

CUSTOMERS LOYALTY PROGRAM

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Abstract: These studies focus on how companies strategically maintain their customers loyal and how. The benefits generated from customer loyalty can be described. To be able to gain a deeper understanding of this research this study describes strategies for keeping customers loyal, explains how they are used and introduces specific activities for keeping customers loyal. Furthermore the study show on the benefits generated from maintaining customers loyal, this includes benefits both for the companies and for the customer. The Research was conducted at a retailer company in Madurai and we conducted the interview with the company's head of department store. The result of this case study show that companies today are aware of the importance of customer loyalty by having introduced customer loyalty programs and for putting a lot of efforts on keeping . The objectives of the study is To study the customers underlying preferences for the product To know the customers value in those product and services To study about the customers experience perception and beliefs about the origination Source of data: Data is collected from both primary and secondary sources. . Primary data: Primary data are collected through a structured questionnaire. A well structured questionnaire has been prepared given to the respondents by the research. Secondary data Secondary data are collected from the published data available within the company and also from the internet and intranet

INTRODUCTION

Loyalty programs have been used in commerce for many years, originating in Germany where price based competition was disallowed by governmental restrictions in certain industries. In the 1950s, S&H Green Stamps rewarded grocery store and gas station customers with stamps redeemable for appliances and other merchandise. The modern day loyalty program was launched in 1981 by American Airlines, and was quickly duplicated by other airlines and other hospitality industries including hotels, car rental companies, and credit card organizations.

Retail loyalty programs evolved when progressive retailers recognized that without a "customer identification tool," they were unable to recognize individual customers and reward them for desired behavior. This was in obvious contrast to banking and telecommunications industries, among others, that have a customer database as part of their regular service offering.

Both businesses and consumers have recognized the value of loyalty programs. Only 12% - 15% of customers are loyal to a single retailer, according to the Center for Retail Management at Northwestern University. But that small cadre of shoppers generate between 55% - 70% of company sales. Some food retailers find that as much as 65% - 95% of their sales go to members of loyalty programs (53% of food retailers offer loyalty programs with 3/4 of program customers using their loyalty cards at least weekly and 88% at least once a month).

In general, loyalty programs are often developed with good intentions but unclear objectives. While retail loyalty programs have many purposes, the greatest value that is created for retailers is the ability to identify individual customers and to measure and understand their individual behaviors. This consumer behavior data far outweighs the "currency" value of providing consumers the opportunity to build a reward opportunity by shopping at one particular retail banner. This opportunity is often misunderstood by retailers and consumers alike.

The basic benefits of using a loyalty program to obtain customer information are summarized below:

- Shift - Acquire new customers
- Lift - Increase the spending of existing customers
- Retention - Improve the natural churn rate of customers
- Profit mix - Shift spending to higher margin products

These loyalty program benefits form the basis for all loyalty program initiatives.

Fundamentals of Loyalty Marketing

For loyalty programs, communications used to focus on tangible benefits - what we call the "ER" words. That is to say, "Our program is..." 'Bigger,' 'better,' 'faster,' 'easier.' These words have ceased to have meaning. Everything works now. These are the table stakes. As such, the market has changed in that consumers are demanding more. Rewards have evolved in the marketplace from being a nice little extra for one's loyalty to being perceived as an entitlement (partly the result of the commoditization of loyalty programs). Concurrently, consumers have shifted, to some extent, away from a desire for possessions to a desire for experiences - (The rising tide of expectations necessitates that loyalty marketers develop truly innovative loyalty programs,

utilizing loyalty marketing best practices. In reading through this page, and this website for that matter, keep in the back of your mind the question of how your program can tap into not only changing lifestyles, but changing attitudes. The answer is not just in the rewards catalog, but in understanding the fundamentals of loyalty marketing.

It is estimated by Colloquy (2015) that there are over three billion loyalty program memberships in the US (a 26% increase from their 2013 census) - with the average US household participating in 29 programs. Approximately 58% of those memberships were inactive (defined as no engagement within a 12 month period), bringing the average household active participation to 12 programs. That is a lot to compete with.

Types of building customer loyalty:

1. Loyal customer

They represent no more than 20 percent of our customer base, but make up more than 50 percent of our sales.

2. Discount customers:

They shop our stores frequently but make their decisions based on the size of our markdowns

3. Impulse customers:

They do not have to buy a particular item at the top of their 'To Do' list, but come into the store on a whim.

4. Need based customers:

They have a specific intension to buy a particular type of item

5. Wandering customers:

They have no specific need or desire in mind when they come into the store.

IMPORTANCE OF CUSTOMER LOYALTY TO A BUSINESS

- Customer Acquisition and Retention
- Repeat Business
- Cross/Up Sellin opportunities

OBJECTIVE OF THE STUDY

- 1 To study the customers underlying preferences for the product
- 2 To know the customers value in those product and services
- 3 To study about the customers experience perception and beliefs about the origination
- 4 To know the customers awareness
- 5 To know about customers purchase decision

SCOPE OF THE STUDY

The scope of the study is limited to super markets in Madurai chosen for the purpose of the study . A will structured questionnaire was designed and given to the respondents.

LIMITATION OF THE STUDY

The results and the conclusion drawn in this study have been assessed in the context of retail.

This study was carried out with minimal resources , regarding finances and time. this could have been affected the outcome of the study , since more time would have made it possible to collect the desired and statistically more reliable sample size. The sample size needed was calculated with a mathematically method adopted from Malhotra (2010) , which yielded a sample of 100 individuals . The total number of respondents in this study

REVIEW OF LITERATURE

THERETICAL REVIEWE

Customer loyalty is both an attitudinal and behavioral tendency to favor one brand over all others, whether due to satisfaction with the product or service, its convenience or performance, or simply familiarity and comfort with the

brand. Customer loyalty encourages consumers to shop more consistently, spend a greater share of wallet, and feel positive about a shopping experience, helping attract consumers to familiar brands in the face of a competitive environment.

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.

ANALITACAL REVIEW

According to Dowling and Uncles (1997) from Australia, “‘polygamous loyalty’ is a better description of actual consumer behavior than either brand switching (a conscious once-and-for-all change of allegiance to another brand) ... or promiscuity (the butterfly tendency to flit from brand to brand without any fixed allegiance).”

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 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. Organization'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.

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.

SUGGESTION

- Most of the customer visiting big bazaar Madurai daily so there must be an awareness for customer
- Most of the customer likes fashion department the store has to explain about the store
- most of the customers likes Wednesday bazaar. There must be advertisement for the exchange offer
- Most of the customers strongly agree loyalty program for purchase

CONCLUSIONS

Satisfaction has a greater positive impact on customer loyalty towards a Big bazaar retail markets Commitment seems to be the most independently important factor, to achieve loyalty Trust have been positive impact on customers towards retailers Qualities are to some extent valued differently depending on the industry, price and parking is valued as more important when customers purchase

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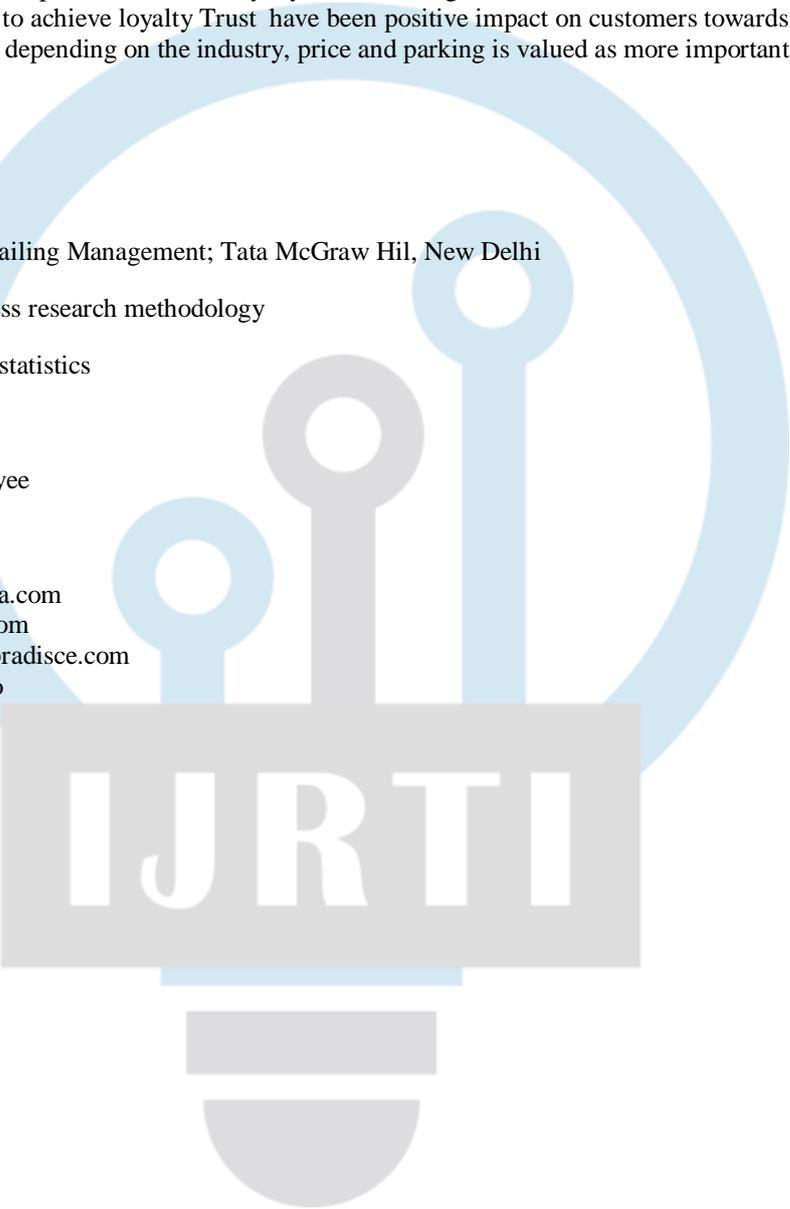
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