

Customer Loyalty of Amazon

--how to build a long lasting relationship?



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Customer Loyalty of Amazon

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Bachelor Thesis

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Abstract

Aim: The purpose of the study is to do the research that under the e-commerce business model, the impact factors of customer loyalty in an online shopping environment, how to improve the customer loyalty and how to build a long lasting customer relationship.

Design/Methodology/approach: Through to the questionnaire survey research, design and collect sample data, combine with the Amazon Company's current operating mode and the theoretical, and also got the second data. In order to make the data become more and more reliable.

Findings: The studying on improving customer loyalty under the B2C e-commerce model is significant for theory and practice. On the background of Amazon company, which is the biggest e-commerce company in America, according to the relevant literature and field surveys, the paper brings forward the importance of customer loyalty at the e-commerce business. It could come to the conclusion is how to improve the customer loyalty and then how to build the long lasting customer relationship.

Contribution: The paper according to the characters of the online shopping and combine with the literature about the e-commerce and customer loyalty research, Put forward a certain hypothesis, through questionnaire survey on customers, and statistical analysis of the relationship between customer loyalty and its influence factors make an empirically evaluation. The paper gives contribution to the e-commerce business, how to build the long lasting customer relationship.

Key words: Customer loyalty; Customer relationship; Satisfaction; Services; Online shopping website

Paper type: Research paper

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1. Introduction

The first chapter is consisting of 5 parts. This chapter introduced the background of Amazon and elaborated the importance of the customer relationship and customer loyalty. And then clearly stated the motivation of the paper. The last two parts are explained our research limitations and the outline of our thesis.

1.1 Background Knowledge

1.1.1 About Amazon

Amazon.com, Inc. (NASDAQ: AMZN), a Fortune 500 company based in Seattle, which is the one of the earliest began to the e-commerce company. It was opened on the World Wide Web in July 1995 and today offers Earth's Biggest Selection. It also included three subsidiaries, they are Alexa Internet, a9.com and Internet Movie Database, IMDB. Amazon.com and other sellers offer millions of unique new, refurbished and used items (Amazon, 2011).

Amazon bookstore (amazon.com) is one of the biggest bookstores in the world. It provides 310 million books directory, more than the global any bookstore of storing books to 15 times more above. To run the special business needs neither large buildings nor great numbers of staff. Even though there are only 1600 employees in Amazon bookstore. The sales reach 37.5 million dollars per capita, which are 3 times those of Barnes & Noble, the largest bookstore in the world, which has 27.000 employees (Hamiton, 2008).

The commercial activities of Amazon bookstore focus on marketing and the after service. That is, they aim at attracting customers, while building good image for the company.

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To become a customer-oriented company is the mission of Amazon.com (He & Zhang, 2003). The biggest online bookstore—Amazon began to profit in 2002. This is a piece of good news to global electronic commerce development. However, in the following years, electronic commerce suffered from loss.

A survey conducted by the Temkin Group revealed that Amazon has been at the highest rates of customer loyalty in America. Three factors were taken into account in the chart of customer loyalty, including hesitation to switch to other company, readiness to buy more goods from the company and readiness to recommend it to others. The survey showed that customer loyalty had fallen to a new low with just 17% companies getting to the 'very strong' mark for loyalty.

Thanks to its ability to attract repeat customers, Amazon ranks high on the list of customer loyalty at the rate of 68%. The customers choose Amazon again because of its ability to get them the right results. Amazon's performance in customer loyalty stands out when most online companies received significantly lower ratings (Grant, 2011).

1.1.2 Customer relationship

CRM is a combination of hardware, software, process, applications and management commitment to improve customer service, retain customer and provide analytical capabilities (Romano & Fjermestad, 2002). The dynamic process of managing a customer-company relationship such that customer elect to continue mutually beneficial commercial exchanges and are dissuaded from participating in exchanges that are unprofitable to the company (Wiley, 2002).

CRM is not only the implementation of a technology solution about information on their customers, but also CRM could deliver strategic market relationships. It could

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know all the things about their customers all the time. It could do a perfect data collection work and understand well what customers' needs (Donaldson & O'Toole, 2007)

Building sound relationships with customers is the one of the keys to make business successful. Humans build relationships all their lives, be it with their friends, family, employers, colleagues or peers. As humans, we like to stick to what we know, and this behavior reflects in the choices people make regarding which business organizations to deal with. Building customer relationships is as important to business as the price and quality of what are selling.

The enterprise goes through efforts to consolidate and further development with the customers to establish a long-term and stable relationship. In fact, the customer is willing to take this kind of feeling to tell their friends .The effects of this "propaganda" is absolutely much more effective than the enterprise cost a huge commercial shooting . Speaking of the enterprise, the customer retention can bring lower cost than attract a new customer. According to statistics, attract a new customer needs is the cost of maintaining an old customer required cost 5 ~ 10 times (Xi, 2009).

1.1.3 Customer loyalty

Customer loyalty is usually viewed as the power force of the relationship between the attitude of individual's relative and repeat patronage. Customer loyalty is one of the most over used phrases in business today (Shaw, 2000). In the business environment the concept of customer loyalty is important because it is considered to be a profitable link. Loyalty is an economic necessity and a competitive necessity (Reichheld, 2001). Customer loyalty means to attract the target customers, in order to make them repurchase the products.

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The loyalty is as primarily an attitude that sometimes leads to a relationship with the brand to understand the customers spending behavior and satisfaction is very important. And the critical result of the customer behavior and satisfaction is customer loyalty (Nykamp, 2001).

Along with market competition aggravating, the customer loyalty has become the determinant element that influences the enterprise's long-term profits. As a sign of the market share, customer loyalty is more meaningful than that to customer measured market share. As a result, enterprise's managers prefer to pay much more attention to improving customer loyalty aspects, so that to make the enterprise gain critical competitive advantage in the fierce competition.

Economists do some researches on the TOP500 enterprises and find that, the loyal customers are not only doing repurchase enterprise products and services to save expenses of advertising and publicity, but also recommend the products or services to their relatives and friends. In another words, this kind of behavior becomes the personnel sources of the firms. It is the main profits of the company (Li, 2004). Customer loyalty is the important factor when the enterprise marketing working with the customers the managers must pay more attention to. Customer loyalty will help the enterprise have the long-term stable growth means of sales, lower marketing costs and rising profits.

1.2 Motivation of the research

By considering the globally business developing, the rapid development of Internet technology and Internet users' expansion type for human's society has brought new lifestyle and new business model. E-commerce is a new business model which relying on Internet development. It in a sense is a kind of internet innovation based on the traditional business model.

The increase numbers of business-to-consumer (B2C) e-commerce is chiefly

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according to the increasing numbers of people using the Internet from their own homes. Besides, the broadband and the changed way of customer consumption also contributed to the growth. The main reason that people would like to shop online is very convenient for them with a lower prices (Roper, 2004).

In the United States on line retail sales are estimated to have growth from \$172 billion in 2005 to \$329 billion in 2010 (Johnson & Selnes, 2004). Online shopping exhibits different characteristics from traditional shopping (Burke, 2002). Online shopping can offer greater product selection, accessibility and convenience without the restrictions of time and space (Brynjolfsson & Smith, 2000). There are also less tangible and intangible transaction costs than traditional shopping in an online shopping process, such as product searches, price comparisons and delivery, which results in higher shopping convenience, values (Blake et al., 2005;. Childers et al., 2001; Grewal et al., 2004).

Although the new business model developed very fast, there are some new problems which different from traditional business model following. Such as the online shopping safety, the online shopping lack of experiences, customers can't trust online shopping easily etc. But to the sellers, the most important thing is how to sell more products to customers to obtain more profits. And get more and more loyal customers and build a long lasting relationship with them.

Furthermore, the customers are able to compare the advantages of e-commerce sites and traditional stores easily. Just by clicking the mouse, e-commerce sites can be switched to another site if you do not find anything you want; therefore setting up customer loyalty especially for e-commerce is more difficult than traditional business. However by considering current situation of e-commerce, if sellers want to be succeeded they should attract more and more customers to shop online. In order to achieve this goal, it is necessary for seller to build the relationship with customers to strengthen customer loyalty. Thus the main purpose of this paper is to find out how to exactly strengthen customer loyalty of Amazon, and further to build a long lasting relationship with customers so that Amazon could keep going successfully.

1.3 Main Research Questions

- 1) Why do customers choose Amazon? What the element would be concerned with when customers are shopping online?**
- 2) How to improve customer loyalty and finally build long lasting customer relationships under the e-commerce business scale?**

1.4 Relationship between this thesis and previous studies

Previous researches are focused much on the company itself. Even though it referred to customer loyalty, it much more preferred to how to increase the customer loyalty. Some of the researches focused on the successful exiting ways not to find out some new ways. And some of the researches focused on why customer loyalty is very important. But this study is different from earlier work, focused on customer loyalty. In this thesis the authors try to study the different elements which played an important role of the customer loyalty. Try to figure out how much effect do the different elements make to the customer loyalty and find out which elements do the customer care most. There by Amazon could base on these to improve its own strategy to build a long lasting relationship with its customers. So that it could get more and more loyalty customers. Because of customer plays an important role in the transaction. In this study, it could prove that customers could affect the company successful or not. To build a long lasting relationship with customers, to own more and more loyal customers, it is a way for any companies to succeed, especially for the e-commerce companies, Amazon.

1.5 Limitation of the research

The quantitative data method was adopted through designing the questionnaire in order to gather the numerical and standardized data from the website and the people around ourselves. Thereby the collected data might not be exhaustive and objective enough. The study only considered about online shopping behavior therefore it could not represent any issues which are relevant to practical behavior. And due to time limitation, it cannot make a deep and systemic survey on Amazon Company, our research and discussion just focus on the customers' loyalty aspect, it not suitable for other research aspects of Amazon.

1.6 Outline of the study

The paper is composed with 7 parts. *Chapter 1* is the introduction. It introduced the case study-Amazon company's background and elaborated the importance of the customer relationship and customer loyalty to the e-commerce business. *Chapter 2* is the literature and theoretical framework. It's include the e-service quality; the importance of customer relationship, customer satisfaction and customer loyalty. *Chapter 3* is the methodology information research. The positivistic philosophy is adopted; the quantitative approach and quantitative data analysis method to research our study. *Chapter 4* Empirical findings, is mainly introduce the case study according to the questionnaire. *Chapter 5* is analysis and reflection and the discussion to prove our project is worth doing. *Chapter 6* is conclusion to summary the case study.

2. Literature and theoretical framework

This chapter consists of 6 parts. We described the theoretical of e-service quality, the importance of customer relationship customer satisfaction and customer loyalty.

2.1 Relationship marketing

From Wilson, Zeithaml, Bitner & Gremler's (2008) view, the marketing is not like the traditional marketing anymore. It has turned into relationship marketing now which means customers also involve the whole business process. Who should take their customers into consideration and know what customers really needs (Wilson et al., 2008). "There has been a shift from a transaction to a relationship focus *in marketing. Customers become partners and the firm must make long-term commitments to maintaining those relationships with quality, service, and innovation.*" (Webster, 1992). It means that the relationship marketing plays an important role of doing business, focusing on keeping and improving relationships with the current customers is more important than attracting new customers. It is a strategic direction. The fact is much cheaper to keep a current consumer than to attract a new one in general. It will be much more successful to marketers who working on effective strategies for retaining customers (Wilson et al., 2008).

2.2 The evolution of customer relationships

Firm's relationships with their customers just like other social relationships that have tended to evolve over time. Scholars have suggested that marketing exchange relationships between providers and customers often have the potential to evolve from strangers to acquaintances and to friends even to partners (Johnson & Selnes, 2004)

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Figure 1 classify customers

relationship

Brent Leary

<http://www.businesstechnologyradio.com/blog/tabid/7068/bid/1074/The-Pyramid-of-Customer-Loyalty-and-the-SMB.aspx>

1. Customers as strangers. The firm makes communication with the potential customers in order to attract them and acquire their business. The marketing efforts towards could familiar those potential customers with the firm's offering, and encourage them to make the firm have a try.

2. Customer as acquaintances. When the customers' awareness and attempt are achieved, the firm and the customer could become acquaintances by the familiarity. At this period, the firm should build the relationship to satisfy the customers. An acquaintance is effective as long as the customer is relatively satisfied and what is being received in the exchange is perceived as fair value. (Wilson et al., 2008).

3. Customer as friends. When the customers continue to create and achieve the value with the firm in the exchange relationship, the firm should begin to collect specific knowledge of the customers' needs. The firm needs to build the relationship to achieve the customer retention at this period.

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4. Customers as partners. The creation of trust leads to the creation of commitment- and that is the condition necessary for customers to extend relationship (Siredeshumkh et al., 2002).

Therefore, if the firm wants to build a partner relationship with the customers, the firm must use customer knowledge and information systems to deliver highly personalized and customized offerings.

2.3 E- Service quality

E-service quality is a new concept started on 2002 (Ziethaml et al., 2002). Introduced the concept of electronic service quality (e-SQ) which is defined as the “*the extent to which a website facilitates efficient and effective shopping, purchasing and delivery of products and services*” (Asuboteng et al., 1996).

With the internet and technology developing fast, the website has replaced the traditional business unit gradually. Both website and electronic environment are very important parts of the corporate image and can affect the customers’ shopping behavior.

Today the internet has become an essential channel for selling the goods and services. The traditional service model was not suitable for use in the internet retailing due to each of them represent the unique service delivery process. In fact, the online shopping is much more easily to compare the products’ qualities and prices than the traditional channel, the online customers always expect equal or higher levels of service quality than traditional channel customers. (Lee & Lin, 2005)

Most of electronic commerce companies realized that the e-service quality is the critical factor to determine the online business success or failure (Yang & Jun, 2002).

Lee & Lin (2005) identified the main factors influencing the customer perception of the e-service quality online shopping: website design (degree of users friendliness), reliability (reliability and security), responsiveness (responsiveness and helpfulness), trust (trust and mechanisms provided by a website), and personalization

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(differentiating services to satisfy specific individual needs).

A scale called WEBQUAL with 12 dimensions was established: informational fit to task, interaction, trust, response time, design, intuitiveness, visual appeal, innovativeness, flow, integrated communication, business process, and substitutability. These WEBQUAL dimensions are more pertinent to interface design than to service quality measurement (Zeithaml et al., 2002). After a mass of literature review, (Zeithaml et al., 2002) developed the e-SEQVAL model to help the customers how to judge the e-service quality. It includes seven dimensions: efficiency, reliability, fulfillment, privacy, responsiveness, compensation and contact. The seven the seven dimensions in two separate scales split: E-S-QUAL and E-RecS-QUAL. The first four dimensions are classified the cover scale, and the last three dimensions are ascribed of the recover scale. It will be much prominent when the online customers have questions and problems.

If the companies create things that customers like, customers will continue to buy products from them. Today's successful firm finds out what customers want and makes it –rather than making something the company wants and hopes that people will buy (Sterne, 2000) .

For examples, when a customer visits Amazon.com, he can easily find the product he wanted, and easily make the purchase. And how delighted he will be when the item actually shows up on his doorstep the very next day (Sterne, 2000). This will make customer's expectation become more inflated which means our customers can get more than they expected.

The customers just want to see if their questions answered or their problems solved. So being the online shopping website builder, it should figure out what the customers want to see, want to know, and want to ask (Sterne, 2000).

Thus, The FAQ (frequently asked questions) is needed. To set out all the usual questions and answers to the customers, so they could find out the solutions by

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themselves. FAQ lets the casually curious as well as the intent hunter-seeker come up to speed as quickly as possible (Sterne, 2000).

Another way to offer a good customer service is to manage E-mail. E-mail is like glue that cements the internet together. Everyone surfing on the internet would have an e-mail account. E-mail is the common denominator and the most powerful tool (Sterne, 2000). To manage well the e-mail of every customer will win the customers' satisfaction. The companies should let the customers know all of the new information through e-mail. When the customer login on our website, it needs to have the record of the customers.

2.4 Customer satisfaction and customer loyalty

Customer satisfaction directly means that the customers' overall evaluation of their experiences and the expectations with a product or service provider (Johnson & Selnes, 2004). Oliva, Oliver & MacMillan (1992), primarily proposed the theory of "expectation inconformity", that is, when the goods' practical situation is beyond their expectation the customers will feel satisfied. However, contemporarily come up with that the products and service quality will also directly affect the customers' satisfaction.

The basic assumptions are that improved the quality of the products leads to add satisfaction, which in turn makes customers more loyal further leads to more profit (Johnson & Selnes, 2004).

Customer satisfaction is refers to the value of the subjective experience of good's value has a very good relationship (Sallberg, 2004). Which is "the customers' comparing applause of an e-commerce enterprise, which causes the customers' re-purchase"? (Brassington & Pettitt, 2003) At the same time, researches indicated that the customers' satisfaction with online business has a positive works on their loyalty (Sallberg, 2004).

Customer loyalty is a self-reinforcing system in which the firm delivers superior value

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consistently to find and keep high-quality to customers (and, where applicable, employees).

The marketing literature defined that customer loyalty can be divided in two distinct ways: the first can be evaluated loyalty as an attitude. Create a personal different feelings overall accessories of products, services or organization. These feelings define the individual's degree of loyalty. The second evaluation of loyalty is behavioral. Examples of loyalty behaviors include from the same supplier to continue to purchase services, increasing the dimension and or boundary of a relationship, or the recommendation. The behavioral viewpoint of loyalty is similar to define the loyalty in the literature of service management (Sallberg, 2004).

There are three measures of customer loyalty that could be devised by loyalty (Anders, 2000):

- Customer's primary behavior – recent effects, frequency and sum of purchase;
- Customer's secondary behavior - customer recommendations, endorsements and spreading in the word;
- Customer's purpose to repurchase – that is means the customer ready to repurchase products or services in the future

The economic benefits of high customer loyalty are essential. When they consistently deliver superior value and win customer loyalty, market share, revenues and profitability all go up, and the cost of acquiring new customers goes down.

When the firm has lots of loyal customers, it will receive lots of benefits. The economic benefits that a firm receives from cultivating close relationships with its customers, a variety of customer behavior benefits and human resource management benefits are also often received (Wilson et al., 2008).

2.5 The relationship between satisfaction and loyalty

There is a significant positive relationship between customer satisfaction and customer loyalty (Colgate & Stewart, 1998; Hocutt, 1998; Patterson & Spreng, 1997)

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Firstly satisfaction would be created when the performances of products or services were achieved customers' expectation. And then the customer loyalty comes out. Therefore it can be told that when satisfaction reaches a certain level, loyalty will increase dramatically. At the meanwhile, when satisfaction declines to a certain level, loyalty will drop equally dramatically (Oliva et al., 1992).

2.6 Sum up

The purpose of the literature part is to introduce the important theories of the relationship marketing, e-service quality, to classify the customer relationship from strangers to partners. It aims to make clear the different of customer satisfaction and customer loyalty and its relationship between them. To give the readers some background knowledge about the customer loyalty.

This study is mainly focused on the different customer relationship, for instance some would evolve to loyal customers. And the study is doing the research on the e-commerce company, so there would involve many E-service elements. The questionnaire and the analysis part below are all around thesis theories to research how to build a long lasting relationship with customers.

3. Methodology information search

This chapter consists of 5 parts that demonstrate the methodology method information and which method we had adopted on the thesis.

3.1 Research Purpose

The first step in research is researching why the study is being carried out. Identify research purpose, set the stage for the rest of the research program, because it allows everyone in the results of the study, to know the project's general principles of equity (for example, researchers, customers outside the company), and the establishment of urgent sense of research. According to the research motivations and literature review, our research purpose is through make a survey on the customers of our case study company, researching why the people chose Amazon as their online shopping website and what elements made them feel satisfaction and dissatisfaction, thereby, how to improve customer loyalty under the e-commerce business scale and finally building a long lasting customer relationships. Based on our research purpose, we adapted the quantitative method as our research method.

The study is researching the online shopping website, so doing the questionnaire online is more suitable for it. To go deep into the people who use the online shopping website, that we can get more authentic data from internet. It can be more powerful. In this way, the data will be very effective and authentic.

3.2 Quantitative and Qualitative Approach

There are two main types of marketing research, essentially different types of data that are generated by fundamentally different research approaches: quantitative and qualitative methods (Adcock & Collier, 2001).

Quantitative methods	Qualitative methods
<ul style="list-style-type: none"> •Emphasis on testing and verification •Focus on facts •Logical and critical approach •Controlled measurement •Objective “outsider view” distant from data •Hypothetical-deductive •Result oriented •Particularistic and analytical • Generalization by population membership 	<ul style="list-style-type: none"> Emphasis on understanding •Focus on understanding •Interpretation and rational approach • Observations and measurements in natural settings •Subjective “insider view” closeness to data •Explorative orientation •Process oriented •Holistic perspective • Generalization by comparison of properties and contexts of individual organization

Figure 2 the differences between quantitative and qualitative research methods

Source: Based on Reichardt and Cook (1979)

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Based on compared the differences between quantitative and qualitative methods, we consider that the quantitative method is suitable for our research. Amazon is an online shopping website, the most effective data to prove whether it successful is the number of its customers. We randomly extracted amount of online consumers and made the questionnaire survey, through analyzed the response rate to make an objective and realistic evaluation to the Amazon's products and service. We focus on the facts and results, because the data is more persuasive and exact than interview, it is the foundation and most important primary stuff of our research.

3.3 Data collection

Data collection is the method of gathering information. There are various methods of data collection such as personal interviewing, telephone, e-mail and the Internet. Depending on the questionnaire, these methods can be used separately or combined (data). It is also a team of survey methodologists specializing in the use of qualitative and quantitative research methods to enhance quantitative enquiry and promote good practice (ONS). According to the research is doing on an e-commerce company, the customers' feeling is the most important thing. So the questionnaires were sent to consumers who had experiences on Amazon or knew something about Amazon before.

3.3.1 Primary data collection

Questionnaire design

To ensure the data collection is suitable for our research purpose, the first step of the primary data collection is designing the questionnaire. According to the research questions and theoretical, there are 20 questions of questionnaire have been produced. Here are some mainly questions designed as below, the data information which gathered from those questions were very useful and helpful for our research.

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1. The reasons why you choose Amazon.com are?
2. When you are shopping on Amazon.com, which elements you are worrying about?
3. What drives you to come back to shop again on Amazon.com?
4. What kinds of shortcomings does Amazon.com have?
5. Do you think the individual service of Amazon.com is very good?
6. Do you think our distribution is faster than the other online shopping website?

Process of primary data collection

After questionnaire designed, authors began to look for the people who can become to our interviewees. At first, authors went to the library of Gavle University and the shopping mall in Gavle center town, sent the questionnaires to the customers and students randomly, but unfortunately, most of them never heard of Amazon before, the data collection were ineffectual. Hence, authors decided to send the questionnaires to customers on the internet, such as on the Amazon shopping website, Taobao shopping website, Baidu post bar, and other online shopping websites. Finally the authors found out the people who have some online experiences, and sent the questionnaire to their e-mail box. The respond rate is appreciably.

3.3.2 Secondary data collection

Typically, the auxiliary data is from printed sources (books, magazines, periodicals, and trade newspapers) and electronic sources (CD-ROM encyclopedias, packages or online services, such as the Internet). The books are general resources for research related to the theoretical support. The journal is daily information, it can provide very useful resources. They can provide the latest views, research and development in specific areas. The Internet is also very useful for data collection, in particular, some

professional websites. Our secondary data collected from textbooks, magazines and the Internet, we used secondary data to support the background of our Research Company, literature review and case studies.

3.4 Data analysis

Quantitative data refers to numerical and standardized data, it usually can be analyzed through using of diagrams and statistics (Wang et al., 2000). Basically, data can be divided into categorical and quantifiable data, it is important to redact and code data before analysis began (Robson, 2002). Actually, it is useful to conduct exploratory data analysis in the initial stages of data analysis, this approach highlights the importance of using diagrams to explore and understand data. For instance, pie charts and percentage component bar charts can be used to explain the proportions of customers agreeing or disagreeing with the statements which are presented in the questionnaire. *“Subsequent analysis will involve describing your data and exploring relationships using statistics”* (Saunders et al., 2003). Finally, it is essential to re-emphasize the importance of using PC software programs during the process of data analysis, such as SAS, APAK EXCEL etc. (Maxwell, 1992)

On the questionnaire, it used the simple random sampling method to do this research. This method is completely depends on the random principle, it will be much more easy and it is popular as well. There are two ways to distribute the questionnaire to public, one is put it on the online, and the net friends can fill it in if they want. The answer to questionnaire could be variety because of different ages, different education background and different incomes, that is exactly could make the result became more feasible.

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3.4.1 The background of interviewees

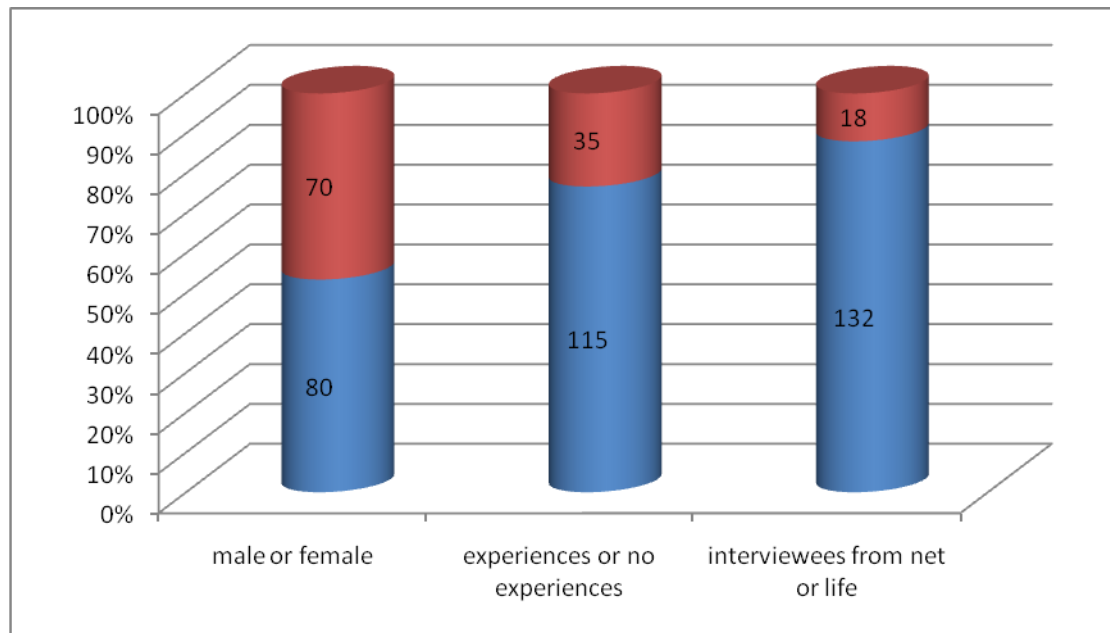


Figure 3

From figure 3, there are the data which gathered. On the questionnaire, it totally gathered 150 questionnaires. The respond rate is 47%. There are 132 from the internet and 18 from our relative and friends and strangers.

The data shows us that there are 35 persons have no experiences on shopping on Amazon.com. The rest all have experiences on Amazon.com. It occupied 76 percent of the whole persons. And it contains 80 males and 70 females. The biggest parts of their age are 21-30.

Most of them have the bachelor or master education background. 46 percent of them think that they will go to the online shopping website depends on when they want to buy something. It is irregularly scheduled. And there are 82 Chinese and 68 Europeans.

3.5 Reliability & Validity

Reliability refers to the measure of the consistency of a concept. The purpose of the reliability is to minimize the errors and biases in the study, make the research as far as possible and reliable (Bryman & Bell, 2007).

Validity (indicator) is being developed to measure a concept, the concept of genuine measures, this also means that is the correct data and methods of research, but also reflects the real problem or not. Therefore, researchers need to collect accurate, true and target data in order to increase the validity of a study (Bryman & Bell, 2007).

In order to guarantee our data be credibility, availability, we have to follow close to the line of these roles. First is to use the random sampling method. It avoids the data not being objective and representative. Secondly, to make sure all the answers are be filled in by the interviewees. Following these requires, we consider that our questionnaire will be more effective and more convincing.

4. Empirical finding/presentation of a case study

In this part, we mainly introduce the case study according to the questionnaire. And find out what can build a strong relationship with the customers. It needs to analyze the data.

4.1 Introduction

As far as concern, customer satisfaction and loyalty are the internal coupling and long-term well-being of the firm's long-term growth. In other words, the firm's success depends on the satisfaction and loyalty of customers. The loyal customers can help company reduce procurement costs and improve profitability.

From the questionnaire have researched, a lot of data and information are come out. The respond rate is 47%. On the questionnaire, it focused more on the customer satisfaction, the quality of the products and the services of Amazon. In other words, those three elements attributed to the success of Amazon.

4.2 Questionnaire analysis

4.2.1 The reason why customers choose Amazon?

The detail to the questionnaire, Question NO.8, it tries to find out that which element is the most important that customers will choose Amazon.com instead of the other online shopping websites. We can check figure 4 below. To the interviewees, we have surveyed, we can clearly find out that there are 24 percentages of customers consider

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that according to Amazon.com having a low price than other shops, so they choose Amazon.com.

The reason why customers choose Amazon.com

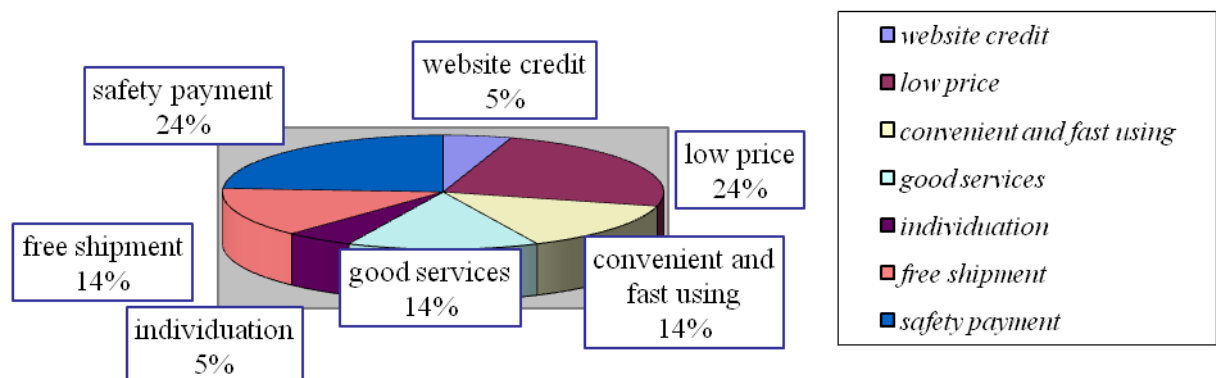


Figure 4

And at the same time, they are also 24 percentages of customers think that the payment system on Amazon.com is very safe so that they choose Amazon.com rather than others. On Amazon's website, we have many different kinds' ways of payment. Customers can depend on their own situations to pick one of them.

After that, there are 14 percentages customers consider that convenient and fast using, providing good services and free shipment are the reasons drive them to choose shopping on Amazon.com. Amazon's customers will feel delight when they are purchasing on Amazon's website.

Good service is also an important point of attracting customers to choose Amazon. Because online shopping is different, they cannot see each other directly. And

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customers cannot see the products before they purchased. So customers and sellers need to build a good relationship, and they need to serve their customers well to let them rest assured.

Moreover, shipment is an important part of online shopping. For instance, some online shopping websites offer a high price shipment, this will increase the costs of the customers, so no matter how much the customers like the products, and it will influence customers to buy them or not. To Amazon.com, it always has a promotion that to help its customers to save the high price shipment. It often offers free shipment at regular intervals or giving some discount on the shipment. In order to delight the customers and save their costs, Amazon needs to focus on the shipment since there are 14 percentages customers consider that it is an important reason that they select Amazon.com.

In the figure 1, it could be found out that except the most parts of reasons, there are something rest. There are still 5 percentages customers think of choosing Amazon because of its good website credit and its individuation. Even though they just take a little part of them, they still exist. When the customers consider that it's a reason, Amazon cannot let it pass. Since Amazon.com established a long time ago and it has strong brand equity, so many customers will choose it. On the other hand, Amazon also has a customer's database to record our customers' interests. This is also a way to ingratiate with our customers. To know each customer's favor and depends on different favors to make some recommendation to our customers.

So that according to the questionnaire, the low price and the safe payment system become the most strong points that the customers would like to choose Amazon.com. And there are still other points that customers would like to choose it. So Amazon should keep its strengths and also need to improve the shortcomings.

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4.2.2 Which elements customers care most?



Figure 5

According to our questionnaire, Q9, we refer that when the customers shopping on Amazon.com, which elements they care about most? On the research, the data shows that the purple pie, there are 38 percentages of customers consider of the quality of products are their most concern thing. When they are shopping online, they usually focus more on the quality of the products. Due to the different from the real shop, customers cannot touch or see the products; customers will doubt that the quality of the products, so they worry about the product quality.

In the meanwhile, the safe payment system also is the important point that customers care about. In the pie, the blue part, it takes 31 percent. For online shopping, customers think a lot of payment system; all of them hope to pay in a very safe environment. No one is willing to buy something through a bad payment system. Customers will worry of credit card theft. So to build a safe payment system, it is one of the important things for online shopping website to attract more customers.

And the third important point is the quality of the services. Let's check it from the pie;

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the yellow part occupied 15 percent of them. In other words, the quality of services sometimes directly influences the customers. The customers' mood would directly decide that they buy or not buy products. If Amazon offering good services, the customers delight, it will get it.

In addition to this, there is still some customers' regard the reliable information as an important part of what they care about. As we all know, shopping online, the credit rating is very important. Amazon online website has to make the customers trust it. Let them rest assured.

After sum up the results that we have found, we know what the customers care about, so that Amazon can try the best to avoid the negative factors, and give the best to the customers. To guarantee the quality of our products, to promise the customers never sell the poor quality products on the website, every product selling on the website have strictly check by the staffs. It needs to establish a safe payment system, to offer different kinds of credit card payment methods. In order to keeps it being safe. To do the best to serve the customers, give them what they want and make them feel satisfied. Offering the best and true information to our customers, try to avoid all the wrong information to the customers.

4.2.3 The satisfaction in each aspect of the customers

According to the questionnaire, the aim of question 13 to question20 is to investigate seven different parts of the degree of satisfaction from customers. Consequently, the results of those questions are showed below (See figure 5):

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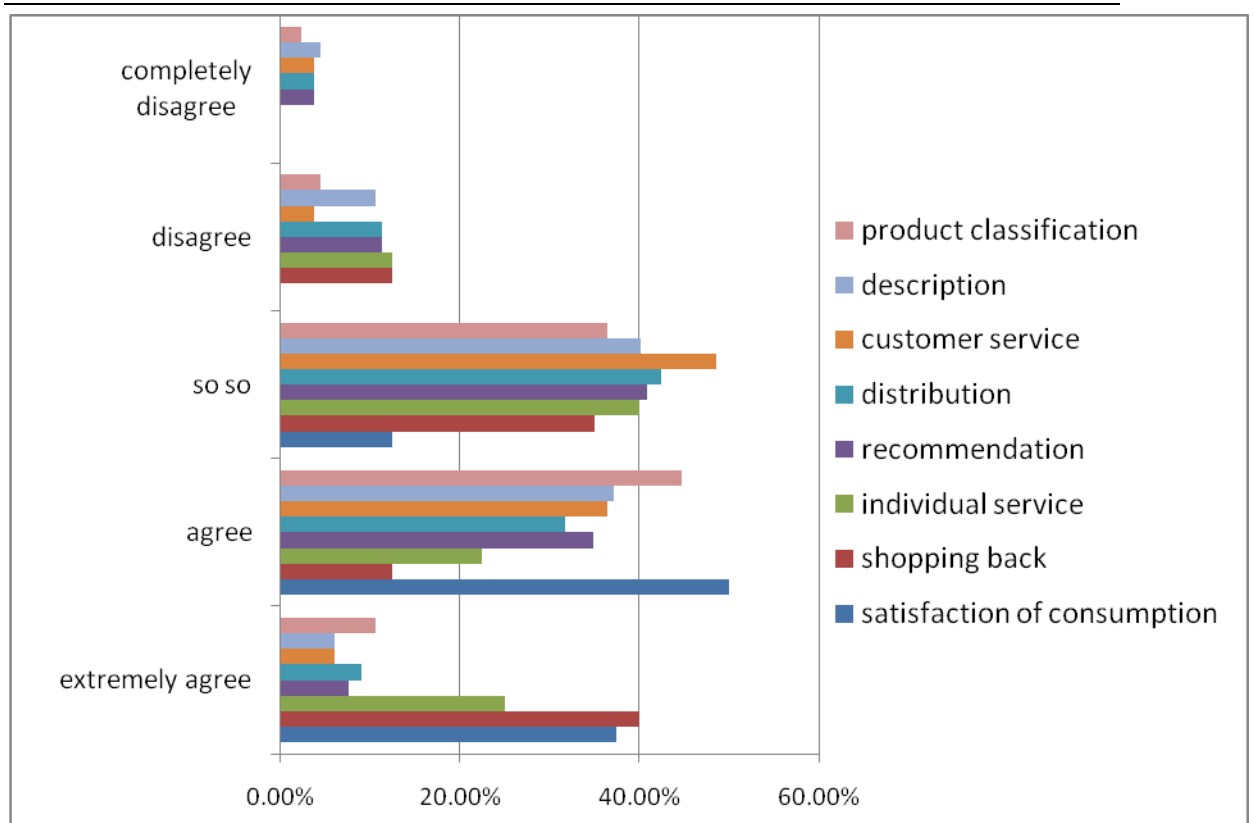


Figure 6

From the chart, we can see that for all respects, the answers of agree and so so from customers take a big part. And the answers of completely disagree and disagree almost occupies a little parts of them. But it still exists, so it means we still have the problems that make the customers feel dissatisfied. After collecting these data, it is quite clear to figure out what aspects Amazon should improve. And it also indicates there is a lot of things can be improved. To finish these steps the strong relationship between customers and company is possible to achieve.

4.3 Sum up

The questionnaire data is very useful to do the research of customer loyalty. It can be used as a guide to improve the customer loyalty. It reminds our main questions and main goals. After the research, it is significant to find out that customers mostly focus on the payment safety, the price of the products, the quality of the products, the services and the satisfaction of the customers.

5. Case analysis

The paper focused on customer loyalty, in this part, the paper is going to connect the theory and empirical study together to analyze it. The main point is to analyze it in the round.

5.1 Empirical finding analysis

After doing the questionnaire, it have been found out that in order to hold more loyal customers, it needs to focus on several factors. They are safe payment system, lower price, good quality of service and product and so on. Customers who shop online are all concerning about these factors. Knowing these factors, it could know what to do next to improve customer loyalty and hold a long lasting relationship with the customers. After that, it could know clearly what the customers really need. Since Amaozn.com is business-to-consumer (B2C) website, the web B2C market supports the interactions between retailers and customers and among customers. (Wang et al, 2000) So that loyal customers are very important to Amazon. So if Amazon wants to get more and more loyal customers, it should do some promotion including these factors.

5.2 How does the subject fit in with the theory and practices?

There is a worldwide trend that all kinds of firms are now studying and implementing how to improve customer loyalty. They aim at cultivating strong relationships with their best customers (Duffy, 1998). Since everyone realize the importance of the customer loyalty. What the paper has mentioned at the theory part, it refers to the relationship marketing, the evolution of customer relationships, customer satisfaction

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and customer loyalty, the relationship between satisfaction and loyalty and E-service quality. In the subject, it all centers on the main point—customer loyalty. According to the questionnaire has done before, to combine it with the theory to analyze it.

The subject fits in well with the theory and the empirical study. It all focuses on the customer loyalty and how to improve the customer loyalty. In this way, it can find out the methods to hold the existing loyal customers and get more and more loyal customers.

Customer loyalty is a popular subject in nowadays business. For example, in the traditional marketing, greater customer loyalty leads to higher customer profitability (Gilbert et al, 2003). It is also important in e-marketing. So that to find out the way to improve customer loyalty is essential to a firm. Especially like Amazon.com, a big company, it needs to keep the loyal customers to enlarge the revenue.

5.2.1 The evolution of customer relationship

Firstly, it is better to be aware of there are several types of customer existing.



Figure 7

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Brent Leary

<http://www.businesstechnologyradio.com/blog/tabid/7068/bid/1074/The-Pyramid-of-Customer-Loyalty-and-the-SMB.aspx>

Based on the theory part in the previous, it has been clear to realize the importance of the relationship marketing. We have referred to the evolution of customer relationship. As Alan Wilson said, (Wilson et al, 2008) the relationships between firms and customers usually have the potential to evolve from strangers to acquaintances and from friends to partners. The relationship is evolving one by one.

The main idea of the Pyramid of Customer Loyalty is to build most profitable and long lasting business relationships when it is able to devote more time to really understand what customers value is. Following this pyramid model, the relationship will go from vendor to customer, implying just a financial relationship open to outside competitors, to the trusted partner/valued advisor. This is where customers view as important to the business, and in fact become company's biggest supporters inside and outside organizations, bringing company leads without asking them to do. This is great stuff, but it can only happen if company can focus on how to deliver what's important to them. And in order to do this, company must find ways to automate the routine and time consuming processes of finding and catching new customers. Using the latest tools like blogging, wikis and the like to extend company reach and provide richer communications channels to showcase knowledge and expertise can be a great low-cost, effective way to do.

As Amazon, they have already had a strong relationship with so many customers. In order to stay at the partnership stage, it needs to organize and offer the information about individual customers more effectively than competitors (Wilson et al, 2008).

5.2.2 E-Service quality

As the paper mentioned before, E-service quality is started on 2002, it is a new word in the internet work (Ziethaml et al., 2002). Online shopping is quite different from the traditional shopping; it needs more trust and better service quality. The main factors influence the customer perceptions of the e-service quality online shopping are website design, reliability, responsiveness, trust and personalization (Lee & Lin, 2005).

From the questionnaire, the paper also found that the quality of service is an important part of the online shopping. Many customers choose Amazon.com since the good service. The customers focus on the quality of service because of online shopping which means they do not need to do the transaction face to face. Only the providers offer good service to customers will make them feel delight.

5.3 Amazons Novel Way to Build Customer Loyalty

Amazon sells, amongst other things, coffee beans (Bustos, 2008). Check out the offer for free shipping and a 15% discount for customers who want to subscribe to the product:

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Figure 8 shopping on Amazon.com

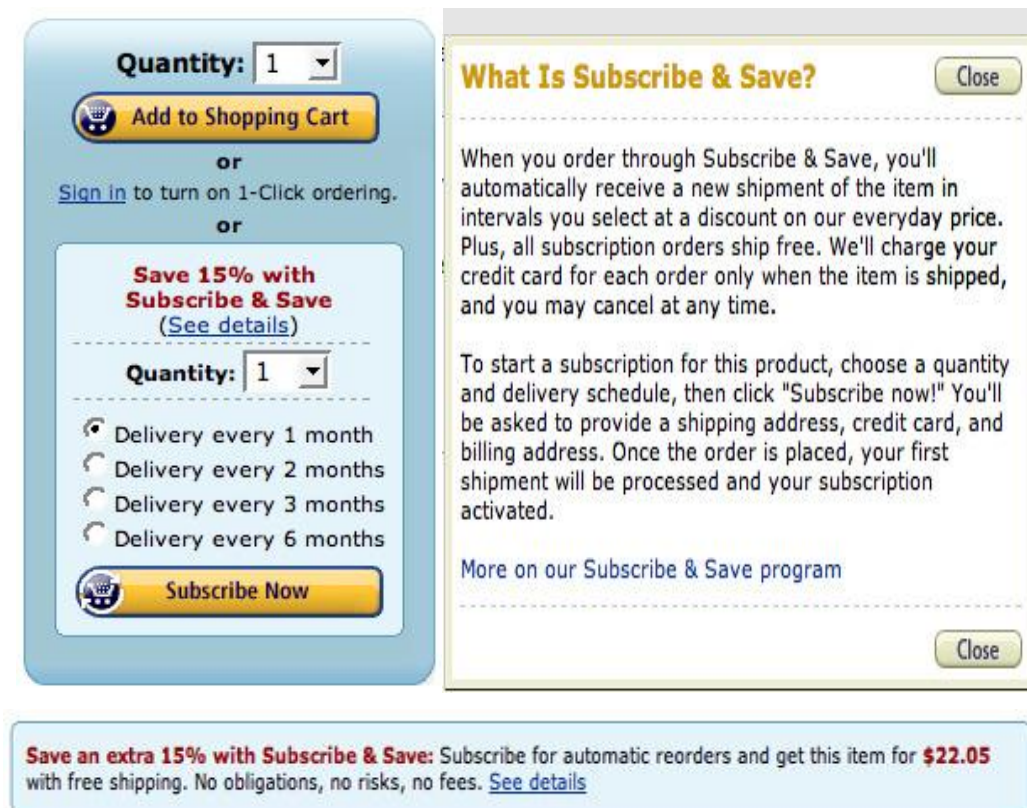


Figure 9 shopping on Amazon.com

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The theory part has talked about the customer satisfaction and loyalty, they have a strong relationship with each other. When customers are satisfied with the products, and then they will purchase again and recommend to others. Finally the customer loyalty comes out (Amazon, 2011).

Here's what Amazon's doing right:

1. Offers of free shipping and discount are strong motivators for repeat purchases.
2. Allows you to select the subscription schedule for 1, 2, 3 or 6 months.
3. Provides a customer service, no need to return to the site again, place order and aid when quantities get low.
4. The offer is placed in the product description and right near the cart button.

It is impossible to miss it if you want to buy this product.

5.4 Sum up

In this part, the aim is to combine the theory part and the empirical part, to analyze that the evolution of customer relationships. To analyze the customer satisfaction and customer loyalty, and to connect the questionnaire, find out some ways to improve customer loyalty to Amazon.com.

6. Discussion

In this chapter, the research questions which referred before have been developed. Collectively the researchers have been able to answer thesis research questions combining with the data which have collected and the literatures and the analysis.

6.1 The answers to the research questions

RQ1: Why do customers choose Amazon? What the element would be concerned with when customers are shopping online?

The main reason is satisfaction

These loyal customers need to be communicated with on a regular basis by telephone, mail and so on. They are the main people who could make an effect to the sales volume (Hunter, 2009).

But meeting or exceeding customer expectations is not as simple as it appeared at the first time. For a start, many of customers or prospective customers are not sure what they should expect, so company let their customers be aware of expectation or needs. After all, Amazon knows what they can do for customers as an expert do, and Amazon cannot expect the customers to know as much about that as company.

Based on the research which be done before, to sum up the answers from the interviewees, when they shopping on Amazon.com, they much concern on the quality of the product, because Amazon is a e-commerce, and when they buying something, they can't touch and see the product directly before they pay the money, so they much more care about the quality of the product. In addition, the safety payment system is another important element which customers care about. Due to the e-commerce, the customers need to pay with their credit cards, if the payment system is not safe enough, the private information would reveal. So the customers when shopping on

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Amazon.com would care much about the payment system. what's more elements when customers shopping on Amazon.com, they are lower price than other shops, the free shipment service, convenient and fast using and good after-sales service.

RQ2: How to improve customer loyalty and finally build long lasting customer relationships under the e-commerce business scale?

Customer classification has told before, and then, so some strategy to improve the customer loyalty should be taken.

The customer loyalty could be defined as the strength of the relationship between an individual's relative attitude and repeat patronage with a supplier. Customer loyalty can bring a lot of benefits to a firm. Like the revenue will be larger and the brand will become stronger and so on (Wilson et al., 2008).

The way of improve customer loyalty:

Changing customer neglect into customer satisfaction, then turn customer satisfaction into customer loyalty is critical. It doesn't happen by magic. Improving customer loyalty will shine as a marketing tool; at the same time improve delivery of your service or products. Combining the theory part and the questionnaire results the paper has found, what the customers really need is realized. There are 7 ways to improve customer loyalty based on the theory and the questionnaire done before.

1. Provide a clear website and good service to the customers.

Searching on a clear website will delight the customers, a clear website will lead the customers quickly find out what they want. And to the online shopping, the quality of the service is most important. It needs to do well in pre-sell and after sale services. As theory part talked before, e-services quality is very important.

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From the questionnaire result, there are 15% of the customers who care about the good service when they are shopping online. So to provide a clear website and good service to the customers is very important way to attract more customers.

2. Stay in contact with existing and past clients on a consistent basis.

Keeping contact with customers is very significant. Phone calls, note cards or postcards, newsletters, and email are some useful approaches. Considerations are also opportunities for personal contact, it is a good idea in the high-tech, low-touch world. From the theory part, e-service quality contains these kinds of things. Keep in touch with the customers. Telling the news to the customers as soon as possible let them know all the things immediately.

3. Give the customer more than their expectation.

Find out customer's need and fill it. Answer a question before they ask it. To make the customers feel satisfied is a way to get more loyal customers which had mentioned in the theory part. Delivering more than they expect is one of the most powerful ways to gain customer loyalty.

4. Offer free shipment to customers

From the questionnaire, it could be found that free shipment is a good promotion on sales. There are more than 14 percentages of customers who feel free shipment is an important reason to shop online. All the customers want to save the money on the online shopping website if free shipment could be offered; it will be a motivation to customers so that the customers will buy more products on Amazon website.

5. To control the price of the product

The low price is also an important reason that why the customers choose

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Amazon.com. From the empirical part, it seems that there is 24 percentages of customers who care the price of the products of Amazon. So having low price is a strategy to win more loyal customers so that it needs to keep the price always lower than others to hold the loyal customers. It needs to save other costs in order to reduce the product's price.

6. To offer a safe payment system

A safe payment system becomes to the important factor that customer all concern about. On the questionnaire data, it could be found out that there are 31 percent of the customers considering it are important. The safe payment system to pay, allows the customers to rest assured Amazon.com on shopping. They have no need to concern about the problems that their credit cards being stolen and so on.

7. To guarantee the quality of product

The quality of product is the most important factor to be concerned when customers shopping online. Due to online shopping customers cannot see or touch the product when they buying, so the most thing they care is the quality of product. From the empirical part also could find that there are 38 percentages of customers who care about the problems about the good quality product. Shopping online cannot touch the product before they purchase, so they concern about this problem. In order to hold more loyal customers, it must guarantee the quality of the product and set the customers mind at rest.

6.2 Sum up

After discuss, the authors think Amazon should change some strategies, all know that the E-commerce is a high risk area; Amazon is the largest bookstore in the world. It is

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in the growth steps. But there are some problems in Amazon as well, what can Amazon do?

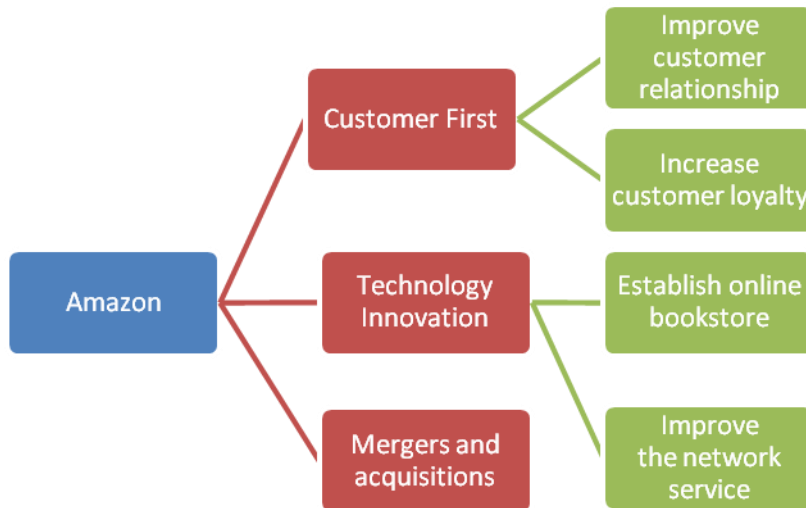


Figure 10 what Amazon should do

From the parts told before, Amazon should do three things:

1) Customer first.

Goal: Improve customer relationship and increase customer loyalty and good reputation, to get more profits.

2) Technology innovation.

Goal: To be the largest online bookstore. To change person's reading behavior. Bring more convenient online shopping experience.

3) Mergers and acquisitions.

Goal: Merger competitors in the same industry, optimize the capital structure, and expanding global influence.

7. Conclusion

This chapter mainly consists of the results and the implication of the research which is reflected to the research questions, next is the contribution of the paper, and then comes to the pitfalls of the research and the suggestion and the further research.

7.1 Reflection and implication of research questions

Customer loyalty is a self-reinforcing system in which the firm delivers superior value consistently to find and keep high-quality customers. Loyal customers are not only doing repurchase enterprise products and services to save expenses of advertising and publicity, but also recommend the products or services to their relatives and friends. Customer loyalty is one of the most important elements to guarantee enterprise can keep stable profits and obtain stronger market competitiveness. Especially to e-commerce business, the customers are able to compare the advantages and disadvantages of e-commerce sites more easily than traditional stores, therefore setting up customer loyalty more difficult than traditional business. On the paper, we analyzed the data from the questionnaire and the scale of Amazon Company, through researching how to improve customer loyalty to help Amazon achieve better marketing implementation. Here we look back to our research questions as below:

1) Why do customers choose Amazon? What the element would be concerned with when customers are shopping online?

Through the analysis of questionnaires, the authors made a conclusion that there are main six factors caused the customers chose Amazon, they are low price, safety payment, good services, free shipment, convenient and fast using. The three primary elements which customers care most when they are shopping online are the quality of products, the safety of payment and the quality of services.

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2) How to improve customer loyalty and finally build long lasting customer relationships under the e-commerce business scale?

According to the results of our survey on Amazon's customers and combined with what Amazon has been done right, it could come up with some suggestions about how to improve customer loyalty under the e-commerce business scale. Firstly, set up a comprehensive website and provide an integrated service: this is the basic strategy to build customer loyalty. To get customer loyalty, company must first make customer feel satisfied. The most basic is to make customers satisfy to the company's products and services. Secondly, keep contacting with customers, no matter existing clients or old clients. Thirdly, provide a safe payment system. According to our research, a large number of customers concerned with the online payment system, if the online shopping website could ensure its payment system is safety and in secrecy, the customers will more trust them, and also become more loyalty. Fourthly, offer free delivery goods to customers. The people prefer to shopping online because its speedily and conveniently, a free and speed delivery system also is one factor which customers thinking about when they shopping on the website. Finally, control the products price and guarantee the products quality. Compared with shopping on the hypostatic store, shopping online could not interact with the goods directly, so the customers will more care about the goods quality and price. Make sure the described goods are in accordance with the entities is very important. Otherwise, the brand image building is also a key point to ensure customer loyalty.

7.2 Recommendations and Contribution

With the rapid development of the internet, e-commerce has become a new studying hotspot in the field of economy and management. Base on these, more and more new researching issues were put forward for e-commerce. However, the research results mostly based on the traditional situations or not under the new environment, the results whether suitable for e-commerce model should be checked. This paper is

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through researching the customers' response data that have shopping experiences on Amazon website, find out the main elements which could make a big effect on customer loyalty, combined with relevant theories and Amazon Company's good measures which have been implemented, put forward some effective and feasible suggestions for e-commerce companies to improve their customer loyalty. The results of the research are not only can be useful for Amazon Company, but also could be helpful for other enterprises in the same or similar environment, improve their market position.

7.3 Pitfalls of the research

The research data mainly from customer surveys, most of the research results are based on the customer's point of view, some conclusions are too idealistic and lack of practicality. Since our paper is a business research papers, it is lack of scientific research for network technologies and network operations, how to use the network technology to implement our research results is still a problem which it couldn't be solved now.

7.4 Suggestions for further research

According to the limitations of the research, there are some suggestions about the further research. Firstly, pay more attention to the website design and creative marketing. Due to the rapid development of internet, more and more people choose to shop online, at the same time, a variety of online shopping websites come out emerge in endlessly, the company want to keep stable profits and occupy more market shares, just improve the existing customer loyalty is not enough, how to attract more and more new customers is also important. A good website design and creative marketing strategy are necessarily to e-commerce companies. Secondly, pay more research on

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the staff management strategy aspects. The employees' service awareness and professional skills those are deciding factors to remain customers, thus, the company need to formulate a comprehensive staffing management system. Further research could focus on those two aspects to make the research more meaningful and useful.

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9. Appendices

Questionnaire

Here is our full text of the customer loyalty survey design. We are conducting research the customer loyalty of Amazon.com. In order to find out that how can we improve the customer loyalty to build a long lasting relationship.

Thank you for spending your precious time to finish the questionnaire. Thank you for your cooperation. Please follow the prompts and depend on your individual experiences to finish your answer.

1. Have you shopped on Amazon.com before, or ever search the products on Amazon.com? ()

A. Yes, continue the questionnaire

B. No, I never used Amazon.com. Thank and terminate

2. Sex ()

A. Male

B. Female

3. Your age level? ()

A. Under 20

B. 21-30

C. 31-40

D. 41-50

E. Over 51

4. Your nationality _____

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5. You are now studying or acquired qualification ()
- A. High school
 - B. Bachelor degree
 - C. Master degree
 - D. Doctor degree
 - E. Others _____
6. Your monthly income is about ()
- A. Under 8000kr
 - B. 8000kr-20000kr
 - C. 20000kr-30000kr
 - D. Over 30000kr
7. How often do you shop on Amazon.com? ()
- A. More than once a week
 - B. More than once a month
 - C. More than once a half year
 - D. More than once a year
 - E. Depends on when you want to buy something
8. The reasons why you choose Amazon.com are? () *multiple choices*
- A. The lower price
 - B. Convenient and fast using
 - C. Provide good services
 - D. Have individuation
 - E. Membership rewards
 - F. Free shipment
 - G. Pay safety

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- H. Website credit
- I. The quality of the products
- J. Others _____
9. When you are shopping on Amazon.com, which elements you are worrying about?
() *multiple choices*
- A. Online payment safety
- B. The reliability of the information
- C. The convenient operations
- D. The integrity of the website
- E. The quality of the services
- F. The quality of the products
- G. Others _____
10. What kinds of products do you purchase on Amazon.com? () *multiple choices*
- A. Books
- B. Clothing, shoes & jewelry
- C. Movies, music & games
- D. Electronics & computers
- E. Home, garden & tools
- F. Grocery, health & beauty
- G. Toys, kids & baby
- H. Sports & outdoors
- I. Automotive & industrial
- J. Others _____
11. What drives you to come back to shop again on Amazon.com? () *multiple choices*
- A. Good quality of products

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- B. Good pre-sales and after-sales services
- C. Impeccable database of all customers
- D. Convenient and clear website
- E. Others _____

12. What kinds of shortcomings does Amazon.com have? () *multiple choices*

- A. High prices
- B. Not convenient to use
- C. Bad services
- D. Lack of individuation
- E. Bad credit of the website
- F. Less safety of payment
- G. Others _____

13. On the whole, the satisfaction of your consumption on Amazon.com is? ()

- A. Very satisfied
- B. Satisfied
- C. So so
- D. Not too satisfied
- E. very dissatisfied

14. Are you willing to come back to shop on Amazon.com since Amazon.com offering a good service? ()

- A. Definitely will
- B. Will
- C. Maybe will
- D. Not sure
- E. No

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15. Do you think the individual service of Amazon.com is very good? ()

- A. Very good
- B. Good
- C. So so
- D. Not enough
- E. Very bad

16. Do you think the recommendation of Amazon.com is very helpful? ()

- A. Extremely agree
- B. Agree
- C. So so
- D. Disagree
- E. Completely disagree

17. Do you think our distribution is faster than the other online shopping website?

()

- A. Extremely agree
- B. Agree
- C. So so
- D. Disagree
- E. Completely disagree

18. Do you think the customer services are very friendly? ()

- A. Extremely agree
- B. Agree
- C. So so
- D. Disagree
- E. Completely disagree

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19. Do you think the description of our products is reliable? ()

- A. Extremely agree
- B. Agree
- C. So so
- D. Disagree
- E. Completely disagree

20. Do you think the product classification of Amazon.com is reasonable? ()

- A. Extremely agree
- B. Agree
- C. So so
- D. Disagree
- E. Completely disagree

The questionnaire so far is end, thanks again for your cooperation and participation!