

Customer loyalty cards in uk retail industry marketing essay



**ASSIGN
BUSTER**

UK's retail industry is one of the most organised industries in the world where retailers like Tesco, Mark & Spencer's and Sainsbury are holding the good position in the market. The purpose of my research project is to analysis the comparison between the customer loyalty programs of in the UK retail industry where most of the retailers are trying their best to control the maximum share of customer through their loyalty program. In UK every retailer is doing or planning to implement a very different customer engagement loyalty scheme so that it could get maximize the customer power through its effective data base management which hold so much information about the customer like customers buying behaviour, income level, spending habits, medical spending, and so on. My research will try to find out the question: Does retailer's success is directly related to its successful loyalty program implementation? For getting the best result for the research a qualitative survey interviews will be taken from 10 -15 employee of different retailers. Report will discuss the research question, literature review and adopted methodology for the research. Collected data would be analysed through SPSS software and the total research would take around three months to complete.

2. Introduction:

Impact of loyalty programs on retailer's business is perceived to be very positive despite the fact that some of the very big retailers like Asda are not using these programs on wide scale for getting customer loyalty. In retail industry loyalty programs are very popular and most of the big retailers use this for increasing the business through customer's loyalty. Loyalty programs are part of structured Relationship Marketing activities which encourages

customer towards loyal buying behaviour and ultimately leads to company's profit. According to Market research done on customer's loyalty patterns, it is tough to get exponential growth by launch of a loyalty scheme because competitive forces reduces its impact on overall retail industry. In retail industry a rewards card, club card, loyalty card, or advantage card is cards which give the membership to the customer who hold it. In UK most of the retailer are running loyalty growth model through loyalty cards for creating more business by knowing customers buying behaviour.

UK is one of the biggest markets in the world for customer loyalty card market where almost every big retailer is running its loyalty card scheme. In 1981 Gary Wilson invented the first loyalty card or discount card which is known by the name of ' Passcard' and later on it is known as Passkey however few people believed that passcard was not first discount card. In 1982 first loyalty card is started by one of the leading retail named Sainsbury. In November 1993 boots the chemist retails chain first started the loyalty card scheme in UK market and later on in 1997 with the investment of 30 million GBP it launched Boots Advantage card which gout huge success representing the 3rd largest retail loyalty scheme in the UK market with around 17 million customers. My research question analysis the positive co-relation between the retailer's success and loyalty card program.

Most of the retailers are trying to use loyalty card schemes as most powerful tools for making their business better in this recession period. There are lot of work have been done which tells direct co-relation between loyalty cards scheme and consumer buying behaviour but how successful retailers are because of these loyalty programs is not widely researched yet. One of the <https://assignbuster.com/customer-loyalty-cards-in-uk-retail-industry-marketing-essay/>

prominent retailer Asda don't believe in investing the money in loyalty scheme rather it prefer to offer cheapest product rang to attract the customer loyalty. On the other hand another big retailer Tesco press release said " Double points has encouraged more customers to sign up; a higher proportion of transactions are now using a Club card and 18% more households are redeeming Club card vouchers than a year ago"(Retail Week, May 2010)

Club cards are integral part of some retailer's strategy like Tesco, Sainsbury while retailers like Asda are expanding their business very rapidly with loyalty programs so my research will analysis the effectiveness of club card schemes on retailer's success. Club card is scheme is very expensive so it's not necessary that every retailer is growing only because of these schemes. There are so many loyalty schemes but very little research represented the effectiveness of loyalty program. (Kivetz and Simonson, 2002; Yi and Jeon, 2003)

3. Literature Review:

According to Oliver (1997) loyalty is " a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behaviour". Literature on relationship marketing practices like loyalty card scheme is divided into two groups; one group of researcher believe that loyalty scheme have positive effect on customer loyalty and that will result in increased profitability and revenues of the organization.

However on the other hand second group of researcher believe that loyalty <https://assignbuster.com/customer-loyalty-cards-in-uk-retail-industry-marketing-essay/>

program slightly influences retailer's revenue and profitability through customer's loyalty. Customers shop from other retailer also where they are not attaching to any loyalty program. These researchers believe that customer's behaviour is not affected by loyalty schemes rather they shop according to their convenience. Retailer's strategic planning is to enhance customer loyalty which has positive influence on organisation development, revenues, profitably and culture (Dick & Basin, 1997). Customer Loyalty Research Center (2001) described loyalty as " the commitment of customer to a particular brand or company". Most researchers have discussed the loyalty card scheme with respect to consumer loyalty.

According to Capizzi and Ferguson (2003) one billion people are attached to any kind of loyalty program all over the world. In terms of loyalty schemes satisfied consumers show more loyalty than that of unsatisfied consumer towards the company (Bailey & Schultz, 2000). Few researchers Grinnell (2003) and O'Brien and Jones (1995) discussed positive effect on customer loyalty however some author like Sharp and sharp 1997 could not find the proof of an impact on customer loyalty of loyalty card schemes.

Organisation's growth is related to customer loyalty so big retailers try to attract more customer through loyalty programs. Tesco since inception of loyalty program has spent £150 million through 1% discount to the customers against the point earned. Tesco claims that club card has made it no. 1 retailer in the UK since 1995 when it started loyalty program. According to Rosenspan (1998) loyalty programs don't create customer loyalty towards the company's products or services. Asda also focuses on discounting on purchasing rather than on loyalty programs. Some of the author argues

about “ 80-20 law” but top 20% customers of loyalty schemes are not always loyal to the one company’s product rather they customers look for best value for the money with any retailers.

Researchers views are very divided on loyalty programs or customer relationship marketing (CRM) really affect customer loyalty so that companies could grow and be more profitable. According to the Feinberg and Kadam (2002) loyalty programs create differentiation among the retailers rather than impacting on customers purchase behaviour or satisfaction. On the other hand Seybold (2001) counter the above statement by saying that CRM helps companies to enhance their revenues and profitability if they positioned their products according to customer’s need. Very few retailers try to position their products according to customers’ needs rather through loyalty schemes they get to know the category wise buying behaviour of customer’s and by using that data retailers launched own branded products for higher profits. In most of the cases impact of loyalty programs is evaluated post launce of the schemes but for knowing the actual impact of loyalty programs there must be a comparison between pre and post data. According Sharp and Sharp, 1997 pre launch data of loyalty programs are not available and it can’t not be gathered after the scheme launch. He categorised the customers in two group one group of customer who participated in the loyalty scheme called ‘ treatment group’ and another group who did not participated in the loyalty program named as ‘ control group’. According to him both group must be analysed for getting the real impact of loyalty programs. The retailers are very smart to invest huge amount on these loyalty programs Tesco claims that it has more that 14

million active club card user in 2009 after investing GBP 150 million on relaunch of loyalty scheme.

Retailers in UK invest huge money for loyalty programs but are all the retailers are getting bigger only with these schemes or they are using the customers data for launching their own branded products for getting higher market share in highest selling categories. Sainsbury is the only retailer in UK retail industry which acquired 50 % turnover by adopting the own branded strategy for increasing the market share and profit. According to O'Brien and Jones (1995) loyalty schemes creates the customer loyalty if company knows how to use and share that knowledge. Researchers views are divided on both point positive impact of loyalty program and negative impact of program but more authors are inclined towards positive impact of programs on company's success. Majority of programs are planned to increase the repeat purchase of customers and once the repeat purchase increase retailers get increased turnover through the higher footfalls. According to Sharp and Sharp (1997) loyalty programs have the capability to influence the repeat purchase pattern of the customer but the change might be very little but only this kind of marketing practices which can influence customer repeat purchase pattern. Through my research question I would like make a positive co-relation between loyalty programs and customer's loyalty in UK retail industry.

4. Research Methodology

According to the Zikmund (1997) research methodology is integral part of a report which consist of sampling of data, research strategy, hypothesis, research limitations and other different techniques. According to the <https://assignbuster.com/customer-loyalty-cards-in-uk-retail-industry-marketing-essay/>

literature review impact of loyalty programs on customer loyalty and company performance is positive as well as negative hence there are mixed views of different researchers for both the arguments. My research is to find out positive relation between loyalty program and customer loyalty based on two hypotheses-

H1- Retailers which implemented loyalty programs performed much better through enhancing customer's loyalty.

H2- Customer loyalty is directly related to retailer's performance

Research Approach –

According to the Lundahl & Skarvad (1999) fundamentally basically there are two kinds of research approaches – deductive approach and inductive approach. A deductive approach has been selected as quantitative data have to be collected through the questionnaires. For my research this approach would serve the purpose. Selected research approach is helpful to establish the relationship between loyalty program and customer loyalty.

Questionnaire will consist the question related to number of cards retailers having, benefits of cards, frequency of visit to store, redemption benefit and how loyal customer is because of loyalty card. These kinds of question will help in finding the relation between two variables.

Data Collection Methods –

After seeing the accuracy of the outcome data i have selected quantitative method of data collection i. e. through questionnaire survey. There are two kinds of data which can be used for research -primary data and secondary

data. During my research I'll collect primary data through conducting questionnaire survey. Than after i would look for secondary data for finding the literature reviews and other data required for the analysis like magazines, newspapers, journals, etc.

Questionnaire-

According to the Chisnall (1992) there are three different kind of questionnaire - personal interviews, self administered questionnaire and telephonic interviews; but I have selected self- completion questionnaire because of its low cost and it gives enough time to respond. Questionnaire will be distributed through the mail to loyalty card holder in the retail industry for finding out the key relation. Most of the question would be close ended in the survey and some of the question would be scale based so that i could get some comparative data within the industry. There are so many factors like price sensitivity, repeat purchase, loyalty, brand loyalty so through these questionnaires specific questions would be based on these key points.

Sampling Strategy –

Questionnaire would be distributed to the 400 customers through mail who are involved in any of the loyalty schemes so that they could give right feedback. Main idea of the research so to find the positive relation between two variables through analysing the customer view in retail industry.

Sampling would be done with in UK in different geographical, demographical, age group, gender and income level of the customers. Survey would be send to the customers randomly so that best result could be found out. Sampling

of the survey is an important part for this research as most of the research <https://assignbuster.com/customer-loyalty-cards-in-uk-retail-industry-marketing-essay/>

analysis is based on primary data through survey. Unit of analysis in this research would be customers who are involved in any of the loyalty scheme in retail industry. I, II try to focus more on female respondents because in most of the cases female do shop for the whole family and they can tell the best view about the customer loyalty through loyalty programs.

Time Limit –

Overall research will take around three months to complete as data has to be collected from primary as well as secondary resources. Sampling of the questionnaire and getting its feedback will take around 6 to 8 weeks while data analysis and compiling will take rest of the time.

Strength and Limitation of the proposed design –

Success rate of the research seems to be very satisfactory as there would not be problem to find out the respondents during my research. Most of the UK population is attach to any of the loyalty schemes in the retail industry and through the questionnaires I'll get the expected results. There are very less chances to get low feedback from the customers because time constraint is not attach with this survey and it'll not take too much time to complete the survey. Secondary data is another important resource for getting the important data so that a genuine relationship could be find out between the loyalty programs and customer loyalty in the industry. The survey design is having one more strength i. e. low cost attach to it for conducting and designing it.

There are so much research have been done related to customer loyalty and customer relationship marketing but there is less literature available on

<https://assignbuster.com/customer-loyalty-cards-in-uk-retail-industry-marketing-essay/>

loyalty programs and customer loyalty relationship. Although loyalty programs are the part of customer relationship marketing (CRM) and I used those resources as secondary data. Due to time frame random sampling has been selected but some of the respondents might not have experienced the loyalty schemes so results may have some limitation in terms of accuracy but it'll not affect the final outcome of the research.

5. Analysis and Interpretation

I have taken the quantitative methods of data collection through self administered questionnaire and the objective the questionnaire survey is to recognise the factors which influence the customer loyalty with respect to loyalty programs in retail industry. The first part of the questionnaire would collect the personal information about the customer where as the second part would gather the information about repeat purchase through loyalty programs. The collected data through questionnaire would be analysed through the SPSS software which gives the accurate analysis. The gathered data would be analysed by some quantitative methods like regression, correlation analysis and hypothesis test.

The gathered quantitative data would be examined for reliability according to the Cronbach's alpha values where 0.7 or higher values are the most appropriate value of Cronbach's alpha which reflects the internal reliability of quantitative data. Alpha can take positive as well as negative values but only positive values (less than or equal to 1) would have the significance. This is the widely used method for score. We have to analyse the relationship between two variables so we'll use the co-relation analysis to analyse the linear relationship. Pearson product-moment correlation coefficient 'r' given <https://assignbuster.com/customer-loyalty-cards-in-uk-retail-industry-marketing-essay/>

by Karl Pearson evaluates the relationship between two variables. If the Value of coefficient can be -1 or +1 if the variables reflect very strong relationship, if the value of coefficient is in between -1 and +1 relationship is less strong positively and negatively but if the value is close to zero than relationship is very weak. Co-relation between loyalty programs and customer loyalty would be analysed.

Regression analysis is the statistical tools to examine the relationship between a dependent and 1 or more independent variables and Probability distribution can also be used for this analysis. Regression analysis specifically tells how the value of a dependent variable varies when value of one independent variables changes where as other independent variables are constant. Regression analysis is useful to find out the effect of every independent variable on the relationship. Regression analysis will tell the how customer loyalty gets influence by the different actor of loyalty programs run by the retailers. It will also tell which factors of loyalty programs influence the customers repeat purchase pattern to the larger extent. History of regression started with method of least squares analysed by Legendre in 1805 but now there are three kinds of regression analysis - General multiple regression, Linear regression and stepwise multiple regression . The most widely used analysis is General multiple regression analysis which uses all the independent variable to form one linear equation. Minimum number of sample size is required for the regression analysis and that size can be 50 or more. I have taken a good number of sample sizes so that the analysis of the data could give authentic and accurate results.

Significance level or unbiased test would be used for hypothesis testing.

There are so many factors which influence the customer repeat purchase pattern through loyalty programs and become the base for customer loyalty.

Co-relation and regression analysis will be done to analysis the positive relationship between the variables according to the research question.

6. Ethical issues –

Data collection is very tedious task in terms of ethical issues related to it.

There could be following issues which can directly relate to the research.

Privacy and Confidentiality – Most of the customers wants their information related to their profession as well as personal must be kept secret. During the research this issue could be handled by giving assurance to the customers that your information will be kept only for the research purpose.

There are so many software like survey monkey which can be used for maintaining the confidentiality of the customer's information.

Integrity- Your identification must be disclosed to the customers so that they could freely answer the questionnaire as well as there should not be anything which may destroy the dignity or researcher. There would be some questions based on the customer's income level which would be direct question so customer might hesitate in answering them. During the Overall research only these issues might arise as most of the research based on the customer loyalty and customer repeat purchase.

7. Reflections –

The overall research is based on finding out the positive relation between retailer's loyalty programs and customer loyalty which influence the retailer's business growth and profitability. The research is planned to get the data from 400 customers who are involved in any kind of loyalty scheme through questionnaire survey in the retailer industry. Business school resources would be used for conducting the research and the collected data would be analysed through SPSS software. I, m expecting 60-70% reply of my survey questionnaire which I'll send to the customers in the city and in university campus also. Research would require a proper time management as the whole research have to be effectively complete in 8-10 weeks. There are following resources would be require for the research like a computer/laptop, access to library or database, database from the industry or company and a supervisor to guide in research. Business school has already organised the training session for the software learning and other required resources for the research so would be sufficient for the research.

Customers response to the questionnaire might be low in that case secondary data would be used for analysis of the research and some time customer might give some wrong information in the survey which can jeopardised the research objective. Interaction with the supervisor would give the guideline for the research in planned manner and continuous feedback will give right corrective measure for the research. Research could be more extended as own brand play an important role in the repeat purchase pattern of the customer's behaviour. Most of retailer's loyalty programs are made to gather info for own brand positioning and according to

the time frame i can add this in my research. Proposed research is very realistic and will contribute in retail industry for establishing the relationship between loyalty programs and customer's loyalty. The research will also provide the analysis for the customers of loyalty programs and how they affect the performance of the company.