

## CONSUMER PERCEPTION TOWARDS LOYALTY CARD PROGRAMS - A STUDY OF INDIAN CONSUMERS

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### ABSTRACT

*In the environment of cut-throat competition marketers are showing interest in customer loyalty programs. Loyalty programs have become one of the most critical means by which companies manage their customer relationships. Customer loyalty is one of the major objective of the marketing efforts. In the present competitive scenario making customers loyal is a tough nut to crack. Indian retailers are using loyalty card programs to win customers. Loyalty programs are not panacea to ensure the profitability, consumer perception towards loyalty program plays a crucial role in the success of the program. This research would attempt to find out the consumers perception towards Loyalty card programs and apply the empirical analysis to test the difference in perception of male and female customers.*

**Keywords:** *Loyalty, Loyalty Program, Consumer Perception, Retailing.*

### Introduction:

Customer loyalty is the core objective of all marketing initiatives. One of the most conspicuous trends in retail marketing has been the launch of card-based loyalty programmes. Loyalty programs seek to bond customers to an organization or its products and services by offering an additional incentive. Companies have started focusing upon loyalty programs because loyal customers are more profitable to a firm (Reichheld 1996). The customer loyalty brings profitability by reduced costs, decreased price sensitivity, and increased spending and positive word of mouth by the customers. The customer loyalty decreases the efforts and resources which are required to entice a new customer and also ensures repeat purchases from the current ones. The customer loyalty acts a source of competitive advantage over the competitors and the strategy to win customers.

The major benefit of the loyalty card programs is the collection of useful customer data which plays an important role in various marketing strategies. The useful customer information opens the arena for micro-marketing, customization at store level or at the customer segment level. The information received with the help of loyalty cards helps in analysis of consumer behaviour, and prediction of future purchases. In the core of all loyalty programs a basic idea persist which focuses on gaining a bigger of customer expenditure by providing incentives to the customers for shopping at a specific store or chain of stores. It works on simple idea, the more money customer spends, the greater rewards he receives. The format of

rewards may vary from providing them discounts on next purchase to rewarding with purchase points which can be redeemed after accumulation for purchase of varied range of products. Sometimes rewards are also given form of free home delivery and free parking. The members of loyalty program are given a loyalty card which is a credit card style plastic card. The plastic card comes with a magnetic strip or barcode which carries a unique identification number. This unique identification number helps in tracing the transaction of the customers. Loyalty cards only monitor the transactions and do not facilitate the payment. The technology used in loyalty card helps in gathering the information about the customers. Every time customers make a purchase, the information related to the transaction (price, brand, place etc.) is recorded in the member details. This way the complete record of transaction is maintained with the help of loyalty cards, which acts as repository of information about the customer.

In recent years, management thinking has shifted from a focus on customer's acquisition to an understanding of the importance of retaining customers, and need to build up loyalty among those customers (Goodwin & Ball, 2003). This research aims at studying major loyalty benefits provided to the customers enrolled in loyalty card programs of the apparel retailers. Apparel retailing is on boom in India, this suggests that apparel retailing in India is going to be very competitive in future and loyalty programs can be instrumental in winning the customers. Various apparel retail stores like Shoppers Stop, Globus, and Westside are already tailoring loyalty program to win

the race. Loyalty cards are the major tools being used by the apparel retailers in India to woo customers by providing them extra benefits. During the course of the study various loyalty card program has benefits of major apparel retailers of India has been studied. The success of any marketing initiative focused towards customers, depends largely upon perception of the customers towards the initiatives (Kotler 1980). This research studies the differences in the perception of male and female customers towards loyalty card programs of the retailers.

#### Research Purpose:

1. To enumerate Loyalty card program benefits of major apparel retailers of India.
2. To study the differences in consumer perception of male and female customers towards loyalty card programs.

#### Review of Literature:

Companies put lot of emphasis on building and maintaining long term relationships with the customers for creating loyalty. Customer loyalty is described as the strength of the relationship between an individual's relative attitudes and repeat patronage (Dick and Basu, 1994). According to Customer Loyalty Research Center (2001), loyalty is "the commitment of customer to a particular brand or company". In recent years, management thinking has shifted from a focus on customer acquisition to an understanding of the importance of retaining customers and need to build up loyalty among those customers (Goodwin & Ball, 2003).

Loyalty card program is defined by Waarden (2008), as an integrated system of marketing actions that aims to make customers more loyal by developing personalized relationships with them. Loyalty programmes include schemes that offer delayed, and accumulating the economic benefits to the consumers who are enrolled with the Loyalty program. Zhang *et al.* (2000), Kim *et al.* (2001) and Kopalle and Neslin (2003) have proposed analytical models to study the impact of loyalty programmes in categories with different structures. The customer loyalty programs focuses on two major objectives. One of them is to increase purchase levels for increasing the sales revenue. The second aim is to build and maintain closer relationship between the brand and current customers. By this means, maintaining the current customer base becomes the priority (Uncles, et.al. 2003).

The loyalty programmes work as a useful tool for retaining old customers and adding new ones. Loyalty programmes act as a source of customer information for marketers on several dimensions: customers' purchase habits which help in successful implementation of the reward system, and also become crucial in analysis of consumption. Card-based loyalty programmes grew in popularity during the 1990s (Karolefski 2002). Under this programme, card holders are given extra benefits by the retailer. Consumers enrolled under the loyalty programme supply some personal information that generally includes name,

address, phone number and the number of household members. The past researchers conclude that, this kind of long-term relationship can benefit customers as well as marketers (Buchanan & Gillies 1990; Reicheld & Kenny 1990; Reicheld & Sasser 1990).

Dowling and Uncles (1997) reported some lessons from loyalty programmes: these programmes can directly enhance the product/service value proposition, or broaden the availability of the product/ service, or neutralize a competitor's programme. Mauri (2003) noticed that loyalty programmes and their loyalty cards which allow retailers to transform the cold data on consumer behaviour into warm relationships and eventually into genuine customer loyalty, found on mutual understanding and trust. Dowling and Uncles (1997) noticed that it is a mistake to introduce a loyalty programme, if a company sells parity brand in a competitive market. Leenheer et al. (2006) stressed, that most loyalty programmes do not turn all disloyal customers into loyal or make customers exclusively loyal. Loyalty program has been researched and widely studied by relationship marketing related academicians. However, much of empirical researches related to loyalty programme are not available. This research is an attempt to fill this gap.

The importance of studying perception has already been established in marketing literature. The process, by which individuals organize and interpret their sensory impressions in order to give meaning to their environment, is referred to as perception (Robbins, 2005). Perception is a "way of coming to know" an object or something (e.g., property or fact) about the object (Dretske, 1990). The relationship between perception and the various dimensions such as pricing (Lichtenstein et al 1993) and promotional activities (Krishna et al 1991) service quality (Bitner, 1990), customer satisfaction (Zeithaml, 1988) has been studied by the researchers. Therefore study of consumer perception towards Loyalty programmes also becomes crucial for the success of the programme. Thus, this study would focus on empirical study of differences in consumer perception of male and female customers towards loyalty programmes of selected Indian apparel retailers.

#### Hypothesis:

- H<sub>0</sub>** - There is no difference in the perception of male and female customers towards loyalty program of apparel retailers
- H<sub>1</sub>**- There is a difference in the perception of male and female customers towards loyalty program of apparel retailers

#### Research Method:

For the purpose of this study, four major Indian apparel retailers were selected on the basis of a pilot survey of 50 customers. Only those apparel retailers were included for survey which offers them a loyalty program card. In order to enumerate major loyalty program benefits provided Indian apparel retailer's data were collected from newspapers, magazines, and

articles. The officials and managers of the selected retailers were interviewed for in-depth knowledge about the loyalty program benefits.

In order to study the consumer perception towards the loyalty program, a structured questionnaire was framed. The consumers of Delhi and NCR, who were enrolled in the loyalty program of selected apparel retailers, formed the population of this study. It was very difficult to take the response of all the customers, so the convenience sampling technique was used for the research. The responses of 150 customers were taken on the questionnaire. In order to select the respondents, mall- interception method was adopted. In order to achieve the objective of the study, responses from both male and female customers were collected. Data was subjected to statistical analysis such as descriptive statistical analysis and frequency distribution. Data was tested for reliability with the help of Cronbach alpha test. In order to study the difference between perceptions of consumers of different gender Student's t- test was applied which helped in the testing of hypothesis.

**Analysis & Research Findings:**

The research aimed at enumerating the major benefits provided by the apparel retailers to the customers who were enrolled in loyalty card Programs. In order to select the apparel retailers, a pilot survey was done to find out which apparel retailer's loyalty cards were popular amongst the customers. For the pilot survey 50 customers who were enrolled in loyalty program were selected. These 50 customers were requested to tell the name of the retailers whose loyalty cards they were using. On the basis of pilot survey, loyalty card programs of four apparel retailers were selected for the research, viz Pantaloons, Westside, Shoppers Stop and Globus. Pantaloons has the loyalty card program by the name - Green Card, Westside runs its loyalty card program - Club West. Shopper's Stop loyalty program is "First Citizen" and Globus Loyalty card program is known by the name - Privilege Club. The loyalty programs of these retailers were studied in detail and the loyalty program benefits were listed

**Table No. 1: List of Loyalty Cards Program Benefits**

Sl No.	Loyalty Card Program Benefits
1.	Gift Vouchers on Purchases
2.	Automatic membership renewal
3.	New product launch privileges
4.	Birthday Discount
5.	Regular Updates: Sale & In Store Promotion
6.	Special tie-ups
7.	Free home delivery
8.	Reserved car parking

9.	Free Car Parking
10.	Free card in case of loss/damage
11.	Special invites to the most happening events
12.	Extended exchange periods
13.	Exclusive billing counter
14.	Exclusive shopping day
15.	Instant discount for every purchase

The data for further research was collected with the help of a structured questionnaire. The questionnaire was distributed among 150 respondents, and out of 150 questionnaires only 100 were found fit for further study. The reliability of the data was checked with the help of Chronbac's alpha test. The value of Chronbac's alpha test came out to be 0.989 showing the data was reliable for the study.

**Table 2: Reliability Statistics.**

Cranach's Alpha	No. of Items
.989	15

The research aimed at studying the difference in perception of male and female customer towards loyalty card programs of apparel retailers. The respondents included both male and female customers, out of 100, 51 were males and rest were females. In order to study the difference in perception of male and female customers, Students t- test was applied. The result of the Student t-test showed that the perception of male and female respondents differed on three loyalty program benefits viz: Instant discounts, free home delivery and Special invites to the most happening events.

**Table 3: Independent Sample T- Test**

Loyalty Card Program Benefits	F	Sig
Instant Discounts	3.950	.049
Free Home Delivery	14.929	.000
Special Invites	8.974	.003

The results of the analysis showed that apart from above three loyalty card benefits, consumer perception of male and female respondents were not different. On the basis of the results of Students t- test, Hypothesis testing was done. The results of Independent sample t-test show that perception of consumers of different gender vary towards the Loyalty program benefits viz: Instant discounts, free home delivery and Special invites to the most happening events. Thus, the Null Hypothesis formulated for the purpose of this research is not accepted, and alternate hypothesis was accepted. The acceptance of alternate hypothesis showed that there is a significant difference in the perception of male and female customers towards loyalty programs of Indian retailers.

**Table 4: Hypotheses Testing**

Hypotheses	Statement	Remarks
H0	There is no difference in the perception of male and female customers towards loyalty program of apparel retailers.	Not Accepted
H1	There is a difference in the perception of male and female customers towards loyalty program of apparel retailers	Accepted

The research indicates that the perception of male and female consumers differ towards the loyalty program benefits of the apparel retailers.

**Managerial Implications:**

The research put forth a major finding that perception of male and female shoppers differ towards the loyalty programs of apparel retailers. The retailers are tailoring loyalty programs which provide various benefits to the customers in order to build long term and profitable relationships. However the differences in the perception of the customers towards Loyalty programs have not been considered by the retailers. The analysis of the findings suggests that male customers prefer special invites, but female customers do not prefer this particular benefits being provided by the apparel retailers. The female customers had a preference towards free home delivery, but male were largely neutral towards this benefit. The female’s customers preferred instant discount as compared to the male customers. These analyses suggest that male and female customers have different preferences as far as the loyalty program benefits are concerned, which also establishes that perception of male and female customers differ towards loyalty program benefits. Loyalty programs are being tailored with great impetus by the retailers on these days. However, Loyalty programs by no means are panacea. The success of such programs depends upon continuous data collection and updating of the records, tracking consumer behaviour closely for future predictions. Loyalty cards are becoming popular amongst consumers. The findings of the research suggest that the benefit provided through the loyalty programme may be customised on the basis of gender, because the perception and preferences of the consumers may be distinguished broadly on the basis of the gender. The research brings an insight for the marketers, that the recipe of the loyalty programs may be changed to suit to the taste of the customers of different genders.

**Conclusion and Future Research:**

This research studied the perception of customers of different genders towards the loyalty programs benefits of retailers in India. The findings of the research established, that the customers of different genders had a significant difference towards Loyalty programme benefits. The research provides an insight to the marketers that all loyalty benefits being provided by them are not preferred and equally liked by all customers. The study was not free from limitations. The findings of the research can’t be generalised, as the study was carried out in Delhi and NCR. However, this research provides great scope for future research. The research can be extended to the wider geographic area. The study can also be extended and researched including other variables like age, occupation and income in knowing the consumers perception.

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