

Customer loyalty programmes in the retail sector



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The retailing is all around us. It permeates our lives. It is very obvious to buy products and services from their shop, their websites and their catalogue.

There are plenty of procedures in which customers are attracted to buy from a certain store, one of which is the customer loyalty programme offered by them. The major reason for selecting this topic as my research subject is to gain an in-depth knowledge over it and resolve the questions rose on the topic customer loyalty programme. The approach to this dissertation will be to resolve the below questions.

How does customer loyalty programme influence the retail sector

What are the advantages of customer loyalty programme to the customers and retailers

What are the measures that should be taken when implementing these programmes?

How does these customer loyalty programmes affects the culture of retail chains and influence customers.

The customer loyalty programmes are a concept adopted by the retail chains to attract their customer and retain them. These programmes are offered to provide customers with benefits over their purchase. Thus by the end of this research it would enable me to understand the benefits of the customer loyalty programme offered by the retail chains to their customers.

The subject marketing communication has been a great interest to me, which cultivated a desire to opt my research into a topic of it. As we know that retail industry is at boom and the retail marketing strategy is a great

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concern for the retailers, I have opted for this area for my research which would enhance my knowledge on the subject.

Review of Literature

The nature of the customers does not possess an interest for loyalty. The only reason they purchase from a certain store is to satisfy their own needs. The style and presentation for the product and services from a business creates a response of customer loyalty. The only reason behind any purchase from any store is because the consumers desire to buy it. There is no compulsion to persistent purchase from any business. The consumer purchases are made from a certain store because they have a connection with them through offers made by products and services that appeal them. Consumers are self serving. Their main intention is to transact with a business that delivers them their desired needs. Consumer does not possess the characteristic of loyalty, it is the response from consumer to action to business, they are not inherently loyal or disloyal.

The question should not be 'among the entire customer who is more loyal' or 'why we don't possess much loyal customer'. The question should be 'what are the ways in which we can retain our customers'. The issue of customer loyalty is centred to business, not to the customers.

Customer loyalty programme is the answer today as it has been in the past and will be in the future. This make the customer loyal and these loyal customers are easier to business with, are more predictable, and don't carry the expense associated with attracting new customers. Creating loyal customer by these programmes is considered as an answer to all the worries

of retailer. A loyal customer has been an open option for any business to trade with. These customer loyalty programmes are at the common site for every consumer looking to satisfy its need. These programmes can be seen as Loyalty card holder schemes, Pay as you go scheme, buy now pay later schemes, etc. we can easily see all such programmes in any kind of retail store be it food, grocery, electronics, clothing, etc.

Loyalty programmes have become an increasingly common part of retailers marketing strategies. Eventually, it was not uncommon for any business with an interest in a loyalty proposition to make an attempt at establishing its own variation. Following the financial crisis hundreds of stores ranging from corner shops to large department stores were forced to close their doors. But successful loyalty marketing allowed some companies to thrive and even expand.

It can be noticed that the global competition in consumer market is rapidly getting intense and retailers and marketers are striving for the new strategies to maintain the interest and loyalty of their customers. Hence the associated marketing has grown in popularity since the past decades and the execution of associated marketing is slowly increasing (Noble/Philips 2004, P. 290). Presently retailers understood that satisfy and retain the customers with the usage of relationship building activity is one among the most potential form if sustainable competitive advantage. Though customer loyalty cannot be counted as the direct reason for profitability, various studies have found that profits for each year has been continually grown through customers trust over the company and their continued purchases for

every year (Meffert 2008, p. 160; Noble/Philips 2004, p. 290; Reinartz/Kumar 2000, p. 28)

As merchant loyalty offerings began appearing in unprecedented numbers, loyalty programmes associated with just one retailer was no longer the rule. Consumption patterns have changed and consumers are becoming more frugal and discretionary in their spending. Major loyalty programme issuers know that customers are demanding increased flexibility and a wider variety of rewards. In a bid to survive many businesses experimented with cross-marketing; it is not uncommon to find ceramic ornaments offered through a hair salon loyalty card, or discounted health tests redeemable through a video rental chains membership programme. For many companies, the cross marketing of services is especially appealing as it removed the hassle of holding inventory for merchandise giveaways.

A few years ago, the author of the Loyalty Paradox Report (Evans, 1999, P. 4) criticised existing loyalty programmes for being 'mechanical, hard sell promotion', which overlooked the reason for repeat customers-'emotions and trust', 'habit and inertia' and 'communication and service'. There is a danger that customers will be loyal to the programme itself rather than to the programme sponsor.

It is clearly not sufficient to be an effective promoter of the economic benefits of loyalty programme participation. There is a need to offer consumer socio-cultural benefits, to provide the feel good factor that is missing from the shopping experience of other retailers (Burch, 2007). Burch also argues that it is the main reason why supermarkets are so keen to be

perceived as a health promoting agency, a family friendly firm, and a household problem solver. As the manager of a Safeway (UK) store explained some years ago; ' Our success can be put down to our regard for our moral as well as our legal responsibilities' (Cumming, 1994, P. 5).

For this reason, analysing the subtle mobilisation of consumer loyalty towards supermarket as an institution is as important as understanding the ' hard sell' of loyalty programme activities and the negotiated supply chain partnerships. It is as both guide and guardian that supermarkets actively promote and regulate the social practices that underpin consumption behaviour.

Contribution to Knowledge/Originality:

The attractiveness of relationship marketing has progressively developed from the past few decades. To satisfy and retain the customer through relationship building is seen as the most sustainable competitive advantage adopted by the retailers. Though the customer loyalty cards are popular in the retail industry, many programmes of customer loyalty are almost transposable, with lack of attractiveness and differentiation. Thus it is essential to acknowledge the elements of customer satisfaction that relates to these programmes. Hence aiming towards the satisfaction of customers relates to understand and anticipate what consumer need from the loyalty programme.

It is very common in retail to use the card based programs for loyalty enrichment strategy. These card based programmes issues special coded cards or special card that can be scan readable, those can be used at the

checkout holding an objective to increase consumer tendency. Consumer gains few benefits on these loyalty card like reduction in price, percentage, gift pack service, own area for parking, etc. (Naslund 2002, p. 322). Loyalty cards are a common practice to offer in European retailing, after growing with 25 to 30 percent each year since 1990s. In some of the markets this card based programme has achieved its saturation stage but in few it is still new process growing at a steady pace (Ziliani/Bellini 2004, p. 283f). Loyalty card Programs are the most admired relationship building activity in Australia.

However, many loyalty card programme are almost transposable and customers don't use them (Hoffman/NaB 2007, p. 6). There are numerous reasons why customers do not desire to bond in relation with retailer. Usually consumers' don't sense the benefit those retailers offer are satisfactory or of no importance to them (Noble/Philips 2004, p. 300). In addition to this there is a lack of charm and delineation (Tomczak 2008, p. 325)

Thus to offer suitable benefits to the customer, it is essential to understand the factors of customer satisfaction with the loyalty card programme. Focussing on the satisfaction of customer means to understand and anticipate what consumer desire from the loyalty program, through which a positive response is generate and posses the aptitude to astonish the consumer. The reason to opt for this study is to examine various attributes and recognise the major influential facto on consumer satisfaction.

Methodology of Research

The study will be based on the qualitative and quantitative approach. The primary source of data collection will be done by the questionnaire because it is said to be the least expensive procedure for the research (Trochim, 2002). The research forces me to investigate different retail chains that offers customer loyalty programmes to benefit the customer. Investigating on those retail stores will give me an elaborated idea over the benefits and drawbacks shared by the retailer and the customer through those loyalty programmes.

The data collection sources will through book, journals, periodicals, news papers, articles, magazines, etc. The research will not limit itself with only reference of books and journal but as well extend its reach to gain the ideologies of the marketing experts and professionals working in the retail sector.

The customer loyalty programme plays a vital role in enhancing a retail stores image by offering them benefits. Thus the focus of this research study will be on analysing the customer's perception over these programmes and how does they view these loyalty programme. My main focus for the research will be to gain an overview towards the retail store, stating how these loyalty programs had benefited it.

The qualitative approach will derive the perception of the respondents by using the tools as interviews and observation as this method believes in the opulence of data (Naslund 2002). Furthermore qualitative approach generates fresh idea and latest theory (McKenzie 2006). The conduction of

interviews will be held to gain the views from the professionals working in retail industry and the marketing experts.

The data collection will be done mainly through this area;

Interviewing the professional working in the retail Industry

Interviewing the managers working in the retail chains (sportsdirect. com, Marks & Spencer, ASDA, TESCO, etc.)

Discussing the subject with the professors of marketing

Subject overview through collection of detailed data from books, journal, web sources, newspaper articles, etc.

Observing and evaluating the previous research of different students on the topic and gathering information

The analysing of data and information will be done through the following tools

Diagrammatic

Graphical presentations

Flow Charts

Anticipated Outcome

The below are the anticipated outcomes of the study;

The result of this study can be generalised to reflect the attitudes, perception and practices of a proportion of customers in the retail sector (UK)

The research study will result in enhancing the knowledge on the customer loyalty programmes issued by retailers

This research study will benefit the reader in describing the advantages and difficulties by customer loyalty programmes shared by both retailers and customers.

The dissertation will state the different type of customer loyalty programme adopted by various retail chains and their experiences on its success or failure.

The research will be deliver the literature contributed by various authors on the subject.

The study will confine itself with few UK retail chains so that it does not exceed its limited completion period.

Targeted deadlines

TIME

ITEM

ACTIVITIES

21th Jan ---26th Jan

2011

Investigation and assortment of data

1. Conduction of review of literature

2. Evaluate the obtained data.

30th Jan 2011

1st meeting

1. Extracting suggestions through discussing topic and how to go ahead with it.

2. Discuss the source for conduction of interviews

7th Feb —22st Feb

2011

Research Questioners

1. Design the questionnaires for research

2. Connecting it to the needed outcome of research

25th Feb 2011

2nd meeting

1. Confer about the task achieved and accomplishing task

2. Consult on the ultimate interview questionnaire

3. Identifying the targeted interviewers

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27th Feb—3th March

2011

Conduction of interview

1. Interviews initiation
2. Collecting the performance data of organisations

13th March 2011

3rd meeting

1. Evaluation and analysing data during interviews
2. dissertation structure discussion

13th March—21th March

2011

Dissertation Structure

1. Align thesis formation
2. Forecast the gathered data consequently.

24nd March 2011

4th meeting

1. Obtaining the supervisors ideas in writing the thesis

2. Proceeding sequentially as guided

3rd April 2011

5th meeting

1. Asking supervisors evaluation on the first draft

11th April 2011

6th meeting

1. Complete the final draft of the thesis

Gantt's Chart Time Table

Activity

Week 1

Week 2

Week 3

Week 4

Week 5

Week 6

Week 7

Week 8

Week 9

Week 10

Week 11

Week 12

Week 13

Research Introduction

Literature Review

Research Methodology

Questionnaires

Field work (Interview)

Data Analysis

Conclusion & Recommendation

1st Draft / 2nd Draft

Submission of Dissertation

Ethical Issues

The basic aim of writing this proposal was to gain an overview of the subject and head towards the research study. The proposal was completed with an aim of gaining knowledge and was done by thorough honesty. The quest for knowledge over the topic had enforced me to opt this subject and obtain the desired knowledge. Through the end of dissertations I will equip myself with complete details of the subject and enlighten my area of interest. The endeavour made to complete this thesis will benefit me and bright my IQ over the subject, so this work of dissertation will be done with total

truthfulness and integrity. The approach to stay away from plagiarism would be to ensure the research with the software for plagiarism provided by the university called as TURNITIN. Additional software will be used as an added precaution to check the plagiarism with software called as VIPER accessible from internet. These measures are taken to be sure that the research conducted is not copied or plagiarised work. There would be proper referencing made in Harvard style to state any of the content that is adopted in the research. I would attend regular meeting held by my supervisor to get approval for my work and make the necessary amendments prescribed by my guiding professor.