

Loyalty Card: Understanding its influence on Retail business and consumers

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ABSTRACT

Retail businesses, small and new to the market are already using loyalty cards as their marketing strategy because it is beneficial for both the business and the customer. However, with the large numbers of businesses that were using loyalty card, retail industry can be impacted with this. Consequently, the contributions of the card to the customer's perspectives, to the consumer's behavior and attitude, and to the business acumen must be tackled and studied. This was the basis of the researchers in conducting this descriptive study. The findings as to customer's perspectives and behavior, respondents believed that the loyalty card is advantageous to them so they own one or more loyalty cards from various stores and frequently use it for price discounts and promos. As to business acumen, the old customers were retained while acquiring new ones resulting in faster sales and higher profits.

Key words: Loyalty card, retail industry, customer's perspectives, consumer's behavior and attitudes

1. INTRODUCTION

The Philippine retail industry is a combination of different product for variety of businesses [1]. In terms of business structures, enterprising capabilities, on-going development, innovation and creative thinking, it is deemed to be significant or exceptional. Several retail enterprises now account for a significant portion of the economy's growth and also the industry's proportion of business.

Loyalty programs have become an increasingly sophisticated marketing strategy in recent years, particularly to the firms that believes are becoming an important strategic mechanism for companies to increase revenue growth and the key component of Customer Relationship Management (CRM) [2]. Customer retention emphasizes repetitive patronage which is mainly associated with consumer's repurchase behavior and brand loyalty [3].

Converting and maintaining customers into brand loyalist requires repeated efforts which incentivizes them to keep buying from the specific owners [4]. Loyalty program is an essential process for rewarding the customers through structured marketing strategies. These brand strategies are designed for frequent/continued engagement. The more customers buy the more rewards they receive.

One of the trends in the Philippine Market is the fusion of loyalty card in the retail world. Loyalty card could be found anywhere both local and global market. Small and Medium Enterprises in Bongabon, Nueva Ecija had continued competing while maximizing the advantage or the strength of their customized loyalty. It also signifies different performance measures through the card [5].

The researcher's intention is to know and expose the benefits and impacts of the loyalty card in Bongabon, Nueva Ecija. The deliverables of the probable results from this study might affect the decisions of all business sectors enterprise.

2. METHOD AND MATERIAL

2.1. Research design

The descriptive method of research was employed by the researchers in this study to discover the impact of loyalty card on retail industry in Bongabon, Nueva Ecija. The researchers used questionnaire and conducted interviews as research instrument. The questionnaire was formulated through the gathered information, checked and validated by the research mentors. To ensure that the questionnaire and interview questions suit the respondents, the researchers conducted dry run to the selected residents of General Natividad who are not part of the respondents to prove the relationship among the variables of the study. After the dry run, the researchers distributed the questionnaires and conducted interviews to the respondents from Bongabon, Nueva Ecija.

2.2. Research Location

The study was conducted at Bongabon, Nueva Ecija, Philippines. This town has diverse stores and large numbers of customers from different barangays and nearby towns.

2.3. Participant Selection

Convenience sampling was applied in this

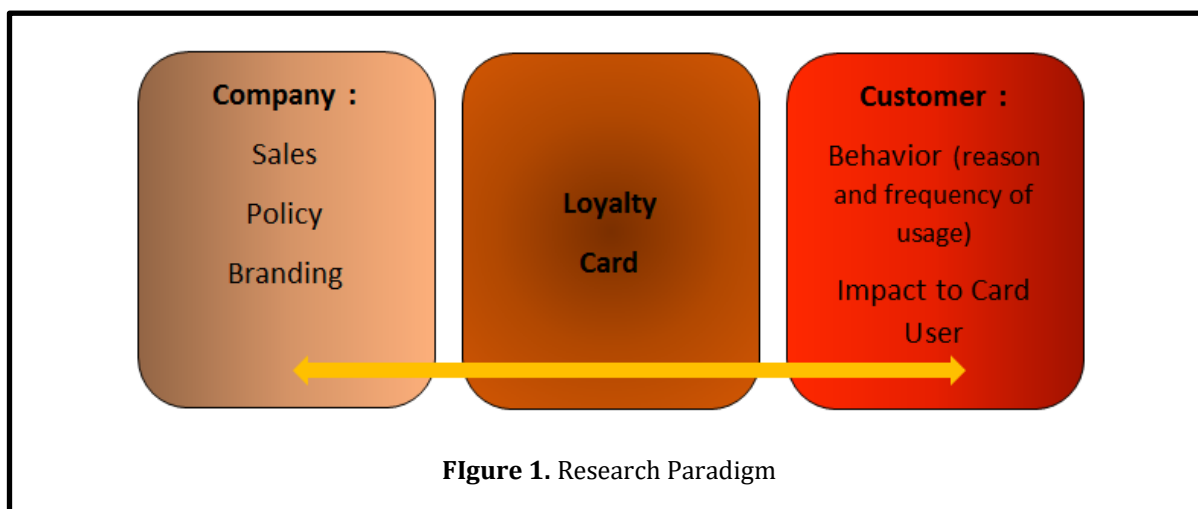


Figure 1. Research Paradigm

research where the respondents are composed of one hundred fifty (150) customers and five (5) stores in Bongabon, Nueva Ecija.

2.4. Data collection

The participants were interviewed to determine how the loyalty card would benefit them. In stores, the owner were also interviewed to learn about the strategies they use with the loyalty card to increase its popularity and improve brand recognition.

2.5. Data Analysis

The information gathered from the questionnaire survey was presented in accordance with the research goals. The following are the three segments of the results presentation: 1) the results of the customer's

demographic profile were reported in frequency and percentage form using descriptive statistics, 2) using descriptive statistics, the results of consumer behavior toward loyalty cards determine in frequency and percentage figures, and 3) using descriptive statistics, the consumer's attitude toward loyalty cards determine provided values in terms of frequency.

3. RESULTS AND DISCUSSION

The respondents are the customers of various stores owning loyalty cards. The researchers used descriptive statistics to discuss the findings in the demographic profile of the customers or respondents (table 1).

The findings present that most of the customers

Table 1. Age

Age Group	Frequency	Percentage
Below 20 years old	43	29%
21-30 years old	57	38%
31-40 years old	22	15%
41-50 years old	20	13%
51 years old above	8	5%
Total	150	100%

Table 2. Monthly Income

Income	Frequency	Percentage
Below PhP 10,000	83	55%
PhP 10,001-20,000	31	21%
PhP 20,001-30,000	25	17%
PhP 30,001-40,000	9	6%
Above 40,000	2	1%
Total	150	100%

Table 3. Loyalty Card Brands

Loyalty Card Brands	Frequency	Percentage
South Star Drug	10	7%
3M Drug Mart	80	60%
7/11 Store	3	2%
Creamcitea	18	13%
Urbanitea	25	18%
Total	136	100%

Table 4. Loyal Card Usage

Usage Of Loyalty Card	Frequency	Percentage
Once a week	33	24%
2-3 times a week	54	40%
Once a month	29	21%
During sale event	13	10%
During other promos	7	5%
Total	136	100%

Table 5. Loyalty Card Activation

Loyalty Card Activation	Frequency	Percentage
Respondents who immediately activate their loyalty card	103	76%
Respondents who do not immediately activate their loyalty card	33	24%
Total	136	100%

Table 6. Opinion about the benefits of loyalty card as perceived by respondents

Belief On Benefits Offered By Loyalty Cards	Frequency	Percentage
Almost always	101	74%
Often	22	16%
Seldom	9	7%
Never	4	3%
Total	136	100%

who own a loyalty card are of age 21-30 years which shows that the loyalty card is more popular with Generation Z and millennial. According to the respondents, they are more willing to buy in stores that issue loyalty cards because apart from the tested product and price discounts. They become immediately participants in the raffles or games that the store will hold.

This presents the social behavior of Generation Z youth, having different preferences in consumption and different way of making decisions related to the purchasing process [6]. The findings are important for people who work with Generation Z and Millennial or want to target them in various marketing campaigns because the millennial generation is the largest and best-educated, marketers face significant challenges.

The results show that most of the customers have a monthly income of below 10,000 pesos. According to the respondents, the money they used in purchasing was mostly from their allowance and from a minimum paying job (table 2).

Age, income, expertise and critical incident are relevant moderators with respect to loyalty program [7]. They claim that consumers with higher incomes will be less loyal than those with lower incomes. The reasoning for this is that persons with high incomes are more likely to be well educated. As a result, people have the ability and capability, according to information processing theory, to seek additional information before acquiring a product or service. Low-income customers, on the other hand, will accept a lesser degree of satisfaction rather than the cost of searching for and switching to a new service and firm.

Table 7. Opinion about the benefits of loyalty card as perceived by respondents

Belief On Benefits Offered By Loyalty Cards	Frequency	Percentage
Yes	127	93%
No	9	7%
Total	136	100%

Table 8. Opinion about the benefits of loyalty card as perceived by respondents (Companies)

Particulars	Percentage	Ranking
Sales	41%	1
Profit	40%	2
Population of Customer	7%	3
Inventory	6%	4
Customer Lifetime Value	7%	3
Total	100%	

Table 9. Reasons for Repeated Usage of Loyalty Card

Reasons Of Usage	Percentage	Ranking
Extra Points	27%	3
Price Discount	37%	1
Freebies	32%	2
Information about latest promos	2%	4
Others	2%	5
Total	100%	

The finding shows that most of the respondents owned loyalty cards from 3M Drug Mart (table 3). According to respondents, they shop at 3M Drug Mart more frequently because, in addition to lower prices, it offers several discounts and a monthly giveaway for loyalty card holders. Previous studies also reveal that, holders are satisfied with the reward scheme provided by loyalty card programme. These customers are more loyal and less price sensitive than the unsatisfied card holders. [8].

The results of customer's behavior toward loyalty card by using descriptive statistics in terms of how they access the benefits after having a loyalty card according to the level of usage (table4). The findings present that most of the respondents use loyalty cards twice or thrice a week to earn points every time they purchase at the partner stores. Customers with loyalty cards tend to frequently shop at

different stores with different loyalty cards [9]. However, timely improvement on certain products and schemes should be done in order to increase the level of customer satisfaction [10].

Loyalty card tends to be quite popular among consumers around the world. In America, about 90% consumers participate in some form of loyalty program, and majority of these consumers are members of numerous loyalty programs. Similarly in United Kingdom, 92% of consumers participate in a loyalty programme with 78% being members of two or more programmes and 95% of Canadian consumers belong to loyalty programmes for different department stores and general merchandise/warehouse [11].

Results clearly show that 75.74% of the respondents immediately activate their loyalty

card by registration, redemption of points or by cardholders want to use their loyalty card immediately to accumulate points and to fully access the benefits that loyalty card can offer (table 5).

Some of the studies reveal that the loyalty programs benefits the customer satisfaction by providing many utilitarian benefits, exploration, and social benefits [12]. According to the self-determination theory, perceived benefits and loyalty differ depending on purchase orientations. Customers are motivated by self-interests in order to obtain benefit within the purchasing limits, and monetary motivation have a positive impact on loyalty.

Results show that most of the respondents almost always present their loyalty card during payment of purchase to earn points and to avail the benefits that the loyalty card can give (table 6). Several studies had suggested that satisfaction has a positive influence on loyalty to the store. By providing customers with rewards for each repeat behavior, businesses may develop customer connections and encourage repeat purchase [13]. Although some studies have only focused on the psychological benefits and their greater influence, it is a mistake to believe that emotional attachment is always the driving force behind customer loyalty. For instance the discovery loyal customers are more likely to expect a price reduction than general customers.

The table 7 show that most of the respondents believed that loyalty card will give them many benefits upon repeated usage and with the accumulated earned points. According to the

respondents, the loyalty card is very useful because it accumulates every point they purchased and sometimes the store gives double points making it more appealing to buy and exchange points because they also have partner stores where food or apparel can be purchased with loyalty card points.

Result from table 8 shows that the top-ranked benefit was majorly sales from the respondents (companies). According to the store owners, they used loyalty cards to attract customers to buy more goods for them to have more sales. The increase in sales was also associated with the increase in profits. If members of same family have multiple loyalty cards, the effectiveness of specific loyalty program respectively decreases [14]. Identifying and introducing a potential client to the company's products and services elevates to the status of a cold customer. A warm client is one who is interested in the information he is receiving and wishes to make a purchase from the company. The companies' goal is to maintain the client's growth and make the transition from occasional to devoted client, resulting in long-term firm profitability.

As a result, businesses must deal with customer segmentation at all the three stages of their customer life cycle that is attracting new customers, retaining existing customers, and developing client relationships. For attaining increased profitability, the businesses must implement creative or psychological tactics which can appeal the customers even with hiked prices. [15].

Most of the respondents use loyalty cards to get price discounts and prefer to increase their

purchase on discounts with the use of loyalty card points they already earned (table 9). Many loyalty programs offer discounts on specially marked items. Customers might become loyal when they are involved in loyalty programs because of the apparent benefits they obtain. The relationships among loyalty program, customer satisfaction and customer loyalty is positive and very significant with respect to business [16]. There are two types of rewards in client loyalty program, the soft advantages (non-monetary benefits) and hard advantages (monetary benefits). The hard benefits are appealing and consumer attractive as it offers refunds, special discounts, and coupons.

4. CONCLUSION AND RECOMMENDATIONS

Many businesses have implemented loyalty programs in recent years intending to increase client loyalty and income. Many businesses, including supermarkets, gas stations, airlines, and insurance businesses, now offer loyalty programs. Loyalty card programs are popular among consumers because they offer rewards and additional value to members. However, the success of the programs varies, and some are ineffective. Hence, this study provides conclusions and recommendations that can be used by the business acumen to determine how they view consumer behavior and attitude when it comes to employing loyalty cards to capture more attention and retain customers to grow their business.

Based on the findings, loyalty cards are popular among young customers due to tangible proof and potential future benefits. Therefore, store owners should manage loyalty cards more skilfully to be more marketable because today's

young generation wants to keep up with market trends and it is necessary to stir up to improve system to render it more useful.

Also, the study found out that low income earners are the top users of loyalty card because of the price discount benefits. Hence, the minimum points required for consumers to redeem it immediately and benefit from it should be reduced.

In line with the findings, most of the customers immediately activate their cards and use it 2 to 3 times a week at various stores to earn and accumulate points seeing as they believe to be refunded proportionately for the items purchased. Also, the study found that the top-ranked benefit of loyalty card for businesses is sales.

To sum up, the motive behind initiating and maintaining loyalty programs is the concept that current customers are more profitable than new customers, and that it is in the company's best interest to try to establish a loyal client base. Retailers may thus utilize loyalty cards as a successful marketing tool to encourage client retention and purchase behaviour.

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6. CONFLICT OF INTEREST

The authors have declared that there is no conflict of interest.

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NA

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