theory from Grönroos (1990) that trust is a product achieved by mutual exchange and fulfilment of promises. Furthermore, five of the interviewees express that one important factor that builds trust is when the salesperson shows interest with the customer even after the delivery. This confirms the theory from Morgan and Hunt (1994) who propose that the emotional force that commits customer to a company need both the mediators of trust and commitment. Finally, seven interviewees express that the salesperson a while after the purchase reconnect to the customer will not be enough in order to maintain trust to the retailer. Thus, they also expect their contact person/the salesperson to assistance them when questions arise and defend their interests if problems occur after the servicing is conducted. Which partly confirming the theory from Grönroos (1990) who propose that there are three aspects of trust connected to how the customer will trust into the company itself, those aspects are; trust to the sales force within the company, trust to the technology offered by the company and trust to the process within the company. Above the existing theories of trust our empirical result shows that the interviewees also expect that their contact person/the salesperson should defend their interests towards the organization if problems occur after the purchase.

### 5.3 Long-term customer relationship

The empirical result shows that seven of the interviewees express that fulfilled satisfaction from sales and service within in the perspective of purchase or leasing of new cars would make them stay in a long-term customer relationship with the retailer. This confirms the theory from Grönroos (1990); Terblanche and Boshoff (2006); Zineldin (2006) that the perceived satisfaction from multiple interactions will affect the customer's intentions for future purchases. Upon the seven interviewees mentioned above, an additional three of the interviewees express that this satisfaction would make them stay in a long-term customer relationship with the retailer if in addition the following expectations are fulfilled: there is no better deal on price and product to find from other suppliers, the dealer (without losing their personal approach) can offer a product range regarding price and products that meets expectations over time and that the retailer have everything in the same place (service, collision damage workshop and tire service together with a dedicated customer relationship manager) easily accessible.

To satisfy these expectations, lower profit and higher operating costs for the retailer may be the outcome. Grönroos (1990); Zineldin (2006); Gee et al. (2008) touch on this issue and highlight that long-term customer relationship is not always going to be profitable for

the company. As stated by Gee et al. (2008, p.370) “operating costs for customer segments should be monitored to ensure they are not disproportionate to the profit the organization receives from these customers”. This background makes us support the following statement from Zineldin (2006) that the value of a long-term customer relationship shall be measured in regard to the customer’s potential lifetime value for the company. Beyond the existing theories on long-term customer relationship building, our empirical results propose that fully perceived customer satisfaction in relation to a company will be the main driver to achieve long-term customer relationship.

#### 5.4 Concluding Discussion

The purpose of this thesis was to gain knowledge from the customer perspective, about how car retailers can work in order to maintain long-term customer relationship with their customers; a knowledge that is applicable for car retailers as well as for the industrial wisdom within the automotive industry. In this thesis, we have investigated if there are circumstances that lead to long-term customer relationship according to the framework outlined in Figure 2 in the theoretical background section.

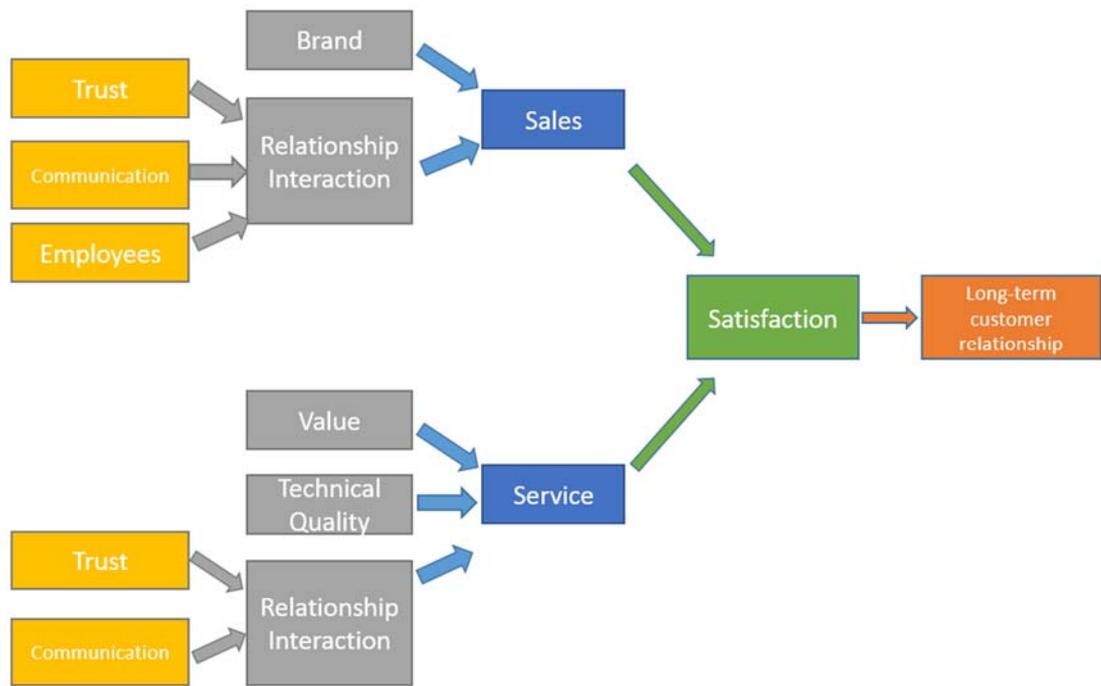
With regards to RQ1, the results revealed that there is a general block with empirical findings confirming the existing literature the factors that can lead to perceived customer satisfaction within sales and service for a specific car retailer. Within sales, the results reveal that no matter how many brands the retailer represents the customer expects that a retailer offers a wide product range that can meet the changing demands that occur over a lifetime. Additionally, within sales, our results reveal that the customer expectations from the areas of employees, relationship communication, market communication and trust overlapped each other. Which make us combine those four areas into a new category called relationship interaction. In relationship interaction, our findings propose that the salesperson and the rest of the sales organization need to work with an active, friendly, and flexible reception. They should actively work on analysing the customer’s needs and always staying truthful with the customers. Above that our findings propose that all advertisement from the retailer to the customers should be customized. Finally, the customers expect their salesperson to assist them and act as their contact person from the retailer if questions or problems occur after the purchase.

Within service the results reveals that the customer in order to develop a feeling of satisfaction expects value creating activities, such as the retailer offering the customer to borrow a free demo car during the time their own car is left for servicing. Above those, other activities are expected, such as the service employees (free of charge) does little more with the car than agreed in the service contract. When it comes to service quality expectations, the threshold is high regarding the technical quality or in other words the performed work quality and the materials used. Our findings propose that customers expect nothing less than a professionally full-fledged result. Furthermore, the results reveal that the customer expectations from the functional quality, or in other words the treatment and the process related to the service, together with their expectations of relationship communication, market communication and trust overlapped each other. Which leads us to

combine these four areas into a new one called relationship interaction. In relationship interaction, our findings propose that the person who performs the service and the rest of the service organization need to work with an active, friendly, and flexible reception. Furthermore, the findings highlight that it is important that the company always feels accessible and allow the customer to call, ask questions, and where the retailer is flexible in the way of handling those customers. In the service situation, the customers expect a familiar service contact to assistance them in the service situation. The employees should actively work with analysing the customer's needs and always stay truthful with the customers. Above that our findings propose that all service related advertisement from the retailer to the customers should be customized. Finally, the customers expect to perceive the employees as professionals before developing trust with the service supplier.

In relation to RQ2, the results revealed that 60 per cent of the interviewees are willing to remain in a long-term customer relationship with the retailer that can fulfil the expectations according to RQ1. These results reveal that managers should be aware that even through recent researchers propose that customer loyalty is decreasing, our study reveals that there is still significant group among the customers that believe in long-term customer relationship to car retailers that can achieve Satisfaction through sales and service. By answering those two research questions this study was able to put in place an empirical framework for the factors that drive satisfaction within sales and service; and also demonstrate the relationship between satisfaction and long-term customer relationship. The result of the study contributes with new knowledge to the existing body of knowledge; by devising a framework for long-term customer relationship that can be applied to Car retailers in In a theoretical field where there is an absence of generally accepted models for how to achieve customer loyalty, our study contributes new knowledge from a different perspective than what has been previously undertaken.

Figure 5, provides a summing up of the outcome of this concluding discussion, and provides the updates made to the proposed framework, as a result of the implementation of the relationship interaction category.



*Figure 5 Final framework of long-term customer relationship*

## 6 Conclusion

### 6.1 Answer to RQ1 and RQ2

The purpose of this study was to gain knowledge about long-term customer relationship within the car retail sector, knowledge that is applicable for car retailers as well as for the industrial wisdom within the automotive industry. In this study, we have investigated if there is circumstances that lead to long-term customer relationship according to the framework in Figure 2. Our research focussed on long-term customer relationship in the context of purchasing or leasing of new cars. Analysis and discussion of results allow us to present the conclusion to our two research questions:

(RQ 1) The circumstances from sales and service that leads to satisfaction within the car retail sector are when the retailer:

- Work hard with personified relationship interaction at all levels of the customer interaction
- Focuses on offering products and services according to the customer's current needs
- Delivers in a professional way according to their profession
- Always stay honest to the customer

The answer is based on the analysis related to RQ1. The answer is consistent to existing literature where research proposes that if a customer feels uniqueness and specially treated the customer experience higher satisfaction (Wilson et al. 2012), upon that, companies must be flexible regarding how they adapt advertisement to the customers (Dahlén, 2003). Employees must have a professional response to the customer to build up trust and show the willingness to help and offer the service that they need (Wilson et al. 2012), those trust and commitment is the mediators for the emotional force that commits customer to a company (Morgan & Hunt, 1994).

(RQ 2) Satisfaction through sales and service can lead to long-term customer relationship for car retailers, if the retailer fulfils the expectations according to RQ1.

This answer is based on the analysis related to RQ2. The answer is consistent to existing literature where research proposes that a customer's feeling and perceived satisfaction from multiple interactions, will affect the customer's intentions for future purchases (Grönroos, 1990; Terblanche & Boshoff, 2006; Zineldin, 2006).

## 6.2 Managerial Implications

The result of the study contributes new knowledge to the existing body of knowledge, by developing a framework for long-term customer relationship that is tailored to car retailers in particular but also to retailers in general, particularly those focused on sales and service. In a theoretical field, where there is an almost absence of generally accepted models for how to achieve customer loyalty, our study contributes by adding new knowledge from a different perspective than what previously is undertaken. Thus our framework is tested through a qualitative study based on the customer's perspective in contrast to previous research which in general is based on models that are proposed and tested through quantitative research. The final framework of long-term customer relationship in Figure 5 will be the managerial implications that our study provide. The framework visualizes that long-term customer relationship can be the result if all the links in the chain are solid.

We propose that manager should be aware that targeted advertisement is one puzzle piece that can make a positive contribution to the overall satisfaction as a customer experiences. Upon that, managers should be aware that campaigns through customized advertisement might be the most effective way for a service company to attract customers. Finally, managers should consider that car retail customer expects their contact person/the salesperson to defend and serve on the side of the customer's interests towards the organization, if problems occur after the purchase has been made.

## 6.3 Limitations

One of the limitations within our study are those that are commonly associated with qualitative research, namely that all the conclusions are based upon a small number on interviewees. The limitation of available time forced us to delimit the study concerning the data-collection, which forced us to restrict the number of interviewees to ten. This may make the proposed relationships within the framework be based on hypothesis confirmed by non-statistically reliable data. Which lead to the fact that the sample size affects the credibility of the thesis outcome. By that reasoning, we decided to not weight the different aspects in the framework against each other, as to do so would not be of academic merit. Another limitation is that all our interviewees were Swedish nationals, based in the same part of the country. This probably affected the outcome from the study; those the empirical findings only reflect experiences from Swedish car-retailers. The results may be different, if experiences from interviews within other countries were also included in the study. Another limitation is that we through the geographical distance between us and the interviews had to perform a few of the interviews via skype and phone. The limitation with that interview approach is the challenge to get a good flow in the conversation and to pick up the inner feelings of the interviewees, characterised by body language and non-verbal communication.

## 6.4 Future research

As further research, we propose that researchers to test the final framework of long-term customer relationship in Figure 5 as a model in a quantitative study, where the questions are built upon the empirical findings in chapter 4. If the model is valid, the researchers had proven a model that fills a gap in the literature for how retailers can work in order to obtain long-term Customer relationship. To follow up the limitations that our study only focus on the Swedish context, we propose that researchers test if this framework is scalable in a global context and investigate how other nationalities experiences the aspects in the framework. Moreover, it should be interesting to see if this model is applicable in another context than the car retailer sector. Could this framework be applicable for other retailer's active within for example; forest products, motorbikes, bikes, or caravans?

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## Appendix 1: Interview guide

*Secure that the interview person meets the requirements:* The interviewee has over time purchased or leased one or more new cars from a car retailer. These cars need to be purchased and serviced proper during the lease period or warranty period. Owners of business cars will be allowed to participate if they are allowed to freely choose among retailers and brands. The latest car, need to be purchased or leased within the last 36 month.

*Inform about the ethical aspects:* Ensuring of anonymity for the interviewee and that no harm will come to them. Ask the interviewee's for their permission to use the information from the interview in our report. Ask for permission to record the interview. Ask about age, number of new cars owned (both leased cars and bought cars). Note the gender.

*Inform that:* This interview is part of our study about: How to achieve long-term customer relationship in the car retail sector?

With long-term customer relationships, we are referring to a close relationship between a car retailer and a customer that can last for a lifetime (Zineldin, 2006).

*Clarify that:* All of the questions in the interview relate to the interviewees' own expectations and experiences from new cars in the period of 0-3 years from purchase.

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## Sales

Coming questions concern various aspects related to sales:

### Brand:

A car retailer can represent one or more car brands, the width of the brand representation can vary greatly depending on the retailer.

- How many car brands do you expect that a car retailer represent in order to remain really satisfied with your car purchase in the long-term?

### Communication:

Companies apply marketing communication to communicate with their customers. Marketing communication can be done through advertising, webpage, brand promotion, direct advertising, etc. Lately it has become common with mapping customers, to be able to reach out with customized advertising.

- What expectations do you have on the marketing communication from a car retailer in order to remain really satisfied with your car purchase?

Relationship communication contains many different aspects, such as in a customer-oriented way create trust and meet the customers need.

- How do you think the relationship communication between the car retailer and you should be in order for you to remain really satisfied with your car purchase?

### Employees:

How the customer perceives themselves be treatment from employees, has proven to be both important and critical in studies of customer satisfaction.

- What do you expect from the employees at a car retailer for you to remain really satisfied with your car purchase?

### Trust:

Trust can be seen as a product of mutual exchange and fulfilment of promises (Grönroos, 1990).

- How does a car retailer maintain the trust that allows you to remain really satisfied with your car purchase?

## Service

Coming questions concern various aspects related to your vehicle's service:

### Service Quality:

- For you to remain really satisfied, what quality do you expect on the work performance and the material used on your vehicle's service?
- To remain really satisfied, what responses do you expect from the interactions during the process that leads to that your vehicle's service will be performed?

### Value:

The word value is linked both to the price you pay for a product or service but it is also related to the experience surrounding the purchase of a service or product. In a car service perspective, it may for example be a brilliant treatment a service time at short notice or that they offer you to test their most recent demonstrator vehicle during the service.

- What is the value creation for you to remain really satisfied with your car's service?

### Trust:

- How does a car retailer maintain the trust that allows you to remain really satisfied with your car services?

### Communication:

Companies apply marketing communication to communicate with their customers. Marketing communication can be done through advertising, webpage brand promotion, direct advertising, etc. Lately it has become common with mapping customers, to be able to reach out with customized advertising. Such as a customer unique service offering.

- What expectations do you have on the marketing communication from a car retailer in order to remain really satisfied with your car's service?

Relationship communication contains many different aspects, such as in a customer-oriented way create trust and meet the customers need.

- How do you think the communication between the car retailer and you should be in order for you to remain really satisfied with your car's service?

### Long-term Customer relationship:

The following question assume that a dealer can satisfy your desires for the various aspects related to sales and service as we just gone through.

- Would this satisfaction make you stay in a long-term customer relationship with the retailer? With long-term customer relationship, we relate to a relationship between you and the dealer that can last for a lifetime (Zineldin, 2006).

(If the answer is no, then ask...)

- Why not?
- What else would you expect to stay in a long-term customer relationship with a car retailer (which can satisfy your desires for the various aspects related to sales and service as we have gone through).

### Sum up

Which companies have you based your experience from?

This will be coded in the document; the real company name will not be mentioned. However, we will mention the company's revenue, the number of car brand represented and the number of employees.

Anything else you want to add?

End of questionnaire...