Evolving Loyalty Programs

Merging Classic Loyalty with New Technology

Title:	Evolving Loyalty Programs – Merging Classic Loyalty with New Technology
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Thesis purpose:	The purpose of this thesis is to determine how a technologically enhanced shopping tool, synergizing eCRM techniques with personalized promotion at the point-of-sale, can increase customer loyalty by considering perceptions of current grocery retailer loyalty programs in Sweden.
Methodology:	An exploratory research was undertaken in the light of a qualitative method collecting primary data through focus group interviews.
Theoretical perspective:	The major considerations regarding theoretical aspects, for this thesis, can be addressed by Behavioral/Attitudinal loyalty and Relevance of Promotion.
Empirical data:	The empirical data, in regards to primary data, was gathered based on four focus group interviews.
Conclusion:	The conclusions of the thesis imply, that in order to make a loyalty program successful, it needs to firstly be convenient for the customer; easy to join, and provide an easy and time efficient display at the point-of-sale. Secondly, it has to be relevant/meaningful in terms of cash-back, promotion and have additional functions such as life-style profiles which customers can use. Thirdly, it needs to be inspiring; through recipes on the display and giving recommendations based on other customers with similar purchase habits. Finally, the program needs to address ethical concerns; how the data is used and by whom.

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1 Introduction

1.1 Background

Relationships between business owners and customers have a long history building upon the barter society. Greek barter merchants traded goods and commodities on the Aegean Sea already during the 13th century B.C. The trade in the region peaked during the Roman Empire when trade routes were established. The buyer-seller relationship is as old as the trade of goods and commodities and the merchant knew all individual customers and thus could suggest more attractive products (Sheth & Parvatiyar, 1995, cited in Fernandes, Proença & Kannan, 2008). A well established relationship with the customers and superior customer value, to that of the competitors, is the foundation to customer loyalty. By creating superior customer value, the seller also creates satisfied customers which in turn, buy more and become loyal (Armstrong & Kotler, 2007). The mentioned relationship between the buyer and seller provided a personal bond and the business owner could provide the superior value to the customer by knowing his or her purchase patterns and preferences. One can argue that the buyer-seller relationship is the beginning of Relationship Marketing (RM). The more personal relationship between store owner and customer still remained in effect until the earlier part of the 20th century as customers purchased products at the local grocery store and home delivery was possible. Hougaard and Bjerre (2002) point out that it is necessary to provide continuous motivations for customers and establish a long-term relationship in order to encourage repeat purchases. This was accomplished by having personal relationships with the customers, knowing each individual by name, purchase patterns, offering home delivery and store credit.

During the latter half of the 20th century, the focus shifted from relationship enhancement towards mass promotion of goods. The relationship between the customer and the business owner was now purely transactional, treating the consumer as just one among many. Multinational corporations opened large stores making it impossible for the local grocery store to compete on price and product range. The large stores were able to offer lower prices and a wide range of mass produced products (Cameron & Neal, 2003/2006) but the personal relationship with the customer had vanished. When competition became fiercer, the now large grocery retailers needed incentives to gain new and maintain current customers. As a result, in the beginning of the 1990s loyalty programs, or customer clubs, emerged as the new strategy aiming towards enhancing and establishing customer loyalty (Dowling & Uncles, 1997; Sharp & Sharp, 1997, cited in Cortiñas, Elorz & Múgica, 2008). The grocery retailer chains now invest heavily in their loyalty clubs and their expected rewards are; increased purchase quantities and occasions by light and moderate buyers, prevented sales losses (Liu, 2007), reductions in costs, increased Share-of-Wallet (SOW) and increased turnover and profits (KPMG, 2001). The problem with the present loyalty clubs, among retailers, is their striking resemblance (Gummesson, 2002) causing them to cancel each other out (Mauri, 2003). Customers need positive reinforcement and motivation to remain in the relationship (Lemon, White & Winer, 2002, cited in Liu, 2007; Meyer-Waarden, 2007). Therefore the current problem for retailers is how to differentiate their customer clubs in order to make them more appealing and competitive. Additionally, as competition has become fiercer in the grocery retailing industry, more choices are available to the consumers, thus customers are now expecting more from the loyalty schemes and from the retailers, being treated more as individuals instead of a part of a large homogenous group (Goldsmith, 2004).

1.2 Problem Discussion

The main concern with the current loyalty programs is, as presented, that they are inefficient or even cancel each other out due to similarities between the programs. Retailers need to come up with new incentives for customers to become or continue to be loyal. A new way of making loyalty programs more appealing to new and existing customers is personalized promotion. This type of promotion enables the retailers to offer each consumer rebates based on his or her previous purchases, thereby increasing the relevance of the promotion for the individual. This is currently being implemented in Sweden by ICA (I. Jonasson Blank, VP ICA AB, personal communication, 2008-03-05), and COOP has previously tried personalized promotion but on a smaller scale (presented on the news program Aktuellt, May 15th, 2008). In the U.K. Tesco implemented the strategy in 1995. The strategy moved Tesco from being a middle sized actor to become one of the main players in the market. Before Tesco implemented personalized promotions the redemption rate on promotion was below 10 percent, while after the introduction of personalized offers this figure rose to nearly 70 percent (Humby, Hunt & Phillips, 2007). Despite the fact that the promotion strategy was a success in the U.K., it is not self evident that it will be perceived similarly by consumers in Sweden. The strategy has gained attention in media and the news program "Aktuellt" (15th of May) interviewed consumers in an ICA store regarding their perception of personalized promotion. But, the question is whether it is really a new promotion strategy or is it just an attempt to revert the relationship between buyer and seller and focusing less on the pure transactional relationship. The communication between buyer and seller is now being mediated by the store. It is not possible to establish the same person-to-person relationship between the consumer and business owner now compared to before the large corporations opened the large stores, as the seller now has to communicate with thousands of customers. The potential of the store to serve as a more powerful medium to establish and maintain communication between the retail chains and their customers appears to be neither acknowledged nor fully exploited.

Academic research conducted within the field of personalized promotion are scarce. This is most peculiar as Tesco already implemented the strategy in 1995 (Humby, Hunt & Phillips, 2007) and now other grocery retailers, such as ICA, are following. As the topic is being discussed in news media and the strategy of personalized promotion is being implemented by retailers, the authors find the topic to be highly relevant right now and therefore concentrate on the promotional aspect of the retail marketing mix. In an era of rapid technological advances, personalized promotion has the potential to be the next marketing strategy, used by retailers in order to gain competitive advantages. In the authors' opinion personalized promotion may very well prove to be a competitive advantage for the retailer which introduces it in the market first. However, it is not a sustainable competitive advantage, as others can and will follow. It is therefore very important for grocery retailers to stay on top of progress, and technological advances in the field. The retailers should, therefore, already plan for the next step after personalized promotion in order to be able to provide the customers with the most appealing and rewarding customer club.

In e-commerce, individual promotion has evolved more rapidly compared to the brick-and-mortar retailer setting (physical store) as logistical constraints are easier to circumvent. As customer loyalty in e-commerce is very difficult to gain, as traditional mass marketing is inefficient, studies have been conducted on the topic which indicates that loyalty can be gained by personalizing the website to enhance customer experience (Kumar & Benbasat, 2006). One way to enhance the experience is to have recommendation agents, using cross promotion (Changchien, Lee & Hsu, 2004). Amazon.com is an example of a company

which has implemented recommendation agents as part of its electronic Customer Relationship Marketing (eCRM) practice. The recommendation agent software is now estimated to constitute of 10-30 percent of the total online retailer sales (Schonfeld, 2007).

Impulse purchases, according to Armata (1996, cited in Chen, Chen & Tung, 2006), consists of up to 70 percent of all purchases made in a grocery store and consumers using a shopping list only consists of 23 percent (Thomas & Garland, 2004). These aspects indicate that most purchase decisions are triggered in the grocery store and, originally, many of the items were not intended to be purchased by the customers. Based on this, point-of-sale is of great importance, meaning the impressions the customers receive in the store can alter the consumers purchase decisions (Armata, 1996, cited in Chen et al., 2006). As the tendency is that most purchase decisions are made in the store, an interesting approach would be to move the marketing efforts from traditional channels, such as direct mailing, to the store.

As personalized promotions in the brick-and-mortar setting have proven successful in the U.K. and online retailers have managed to achieve relevant promotions through personalization for their customers, it would be interesting to determine what the result would be if the two concepts were merged. Would there be a synergy effect of having both the recommendation agents as well as the personalized offers accessible at the point of sales. Perhaps technological innovation can strengthen the relationship between buyer and seller, and technology could be used in a manner to make shopping more appealing to the customers. After investigating the current innovations within grocery retailing, the authors found a pioneer in the field, "The Future Store" owned by the Metro group. The company has, as an initiative for the future of grocery retailing, constructed the store with all the latest innovations available. The store focuses mainly on the technological aspect, and less on personalized promotion, of how to make the store more efficient, thus the customer is secondary. But the customers are important, as they are the ones to decide if a loyalty scheme is attractive and/or beneficial to them. It is additionally important to ascertain what aspects, not only members, but also non-members of loyalty programs finds positive and negative.

1.3   Purpose

The purpose of this thesis is to determine how a technologically enhanced shopping tool, synergizing eCRM techniques with personalized promotion at the point-of-sale, can increase customer loyalty by considering perceptions of current grocery retailer loyalty programs in Sweden.

1.4   Research Questions

What are the concerns about loyalty programs that can be addressed with the proposed technologically enhanced shopping tool?

How would the shopping tool, through personalized promotion at the point-of-sale, influence the aspects of concern in terms of customer loyalty?

1.5   Delimitations

There are always delimitations concerning academic work. The obvious constraints, regarding a master thesis, as it is conducted by students, are time and money. This thesis had a time limit of 10 weeks and a non-existing budget. However, regarding academic delimitations for this thesis there are some aspects that are important to mention and consider.

There are many aspects included in the retail marketing mix, which affect business, however this thesis only considers promotional and service aspects and does not cover other views which may or may not be relevant. Regarding generalizibility within the industry, the findings will obviously impact grocery retailers more than other retailer industries, as Fast Moving Consumer Goods (FMCG) retailers are somewhat different, where low involvement goods are exchanged. However, these other industries may find similar indications applicable to their field, but academically, the results of this thesis will only be valid for grocery retailers. Related to these aspects is that the study is conducted in Sweden, meaning that markets elsewhere may not have similar characteristics as the Swedish market and therefore one should be rather careful when applying the findings from this thesis outside of Sweden. The authors contacted ICA in order to get its perspective on personalized promotion and how its program is being developed. However, it was not possible to gather data from ICA, due to that ICA did not have time to answer our questions. The empirical data is based upon a sample of people between 20-29 years of age with an academic background, which may not be a strong enough sample to cover the entire population in the country. However, this age group was targeted because these people are the next generation of heavy shoppers with above average income and are assumed to have more positive attitudes towards technological innovations than the current customer generation.

As the authors do not have the means to estimate costs for implementing a concept, such as the one proposed in this study, the authors can therefore not make any qualified comments on such aspects. Further this thesis assumes that the technology which is involved is feasible and could actually be implemented in a retail setting without any considerable technological research or development.

2 Theoretical Framework

In the theoretic framework the authors have collected the vital theories in the fields of interest. The introduction already indicates that there are two concepts of interest, in the authors' opinion, which could be used in a grocery retailer setting. The concepts are personalized promotion and eCRM applications. As the purpose indicates, the concepts are meant to be merged, and be applied in a point-of-sale context. The theories are related to what the authors want to achieve and start from the perspective of what loyalty is, in a broader sense. The literature review is then narrowed down to concern customer loyalty in retailer loyalty programs, which is addressing the promotion aspect of the retailer marketing mix. Personalization and eCRM are important concept for the thesis, as these are the foundation for the empirical findings and analysis. Ethics in loyalty programs is also addressed, as this aspect is highly relevant in reference to the two concepts as well as for the empery. It is important for the reader to keep in mind that the proposed framework is innovative and can therefore not completely be compared to existing theory. Therefore, the theoretical framework is more used to classify the framework's boundaries it exists within.

2.1 Loyalty

One of the fundamentals of Relationship Marketing is, according to Gummesson (2002) and Hunt, Arnett and Madhavaram (2006), that relationships should be long-term oriented and beneficial to all participants. When parties suddenly become partners and increase value for each other, relationships become meaningful and thereby lasting. The long-term aspect of relationships has recently received more attention, shifting the focus from the mere acquisition of new customers towards retaining existing ones (Gummesson, 2002).

Within the context of long-term relationships, loyalty is the key element. Oliver (1999, cited in Liu, 2007) describes customer loyalty as a high degree of commitment to a preferred good or a service on a recurrent basis in the future. Hougaard and Bjerre (2002) acknowledge the two dimensions of loyalty, one being attitudinal and the other being behavioral. Uncles, Dowling and Hammond (2003) develop this further, grouping the two dimensions as separate approaches to loyalty, and even introduce a third proposal.

- Attitudinal loyalty is defined as 'the consumer's predisposition towards a store as a function of psychological processes, [which] includes attitudinal preference and commitment towards the store' (Jacoby & Chestnut, 1978, cited in Noordhoff, Pauwels & Odekerken-Schröder, 2004, p. 11). Uncles, et al. (2003) state that attitudinal loyalty is the primary way loyalty is perceived to be. Through the creation of attitudes towards a single-brand, the type of commitment from customers is also referred to as monogamous. Customers with attitudinal loyalty are said to be less affected by negative information about the brand than non-loyal customers (Ahluwalia et al., 1999 cited in Uncles et al., 2003). The concept of attitudinal loyalty appears to be of lesser applicability when considered in the context of low-risk or frequent-brand purchases as well as impulse- or variety seeking buying (Dabholkar, 1999 cited in Uncles et al., 2003).

- Behavioral loyalty includes the retention rate and the total budget ratio spent in the specific store by a customer (Uncles et al., 2003). Behavioral loyalty is revealed through actions that reoccur on a regular basis. This type of loyalty is triggered through positive experiences and a weak commitment to brands and leads to loyalty to a small number of brands, referred to by Uncles et al. (2003) as polygamy. In this

case, a "good" brand is discovered through trial and error and is then repurchased, decreasing time and effort for choosing a product. Through repeated purchases, a weak commitment is developed, which results in that if that certain product is out of stock, an easy transition to a substitute occurs (Ehrenberg et al., 2003 cited in Uncles et al., 2003).

- The contingency approach to loyalty includes the consideration of attitudinal and behavioral influences, as well as the impact of contingency variables. These variables include individual characteristics (for example variety seeking, habits and risk tolerance), immediate circumstances (e.g. budget effects and time constraints) and the purchase situation (product availability and promotions, among others) (Uncles et al., 2003). Whereas these contingency variables are considered to be inhibitory for the attitudinal loyalty approach, they emerge to co-determinants of loyalty within the third view. Depending on the view the marketer adopts, the strategy to achieve loyalty is a different one (Uncles et al., 2003).

Supporters of the assumption that attitude drives loyalty claim that behavioral loyalty, which is proven to exist through market research and data analysis, happens on a coincidental basis and is therefore not a reliable measure (Uncles et al., 2003). McGoldrick (2002), in this context, calls for the consideration of differences among loyal customers with high commitment and habitually loyal customers with low commitment. Despite both groups being loyal, a combination of the two types into one loyalty category for strategic decisions bears danger, as habitual loyalists may easily switch upon the entering of competitors.

For supporters of the behavioral view on loyalty, advertising and market communications have less impact on consumers maintaining awareness and reinforcement. As a result, actions taken by competitors are sought to be met, shortages are to be avoided and market penetration is undertaken to realize growth (Uncles et al., 2003). Within the contingency approach to loyalty, the emphasis lies on meeting the contingent issues directly, by for example extending opening hours, offering 24h call centers or enabling online accessibility. Promotional deals and special offers are used within this approach to lure customers away from competitors (Uncles et al., 2003).

2.1.1 Customer Loyalty

Loyal customers create revenue, relate to the firm's value proposition, and are easier to serve compared to newly acquired buyers, since they know the system (Reichheld, 1994). If the relationship is strong, it can lead to greater trust in the retailer and increased loyalty from the customer, which could create a long-term relationship. Trust is also presented by Morgan and Hunt (1994, cited in Hunt et al., 2006) to be a key factor in making the decision to engage into relationships, as it reduces perceived risks associated with having a relationship. The customer in a firm relationship with the company could now be facing high or almost irreversible switching cost, due to the strong bond with the company (Meyer-Waarden, 2007; Liu, 2007). For Hougaard and Bjerre (2002) loyal customers have a higher net present value, they are willing to engage in cross-selling activities and they are likely to become price inelastic. Through the communication of needs and wants of loyal customers, businesses are able to estimate volume forecasts, adapt service level indications, improve automatic reordering and correct common errors (Hougaard & Bjerre, 2002).

Loyalty is claimed to be the most relevant segmentation device by Hougaard and Bjerre (2002). Once identified, the segments allow for analysis and comparison between each oth-

er according to attractiveness, for example, net worth, volumes or numbers of purchases and growth rates. Relevant strengths and weaknesses of the company can be revealed on a segment-to-segment basis and positioning targets can be formulated. Marketing activities can be undertaken to achieve segment specific targets.

Hunt et al. (2006), argue that consumers enter relationships with companies because the perceived benefits are greater than the occurred costs. In order to retain customers over a long period of time, it is necessary to provide continuous motivations and reasons for repeat purchases. Such motivations are incentives in form of annual bonuses or progressive discounts (Hougaard & Bjerre, 2002). The proposed benefits of the relationship determine how much the consumer will be committed to it (Reichheld, 1994, Sirdeshmukh, Singh & Sabol, 2002, cited in Liu, 2007). Oliver (1999) argues, when customers are rewarded they may feel more appreciated or special, resulting in a stronger relationship between customers and retailer (cited in Meyer-Waarden, 2007). Additionally, a common set of values between the engaging parties is a prerequisite to start a relational exchange (Morgan & Hunt, 1994; cited in Hunt et al., 2006).

In addition to Morgan and Hunt (1994), Sheth and Parvatiyar (1995, cited in Hunt et al., 2006) propose that a reason for engaging in relational exchanges is to achieve a larger degree of efficiency in decision making processes thereby also reducing the risk and cost of future exchanges with the respective partner. Bagozzi (1995, cited in Hunt et al., 2006) states that consumers engage in relational exchange in order to reach goals which they had not been able to reach so far. Here, rather than viewing the relation as the desired outcome, the relationship becomes a mean for customers to realize other targets. The basic premise for loyalty, however, remains to be a competitive core product or service (Hougaard & Bjerre, 2002).

Potential drawbacks, whose extent determines the overall value of the relationship, exist as well, and have to be considered. Such are, for example, missing of potentially better offerings of competitors, the effort associated of creating and maintaining the relationship, decreased prices only as outcomes of standardized offers, and the potential threat of opportunistic behavior from the company (Hunt et al., 2006).

2.1.2 Loyalty within Grocery Retailing

The notion that it is more expensive to attract new customers than to retain existing ones is also valid for grocery retailing (Sirohi et al., 1998, cited in McGoldrick, 2002). Bernhard and Ehrenberg (1997, cited in Hougaard & Bjerre, 2002) claim that the majority of customers are multi-brand buyers, and only ten percent are absolutely loyal. The multi-brand buyers seek products and services on a specific need fulfilling basis. Whereas loyalty, in the traditional sense, used to be directed towards brands and mediated by manufacturers, retailers now aim to shift the loyalty towards their stores. The notion that loyal customers are more profitable is also questioned by Hougaard and Bjerre (2002), who state that loyal customers are buying rather small quantities while multi-brand buyers consume more within specific categories. Further, customers are described to shop at different retailers, depending on, for example, proximity, special offers or products. Hougaard and Bjerre (2002) observe that stores do not aim to increase customer loyalty through a higher focus or differentiation in their chain profile. As mentioned earlier, geographical factors are also to be considered in terms of loyalty towards a store. Despite a high commitment to a certain retailer, customers might choose a different store due to time and distance constraints (Uncles et al., 1995, cited in McGoldrick, 2002), leaving behavioral measures of loyalty insufficient.

2.1.3 Effectiveness of Coupons and Promotion in Retail Settings

Hougaard and Bjerre (2002) state that in a so called *push economy*, the supplier controls exposure and content of information to target groups through different media. The consumer has the choice to participate or to ignore. Grocery chains publish newsletters with special offers and run television advertising, but for the most part, the content is controlled by the sender, leaving the consumer only with information the supermarkets want them to have.

Within the *pull economy*, Hougaard and Bjerre (2002) claim that the consumer has a greater influence on the information provided from the sender. Pay-per-view and interactive TV are examples where the consumer decides on what to see and how to see it according to their individual needs and wants. Within grocery retailing, the example of the Tesco Clubcard, and the related communication to it, are an attempt to create more meaningful information and promotion for the customers based on an analysis of their past buying behavior. In this context, the customer controls the type of promotion and information from the retailer with their own behavior.

2.1.4 Mutual Loyalty

Hougaard and Bjerre (2002) introduce the term mutual loyalty, where the focus is on both the supplier and customer, rather than the traditional view of loyalty having a pure customer focus. Next to the customer loyalty, the supplier engages in *reverse loyalty*, putting own interests aside for meeting the customer's demands and needs. Further, a customer viewpoint is taken to assess strengths and weaknesses of the supplier and the aim of the supplier is to enhance the performance as well as the potential of the whole value chain. Hougaard and Bjerre (2002) stress that for a supplier, it is only possible to disregard the interest of the company on a short term basis, given the risk of losing profitability.

2.1.5 Loyalty Programs

During the 1980s customer loyalty became a popular area for academic literature and for entrepreneurial practice. As a result, in the early 1990s customer loyalty programs boomed in certain sectors, such as air travel and banking. It later spread to numerous industries and retailing was one of them (Dowling & Uncles, 1997; Sharp & Sharp, 1997, cited in Cortiñas, Elorz & Múgica, 2008). Each year, companies spend a fortune on loyalty programs. E. Leclerc, a grocery retailer in France, spends more than €18 millions to maintain its program while other retailers such as Safeway cancelled its program to save $75 million (Grewal, Dhruv, Levy & Lehmann, 2004, cited in Meyer-Waarden, 2007). Kivetz and Simonson (2003, cited in Liu, 2007) claim that at least half of the adults living in the U.S. are members of at least one loyalty program.

Gummesson (2002) mentions frequent flyers' loyalty programs, aiming to create long-term relationships with individuals, to be the technically most advanced memberships. Despite a great number of members only about 15 per cent redeem their benefits (Gummesson, 2002). Membership for commercial reasons is a strategy aiming to strengthen loyalty and to engage customers into long-term relationships. The nature of memberships can be demanding, when for example membership fees are to be paid, or non-demanding. Loyalty programs were traditionally aimed at already heavy buyers in order to prevent sales losses, but the results obtained by Liu (2007) indicate, that rather light- and moderate buyers were increasing purchase occasions and purchase quantity. Members of loyalty schemes are also likely to disregard negative opinions about that company (Bolton, Kannan & Bramlett, 2000, cited in Van Heerde & Bijmolt, 2005).

Pseudo-memberships are described to be commercial relationships in which everybody can become a member just by fulfilling basic qualifications. In such a case, members are rather customers than members (Gummesson, 2002). This type of membership is common in the retail setting.

Gruen and Ferguson (1994; cited in Gummesson, 2002) characterizes pseudo-memberships to be either:

- *Full choice*: customers can be members or not, and can use the provider anyway
- *Price-driven*: memberships offer lower prices
- *Earned membership*: a minimum amount of spending is required to be able to obtain benefits
- *Access membership*: only members are provided to the offerings

Loyalty card programs are considered to be of pseudo-membership nature, especially in the case of supermarket loyalty programs. If the membership type is easy to copy the impact of the program could be reduced resulting in a lowered customer commitment weakening the relationship (Gummesson, 2002).

Loyalty schemes often involve a loyalty card. There are two basic types of loyalty cards issued by retailers for their customers (KPMG, 2001). The first type, payment cards or store cards, allows customers to use the card as a mean to pay the retailer for the purchased goods. The second type, reward cards, is used by retailers to reward customers engaging in some sort of loyalty program. Reward cards are also referred to as bonus cards or club cards. Some cards are a combination of the two basic types. In this thesis, the emphasis is put upon card schemes that include the collection of purchase data in order to be used for individualized promotions. Therefore, any of the types of cards presented above, or the combination of these, which includes a collection of purchase data, is regarded to be a loyalty card in this thesis.

In a study conducted in 2001, *A Research Report on Loyalty Cards in European Retailing*, KPMG categorizes the loyalty club cards into groups, based on strategy in place at the retailer.

| Purchaser (Customer) | Customer Usage | |
Purveyor (Retailer)	Single Retailer	Many Retailers
Sole Retailer	Pure	Push
3rd Party	Pull	Purchase
No Loyalty Card Scheme	Purge	

Figure 1 Loyalty Card Strategies (KPMG, 2001, p. 7.)

Pure loyalty cards is the most commonly used strategy in grocery retailing implemented by actors such as ICA with the ICA Kundkort. The card entitles the customer to "spend" the accumulated earnings or benefits at only that specific retail chain. *Push* loyalty cards involve more than one retailer but the collected benefits can be "spent" only at the retailer which issued the card. This scheme is often achieved by linking the card with a bank and common payment solutions such as Visa or MasterCard, examples are the GM Card and Sainsbury's Visa card. The third type of loyalty card is the *Pull* version, entitling the customer to also claim rewards at a third party, based on accumulated benefits, an example is the Clubcard from Tesco. The *Purchase* loyalty card enables the customers to "spend" the accrued benefits at multiple retailers, often by using a credit card as the common denominator. An example is COOP. *Purge* loyalty is the usage of no loyalty card, example of this is Asda supermarket in the U.K. (KPMG, 2001).

2.1.5.1 Customer Perspective

The loyalty program offers consumers benefits in two ways, firstly by obtaining points with the purchase which increases the perceived value of the transaction on a psychological level for the customers (Thaler, 1985, Hsee et al., 2003; Van Osselaer, Alba & Manchanda, 2004; cited in Liu, 2007). The possibility of redeeming the collected points at a later point in time, provide for expected positive future events in the mind of the customer, which leads to a higher willingness of customers to remain in the relationship (Lemon, White & Winer, 2002, cited in Liu, 2007). Secondly, at the point of redemption, psychological and economic benefits are perceived by customers, where a positive reinforcement of the purchase occurs. The customer thereby is motivated to continue to do business with the company (Sheth & Parvatiyar, 1995, cited in Liu, 2007; Meyer-Waarden, 2007). The reward functions

as a display of the firm's appreciation of the customer, thereby increasing his/her well-being, and making him/her, in return, also more committed to the relationship (Gwinner, Gremler & Bitner, 1998, cited in Liu, 2007).

Additional proposed benefits for customers include the opportunity to enjoy luxuries in a guilt free way (Kivetz & Simonson, 2002), and the provision of a feeling of participation, benefiting especially brands that do not carry a sense of belongingness, meaning low involvement products (Dowling & Uncles, 1997; Oliver, 1999; cited in Liu, 2007). A sense of belongingness is thereby created through the loyalty program, where the loyalty card functions as a symbol of membership in a valued club (KPMG, 2001). Benefits could also be special services, gifts or shopping events only accessible to card-holders (KPMG, 2001).

2.1.5.2   Retailer Perspective

The research, performed by KPMG (2001), indicated multiple potential advantages with a loyalty card scheme. The company can achieve higher turnover by increasing the average expenditure of existing cardholders, by targeted promotion, as well as attract new customers and boost sales due to better insight into customer needs. The company can also enjoy reduced costs by obtaining purchase data from card-holders and hence more efficiently use direct marketing as well as improve efficiency in inventory management. The firm can further reduce costs by processing the transaction itself, lowering the paying charge to card providers such as MasterCard and Visa, by developing financial or card related services, like the retailer bank. Through this, a competitive edge can be achieved (KPMG, 2001). According to Meyer-Waarden (2007) and Liu (2007), loyalty programs, implemented by retailers, can be seen as a mean to create a relationship. Loyalty programs can also increase SOW, meaning, the share of the total money spent on retailers by the customer that ends up at that specific retailer (Gummesson, 2002). The study conducted by Leenheer, Van Heerde, Bijmolt and Smidts (2007) proved that customers engaged in loyalty programs had a higher SOW, averaging 36%, compared to non-members which spent on an average 7%. This means that members spent 29% more in the store, out of their total grocery budget, compared to the non-members (Leenheer et al., 2007). The research conducted by Mägi (2003) also indicates that SOW and store visits are higher for customers enrolled in the loyalty program, and also a decrease in share for competitors, but these findings are only relevant on the chain level and not at the individual store (cited in Liu, 2007). The retailer has much to gain by implementing a loyalty scheme but in return the customer must have incentives to engage in the program. Mauri (2003) argues that the observed 'laziness' of customers to use the loyalty card has to be countered by desirable and meaningful rewards from the company, where the simple existence of rewards is substantial to their respective advantages.

Besides direct implications in terms of improved financial performance retailers will establish a relationship with their customers via the loyalty programs. The potential outcomes of a loyalty program are increased retention rate as well as lifetime duration of customers. The ability to better compete is another reason for companies to engage in relationships with their customers. The loyalty programs and the resulting relationship can become a unique resource for the companies, adding to the ability to develop better products or services for certain market segments (Hunt et al., 2006). Meyer-Waarden (2007) argues that these loyalty schemes are a way for retailers to generate increasing switching costs for the clients in order to keep them as a customer. The retailers manage that by stimulating the customer to more repeatedly buy goods and services at the store(s) (Meyer-Waarden, 2007). Bolton, Kannan and Bramlett (2000, cited in Liu, 2007) found that loyalty program members weigh negative experiences less than non-members when it comes to re-patronization issues.

Reichheld's (1996) and Oliver's (1999) studies point out that satisfaction, which is closely related to loyalty, is not enough to gain store loyalty of customers (cited in Noordhoff, Pauwels & Odekerken-Schröder, 2004). Noordhoff et al. (2004) argue that an active loyalty program, such as loyalty cards, is a necessity to increase loyalty above the business average.

2.1.5.3   Criticism of Loyalty Programs

Research exists which indicates, that the effectiveness of loyalty programs is not clearly understood (Bolton et al., 2000; cited in Liu, 2007; Mägi, 2003; Mauri, 2003; Smith et al., 2003; cited in Cortiñas et al., 2008). Additionally, Dowling (2002, cited in Liu, 2007) claims, that loyalty programs do not achieve loyalty, are not cost effective, and are merely a consequence of an ongoing hype around these programs. Hart, Smith, Sparks and Tzokas (1999) as well as Worthington (1996) do not see these loyalty schemes as relationship marketing tools and even argue that the "loyalty card" is a misnomer (cited in Mauri, 2003). Mauri (2003) deems loyalty programs to be inefficient if retailers only use limited consumer data or lack the necessary competences to process the data efficiently. Mistakes in the data can have a negative impact on the relationship with the customers and the increasing similarities among competitors' loyalty schemes contribute the transition from one loyalty program to another (Mauri, 2003). Research actually indicates, according to Mauri (2003), that members of loyalty programs are in fact not card-loyal, as consumers often subscribe to more than one loyalty program or do not use the card at each purchase. This is a result of the lack of knowledge, among loyalty program members, of how the reward system works (Sharp & Sharp, cited in Mauri, 2003). Bolton et al. (2000, cited in Liu, 2007) found only an increase in the use of the member credit card within a certain loyalty program, but not a significant impact on loyalty. Gummesson (2002) and Mauri (2003) argue that due to too many programs which do not have distinct meanings and values, members are likely to find it difficult to keep track of the cards and their respective potential offerings. In contrast, Sharp and Sharp (1997, cited in Liu, 2007) claim that due to the rewards for patronage, customers tend to rely on one program in order to maximize the potential benefits.

2.1.6   Personalization

Personalization as a concept is nothing new in the business world, as trade relationships have been common practice for a long time (Vesanen, 2007). The first personalized direct marketing letter found by Ross (1992) can be traced back to the 1870s (cited in Vesanen, 2007). Today, the meaning of personalization is diverse, ranging from tailored products, customized content of message to suiting visual layout of messages (Vesanen, 2007), or even pricing (Liu & Zhang, 2006, cited in Kramer, Spolter-Weisfeld & Thakkar, 2007). The increased competition on the global market, with the internet as a tool to reach new customers, entitles the consumers to be treated more as individuals instead of being part of a segment or a target group (Goldsmith, 2004). Goldsmith (2004) argues that marketing is entering a new era, the era of personalization. This practice stems from mass customization which originates from production with pioneers such as Dell (Gilmore & Pine, 2000, cited in Goldsmith, 2004). He further argues that personalization can be the most important new concept, transforming marketing practice, since the development of branding and positioning theories. According to Ansari and Mela (2003) customized services, communication and products enable companies to attract customers' attention, lock-in as well as maintain customer loyalty (cited in Sunikka & Bragge, 2008). Personalization, as a concept, can be seen as hidden customer preferences which can be revealed by the marketers by establishing a relationship between the two, and by so doing, learning about the hidden preferences (Peppers & Rogers, 1997, cited in Sunikka & Bragge, 2008). Thereafter marketers can better target the existing customers, and prospects, by offering tailored promotions with good

timing, thus providing superior value to the customers (Simonson, 2005, cited in Sunikka & Bragge, 2008). Even though personalization, or one-to-one marketing, has existed for quite some time, advances in communication and information technology have opened new means of collecting and analyzing customer data for the purpose of implementation of personalized marketing (Vesanen, 2007).

Marketers involved in personalized promotion, work with information collected from previous purchases made by the customer, consequently the marketer "reveals" preferences of the customer and constructs customized offers (Simonson, 2005). This way of constructing personalized promotion can be efficient if the customer has well defined preferences, but if the customer does not have good insights into his/her preferences, the customer may fail to recognize the customized offers as a good match (Simonson, 2005). Häubl and Trifts (2000) as well as Lynch and Ariely (2000) argue that both customer and company may benefit from tailored product promotion, based on customer preferences (cited in Kramer et al., 2007). This notion is accurate as long as the individuals rely on their own preferences in their decision making and reward the company which offers the tailored promotion to the customer. However, within the field of cross culture psychology, research has proven customers' individual preferences may be of less importance compared to the groups the customers belong to and its collective preferences in terms of preferred product choices (Iyengar & Lepper, 1999, cited in Kramer et al., 2007). This does not mean all customers will react negatively toward personalized offers, but rather marketers have to take into account that consumers which are interdependent or have collectivistic tendencies may be less receptive to personalized promotion. Therefore, personalized promotion, aimed at this type of customers, should be recommendations based on likeminded consumers rather than the individual. In one of the dimensions Hofstede uses in his study, concerning cultural differences in various countries, *Individualism vs. Collectivism,* there are geographical differences in terms of these dimensions; "Individualism on the one side versus its opposite, collectivism, is the degree to which individuals are supposed to look after themselves or remain integrated into groups, usually around the family." (Hofstede, 2001, p. xix–xx, cited in Kock, Parante & Verville, 2008, p. 35) Hofstede's pioneering studies have merit in terms of personalized promotion as marketers must then take into account the overall perceptions and attitudes in the area.

2.2 eCRM

With the growth of the internet, a new transactional environment has arisen. The electronic marketplace has become more and more popular. It expands the opportunities, choices available to buyers and sellers, and reduces transaction costs for all parties (Wang, Doong, Shih, Pallister & Foxall, 2008). Because of these factors, a business is bound to face more competitors online than in traditional brick-and-mortar environments. Further it is concluded that customer loyalty is dramatically lower online. This means that it is more difficult to retain and attract customers in an electronic market. Traditional mass marketing is no longer suitable for the Internet, which means that more personalized and precise one-on-one marketing is demanded as competition tightens. Studies have shown that a website's ability to personalize the visit have enhanced the customer experience dramatically, thus increasing the value for the customer and also the loyalty (Kumar & Benbasat, 2006). These arguments conclude, the need for more advanced data analysis techniques is demanded in order to develop new and effective marketing strategies (Changchien, Lee & Hsu, 2004).

Internet marketing and commerce have shown many uncertainties as well as potential. Branding, pricing, innovation and selling opportunities have arisen. Simultaneously, the amount of data and information together with the rapidly increasing amount of business websites and information systems, it can be difficult for companies to manage and utilize the potential of e-commerce. Data mining is one tool companies can use in order to attract and retain customers. A very important e-marketing strategy is to use personalized information services. The aim of personalization is a continuing process where the provision of information and applications are matched to the customer's interest, role, and needs. Through personalization, businesses can further enhance a consumer's experience, by learning more about the customer's buying behavior, and create more appropriate marketing strategies. Additionally it can deliver more suitable information and product/service to the customer. Recommendations through targeted cross promotions for other products on the website have been concluded to help increase sales (Kumar & Benbasat, 2006). In addition, customer loyalty and satisfaction can be enhanced, thus increasing the customers' visiting frequency which can lead to more transaction opportunities and increase sales (Lee, Liu, & Lu, 2002, cited in Changchien, et al., 2004).

Personalization entails filtering products through a representation of a personal profile. Two ways are used in general to provide personal information, content-based and collaborative filtering (Yu, 1999; Aggarwal, Wolf, Wu & Yu, 1999, cited in Changchien, et al., 2004). The content-based approach is based on items the user has previously bought and presents similar products. However, there are some drawbacks: the inability to make classified recommendations outside the specific domain; implementation of non-text multimedia resources. However, a collaborative filtering approach identifies other users which have shown similar preferences and presents what they would like. Of course there are some drawbacks: inability to show new products to a user, and unsuited for a user with other preferences (Changchien, et al., 2004).

When a customer purchases a product, he/she will either make a high or low involvement decision. A high involvement decision entails that the customer is not satisfied with the information available and tries to actively gather more information and evaluate more products. A low involvement decision entails that the customer is comfortable with the information and alternatives and will base the decision upon that. Low involvement is often correlated with impulse buying. However, by using technology that can compile relevant data about the product, sales data and customer information, it can present information about the product before a customer requests it, a customer can be transformed from a high involvement to a low involvement purchaser. Electronic customer relationship management (eCRM) can help to create customer profiles and customized products. It can further add "intelligence" to the customer profiles, which can then create customized products. eCRM does not only present customized products but it can help the customer make all the decisions about how a product should look. If items and parts are not compatible, the system alerts the buyer and a suggestion is made for the customer. When the purchase is confirmed the buyer can see the delivery status and the system then presents similar or customized products to the customer. Amazon.com and Barnes&Noble.com both offer personalized services such as anniversary reminders and customized shipping alternative free of charge. As customers provide such information for the company, it can use this information to direct customers to related products and offer customized products (Chellappa & Sin, 2005). The ability to gather more detailed information on customers' preferences and behaviors, being available for employees to access from anywhere, becomes time-effective and money to focus on new customers, therefore, costs can be dramatically lowered using

eCRM. Having detailed customer profiles can help to predict what and when products will be purchased, and therefore can optimize stock (Scullin, Fjermestad & Romano, 2004).

eCRM makes it possible to create systematic, active construction and maintenance of relationships throughout the entire cycle of the customer relationships. This is enabled by using information and communication technologies and services (as mentioned above). Customer satisfaction and loyalty is the goal, however, at the same time exploiting the benefits of the electronic environment by seizing opportunities, such as low entry barriers. Further the positive network effects produced by satisfied customers are further helped with sustainable eCRM (Salmen & Muir, 2003).

Recommendation agents (RAs) play a vital role in online marketing. RAs are software that provides shopping advice based on the user's preferences, needs, profiles and previous shopping activities. RAs have been used as support tools in order for the consumers' decision making process to be more convenient in an online environment. These agents help customers to reduce the amount of data and information available, further the choices are limited in order to not overload the customer. They further increase the quality of choice and increase confidence in the products. The screening process the RAs conduct helps the customer to not view unsuitable products according to the profile, i.e. the decision making process quality is increased as time is saved not viewing unrelated products. RAs also help customers with highly complex products that require a high knowledge level (e.g. digital cameras, computers). Without the help of RAs the consumer may have difficulties evaluating products properly as the information is not as comprehensive, as it could have been. In a brick-and-mortar setting the customer would have a sales person to consult, contrary to the internet. That is why these RAs are so important, i.e. they are the digital equivalent to sales staff. The challenge of choosing the right product on the web can be alleviated by software that can direct and inform customers of the choices available (Wang & Benbasat, 2007).

However, despite the arguments above, some researchers argue that electronic recommendation agents can be somewhat ambiguous towards customers. According to Aksoy, Bloom, Lurie and Cooil (2006), these agents often present recommendations that are different from those the customer wants. Also, some RAs lack the opportunity for customers to evaluate the recommendations (Wang & Benbasat, 2007). Further, according to Haübl and Trifts (2000, cited in Aksoy et al., 2006), there is none or little research that suggests that recommendation agents actually improve the quality of customers' decisions. These recommendations may differ for two reasons: recommendation agents use attribute weights that are different from those employed by the customers; and they may use strategies that are unlike the decision making process used by the customer. If these differences are too extensive and customers follow the recommendations, they may be very different from what the customer would otherwise choose, which would lead to that the choice and satisfaction level of the customer would be the same or even worse than if not using an agent at all. When looking at the economics of information (Stigler, 1961, cited in Aksoy et al., 2006), consumers search until the marginal benefits and marginal costs of searching are in equilibrium. However, recommendation agents may lead to that consumers concentrate more on decreasing cognitive efforts rather than increasing decision quality. This can be problematic, especially when there is no clear alternative. Recommendations that do not reflect the individual's preference structure actually take more effort than going through an unordered (random) list of alternatives, i.e. such agents can actually have a negative effect on the quality of consumers' decision making (Aksoy et al., 2006). Having trust is a key is-

sue for the success of e-businesses, which is why development of RAs are vital and over-coming barriers that hinder the advancement is important (Wang & Benbasat, 2007).

2.3   Ethics in Loyalty Programs

Ethics and the apparent meaning of the word have been around for millennia. Its core purpose is to distinguish basic notions such as right from wrong and how to go about judging the difference (Strauss, El-Ansary & Frost, 2006). The rapid advancement of technology has created some ethical issues that ethical studies and social norms have not been able to keep up with. Things such as ownership of intangible property, the role of privacy in a world with no doors and locks, the level of freedom of expression have not been able to keep up with the swift development. In American legislation, particularly the Fourth Amendment and the *common law*, various laws against privacy intrusion have been erected, which deal with unreasonable publicity of another's private life and the publication of another's personal information in a false light; among others (Strauss et al., 2006). It is such aspects that marketers have to interpret and make a judging decision whether or not to pursue a certain line of actions.

The major goal of many customer loyalty programs is to use it as a primary data gathering tool, which can be used for improving the effectiveness of a company's future marketing strategies. However, there may be some ethical and social implications involved when exploiting customer data. For customers participating in loyalty programs, there is a concern that the personal information may be misused and there is a loss of control over how the data is collected and distributed (Lacey & Sneath, 2006). Further, issues on how a third party has access to private information that consumers may not wish to share and how this affects the rights to privacy is vital to understand, not to violate customer rights (Crane & Matten, 2004). However, data that can be favorable for retailers are often collected with voluntary consent from the customers. Perhaps the greatest advantage with loyalty programs is the data mining capabilities, knowledge base provided and the databases companies can create and use in marketing strategies. The more personalized the promotions are, the more information is needed from the customer. This means that the customers are becoming more and more concerned about privacy issues and how the information is being used (Zabin & Brebach, 2004). Therefore, the benefits, gained from surrendering personal information, must be greater than the costs of the actual surrender itself. The advancement of technology has led to that many new innovations arise, such as RFID (Radio Frequency Identification), where products can be tagged and followed throughout the store. These can then be traced to customers (including data such as time, quantity, who bought it).

According to Zabin and Brebach (2004), a vast majority of people are totally unaware of the fact that their personal information is collected by marketers worldwide and that this data is exploited in every practical way possible. According to an American study, over the last decade, consumers have become more privacy assertive in dealing with commercial enterprises, as more and more organizations gather and collect data for marketing purposes. As the author Ayn Rand puts it "civilization is the progress toward a society of privacy" (Zabin & Brebach, 2004, p. 190). Further, there is a negative correlation between marketers' objectives and consumers' objectives. Marketers strive for efficiency and consumers for autonomy, simultaneously as consumers still expect convenience, customization and low prices (Zabin & Brebach, 2004). The real challenge for marketers is to find ways to harmonize these views together. However, some enterprise executives have a more liberal view of private data collection. They feel that the notion of absolute privacy is as obsolete as the telegraph or as house calls, and according to Zabin and Brebach (2004) the point be-

ing that it is very difficult to legislate issues concerning privacy. Just because the retailer has personal information about a consumer, does not mean that a personal relationship is established and it is important to understand before presuming that the loyal customer appreciates familiarity, that sometimes anonymity is even more appreciated (Zabin & Brebach, 2004). This can be seen in the evolution of marketing, dating back to the 50s and 60s when sales were made door-to-door which later on progressed into telemarketing. Now we can see a shift from the "invade and persuade" approach towards a relationship and solution selling technique and savvy marketers and salespeople would do well to heed this cultural shift. Some would argue that privacy issues are moving targets. The social inputs that govern such concerns will without a doubt change over time as society comes to terms with the fact that wherever we go we will leave electronic trails that can be picked up by marketing opportunists. Legislation will, however, ensure that such actions are always carried out with permission and on an opt-in basis (Zabin & Brebach, 2004).

3 Current Practices

This part of the thesis is constructed as a mean to gain knowledge and to inform the reader concerning the current structure of the Swedish grocery retail industry. Additionally, a presentation of which implemented loyalty programs exist, and how the schemes are constructed. Tesco is presented in this chapter, which is the pioneering grocery retailer when it comes to personalized promotion. This aspect was included in order to give the reader insights to why personalized promotion is of interest as well as to demonstrate what the latest in the field is. This is important as the thesis is partly constructed on the concept of personalized promotion.

3.1 Swedish Food Market

Three major actors have been dominating the Swedish food market for several years. ICA, COOP and Axfood AB, control about 89 percent of the market, where ICA is the overall market leader controlling around 44 percent (figures dating from 2002). As a result the Swedish food retail market can be seen as a highly concentrated oligopoly. A study published by the Swedish Competition Authority strengthens this notion as the report indicates that the Swedish food prices on average were around 11 to 18 percent higher than prices in the rest of the European Union. High taxes and high labor costs makes it costly for entrants to establish themselves in Sweden which sets the entry barriers high, therefore completion in Sweden is isolated and the market can be argued to be seen as a natural oligopoly. Despite this international firms have entered the market, mainly low price corporations such as Danish Netto and German Lidl (Blank & Persson, 2006).

Besides the Big Three; there are also a number of independent groups that have significant market share locally, but nationally these three are the market leaders. Bergendahlsgruppen is regionally very strong in the southwest of Sweden and is considered to be the fourth grouping on the Swedish market. ICA is the biggest actor in the market and is a cooperative of independent stores which are currently allowed to collaborate with purchasing, marketing and logistics. Important to add is that Swedish Competition law prohibits individual stores to collude in regards to pricing, except occasional special offers. COOP and AXfood hold around 23 percent of total market share. COOP is a traditional company stemming from the 19th century which is a centrally organized group of regional consumer cooperatives and centrally decides on pricing. Axfood on the other hand is a merger of the retailers Axel Johnsson and D-group, which now consists of three wholly owned chain stores, Hemköp, Willys and Willys Hemma (Blank & Persson, 2006).

International entrants in Sweden mainly consist of Netto and Lidl. These are considered to be discount stores and their strategy – *hard discount* – is rather different from the general Swedish version – *soft discount* (Blank & Persson, 2006).

3.1.1 ICA Sverige

As a member of the ICA customer loyalty club, there are various offers, promotions and bonuses that the customer can use. The ICA Bonus gives the customer one percent discount at all ICA and Statoil stores in the country. This works in the way that for every 2500SEK that is spent, 25SEK is returned as a bonus check. The bonus is therefore an accumulative system and the discounts do not directly apply for every purchase. Furthermore, a magazine (Buffé) is delivered every month to the home, which contains recipes, food and beverage articles and promotions, special for ICA club customers. The magazine also contains discounts on various items such as gas, traveling, hotels, cinema etc. In addi-

tion, if the customer shops at the same store enough, more offers from that specific store will be mailed home. These offers are directly linked to the club card which means that the customer only needs to swipe the card in order to redeem these offers in the store (ICA, 2008).

3.1.2 COOP

The COOP loyalty club is called MedMera. The card collects points for every SEK spent in the 1200 stores in Sweden. Similar to ICA a cash-back system is applied and when 5000SEK, or points, are collected a bonus check is sent home for 50 SEK, i.e. one percent discount. However, this check can in some stores be used to get a five or ten percent discount directly in partner stores. The difference between the ICA card and MedMera card is that this card can be use to collect points in not only COOP stores (COOP Forum, COOP Extra, COOP Konsum, COOP Nära and COOP Bygg) but also in e.g. KappAhl, Akademibokhandeln, Expert and Bokus. The card can additionally be used to get discounts at other businesses such as Apollo, Familjens Jurist and at various amusement parks in Sweden. Also a similar magazine to ICA's is sent out every month to MedMera members (COOP, 2008).

3.1.3 Axfood

Willys and Willys Hemma do not offer a customer loyalty club as the primary strategy of the stores is a low price discount store and therefore the organization deem it unnecessary to launch a customer club. However, Hemköp which is also owned by Axfood has a customer club. This bonus card works on a ladder scheme, meaning that if a customer buys items for more that 3000SEK per month, a two percent cash-back is received. Purchases between 1000-2999SEK will give a one percent cash-back and below that amount 0.5 percent cash-back. Also, similar to COOP and ICA, various offers are available which only club members can make use of (COOP, 2008; Hemköp, 2008; ICA, 2008; Willys, 2008;).

3.2 Tesco

Tesco started trials of the loyalty program in late 1993 in three stores in England, where they introduced electronic swipe cards, the "Clubcard". These three stores seemed to show immediate improvement in sales and 11 more stores were introduced three months later in January 1994. One of the main reasons for starting the program was that in the early 1990s, Tesco did not enjoy the market leading position it holds today, but rather had to fight as competition was getting more intense and as a diversifying act, the program was introduced. In this early stage, Tesco could only examine the amount spent, where, and when the purchase was done. However, for every £10 spent in the store, £6 was spent by Clubcard customers, and this was only the first week. Therefore, the results were extremely promising. Project Omega (as the Clubcard campaign was called) went national on February 13, 1995 with over-the-top results, meaning that two weeks later, the 7 million cards that were delivered to the stores were almost exhausted (Humby et al., 2007). Tesco has a core purpose with the loyalty program: 'To create value for customers to earn their lifetime loyalty'. This means that loyalty for Tesco customers should last a lifetime and not just be focused on the next quarter. The approach for discounts is that they should be seen as a "thank you" for loyalty first and as a sales driver second (Phillips, 2007).

A year and a half after the launch of the Clubcard, a market research was conducted, which pointed out that customers spent 28% more at Tesco while decreasing expenditure at Sainsbury by 16%. The reward system Tesco put in place was to mail every member of

Clubcard four times a year instead of just letting the customer use the discount whenever they wanted to. There was however critique against this approach but it was later rebutted as this strategy allowed for more information to be gathered about the customers which could then be used to increase the customer relationships. In order for Tesco to avoid what happened to the airlines when customers accumulated unredeemed flyer miles and used them at the same time, Tesco had an expiration date of one year. One year is still so far ahead that the customers do not feel coerced into using the voucher before they wanted to. Along with the Clubcard mailing, the member received a special magazine and invitations to events. Further, the mailing included product specific coupons where the accumulated data gathered on the customers was used in order to offer the best suited product for the customers. The first mailing only allowed Tesco 12 different configurations due to the limited capability for segmentation, however, 18 months later 1800 different variations were possible and today over 8 million variations of the mailing are sent out, rendering an almost complete individualization of the mailing possible (Humby et al., 2007). As Tesco continues to collect data from Clubcard members, it can personalize offers extremely rapid and can promote products that are customized to the individual and really target the customer within the correct parameters (Benjamin, 2007). Often suppliers try to use promotion as a mean to attract new customers. Tesco, however, has another approach. If customers do not buy a product, it is probably wrong for them in some way. The sales data support the notion that such promotion is only successful in short term perspectives. Instead Tesco preferably tries to increase promotion on existing customers in order to increase their loyalty (Phillips, 2007).

In 1996, Tesco launched its Clubcard Plus, more or less as a response to Sainsbury's response to Tesco's Clubcard. The idea was that Tesco wanted to introduce a card where no others were needed, i.e. the Tesco bank was introduced. People could now pay with the Clubcard. A few years later, in 1998, Clubcard members could earn points at non-Tesco stores, such as airlines, pubs and other stores. According to Humby et al. (2007), Tesco has been a success story going from a struggling firm to a world leading firm within the retail industry.

3.3   Tesco Data Collection

When Tesco first started to collect data, the vast amount of data was overwhelming. Tesco handled over 50 million shopping trips and three million purchased items in the first three months for over five million Club Card members. As a result of this immense amount of data pouring into Tesco, straight forward sampling was suggested from the analyst team in dunnhumby (marketing agency) which entailed only analyzing ten percent of the data and applying it to the other 90 percent. Actually these ten percent was more than enough of raw data to create useful information. However, no transactional data can be perfect or contain no errors. There are always unforeseen events that can occur which can skew the results of the analysis. For Tesco (and other program holders), there could be multiple users to one card which would display very different buying patterns. Or, people might open new Clubcard accounts every time the customer loses its Clubcard, which would also upset the analysis. There could be other disruptions as well that could affect the analysis of data. For example, stores can run out of key items, there could be a disruption or breakdown of infrastructural elements which would lessen the traffic to the store. Of course, the Clubcard data only covers 60-75 percent of the total shoppers at any given store which means that 25-40 percent of the total sales is unaccounted for and cannot be traced to any individual shopper (Humby et al., 2007).

Segmenting the market by geo-demographics was something that many companies (including Tesco) did in order to try to use and implement the best marketing strategy possible. Geo-demographics entail the notion "where you lives determines who you are", and that notion is not reliable. Such databases have been compiled for years and been used extensively. The accuracy of such databases is low and that is what Tesco discovered and in the Clubcard it found new ways of gathering truthful and relevant data. The Tesco model is not based on crude averages but rather on individual particularities, meaning "you are what you buy". Rather than using generic profiles onto households derived from generalized data from their postcodes, Tesco generates data from behavioral data which can then be grouped with likeminded customers based similar tastes and activities. And this is of course derived from the buying patterns of the customers (Humby et al., 2007).

In the mid 1990s, about 80 percent of executives, surveyed by AT Kearney, believed that IT was helping to increase profits. However, only 20 percent were confident that the benefits could be measured. In that decade it was believed that as long as one spends enough money for new IT systems, it had to work. Despite this, many large companies were losing ground to smaller corporations, because they could not capitalize on the advantages these IT systems provided, as the data was so unorganized, that it could not be used in a way to make it beneficial. Gathering large amounts of data and grouping it in a large database is called data warehousing. In the 1990s, this technology was very popular and Tesco was not late to apply this (Humby et al., 2007). The aim of data warehousing is to be able to cross-reference different types of data and the basis for a good and useful data warehouse is the ability to put them together (Salguero, Araque & Carrasco, 2007), e.g. finding a male between 20-29 years of age, having declining shopping curve i.e. someone who was a good customer but has recently not been shopping as much as before (Humby et al., 2007). The data warehouse can generally be described as a support tool for decision making which collects data from external sources and transforms the data into useful information (Salguero et al., 2007). Eventually this technology would allow Tesco to identify various "lifestyles" of customers by profiling what that customer has bought. Tesco could then group this consumer with likeminded customers which could then be targeted. If Tesco could use the results of what the warehouses provided it would create a continuous improvement cycle and this data was not only used as the foundation of what to do next it was also a measure of how well the previous decisions worked out (Humby et al., 2007).

3.4   How Tesco Uses the Data from the Clubcard

Through the analysis of Clubcard data, Tesco found out that the 100 customers that spend the most in a store are as valuable as the 4000 customers that spend the least in a store, which led to the creation of invitational events exclusively hosted for the best customers in order to thank them. At the most basic stage, segmentation according to age was undertaken. Despite not being perfect, it already helped avoiding errors such as promoting soft drinks to tea-loving senior citizens. As different members of a household were found to have separate Clubcards, Tesco combined their data into one record, creating a higher value reward for the customer and gaining better insight in the household purchases. The obtained data was also utilized to find the appropriate price for meats during the mad-cow disease (BSE) incidents by analyzing the shopping behavior across stores with different meat prices. The organizational learning process was accelerated through the ability to measure outcomes from the individual store to the chain wide level (Humby et al., 2007).

Tesco sends quarterly mailings to the Clubcard members, presenting them with cash-back rewards for free use within Tesco and discounts on individual products. The discount cou-

pons are personalized and based on the data collected via the Clubcard. These personalized discounts lead to redemption rates of up to 70 percent, whereas direct marketing response rates hardly achieve double digit percentages. Mailing of coupons was chosen over handing out coupons at the point of sale in order to improve the perception of the rewards and to achieve a higher level of attitudinal- rather than just behavioral loyalty. The seasonality of sales peaks became the guideline for the quarterly mailings. The cyclical distribution of discounts and cash-back rewards did not just provide customers with a regular sign of appreciation, but also allowed for store managers to stock up on promotional items and staff could anticipate fixed periods of increased traffic dealing with coupons (Humby et al., 2007).

In 2007, the response rates of the quarterly mailings could be obtained to the decimal point and it happens that customers complain about not having received this type of direct mailing. Research undertaken by Tesco indicates that members perceive their mailing as "personal mail" and not as junk mail. Further, the experience has shown that the degree of significance of a brand is positively correlated to the response rate of the customers. Strong brands therefore do not require as large discounts or offers as weak brands (Humby et al., 2007).

3.4.1 Customer Behavior Insights

The response behavior of customers towards promotions can be analyzed beyond mere sales figures through the obtained customer data. Whether certain brands are only bought when on sale, or if customers shop explicitly few items that are currently being promoted, if promoted items are bought in bulk to stock-up or if the behavior does not change at all, can be answered through Clubcard. An additional measure for Tesco is to uncover the so called "headroom". If a household already shops almost all their groceries at Tesco, they are not able to shop even more; therefore the headroom is small. The headroom can be estimated by assessing the number of calories of the products bought which indicates the proportion of total food expenditures at Tesco. In the case of small headroom, customers are not able to spend any more money on food with the company. Therefore, Tesco recognized the importance of extending the product range by offering for example financial services or by expanding existing departments such as health and beauty or clothing. The thereby newly created headroom is essential for a mature loyalty program, as it requires influencing customer behavior. As most people that would join the scheme have already done so, the program does not aim at recruiting new members. The focus is therefore on identifying existing customers who might not shop certain categories yet, but who might be willing to do so (Humby et al., 2007).

An additional reason to identify members with little headroom is that they can be brand ambassadors. The relevance and the benefits to them becomes a motivation to recommend the program, which even applies to less profitable customers which, by being long-term loyal, pass on their opinion to their peers. The insight, gained through Clubcard data, that the important segment called "Loyal Low Spenders" did not redeem their discount coupons, was new to Tesco. Improvements concerning the coupons were made in order to better serve this segment (Humby et al., 2007).

3.4.2 Segmentation

Despite the continuing simplicity in the communication received by the members, the complexity of the Clubcard data increased largely. Even during the early stage of the direct mailing, in 1996, Tesco sent out 1800 variations of the standard statement. In 2007 the

number of mailings has reached a number between eight and nine million, with about four million variations. Tesco is able to customize the statements in more ways than there actually are distinct types of buying behavior. The personalization was sought by the customers who complained about irrelevant coupons especially as Tesco monitored their buying behavior. The direct mailings in 2007 contained four coupons for goods that have been bought before by the member and two bonus coupons for related items that have not yet been bought. The additionally promoted goods are found based on an analysis of the buying propensity of the customer. The propensity to buy is obtained by analyzing purchases of similar customers (Humby et al., 2007). The direct mailing represents a channel of communication for Tesco. Through the Clubcard data, the information sent to the members becomes more and more relevant and the customers, through their purchase behavior, communicate with Tesco in return (Humby et al., 2007).

3.4.3   Risk Reduction

The data obtained from Clubcard allows Tesco also to conduct experiments with a small amount of people by being able to measure their reaction to certain marketing measures. The analysis of Clubcard figures is also used as a way to prevent price wars in the grocery sector. By finding the customers that care about discounts and which products they seek, Tesco was able to reduce prices where it actually made sense and avoided the risk of causing price cuts that provided only short-term benefits. General price cuts could also have been the beginning of a price war among the competitors, leaving none with an advantage (Humby et al., 2007).

3.5   The Future Store

The METRO Group, together with INTEL, IBM, T-Systems and over 60 other companies developed the Future Store initiative. Situated in Rheinberg, near Düsseldorf, Germany, the Future Store is the foundation of the next generation of efficient shopping. The Future Store can be seen as the alliance's test lab for technologies and innovations within retailing which could lead to further increase the expedience and experience. The store opened in April 2003, and not only serves as a testing ground towards the customers but it also serves as a place where warehouse management can try new things and experiment (Metro Group, 2007).

The Personal Shopping Assistant (PSA) manifests itself as a computer screen attached to the shopping cart, and when the customer has identified him/herself with the cart using the customer card, the computer recognizes what has been purchased at previous occasions and will compile a shopping list based on those purchase events. Also it will display current promotions and special offers. There are other functions available in the PSA, including a map around the store to help the customer find the items, also it contains all the information needed about the products, including price. The customer simply uses the integrated barcode scanner in order to get access to that specific product (Metro Group, 2007).

As stated above, numerous innovations exist in the Future Store, from the entrance (information terminals) to the checkout. The checkout can be unmanned, through the use of automated RFID-tag detection, which means that all the information that is stored in the cart display, which can be operated by the customer. It enables the customers to pay for the items themselves. This means that the groceries do not need to leave the shopping cart until the customer reaches the car park. According to a survey conducted by the Boston Consulting Group, the majority of the customers are "highly satisfied" with all these new technologies integrated in the Metro Group Future Store (Metro Group, 2007)

4   The Proposed Framework

In this section, a framework presented for a technologically enhanced shopping tool. The idea of the tool was spawned during the initial stage of study. The intention was to merge personalized promotion and eCRM applications at the point-of-sale. The outcome was a visualization of the intended display, showed below, which connects the two concepts with some additional features the authors deemed to potentially add value for the customers using it. The display is intended to be attached on the shopping carts, or a smaller handheld version used when shopping with a basket.

In order to elevate the existing ways to make promotions become more meaningful and relevant to the customers, retailers can apply modified measures taken by e-commerce businesses. Within the e-commerce sector, as described before, a higher level of competition exists between businesses, which in return have found new approaches to compete, for example by making their offering more personal. As recommendation agents are a common tool for businesses like Amazon.com, they can be utilized by brick-and-mortar retailers as well. In the case of a modern hypermarket, the number of products offered, at Tesco (45,000 items) (Humby et al., 2007), the proposed variety makes it almost impossible for the shopper to grasp the whole assortment. Within loyalty card programs, such as the ICA Kundkort and the COOP MedMera-kort in Sweden, the retailer gathers data about purchases every time the card is used. Based on the shopping history, a customer profile is created by the retailer and promotions as well as recommendations can then be based on these profiles. Even though the customer is not targeted as a complete individual entity, but as part of a precise segment, the offered promotions are expected to suit the individual preferences to a much larger extent. The recommendation agents of online retailers are also used at the point-of-sale, when the customer is active in the process of searching for information, inspiration, or is willing to make a purchase. Research suggests that this type of promotion increases the shopping experience, which adds value for the customer and in return strengthens loyalty (Kumar & Benbasat, 2006).

In order to transfer this approach to the point of purchase, the authors propose to attach screens (see figure 2) to shopping carts and baskets, as shown feasible in the Future Store. Upon entering the store, the customer swipes the loyalty card alongside the screen and receives individualized discount offers through content-based and collaborative filtering (See 2.2). Further, cross promotions are presented that are likely to be of interest to the customer, which are also based on typical purchases within the customer's segment. Upon using the scanner device, when putting a product in the shopping cart, recommendations about related product categories are shown on the screen. The touch screen enables customers to also browse through recipes, either general or based on products placed in the cart. The screen will then bring forth the necessary ingredients and it will also calculate the amount needed according to the portions desired by the customer. Further, a map and a product-finder are included among the buttons in order to facilitate a greater shopping experience. To increase the ease of shopping, the screen, upon request, can serve as a source of information about products, which allows for the customer to have a lower involvement in the search and buying decision process. Having the ability to view what is added to the cart and being able to see what has been previously bought can further enhance the buying decision process. Retailers would be able to also change the type of information and thereby only present relevant information to the customer, for example nutritional facts, type of production, special ingredients and ecological footprint. These measures applied in a su-

permarket retail setting are expected to firstly increase the benefits of being a member of the loyalty program, and secondly to attract new members for the scheme. However, the screen would be available to non-members, but would have limited access to some of the features available to members. The level of loyalty is thereby increased as the switching costs for members are higher and the value of the relationship by members is expected to rise as well.

Figure 2 Shopping Cart Display

5   Methodology

The method part is the foundation of a thorough research of high quality. The following section explains concepts vital for all aspects presented in this thesis. Critical choices, made by the authors are motivated and potential drawbacks are addressed. The method serves as a window to the soul of this study.

5.1   Philosophical Considerations

Easterby-Smith et al. (2002) claim that, it is unlikely for a researcher to be in line with all the characteristics of a certain philosophical stance. Recent management research has been adopting a pragmatic approach where positivist and social constructionist views are combined. Positivism implies that the social world does exist externally and the researcher has to objectively measure reality instead of reflecting upon it. Social constructionism, on the other hand, is based on the notion that reality is created and given meaning by social interaction, for example, when people share their views of the world with each other (Shotter, 1993, cited in Easterby-Smith et al., 2002). Social constructionism is referred to as interpretivism by Bryman and Bell (2007), who consider this epistemological stance as a feature of qualitative research where the emphasis is put on *understanding*, rather than *explaining* human behavior. The focus of social constructionist research is therefore on what people think and feel and how they interact with others, uncovering reasons for different experiences and not trying to present explanations for behavior (Easterby-Smith et al., 2002). The underlying research has an epistemological tendency towards social constructionism/interpretivism, as the researchers engage in social interactions with humans to obtain their views on the object of study and are not neutral observers. The aim of this study is to advance in understanding why people have certain attitudes towards promotion and loyalty. Loyalty programs are social constructs engaging people and companies in relationships with each other, even between members, to create loyalty. As loyalty then has to be created, or at least increased, social interaction has to take place between individuals, customers and the company. One can therefore not uncover attitudes towards these programs by neglecting that the meaning of these schemes is created through social interaction among individuals.

5.2   The Research Process

As a basis, the question in mind of the authors was why are online retailers such as Amazon.com able to present shoppers with product recommendations that are of interest to them and why is this not the case in supermarket retailing. The first stage of this thesis consisted of a thorough literature review, in order to pin-point the current state of knowledge concerning loyalty, loyalty programs and the use of technology (eCRM) within the field of retailing in scientific publications. Gaps in knowledge were also identified in this process, which form the basis of the underlying research. The authors also learned about loyalty programs and individualized promotion being practiced to some extent. Literature about Tesco concerning personalized promotion and about the so called Future Store presenting the current state-of-the-art of technology improving efficiency of shopping provided for a case about measures currently applied and technologically feasible. Through the literature review, the most up-to-date knowledge in loyalty research, personalization of offerings and shopping technology was obtained. Consequently the observation, that certain promotional tools used in online retailing have not yet reached brick-and-mortar stores was made. The question about the applicability of the measures taken online in a traditional supermarket evolved consequently. As a result, a conceptual framework of technology en-

hanced personalized promotion to members of loyalty programs at the point-of-sale was created. The framework functioned as the foundation for the questions which were proposed to the interviewees in order to grasp the attitudes of consumers towards it. The gathering of data took place in form of focus groups where actual members and non-members of existing loyalty programs in Sweden were interviewed in separate groups to gain a diversified picture of customers (See appendix 1 & 2).

5.3 Qualitative Method

The underlying research is characterized by an exploratory research design, where the obtaining of insights and understanding of a marketing phenomenon are the objectives, which in this thesis are the customers' attitudes towards a new technologically enhanced shopping tool. Despite the possibility to obtain attitudes towards promotion by quantitative methods (e.g. Likert scales), the empirical data, in form of words, is expected to give additional insights that are to be considered upon creation and implementation of the proposed promotional framework (Hair, Bush & Ortinau, 2006). A quantitative method would therefore fail to provide a holistic view of the attitudes (conscious and unconscious) towards personalized promotion.

As loyalty cannot be measured in an interview as a single variable, the authors considered attitudes like goodwill, intention to repurchase and commitment, to obtain indications about eventual loyal behavior in the future. The authors engaged in interaction with the participants of the interview in order to create an atmosphere of common understanding and stimulate the generation of new ideas, which is a characteristic of qualitative research (Bryman & Bell, 2007). The results of the interviews uncovered attitudes, rather than actual behavior, as the framework does not exist as of now and it was therefore impossible to collect hard data about how respondents actually behave. The authors further gained additional insights throughout the interview process, which then had to be taken into consideration to adapt the initially proposed framework. The interviews were therefore also a knowledge generating process, rather than one aiming to test a hypothesis, relating to the characteristics of a qualitative method.

5.3.1 Inductive Elements

Within induction, the researchers obtain empirical data and based on the findings they derive generalizable conclusions or hypotheses which are not always theoretically significant. The findings are then related to the existing knowledge in the field of interest. No conceptual frameworks are needed in the beginning, but a thorough understanding of the phenomena of interest must be established before the researchers conduct primary data research. A qualitative method is often combined with an inductive approach, where existing theory tends to serve as background (Bryman & Bell, 2007).

The underlying study has inductive characteristics in the way that the authors began this research with the idea in mind to combine technology and loyalty programs in supermarkets. As existing knowledge about the combination of eCRM tools and physical retailing did not exist to an extent to serve as a basis for a hypothesis, the authors initially provided a framework themselves, which was not to be falsified or verified, but further developed by the empirical findings. The expected outcome was then to arrive to find implications about the effectiveness of the framework on loyalty if applied to real life.

5.3.2 Deductive Elements

As for a deductive approach, a hypothesis or hypotheses are created based on existing theory, which are then tested for applicability in reality, in order to confirm or reject the hypothesis or hypotheses. Deduction is usually conducted within quantitative research (Bryman & Bell, 2007). One may argue that the presented study is conducted with a deductive approach, as the theory appears to have guided the conceptualization of the proposed framework. However, the framework cannot be seen as a hypothesis, but rather as a preliminary design that required further development. Theory was utilized to classify the context around the proposed framework, and did not form the basis for its design. Moreover, the need for theory or knowledge within the field of for example loyalty and loyalty programs, consumer behavior and eCRM, arose during the process of the initial formulation of the framework to be presented in the data collection.

This thesis utilizes a combination of inductive and deductive approaches as described to be possible by Bryman and Bell (2007). This is characterized by obtaining theory before the empirical data collection, which however was not the main driver of data gathering, but it had an influence on it. As the obtained data are analyzed with reference to existing knowledge, the inductive approach is taken to come up with findings that go beyond pure verification or falsification of a hypothesis.

5.3.3 Literature Review

The value of academic literature to this thesis is vital. As scientific research has been undertaken in the fields of loyalty, loyalty schemes, eCRM tools and personalized promotion, the information can be obtained faster and at lower cost than primary data. The current state of knowledge in the fields of interest was thereby obtained and implications for the underlying research identified. Further, the gathering and review of existing literature used in this study aided in defining the research problem further and formed together with the proposed framework for personalized promotion the basis for the primary data collection. In order to ensure a high degree of quality of the implications provided by the literature, the authors used scientific research databases such as ABI/Inform and the Lund University library database (ELIN) to find credible information regarding the field of interest. The Social Science Citation Index (ISI) has served as a tool to evaluate the obtained information according to its scientific degree. As the findings presented in scientific articles have been originally obtained from a different purpose than the one of the underlying research, one has to acknowledge that the findings cannot be fully applied to the context of this study, but rather as providing indications for it.

In order not to collect outdated information, the authors sought the most recent publications in the covered fields. If recently published articles referred to studies previously conducted, the authors viewed this as an acknowledgement that the older data is still valid. As the information presented in the description of current loyalty strategies was provided by either an associated company (Tesco) or the company itself (Future Store), the authors of this thesis anticipate thorough insights presented. Nevertheless, at the same time, a lower level of reliability concerning the presented information has to be assumed. As the reviewed literature does not serve as a basis for the analysis itself, but rather as a measure of comparison to the primary data, it is not necessary to have the highest possible degree of reliability of this information.

5.3.4 Primary Data

Even though the vast amount of existing findings and data can be sufficient to solve certain marketing research problems (Malhotra & Birks, 2003), it was not possible to conduct this study by relying on secondary data and findings of existing research. As the research in the area concerning the aspects of joining loyalty programs, eCRM measures and personalized promotion was non-existing, the purpose of this thesis could only be answered by obtaining primary data. The primary data was obtained through focus group interviews upon an innovative conceptual framework, and consisted of qualitative data in the form of words, rather than numbers. In order to gain insights about attitudes towards the subject, respondents were required to express themselves through their own words to not limit their choice of arguments. The words were recorded and considered within the context of the answers provided by participants of the interviews. Next to the questioning, the video recording of the interviews allowed for the possibility to observe participant behavior. The primary data was recorded, analyzed and then interpreted to address the research problem, which is the process suggested by Hair et al. (2006). The required depth of the data to obtain information about the conceptual framework could not have been provided by secondary data. However, the subjects of this research, to be dealt with by the gathered data could be specifically targeted by collecting primary data.

5.3.5 Exploratory Research

Easterby-Smith et al. (2002) and Malhotra and Birks (2003) acknowledge the value of focus group interviews within exploratory research and qualitative methods. The aim of this type of research is not to result in sound conclusions, but to classify problems or opportunities (Hair et al., 2006). In this research the opportunities of creating loyalty through personalized promotion are to be found. The thesis focuses on dealing with the research questions, and not to test hypotheses, which Malhotra and Birks (2003) classify as an exploratory research. The eventual need to modify the research during the course of study, by obtaining new information during the interviews, is provided for by exploratory research designs, being flexible and loosely structured. In case of new information, the authors then can modify the interview questions for the next focus groups without jeopardizing the outcomes of the research with for example a quantitative method aiming for a large degree of generalization.

5.3.6 Focus Group Interviews

Bryman and Bell (2007) acknowledge that focus groups are generally conducted within the framework of qualitative research, and Hair et al., (2006) state that focus groups are a way of research conducted in exploratory research design. Focus groups are a type of interview that involves at least four interviewees and a moderator, where the focal point is the joint creation of meaning through interaction among participants (Bryman & Bell, 2007). Hair et al. (2006), describe focus group interviews as suitable to give as much information as possible about certain issues. Focus groups are used in this thesis, as the concern is to uncover aspects that customers identify with loyalty programs, and the data collection must therefore allow for an almost unlimited input from the respondents. The obtained data can offer insights to hidden phenomena, which is desired in this thesis as the initially proposed framework might require some change. The proposed framework for individualized promotion at the store level is the basis for the focus groups, upon which the participants will be provided with predetermined questions (see Appendix 1 & 2) left to discussion. In contrast to group interviews, which are more suitable to cover broad fields of interest, focus group interviews are dealing with one topic that is dealt with in depth. Therefore, focus groups are utilized to explore the framework of personalized promotion in combination

with technology at the point-of-sale, instead of dealing with the broad topic of promotion in general. Further, Hair et al. (2006) suggest that through focus groups, additional information can be obtained which has not been considered by the researchers before. If certain issues have been neglected during the creation of the framework, the focus group interviews are then utilized to reveal the neglected aspects. The obtained results can be used as a basis for the creation and implementation of more appropriate marketing strategies dealing with individualized promotion. In order to obtain the opinion of interviewees, it is necessary for the researchers to provide a relatively unstructured environment where the moderator guides the session but is not interfering to a great extent.

5.3.6.1 Structure

Easterby-Smith, Thorpe and Lowe (2002) describe focus groups as guided conversations with a loose structure, however never completely without it. Malhotra and Birks (2003) suggest the implementation of as little structure as possible. The structure of the interviews will mainly be guided by the questions provided (see Appendix 1 & 2). The interview questions will be supplemented by information given to the participants after a series of questions has been discussed. The additional information given is necessary to establish a sound knowledge basis in order for the respondents to be able to comment on the then following questions and to refocus the discussion towards its initial focus in case it has been moving too far into other areas. Despite the general requirement for focus groups to be of very little structure, the underlying research requires a certain amount of structure. Especially as participants are expected to have an opinion about supermarket promotions, it is crucial for them to become aware to the full extent of the individual promotion framework. Therefore, in order not to create a discussion about the current type of promotion, a certain structure and amount of control has to be exercised through posing questions and providing additional information in the process of the interview (see Appendix 1 & 2). As respondents tend not to have completely thought through all aspects of supermarket promotions, they therefore need the chance to let opinions surface during the interview process. Hair et al. (2006) also mention that the lack of knowledge about the issue of interest can severely limit the discussion. The guidance function of the moderator will be of special importance if certain important information is disregarded by the participants.

5.3.6.2 Moderator

Walker (1985, cited in Easterby-Smith et al., 2002) describes the role of the moderator to encourage an extensive exchange between participants. All interviewees must be given the confidence to freely express themselves and respond to the ideas of others. Lowe and Nilsson (1989, cited in Easterby-Smith et al., 2002) find two necessary types of skills for a moderator to facilitate group interviews. Firstly, concerning the pre-interview setting, the ability to establish a connection with participants is required. Secondly, executive skills are needed to gain the authorization of the interviewees to control the conversation. Further, the task of the moderator is also to identify the best ideas and stimulate further discussions (Hair et al., 2006).

One of the authors of this study participated in the interview as the moderator. As an author he had the most insight into the framework and was therefore able to give qualified explanations and answer possible questions. Besides the moderator, at least one other author was present to takes notes during the interview in order to provide for a more neutral view of the interview than the one of the moderator who was actively involved in the process.

5.3.6.3 Interaction

A major characteristic of focus group interviews is that the respondents influence each other's behavior. Upon listening to the reasoning of a group member, the opinion of another might be influenced and altered or new thoughts might be generated and voiced upon the stated answers (Hair et al., 2006; Bryman & Bell, 2007). The researchers conducting a focus group interview believe that individuals collectively make sense of phenomena and construct meanings (Bryman & Bell, 2007). As the framework being presented to the participants is new to them, not everyone can be expected to have an immediate and qualified opinion about the issue. In order to allow people to reflect upon own thoughts and the comments made by other respondents to then jointly develop an understanding is the aim of the researchers and can be achieved through focus group interviews. Bryman and Bell (2007) claim that the element of argumentation, among the members of the focus groups, functions as a tool for verification, as contrary or false statements can be detected and questioned by others. As a result, the final outcome of the discussion can be a much more realistic view of the answers received. The notion that interaction with others leads to the understanding of social phenomena and the construction of meaning by interaction with others is to a larger degree naturalistic than individual interviews (Bryman & Bell).

5.3.6.4 Location

Concerning the focus group interview location, Easterby-Smith et al. (2002) and Hair et al. (2002) suggest a relaxed and non-threatening surrounding. The focus group interviews for this thesis were conducted in private surroundings, homes and common rooms of student dormitories. These surroundings were chosen for reasons of convenience and to meet participants in comfortable settings where they usually tend to get in touch with supermarket promotions by mail or in newspapers.

5.3.6.5 Considerations of Focus Group Criticism

Easterby-Smith et al. (2002) mention social pressures, for example remaining from giving socially unacceptable answers, as a possible influence with negative results concerning focus group data. The topics of loyalty cards and promotion, however, are not considered to be sensitive issues, in the worst case people might be identified as thrifty or too lazy to shop at stores that are not of the closest proximity. The authors did not encounter any indications leading to social pressures during the interviews.

Negative effects, for example, having a person with strong argumentation skills, who might influence or discourage answering by other respondents, can occur during the interview (Bryman & Bell, 2007). Upon detection of such, the moderator will react by setting an order of answering, to also allow the other participants to raise opinions without the influence of the dominant participant. Further, participants holding opinions contrary to the views expressed by the majority of the group may chose not to state their view (Bryman & Bell, 2007).

The lack of generalizability is a major criticism of conducting focus group interviews (Hair et al., 2006; Bryman & Bell, 2007). However, the authors aim to identify attitudes which can then be tested with a more suitable method to generalize the findings. Further, the sampling method has been subject to criticism as it does not follow the procedures of probability sampling. The lack of reality also poses subject to criticism (Bryman & Bell, 2007), as the respondents cannot experience the framework in real life. As the framework bears a way of delivering promotion in the near future, it is impossible to offer participants a real life experience. However, the authors use the information being read to participants, sketches and a video providing visual images of the technology applied in the future su-

permarket setting to create an as high as possible understanding of the concept. The way of theoretically presenting the interviewees with this framework prevents the alteration of attitudes through the direct experience, as the technology in form of the screen is the most graspable item within this framework, but the real focus is on the intangible process of using customer data. The setting in the focus group, in contrast to the real life experience, allows the moderators to stress the intangible aspects and proposing the technology as a side effect.

In order not to disrupt the discussion, to be able to pin-point eventual opinion leaders, to identify who says what and to detect particular tones of voice of the participants (Bryman & Bell, 2007) the interviews were recorded with a video camera. Due to the narrow sample population, limited reach and availability the authors conducted two interviews with loyalty program members and two with non-members. The first interview with members and the one with non-members provided new inputs, which were taken into consideration for the subsequent interviews. During the fourth interview, the participants did not provide for additional topics that indicated the necessity to modify the questions further. Therefore, after the fourth interview, the authors perceived that the point of theoretical saturation (Bryman & Bell, 2007) has been reached.

The number of participants of a focus group interview is depending on the subject of study (Morgan, 1998a, cited in Bryman & Bell, 2007). As participants are expected to have experience with promotions in general, according attitudes are likely to be present and interviewees can relate to their personal frame of reference. Therefore, the authors anticipated elaborate answers and therefore set the maximum number of participants in on interview at six. In order to account for the possibility of expected participants not being present at the interview, the authors scheduled all interviews with six participants agreeing to show up.

5.3.6.6 Choice of participants

Hair et al. (2006) claim that it is very important to have a homogenous group of participants during focus group interviews. However, some variation is required in order to encourage contrasting views. As the presence of strangers can make some respondents feel uncomfortable (Hair et al., 2006), participants of the focus groups were known by the authors and the only criterion they had to fulfill was to be in the age group between 20 and 29 years with an academic background. People in this age group are expected to have some experience in being active grocery shoppers and to be the group of people becoming the next generation of heavy buying grocery shoppers for their own families with a high income level. This age group is therefore a relevant target group for retailers. Potential participants that are known to the authors were easier accessible than strangers and also agreed to take part in the interviews without compensation, which is important due to budget restraints of the authors. Through interviewing such homogenous groups, it is less likely for participants to give answers that are false or more socially acceptable to appeal more to other interviewees or to the moderator (Malhotra & Birks, 2003; Hair et al., 2006). The people who agreed to participate were asked about being member or non-member of a retailer loyalty program and were grouped accordingly. Although randomization of participant selection is not the most critical factor within focus group interviews (Hair et al., 2006), a certain amount of randomization was included in the selection, as interviewees were chosen based on their availability on the proposed interview dates.

5.3.6.7 Interview Questions

The interview questions were presented orally and visually to the focus group participants to allow them to refer back to them as other people might have used longer time to answer

the question and even change the initial subject in the process. The questions were to the most part open ended to give the interviewees the opportunity to freely answer and explain their particular attitude or belief. The closed questions were used in order to gain important knowledge, such as the number of loyalty programs the interviewees participated in, to establish their potential knowledge about the programs. Further, the questions in order for the reader to be able to understand why the particular questions have been chosen to be considered in the interview the factors that were supposed to be covered by each question are added to the questions in parentheses (see Appendix 1 & 2), in order to establish a high level of relevancy for each of the proposed questions.

The interview took place entirely in Swedish, as this is the native language of the participants. Despite a high level of English speakers in Sweden, interviewees were anticipated to feel more comfortable to respond in their native language and prevent them from holding back on information if they are not confident about their English skills or even just cannot find the proper terminology they would like to use (Bryman & Bell, 2007). To ensure correct translation, the English questions have been translated to Swedish and then back to English to detect eventual differences in the meaning of words (Malhotra & Birks, 2003).

5.3.6.8 The Focus Group Interview Process

Upon entering the interview location, participants greeted, and if they were strangers to other participants or the moderators, introduced themselves. Through the participant selection process, participants name and basic characteristics like age, sex and type of employment were known to the authors. Participants were offered snacks and refreshments and then asked to turn their attention to a PowerPoint presentation. At this point, the camera began recording. One author, who functioned as the moderator, introduced the observing authors and presented his function to guide, stimulate and control the discussion without influencing participants. The research field of the thesis was introduced by the moderator and the information was also displayed on the computer screen. During the first part of the interview, the questions (see Appendix 1 & 2) about the present grocery store marketing were given to the respondents. All questions have also been displayed on the screen. As the moderator realized the need for additional information based on the ongoing discussion, participants were asked about this issue, and the question was included in the questionnaire to be brought up during the following interviews. Interviewees were subsequently presented with the second part of questions concerning personalized promotion (see Appendix 1 & 2). During the third part, concerning ethical issues, information (see Appendix 1 & 2) was presented to the interviewees to establish a common understanding of how grocery stores use data obtained through the loyalty programs. This information was followed by questions dealing with the interviewees' perceptions of the use of this data. For the last part of the questions, the moderator described the proposed framework for personalized promotion (see Section 4), showed the animated screen and a video from the Future Store initiative1 showing a shopper with a screen attached to the shopping cart. The concept of recommendation agents was also explained to the focus group participants and the remaining questions were put forward for discussion. After all the questions had been answered, the moderator asked for additional information or thoughts about the covered topics. Finally, the interviewees were thanked and the camera was switched off. Both, member and non-member focus group interviews had the same structure.

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[1] Link to Future Store film clip: http://fr.youtube.com/watch?v=oHKcDTY2v7s

5.4   Data Analysis

5.4.1   Data Processing

Directly after each interview the three researchers conducted a debriefing. The impressions gained by the observing author and the author being the moderator, were compared when they were still fresh. At the second stage of analysis, a content analysis was undertaken. Content analysis is named an appropriate type of analysis for any qualitative research, but it is especially useful for focus group interviews (Hair et al., 2006). The researcher is hereby required to follow a procedure where individual responses are taken and are categorized into larger themes or topics. Further, a report was created for every interview conducted which presents important findings, insights and recommendations and can include quotations, descriptions and examples (Hair et al., 2006). The interviews were first transcribed in bullet points in Swedish and then translated to English. The two processes allowed the researchers to consider the aspect of writing the interview down and the aspect of translating as separate ones. This was necessary in order to minimize eventual distortion through translation.

As the interviews were video-recorded, researchers had the chance to refer to the interview on more than one occasions, and they were able to obtain important aspects such as tone of voice, choice of language, amount of specification in an answer. Bryman and Bell (2007) acknowledge that qualitative research also has a focus on how people express themselves, and not just what they say. The recorded interview also served as a tool of verification of the impressions that the authors got during the interview. Bryman and Bell (2007) mention that it is more difficult to transcribe focus group interviews than personal interviews, due to the larger complexity. In order to reduce the complexity, Bryman and Bell (2007) suggest transcribing only sections of the interviews. The authors have, due to the presence of the video-taped interview, not transcribed the whole interview, but rather used the recordings to identify key points and observations that were considered important aspects of the answers.

5.5   Verification of conclusions

Validity presents the extent to which the obtained results from the study are true (Hair et al., 2006). Despite validity being mainly considered within the positivist view and quantitative research, the concept is also useful for constructionist researchers applying qualitative methods, in order be convincing (Easterby-Smith et al., 2002). There are three types of validity which consider whether reality can be correctly measured with the applied mechanisms, whether the study design can eliminate bias and to which extent the results can be generalized. In the case of constructionist research, a high degree of validity should be anticipated by a detailed description about how access was gained to participants of the study, how the data was documented and how the analysis was conducted (Easterby-Smith et al., 2002). In order to assure the highest possible validity, the authors present the steps taken and the procedures applied are presented to a great extent. This ensures that other researchers can conduct an almost identical study and test whether the outcome will be similar. A certain amount of bias, be it only the educational background the authors have, cannot be prevented, but in order to minimize potential bias, at least one more author of this thesis was present as an observer during the interviews. This ensured that the obtained impressions were not just the ones from the moderating author, who might have been influenced by the interaction with the participants as well. Through videotaping and transcribing of the interviews, the authors are able to provide the possibility for other researchers to evaluate possible bias or values in the analysis made.

Hair et al. (2006) mention that the reliability of data obtained through focus group interviews is limited. Easterby-Smith et al. (2002) describe reliability in the context of a constructionist epistemology as whether or not there exists a transparency in how the data was interpreted. Effects that take place during the focus group interview, such as unconscious intimidation of certain participants can influence the answers given and the overall perception gained by the researchers (Hair et al., 2006). Even though the moderator did not play a certain role during the interviews, e.g. being extremely friendly or doubtful, the behavior of the moderator is also very likely to have had an influence on the participants and the way they responded.

As Hair et al. (2006) and Malhotra and Birks (2003) state, results obtained from conducting focus groups lack generalizability, as the sample population is very small. However, one has to keep in mind that generalizability of results is not the key aim of the researchers, as the obtained information is expected to provide insights about the specified phenomenon.

6 Empirical Findings

In this chapter the empirical findings are presented. The findings constitute of four focus group interviews, two for members of a loyalty program and two for non-members of loyalty programs. To make the chapter easier to grasp the findings have been merged in to two summaries, one for the members and one for the non-members. The summaries follow the main themes of the interview; promotion now, personalized promotion, ethics and future promotion (see Appendix 1, 2 & 3).

6.1 Member Findings

6.1.1 Promotion Now

Out of the nine participants in the two groups, six were only members of ICA's customer club, one was a member of only COOP's and two were members of both retailers' customer clubs. The partakers have been members for two to five years, and the main reasons for joining were the cash-back, influences from parents, the recipe magazines and lastly due to the rebates. The members used their cards frequently when purchasing larger volumes of groceries but for smaller purchases the use of the card felt pointless. Most of the interviewees only had one card per household as most lived by themselves but the cardholders used their cards not only when purchasing for themselves but also for all purchases made when the person was in the store. Half of the participants perceived themselves as active members, but they all pointed out the lack of relevance of rebates which also meant that they seldom considered the ones they received. The majority of the focus group members perceived their attitude towards the retailer, after joining the customer club, to be the same as before joining. Some of the partakers pointed out that they have always perceived ICA to offer high quality products and a wide range, being influenced by their parents, and a few also expressed a negative attitude towards COOP, ranging from interior design to prices.

The most important incentive for the participants to continue being members of a loyalty program was the cash-back which all of the interviewees used each time they received one. The cash-back received from COOP could also be used at one of the cooperating companies, using the cash-back at Akademibokhandeln was perceived as a very positive feature. When the question concerned whether or not they used rebates received from the retailer were presented, both focus groups pointed out that the products were very seldom appealing to them and they felt that these rebates were aimed at large families rather than one person household or students. The lack of appealing offers contributed to the fact that more or less no one ever made use of any of the rebates. Some of the partakers added that the rebates currently offered, were not incentive enough to make a detour, to make use of. One group also mentioned that the discount offers should instead consist of staple products which are bought on a regular basis such as dairy products, fruit and vegetables. One participant was a vegetarian and she explained that she never found any rebates on the food categories she bought from. Regarding what the program members did with the direct mail from the retailers, most partakers pointed out that the recipe magazine were read and used for cooking inspiration or were at least looked through. Only one partaker explicitly disliked all direct mail and never looked at anything received. When it came to the rebates the initial stance was that everyone wanted to receive more, but after some discussion both groups came to the same conclusion that the participants did not want more rebates but rather more usable ones. The small rebates involving a few coins in reduction of the price was not appealing to the interviewees as they had no impact on the grocery budget. The

general consensus was that everyone wanted more rebates relevant to their purchase habits, meaning more personal offers. The only current offered rebates which the partakers were positive to were two-for-one rebates which are scarce.

When discussing the shopping habits of the participants the outcome was that some used the in-store computer, which provides the rebates as a reminder, and some even used the computer at each purchase occasion. Only one participant was negative towards using the computer, the reason being he was too lazy. The general opinion was that the computer worked well as a reminder. The partakers visited the stores 2-3 times a week to shop for groceries and more than half of the focus group members used a shopping list. They mainly used the shopping list when purchasing larger volumes of groceries and the partakers also had the habit of buying more items than the ones on the list. These impulse purchases, everyone admitted having at more or less every shopping occasion. Yet the participant also pointed out that foremost the items on the shopping list were purchased and the impulse products only consisted of a few additional items. Some even mentioned that the impulse purchases were expected. An additional point of view was that one would buy more products, not on the list, if the products requested were out of stock.

6.1.2 Personalized Promotion

Before asking questions, related to personalized offers, the moderator started off by explaining the concept. After informing the partakers that ICA was now implementing the strategy and Tesco, in the U.K., already used it successfully everyone from both focus groups was very positive towards receiving personalized promotion based on previous purchases. After some discussion, in both groups, the participants also pointed out that some additional rebates, not based on previous purchases, would be helpful in order to get some inspiration. A combination of personalized offers and more general rebates would be the perfect arrangement, in the opinion of the partakers. Everyone also believed they would increase the use of rebates if they were of a personalized nature. The categories of groceries the interviewees would like to receive ranged from healthy food to coffee, but everyone agreed that staple products such as dairy products, fruit and vegetables were the most appealing products. This is due to that all agreed they frequently bought these wares. The majority would increase their retention rate at the retailer offering the personalized promotion, but the participants also pointed out that distance inhibits that choice, as few had access to a car. The participants, who earlier during the discussions had expressed a dislike of COOP, even believed they would change to COOP if personalized promotion were provided at the retailer and not at ICA.

After directing the discussion towards how the focus group members would like to receive their cash-back, all agreed that getting a 1 percent cash-back instantaneously, when paying for their groceries, was a less appealing alternative compared to the current approach, receiving cash-back ones per month. Further, both groups mentioned that 1 percent cash-back is so insignificant and therefore they found it psychologically more rewarding to receive 25-50 SEK ones per month instead of a few SEK at each purchase. An additional feature of personalized promotion, appreciated by the participants, was the recommended products, at a discount, which were based on consumers with similar purchase behavior and preferences. The groups found the idea as a great way of inspiring their cooking and also to see what other consumers were buying.

6.1.3   Ethics

The partakers believed that the grocery chains utilized their customer clubs to gain customer loyalty, increase retention rate among existing customers, to attract new customers as well as to reap the benefits from additional functions such as the ICA bank. The moderator explained to the participants that the grocery chains also used the customer clubs to collect purchase information to segment the market, pricing and to get a groundwork for deciding on what rebates to offer. The majority of the participants did not know about this. Some interviewees disliked the notion of retailers knowing so much about individuals, but the general reaction was that the partakers did not care that much as the products bought at the retailers were of a non embarrassing nature. One person expressed a general discomfort regarding companies collecting information about him and saw it as a beginning of a Big Brother society where everyone is monitored at the cost of their personal integrity. Another opinion on the matter was 'as long as the information remains at the retailers and are not available to a third party it is okay'. This notion was agreed on directly by the other participants in the group, as they did not want a third party to send direct mail based on their purchase patterns at the grocery store(s). One partaker only saw the positive aspects regarding the data usage at the store level, contributing to the inventory levels could be adjusted resulting in the possibility of always available fresh food at the store. The moderator asked if the focus group members thought the grocery chains informed about the data collection and usage clearly enough, most interviewees did not even know that they did inform at all. Some of the participants believed that they probably had agreed to the data collection and usage when signing up for the club card and argued, 'if a consumer is uncomfortable about the collection and usage of information regarding their shopping habits that person would look it up before becoming a member'. Some partakers from each group did air that the grocery chains should present this information more clearly.

6.1.4   Future of Promotion

For the last part of the focus group the moderator presented the possible future promotion at point of sale which the authors are investigating. The moderator also played a short film clip from "The Future Store" showing how a potential display could look like, generating interest among the participants. When asked how the interviewees would like to receive their personalized offers, the majority perceived the display as an excellent alternative to the computers outside the store. They then additionally wanted to receive the promotions via other media such as e-mail, on the customer's account on the retailer's webpage but also via the more conventional now existing direct mail, many added. Some partakers strongly disliked the notion of receiving a text message, when entering the store, presenting the offers while others liked the idea very much.

The discussion continued towards whether the participants, firstly, would like to receive product recommendations on the display related to the scanned item. Secondly, if a feature presenting recipe alternatives to the scanned product would be helpful. The majority disliked the way the recommendations were presented at the bottom of the screen as it felt like the retailer would rather try to get consumers to buy more and not help out. Both groups arrived at the same conclusions that the recommendation feature should be an additional button which the customer could actively use, if one felt like it. In that appearance the recommendations could then act as inspirations actively pursued by the customer. The recipe function was highly appreciated as many of the participants could see themselves using it. They argued that it would help the customer to get some inspiration and ease the decision making regarding what to eat.

In the end the partakers added additional ideas and inputs regarding the display and its design. Many pointed out that they would mainly use the display when shopping larger volumes, as it in their opinion otherwise would be somewhat time consuming. Several partakers wanted the display and its functions to be as user-friendly as possible and some were concerned that the machines and computers would replace the employees. The majority pointed out that they wanted to spend the minimum amount of time in the store. The concluding remark, presented by most, was that in the future when having a family this display would be an excellent tool as the purchase volumes would be larger.

6.2 Non-Member Findings

6.2.1 Promotion Now

The main reason for the non-members not to be part of a customer loyalty club was convenience. Even the registration process was perceived to be too troublesome, meaning that to actually take the time to find an application form and pen and fill it out is too bothersome. If an employee would ask and help people to join, the participants would actually consider joining. In addition, geographical location of the stores was another issue that was discussed. Now the participants purchased their groceries in the most convenient store and it did not matter whether or not it was ICA, COOP or Willys. The closest to home or work was the store that people used. A major drawback with loyalty clubs were mailings. Addressed mail containing promotions was considered to be very annoying as it was seen as waste of paper by the majority of the participants. Another major issue for not joining a loyalty club was that it would require an extra card in the wallet. Not one single participant wanted to have this and several of them instead suggested linking the current debit or credit card to the loyalty club. Some interviewees mentioned that lifestyle would impact on whether or not a consumer is a member. They had a predetermined idea that marital status (single, married, family with children etc.) would determine grocery purchasing habits. A small number of the participants had been members of loyalty clubs previously and ICA and COOP (Medmera) were the grocery chains that were mentioned. Why they are not members now was a simple matter of not getting around to rejoining. The reason for exiting the clubs were moving to another city and/or losing the club card or simply not being able to use the card due to distance and availability constraints.

The major benefits with a loyalty club are the cash-back coupons and discount offers. A majority liked the cash-back system as it was applicable on all products. Further the banking system was perceived to be very attractive where interest rates are often more beneficial than in regular banks. Some of the participants had some ideas about that people joined loyalty clubs, not to become loyal to a grocery chain but to access the bonus systems. Something that was not seen as beneficial with becoming a member, are the promotional offers. These are often not relevant and were viewed as an inconvenience to the participants. However, the general idea among the participants was that the rebates and cash-back may be the reason why people join a club, but they themselves regarded the rewards to be so low that this could not been seen as a reason for becoming a member. The participants of the two focus groups went to the grocery store between 2-4 times a week, and the reason for why the participants do not use shopping lists is that they instead opened the refrigerator and by so doing ascertaining what should be purchased at the store. Further, when the participants did use a list, it was used as a guide to what to purchase and items were often added to the list. There were some differences between the focus group participants regarding the use of a car. One group said that the car did not have any impact on where shopping was made and that normal routines were still in place. However, the other non-

member group had a different view. They saw the car as an excellent opportunity to go to hyper markets and purchase large amounts of groceries. If a car was available this group could consider joining a loyalty club as the car removed the biggest obstacle which was distance and availability.

The participants were not loyal to a grocery chain as such, rather, they were loyal out of necessity, meaning that distance and availability made the choice of store limited. Some of the participants were not loyal at all and used many different stores. It was further implied that it was important that these companies did not just take (gather shopping data), they also need to give something back as well; bonus systems etc. Others trust companies with loyalty clubs as the perception was that these companies have a higher reliability than the local store on the corner. Further, the group took it for granted that the big grocery stores had loyalty programs. This could be seen as a token of quality and according to the participants, they trusted retailers with programs more. Some believed that the main reason for not being a member was, as mentioned above, that nothing actively is being done to recruit members. The main trigger for joining a loyalty club would then be an active campaign where minimum effort would be required to join. Online registration would be welcome as well, as this would be more convenient. Also an initial discount or offer would also be appreciated. Other aspects such as a more environmental approach could be a trigger for joining a loyalty club, meaning that if the grocery chain had more offers and rebates on environmentally friendly products and strived for environmentally friendly goals, some would consider joining. The participants were not actively searching for coupons and offers (in newspapers etc.) but, should an offer present itself, it would be used.

6.2.2 Personalized Promotion

Similar to the member groups, the moderator introduced this section by presenting Tesco (UK) and its loyalty program. In addition, ICA was also introduced as it was in the early stages of implementing personalized promotion. In relation to this, the offers and promotions existing today are rather useless, conclude the participants. Often the offers were non-relevant or simply aimed at other people, meaning e.g. diapers were not welcome at all by the groups. However, should the offers be more relevant and for items that are usually bought, such as staple goods (pasta, milk, potatoes etc.), the urge to purchase these items would increase, and if the promotions were for categories instead of specific products, it would be much more appreciated. Further, relevant offers would promote repeat visits to the same store or chain, according to the interviewees. Such promotions would then not be ignored or thrown away. A major consideration from some participants was that should companies promote environmental and safe products that were relevant, some could consider joining the loyalty club. SMS and e-mail were the preferable channels of receiving promotions, however, should the promotions be personalized it would not matter which medium was used, as it would then be saved and used excessively. The preferred discount system throughout the focus groups were to have continuous discounts on every purchase, even though the bonus is not a decisive incentive for the participants to join a customer loyalty club, as one percent simply is not enough. There was also a discussion in the groups about the possibility to give the bonus to charity. Instead of receiving discounts or cashback, it could be given away to a charity of choice. Further, they wanted have the opportunity to actually see the progress of how much money they have given to charity on e.g. the receipt. The main issue which was discussed in the groups was the possibility to receive personalized promotion which would have to be extremely relevant as only then would the rebates be used. Should this be the case, the focus groups could then see a possibility of joining a customer club.

6.2.3 Ethics

When the moderator explained what grocery chains do with the clubs, almost all the participants beforehand knew that the loyalty clubs were used in order to gather customer data. This however, was not a reason for not being part of a loyalty program. None of them were negative towards this and some were even positive towards it. They viewed it as continuous market analysis that could control prices, promotions etc. and there was no real objection towards it but some thought that if it would be taken further, privacy issues would arise that could disturb the attitude towards loyalty clubs in general. In addition, some participants voiced some concerns regarding the communication of how data was being collected and used and thought it was somewhat weak. Companies employing loyalty clubs should be better at communicating their intentions to the customers, as an act of goodwill, meaning, should retailers show more concern of the customer in general, attitude towards them would at least not weaken.

6.2.4 Future of Promotion

As mentioned above, a short film showing the Future Store where its technological advancements were implemented in a retail setting was screened. Further, possible future point-of-sale promotion was presented by the moderator, in order to give the participants a background to what may lie in the future. The initial reaction was that the majority would join a loyalty club including this new technology. Another idea was presented by the group which implied that the display could be synchronized with the online account with shopping lists, offers, recommendations etc. The entire shopping experience would then be prepared at home and in the store the display would act as a helper where shopping routes, shopping lists, recommendations and recipes could be accessed. Some would join a club just to be able to test the new technology. Some said that distance to the store is a big issue still, and the technology in itself, in relation to distance and convenience, does not create incentive enough to join a loyalty club. Others were concerned that this technology would remove active thinking from the equation, meaning that they wanted to actively roam in the store and choose items at will. It would be appreciated however, if the display could help to develop new ideas for different meals and try new products. Creating different profiles would also be helpful, e.g. the athlete, vegetarian etc. If a consumer wants to change or follow a specific lifestyle and does not know what to buy associated to this lifestyle, the display would be helpful where recommendations for weekly meals could be presented.

Some participants thought that the display would be more helpful for consumers who often purchase large volumes of items. The feature which would be most helpful would be recipes. Finding new ideas for meals and dinners would be truly appreciated as this can be very troublesome at times. Some concerns were voiced that this technology would make grocery shopping more time consuming and this was something many of the participants were hesitant of. The participants further mentioned that such technology would be more helpful for people who purchase large amounts of products, such as families. The high quantity would further increase rebates and cash-back which would then lead to more use of the in-store technology. Some of the features available, e.g. recommendations were not so appreciated. The option to turn off such features must be available. Some of the participants mentioned that the ultimate goal of grocery shopping would be to not go to the store at all and that the refrigerator would restock itself and, as mentioned above, wasting time on grocery shopping is not appreciated. To conclude, the screen should be available to all customers, however, non-members should not be able to access all features. Such features which would make the shopping more effective and less time consuming should be exclusively available for members only

7 Analysis

The findings of this study will in the following be interpreted, related and compared to the theoretical and practical aspects which framed this research. The structure follows the sequence in which findings were obtained in the interview process rather than being presented according to their relevance.

7.1 Convenience

For non-members, the expectancy of having to deal with an additional card during the payment process presented a major inconvenience. The presence of an additional card appears to be one of their main objections against joining a program, as most retailers have their own. The introduction of a device, automatically linking every purchase to the member account would increase convenience levels for non-members, as tested in the Future Store with RFID tags (METRO Group, 2007). Alternatively, some non-members suggested linking the collection of purchase data to the already existing payment card of the customers, as non-members did not want to join the ICA bank in order to combine the payment and data collection functions in one card. However, this finding contradicts the success that Tesco has achieved with introducing banking services in combination with the Clubcard. In order to join a loyalty program, non-members suggested that they expect an active recruitment from the retailer's side, as the signing up process was perceived as a major inconvenience. Additionally, having to deal with unwanted paper discount offerings was also seen as non satisfactory. During the interviews, some non-members expressed the desire to receive a special bonus for signing up for a program, an incentive which would clearly state the retailer's appreciation of gaining new customers and to create a long-tem relationship. The current state of transferring information from the retailer to the customer, where the retailer has full control and the customer is a passive receiver, is characterized by Hougaard and Bjerre (2002) as the *push economy*. Upon the introduction of personalized promotion through loyalty card data analysis, the customers are able to provide information to the retailer solely through their shopping behavior without an extra effort (Gummesson, 2002). Members could then signal demands for certain products and promotions, moving towards a *pull economy* (Hougaard & Bjerre, 2002). Thereby, a channel of communication could be established that allows program members to reply to the information provided by the retailer or even initialize a communication with the grocer by their behavior, as it is the case with Tesco's Clubcard data. The anticipated ease of convenience in communication, however, would require non-members to join the program. As non-members currently view the joining process and the use of an extra card as major inconveniences, they require the signing up process to be easier as well as a solution towards not having to use an additional card.

Both, members and non-members, were identified to be behaviorally loyal to stores within close reach. The non-members did not voice preferences towards a certain chain, but shop frequently at the same store within their reach, making them rather behaviorally loyal (Uncles et al., 2005). The way members described their shopping, in contrast, can be classified with the contingency approach to loyalty put forward by Uncles et al. (2003). Members were found to be attitudinally loyal to the stores they are members of, but their behavior was altered by aspects such as proximity of the store which indicates behavioral loyalty.

Distance was a major inhibitor for most participants, making the behavioral loyalty aspect important as even though many partakers preferred one store they could not make the purchases there as distance were too far. So even if the attitudinal loyalty existed towards one store, the one closest to the participant's home received the behavioral loyalty.

The voiced preference for continuous discounts on purchases by certain non-members over an accumulated reward such as cash-back, was found to be rooted in the laziness, having to consider taking the bonus-check with them in order to collect the earned incentives. Members however, were found to not appraise the current discount offers through direct mail; nevertheless, this does not apply for the membership magazine. Tesco, in contrast, through quarterly delivered personalized promotion with an expiration period of one year, achieves a very large degree of appreciation for its program members (Humby et al., 2007). However, upon the introduction of the display, members explicitly expressed the desire to continuously receive the magazine and personalized promotion via traditional mail, but also through new media such as e-mail, as it is also currently done by Tesco. The possibility to access this information from the retailer on the company's website was also wished for. The stated desire indicates that members want to be in control as much as possible in the way they can access the information provided to them, and not be subject to the control of the retailer. This notion was also addressed by Tesco, providing members with cash-back checks to use on any item in the store. Non-members perceived the screen as positive, but stated that it would not be enough motivation to incur longer travel to another store than the one they currently shop at. As a result, for non-members, the screen itself does not provide enough benefits to outweigh the costs of joining a loyalty program or shop at a more distant store. This finding confirms the findings about time and distance constraints put forward by Uncles et al. (1995, cited in McGoldrick, 2002).

The recipe function of the screen with the possibility to generate a respective shopping list, especially in large stores, was perceived to ease the process of shopping by members. This function would enable customers to find inspirational meal alternatives and after a recipe has been chosen, the exact ingredients and quantities to buy could then be displayed. Non-members, initially valuing the navigation function of the screen, feared that the human activity in the search process would become limited. Consequently, members and non-members requested the option to hide certain functions of the display, in order not to be steered by the technology. The option to hide the functions of the screen would also address the perception of non-members that through the display, and unnecessary functions, the technology would make the shopping trip more time consuming. In terms of increasing convenience, one non-member group implied that they would like to be able to create a shopping list at home on the retailer's website. This shopping list then would be made available to them on the screen in the store, not leaving the customer to physically carry a list. If the creation of a shopping list online is more convenient than having to carry a hand-written one, is doubtful to the authors.

7.2   Relevancy & Meaningfulness

Members of loyalty programs indicated that the offered benefits were the main reason to be part of the loyalty program, which was also the reason that non-members perceived to encourage people to join. This behavior is in-line with the claim of Hunt et al. (2006) that benefits of a program must outweigh the cost of joining and the experiences made by Tesco through offering personalized promotion. To non-members, proposed benefits were known but not relevant enough to undertake the effort of actively seeking membership. Members admitted to not using their loyalty cards when making small purchases, as the po-

tential rewards did not justify the extra effort. However, members did not view the use of the extra card as too much effort when making medium to large purchases. If, as suggested as an increase in convenience, the registration of the purchase would be automated, members would accumulate more benefits. The greater amount of rewards, according to e.g. Liu (2007) and Mauri (2003), would increase the perceived appreciation of the customer by the retailer. Within current loyalty programs, non-members are able to use services of the stores to the same extent as members, a membership offers marginally lower prices, a certain amount of spending is required to obtain for example cash-back rewards and special discounts are only available to members. Based on these criteria, the loyalty programs of ICA and COOP fulfill the criteria of being a pseudo-membership (Gruen & Ferguson, 1994; cited in Gummesson, 2002). The fact that a pseudo-membership is easy to copy and consumers tend to enroll in multiple programs leads to weak customer commitment (Gummesson, 2002), was also found in the statements made by the respondents that no change in attitude was perceived after becoming a member. Tesco, through their highly developed data analysis skills and the according use (Humby et al., 2007), have been able to create a competitive advantage that cannot be instantly copied by other retail chains. Further, as participants suggested that the only influence to enroll, besides expected program benefits, was parents' membership, the behavioral loyalty aspect (Uncles et al., 2003) can be applied. Instead of making an active decision themselves, which would indicate an attitudinal behavior, the process is triggered through constant past subconscious exposure during upbringing to being passive members of a loyalty program. The desire to join then appears not to be created by the relevance of the scheme itself, but rather from habitual contact with it, which has implications as no increased attitudinal loyalty after becoming a member. If it can be verified that exposure to loyalty programs during the upbringing creates future memberships, the retailers should focus on making the process of joining more meaningful/an experience. However, the findings did not indicate whether non-members came from a household being part of a loyalty program or not, and therefore the influence of membership in the family cannot be ascertained.

With the introduction of personalized promotion as a part of a loyalty program, current members of the ICA program indicated a propensity to also join the COOP scheme, even though attitudinal loyalty towards COOP was initially lower. Personalized promotion, in this context, was identified by some members as added value to the loyalty program, which is in line with the claim put forward by Simonson (2005; cited in Sunikka & Bragge, 2008). Tesco has also been weaker compared to competitors before introducing Clubcard, and then increasing their success through the loyalty program in combination with individualized discounts, which accredits the program with providing added value to customers. Non-members implied a higher willingness to shop at a store that targets them with personalized promotion, which indicates an increase in attitudinal loyalty. Further the option to receive personalized promotion can then function as an incentive to become a member in the first place.

Being a single-person household, cardholders, as well as non-cardholders in the interviews, have a limited product assortment requirement compared to a five person family household. Whereas current discount offers might be considered meaningful to larger households, the relevance of mass promotion was perceived as very low by all interviewees, which appears to be a result of the current *push economy* context (Hougaard & Bjerre, 2002) of communication. The required amount of relevance of program features, according to Mauri (2003) a necessary characteristic appears to not be achieved for the participants of the focus group, who also indicated that the discounts are not enough to persuade the customer to return to this store to make use of this offer. The rebates were found to be of lit-

tle relevance and value to members. Through the advent of personalized promotion, customers are now able to have an effortless influence on the way the retailer communicates to them. Hougaard and Bjerre (2002) describe this type of communication as the *pull economy*, where customers communicate to retailers through their behavior. With this in mind, the personalized promotion and the headroom-approach of Tesco, the SOW of cardholders could be identified and appropriate strategies, such as more diverse offerings or more meaningful discounts (Humby et al., 2007), created.

As members and non-members identified the cash-back as the most desired reward, the authors interpret that consumers subconsciously aim to counter the push economy approach (Uncles et al., 2003) by taking charge in making proactive decisions and not just react to what the retailers suggest. The little relevance members have credited the present offers with is also expected to be a reason for preferring cash-back rewards. Therefore an imbalance in customers' valuation is present between the promotional offers and the cash-back. Upon the introduction of personalized promotion, as within the pull economy, customers are able to actively influence the communication to the retailer through their recorded buying behavior. The psychological value of the obtained offers is thereby expected to increase, while interviewees did not suggest a change in the level of appreciation of the cash-back reward. The higher appreciation of personalized discounts then does not result in a lower consideration of the cash-back reward. Also, despite the high redemption rate of individualized discounts, Tesco's Clubcard members continue to highly anticipate the cash-back. For non-members, the expected irrelevancy of discounts was also confirmed as it was seen as a major reason for not joining, i.e. the promotion did not provide an incentive large or relevant enough to enter a long-term relationship. The obtained findings also indicated that instead of receiving specific product discounts, some non-member interviewees would prefer to have discounts on a category base, leaving them with more choice.

The preference of members for once-a-month cash-back, over a discount on every purchase, leads the authors to interpret this attitude as a sign of willingness to engage in long-term and meaningful exchange relationships with the retailer through the loyalty program. This finding is interpreted by the authors that a quarterly distribution of rewards could be considered as an option to make the moment of receiving the mailing more meaningful. A not anticipated suggestion by non-members about making rewards more meaningful was that the earned bonuses could be donated to a charity organization of choice. The only request in this context was that upon every purchase, the current donation as well as the total accumulated contribution towards the charity was printed on the receipt. This proposal is related to the notion stated by Mauri (2003) that the existence of a (meaningful) reward is more important than its actual value. Also, as Liu's (2007) research indicated, the more the obtained benefits are valued by the customers, the more committed they will be towards the relationship.

Currently, the limited possibility to segment members prohibits retailers to provide them with meaningful offers, as one vegetarian participant stated that offers were almost never of use to her. Regarding this, Hunt et al. (2006) claim, that through a loyalty program the segments could actually be targeted more specifically with coupons. Tesco, through their segmentation of purchase data, was able to present particular offers to for example vegetarians. This notion was also touched upon by non-members, voicing the desire to have programs cater to interests such as environmental aspects and nutritional information. Additionally, a non-member made the suggestion that they would like to have the possibility to segment themselves on the retailer's website according to lifestyle, such as healthy living or ecological products, and be provided with relevant information and promotion. The same

idea was also presented for the use of the screen, allowing non-members to choose between different lifestyle categories to receive recipes and offers or product suggestions. If non-members would be allowed use to some functions of the screen, the full access to all functions upon joining the program could serve as a signing bonus. This could only serve as a signing bonus if the retailer can apply the screen in a manner that adds significantly to the customer's experience and appreciation. Concerning the relevance, cardholders and non-cardholders viewed the screen to be useful for large purchase shopping trips, which questions their usefulness in smaller neighborhood stores. The interview findings indicate that members value the in-store computer as a mean to be reminded of actual offers at the store. Based upon this, the proposed screen on the shopping cart was identified as a further development of the now available print-out computer in the store. The members indicated a positive attitude towards existing technology in retailing and would not hesitate to use the screen due to technological reservations. However, concerns were raised by members that the screens might result in store staff losing their jobs, i.e. the screen and technology would make human employees redundant.

7.3   Inspiration

The findings of the interviews have strongly suggested the importance of inspiration as a factor for members and non-members in grocery shopping. For members, inspirations were provided mainly by the magazine obtained as a part of the loyalty program and non-members desired this aspect for their shopping trips. Inspirations were thought to enhance the shopping experience for the interviewees. Enhanced experience is pursued by on-line retailers to achieve differentiation (Kumar & Benbasat, 2006), whereas Hougaard and Bjerre (2002) claim that supermarkets do not aim to achieve loyalty through differentiation. If supermarkets do not aim to achieve loyalty through differentiation, enhanced experiences can still be seen as a tool for increasing sales, as Tesco achieves to make profits upon their loyalty program.

As members as well as non-members anticipate to make some impulse purchases, even when shopping with a grocery list, the authors interpret that the store serves as some kind of medium for inspiring purchases, as suggested by Thomas and Garland (2004), especially for customers without shopping lists, but also for ones with. The impulse purchases were said to be products for personal indulgence, rather than staple food, where discounts could allow for guilt-free indulgence as proposed by Kivetz and Simonson (2002). The expectancy of impulse purchases might indicate that upon purchasing impulse items, the customers could feel less coerced to make the purchase by the retailer. Further, it was indicated by the findings that cross promotions based on other customers' purchases, could inspire to develop new ideas which was previously not considered.

Next to the cash-back reward, inspiration through the loyalty program was mentioned to be the major benefit for members and non-members. For members, the inspirational aspect is catered for by the retailers through the membership magazine providing recipes and articles about food and drink related lifestyle. In the future the display could act as an in-store version of the magazine. Further, the rebates which are based on other customers with similar purchase behavior can also act as inspiration. The proposed recipe function on the shopping cart screen was immediately identified as an additional tool to provide inspiration for shopping and cooking (Simonson 2005, cited in Sunikka & Bragge, 2008).

7.4 Ethical Considerations

During to the focus groups there were not many objections raised against retailers collecting customer data and use it for promotional purposes. However, should the data be exploited and made accessible to a third party, the interviewees would strongly object. This is strengthened by Crane and Matten (2004) who argue that consumers highly value their privacy and the retailer should be careful not to infringe on customer's rights. Lacey and Sneath (2006) confirm these ideas and it is indicated, from the empirical findings, that retailers employing loyalty clubs must be transparent with how data is gathered and used. Another opinion which could be derived from the empirical findings, connected to the notions mentioned above, is that the interviewees believed that openness would create trust between retailer and customer which is vital for establishing and sustaining long-term relationships, according to Morgan and Hunt (1994; cited in Hunt et al., 2006). Further, the possibility to opt out of receiving direct promotion based on personal data already exists, but retailers must be able to convey such information to consumers more clearly. According to the theory, it is however a balancing act between gathering as much private data as possible and creating customized or personalized promotion relevant to the customers. What the empirical findings suggest is that loyalty card members find that the benefits of receiving personalized promotions outweighs the surrendering of private information, even though some indications pointed towards that consumers want to remain anonymous towards other consumers. The findings even suggested that collecting customer data could even benefit non-member customers as this would help to optimize prices and other market related aspects. Zabin and Brebach (2004) further strengthen this observation made by an interviewee by confirming the fact that society is evolving as technology advances, i.e. surveillance and monitoring of people and property is becoming standard norms and that privacy issues must evolve accordingly. On the other hand, one participant of the focus group voiced strong concerns that this type of data gathering could lead to a Big Brother society if further developed This concern was also brought up by Lacey and Sneath (2006) and can be expected to be viewed as major drawback to personalized promotion by some part of the population. Despite the possibility that a small contingent of a society will have such views, according to the majority of the respondents and Zabin and Brebach (2004), a Big Brother society is expected to be very unlikely to evolve.

8 Conclusions

The findings of this research indicate that the aspects of loyalty programs that can be addressed with the technologically enhanced shopping tool are inspiration, convenience, and relevancy/meaningfulness.

Even though ethical considerations about the gathering and use of data cannot be addressed by the shopping tool, it was found to be of importance when addressing loyalty programs in general. One participant voiced strong concerns about being monitored, which could be regarded as an underlying concern for at least a certain part of the population. However, ethical considerations to an extent that could prevent the execution of the proposed framework have not been found with the majority of the respondents in this research. If retailers ensure transparency in how the customer data is used and communicate this openly, the analysis of personal shopping data for personalized promotion should not represent a hindrance.

The most important characteristic to be addressed by the shopping tool, for loyalty program members and non-members, was found to be inspiration. Through, for example, the membership magazine, club members are finding inspiration about food and drink, which was a major reason for them to remain in the program, which indicates attitudinal loyalty towards the program. As certain features of the screen, such as the provision of recipes, were generally perceived to be inspirational when being in the store, such features should be considered to a large extent by the retailers concerning their loyalty program. Non-members expressed the desire for inspiration, which could be provided for by a limited access version of the screen. The result could then be an increase in goodwill towards the retailer, thereby leading to higher attitudinal loyalty. The proposed fear of some interviewees, that the display could eliminate the human freedom in being active shoppers should be countered by the possibility to individually eliminate certain functions of the display, such as the map. The display, if made accessible to non-members, would be appreciated, but if the store is not within close proximity, their behavior would not result in increased store visits i.e. behavioral loyalty. Upon offering usage of the screen at the store where non-members already shop, their attitudinal and behavioral loyalty would be increased. In order to use this momentum, the limited access version of the screen could even serve as a motivator for non-members to join the program for full access.

As the store functions as a stimulator of impulse purchases, the personalized recommendation of products could provide more relevant suggestions for unplanned purchases. Inspiration can also be provided if products are recommended that have not been tried before by the customers.

The facet of meaningfulness/relevancy of a loyalty scheme, in line with existing theory, was discovered to be of importance to customers. As non-members were well aware of the benefits of programs, the necessary level of meaningfulness/relevancy has not been established to convince them to join. Upon introducing personalized promotion, the findings indicate an increase in the propensity to join a program for non-members. Some members of one program would be willing to join the scheme of an otherwise less preferred chain if personalized promotion was offered there, thereby increasing attitudinal loyalty to the newly joined program. An imbalance was found to be perceived between the effort to record small purchases and the related benefits, which can be addressed by retailers through an automated recording of purchases. As a result, the program would be made more convenient and relevant to members, as the accumulated amount of all purchases would increase the

rewards for them. Non-members indicated that meaningfulness and relevancy of being a member can be increased by having the option to donate their obtained cash-back rewards to a charity of choice. As with this example, interviewees presented other desired options to be part of the loyalty program such as the lifestyle promotions and ecological product information. The thereby achieved additional relevance would be able to positively impact behavioral as well as attitudinal loyalty, as store visits can be increased through better promotion, and additional commitment can be gained. As with personalized promotion, customer segments can be targeted, offers can become relevant to e.g. vegetarians, who have not found any relevance in promotion before. Whereas current discounts can fail to provide enough motivation for customers to make a return visit to the store even if the product is desired, the offered discount displayed on the screen at the point-of-sale can be enough to motivate a purchase. The degree of usefulness of the screen was found to increase in correlation with the size of the purchase, indicating a higher impact in larger grocery store formats.

8.1   Discussion and Further Studies

As loyalty programs evolve towards a technologically more advanced future, new innovations can be implemented to make the schemes more appealing to the customer. In this thesis the authors have touched upon a few of the innovations which could be put into practice. As the thesis has pointed out, the personalized promotion concept was highly appreciated as it added relevance to the offerings while the eCRM applications were more perceived as a positive aspect of inspiration.

Recommendations on other, not thought of products could inspire customers to create new meals and/or try new cuisine. The notion to move the marketing efforts to the stores was also perceived positively, but traditional direct mailing was still a required marketing channel through which the consumers would like to receive their offers, cash-back and magazine. The display could then be seen as an extension of the program, making the direct mailing accessible in the store. Additional features, posed by the interviewees, were to add a function on the customer's account at the retailer's webpage where a shopping list could be created and then be accessible when using the display in the store. This would make shopping more effective, as was mentioned by some participants, as much could be prepared in advance. Some interviewees voiced some concerns that shopping was a necessary evil, meaning it was something which had to be done even though it was not liked. The display could make shopping more convenient, meaningful and more of an experience, which, consequently could lead to greater customer satisfaction and loyalty. Further, the possibility to get recommendations according to a chosen profile such as healthy, athlete or environmental would be appreciated by some of the participants. Instead of receiving individualized promotion based on personal data, some partakers desired to be able to segment themselves according to e.g. lifestyle preferences. This option is believed by the authors to possibly decrease ethical concerns from customers who do not want the retailers to record and monitor personal shopping data. Lifestyle segmentation could be very helpful for customers as it would help them to find new and exciting ideas for meals. Also a new aspect was being able to give the instant cash-back to charity. This could make the customers feel better about themselves, as they are contributing to the good of the world and indirectly promoting the retailer to be a good corporate citizen by engaging in the process of doing good.

There are many concepts which retailers could implement into their existing loyalty programs, but there is a thin line between providing many options and giving too many. Con-

sumers may feel overwhelmed by all the alternatives, therefore the retailer should be careful how the concepts are implemented. The retailer could give the customer the option to sign up for these additional customer incentives, making the consumer active in the process, which has been an important aspect for the interviewees. Connected to this, the interviewees were hesitant towards the sign-up process, meaning that it would take more effort to join than they were willing to put into the process. If the grocery chains would have a proactive sign-up campaign, including an employee guiding and helping the customer through the process, it would be less of an effort to join and create more meaningfulness for the customer. Creating meaningful relationships with customers is important and this employee can create just that, by explaining all benefits and features available in the loyalty program and the customer do not need to find information about it as it is provided by the loyalty program communicator. The authors of this thesis believe that, to some extend, the personalized promotion in combination of access to some of the mentioned concepts could act as a signing up bonus, which some participant requested. Not all consumers may perceive all aspect as rewarding but by being able to choose what applications to have access to could contribute to a feeling of being appreciated as a customer.

After performing the focus group interviews the authors could ascertain that most participants had a more positive attitude towards ICA, compared to COOP. Why is it that customers have a more positive attitude towards ICA? This could be a study which would also cover the aspect about the significance of family influence. Some participants explained that their parents always purchased groceries at ICA and therefore resulting in a very positive perception of the retailer among the partakers. Is this an aspect neglected by the retailers? Why has COOP not managed to obtain the same level of positive attitudes? Also an interesting aspect, which was discussed in the interviews, was impulse purchases, as most participant admitted to making them. The authors could ascertain, based on the interviews, that it was some specific product categories from which impulse purchases were most often made, namely the "treat yourself categories" such as ice cream, potato chips and candy. As the retailers probably know this already, it would be interesting to determine if personalized promotion, of products in these categories, at point-of-sale could alter or increase purchases in this category, as well as appreciation of the rebates among customers. This thesis concentrates on a very specific group of consumers, and as many of the participants pointed out, the display would be even more useful for families. A research conducted on this aspect of future loyalty programs would be very interesting. Additionally, a study can be conducted with other countries in focus and an interesting approach would be to find similarities between customers from different countries in order to make a more international adapted version. Most importantly this study could be conducted with a larger sample in order to get more exact results and more inputs from consumers.

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Appendix 1

Interview Questions for Members

Part 1, Promotion Now

1.) Are you a member of more than one program? If yes, which ones and since when? (Activity, Knowledge of Schemes)
2.) Why did you become a member? (Reason for membership, motivation/benefits)
   3.) Do you use the card at each purchase, and why or why not? (Meaningful rewards/encouraged use; can retailers have complete knowledge of shopping patterns/is the data useful)
3.) Do you use the card to purchase products for yourself (how many cards exist in your household?)
4.) Do you feel that you are an active member; meaning do you consider the offers and discounts from the retailer by mail? (Commitment level to the program)
5.) Has your attitude changed towards the retailer after joining the program, why or why not? (Changes in attitudinal dimension of loyalty level after joining)
   a. Do you shop more often at the retailer, why or why not? (Change in behavioral dimension of loyalty)
6.) Do you make use of the cash back rewards and how regularly in which program? (Are benefits meaningful and is the redemption encouraged, see differences in programs)
7.) Do you make use of the discounts offers, why or why not? (Relevance of unpersonalized offers)
   a. What do you do with the direct mail you receive and do you look at the offers?
   (How relevant are general offers)

   b. Would you like to receive more or less offers? (Attitude towards offers)
8.) Do you currently use the function to print out discount offerings in the store? Why or why not? (Relevance of PoP as a place for receiving promotional offers)

Part 2, Personalized Promotion

1.) How would you feel about receiving offers based on your previous purchases? (Change in attitude if offers become more meaningful if personalized)
   a. Would you increase the use of offers compared to current offers? (Change in behavior)
   b. What would you like to have offered to you in terms of promotions? (How to increase use of coupons)
   c. Would you shop more or more often at the retailer that provides these offers? (Loyalty behavior)
2.) What type of reward do you prefer, an immediate discount or an accumulative benefit? (Preferred type of reward)
   a. If you prefer an immediate reward, would you change your purchase behavior towards this retailer if it is offered? (Increase loyalty through increased satisfaction)

3.) What do you think about receiving product recommendations at a discount based on purchases made by people with similar shopping habits and preferences (increase satisfaction by making purchase decisions easier, allows for guilt-free indulgence)

Part 3, Ethics

4.) Why does the retailer have this customer club/program? (Knowledge about individual data collection/ retailers agenda with the loyalty scheme)
Tell about the use of data

Retailers gather information about purchases made with the club card. The information is the used segmentation, pricing and promotional foundations. This is done by gathering (from ICA homepage):

Purchase size
Purchase amount and frequency
Purchase assortment or particular item
Which store or groups of stores are used
Age, gender, household and living situation

5.) How do you feel about the retailer collecting and using your shopping data? (Ethical concerns about use of data)

Part 4, Future of Promotion

Introduce the store as promotion medium

Show the video (viewers pick up on the idea with the screen).Concentrate on the display attached to the shopping cart, this display can also be fitted to shopping baskets

Show film

6.) How, where and when would you like to receive your personalized offers. (How to increase relevance of personalized offers)
7.) How would you like to have access to personalized offers/discounts in the store? (Is it more relevant to customers at PoP)
eCRM presentation of recommendation agents

Internet sites such as Amazon.com and CDON.com make use of so called recommendation agents. These are used to display what other customers bought in addition to the product currently displayed. Furthermore, similar products in the same category are also displayed that are related in some way to the currently displayed item.

8.) When placing an item in the trolley, would you like to receive recommendations about related products or products you might be interested according to your lifestyle profile on the screen/scanner of the shopping cart? (Ease of shopping, search time reduction)
Needs explanation

9.) Would you like to have the opportunity to access recipes related to a product you just placed in the trolley? (Ease in decision making, added value, extra service)

Appendix 2

Interview Questions for Non-Members

Part 1, Promotion Now

1. Why are you not a member of a loyalty program of a grocery retailer? (Relevance of a loyalty program?
2. What do you think are the benefits of a loyalty program? (Level of awareness of proposed benefits)
3. Do you shop once a week or every day?
4. Are you still "loyal" to one retailer despite not being a member? Why/why not?
5. What is your feeling towards companies that employ loyalty clubs?
6. What would trigger you to join a retail loyalty club?
7. Do you use discount offers you find in newspapers?

Part 2, Personalized Promotion

8. How could discount offers be more useful to you?
9. Would you join/switch to a retailer's loyalty program that can offer you more relevant promotions?
10. What type of reward do you prefer, an immediate discount or an accumulative benefit? (Preferred type of reward)

Part 3, Ethics

11. Why does the retailer have this customer club/program? (Knowledge about individual data collection/ retailers agenda with the loyalty scheme)
    Tell about the use of data

Retailers gather information about purchases made with the club card. The information is the used segmentation, pricing and promotional foundations. This is done by gathering (from ICA homepage):

Purchase size
Purchase amount and frequency
Purchase assortment or particular item
Which store or groups of stores are used
Age, gender, household and living situation

12. How do you feel about the retailer collecting and using your shopping data? (Ethical concerns about use of data)

Part 4, Future of Promotion

Introduce the store as promotion medium

Show the video (viewers pick up on the idea with the screen. Concentrate on the display attached to the shopping cart, this display can also be fitted to shopping baskets

Show film

13. Would you consider becoming a member of such a program? Why or why not?
14. Being a non-member, how would you like to receive product recommendations based on what you have put in the trolley on a screen on your shopping cart?

15. Would you like to have the opportunity to access recipes related to a product you just placed in the trolley? (Ease in decision making, added value, extra service)

Appendix 3

Focus Group 1, Members

Part 1, Promotion Now

1. What or which customer loyalty clubs are you a member of?

Three out of the participants are members of the ICA customer club while one is a member in COOP. The participants have been members for at least 2 years and up to 5 years.

2. Why did you become a member?

Two of the participants became members as they joint their grocery budgets. The other partakers were influenced by their parents which had been members of a loyalty program for a long time, thus membership was based on recommendations by their parents and the participants saw membership as a smart decision as they bought food often.

a. Do you use the membership card at each purchase occasion, why/why not?

All partakers use their card each time they went shopping at the grocery chain. Only very small purchases were made without using the membership card. The participants used the card in order to gain cash back mainly but also to get benefits such as the rebates. This even as the partakers agreed that the rebates often very lousy offers or irrelevant for them, both at ICA and COOP.

3. Do you use the card to purchase products for only yourself or the household (how many cards exist in your household)?

In one of the households their existed two cards, both connected to the same account. The other participants only had one card per household. The cards were used not only for the registered card member's purchases, but for all purchases made when the person was in the store.

4. Do you feel that you are an active member; meaning do you consider the offers and discounts from the retailer by mail?

The majority of the partakers believed themselves to be active members in the programs. All of the participants did look at the rebates but very seldom made use of any of them, as the rebates were perceived as irrelevant and unspecified. One of the partakers could not even remember using a rebate once, due to lack of relevance to him.

5. Has your attitude changed towards the retailer (ICA, COOP etc.) after joining the program, why or why not?

All members perceived themselves to have the same attitude toward the grocery retailer now compared to pre-membership. Two of the partakers argued that their perception of ICA always have been high, ever since childhood when their parents purchased most of their groceries there and push for the high quality of products offered by ICA. One of the participants percived himself to have the same attitude yet does not purchase very much at

the retailer ICA as the prices, compared to Netto, is much higher and can not afford to only buy groceries at the preferred chain.

a. Do you shop more often at the retailer since becoming a member, why or why not?

All but one confirmed that they had increased the amount of purchase occasions at the grocery retailer since becoming a member. The one which had not increased argued that the prices were too high compared to the alternative, being Netto.

6. Do you make use of the cash-back reward, how often and in which program?

All of the participants used the cash-back each time they received one. The member of COOP used the cash-back either at the grocery chain or at Akademibokhandeln, and once or twice at KappAhl. The cash-back, in the view point of the partakers, is a very important part of the reason why they in the first place applied for membership.

7. Do you make use of the discounted offers (do you buy the products), why or why not?

The participants were unanimous in ascertain that the rebates are irrelevant and often does not match their preferences, thus they rarely use the rebates. Further they agreed upon the fact that the rebates are never staple products such as: dairy food, vegetables, fruit and minced meat. The group argued that these categories are often or always bought at each purchase occasion and the partakers agreed that these are some of the rebates they would appreciate and use. The group united in pointing out that it is the wrong type of rebates that are offered to them and therefore it is not enough, with these existing rebates, to make a detour just to go to that specific grocery retailer.

a. What do you do with the direct mail you receive from the retailers and do you look at the offers?

Half of the group looked at Buffé or MerSmak, the magazines with recipes, and found it interesting and good to use as suggestion for cooking. They also mentioned that additional offers such as price reduced travels could be found in the magazines. The general perception was that the magazine was important and rewarding as a loyal customer.

b. Would you like to receive more or less offers from the retailers?

All started out by agreeing on the statement to get more rebates, but after some discussion the group pointed out that they did not really want more rebates but rather more relevant and individualized. Also rebates denoting 2 for 1 was more popular in the group than rebates which saved the customer 3-5kr on a purchase of a non-desirable product.

8. Do you use the computers in the stores to print the offers, why/why not?

The majority used the computer in the store to find out which rebates were available. The group argued that it was a good way to remind oneself on the rebates available.

9. Do you use a shopping list?

All of the participants used a shopping list when purchasing products at the grocery retailer, but only when buying larger bulks. Also when shopping on their way home from school no shopping list were used.

10. How strictly do you follow the shopping list?

The partakers did stick to the shopping list and purchased all products scribbled down, but impulse purchases were not uncommon and even more or less expected. The partakers mentioned that they only wrote down on the list what to eat for breakfast, lunch and dinner and not the product they bought to treat themselves to something

Part 2, Personalized Promotion

1. How would you feel about receiving offers based on your previous purchases?

All agreed that personalized offers would be the best alternative as they would use more or less everyone or the rebates offered. After some discussion the group brings up that only personalized offers might be a bit boring to get as they would like some inspiration. They concluded by stating that the ultimate version would be to get both personalized offers as well as additional non personalized rebates.

    a. Would you increase the use of offers if they were personalized?

    Everyone agreed that they would use more or less all of them.

    b. What would you like to have offered to you in terms of promotions?

    Staple commodities, such as; dairy products, fruit, vegetables, meat and fish, were the most appealing category which the participants would like to be offered frequently. Other mentioned categories were healthy food options, which everyone agreed would be nice to get, pasta and coffee.

    c. Would you shop more or more often at the retailer that provides these offers?

    The participants mentioned that this would be more likely if they had access to a car, being student with a low budget inhibits one to be able to make this decision as the distances can be too far and too time consuming. If distance would not be a hindrance the participant agreed that they would choose the retailer offering personalized offers.

2. What type of reward do you prefer an immediate discount or an accumulative benefit received once per month?

As the percentage received as cash-back is low, around 1%, the partakers preferred to collect point in order to get it once a month or so. The agreed it was psychological more rewarding to use a cash-back of 25 kr once a month than receive a few kroners worth of reduction at each purchase.

3. What do you think about receiving product recommendations, at a discount, based on purchases made by people with similar shopping habits and preferences?

The participants believed this to be a good additional tool to get some inspirations and some thought it to be fun to see what other customers with similar purchase behaviour had bought.

Part 3, Ethics

1. Why do you think retailers have customer clubs/programs?

The partakers though the main reasons to be; gained loyalty, retention rate, to get new customers and to build a long term relationship were the consumer would remain customer for many years.

2. Did you know about the data collection and use?

The group said no at first and the n mentioned that this was nothing they had put a lot of thought into.

3. How do you feel about the retailer collecting and using your shopping data?

As the participant did not perceive any of the items available in the store to be sensitive or embarrassing products to buy they did not really care if the retailers collected their purchase information. One partaker mentioned that if one was to buy extreme amounts of condoms and this would be registered by the retailer it could be uncomfortable. The consensus were, as long as the information stayed at the retailer and no third party would be able to get the information for direct marketing the collection of data did not matter to them.

4. How do you feel about the usage of purchase data for direct marketing?

This was perceived as a good way of using the data.

5. Do you know that one can cancel the retailer's direct marketing, do you think the retailers should inform better about the data collection, use and the cancellation possibility?

Some of the participants believed that they probably agreed to this when signing up for membership. One person in the group argued that if one were to be sensitive about this data collection one would look it up before becoming a member or cancel the direct marketing. Yet some thought it would be good if the retailer informed about this better or more clearly on the application.

Part 4, the Future of Promotion

1. When and where would you like to receive your personalized offers (Ex. Mail printed from the computers in the store, text message, on the display, e-mail, your account on the retailer's web page etc.)?

The whole group agreed on that the best alternative would be the possibility to both received the offers by mail at home and in the store, on the display.

2. After scanning an item, would you like to receive recommendations about related products or products which might interest you, according to your lifestyle profile on the screen/scanner of the shopping cart, how would this change your purchases and purchase behavior?

The majority of the group perceived this as a good tool and would like to use it even though it may contribute to increased impulse purchases. One argued that it was a good tool to use if you did not want to make decision on your own or did not have the efforts. One participant argued that it would be even better if the recommended product were on sale or rebated. Another person in the group wanted to decide himself what to buy and did not like the recommendation agent always on the screen but as an additional button to use if one did not know what to buy. The others in the group agreed that it would be better to have it as an additional button to use as an active choice as.

3. **Would you like to have the opportunity to access recipes related to a product you just scanned on the display, how would this change your purchase behavior and purchases?**

The recipe button was an highly appreciated function as the group members believed it to be an excellent tool to use in order to get inspiration, and help them with decision regarding what to eat. Also appreciated was that decisions on what to eat could wait until arriving in the store and checking the recipe guide.

Part 5, Miscellaneous

- **Discussion question – Would you use the display when purchasing groceries?**
  Everyone would use it when shopping larger volumes but not for small purchases as it felt like it would be too complicated and time consuming.

- **Discussion question – Would you change grocery chain if the other one would offer the display?**
Half of the group said absolutely if one did not have to use it at every purchase, such as the smaller ones. One did not like the scanning system at all, to complicated and time consuming as it is. The rest of the group did not feel this way.

Review of Focus Group 1

During the focus group the participants mentioned the use of shopping list and therefore the authors incorporated questions regarding shopping list usage as new questions during the discussion. This was done in order to render purchase habits among the partakers. Also as distance was an inhibiting factor for choosing the preferred retailers, according to the participants, questions regarding access to car and car usage for grocery shopping were added to the following focus groups. Lastly, a question regarding number of purchase occasions per week were added in order to further understand the partakers purchase behavior.

Focus Group 2, non-Members

Part 1, Promotion Now

1. **Why are you not a member of a loyalty program of a grocery retailer?**

The participants all agreed on that convenience and geographic availability are the main reason why they are not members in a customer club. There were other reasons as well, such as that the value or incentive a customer club adds to them personally was simply not enough to join a customer club. Further reasons were that the offers and discounts were not related to them which mean that these are not exploited or used. Moving around much was also a reason of not being a member as this has led to not finding a store which meets the demands of joining. Mailings are just a waste of paper to some and were the main reason one participant mentioned for not joining a customer club. Having an extra card was not appreciated of some and would rather have the customer club connected to one's credit card, meaning not the e.g. ICA bank but rather a collaboration with external banks so not extra cards would be necessary. Also some thought it was not convenient to sit on a bus in order to go to a store just because you were a member there.

2. **Have you ever been a member of a loyalty program?**

   a. **If this is the case, what was the reason for leaving the program?**

Only one person had previously been a member in a customer club, COOP, Medmera card. The reason was moving and not having the opportunity to use the card, however the participant thought this club was rather good as it have discounts at Akademibokhandeln.

3. What do you think are the benefits of a loyalty program?

The biggest advantage with loyalty clubs is the cash back system which can be used on all products in the store as well as in various stores. The specialized offers are often not relevant and appealing but when they are it is just a bonus that is not taken for granted. Further the banking system is beneficial as the interest rates are often higher than in regular banks.

4. How often do you purchase groceries?

Shopping varies in the group ranging from 2 times a week to every other day, however, all agreed on that actual visits to the stores happens every day. The participants distinguish between "real" shopping and buying only a few items, but as mention above the participants visit a grocery store every day.

5. Do you use a shopping list?

The participants rarely use a shopping list but if big purchases are planned a list is often brought to the store. Lists are never used when purchasing small amounts of items.

6. How strictly do you follow the shopping list?

The group never sticks to the shopping list, however, the list is seen as a minimum requirement that must be purchased. Items are then added to the shopping cart impulsively that they feel are necessary.

7. Do you have access to a car, if that is the case, is it then used for grocery shopping?

None of the participants owned a car but if they had one it would definetly be used when shopping, perhaps even to the extent as to drive further in order to get the discounts in that specific store. As the geographical constraints decreases the chance of joining a customer club increases as the opportunity to make use of the offers and discounts increases.

8. Are you still "loyal" to one retailer despite not being a member? Why/why not?

Not in the sense of being loyal to a company, but rather indirectly, meaning that yet again geographical constraints apply and the closest and most convenient store is utilized. Even though some of the participants like ICA more than COOP they shop at COOP because it is more convenient. These people would rather go to ICA however, the distance and availability stops them from doing so. They shop at even though they do not want to. Other participants did not really care where they shop as long as it was convenient.

9. What is your attitude towards companies that employ loyalty clubs?

The group did not really have an opinion about this, however they were more positive than negative towards customer clubs and the organizations behind them.

10. What would trigger you to join a retail loyalty club?

First of all the group thought the initiation process is to lengthy, meaning that the effort of filling out forms and handing them in to the store is not worth the benefits of becoming a member. Thoughts of perhaps joining online was more convenient and then the chance of joining would increase dramatically. Also, the shopping routines cannot be changed in order to take part of the benefits and offers. In line with this is that an extra card is not appreciated and the club should be linked to the credit card with no extra effort involved. Further if there was more focus on e.g. environmental products it could be a reason for joining, i.e. creating and choosing from various profiles could make the participants join a customer club. And yet again if the offers were more relevant and based on previous purchases, the group would surely join.

11. Do you use discount offers you find in newspapers?

The group did not actively search for discounts, however if they should stumble upon a relevant offer it would definitely be used. In-store offers are however used as they are positioned beside the item and it is convenient to use them. Mailings with ads etc. are often thrown away before they are even opened or looked at. One person even said that it is an outdated concept which should be removed. Further the tempo today is much higher and people may not have the time to go through newspaper ads. Also these ads cost money for the company which will indirectly increase prices, so even though the discounts are used it is still the same price.

Part 2, Personalized Promotion

1. How could discounts/offers be more useful to you?

Personal, if the mainstream items are not preferred the offers are rather useless. Still if the offers are sent home not everyone would look at them, the offers should rather be found in the store, meaning moving the promotions from the home into the store. Alternatively e-mail would be fine if it was directed and individualized with special offers.

2. In which type of medium would you like to receive promotions?

The most convenient media form in the group would be E-mail. However, the group thought that a reminder in the store could be necessary. However some suggested that if they knew that the offers were personalized it would not matter in what form it had, as naturally they would be relevant an therefore be saved and used. There were also some suggestions on SMS, but still there were reservations against it as it would not be so popular or appreciated to receive several SMS as soon as you are too close to a grocery store. The main issue here, according to the participants was that as long as the offers are relevant to the individual it does not matter how and where the offers are received, they would be utilized.

3. Would you join/switch to a retailer's loyalty program that can offer you more relevant promotions?

There was a sounding yes in the group, however still convenience and distance are issues that constrains the initial membership

4. What type of reward do you prefer, an immediate discount or an accumulative benefit?

These bonuses and cash backs are not incentive enough to join a loyalty club. However they would rather have the discounts continuously at every purchase opportunity, as the

other system requires the actual piece of paper to be brought to the store in order to utilize the cash back. Yet again the group agrees on that convenience is the most vital issue at hand

5. Would you like to have the opportunity to choose?

All participants would very much have the opportunity to choose.

Part 3, Ethics

1. Why do you think retailers have customer club/program?

The participants all agreed upon that companies have loyalty programs in order to profit, keep customers within the organization, i.e. create customer loyalty and to attract new customers.

2. How do you feel about the retailer collecting and using your shopping data?

There was indifference about privacy issues within the group and they were not affected by it. However not all the participants knew exactly what the data was used for and how it was collected. Some of them even thought it was good that the stores did it as continuous market analyses can only benefit the market by optimizing price etc.

3. Were you aware of that it is optional to let the retailer use your personal information for promotion? (However, the data is still gathered)?

The group did not feel that it affected them in any way, however, they would like to be able to access individual data and look at trends and other information about previous purchases.

Part 4, Future of Promotion

1. Would you consider becoming a member of such a program? Why or why not?

The entire group would join loyalty club including this new technology. Another idea was presented by the group that the display could be prepared at home online, with shopping list, offers, recommendations etc. the entire shopping experience would then be prepared at home and then in the store the display would act as a helper where shopping routes, shopping lists, recommendations and recipes could be accessed. Some would join a club just to be able to test the new technology. Some said that distance to the store is a big issue still. This new technology is still does not create incentive enough to join the loyalty club.

2. Being a non-member, how would you like to receive product recommendations based on what you have put in the trolley on a screen on your shopping cart?

They would be appreciated, however, there must be the option to turn such offers and recommendations off. And the application must be smart and recommend relevant and similar products based on the individual. The group was rather divided here as some thought that if the offers were in the same category they would be appreciated, when others did not think it would be appreciated if the offers were of different brands. Further the goal, according to the group was to minimize the time spent in the store and being able to prepare the shopping at home would definitely be helpful. Again convenience is a major issue.

The recommendations should not be visible at all times rather a button on the screen should be presented so the option is available for the customer to access recommendations if they wanted to.

3. Would you like to have the opportunity to access recipes related to a product you just placed in the trolley?

The group all added that this would be an excellent feature.

Part 5, Miscellaneous

1. Do you have anything more to add?

Yes, the participants would like to be able to log in on e.g. ICA and prepare the shopping online, i.e. create a shopping list, look at recipes and inspiration. This information should then be transferred from the internet to the shopping display in the store and the shopping list should then appear with routes and offers related to these items should be accessible on the display.

There were also some ideas and thoughts about non-members access to the display. They saw the display as being used by all members as well as non-members. That the screen was just the next step in the shopping experience, however, the online planning, bonuses, points and offers would then be offered to members only and would be seen as a competitive edge.

The best thing would be if they would not need to go to the store at all that would be the best shopping experience, however, effectivizing the shopping is crucial today.

Review of Focus Group 2

The discussion led to that new ideas were spawned regarding the planning and preparing concept online. This idea, the authors believe, will have a major role in future promotions and that is why this new concept will be used and discussed in further focus groups.

Focus Group 3, Members

Part 1, Promotion Now

1. What or which customer loyalty clubs are you a member of?

All of the partakers were members in the ICA customer club, and two of the participants were additionally members of COOP's loyalty club.

2. Are you a member of more than one program? If yes, which ones and since when?

The participants have been members for 2-4 years, and membership at COOP came later.

3. Why did you become a member?

The majority became members in order to receive rebates and cash-backs, girlfriends were another influence for membership. The participants also stressed that membership included receiving the magazines, Buffé and MerSmak, which was important for membership.

a. Do you use the membership card at each purchase occasion, why/why not?

The majority used their cards frequently but did not use the card for small purchases, 2-4 items. The opinion of the group was also that it exists too many cards and one can not always carry with them all club cards, hence two of the participants used the card when they remembered to bring it.

4. Do you use the card to purchase products for only yourself or the household (how many cards exist in your household)?

The majority of the participants were living on their own, hence only one card per household. In one of the partaker's household there existed two cards both connected to the same account.

5. Do you feel that you are an active member; meaning do you consider the offers and discounts from the retailer by mail?

All but one did not see themselves as active members of the loyalty program. All of the participants expressed the lack of relevance regarding the rebates, some of the partakers looked at the rebates using it as a mean of inspiration.

6. Has your attitude changed towards the retailer (ICA, COOP etc.) after joining the program, why or why not?

Two participants agreed that their attitude have changed somewhat after becoming members, thus trying to purchase more at the retailer(s). One expressed that membership entitles him to too few advantages to change his attitude. One partaker pointed out a dislike for COOP and perceived ICA to be better in the aspects of product range and quality of the products.

a. Do you shop more often at the retailer since becoming a member, why or why not?

One partaker had increased the retention rate after becoming a member, but expressed that distance inhibits one to use the preferred store. The group acknowledged the notion to be a problem for all the participants, and the rebates were not perceived rewarding enough to overcome the distances as an inhibitor. Location, of the store, seamed to be of great importance to the majority of the participants.

7. Do you make use of the cash-back reward, how often and in which program?

All partakers perceived the cash-back to be the most important denominator of the membership, thus everyone made use of the cash-back when receiving it.

8. Do you make use of the discounted offers (do you buy the products), why or why not?

Two of the participants sometimes used the rebates but pointed out the lack of appealing offers, deeming the rebates to be irrelevant and targeting families rather than single households. As one of the partakers were a vegetarian she argued that the rebates seldom next to never offered anything appealing to her products of interest.

a. What do you do with the direct mail you receive from the retailers and do you look at the offers?

Once again the magazines with recipes were a positive attribute of being a member, therefore the participants receiving the magazines used it for inspiration and always at

least looked through it. The recipes were appreciated and used as they were not too complicated and/or time consuming. One of the partakers clearly pointed out his dislike of direct marketing and never looked at anything received from the retailer.

b. Would you like to receive more or less offers from the retailers?

The general initial perception was to receive more rebates, but after some discussion the group decided that the partakers rather wanted more relevant rebates as they usually never used any of the rebates received.

9. Do you use the computers in the stores to print the offers, why/why not?

Few of the partakers used the computer but the majority of the group saw the computer as a good tool and reminder of rebates. One person in the group did not have the efforts to use the computers in the store and preferred to get the rebates by mail.

10. How often do you purchase groceries (purchase occasions)?

The participants purchase occasions ranged between two and three times per week.

11. Do you use a shopping list?

Two participants used a shopping list repeatedly when purchasing groceries, especially for larger volumes. Two partakers only used a shopping list on occasions involving larger bulks, while one participant never used a shopping list.

12. How strictly do you follow the shopping list?

The ones using a shopping list agreed upon purchasing everything on the list plus additional impulse purchases. One pointed out that it depended where you were shopping as some stores had a smaller range of product and therefore one had to adapt to the circumstances.

Part 2, Personalized Promotion

1. How would you feel about receiving offers based on your previous purchases?

All of the participants agreed that personalized promotion would be much better and encourage one to visit

2. What or which customer loyalty clubs are you a member of?

All of the partakers were members in the ICA customer club, and two of the participants were additionally members of COOP's loyalty club.

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The participants have been members for 2-4 years, and membership at COOP came later.

4. Why did you become a member?

The majority became members in order to receive rebates and cash-backs, girlfriends were another influence for membership. The participants also stressed that membership included receiving the magazines, Buffé and MerSmak, which was important for membership.

a. Do you use the membership card at each purchase occasion, why/why not?

The majority used their cards frequently but did not use the card for small purchases, 2-4 items. The opinion of the group was also that it exists too many cards and one cannot always carry with them all club cards, hence two of the participants used the card when they remembered to bring it.

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Two participants agreed that their attitude have changed somewhat after becoming members, thus trying to purchase more at the retailer(s). One expressed that membership entitles him to too few advantages to change his attitude. One partaker pointed out a dislike for COOP and perceived ICA to be better in the aspects of product range and quality of the products.

a. Do you shop more often at the retailer since becoming a member, why or why not?

One partaker had increased the retention rate after becoming a member, but expressed that distance inhibits one to use the preferred store. The group acknowledged the notion to be a problem for all the participants, and the rebates were not perceived rewarding enough to overcome the distances as an inhibitor. Location, of the store, seamed to be of great importance to the majority of the participants.

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13. How strictly do you follow the shopping list?

The ones using a shopping list agreed upon purchasing everything on the list plus additional impulse purchases. One pointed out that it depended where you were shopping as some stores had a smaller range of product and therefore one had to adapt to the circumstances. Some of the partakers expressed that personalized promotion would be good but would also like to get some offers not based on previous purchases, to get some inspiration.

a. Would you increase the use of offers if they were personalized?

Everyone believed they would most definitely use more if the offers were relevant.

b. What would you like to have offered to you in terms of promotions?

The general consensus was that rebates on staple commodities were most appealing as everybody purchase large quantities of these products.

c. Would you shop more or more often at the retailer that provides these offers?

The majority believed they would increase retention rate at the retailer offering personalized promotion. Some of the participants dislikes COOP but could anyway change to the retailer if they were to implement personalized promotion. One partaker point out that distance may hinder this decision, but if the distance between the stores would be the same the one offering personalized promotion would be more appealing.

14. What type of reward do you prefer an immediate discount or an accumulative benefit received once per month?

The group agreed that 1 percent, which is the current cash-back percentage, is not sufficient to make any impact on each purchase occasion, hence the accumulative per month cash-back were perceived more desirable.

15. What do you think about receiving product recommendations, at a discount, based on purchases made by people with similar shopping habits and preferences?

The group expressed the need for relevance also among the additional rebates. If the rebates would be relevant all participants would find the recommended rebates offering to be highly interesting and appealing.

Part 3, Ethics

1. Why do you think retailers have customer clubs/programs?

The participants thought the retailers used their loyalty programs in order to gain loyal customers and to maintain the customer relationship. Additional believes were that the loyalty programs were means to add functions such as ICA bank etc.

2. Did you know about the data collection and use?

The group was divided equally between participants that new about it and did not know about the data collection.

3. How do you feel about the retailer collecting and using your shopping data?

Two of the partakers saw a trend in data collection and thought it to be somewhat disturbing that companies would know too much about a person. Some participants did not care that the retailers collected the information related to their purchases and even though it a good way of ensuring the level of inventory to be more accurate and as a result the retailer could offer more fresh products.

4. How do you feel about the usage of purchase data for direct marketing?

Some participants had not thought about it and the group did not perceive it to be either good or bad.

5. Do you know that one can cancel the retailer's direct marketing, do you think the retailers should inform better about the data collection, use and the cancellation possibility?

The partakers thought it to be important for the retailer to inform better about the what the cards are used for and the possibility to choose weather to receive direct marketing or not. Some participants argued that if one perceived the direct marketing to be disturbing that person would also look into the option of cancelling it.

Part 4, the Future of Promotion

1. When and where would you like to receive your personalized offers (Ex. Mail printed from the computers in the store, text message, on the display, e-mail, your account on the retailer's web page etc.)?

The general consensus was that the participants did not want a text message with offers on their mobile phone. Most of the partakers would like to get the promotion in the store on

the display and on e-mail but also as direct marketing. One of the group members preferred the promotion on the customer's account page on the retailer's webpage.

2. **After scanning an item, would you like to receive recommendations about related products or products which might interest you, according to your lifestyle profile on the screen/scanner of the shopping cart, how would this change your purchases and purchase behaviour?**

The majority disliked the recommendation function as it felt like the retailers only would be trying to sell more. But if the recommendations would be in the shape of another button on the display which could be used as an active action, the group perceived the idea to be more helpful and not irritating.

3. **Would you like to have the opportunity to access recipes related to a product you just scanned on the display, how would this change your purchase behavior and purchases?**

The majority perceived the recipe function to be really helpful and a good feature on the screen. One partaker pointed out it would be a positive feature as long as one could make an active choice to use it and not be forced to use it.

4. **How should the design of the display look like, in your opinion?**

No one would like to be greeted with their name on the screen. Pointed out was also that the display should be very user friendly and the features should be design as being active choices. The group also mentioned that they did not want any sounds coming from the display when using it.

Part 5, Miscellaneous

- **Discussion question - Would you like to be able to arrange a shopping list, access recipes on your account online on the retailer's webpage which can after be accessed on the display in the store?**

The Internet applications were not appealing to the group as none of the participants would use them. This is mostly due to being student which are not purchasing large volumes, but it could be helpful to families, one partaker points out.

- **Discussion question - Would you like to use the display at all?**

The group did not really know if they would like to have the display when shopping and some partakers expressed that it felt like the machines were replacing the employees being a negative effect in their opinion. The general opinion was that the participants would use the display for larger purchases, thus not very often being students, but perceived the display to be helpful for other customers shopping larger volumes for their families. The group also perceived the display to be time consuming and/or too complicated as the participants wanted to spend minimum amount of time in the grocery store.

Review of Focus Group 3

After focus group three the authors made some of the questions easier to understand. No further questions were added as the authors believed to have included all important aspects.

Focus Group 4, non-Members

Part 1, Promotion Now

1. Why are you not a member of a loyalty program of a grocery retailer?

One of the participants shopped at various stores and was not loyal to one chain. Other reasons mentioned were that the registration process is not convenient enough, i.e. the registration forms are not available, or none of the staff even asks if you want to become a member. Also the participants thought that they did not have enough time to stop and fill out the forms. Becoming a member means that extra cards is needed and that is a major reason for why the male participants did not want to join. This is connected to that the participants often did not have enough space in the wallet in order to fit the extra cards this would entail, therefore it would be forgotten at home and with time misplaced. Also one participant mentioned lifestyle as an issue, meaning e.g. single people so not buy as much food as families do and the club card is just not worth it. Further if the participants had a car it would increase the choices of stores available, and perhaps then a membership could be considered. Now the situation is that the closest store is the most convenient. Also, in line with the other focus groups, the participants mentioned that if the loyalty club was linked to the current debit or credit card used, they would join as this would facilitate the transition into membership. Further, the offers which are mailed are often not relevant and this is a major reason for not joining as the promotions are simply not read and are just thrown away.

2. Have you ever been a member of a loyalty program?

  a. If this is the case, what was the reason for leaving the program?

  About 50 percent of the group have been members of a loyalty club in the past, however the reason for exiting the program were mainly because the card was lost and the participants never got around to rejoining the program

3. Why do you think retailers have customer club/program?

Draw customers closer to the stores, i.e. creating loyalty. The group also mentioned that the companies wanted to profit and this was a strategy they used.

4. What do you think are the benefits of a loyalty program?

Discounts are an advantage, Further the point system is an incentive to join. The group thought that most people joined in order to take part of the bonuses and discounts not just because they wanted to be loyal to the grocery chain.

5. How often do you shop for groceries?

All of the participants went to a grocery store 2-3 times a week

6. Do you use a shopping list?

Rarely, often the participants just opened the fridge and created a mental list of what was needed. Also one participant often lost the shopping list and therefore did not use them.

7. Are the items on the list fixed or do you occasionally deviate from it?

As the group rarely used a list it was hard to tell, but they said that items were added to the list in the store, meaning that they bought more items than on the list.

8. Do you have access to a car, if that is the case, is it then used for grocery shopping?

The first thing that comes to mind is not to use the car for shopping food, there are other things that the car can be used for. Further the group mentioned that they were just on the verge of changing lifestyles, i.e. they have just started their careers, but not yet started a family. Therefore joining a loyalty club is not a priority.

9. Are you still "loyal" to one retailer despite not being a member? Why/why not?

One participant was more loyal towards ICA, because they had a few brands that she liked. Others mentioned that they were indirectly loyal because they went to the same store due to convenience as this store was closest to home. It has nothing to do with loyalty, only convenience. One participant did not stay loyal at all, i.e. he went to several different stores which was most convenient at the time.

10. What is your attitude towards companies that employ loyalty clubs?

It was important for the group that these companies did not just take (gathering shopping data), they need to give back something as well; bonus systems etc. another participant trust companies with loyalty programs more, meaning that big chains with programs have a higher reliability than the local store on the corner, i.e. the quality on the products is higher in e.g. ICA and COOP, at least that was what the participant perceived. Further, the group took it for granted that the big grocery stores have a loyalty program. This could be seen as a token for quality.

11. What would trigger you to join a retail loyalty club?

One participant said it would be enough if a staff member walk up to her and gave her a form and a pen and asked if she wanted to become a member. The group had ideas about making the grocery stores more actively recruit members, they mentioned that they had never seen a campaign or people working with recruiting members to grocery store loyalty cards. Also an initial offer or discount that was substantial would recruit many members at least in the focus group. Further, if (as mentioned above) the loyalty club could be connected to the person's debit or credit card it would be a major contributor towards membership. No extra cards in the wallet. One participant did not want any extra papers, cards or other things only because he was a member of a loyalty program.

12. Do you use discount offers you find in newspapers?

Hardly ever, there are never any good offers or promotions that are relevant. The group had received such offers, however, the offers were from hypermarkets that were situated too distantly to be accessible to the group, therefore the promotions were of no use to the participants.

Part 2, Personalized Promotion

1. How could discounts/offers be more useful to you?

Today consumers are overwhelmed by promotions and offers creating a need for consumption. However, should the offers be related to oneself, of course the urge to buy those products increase, i.e. personalized offers would make the group use these offers more instead of just ignoring or throwing them away. Some participants would rather have discounts and offers depending on category instead of on a specific product. If the consumer

only buys a product depending on price and not because of the brand, the consumer could perhaps discover a new brand that would fit the customer better. Still there are some objections against mailings as this creates a pile of paper at home which is not appreciated and not environmental friendly. However, if the promotion was relevant enough then perhaps it would be used. Generally, one group member added, the promotions today are simply not worth enough to be bothered with, i.e. 1 percent is such a small amount that the cost of joining a loyalty club is more than the benefits gained, according to the lifestyle of a single man with a decent job.

2. In which type of medium would you like to receive promotions?

SMS is a good medium for receiving offers, however they must be relevant. Getting a sms when you enter the store is an excellent idea, because then you would be reminded of the offers you have. Also a reminder of which offers you have received could be printed on the receipt after the purchases have been made. Still it is not convenient enough to bring offers with you to the store. SMS would be good because then you would know that every time you enter the store, a text message would be received with up-to-date personalized offers. Further, a SMS could easily be deleted with no impact on the environment.

3. What type of reward do you prefer, an immediate discount or an accumulative benefit?

The opportunity to actually continuously monitor the bonus you have accumulated, perhaps on the receipt would be strongly appreciated. Overall the group decided that a discount on every purchase would be more appreciated that an accumulative discount.

4. Are there any other ways you could consider?

The group also discussed the possibility to give the bonus to charity, this would be appreciated to at least have the option to choose this. The group believed that this would lead to that another segment could consider joining a loyalty club.

5. Would you join/switch to a retailer's loyalty program that can offer you more relevant promotions?

Maybe, however the promotions should right on target. The benefits must be greater than they are today. However, one participant would not change to another store just because the promotion was personalized. Yet at the same time some other participants would definitely join.

Part 3, Ethics

1. How do you feel about the retailer collecting and using your shopping data?

The group was fine with it, they saw it as an aid for the store to supply the right type of products which in turn would benefit the customers. Further this could lead to lower prices as if only products that were relevant were sold and there would be no products that were discarded or non-profitable, costs could be cut and prices reduced.

2. Were you aware of that it is optional to let the retailer use your personal information for promotion? (However, the data is still gathered)?

Some of the participants knew and some did not, however this was not an issue that was close to heart, meaning that this particular issue did not matter to the group and did not have a decisive impact on whether or not they would join a loyalty club. Receiving the

magazine is actually appreciated by the group and that the companies are gathering data is good.

Part 4, Future of promotion

1. Would you consider becoming a member of such a program? Why or why not?

One member voiced objections towards the display and viewed it as an aid. He felt that he still wanted to have an active life, meaning that this would make the choices for us. He wanted to be able to choose for himself and not let "machines" do the shopping for him. However, despite these thoughts, it would be good if the display could help you to develop new ideas for different meals and foodstuff. Creating different profiles would be helpful, e.g. the athlete, vegetarian etc. If a consumer wants to change lifestyle and does not know what to buy associated to this lifestyle, the display would be helpful. Families would be more positive towards this but we, as young people in the beginning of our careers, o not really need this.

Some would join just to try the technology. Yet again recipes are an extreme help for the participants and would join for this feature. However, for others grocery shopping is not something they want to spend time on and this new technology, they felt, would increase overall time spent inside the store, therefore some were hesitant to join a loyalty club using just the technology as incentive. They also said that the concept would make the shopping into an experience rather than a necessity which they now did not feel they wanted to take part of.

2. Being a non-member, how would you like to receive product recommendations based on what you have put in the trolley on a screen on your shopping cart?

The group would be very interested in this. They were somewhat indifferent towards this and said that they would consider it.

3. Would you like to have the opportunity to access recipes related to a product you just placed in the trolley?

The largest incentive for joining is the recipes and new ideas.

4. How would you design the features on the display in order for it to be more appealing to you?

One participant did not like to see recommendations based on what others have purchased. In addition, privacy issues were voiced and it is important not to take it too far.

5. Would you prefer more or less features?

The profiles that were discussed earlier were very appreciated and having an overview of this available on the display would be positive..

- **Discussion question - Would you like to be able to arrange a shopping list, access recipes on your account online on the retailer's webpage which can after be accessed on the display in the store?**

The group was not positive to this feature as this would only mean that more planning would be involved and would not be appreciated. One participant would rather get inspiration in the store than finding it at home the day before. It would be better to be able to

choose a profile and get a shopping list based on what other people within this profile purchase.

Part 5, Miscellaneous

1. **Discussion question – What do you feel about having the display accessible to everyone (members and non-members), however with a limited access? Which features would this screen have?**

All shopping carts should be equipped with displays. Members should be able to access more features than non-members, they should have features that would make the shopping more efficient. In addition, members should have the opportunity the decrease time and effort spent in the store

2. **Discussion question – Do you have anything more to add?**

The display is interesting but at the moment it is not really needed for this group, as it would take too much time in the store. Basically, shopping is a necessity and not an appreciated experience for this group. They would rather not spend time in a grocery store at all.