

Impact of customer loyalty scheme at tesco



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The rapid increase in the number of projects in today's business world performed. The field of marketing has received much attention from researchers and practitioners in recent years. The aim of this study is the extent of research and areas where the study will not throw much light to clarify. The journey of exploration of the " true" meaning of loyalty in the retail and discusses different theoretical framework of customer loyalty programs and their individual characteristics. It delves into the two " soft" and " hard" aspects of loyalty and evaluates the success factors and conditions that promote loyalty.

Tesco was a mid-size retailers in the UK in 1990s. So in these years Tesco was trying apply their new marketing strategies professionally and effiently to become the world largest retailer. The main triggers are discussed below:

1. The Tesco strategy was based over to keep existing customers and to attract new ones, the company decided to luanch more value for its customers. Tesco wanted to make the shopping experience thrilling for the customers.
2. The Tesco successfulness factors can be accredited to several factors one of which is its fast growing customer base system.
3. In view of the growing age of technology, it is essential for all organizations to enhance their technologies if they want to be successful.
4. Competition: Competition among organizations is one of the common triggers of change in most industries. Tesco ten-step action plan. Tesco introduced the following steps for action plan i-e

- 1) To Cut energy to reduce the energy cost.
- 2) To improve their recycling services to help customers and to double the quantity of recycling carried to their stores.
- 3) To encouraging their customers to re-use shopper bags by giving Club Card Points to customers who bring their own.
- 4) To make healthy eating facilities by putting dietetic labels on all their own-brand products by January 2007.
- 5) First two million people active in organizing events or Tesco will sponsor before the Olympic Games in 2012.
- 6) To guarantee its Express stores are good neighbours by reviewing sound levels.
- 7) To give charming moments for the group of people to look local issues and anxiety.
- 8) To develop a network of regional offices to encourage the suppliers.
- 9) Celebrating regional food. For example, by working with British farmers to extend growing seasons so that we sell more British produce and import less.

In February 1995, Tesco brought some changes that how it did business so fundamental that its effect is not seen in all parts of society. The events changed the way that Tesco makes decisions to develop products, manages his business and especially the way it serves its customers. Today, Tesco <https://assignbuster.com/impact-of-customer-loyalty-scheme-at-tesco/>

Club card has established itself as one of the most successful loyalty programs in the past ten years and a key driver for this is that the rule stated in Tesco integral core purpose of “ create value for customers.” “ The Club card creates relationship with its suppliers”[i]. Tesco’s marketing works because they combine insight with creativity, value and volume. Today it is not only the largest food retailers in the UK, it is the world’s most successful Internet supermarket, one of the fastest growing European companies and financial services probably one of the world’s most successful representative of the CRM. The Tesco Club card is the most successful CLP currently in the UK, one third of all UK households (there are 25 million club cards in circulation, of which 10 million are active in a week) was used, with 82% of Tesco sales go through the loyalty card (out-of -town superstores, this figure rises to over 95%)[ii]. Tesco may have also received this enviable position without a club card, but it was not as fast or as cheap as it without the club card that offers a glimpse of the loyalty card data did have done. This information wills almost all major business decisions, the management team makes, reducing the risk of taking bold new initiatives. It can make mass production to meet the needs of all types of customers, for every taste and income and age groups. Not on the basis of what they think the broad mass of customers want but in the knowledge of what has to choose individual accounts active and what they prefer? While every company talks about customer-oriented Tesco that commitment tangible made. It develops not only the Club card loyalty to Tesco to show, but more important is to recognize to Tesco’s loyalty.

Club card is a reflection of the attributes of the company and its commitment: a strong team ethic, a commitment to customer service, and above all, top-down retailer's pragmatism.

The concept of loyalty in general and illustrated the brand of loyalty which is relevant to Tesco. It gave us the outline of the form and structure of Tesco's Club card and how it embedded within the organization. The study of methodologies will figure out, that what loyalty approach Tesco adopts? How its strategy aligns with the loyalty model and overall business objectives, if loyalty forms the core of its business strategy and how much does it contribute to enhancing customer experience and achieving business objectives. It also seeks to evaluate the fidelity concept and its effectiveness in the future. The research objectives through application of appropriate research approach, strategies and methods. We can work to ensure that the data is valid and can be reliably detected, not contaminated and reduces distortion to a minimum. To this end, the proven loyalty of the index for measuring the " Customer Loyalty Index " to find out the effect of the loyalty card is used. Focus groups, telephone and have face to face interviews as part of the primary data collection, the results Help triangulate performed. The women were more likely to own a Club card and more likely to be influenced with the loyalty schemes. They are significantly better at ' recommending' and once satisfied served as better advocators. There is a noticeable difference in shopping behaviour between Club card and non-Club card members as well, with Club card members scoring higher than non-Club card in every loyalty dimension. Results will revealed a correlation between household size and CLI, it could be noticed that loyalty is more or less

directly proportional to the household size (the more the size of household, the more loyal the members and visa-versa). Result will also indicate that Club card may have an effect on customers monthly spend, with Club card members spending major portion of their monthly spend with Tesco as compared to non-Club card members. Though all these factors pointed will toward the positive effects of Club card, none of the participants declared Club card as the prime reason for selecting a supermarket.

the analysis part, where the qualitative and quantitative data collected will be carefully examined, analyzed and discussed. Data collected from various sources will be triangulated before coming to a definitive conclusion.

This analysis of the information has been collected. The results of the ' mall intercept interviewing' will be discussed and analyzed first. Analysis of focus groups, telephonic interviews and face-to-face interviews will follow. These findings along with the findings from the secondary research will be triangulated and a thorough examination of the Tesco Club card will be done. The factors which have led to the success of the Club card will be highlighted and the strategic implications of the Club card will be analyzed. The evaluation of loyalty as a corporate strategy will be discussed.

This is a research proposal for the study. The proposal will begin by outlining the aims and objectives of the study. A literature review will be conducted to critically review the views of different writers in the field of marketing and to find out loyalty card role with costumer relation. It also looks at the reasons for making a project successful. The research methodology of this study is by issuing questionnaire to key individuals involved in the project. The

information from the questionnaires will be collected and analyzed.

Conclusions will be drawn from the analysis.

Introduction to the organisation

1. 0 UK RETAIL IDUSTRY The retail industry in the UK is the most competitive and fast growing one. In 2008-09, 11% of all VAT registered businesses in the UK were retailers, with the total number currently at 180, 875. UK retail sector generate almost 8% of the GDP, accounting for one-fifth of the UK economy. Retail industry employs 11% of the total UK workforce. Total combine sales of this sector in UK were £265 billion in 2007-08, larger than the combined economies of Denmark and Portugal. TESCO Tesco is the UK's largest retail chain and has outlet in every post code of the country with 2, 115 stores and 280, 000 staff. Internationally it is the third biggest chain in the world, employing 440, 000 people in 4, 000 stores across 14 countries. Tesco operates its retail outlets business operation in six formats namely; Express (961 stores) Extra (177 stores), Metro (174 stores), Superstore (448 stores), Homeplus (10 stores) and OneShop (512 stores). Tesco. com is the online arm of the business operations to facilitate the delivery of products, mainly grocery, to customer's door step. Tesco direct is online shopping mall for non-food items.

1. 1a Tesco's Competitors Tesco overtook Sainsbury's as biggest UK supermarket 14 years ago. Tesco's main

operation is sales of grocery and household appliances. Four major retail supermarket chains in UK have following market share as of August 2008.

Aims and Objectives

1. 2. 1 Aim

To analyzes the concept of loyalty in retail and relationship with the customer.

To assesses its effectiveness as a corporate strategy with the Club card intervention in Tesco.

The idea of this research is to expand the concept of fresh and practically
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and the part played in the strategic decision making. It is the strategic importance of the incentive programs that the project seeks to look into. Objective 3 is in a sense, the primary objective of the research, all other goals is needed before a thorough understanding of the strategic implications of “ loyalty programs” is acquired can be realized.

1. 2. 2 Objectives

To measure the role of loyalty programs in promoting loyalty and building positive customer relationships.

The market research company Mintel, says that there is mixed evidence that loyalty cards really do promote loyalty. Gary Davies (2004), professor of retailing at Manchester Business School (Mentioned in Web 4), believes that loyalty cards have run out of steam stating that most of us have cards for at least two stores, so that defeats the point [of loyalty]. The UK’s top two supermarkets, Tesco and Sainsbury’s, both say that loyalty schemes are an integral part of their retailing strategy and insist they remain committed to

them. The study aims to assess the contribution of loyalty programs in the creation of long-term relationships with customers.

To analyze the concept of loyalty and identify the relationship between customer satisfaction and customer loyalty.

This relation is asymmetric with the argument that usually loyal customers are satisfied, satisfaction is an unreliable precursor loyalty. This research should define the 'real' meaning of loyalty in retail and how it differs to the satisfaction. Payne says that "customer loyalty is one of the most misunderstood concepts in recent years"[iii].

To point out that which loyalty marketing makes its contribution to TESCO's success and identify key areas where TESCO outwits its competitors.

The study tries to point out the parameters. TESCO has to quantify the impact of its loyalty program and to evaluate if these parameters are justified. Safeway's loyalty program (ABC Card) started well, but was finally withdrawn four and half a half year after its introduction. ASDA afraid of rolling out nationwide loyalty card for trials at different stores. Tesco Club Card was three times more famous than Sainsbury's saver card and obtained two and a half times more awareness than any other card. (Woolf, 2002), Tesco CEO Terry Leahy says: "It's not the skill, but that counts."[iv] This research aims to lift TESCO skill and the will of its loyalty program makes and see how it helps the dealer price of success.

Evaluate whether Loyalty Marketing, a retail form part of a company's overall strategy of the company.

Is Loyalty Marketing dead or is it a vital force to reckon? Anti-loyalty lobbyists argue that loyalty programs are little more than a rebate system that do nothing to create consumer loyalty. Loyalty fans, on the other hand, are entitled loyalty programs of the core business strategy to enable them to enhance customer value, market share and new markets successfully. The research will involve the myth and reality of loyalty marketing and the role it plays in the design of Tesco's overall business strategy.

Scope

Since the study examines the Tesco Club Card not only can the results be generalized to all bonus programs. Future research should attempt to replicate the study on other retailers to be able to get a broader understanding of the impact of customer loyalty-loyalty programs. This study examined only the impact of the Tesco Club Card loyalty in terms of their impact market place, it deals not with the fidelity of impact in terms of the financial impact of the program. The Econometrics of the club card does not form part of the research.

Rationale

The interesting perceptions, conflicting thinking in terms of loyalty in the retail and bonus programs, which attracted sufficient interest to the author, go to a research into this elusive concept. Although conventional wisdom says that customer loyalty is the most important aspect of any business because companies live or die from repeat business, in reality, loyalty

programs surprisingly ineffective and almost 50% of them miss their business goals partially or completely. Nevertheless, most major supermarket multiples have been if the train is, for some it is a huge success as it turned out to others more than a liability's. The intricate history of the retail trade was what the author go in for a research on loyalty, since none of the existing literature was a clear decision on the issue of loyalty in retail. Loyalty is an armory, which were conquered and died?

1.5 Methodology

In order to approach the above mentioned research objectives, this longitudinal exploratory study took into account both qualitative and quantitative research strategies which is often necessary for 'triangulation' – meaning 'getting a fix from two or more places' (Green et al, 2002). The Research Approach is based on two different approaches.

Deductive, because the existing concept of loyalty and its impact on business decisions and strategy is first tested using data

Inductive, because the data collected is analyzed to give new dimensions to the loyalty concept and its strategic effect on business decisions.

Tesco's strategy is used because it contains an empirical investigation of the "loyalty" phenomenon in his real life approach to the particular retail company.

Quantitative and qualitative research is applied, both using primary and secondary information collected and compiled specifically for this study.

Qualitative secondary data will be collected from the Tesco web sites, Articles, Case Studies, Tesco brochures and reference books, newspapers and magazines.

Quantitative data will be collected from the company reports, stock exchange (U. K) and Tesco supermarkets to measure the impact of customer loyalty with Tesco. Primary data is collected using “ mall-intercept-interviewing”[v]. So I will survey to collect primary data from Tesco shoppers in front of local Tesco supermarket and Other primary data collection methods included a questionnaire that divides customers into two categories i-e those persons who have Tesco Club Card and those who didn't but buying from Tesco. Because to make a benchmark and to find out the effects of Tesco Club card towards Tesco loyalty. For this purpose I will use The “ Satmetrix Market Stat” which is a tool to measure the the customer satisfaction and loyalty.

3. 0 Literature Review

3. 1 Introduction

The aim of this chapter is the air of confusion with regard to the concept of loyalty and clearly express their “ true” sense considering both attitudinal and behavioral dimensions. This is the detailed report of the current surroundings and gives loyalty models to present and examines the reasons for the status and increasing of rapid dividend programs. And inspecting that where should be successful loyalty programs. This is the part of the overall strategy and help in strategic decision making. The chapter concludes with the emphasis assigned to the hype and hype around bonus schemes and the myths.

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Loyalty – The elusive phenomena

After the “ Oxford Dictionary of Current English” (2003, p. 327), the fidelity as “ loyalty” or “ steadfast in obedience,” but as Payne (2002) points out, customer loyalty is one of the most frequently discussed were and defined most misunderstood concepts in recent years. This is confirmed by the fact that some authors use interchangeably with other constructs, customer loyalty, including customer repeat purchase behavior and customer loyalty occupied. However, it was proposed that distinguishes the customer loyalty construct from that of repeat purchase behavior in a way that it implies an intentional component, ie it is always a reason for the customer repeat purchase and build it is not by chance (Hansen, 2000) Customer loyalty also differs from that of customer loyalty in the customer loyalty a purely behavioral in nature, while building the modern interpretations of faith in the rule has both attitude and behavior dimensions;. Moreover, “ during which the customer retention construct view of the marketer as an active party to focus more on loyalty intrapersonal aspects of customer behaviour”[vi]

Loyalty is seen as something that consumers and customers exhibit towards brands, products, services, stores, as well as salespersons (Laurent, 1997) . The level of attachment a customer feels toward a product or service is a prerequisite to loyalty and that a second factor that marks a customer’s loyalty is repeat patronage. Attachment is shaped by two dimensions: the degree of preference (the extent of the customer’s conviction about the product or service) and the degree of perceived product differentiation (how significantly the customer distinguishes the product or service from alternatives). “ The highest attachment occurs when a buyer feels a strong

buying preference coupled with a high degree of perceived product differentiation”[vii].

4. 0 Time Scale

Week

Tasks

Week 1-4

Gathering information for literature review; writing up literature review; contacting potential respondents for interviews; meeting with supervisor

Week 4-8

Further writing up literature review; preparing questions for semi-structured interviews; meeting with supervisor

Week 8-12

Data collection and analysis; meeting with supervisor

Week 12-22

Further analysis and final writing up

Conclusions and Recommendations

Tesco Loyalty Marketing Project has become a pillar of corporate strategy and has helped Tesco to develop their strategic thinking and direction from being an excellent food traders not only an information business processes, but always looking for ways in which the value-adding actions as an agent for its customers, so it is using customer information assets, to take a strategic approach to customer management. Tesco’s loyalty program proposes that a loyalty program can only have a long-term effect on the <https://assignbuster.com/impact-of-customer-loyalty-scheme-at-tesco/>

contest, when from the beginning, it changes the dynamic culture of the organization. If the board recognize that loyalty program data is the foundation of their business, then the significant investment in technology, personnel and other resources really starts to pay dividends.

The companies are going abroad on a loyalty scheme, to make sure that data is analyzed with the eye on advantageous economic outcomes and companies should make sure that they will try to launch new programs and continually measure its performance.