

# Loyalty programs and purchase behaviour



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In the advanced marketing world the service industry are keen in making new customers and sustaining the existing customer. In their Customer Relationship Management strategy they use a range of modes to encourage the consumers buying behaviour. Loyalty is one of the approach or faith through which a company can increase their purchase behaviour over a long period of time. According to the market researchers in UK supermarkets about 85% of the families involved in least of one loyalty program. Retailers like Sainsbury, Tesco, Boots, WH Smith; shell, BP, TOTAL offers major loyalty programs out of which Tesco's is one of the largest companies which own 15 million active members through their loyalty program. David Kuo, of personal finance website The Motley Fool, says that 80% of the supermarkets income is only from the 20% of their frequent customers and how they behave for these loyalty programs (BBC. co. uk). Consumer approach towards the loyalty programs and the changes in their purchase behaviour are mainly focused in this research.

A variety of research was carried out by the scholars regarding loyalty programs and the changes in purchase behaviour. But these loyalty programs haven't got any major impact on long term perspectives in using these programs and the value is not implicit (Dowling and Uncles, 1997; Mauri, 2003). These papers primarily focus on store satisfaction, consumer purchase decision and comparative studies were also done between the countries with the cross-cultural research. Studies confirm that loyalty programs have a good feedback on consumer decisions in purchase behaviour (Lewis, 2004).

This research primarily focuses on the effect of consumer behaviour towards loyalty programs and the changes in their purchase behaviour. A comparative study is done in Tesco supermarket at Birmingham city between the Local and foreign residents in UK. UK is a country where a mixture society with different ethnic groups living with their own unique culture. So the outcome of this research finds the changes in consumer purchase behaviour between the nationalities and the evaluation of their relationship makes the economic triumph towards the loyalty programs.

The review of the previous literatures and models related to this topic are discussed as follows

Consumer behaviour

Consumer behaviour towards Loyalty programs

Supermarket Loyalty programs

UK supermarkets

Tesco

## **Consumer buying behaviour**

Consumer buying behaviour relates the product and service which the customer buy, use and dispose the company offerings. “ It is a study of the processes involved when individuals or group select, purchase, use or dispose of products, services, ideas or experiences to satisfy need and desires” (Michael R. Solomon, Gary Bamossy, Soren Askegaard, Margaret K. Hogg, 2006). After they buy these products from the company they use it.

This means that the product is at first use or it could be used for a long time, this shows that the usage level could affect the behaviour of the consumers.

## **Consumer Behaviour towards loyalty cards**

Customer loyalty is depicted as “ the strength of the relationship between an individual’s relative attitudes and repeat patronage” (Dick and Basu, 1994).

In order to construct this customer loyalty, loyalty programs were conducted on repetitive business basis by rewarding the customers (Dowling, 2002).

Theories of marketing are more customers focused on these days and the managers primarily focus on long term perspective relationship with the customers since the loyalty, relationships and the long customer life span are related to cross-buying, due to which consumer goes for high transaction and hence they more profit(Bolton et al., 2004; Gupta et al., 2004).

Scholars classify the consumer relation management in relation with the customer lifecycle because a customer likes towards a firm generally not continuous. Consumers may be dissatisfied at any time with the product and service, by knowing the customer valued things and with the long term perspectives of buying behaviour the CRM strategies should be designed (Oliver, 1999). In order to motivate the customer in buying their products on a repeated basis the development of CRM strategies were done. One such strategy designed to develop customer relationships is loyalty card programmes (Lars Meyer-Waarden, 2008). Such loyalty programs rarely benefit when the customer buy for first time but the companies show more consumer loyalty in inducing the customer to buy more products in a repeated basis (Sharp and Sharp 1997).

Loyalty card program is defined as “ an integrated system of marketing actions that aims to make customers more loyal by developing personalised relationships with them. Firms are keen in creating the long term business relations value the current scenario and customers (Groenroos, 1995). In order to develop these loyalty programs they

At first this loyalty program were introduced in 1981 by the airline industry and it was wide spread to other industries (Kivetz and Simonson 2003). Now over 1 billion people throughout the world are attracted or using this loyalty programs today (Capizzi and Ferguson, 2003).

Therefore the Issue is “ how these loyalty programs do changes the purchase behaviour of local and foreign residents? How the demographic factors of both the residents impact on loyalty schemes? How to evaluate and compare the relationship and the effect of changes between the consumer purchase behaviour and Loyalty cards between the nationalities.