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FACTORS USED IN ESTONIAN RETAIL  
SECTOR TO INFLUENCE CUSTOMER LOYALTY

Bachelor Thesis

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I have written this Bachelor Thesis independently. Any ideas or data taken from other authors or other sources have been fully referenced.

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## Introduction

Customer loyalty has long been recognised as a vital asset for businesses aiming to thrive in competitive markets. It highlights a customer's repeated business and emotional connection with a brand by encompassing both behavioural and attitudinal dimensions (Cossío-Silva et al., 2016). According to Kumar and Shah (2004), behavioural loyalty focuses on repeat purchase patterns, while attitudinal loyalty emphasises customers' emotional connection to a brand.

Research has repeatedly demonstrated that keeping existing customers is less expensive than finding new ones and provides advantages, including increased sales, lower churn, and stronger brand advocacy (Petzer & Roberts-Lombard, 2021). A 5% increase in customer retention can boost profits by 25% to 75%. Additionally, acquiring a new customer costs over five times more than retaining an existing. (Tu & Chang, 2012)

Client satisfaction, which is frequently impacted by perceived value and service quality, is a crucial factor in determining client loyalty. Customer satisfaction is greatly influenced by excellent service and a positive corporate brand image, which also fosters loyalty and reduces the possibility of switching behaviours. (Srivastava & Sharma, 2013; Tu & Chang, 2012) Furthermore, value co-creation - in which clients actively work with companies to create value - has been found to be a powerful factor that improves both behavioural and attitudinal loyalty (Cossío-Silva et al., 2016).

The retail sector is especially well-suited for an investigation of customer loyalty due to its crucial role in economic development and its direct customer engagement. Long-term success for retail enterprises depends on customer loyalty and satisfaction in highly competitive markets. (Bruckberger et al., 2023; Srivastava & Sharma, 2013) The reason why the author decided to choose the retail sector as the main focus of this thesis is that the retail sector provides a compelling context for studying loyalty dynamics, given the challenges posed by global competition and the evolving preferences of modern consumers.

Despite the excessive amount of literature on customer loyalty, there is a lack of comprehensive studies that explore which factors Estonian retailers actively use to influence customer loyalty. With its vibrant and rapidly developing economy, Estonia provides a distinctive market environment marked by growing competition and tech-savvy consumers. It is essential to understand which factors retailers use to influence customer loyalty because Estonian retail companies must manage unique cultural and economic aspects while striving to maintain their competitive advantages, reduce customer churn, and strengthen client relationships.

While factors such as customer satisfaction, trust, and service quality are widely recognised as significant contributors to loyalty (Dam & Dam, 2021), little is known about which of these factors are used by Estonian retailers to influence customer loyalty. There is a research gap that needs to be filled by more studies investigating the factors that Estonian retailers actively use to influence customer loyalty, providing valuable insights into how businesses in Estonia approach customer retention in a competitive retail landscape.

This research aims to identify factors that Estonian retailers use to influence customer loyalty.

In order to fulfil the thesis's objective, the author developed the following research tasks:

- Introduce the concept of customer loyalty and its importance, and present the stages of customer loyalty;
- Identify and discuss the factors influencing customer loyalty in the retail sector;
- Conduct a thorough literature review to explore existing theories and studies on customer loyalty and its factors;
- Describe and justify the chosen research methodology;
- Collect data from Estonian retailers through interviews;
- Analyse and interpret the findings from interviews with Estonian retailers, focusing on the factors they use to influence customer loyalty.

This bachelor thesis is structured into two main parts: a theoretical part and an empirical part. The theoretical chapter delves into the concept of customer loyalty, exploring its importance and the factors affecting it, particularly in the retail sector. This chapter also reviews prior studies on customer loyalty and its factors, laying the foundation for the empirical analysis. Each subchapter in this section aims to identify factors that potentially influence customer loyalty to provide a comprehensive theoretical framework to support the empirical analysis.

The empirical chapter focuses on analysing the factors used in the Estonian retail sector to influence customer loyalty. This section begins with an explanation of the methodology used, detailing the approach to data collection and analysis. The empirical research is based on interviews conducted with representatives from Estonian retail businesses, aimed at uncovering the factors they use to influence customer loyalty in their companies. The analysis of the interviews will offer qualitative insights into these factors,

enabling a deeper understanding of the dynamics of customer loyalty in the Estonian retail sector.

**Keywords:** customer loyalty, loyalty drivers, retail sector, service quality, perceived value, emotional attachment, customer interaction.

## 1. Factors affecting customer loyalty in the retail sector

### 1.1. The concept of customer loyalty and its importance, stages of customer loyalty

Customer loyalty is widely recognised in marketing as a multi-dimensional concept encompassing behavioural and attitudinal aspects. While attitudinal loyalty shows an emotional attachment and trust towards a brand or service provider, behavioural loyalty relates to recurring purchasing behaviour. (Harris & Goode, 2004; Kuusik, 2007) Studies demonstrate how important loyalty is for the success of businesses. For example, loyal consumers are less price-sensitive, demonstrate repeat purchase intentions, and promote brands through positive word-of-mouth. (Kumar & Shah, 2004; Tu & Chang, 2012) Table 1 presents an overview of definitions of customer loyalty from various studies.

Table 1

#### *Definitions of customer loyalty*

Author	Definition
Petzer & Roberts-Lombard (2021)	"Loyalty as a customer's willingness to repurchase a product or service, influenced by satisfaction and delight."
Srivastava & Sharma (2013)	"A relationship mediated by customer satisfaction, service quality, and corporate brand image."
Tu & Chang (2012)	"Loyalty as a long-term and mutually profitable relationship built on customer satisfaction."
Kumar & Shah (2004)	"A customer's commitment to repurchase a product or service repeatedly over time."
Li & Petrick (2008)	"Loyalty as a multidimensional construct comprising cognitive, affective, and behavioural dimensions."
Harris & Goode (2004)	"An emotional and transactional attachment to a brand or service provider."

Source: Compiled by the author based on Harris & Goode, 2004; Kumar & Shah, 2004; Li & Petrick, 2008; Petzer & Roberts-Lombard, 2021; Srivastava & Sharma, 2013; Tu & Chang, 2012.

The definitions of customer loyalty differ throughout industries and research contexts. In service sectors perceived value, customer satisfaction, and service quality are all strongly correlated with loyalty (Srivastava & Sharma, 2013). In the retail sector, preserving a

favourable store image and providing continuous customer service are common components of loyalty (Bloemer & De Ruyter, 1998).

The author decided to analyse definitions spanning a broad timeline, from 2004 to 2021, because the author wanted to capture the evolution of the concept of customer loyalty. This range makes it possible to fully comprehend how fundamental theories have been expanded upon and modified to account for current market conditions. While more recent publications, such as Petzer and Roberts-Lombard (2021), reflect the most recent perspectives and new dimensions, like the function of customer delight, earlier studies, like Kumar and Shah (2004), offer fundamental insights into the significance of loyalty. By examining definitions across this timeline, this analysis combines conventional and contemporary viewpoints to provide a well-rounded understanding of consumer loyalty.

According to Petzer and Roberts-Lombard (2021), loyalty is dynamic and emotional, particularly highlighting the role of satisfaction and delight in fostering repurchase behaviour. Their emphasis on emotional engagement aligns with the growing significance of delivering positive customer experiences in competitive markets. This viewpoint is especially helpful for businesses in sectors where it might be difficult to stand out from the competition and where loyalty can be fostered by emotional connections. Furthermore, the introduction of customer delight as a crucial element of loyalty shows how businesses may go beyond simply meeting expectations to create unique and memorable experiences (Ball & Barnes, 2017).

Srivastava and Sharma (2013), on the other hand, offer a more relationship-oriented viewpoint, integrating service quality and corporate brand image as key elements of loyalty. Their definition emphasises the significance of organisational credibility and consistency, which are especially important in service-based industries where trust and reputation have a huge impact on customer behaviour.

According to Tu and Chang (2012), who adopt a profitability-centred perspective, customer satisfaction drives connections that are mutually beneficial and lead to loyalty. This definition reflects the practical business outcomes of loyalty, such as increased market share and reduced operational costs. In competitive marketplaces, where long-term relationships can offer a substantial strategic advantage, it is particularly pertinent.

Kumar and Shah (2004) present a foundational definition that frames loyalty as a commitment to repurchase over time. The foundation for comprehending loyalty as a behavioural phenomenon is laid by this simple definition.

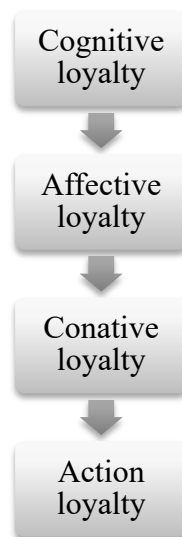
Li and Petrick (2008) expand on earlier definitions by introducing the multidimensional nature of loyalty, including cognitive, affective, and behavioural

dimensions. This method integrates emotional attachment, habitual actions, and logical decision-making to provide a comprehensive understanding of loyalty. It is especially helpful for comprehending the complexities of loyalty in situations when consumer decisions are influenced by both practical and emotional factors.

According to Harris and Goode (2004), trust and attachment are important components of the emotional and transactional bonds that support loyalty. Their definition bridges the gap between transactional and relational perspectives, emphasising the necessity for brands to establish strong emotional connections with their customers.

Even though each definition offers a different perspective on the concept of customer loyalty, the author believes that Srivastava and Sharma's (2013) definition of loyalty is the most comprehensive. Their relationship-focused approach, integrating service quality, customer satisfaction, and corporate brand image, aligns well with the demands of the retail industry, which is going to be analysed in this thesis.

Oliver's (1999) framework categorises customer loyalty into four sequential stages: cognitive, affective, conative, and action loyalty. These stages offer a thorough grasp of how loyalty develops over time and strengthens as a result of consistent commitment and positive interactions (Oliver, 1999). Figure 1, compiled by the author, presents a four-stage loyalty model.



*Figure 1.* Four-stage loyalty model

Source: Compiled by the author based on Blut et al., 2007; Harris & Goode, 2004; Oliver, 1999.

The first stage of loyalty is known as cognitive loyalty, during which consumers develop a bond with a brand because they think it provides more value compared to others

(Oliver, 1999). This stage is based on making logical decisions and is frequently impacted by elements like cost, convenience, or quality. However, since customers can quickly move to competitors if a better choice becomes available, loyalty at this point is viewed as weak. During the affective stage, consumers form a positive perception of the brand, frequently as a result of positive encounters in the past. The emergence of emotional attachment strengthens loyalty beyond the cognitive level. However, affective loyalty is still susceptible to outside factors, such as competitors offering better emotional appeals. (Han & Hyun, 2012; Oliver, 1999) Customers who exhibit conative loyalty have a strong desire to make additional purchases, which indicates a deeper level of commitment (Blut et al., 2007). This phase denotes the development of behavioural intentions, which are typified by a desire to maintain the brand relationship (Seduram et al., 2022). Although loyalty is higher now, it can still be disrupted by poor service or alluring offers from competitors (Oliver, 1999). Habitual buying patterns and a readiness to face challenges to preserve the brand are characteristics of the last stage, action loyalty. The strongest type of brand loyalty is shown by customers at this level, who are hesitant to switch brands even in the face of alluring alternatives. This stage demonstrates the culmination of trust, emotional attachment, and habitual behaviour. (Harris & Goode, 2004; Oliver, 1999; Seduram et al., 2022) The author decided to focus on these stages because these stages provide a useful foundation for comprehending the growth of client loyalty, showing the progression of loyalty from rational evaluation to deep emotional and behavioural commitment.

In today's markets, customer loyalty is still a key component of competitive strategy since loyal customers greatly enhance an organisation's long-term performance. The author inferred aspects that show how substantially important customer loyalty is for companies. Customer loyalty offers advantages that extend beyond repeat purchases, such as lower costs, higher profitability, and better brand recognition (Ascarza et al., 2018; Hoffmann, 2013). According to Bourdeau et al. (2024), loyal customers contribute to profitability by reducing the need for acquisition costs and increasing lifetime value. Customer loyalty is unmatched in its ability to influence financial results; a 1% increase in customer loyalty can have an almost five times greater impact on firm value than a 1% change in discount rates or costs of capital (El-Manstrly, 2016). Moreover, profit increases can range from 25% to 95%, with just a 5% increase in client retention rates (Bourdeau et al., 2024).

Additionally, loyal consumers promote the brand by creating favourable word-of-mouth recommendations, which are essential in reducing the reliance on costly advertising (Giovanis et al., 2015; Gounaris et al., 2007). In markets with intense competition, customer

loyalty guarantees stability and improves brand reputation (Khamitov et al., 2019). Loyal consumers frequently form an emotional bond with the brand, protecting it from the demands of competition (Kumar & Reinartz, 2016). Camilleri and Filieri (2023) state that loyal customers' feedback and engagement contribute to continuous service improvement, reinforcing the brand's credibility and trustworthiness (Camilleri & Filieri, 2023). Loyal customers engage in activities like cross-buying and brand advocacy that go beyond basic repurchase frequency (Desveaud et al., 2024; Reinartz et al., 2008). According to Desveaud et al. (2024), loyalty-driven behaviours, particularly in industries with low switching costs, not only boost market share but also build a more stable customer base. To be more precise, loyal customers are more likely to tolerate price increases and remain committed to a brand (Wieseke et al., 2014).

Despite the significance of customer loyalty, achieving customer loyalty is increasingly difficult due to the fact that customer expectations and competitive dynamics are rising (Watson et al., 2015). According to Dam & Dam (2021) and Giovanis et al. (2015); loyalty cannot be ensured by satisfaction alone. Instead, cultivating long-term loyalty requires a combination of perceived value, calculative commitment, and emotional connection (Dam & Dam, 2021; Giovanis et al., 2015).

In conclusion, customer loyalty is a strategic asset that contributes significantly to long-term business success by promoting repeat purchases, reducing marketing costs, and enhancing brand reputation. The following sections will explore the specific factors and drivers that influence customer loyalty in the retail sector.

## **1.2. Drivers of customer loyalty in the retail sector**

In the retail industry, the concept of customer loyalty is dynamic and multifaceted, impacted by a variety of interrelated factors. Unlike other industries, retail settings involve frequent and direct encounters with customers, making the factors that influence loyalty both complicated and context-specific. Retail organisations must recognise and comprehend these factors in order to improve client retention, cultivate brand loyalty, and keep a competitive advantage in a highly saturated market. (Liu-Thompkins et al., 2022) The retail industry's distinct focus on perceived value, customer experience, and trust highlights the need for a customised approach to loyalty-building strategies (Chatzoglou et al., 2022).

The author will identify the factors affecting customer loyalty in the retail sector using the framework proposed by Liu-Thompkins et al. (2022), p. 93, which provides a comprehensive lens for understanding the cognitive, affective, and social dimensions of

loyalty in the retail sector. Figure 2, compiled by the author, presents types of drivers of customer loyalty in the retail sector categorised by Liu-Thompkins et al. (2022), p. 93.



Figure 2. Types of drivers of customer loyalty in the retail sector

Source: Compiled by the author based on Liu-Thompkins et al., 2022, p. 93.

The foundation of cognitive factors is logical decision-making. They include assessing tangible advantages such as perceived value, fair pricing, and product/service quality. These elements are crucial in the retail industry since consumers frequently evaluate options according to features that meet their practical requirements and financial limitations. Retailers are more likely to retain consumers and cultivate loyalty if they continuously meet expectations in these areas. Customer satisfaction, which is a customer's assessment of their entire experience, is the main cognitive driver of retail loyalty. It is affected by both the value offered and the perceived quality of the products and services. (Kumar et al., 2013) Kumar et al. (2013) stress that customer satisfaction increases its significance in competitive marketplaces by influencing both repurchase intentions and word-of-mouth behaviour. According to Chatzoglou et al. (2022), consumer satisfaction may be influenced by customised shopping experiences that regularly satisfy their requirements and expectations; it is also a predictor of future repurchase behaviour. The trade-off between benefits and costs is known as perceived value, and it has a big impact on loyalty through logical decision-making (Kumar & Reinartz, 2016). According to Kumar and Reinartz (2016), consumers weigh cost and usefulness when choosing retailers that provide better trade-offs, making perceived value a key component of marketing. Additionally, Verhoef et al. (2009) contend that the combination of product quality, convenience, and price fairness creates an attractive offer for consumers and is the source of perceived value in retail. Another factor that influences loyalty is service quality, which includes qualities like assurance, responsiveness, and reliability (Dam & Dam, 2021). Dam and Dam (2021) show that loyalty and good service quality are strongly correlated, pointing out that consumers frequently associate brand trust with service excellence. Giovanis et al. (2015) elaborate on this by arguing that reliable

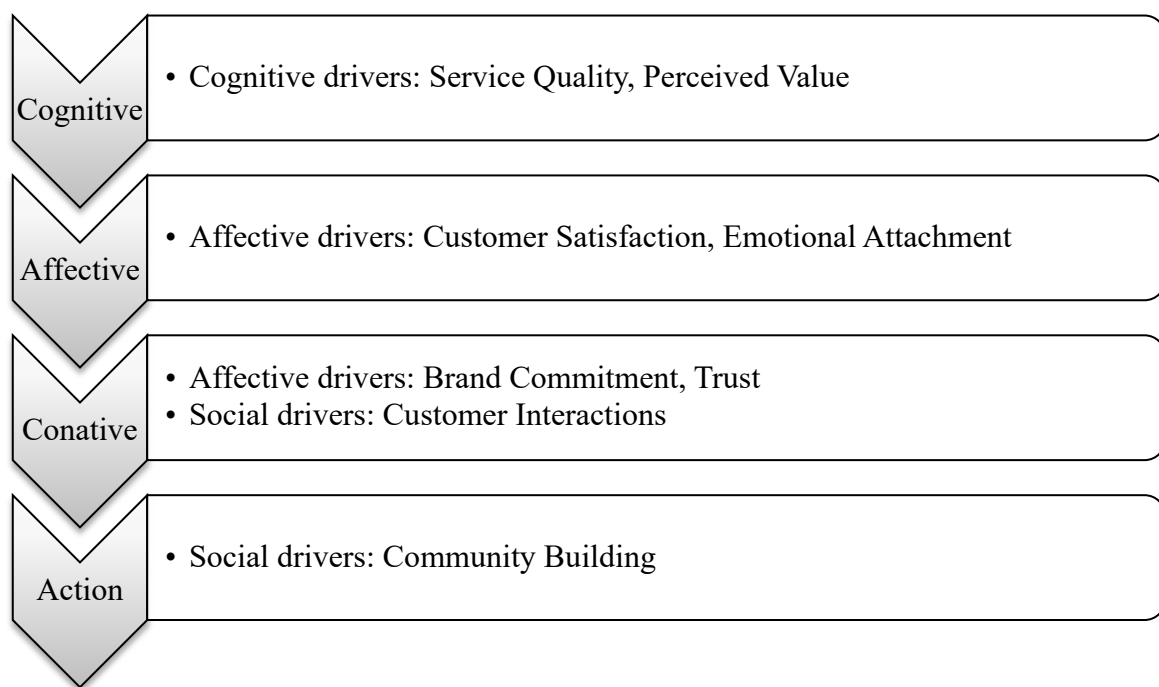
service quality is an essential factor for building loyalty in the retail business since it not only increases customer happiness but also builds long-lasting relationships.

Affective factors refer to the emotional connections that customers develop with a brand. These include satisfaction, trust, and emotional attachment (Liu-Thompkins et al., 2022). According to Liu-Thompkins et al. (2022), affective factors are crucial for building stronger interactions with customers, especially in retail settings where competition is fierce. Long-term relationships between consumers and retailers are emotionally based on trust and commitment. Trust makes customers feel confident in their choice, leading to a commitment, which reflects an ongoing emotional investment in the brand. (Petzer & Roberts-Lombard, 2021) Although partly cognitive, customer satisfaction has a significant emotional component, as it is influenced by a customer's overall experience, which includes affective components like joy and gratitude (Ball & Barnes, 2017). Together with cognitive drivers, these affective drivers highlight how crucial it is to develop emotional ties with consumers in the retail industry in order to develop a comprehensive loyalty strategy.

Social factors include how people connect with each other and with their communities. According to Liu-Thompkins et al. (2022), retail stores can successfully increase customer loyalty by utilising social dynamics through tactics like personalised service and creating a sense of community. Social factors, as described by Argo and Dahl (2020), represent the impact of both active and passive social interactions on customer behaviour. Direct interactions with salespeople or other consumers are examples of active influences, whereas passive influences come from simply existing in a common social setting, such as seeing people at a store or taking part in online brand communities. These interactions create a sense of trust and belonging, which greatly increases loyalty. (Argo & Dahl, 2020; Casper Ferm & Thaichon, 2021) Additionally, customer loyalty is influenced by positive word-of-mouth communication, which promotes repeat purchases and reinforces positive perceptions of the retailer (Troiville, 2024). Customer loyalty is fostered by active social media engagement, such as posting great experiences and interacting with brands online, which creates emotional bonds and promotes repeat purchases (Lee et al., 2024). In the retail industry, social factors are crucial because they highlight how important it is for retailers to provide welcoming and stimulating environments, both online and in-store, in order to increase customer loyalty.

The author suggests an integrated model to show the dynamic interaction between customer loyalty development stages and factors influencing it. Figure 3, compiled by the author, links Liu-Thompkins et al.'s (2022) classification of the cognitive, affective, and

social drivers of customer loyalty with Oliver's (1999) four-stage loyalty framework. It illustrates which type of loyalty driver plays the predominant role at every stage of loyalty development in the retail sector. In compiling this figure, the author also drew on a variety of other academic sources to specify how different factors - such as perceived value (Kumar & Reinartz, 2016), service quality (Dam & Dam, 2021; Giovanis et al., 2015), customer satisfaction (Kumar et al., 2013), emotional attachment (Ball & Barnes, 2017; Petzer & Roberts-Lombard, 2021), and community interaction (Argo & Dahl, 2020; Casper Ferm & Thaichon, 2021) support different stages of loyalty development. This conceptualisation adds to the body of previous literature and enables a deeper understanding of factors Estonian retailers may use to influence customer loyalty at various stages.



*Figure 3.* Model of customer loyalty development stages and their corresponding drivers in the retail sector

Source: Compiled by the author based on Argo & Dahl, 2020; Ball & Barnes, 2017; Casper Ferm & Thaichon, 2021; Dam & Dam, 2021; Giovanis et al., 2015; Kumar et al., 2013; Kumar & Reinartz, 2016; Liu-Thompkins et al., 2022; Oliver, 1999; Petzer & Roberts-Lombard, 2021.

This integrated model emphasises the need for multifaceted strategies that retailers have to use at every stage. In order to progress from one stage to the next, retail companies must implement focused strategies that align with each level of the loyalty development model. Moreover, it shows that customer loyalty is not a static concept but rather a dynamic process that changes through cognitive, affective, and social dimensions. Recognising the

multidimensional nature of customer loyalty is crucial for understanding how businesses can cultivate and sustain it.

### 1.3. Prior studies on customer loyalty and its factors

The establishment of consumer loyalty remains a topic of interest in marketing literature (El-Manstrly, 2016). The author has reviewed prior research about factors influencing customer loyalty and created Table 2, which informs the reader of the study's methodology and the components that were found to have an impact on customer loyalty. The absence of studies on Estonian enterprises has created a research gap; nevertheless, the author has discovered prior empirical studies that are relevant to the thesis's subject.

Table 2

*Prior empirical studies about factors influencing customer loyalty in retail companies*

Source	Methodology	Identified factors
Zhu et al. (2024)	Empirical study based on service recovery perspective; survey in online retailing context with 697 respondents.	Service recovery, customer satisfaction, trust, innovation, impact of service failures and recovery on loyalty.
Zhang et al. (2024)	Survey-based research using SPSS and AMOS; focus on omnichannel retailing with 356 respondents.	Omnichannel characteristics (personalization, connectivity, flexibility), hedonic and utilitarian experiences, seamless integration across
Chatzoglou et al. (2022)	Structural Equation Modeling (SEM) based on web survey of 618 retail store customers.	Physical store environment, layout, merchandise quality, staff interactions, in-store emotions, customer satisfaction, repurchase intentions.

Source: Compiled by the author based on Chatzoglou et al., 2022; Zhang et al., 2024; Zhu et al., 2024.

With an emphasis on online, omnichannel, and traditional retail settings, customer loyalty has been thoroughly investigated in a variety of retailing contexts. Zhu et al. (2024) stress the importance of consumer loyalty in online shopping, especially when it comes to rectifying the problems caused by service failures. Their study demonstrates how good service recovery strategies can mitigate the harm caused by service faults and increase customer retention. In order to create excellent client experiences and encourage repeat purchases, the importance of drivers of loyalty in online retail, including trust, customer happiness, and innovation should be acknowledged (Zhu et al., 2024).

Zhang et al. (2024) investigate the effects of integrating online and offline channels on consumer loyalty in the context of omnichannel shopping. Their results show that omnichannel features like flexibility, customisation, and connectivity are important for improving the purchasing experience. These elements support both utilitarian (goal-oriented) and hedonic (pleasure-oriented) experiences, which in turn promote customer loyalty. The study also emphasises the mediating function of customer experience, stressing the need for seamless and consistent cross-channel interactions in fostering strong customer connections. (Zhang et al., 2024)

Chatzoglou et al. (2022) investigate the variables affecting repurchase intentions in conventional retail contexts. Their research focuses on the importance of both tangible and intangible aspects of the shopping experience, including the layout, atmosphere, and quality of the merchandise as well as interactions between customers and employees. It has been discovered that these factors have a big impact on client loyalty and satisfaction. In order to provide a thorough knowledge of how consumer loyalty develops in physical retail environments, the research uses a three-dimensional model that includes antecedents (such as shop attributes), mediators (such as emotions and satisfaction), and outcomes (such as repurchase intentions) (Chatzoglou et al., 2022).

A few common themes can be inferred from these studies. Whether in traditional retail, omnichannel, or online environments, customer experience is continuously found to be a factor in fostering loyalty (Zhang et al., 2024; Zhu et al., 2024). Both utilitarian and hedonistic aspects influence this experience, highlighting how crucial it is to attend to clients' practical needs as well as their emotional preferences (Chatzoglou et al., 2022). The importance of recovery and service quality is another recurrent issue. Customer happiness and loyalty have been demonstrated to be significantly impacted by the capacity to handle service failures successfully (Zhang et al., 2024; Zhu et al., 2024). Personalised interactions are also emphasised as being essential for building loyalty (Chatzoglou et al., 2022).

Prior empirical studies on customer loyalty in the retail sector offer valuable insights that align with the staged loyalty development model presented in Figure 3 of this thesis. For example, research by Zhu et al. (2024) and Chatzoglou et al. (2022) identifies service quality, merchandise quality, and recovery strategies as foundational elements of customer loyalty. These factors correspond to the cognitive loyalty stage, where customers evaluate reliability, consistency, and value. Similarly, the affective stage - focused on emotional connection and satisfaction - is reinforced by Chatzoglou et al. (2022) and Zhang et al. (2024), who highlight the role of in-store emotions, hedonic experiences, and employee interactions in fostering

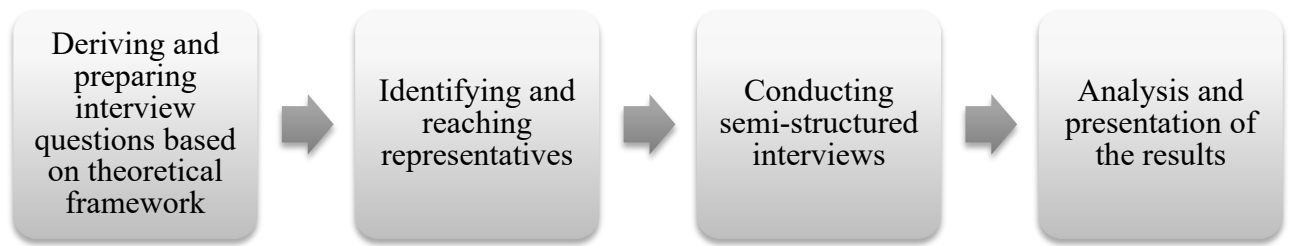
emotional bonds. Furthermore, studies by Zhang et al. (2024) and Chatzoglou et al. (2022) emphasise community engagement, customer connectedness, and peer interaction, which are essential for progressing to the conative and action stages of loyalty. To be more precise, the findings of prior studies confirm the progressive, staged nature of loyalty development and support the integrative use of Figure 3 as a conceptual backbone for the analysis in this thesis. These results offer a strong starting point for examining the factors that Estonian retailers use to influence customer loyalty.

## **2. Empirical analysis on how Estonian retailers influence customer loyalty**

### **2.1. Introduction to methodology and data collection**

In this subchapter, the author presents the methodology and data collection techniques used in this research. The methodology builds on the theoretical foundation covered in the first chapter, aiming to identify the factors Estonian retailers use to influence customer loyalty.

A qualitative approach is used to achieve the aim of this thesis, which is to identify factors used in the Estonian retail sector to influence customer loyalty. A qualitative method is particularly effective when the goal is to understand complex, context-specific phenomena in depth, allowing me to develop rich insights grounded in real-world settings (Chapman & Wang, 2025). In contrast to prior studies, which mostly used surveys to gather data, this study concentrates on conducting semi-structured interviews with representatives of Estonian retail businesses. The author chose the qualitative approach because it is anticipated to enable a more thorough investigation of the subject and offer subtle insights into the factors Estonian retailers use to influence customer loyalty. Figure 4 describes the steps used to conduct the empirical analysis.



*Figure 4.* The steps used to conduct the empirical analysis

Source: Compiled by the author.

The empirical analysis entails a number of meticulously thought-out steps to guarantee the validity and dependability of the results. The first step involved deriving interview questions directly from the theoretical chapter. The first two interview questions were derived from subchapter 1.1 and address the general theme of customer loyalty. They aim to explore its perceived importance and the desired stage of loyalty that companies strive to achieve. The remaining interview questions were derived from Figure 3, categorised into five thematic sections, each corresponding to a factor identified in Figure 3, which outlines the stages of customer loyalty development - cognitive, affective, conative, and action. These themes include: Service Quality, Perceived Value, Emotional Attachment and Customer Satisfaction, Trust and Brand Commitment, and Customer Interaction and Community Building. This categorisation enabled a structured and in-depth investigation of factors Estonian retailers use to influence customer loyalty. Therefore, Figure 3 serves as the foundation for the empirical part, guiding the step-by-step analysis of each identified theme and outlining the specific factors required to facilitate progression from one stage of customer loyalty development to the next. Appendix A contains the full list of interview questions.

Following this, the author identified and reached out to representatives. The selection of potential participants was based on their managerial or customer-facing positions and their substantial experience with customer loyalty strategies in Estonian retail firms. The author used LinkedIn to search and recruit participants, aiming to find representatives of Estonian retail businesses who are familiar with customer loyalty. The approach started with analysing LinkedIn corporate profiles of Estonian retail companies. To ensure diversity and relevancy of insights, the author used industry tags (Retail, Consumer Goods), job titles (e.g.,

Marketing Manager, Marketing Specialist, Head of Marketing), and firm size to search for marketing professionals. To facilitate the process of finding professionals, the author used LinkedIn Premium's filter feature. With the use of sophisticated filters, the author was able to more efficiently narrow down the search and find experts that fit the desired criteria. Additionally, the author used LinkedIn Premium's messaging features, such as Sales Navigator, which allowed for direct messages to be sent to people outside of the current network. A personalised note inviting each candidate to take part in a brief academic interview for the thesis was sent to them. In cases where company websites listed specific marketing department contacts, the author also emailed potential candidates.

Many factors were taken into consideration while choosing the companies, including market presence and size, industry relevance, product offerings, and customer engagement strategies. The objective was to represent a wide and impartial view of customer loyalty strategies in Estonia by incorporating businesses of all sizes, from well-known national brands to more specialised or niche merchants. The final sample included four companies: Mõnnakas, Ivo Nikkolo, Loverte, and Macta Beauty. The last company interviewed for this thesis was Macta Beauty. The saturation point was clearly achieved during and after this interview, as recurring themes, patterns, and ideas started to emerge in every discussion. Consequently, it was determined that four interviews would be adequate to offer a comprehensive and perceptive grasp of the factors Estonian retailers use to influence consumer loyalty.

Mõnnakas and Ivo Nikkolo, two of the businesses interviewed for this study, are representative of the Estonian fashion retail industry, yet exhibit opposing viewpoints because of their strikingly different market positions. Mõnnakas is a small, niche apparel business that is well-known for its community-driven strategy and minimalist designs. It offers insight into how local fashion firms foster client loyalty. Ivo Nikkolo, on the other hand, is a well-known and established fashion brand in Estonia that provides a more comprehensive perspective of loyalty tactics employed by bigger and more conventional fashion businesses. Additionally, the other two companies, Loverte and Macta Beauty, are heavily focused on e-commerce and are part of the retail beauty and personal care sector. Known for its vast array of premium international skincare, cosmetics, and wellness goods, Loverte is a top online beauty retailer in the Baltic region. Its client loyalty methods are centred on quick delivery, easy online buying, and a significant emphasis on customer happiness. Macta Beauty is another well-known beauty retailer that operates through both online and physical channels, offering professional beauty products with a focus on

customisation. A thorough grasp of how to foster client loyalty in the fiercely competitive and experience-driven beauty retail sector can be gained by incorporating both businesses.

Because of the selection's assurance of diversity across company models and industries, the author was able to investigate what factors Estonian retailers use to influence customer loyalty. The chosen individuals from these businesses were all qualified to offer knowledgeable viewpoints on the factors that influence customer loyalty because they all had positions involving direct customer interaction or strategic marketing. The positions of the participants included a Social Media Marketing Specialist, Head of People and Customer, Marketing Manager, and Digital Marketing Specialist, reflecting how customer loyalty is addressed at various organisational levels.

Moving to the next stage of empirical analysis, the author conducted semi-structured interviews. An organised summary of the data collection method is provided in Table 3, which includes information on the firm profiles, interview formats, dates, and approximate durations of the interviews done for this study.

Table 3

*Overview of interviews conducted*

No	Company	Industry	Interview format	Date	Duration
1	Mõnnakas	Fashion (Niche brand)	In-person (Delta)	21.03.2025	34 min
2	Ivo Nikkolo	Fashion (Established brand)	Microsoft Teams	01.04.2025	28 min
3	Loverte	Beauty	Zoom	07.04.2025	31 min
4	Macta Beauty	Beauty	Zoom	17.04.2025	25 min

Source: Compiled by the author based on conducted interviews.

Participants were free to select the interview format that worked best for them. As a result, one interview was conducted offline at the Delta Centre of the University of Tartu, two were held via Zoom, and one was held through Microsoft Teams. All interviews were conducted in English and lasted approximately 25-35 minutes. During the interviews, the author asked follow-up questions when necessary to gain deeper insights and clarify participants' responses. With the participants' consent, each session was audio recorded to

ensure accuracy. The recordings were then transcribed for analysis, providing a reliable basis for identifying factors Estonian retailers use to influence customer loyalty.

Finally, the author carried out the analysis and presentation of the results. In this qualitative research, the author employed thematic analysis as the primary method for analysing the interview data. The author applied coding techniques in her bachelor thesis to systematically organise and interpret the qualitative data collected during the interviews, enabling a structured thematic analysis of customer loyalty drivers (Ahmed et al., 2025). Thematic analysis through coding is a widely accepted approach in qualitative research as it structures the analysis process, helping ensure consistency and accuracy, which are essential for producing reliable results (Goodell et al., 2016). Figure 3 provided a conceptual framework that informed the thematic structure, helping the author align the coded data with each stage of customer loyalty development. This structured approach was expected to uncover the factors used in the Estonian retail sector to influence customer loyalty, contributing meaningful insights to both academic literature and practical business strategies in the Estonian retail context.

## **2.2. Analysis of the results from interviews**

The analysis of the interviews was guided by a set of predefined themes, which were discussed in subchapter 2.1, allowing for a structured and systematic examination of the data. For a more thorough explanation, the author created concise coding tables for every theme.

The empirical chapter begins with an overview of how the interviewed representatives perceive customer loyalty and its importance in their business strategy. Across all four interviews, respondents emphasised that building and maintaining customer loyalty is a critical priority, especially in today's competitive and price-sensitive market. As stated in Interview №1, achieving loyalty is becoming increasingly challenging, yet remains essential for sustaining long-term customer relationships. Additionally, all of the participants acknowledged that customer loyalty evolves gradually, starting with logical factors (such as perceived value and service quality) and progressing into deeper emotional and behavioural commitment when presented with the cognitive-affective-conative-action framework shown in Figure 3. These observations demonstrate an alignment with the theoretical framework and validate the importance of considering loyalty as a phased process, as will be done in the subsequent thematic sections with the help of Figure 3. Moreover, all respondents indicated that their goal is to achieve the final stage of action loyalty, where customers not only remain loyal but also actively promote the brand through repeated engagement and advocacy.

As illustrated in Figure 3, the first stage in the customer loyalty development process is cognitive loyalty. To successfully establish this foundation, retailers must ensure high levels of service quality, as it significantly shapes customers' early impressions. The first theme that emerged from the theoretical chapter was **Service Quality**, which, as indicated by the interviewees, plays a central role in shaping customer loyalty. Based on the data collected, this theme was divided into two categories: Problem Handling and Refund Policy and Service Consistency and Quality Control. Table 4 displays the codes related to the first theme, Service Quality, extracted from the interviews, along with the corresponding categories assigned to the codes.

Table 4

*Thematic analysis of interview responses: Service Quality*

Theme	Codes from the interviews	Category
Service Quality	<ul style="list-style-type: none"> <li>• Fast customer service response via email and phone</li> <li>• Refunds or replacements even after official period</li> <li>• Automation and personalised handling of complaints</li> </ul>	Problem Handling and Refund Policy
Service Quality	<ul style="list-style-type: none"> <li>• Mystery shopping and internal standards</li> <li>• Employee training on customer interactions</li> <li>• Clear service standards adjusted for Estonian customers</li> <li>• Timely responses to inquiries</li> <li>• Feedback loops and public reviews used for improvement</li> </ul>	Service Consistency and Quality Control

Source: Compiled by the author based on conducted interviews.

The interviews added valuable practical insights into how service quality is implemented in real-life Estonian retail settings. All four interviewees stressed how critical it is to be customer-focused and responsive when issues emerge in terms of fostering customer loyalty. The respondent in Interview №1 explained how their business values client happiness by compensating customers even after the formal refund period has passed. Three out of four interviewees stated that in situations where the product does not meet the client's expectations, a replacement is delivered together with a small gift to create a positive emotional experience for the customer. Similar practices were seen in Interview №3, where the business accepts returns for used items that aren't technically considered returnable goods, such as foundation or perfume. This degree of adaptability shows a dedication to enduring

client confidence and happiness. The Interviewee №2 clarified that their company has official procedures in place for handling client complaints. The general rule is to behave in the best interests of the consumer, usually providing a refund, replacement, or gift card where appropriate, even though extreme or unreasonable circumstances are not accepted (such as returning used things after several years). A prompt and solution-focused approach to defective items was also stressed in Interview №4. Products that have quality problems are taken off the market, producers are notified, and affected consumers are given the opportunity to get a refund or other compensation.

Another essential factor contributing to service quality is the consistency and professionalism of customer interactions. Respondents in every interview mentioned disparate tactics to guarantee a consistent level of service quality. During Interview №1, it was emphasised that strengthening customer loyalty requires prompt responses to calls and emails, especially during busy times, when customers have high expectations. According to the participant in Interview №2, their company has established explicit service standards that are customised to the interests of local clients. For instance, it was observed that Estonian clients like salespeople who are more reserved. Mystery shopping, a kind of internal quality control, and employee training are two ways that these standards are reinforced. Mystery shoppers are employed to evaluate how well service standards are being fulfilled in practical situations and to offer input for continuous development (Blessing & Natter, 2019). All respondents outlined how crucial it is to manage all aspects of the client journey, from packaging to website design, in order to deliver a smooth experience. It was determined that providing excellent customer service was a core value, and that paying attention to little things like branded envelopes and unique packaging increased customer loyalty.

Overall, it can be concluded that the interviewees strongly believe excellent service quality plays a crucial role in fostering customer loyalty, both in everyday interactions and in handling exceptional situations. According to the analysis, businesses have a higher chance of attracting and keeping devoted clients when they provide consistent service and resolve problems efficiently.

These findings strongly support the existing literature, which highlights service quality as a driver of customer loyalty in the Estonian retail sector. Srivastava and Sharma (2013) claimed that customer satisfaction is significantly influenced by service quality and brand image, both of which help reduce switching behaviour. The interviewees' focus on individualised customer care, prompt complaint resolution, and responsiveness is consistent with Dam and Dam's (2021) findings that increased loyalty is directly correlated with

responsive and reliable service. Additionally, as Giovanis et al. (2015) pointed out, the usage of internal quality standards, as discussed in Interview №2, illustrates that to establish customer loyalty, it is necessary to have consistent service excellence.

As seen in Figure 3, the first stage in the customer loyalty process, cognitive loyalty, includes not just providing excellent customer service but also ensuring that customers perceive clear value in their purchases. The second theme that emerged from the theoretical chapter was **Perceived Value**, which refers to how customers interpret and experience the worth of a product or service beyond its functional purpose. This theme was divided into two categories: Emotional and Symbolic Value and Functional and Added Benefits. Table 5 displays the codes related to the first theme, Perceived Value, extracted from the interviews, along with the corresponding categories assigned to the codes.

Table 5

*Thematic analysis of interview responses: Perceived Value*

Theme	Codes from the interviews	Category
Perceived Value	<ul style="list-style-type: none"> <li>• Customers feel sense of luxury and uniqueness</li> <li>• Exclusive packaging creates premium feeling</li> <li>• Product branding adds emotional appeal</li> </ul>	Emotional and Symbolic Value
Perceived Value	<ul style="list-style-type: none"> <li>• Free gifts and samples add value</li> <li>• Loyalty program levels tied to benefits</li> <li>• Careful selection of trusted brands</li> </ul>	Functional and Added Benefits

Source: Compiled by the author based on conducted interviews.

All four interviews highlighted the importance of creating emotional or symbolic value through branding, packaging, and the overall experience surrounding the product while influencing customer loyalty. The respondent in Interview №1 emphasised that buying the goods is not just about usefulness for the customers; it's also about showing their individuality and feeling "cool" or stylish. The product gains emotional worth from this symbolic association with self-image. Additionally, the interviewee noted that their brand has become so closely associated with the specific item they sell that people in Estonia often refer to the item by the brand name itself, regardless of where it was purchased. A unique degree of brand synonymy is demonstrated here, in which customers now mentally associate the brand with the product category. According to Interviewee №2, owning products from their brand represents sophistication and consistency in lifestyle for the clients. This illustrates a

symbolic commitment to status and quality, which helps maintain customer loyalty over time. In Interview №3, visual branding and storytelling are purposefully used to increase perceived value. According to the interviewee, they purposefully use branded packaging, premium envelopes, tissue paper, and website design to convey a sense of luxury and, in the long term, to influence customer loyalty.

Offering real, useful benefits that improve the whole consumer experience is another important factor in perceived value. Three out of four interviewees noted that their companies provide small gifts, discount codes with purchases, or samples of the new products, especially during holidays such as Mother's Day or Women's Day. They see these extras as thoughtful gestures that make customers feel appreciated and more likely to return. Interviewee №2 explained their loyalty program, which has several tiers increasing benefits such as discounts, invitations to exclusive events, and even birthday offers. According to the interviewee, a well-organised system of extra incentives promotes repeat purchases and provides clients with a feeling of acceptance and acknowledgement. According to Interviewees №3 and №4, customer loyalty can be influenced by offering brands that meet high standards on their platform, ensuring that customers can trust the products they receive.

These findings align closely with the literature highlighting perceived value as a cognitive driver of customer loyalty in the retail sector. According to Kumar and Reinartz (2016), perceived value is a result of the trade-off between benefits and costs, to determine whether a product or experience is worth the money. This is evident in the interviewees' emphasis on premium packaging, symbolic brand meaning, all of which increase the purchase's emotional appeal and usefulness. This is further supported by Chatzoglou et al. (2022), who show that both utilitarian and hedonistic aspects of the shopping experience had a significant impact on consumers' intentions to repurchase; these aspects were reflected in the interviews. Overall, the results of the interviews support the theoretical consensus that customer loyalty is likely to increase when perceived value is raised through both functional and emotional benefits.

As shown in Figure 3, once cognitive loyalty is established through service quality and perceived value, the next stage in the loyalty development process is affective loyalty, which is based on emotional attachment and positive feelings toward the brand. To support this transition, retailers must go beyond meeting rational expectations and begin cultivating emotional connections with their customers. The third theme is **Emotional Attachment and Customer Satisfaction**. This theme is divided into two categories: Emotional Connection Strategies and Interactive Campaigns. Table 6 presents the codes associated with the third

theme identified from the interviews, along with the respective categories assigned to each code.

Table 6

*Thematic analysis of interview responses: Emotional Attachment and Customer Satisfaction*

Theme	Codes from the interviews	Category
Emotional Attachment and Customer Satisfaction	<ul style="list-style-type: none"> <li>• Heartwarming video campaigns (e.g., Mother's Day)</li> <li>• Customer appreciation events and gifts</li> <li>• Feedback included in product planning</li> </ul>	Emotional Connection Strategies
Emotional Attachment and Customer Satisfaction	<ul style="list-style-type: none"> <li>• Street interviews, real customer stories shared</li> <li>• Gifting during holidays builds an emotional connection</li> <li>• Engaging formats like interviews and behind-the-scenes</li> </ul>	Interactive Campaigns

Source: Compiled by the author based on conducted interviews.

According to the interviewees' replies, customer loyalty is greatly influenced by emotional marketing campaigns and customer appreciation programs. The answer in Interview №1 mentioned that their company frequently produces emotional video advertising for holidays like Mother's Day and Women's Day. These emotionally resonant marketing materials help foster a deeper emotional bond with the brand by aligning it with customers' values and personal experiences. In two of the four interviews, the importance of personal touches such as small gifts and "thank you" notes was emphasised. According to the respondents, these actions, particularly when they are unexpected, provide clients with a sense of emotional value and promote repeated purchases. In addition, all respondents mentioned incorporating customer feedback into marketing and product planning. It was stated that listening to and meeting the demands of customers is not only a practical step but also a means of demonstrating gratitude and emotional responsiveness, which strengthens client loyalty.

According to every interview, Estonian retail companies actively employ innovative and engaging campaigns to foster strong emotional bonds with their target audience and promote client loyalty. For instance, in Interview №1, the respondent talked about programs that showcase true, unscripted consumer experiences, such as street interviews and sharing real customer stories. Moreover, consistent social media interaction formats, such as interactive postings, Q&A sessions, and consumer appreciation initiatives, are crucial,

according to Interviewee №4. It should be noted that Estonian retail companies increase consumer loyalty and create a sense of belonging by integrating them into the brand story.

These findings are consistent with the existing literature, which identifies emotional attachment and customer satisfaction as crucial affective drivers of loyalty. According to Liu-Thompkins et al. (2022), emotional factors like satisfaction and emotional attachment are crucial for creating enduring bonds between consumers and companies. Moreover, according to Petzer and Roberts-Lombard (2021), emotional fulfilment boosts client happiness and loyalty. Additionally, Ball and Barnes (2017) stress that loyalty can be greatly increased by moving beyond basic consumer contentment and toward generating delight through emotional experiences.

As outlined in Figure 3, the transition from affective to conative loyalty involves the development of a deeper commitment and intention to continue the relationship with a brand. Another important theme identified during the theoretical chapter that supports this phase was **Trust and Brand Commitment**, recognised as essential elements in fostering long-term customer loyalty. Based on the empirical findings, this theme was categorised into two areas: Customer-Centric Policies and Brand Integrity and Social Trust. Table 7 presents the codes associated with this theme.

Table 7

*Thematic analysis of interview responses: Trust and Brand Commitment*

Theme	Codes from the interviews	Category
Trust and Brand Commitment	<ul style="list-style-type: none"> <li>• Accepting used items for return</li> <li>• Customer-first mindset during problem resolution</li> <li>• Product quality as a long-term trust builder</li> </ul>	Customer-Centric Policies
Trust and Brand Commitment	<ul style="list-style-type: none"> <li>• Transparency via public feedback and real photos</li> <li>• Social responsibility projects boost credibility</li> <li>• Maintaining promises through consistent delivery</li> </ul>	Brand Integrity and Social Trust

Source: Compiled by the author based on conducted interviews.

It was evident from all four interviews that a customer-centric approach to problem-solving increases consumers' perceptions of security, reliability, and fairness, increasing the likelihood that they will become loyal customers. It was claimed that by prioritising customer satisfaction over short-term financial gains, the company becomes able to build strong,

lasting trust. Interviewee №2 clarified, for example, that even in cases where complaints are made outside of the regular return time, the company frequently chooses to offer a gift card, replacement, or other solution to leave a positive impression. Furthermore, it was mentioned in Interview №3 that the company takes returns for a variety of goods, including opened cosmetics and other items that are normally non-returnable. This remarkable adaptability in managing returns demonstrates a dedication to fostering trust.

In addition to customer service policies, brand integrity was found to be a crucial driver of trust and commitment, which in turn leads to increased customer loyalty. Four out of four interviewees see the company's transparency and authentic communication style as important tools for earning customer trust. Additionally, it is worth noting that the importance of maintaining promises was outlined throughout the interviews. According to respondents, breaking promises was seen as a serious threat to customer loyalty, underscoring the need for reliability in upholding trust. Three interviewees consider public feedback and real customer reviews as an effective tool to influence customer loyalty. They claimed that instead of using only polished marketing images, the company should share real customer photos, reinforcing the authenticity of the brand. Three interviewees consider public feedback and real customer reviews as an effective tool to influence customer loyalty. They claimed that instead of using only polished marketing images, Estonian retail companies should share real customer photos, reinforcing the authenticity of the brand. The participant added that taking part in community initiatives and socially responsible activities enhances consumers' perceptions of the brand.

Overall, findings from the theoretical chapter that trust and brand commitment are fundamental foundations for fostering customer loyalty in the Estonian retail context are generally supported by the empirical findings. To be more precise, according to Petzer and Roberts-Lombard (2021), customers are more likely to remain loyal to companies they trust, especially in highly competitive sectors. According to some respondents, the incorporation of social responsibility programs supports Camilleri and Filieri's (2023) findings that companies that are seen as moral and community-focused have a higher chance of having a lot of loyal customers.

As illustrated in Figure 3, the final stage in the loyalty development model is action loyalty, which refers to customers consistently choosing and advocating for a brand based on deep emotional and social engagement. The theme of **Customer Interaction and Community Building** emerged as a reflection of these dynamics, illustrating the increased significance of peer influence and community-oriented branding in fostering customer

loyalty. This theme was separated into two categories: Community-Oriented Branding and Digital and Peer Influence, based on the empirical results. An overview of the codes related to this theme that were taken from the interviews and the categories into which they were categorised is given in Table 8.

Table 8

*Thematic analysis of interview responses: Customer Interaction and Community Building*

Theme	Codes from the interviews	Category
Customer Interaction and Community Building	<ul style="list-style-type: none"> <li>• Loyalty programs called 'community'</li> <li>• Customers invited to behind-the-scenes events</li> <li>• Storytelling in emails and social media</li> </ul>	Community-Oriented Branding
Customer Interaction and Community Building	<ul style="list-style-type: none"> <li>• Social media as a feedback and contact platform</li> <li>• TikTok and Instagram used to reach the youth</li> <li>• Word-of-mouth and influencer marketing leveraged</li> </ul>	Digital and Peer Influence

Source: Compiled by the author based on conducted interviews.

The interviews revealed how customer loyalty is also nurtured through community-oriented branding. For example, the respondent in Interview №2 explained how their loyalty program is portrayed as a "community" that gives customers a sense of belonging. According to Interview №3, loyal clients are sometimes given access to behind-the-scenes events, such as the introduction of new products or special shopping opportunities, which makes them feel like insiders rather than just customers. According to Interviewee №1, the company wants to project a lifestyle image around its product so that consumers feel as though they are a part of a larger aesthetic or cultural movement. The emotional connection becomes embedded not only in the product itself but also in what it represents socially. The importance of email marketing and storytelling as a means of fostering customer loyalty was also outlined in Interview №3. Customers can establish a more personal, meaningful relationship with businesses by hearing stories about the origins of products, customer experiences, or brand values.

Across all interviews, the role of digital channels and peer influence in shaping customer loyalty was stressed. Each participant emphasised the importance of word-of-mouth marketing, especially on social media, where brand promotion comes naturally from customers' posts. Both Interviewee №2 and Interviewee №3 highlighted the need to use

influencer partnerships strategically, particularly with micro-influencers whose genuineness has a greater effect. Compared to traditional advertising, these partnerships enable Estonian retail companies to reach a larger audience. According to three interviewees, platforms like Instagram and TikTok are crucial, particularly when trying to attract younger audiences. Building client trust and promoting customer loyalty requires maintaining an active, approachable presence on these platforms in addition to peer recommendations and reviews. According to the interviews, it can be concluded that in the retail sector, the social media presence and customer engagement are now crucial pillars of loyalty-building rather than supplementary tactics.

Summing up, the empirical findings confirm that customer interaction and community building are indispensable tools for strengthening customer loyalty in today's retail environment. Argo and Dahl (2020) contend that active social interactions establish emotional ties that foster loyalty. Furthermore, Casper Ferm and Thaichon's (2021) perspective, which highlights the significance of peer-driven dynamics in influencing loyalty in digital spaces, is supported by the utilisation of influencer partnerships and customer-driven social media content. Lee et al. (2024) emphasise that positive social media interactions with customers can increase emotional involvement and influence customer loyalty.

Table 9 summarises the generalised results of the empirical findings and their connection with the theoretical framework discussed in the literature review. The presentation of each empirical finding is accompanied by its theoretical correlate, which shows how the information obtained from the interviews complements, adds to, or supports the theoretical background of this thesis.

Table 9

*Generalised results of empirical findings and their correlation with the theoretical background*

Key Empirical Findings	Correlation with Theoretical Background
Estonian retailers enhance customer loyalty by providing high service quality, including responsiveness, problem resolution, and flexible refund policies.	Supports Dam & Dam (2021); Giovanis et al. (2015); aligns with cognitive loyalty in Liu-Thompkins et al. (2022)
Estonian retailers increase perceived value through premium packaging, loyalty programs, and additional benefits such as gifts and samples.	Correlates with Kumar & Reinartz (2016); Chatzoglou et al. (2022); cognitive loyalty driver
Estonian retailers foster emotional attachment and customer satisfaction by offering personalised experiences, heartfelt campaigns, and exclusive customer appreciation activities.	Aligns with Ball & Barnes (2017); Liu-Thompkins et al. (2022); fits affective drivers
Estonian retailers build trust and brand commitment through transparency, social responsibility initiatives, and consistently fulfilling promises.	Supports Petzer & Roberts-Lombard (2021); Camilleri & Filieri (2023); relates to affective loyalty
Estonian retailers strengthen loyalty by encouraging customer interaction and peer influence through social media engagement, storytelling, and authentic customer involvement.	Supports Liu-Thompkins et al. (2022); Argo & Dahl (2020); Casper Ferm & Thaichon (2021); social loyalty drivers

Source: Compiled by the author based on empirical results.

This chapter provides a detailed thematic analysis of the interview findings, structured according to the customer loyalty development model presented in Figure 3. Through five themes - Service Quality, Perceived Value, Emotional Attachment and Customer Satisfaction, Trust and Brand Commitment, and Customer Interaction and Community Building - the empirical part illustrates how Estonian retailers understand and implement customer loyalty strategies in practice. Each theme is explored in relation to its position within the staged development of loyalty, enabling a process-based understanding of how loyalty is cultivated over time. Notably, the interviews not only confirm many of the loyalty drivers found in the literature, but also contribute valuable practical insights into how these drivers are operationalised in the Estonian retail context.

### **Conclusion**

In today's highly competitive and fast-evolving retail landscape, cultivating customer loyalty has become more critical and more complex than ever. As consumer expectations

rise, traditional advertising's efficacy diminishes, and peer recommendations and emotional brand ties become increasingly important, businesses need to take client retention beyond price and goods. As highlighted in this thesis, customer loyalty is no longer solely driven by rational decision-making, but evolves as a dynamic process involving cognitive, emotional, and social dimensions. In the Estonian retail industry, where tech-savvy customers and digital competition are common, knowing how to strategically leverage service quality, perceived value, emotional attachment, trust, and community to foster loyalty has become essential to the long-term success of businesses.

The theoretical part of the thesis provided a comprehensive overview of the concept of customer loyalty, including its importance, development stages, and influencing factors in the retail sector. A staged model of loyalty was adopted to structure the analysis, supported by a review of prior empirical studies. These studies highlighted that customer loyalty in retail is shaped by a combination of service quality, perceived value, emotional connection, trust, and community-building efforts.

A key contribution of this thesis is the development and application of Figure 3, a conceptual model created by the author that integrates Oliver's (1999) four-stage loyalty framework with the cognitive, affective, and social loyalty drivers identified by Liu-Thompkins et al. (2022) and other scholars. This figure illustrates that customer loyalty is not a static concept but rather a dynamic and evolving process, where different drivers play a predominant role at each stage of loyalty development. By assigning certain influencing factors to the respective stages of loyalty, the model offers a useful and organised method for examining how loyalty develops and grows over time.

The five themes used in the empirical analysis - Service Quality, Perceived Value, Emotional Attachment and Customer Satisfaction, Trust and Brand Commitment, and Customer Interaction and Community Building - were directly derived from this integrated model. Figure 3 not only provided the framework for creating interview questions and coding themes, but it also represents a contribution to the body of knowledge regarding loyalty-building tactics in the retail industry.

The empirical part of the research was based on semi-structured interviews with marketing and customer experience professionals from four Estonian retail companies across the retail sector. The data was analysed using thematic analysis, and the interview findings provided valuable insights into how Estonian retailers implement loyalty strategies in practice.

The analysis revealed that Estonian retailers prioritise responsiveness, flexible problem resolution, and consistent service quality to establish trust and reliability, crucial components of cognitive and conative loyalty. Perceived value is enhanced through both emotional branding and functional benefits such as personalised packaging, loyalty programs, and added gifts. Emotional loyalty is further developed through heartfelt marketing campaigns, customer appreciation gestures, and continuous engagement via social media and community-driven initiatives. Trust is cultivated through transparent communication, customer-first policies, and socially responsible brand actions.

These findings align with and reinforce existing academic literature while also offering practical insights into how loyalty drivers are implemented within the Estonian retail sector. Based on the research results, it is recommended that retailers focus on maintaining high service standards, building emotional connections, fostering community engagement, and strengthening trust through transparency and values-based branding.

To conclude, this thesis contributes to a deeper understanding of customer loyalty in the Estonian retail sector by applying a dynamic, stage-based perspective and by introducing an original conceptual framework that reflects how loyalty evolves across multiple dimensions. These findings serve as a valuable reference for both academics and retail practitioners aiming to develop more targeted and effective loyalty-building strategies in competitive markets.

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## APPENDIX A

## Questions for the interviews

Theme from the literature	№	Questions
General Questions	1	How important do you consider customer loyalty for your business?
	2	Which stage of customer loyalty - cognitive, affective, conative or action - do you want to achieve?
Service Quality	3	How does your company ensure consistent service quality, and how does this relate to customer loyalty?
	4	What strategies do you use for handling customer complaints or refund requests, and how do these practices influence customer loyalty?
Perceived Value	5	How do you perceive the value your company offers to its customers, and how does this influence loyalty?
	6	Do you offer any benefits or incentives that make customers feel valued? If so, how effective are they?
Emotional Attachment and Customer Satisfaction	7	Do you use any strategies to create an emotional connection with your customers? If so, which ones?
	8	How does your company assess customer satisfaction, and how does it affect loyalty?
Trust and Brand Commitment	9	What role do trust and commitment play in retaining your customers? And how do you build trust?
Customer Interaction and Community Building	10	How do customer interactions (e.g., word-of-mouth, social media engagement) contribute to customer loyalty?
	11	Do you implement any community-building initiatives or loyalty programs to strengthen customer relationships?

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Source: Compiled by the author based on the theoretical part.

## Resümee

Tegurid, mida Eesti jaemüügi ettevõtted kasutavad kliendilojaalsuse mõjutamiseks

Viktorii Kobzar

Kliendilojaalsus on kaasaegses jaemüügis muutunud strateegiliseks väärtuseks, mis määrab ettevõtete pikaajalise edu. See ei piirdu enam üksnes korduvate ostudega, vaid hõlmab ka klientide emotsionaalset seotust, usaldust ja aktiivset suhtlemist brändiga. Kuna Eesti jaemüügiturg on tehnoloogiliselt arenenud ja üha konkurentsitihedam, muutub oluliseks mõista, milliseid konkreetseid tegureid ettevõtted kasutavad lojaalsuse kujundamisel ja säilitamisel.

Käesoleva lõputöö eesmärgiks oli välja selgitada tegurid, mida Eesti jaemüügi ettevõtted aktiivselt kasutavad kliendilojaalsuse mõjutamiseks. Töö teoreetilises osas anti ülevaade kliendilojaalsuse mõistest, selle tähtsusest ja arenguastmetest - kognitiivne, afektiivne, konatiivne ja tegevuslik lojaalsus. Samuti käsitleti varasemaid uuringuid lojaalsust mõjutavate tegurite kohta, sealhulgas teenuse kvaliteeti, tajutavat väärtust, emotsionaalset seotust, usaldust ning kogukonna loomist.

Olulise panusena töötas autor välja joonis 3 - kontseptuaalse mudeli, mis ühendab Oliveri (1999) neljaastmelise lojaalsuse arengu raamistiku ja Liu-Thompkinsi jt (2022) poolt määratletud lojaalsuse kognitiivsed, afektiivsed ja sotsiaalsed mõjutajad. Joonis 3 peegeldab autori originaalset käsitlust ja näitab, et kliendilojaalsus ei ole staatiline, vaid dünaamiline protsess, mille erinevates etappides mängivad rolli erinevad tegurid. Selle mudeli alusel struktureeriti viis temaatilist valdkonda, mille põhjal viidi läbi empiiriline analüüs: teenuse kvaliteet, tajutav väärtus, emotsionaalne seotus ja rahulolu, usaldus ja brändi pühendumus ning kliendisuhklus ja kogukonnatunne.

Empiirilises osas viis autor läbi poolstruktureeritud intervjuud nelja Eesti jaemüügi ettevõtte esindajatega, kes tegutsevad moekaubanduse ja ilutoodete valdkonnas. Temaatiline analüüs näitas, et ettevõtted väärtustavad personaalset teenindust, paindlikkust probleemide lahendamisel, läbipaistvust suhtluses ja emotsionaalset lähedust kliendiga. Kliendilojaalsust suurendatakse ka visuaalse brändingu, kinkide ja lojaalsusprogrammide abil, samuti kogukonna loomise kaudu sotsiaalmeedias.

Töö tulemused kinnitavad varasema teaduskirjanduse järeldusi, kuid pakuvad ka praktilisi teadmisi, kuidas lojaalsust mõjutavaid tegureid Eesti kontekstis rakendada. Käesolev lõputöö aitab mõista, milliste strateegiate ja meetodite abil saavad Eesti jaemüügi ettevõtted tugevdada kliendilojaalsust erinevatel arenguetappidel. Lisaks pakub töö

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*11/05/2025*