A DIMENSIONAL FRAMEWORK OF FACTORS INFLUENCING LOYALTY CARD USERS' BUYING BEHAVIOUR

[1]SANDRA PERKS, [2]NADINE OOSTHUIZEN

Nelson Mandela University, Nelson Mandela University
Email: Sandra.perks@nmmu.ac.za, Nadine.oosthuizen@nmmu.ac.za

Abstract— Loyalty card programmes have become a popular tool used by retailers to advance the product and service offering and the way they relate to their customers. However, there is limited attention paid to the factors that may possibly influence loyalty card usage and how it can influence buying behaviour. Most previous studies focus on the influence of loyalty card programmes on customer loyalty and business performance. The focus of this study is to develop a dimensional framework of loyalty card usage that affect users' buying behaviour. Six factors that affect loyalty card user's buying behaviour were identified from the desktop study conducted: value added, ease of use, customer relationship quality, customer incentives, value perception and service credibility. These factors are generic and not country- or industry specific.

Index Terms—buying behavior, desktop study, loyalty card, marketing.

I. INTRODUCTION AND PROBLEM STATEMENT

Loyalty card programmes have been in practice since 1844 when the Rochdale Equitable Pioneer's Society founded the original co-operative store [1]. However, loyalty card programmes were dubbed the big idea of 1990s during a period of time where grocery retailers, fuel retailers and others entered the market aggressively. This surge in loyalty growth has been experienced by businesses across various industries, where consumers have expected businesses to offer some kind of rewards or loyalty programme [2]. Loyalty programmes are among the most popular marketing tools that businesses can use [3]. A loyalty card programme is an incentive plan that allows a retail business to gather data about its customers. Customers are offered product discounts, coupons, points toward merchandise or some other reward in exchange for their voluntary participation in the programme [3]. The purpose of a loyalty card programme is to reward customers to encourage repeat business and make them more loyal by developing personalised relationships with them [4].

Through loyalty card programmes the business can collect information about their customers' purchasing behaviours [5] and so manipulate their customers' behaviour and improve their competitive position [3]. However, the fundamental reason for businesses to use loyalty cards programmes is to establish relationships with their customers rather than to gain a competitive advantage [1]. Maintaining a good customer relationship aims to increase customer loyalty and develop long-term cost-effective relations between a business and its customers [6]. Members of loyalty card programmes have benefits that non-card holders do not have [7]. The use of loyalty programmes has increased amongst businesses and customers are constantly faced with the decision to choose which loyalty programmes to belong to [8]. Furthermore, an individual business can face intense competition from other businesses' loyalty programmes that offer similar benefits for customers, as customers can enrol in multiple programmes simultaneously and thereby make their choice to support a loyalty programme wider. In spite of these benefits and difficulties associated with loyalty programmes, it is still questionable as to whether loyalty cards influence customer loyalty [9]. Loyalty card programmes are useful, but it is not necessarily an effective tool to increase customers' loyalty or change buying behaviour [10]. This discussion has prompted this paper to determine the factors influencing loyalty card users' buying behaviour.

The paper commences by presenting the research methodology, followed by a literature overview of the factors that can possibly influence the use of loyalty cards. It will conclude with the presentation of the dimensional framework of the factors that can influence loyalty card users' buying behaviour.

II. DESKTOP RESEARCH

A qualitative research approach was followed as this paper aims to conduct an extensive literature review. Desktop research is the collection and analysis of secondary data from various sources [11; 12]. These secondary sources can include non-published sources [12], prior research reports, newspapers, magazines, journals, government and non-governmental organisation statistics [13] and the internet [14]. Several authors [11; 14] have identified numerous advantages of online research amongst others: being more economical and saving money; retrieval of large amounts of information from many sources relatively quickly; the provision of a contemporary- and

historical framework; and providing an additional dimension to primary research.

This study has collected, compared and critically reviewed data from resources to identify the factors that can promote the effective use of loyalty cards. An internet search for journal articles was conducted as a starting point with the use of Google Scholar. The content was refined by consulting academic textbooks and other non-academic internet sources. Literature findings were put in context to ensure transferability of the study that improved the trustworthiness of the dimensional framework to be further tested. The findings were presented as a proposed dimensional model indicating the factors influencing loyalty card users' buying behaviour. As the findings of this paper was based on extant global as well as South African literature and sourced mostly from journal articles available, it can be regarded as trustworthy and the dimensional model as valid to be tested globally in any country or within any industry.

III. FACTORS AFFECTING LOYALTY CARD USAGE

A literature review reveals several authors that have identified factors affecting loyalty card usage as discussed below.

A. Value added

Customers become part of the retailers' loyalty programme if their perception about expected benefits exceeds the costs of participating in the loyalty programme [15]. Loyalty programme benefits can be classified as monetary and non-monetary benefits [16]. Monetary benefits include: saving money through discounts, cash back, price reductions, special offers, free gifts, free parking, and service benefits such as gift packaging services [17]. Non-monetary benefits include: being updated on store events, receiving preferential treatment sponsored by the retailer such as pre-sale campaigns and style counselling, better service than non-members, receiving personal attention, feeling a sense of belonging, feeling closer to the retailer, being recognised for doing business with the retailer, and seeing/buying new merchandise before non-members and payment and credit facilities [17]. Some loyalty programmes offer consumers an opportunity to accumulate points that can be exchanged to receive gifts or rewards from the retailers [7].

B. Ease of use

Consumers are attracted to join loyalty programmes that are flexible, convenient and easy to use [8]. Latest technology of loyalty cards allow customers to swipe their cards when making a purchase in order to access the benefits from the retailer's loyalty programme [18]. The ease of use of a loyalty card means that the loyalty programme benefits are clearly communicated, and can be easily exchanged without much effort [19]. Customers prefer loyalty cards that they can use to perform multiple transactions [18]. Smart cards are an example of a multipurpose card that consumers can use as a credit- or debit card, or as store-value money cards as well as loyalty cards [20]. Some loyalty card programmes allow their consumers an opportunity to access their loyalty card accounts online to check their points balances with ease [21]. Retailers must caution against setting too high reward points that need to be collect before customers can exchange it for rewards as that can discourage them from participating in the programme [19]. In addition, it is important for retailers to educate and train their customers to use their loyalty programme, as that would lead to an integrated buying selling process where consumers will understand the retailers' reward system [22].

C. Customer relationship quality

Customer loyalty programmes are used by retailers as a customer relationship management (CRM) tool to identify, reward, and retain customers [23]. Building strong and effective relationships with customers is important as it enhances store loyalty, which can then lead to increased profits [24]. Retailers can strengthen their relationships with their customers by rewarding card members when making transactions [25]. Customers favour retailers that offer them rewards in the retailers' loyalty programme [3]. Customers who are part of the loyalty programme enjoy being treated differently and being given special attention, because they believe that builds their customer status [26]. A strong relationship between the retailer and its customers can be established if there is a common interest, communication, and trust between the business and customers [27]. Trust is essential in establishing a long-term customers relationship [28].

D. Customer incentives

Customers tend to be loyal to stores that offer incentives after joining their loyalty programme. After joining the loyalty card programme, customers are required to present their cards each time they make a purchase. This process allows them to collect points that they can exchange at a later stage for gifts, discounts or any other benefits offered by the store that are not necessarily that specific store's products or services [29]. Furthermore, stores need to move away from establishing one promotion fits all to promotions that specifically target individuals [30]. Consumers respond better to promotions targeted at them, based on their buying habits, and that are sent at the right time [31]. It is important that retailers keep the promises made by their loyalty programmes and ensure that if the promises are personalised, it remains exclusive [32]. Loyalty cards offer their users tangible- and soft benefits [25]. Tangible rewards include benefits such as products, redemptions, vouchers and more. Soft rewards are intangible benefits such as the feeling or sense of belonging, recognition, status, or

trust [29]. Retailers must allow consumers with loyalty cards to view new merchandise before non-members, and to have payment and credit facilities available for their members [33].

E. Value perception

Customer perceived value is the overall assessment of the utility of a product based on the perception of what customers received and what is provided [34]. Value perception is when customers perceive that products and services are of high quality and value and exceed their expectations [35]. It is important for stores to know how their customers perceive their loyalty programmes as it has a great influence on their purchasing behaviour and loyalty towards the business [16]. Stores can use the customer value perception as a tool to differentiate themselves from their competitors and build a competitive advantage [35]. The creation of customer value has a great influence on the revenues of the business, as well as on their customer loyalty [17]. The five elements of a loyalty programme that determine the value of the loyalty programme are the cash value of redemption rewards; the range of choice of these rewards; the aspirational value of rewards; the perceived; likelihood of achieving rewards, and the programmes ease of use [36].

F. Service credibility

The quality of services rendered by the store is regarded as one of the major determinants of customer loyalty [37]. It is important for businesses to forward the relevant marketing information so that loyalty card users can be send the needed information at the right time to encourage store loyalty [38]. Trust between the business and the customer is essential in ensuring the effectiveness of loyalty programmes [39]. Stores should ensure that they have well trained and skilled frontline employees as they play a vital role in ensuring a quality service to enhance loyalty programme participation [40].

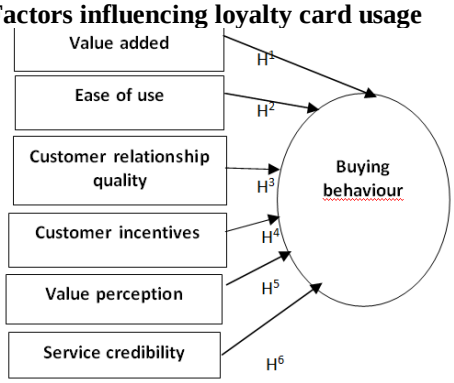
IV. INFLUENCE OF LOYALTY PROGRAMMES ON BUYING BEHAVIOUR

Loyalty programmes positively impact purchasing behaviour [16]. The rewards obtained in loyalty programmes allow customers to increase their purchases that in turn leads to higher customer satisfaction [41]. The higher customer satisfaction results in loyalty card users perceiving business service better than the competitors of the business [29]. Light and moderate buyers in terms of frequency of buying and transaction size are more loyal than heavy users [42]. Loyalty programmes influence the repeat purchase behaviour of existing consumers [43]. The influence of a loyalty programme on repetitive purchase loyalty behaviour should reflect the following changes; decreased switching to non-programme brands, increased usage programme frequency for the programme brand(s), greater propensity to be exclusively loyal to the programme brand(s) and to switch between programme brands and less propensity to switch to non-programme brands [44].

V. PROPOSED DIMENSIONAL FRAMEWORK AND HYPOTHESES

Based on the literature consulted, the following theoretical dimensional framework of the factors influencing loyalty card users' buying behaviour is presented in Figure 1.

Figure 1: Proposed theoretical dimensional framework of the factors influencing loyalty card users' buying behaviour



From Figure 1, the following hypothesised relationships for empirical testing can be developed:

H^1: There is a relationship between the perception of *value added if using loyalty cards* and the *user's buying behaviour.*

H^2: There is a relationship between the perception of *ease of use of loyalty cards* and the *user's buying behaviour.*

H^3: There is a relationship between the perception of *customer relationship quality if using loyalty cards* and the *user's buying behaviour.*

H^4: There is a relationship between the perception of *customer incentives if using loyalty cards* and the *user's buying behaviour.*

H^5: There is a relationship between the *value perception if using loyalty cards* and the *user's buying behaviour.*

H^6: There is a relationship *between* the perception of *service credibility if using loyalty cards* and the *user's buying behaviour.*

CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

From the literature review, six variables were identified as factors affecting loyalty card users' buying behaviour namely: value added, ease of use,

customer relationship quality, customer incentives, value perception and service credibility. These variables influence the buying behaviour of loyalty card users that can provide the business with information to tailor their promotional efforts. When considering the limitations of the study, it must be noted that although this study focused on providing a literature overview on the factors influencing loyalty card users' buying behaviour, it may be possible that other dimensions exist that are not included in this paper. However, this study adds to the discourse on the factors influencing the loyalty card users' buying behaviour. As a variety of journal sources and the most recent academic textbooks and internet articles were consulted, it provides a comprehensive dimensional framework to be tested. It is suggested that the above theoretical dimensional framework be empirically tested to validate the reliable factors and items that affect loyalty card users' buying behaviour. This can assist businesses to adapt their loyalty card programme to be more effective and meeting the needs of the loyalty card users (both current and future). It can further assist the business in designing more effective promotional offerings. It is recognised that the factors may differ from country to country and in different industries, but the dimensional model can be tested and so established which factors play a role in loyalty card users/ buying behaviour in a specific country or industry.

REFERENCES

[1] G. Moore, and H. Sekhon, "Multi-brand loyalty cards: A good idea," Journal of marketing management, vol. 5-6, no. 21, pp. 625-640, 2005.

[2] Truth Loyalty Whitepaper, "The current state of loyalty in South Africa." [Online]. Available: http://www.whyfive.co.za/wp-content/uploads/2016/02/Truth-2016-Loyalty-Whitepaper-WEB_FINAL1.pdf. [Accessed 5 May 2017]. 2016.

[3] A. Stathopouloua, and G. Balabanis, "The effects of loyalty programs on customer satisfaction, trust, and loyalty toward high- and low-end fashion retailers", Journal of business research, vol. 69, pp. 5801–5808, 2016.

[4] L. Meyer-Waarden, "The influence of loyalty programme membership on customer purchase behavior," European journal of marketing, vol. 1, no.42, pp. 87-114, 2008.

[5] N.T.M. Demoulin and P. Zidda, "Drivers of customers' adoption and adoption timing of a new loyalty card in the grocery retail market," Journal of retailing, vol. 3, no. 85, pp. 391–405, 2009.

[6] A. Berndt and M. Tait, "Relationship marketing and customer relationship management," Third edition, Cape Town: Juta, 2014.

[7] J.A Bellizzi, and T. Bristol, "An assessment of supermarket loyalty cards in one major US market," Journal of consumer marketing, vol. 2, no. 21, pp. 144-154, 2004.

[8] K. Arunmuhil, and A. Arumugam, "An impact of loyalty cards on consumer purchasing behaviour in apparel industry," International journal of business and management invention, vol. 5, no. 2, pp. 73-92, 2013.

[9] M. Schnöring, and D.M. Woisetschläger, "Determinants of loyalty card usage frequency – a Multi-Level analysis," Developments in marketing science: Proceedings of the Academy of Marketing Science, Cham: Springer, 2017.

[10] M. Divett, N. Crittenden, and R. Henderson, "Actively influencing consumer loyalty," Journal of consumer marketing, vol. 2, no. 20, pp. 109-126, 2003.

[11] S. Crouch and M. Housden, "Marketing research for managers; the marketing series," 3rd Edition, London: Butterworth-Heinemann, 2012.

[12] P. Hague, and C. Wilcock, "How to get information for next to nothing." [online]. Available: https://www.b2binternational.com/publications/desk-research/ . [Accessed: 13 May 2017]. 2015.

[13] R.K. Schutt, "Investigating the social world: the process and practice of research," 6th Edition, Boston: Pine Press, 2009.

[14] C. Benson, "Internet most popular information source." [Online]. Available: http://www. reuters.com/ article/us-media-internet-life-idUSTRE55G4XA20090618. [Accessed 3 May, 2017]. 2009.

[15] J. Leenheer, H.J. van Heerde, T.H.A. Bijmolt, and A. Smidts, "Do loyalty programs really enhance behavioral loyalty? An empirical analysis accounting for self-selecting members," International journal of research in marketing, vol. 1, no. 24, pp. 31–47, 2007.

[16] G.K. Krithika, and L. Ganesh, "Perception of loyalty programmes and their influence on purchase behaviour, store attractiveness and loyalty," International journal of advances in management and economics, vol. 2, no. 5, pp. 107-105, 2013.

[17] R. Sánchez-Fernández, and M.A Iniesta-Bonillo, "The concept of perceived value: a systematic review of the research," Marketing theory, vol. 4, no. 7, pp. 427-451, 2007.

[18] J. Rowley, "Building brand webs: Customer relationships through the Tesco Clubcard loyalty scheme," International journal of retail and distribution management, vol. 3, no. 33, pp. 194-206, 2005.

[19] S. T. Butscher, "Customer loyalty programmes and clubs," 2nd edition, United State: Gower Publishing Limited, 2002.

[20] R.K. Rainer, and C.G. Cegielski, "Introduction to information systems: Enabling and transforming business," 3rd edition, United States of America: John Wiley and Sons, 2010.

[21] D. Whiteley, "An introduction to information systems," United Kingdom: Palgrave Macmillan, 2013.

[22] J. Strähle, "Emotionalizing fashion retail," United Kingdom: Books on demand, 2015.

[23] M. Krafft, and M.K. Mantrala, "Retailing in the 21st century: Current and future trends," 2nd edition, New York: Springer science and business media, 2009.

[24] P. Clark, "The wise marketer: The 30 major factors behind a successful customer loyalty programme." [Online]. Available: http://www.thewisemarketer.com/features/read.asp?id=89 [Accessed 16 May 2017]. 2006.

[25] C. Williams, "Research-business loyalty card program." [Online]. Available: http://www.unley.sa.gov.au/webdata/resources/files/USLT_Item_21.pdf. [Accessed 7 May 2017]. 2009.

[26] N. Süphan, "Customer relationship management strategies in the digital era," United States of America: IGL Global, 2015.

[27] J. Mackenzie, "Building customer loyalty." [Online]. Available: http://smallbusinessbc.ca/article/building-customer-loyalty/ [Accessed 10 May 2017]. 2015.

[28] D. Sirdeshmukh, J. Singh, and B. Sabol, "Consumer trust, value, and loyalty in relational exchanges," Journal of marketing, vol. 1, no. 22, pp. 15-37, 2002.

[29] C. Acatrinei, and T.V. Puiu, "The loyalty card: issues in evaluating loyalty program effectiveness," International journal of economic practises and theories, vol. 3, no. 2, pp. 153-164, 2012.

[30] M. Felgate, A. Fearne, S. DiFalco, and G. Martinez, "Using supermarket loyalty card data to analyze the impact of promotions," International journal of marketing research, vol. 2, no. 54, pp. 221-240, 2011.

[31] The loyalty box, "Implement a loyalty program in 5 easy steps." [Online]. Available: http://blog.theloyaltybox.com/implement-a-loyalty-program/ [Accessed 16 May 2017]. 2015.

[32] S. Pradhan, "Retailing management," 3rd edition, New Delhi: Tata McGraw-Hill Education, 2009.

[33] P. Schnedlitz, D. Morschett, T. Rudolph, H. Schramm-Klein, and B. Swoboda, "European retail research," vol. 1, no. 24, pp. 77-78, 2010.
[34] M. Siran, "Handbook of research on transnational higher education," United States of America: IGI, 2013.
[35] D. Ruan, G. Chen, E.E. Kerre, and G. Wets, "Intelligent data mining: Techniques and applications," New York: Springer science and business media, 2005.
[36] Y. Yi, and H. Jeon, "Effects of loyalty programs on value perception, program loyalty, and brand loyalty," Journal of the academy of marketing science, vol. 3, no.31, pp. 229-240, 2003.
[37] M.I. Ishaq, "Perceived value, service quality, corporate image and customer loyalty: Empirical assessment from Pakistan," Serbian journal of management, vol. 1, no.1, pp.1: 25-36, 2012.
[38] L. Butcher, "Targeting consumer behaviour". [Online]. Available: http://www.dbgloyalty.com/targeting-consumer-behavior/ [Accessed 17 May 2017]. 2015.
[39] L. Zarantonello, and V. Pauwels-Delassus, "The handbook of brand management scales," London: Routledge, 2015.
[40] A. Fiorletta, "Retailers seek to differentiate, customize loyalty programs." [Online]. Available: http://www.retailtouchpoints.com/retail-crm/2729-retailers-seek-to-differentiate-customize-loyalty-programs. [Accessed 14 May 2017]. 2015.
[41] S. Olenski, "Marketing land: 8 Reasons why loyalty programs are imperative for marketers." [Online]. Available: http://marketingland.com/8-reasons-loyalty-programs-imperative-marketers-109077 [Accessed 16 May 2017]. 2015.
[42] Y. Liu, "The long-term impact of loyalty programs on consumer purchase behaviour and loyalty," Journal of marketing, vol. 4, no. 71, pp. 19-35, 2007.
[43] L. Meyer-Waarden, and C. Benavent, "The impact of loyalty programmes on repeat purchase behaviour," Journal of marketing management, vol. 1-2, no.22, pp. 61-88, 2006.
[44] B. Sharp & A. Sharp, "Loyalty programs and their impact on repeat-purchase loyalty patterns", International Journal of Research in Marketing, vol. 5, no. 14, pp. 473-486.

★★★