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## **Inspiration Rather Than Limitation**

*-Consumers Perspective on Perceived Value and Attitude towards  
One-to-one Marketing Oriented Loyalty Programs*

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## **Abstract**

- Title:** Inspiration Rather Than Limitation -*Consumers Perspective on Perceived Value and Attitude towards One-to-one Marketing Oriented Loyalty Programs*
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- Keywords:** Loyalty, loyalty programs, one-to-one marketing, customer value, attitudes.
- Thesis purpose:** We aim to investigate the consumers' perspective on what kind of values within loyalty programs with a one-to-one marketing approach, meaning personalized offers, which can be identified in a grocery retail setting. Our aim is to seek if there is any correlation between the potential value and consumers' loyalty to a store. We find a lack of qualitative studies within the area of loyalty programs and personalized offers that have evolved due to new technology in retail grocery stores. Since loyalty programs are a way to strengthen the customer relationship we find that there is a need to include the consumers' opinions even more than what has been done in previous studies.
- Methodology:** We have used an explorative, qualitative approach and conducted ten semi-structured interviews with our respondents, who were picked through snowball sampling.
- Theoretical perspective:** Brands, customer relationship marketing, loyalty, loyalty programs and one-to-one marketing.
- Empirical data:** Semi-structured interviews.
- Conclusion:** In this study we have investigated three elements that build up our case company's loyalty program which has an approach towards one-to-one marketing; bonus checks, the customer magazine *Buffe* and the personalized offers "Mina Varor". Based on these components we have distinguished five different values, both tangible and intangible, associated by the respondents' that is related to a loyalty program connected to this kind of personalized targeting; *economical rewards, efficiency, feeling of appreciation, inspiration and dialog*. Based on these values, we can see that the particular one-to-one marketing approach that personalized offers represent cannot create an added value for the consumers in itself as a targeting tool. The way that the tangible and intangible values work and balance each other is a key to enhance value and seems to create both a hard economic bond and a emotional bond to the retailer.



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## **1. Introduction**

*In this first chapter we aim to raise the interest of personalized marketing and offers within a grocery retail setting. We will then give a deeper understanding of the importance of highlighting and investigate the customers' attitudes toward new ways to communicate and create customer value through loyalty programs with a one-to-one marketing approach. In the final part of the chapter you will find purpose, research questions and the delimitations of the study.*

### **1.2. Background**

Today it is probably many who feel that a visit to a supermarket is about as personal as the various options when Fords T-model was launched about 100 years ago; "You can choose any colour you like as long as it is black". Time changes, when the T Ford was topical the stores were smaller and the personal relationship between the retailer and its customers was probably stronger in comparison with today's grocery stores. As stores have grown, the customer has inevitably become more anonymous. (cp. Humby, 2004) It is a time with fierce competition where it often has been found that it is cheaper to keep customers instead of finding new ones (Grönroos, 2007). A report from management consultancy McKinsey predicts the interest in loyalty programs to intensify due to slow revenue growth in many categories and the emergence of competing internet start-ups. We believe that this makes retailers eager to deepen their relationships with existing customers to increase share of wallet.

Customer loyalty is valuable in today's competitive market and not least a major challenge to accomplish for many retailers in the grocery business where gaining competitive advantages might seem hard to achieve due to the homogeneous products offered (cp. Hunt, Arnett & Madhavaram, 2006). As technology develops you can get a car in many more colors than black, which is only one option among hundreds of others, and retailers have been given the opportunity to once again become more personal and able to treat their customers as individuals with unique needs and wants (cp. Humby, 2004). This is made possible by collecting customer data, usually through loyalty cards like "ICA-kortet" in Sweden (Appendix 2). Through this information it is possible to conclude which type of food and offerings every single customer might be interested in based on the person's purchase profile.



This type of marketing, a kind of mass customization, is called one-to-one marketing and it has been both praised and disdained. (Humby, 2004) The fact is though; the more the retailer knows about you, the more precise bids can be designed (cp. Kotler & Keller, 2009). When I asked my club card-holding grandmother how she stood to this new type offer she exclaimed happily:

*"Amazingly, I am seen, important and acclaimed as a customer"*.

Nowadays it is possible to track 5-6 million customers for the same cost as tracking one single customer in 1950. (Peppers & Rogers, 1995) One-to-one marketing is developed by practitioners concerned with the difficulty of competing in today's increasingly global market (Hunt, Arnett & Madhavaram, 2006; Humby, 2004). These practitioners argue that it is simply too expensive to communicate with people who do not want to know. (Humby, 2004) The discourser Joakim Jardenberg notes like so many other speakers on the new social media area that it is harder for retailers to reach customers with the traditional marketing in today's society, but he does not mean that this has to do with there being information overload; it is rather filter failure...

### **1.3. Problem Discussion**

Today's marketing approach has become more customer-oriented and emphasis on long term customer relationships have increased among managers that sees the possibility to create longer customer lifetimes and increase the business. (Richards & Jones, 2008; Hunt, Arnett & Madhavaram, 2006; Bolton, Lemon & Verhoef, 2004; Gupta & Lehmann, 2004) Retaining customers are more valuable for retailers than to focus on acquiring new ones. In this relationship-building process a loyalty card plays an important role. The data provided trough loyalty programs are helpful when the retailer want to communicate to individual customers "we recognize and value your patronage". (Kumar & Shah, 2004) Harler (2008) is also making this kind of statement and means that the secret is to start a dialogue with the consumers. Relationships based on interactivity have become strategic tools for managing heterogeneity and serves as instruments of discrimination and individualization of the marketing mix (Meyer-Waarden, 2007).



Previous literature shows that there is limited and contradictory empirical evidence on which impact loyalty programs really have. Some researchers have found evidence which they mean changes purchase behavioral patterns (Smith, Sparks & Hart, 2003; Lewis, 2004; Taylor & Neslin, 2005; Kivetz, Urminsky & Zheng, 2006) while other researchers claims that there is no or weak evidence that can be correlated to loyalty programs. (Dowling and Uncles, 1997; Sharp and Sharp, 1997; Leenheer, Bijmolt, Van Heerde & Smidts, 2003; Meyer-Waarden, 2007). A study about customized marketing, presented by Maguire (2009), shows a 97 percent average increase in sales and that a promotional offer gets 21 percent higher response and lowered cost-per-response by 54 percent. It generated a 93 percent average increase in sales, compared to non-customized printed output. Similar findings have been made by Lewis (2004) and Verhoef (2003) when they concluded that loyalty programs have a positive effect on customers' purchases and retention.

On the other hand there are those who think of loyalty cards as bribery. There are a lot of people that is carrying a deck of these cards in their wallets, and some researchers are skeptical whether or not these cards would lead to loyalty (Mägi, 2003; DeWulf, Odekerken-Schröder & Lacobucci, 2001). Dowling (2002) are questioning the value of loyalty programs. He argues that adopting a loyalty program does not guarantee improved customer loyalty. At the same time he does not mean that the benefits from loyalty programs are unimportant; the issue is rather whether the marketers manage to think through their strategy properly or not. (Dowling, 2002) As more retailers offers loyalty cards the loyalty program will eventually stop providing a competitive advantage for a retailer. In order to be unique there is a need to take the loyalty card to a new level and use all the possibilities available through the consumer data that the card provides. It means that it is possible to target the right offer to the right consumer to capture their interest. (Allaway, Gooner & Berkowitz, 2006; Capizzi and Furguson, 2005; Kumar & Shah, 2004) There is a highly competitive retail grocery context with low margins, which only enables the retailers to offer low-value program (Meyer-Waarden & Benavent, 2009). In addition to this the level of loyalty among customers within a retail context is challenged partly because of the low level of interdependence and personal contact (O'Malley and Tynan, 2000).



Previous research have addressed the question of value creating loyalty programs earlier but they tend to have an organizational approach to it where the customers' thoughts about what is value and what is it not has been poorly investigated. The studies that have taken a customer perspective into consideration are on the other hand often quantitatively investigated, a method that does not allow consumers own thought and reflections upon loyalty programs and one-to-one marketing. (cp. Leenheer, Bijmolt, Van Heerde & Smidt, 2007; Demoulin & Zidda, 2009; Liu, 2007)

When we discuss one-to-one marketing or personalized offers we refer to the kind of advertisement that is based on each individual loyal customer's purchase profile. In Sweden the market leading retailer, within the grocery sector, implemented this new type of marketing strategy in the end of 2008. When they started with their one-to-one marketing the redemption frequency was 25-30 percent higher than traditional discount coupons. ([www.ica.se](http://www.ica.se))<sup>1</sup> With a base in this case company's one-to-one marketing approach, we find it fruitful to seek information about what customers would like to see in return of the data that the retailer collects. Due to the lack of qualitative data gathering within the area of loyalty programs we find a need to emphasize the consumers' opinions within this area. We ask ourselves questions like: To what degree are the customers willing to participate? How do they evaluate a two-way dialogue? How is it possible to deepen the relationship with customers when the trend, within fast moving consumer goods area, goes towards bigger formats and more automated shopping with self-scanning and self-checkouts? How do customers perceive value, and do they find relationships valuable?

#### **1.4. Purpose**

We aim to investigate the customers' perspective on what kind of values within loyalty programs, with a one-to-one marketing approach, that can be identified in a grocery retail setting. Our aim is to seek if there is any correlation between the potential value and consumers' loyalty to a store. We find a lack of qualitative studies within the area of loyalty programs and personalized offers that have evolved due to new technology in retail grocery stores. Since loyalty programs are a way to strengthen the customer relationship we find that

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<sup>1</sup> (<http://www.pirab.se/FTP/Kund9779/ICAWebb/SV-2008-10-14-08-49/ICA.html>)



there is a need to include the consumers' opinions even more than what has been done in previous studies. It leads to the following research questions:

### **1.5. Research Questions**

How can today's loyalty programs, with more focus on the individual, strengthen the perceived customer value for the consumer and increase their loyalty?

Which tangible and intangible attributes does the consumer find valuable within a loyalty program with a one-to-one marketing approach, and is it affecting their attitude towards the store?

### **1.6. Delimitations of the Study**

This study is not focusing on all potential factors, like accessibility, assortment, private label etcetera, that might affect consumers attitudes towards a store and hence the loyalty. It does not either measure the behavior aspect of loyalty which could have been used to compare if there were a gap between attitudes and behavior.



## **2. Method**

*In the following section we will present the methods used to conduct our study. We will start by stressing the importance of the qualitative research for this study and then give a short description of our case company before moving on to describing our process of the data gathered. In the last section we will evaluate and present the limitation with our chosen method.*

### **2.1. Approach**

To be able to answer our research question we have chosen to conduct an explorative qualitative research. Since we aim to seek the answer to if loyalty programs, in particular one-to-one marketing, can enhance perceived customer value we believe that a qualitative method are the most appropriate one to use as its focus is on interpreting words rather than numbers. In our study we believe that taking into consideration customer thoughts will provide us with more fruitful information than a quantitative study would. (Bryman & Bell, 2007) We have chosen to conduct a pre-study that will focus on evaluating customers attitudes towards loyalty programs in a grocery retail setting, this pre-study could possibly be part of a bigger study were the attitudes could be further tested against the actual behavior of the consumers. Due to limited amount of time and economical resources such a big study is not an option for us at this point and hence we find it more valuable to put a focus on evaluating customers' attitudes. (cp. Easterby-Smith, Thorpe & Jackson, 2008)

### **2.2. The Choice of Case Company**

The reason why we have chosen to use the Swedish grocery retailer ICA as our case company is because they offer personal advertisements specially adapted to the individual customer with a loyalty card called "Mina Varor" ("My Groceries"). The company are constantly working with updating and improving these offers and on the ICA homepage ICA states that the company aim at improving their loyalty program to become world leading with offers that will fit all kinds of consumer groups ([www.ica.se](http://www.ica.se))<sup>2</sup>, we thus find this company to be a suitable company for the one-to-one marketing phenomenon that we aim to investigate. (Appendix 1)

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<sup>2</sup> (<http://www.ica.se/om-ica/detta-ar-ica/organisation/ica-sverige/>)



Since 2008 ICA has used this one-to-one marketing approach and in their annual report from 2009 the company expresses a positive customer reaction towards these individual offers on the Swedish market ([www.ica.se](http://www.ica.se))<sup>3</sup>. The ICA's one-to-one marketing offers consist of a personalized leaflet that is sent to the customers that carries an ICA loyalty card (Appendix 2 & 3) On these leaflets the customer's name is stated and a discount is offered on a number of goods that the individual customer usually buys at ICA. When the individual customer has gathered enough points a bonus check as well as a member's magazine (Appendix 2) is also included in the leaflet. Since personalized offers based on previous purchases are a relatively new phenomenon on the Swedish market we find ICA to be an interesting case company for our study on the one-to-one phenomenon. (Appendix 3)

### **2.3. Data Collection**

*Below we present the process of gathering our primary data; such as the process of selecting respondents, how the interview was structured and how it proceeded. In the final part we will present the secondary data.*

#### **2.3.1. Primary Data Collection**

We find interviews to be the most appropriate choice for our primary data collection since we are interested in capturing the customers' individual understanding and opinions about this particular one-to-one phenomenon, and thus qualitative interviews are the best suited method to use (Jacobsen, 2002).

##### **2.3.1.1. Selection of Respondents**

All together ten interviews with loyal ICA customers was conducted. The respondents chosen for these interviews all had their own ICA loyalty card, this criteria was set since we believe that more fruitful insights would be gathered from customers shopping at ICA on a regular basis compared to less frequent consumers. Since everybody needs to shop for groceries we choose not to narrow the respondents down to only one demographic group, instead we aimed at capturing respondents from different demographic groups; providing us with more nuanced data. Six out of the ten respondents were women in the age range from 22 years old to 71

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<sup>3</sup> ([http://www.ica.se/Global/Om%20ICA/Pdf/ICA\\_AR\\_eng\\_2009.pdf](http://www.ica.se/Global/Om%20ICA/Pdf/ICA_AR_eng_2009.pdf))



years old and the remaining four respondents were men between the ages of 22 to 62 years old. (Appendix 4)

The respondents also scattered differently on the civil status; five of them represented the single household, while two of them lived in a two person's household and the final three were representatives from the family household. In order to find our respondents we used a snowball sampling like method. By asking friends and colleagues if they knew someone that had an ICA loyalty card the snowball started to roll and eventually we found our ten respondents. (Bryman & Bell, 2007) All of the respondents had the geographic factor in common; they all lived in the western part of the Swedish province Skåne. This geographical factor facilitated for our study since we were able to physically meet all of our respondents to conduct face-to-face interviews.

#### 2.3.1.2. Interview Structure

We conducted semi-structured interviews with our chosen respondents. This interview technique was chosen since we did have specific questions that we wanted the interviewee to answer and at the same time give the respondents margin in how to reply in order for us to pick up on interesting opinions that the interviewees might have. (Bryman & Bell, 2007) In order to get as wide perspective of the consumer opinions as possible a two page interview guide was put together; with one page of background questions in order to get the interview started. These questions was not used in the analysis but acted as warm up questions to get the interview going. The second part of the interview guide dealt with the more specific questions about loyalty program and the case company's one-to-one marketing approach. (Appendix 5) The answers to this second page formed the basis for the analysis. This guide served as a helping hand in order to make sure that we dealt with questions that helped us seek the answer to our research questions. Since we conducted a semi-structured interview we did not follow this guide in a perfect order but were rather flexible in order to capture interesting customer views.

We made the decision to assign one of us the role of the interviewer in order to avoid confusion during the interview. The other researcher stayed in the background and kept notes during the interview and at the same time also acted as a pair of extra ears and could



whenever needed add attendant questions when the interviewer failed to do so. We divided the role of the interviewer between us so that both of us conducted five interviews each.

### 2.3.1.3. The Interview Procedure

According to Easterby-Smith et al. there are some important elements that the researcher needs to be aware of when conducting interviews. Among these are the questions about the location where the interview takes place and whether or not the interview should be recorded. We chose to carry out the interviews in a calm, public place. The benefit with such a place is that the respondents get more relaxed in comparison to a less neutral space (Easterby-Smith et al., 2008) Some of our interviews took place in a coffeehouse at a hotel in Helsingborg. Since we conducted the interviews in the middle of the week this hotel coffeehouse was quiet and there were hardly any other people around. Another place where we conducted our interviews was at a hotel restaurant in another hotel in Helsingborg. This restaurant was closed during daytime and hence there was no one else there to disturb.

When we asked the respondents about recording none of them had an issue with it and therefore all of the interviews were recorded. Since none of our respondents were representatives from the researched organization there was no risk of them revealing any confidential materials about the company and thus we found that recording the interviews was not a problem. To record the interviews also enabled us to put more focus on what the interviewee said. (Easterby-Smith et al., 2008) Since we conducted semi-structured interviews this focus was important in order for us to ask additional questions about interesting insights made by the respondents. Recording the interviews also facilitated the transliteration of the data and made sure that we did not miss any interesting information.

### 2.3.2. Secondary Data Collection

We were in contact with the marketing manager and the CRM manager at ICA, Sweden, in order to collect managerial insights to our study. Unfortunately they did not have time for an interview and we thus had to rely on the information about ICA provided on the ICA webpage ([www.ica.se](http://www.ica.se)). This secondary data was used to strengthen our reasoning about loyalty programs and customer values. The secondary data used in our study is the data gathered from the ICA homepage; ICA news and the ICA annual report from 2009.



## **2.4. Evaluation of Chosen Methods**

We perceive our chosen method to have worked out well in relation to the purpose of our study. As always when conducting a qualitative study there is a risk of not being subjective in your judgments, we are however aware of this risk and have tried to maintain as objective as possible through the study. Since we have chosen to conduct in-dept interviews with our respondent we only had the opportunity to catch the opinions from a small sample of customers, hence prioritizing “more variables ahead of many units”. With this method we face a problem with the representativeness of the respondents. (Jacobsen, 2002) Due to the small amount of respondents it will not be possible to draw any general conclusions from our study, but it can contribute with interesting insights to the one-to-one marketing theory and business. In order to secure the validity of our study we have conducted qualitative interviews with customers from different demographic groups, all answering the questions from the same interview guide containing questions closely related to the purpose of our study. Further we aim to be as transparent and describing our method as in depth as possible to assure the reliability of our study. (Bryman & Bell, 2007)

## **2.5. Limitations**

A majority of the respondents had studied or was studying at the university; hence the educational scattering was weak. On the other hand the respondents provided us with well distributed demographic factors of age and gender; a distribution more relevant for our study since these two factors will be used in the analysis. Since we have chosen not to analyze around the educational level we do not find our limited scattering within this area to affect our result.



### **3. Theory**

*In this chapter we will start with a relatively wide approach on the role of a brand and then head on to role of customer relationship marketing which leads to the importance of loyal customers and the use of loyalty programs to enhance this customer loyalty. Finally in the fifth and final section we narrow it down to a one-to-one marketing approach.*

#### **3.1. Branding**

Kapferer (2008) states that “a brand is a name that influences buyers”, in such a way that the consumers trust it and differentiate it from other brands (Kapferer, 2008). A brand is built upon core values, values that reflect what the company stands for (Urde, 2003).

The brand core values and how the brand is viewed upon by consumers are affected by the communication from the company to the consumer. It is important that the way the company communicates is coherent with the brand image. The core values should guide the process of an external brand building. In the process of strengthening a corporate brand it is necessary that the core values are dynamic so that they continuously can adapt and develop together with the consumers. (Urde, 2003)

A brand that operates successfully will last while the product it represents will be refined over time. This successful brand needs to constantly attract customers, be unique and offer an added value to keep a wide base of loyal customers. (Melin, 2008)

A loyalty program is a strategic tool for companies to use in order to strengthen their relationships with the customer. To successfully implement the loyalty program it is of great importance that the brand core values are reflected in the program. Consumers’ perception of the brand needs to be coherent with the brand’s loyalty program in order to add value to the company. (Humby, 2004)

#### **3.2. Customer Relationship Marketing (CRM)**

If a brand turns out to be successful or not all has to do with the kind of relationship it manages to build with its consumers. In customer relationship marketing (CRM) a company sees the customer as a resource. In order to fulfill the needs of a consumer the company works together with the consumer to create a solution that takes into consideration the consumers individual wants and needs. (Grönroos, 2007)



For a firm to nurture the relationship with its consumers is a necessity in today's competitive market environment. It is a prerequisite if the company wishes to be service oriented, global and to adopt information technologies etc. (Hunt, Arnett & Madhavaram, 2006)

For a company to reach an individual consumer they need to build a database that contains all necessary information about the customers, develop the business to focus on service and adopt a process management perspective (Grönroos, 2007). Humby (2004) writes that when improving the contact with customers the firm makes the customer happier and the company richer (Humby, 2004).

An important element in CRM is that the customers feel that they can trust the company and its brand. This feeling of trust is related to the competence, reliability and integrity of the company. Another relevant element in the relationship building process is the companies' values, these needs to correspond with the consumers' individual values in order for the relationship to grow. (Hunt et al., 2006) When a customer experience that the company has a shared way of thinking then a relationship has developed (Grönroos, 2007).

With CRM a company knows its consumers and is thus able to reach them through customized services and goods depending on the consumer's taste, wants and needs. The consumer enters a relationship with a firm when the benefits of the relationship are surpassing the costs such as when trust and mutual values exceeds the standardized market offering from other companies. (Hunt et al., 2006)

### **3.3. Loyalty**

The term loyalty is interpreted in many ways and can be described as affection, fidelity or commitment where researchers often resort to behavioral measures of loyalty. This can be measured through visits per week, money spent per week in a particular store, and percent of the budget spent in a store. Some researchers argue in favor of behavior-based measures of loyalty because profits are made from behaviors rather than emotions. (McGoldrick, 2002) On the other hand there are those who argue for the concept of hybrid measures that include both behavioral and attitudinal measures meaning it is a gap between these two components. The attitudinal or affective component is defined as "an emotional or psychological attachment to a brand". (Beatty, Homer & Kahle, 1988) Dick and Basu (1994) are also including both behaviors as well as attitudes towards a store in their conceptual framework over customer loyalty. They claim that attitudes are affected by three



categories; cognitive- (eg. brand beliefs), affective- (feelings towards a brand) and conative antecedents (eg switching costs and expectations). To identify these three categories is important in order to build loyal relationships and a high relative attitude is further desirable to be able to maintain the customers' loyalty. (Dick & Basu, 1994)

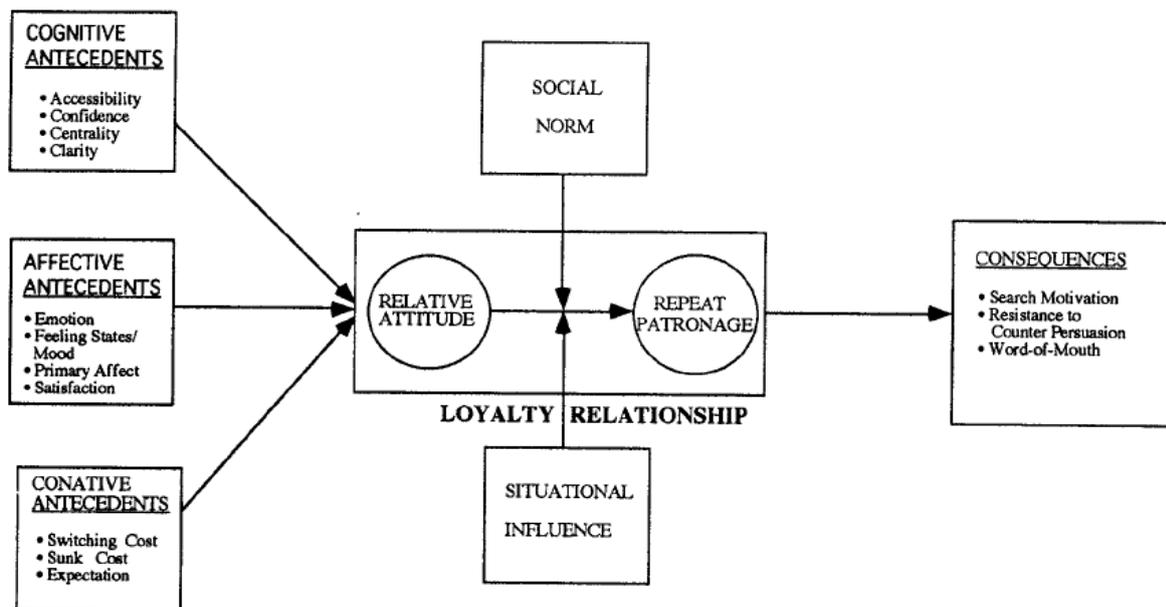


Figure 1: A Framework of Customer Loyalty (adopted from Dick and Basu, 1994)

Even though behavioral loyalty measures the outcome it does not say much about the causes of loyalty, a deeper understanding of what builds sustainable loyalty is needed to stay competitive. Many researchers have previously investigated the root causes of loyalty and bring up different factors that are affecting the choice of grocery store. Time saving and laziness is reasons behind why customers do not want to visit more than one store, here is the geographical dimension and opening hours also included. Switching costs are also associated with time because it takes time to get familiar with new products, store formats and systems. Another reason can be that the consumer experience full satisfaction with the overall added value offered compared to the competitors of the primary store chosen. (McGoldrick 2002; Flavian, Martnez & Polo, 2001; East, Harris & Willson, 1995; Reynolds, 1995)



It has been hard to identify a connection between loyalty and factors such as demographics and the personality of the customer. In studies where a correlation actually has been found it has been hard to interpret why that is. In other words it is hard to predict whether a customer who is loyal to a certain kind of brand will be loyal to a similar brand in another product category. (Söderlund, 2001)

Humby (2004) identifies three different ways a loyalty retail strategy can work starting with “Pure Loyalty”, where the idea is to strengthening the existing bond between the customer and the retailer. By using pure loyalty schemes the retailer aims to establish a two-way dialogue to improve the basic offer in a way that matches the individual customer and its personal demands. The retailer will be able to find out more precisely what kind of services and products the customer wants and give more of it. (Humby, 2004)

Another loyalty strategy is named “pull loyalty” and means attracting customers by encourage them to buy a product and give them a special offer on a similar product. This should work as an efficient inducement to generate more sales by encourage customer to purchase something new. Finally there is a strategy that is called “push loyalty” which aims to encourage new ways of shopping that will develop or change existing buying behavior. For instance it means a combined credit card and loyalty card or offering self-service on the internet with a lower price than in store as an incentive. There is seldom a question of either or, loyalty card activities usually use this kind of strategies in different combinations. (Humby, 2004)

### **3.4. Loyalty Programs**

Sophisticated loyalty programs can significantly increase the retailers understanding of its customers, an important element in the firms CRM due to the big store formats which makes its hard to build upon person-person interactions. (Kotler & Keller, 2009) It is stated that working with already existing customers is up to five times more profitable than chasing new ones (Söderlund, 2001). Liu (2007) on the other hand found that light or moderate buyers increased their purchase frequency more than heavy buyers when entering a loyalty program.

Satisfaction with purchases related with a loyalty program and any consequential behavioral pattern explain most of a customers’ tendency to visit a store again. A contingency approach suggests that loyalty programs could respond directly to contingencies and thereby increase



the customers' loyalty by giving different rewards, points and promotions. If and when the customer is perceived as loyal it should occur in two steps. Purchase loyalty should first be achieved by a short-term "points pressure" impact and then through long-term "rewarded-behaviour" impact. (Taylor & Neslin, 2005)

Differentiation loyalty and purchase loyalty are two effects that a loyalty program can have on customers purchase behavior. Differentiation loyalty means that the customers are less sensitive to competitors' offers and thus less sensitive to higher average prices for goods they frequently buy or chose higher quality products. (Reichheld, 1996) A reward program that provides easily earned rewards in combination with good service will prevent customers from visiting competitors. When customers are visiting competitors less frequently they are not exposed to competitors' prices as often and hence they become less sensitive to the price. (Nako, 1997; Bolton, Kannan & Bramlett, 2000)

In order for the differentiation loyalty to occur there is first and foremost a need to increase the purchase loyalty. The purchase loyalty are affected by the value that the loyalty program provides the customer with, a value that aims to increase their repeat purchase in the store. (Sharp & Sharp, 1997) A differentiated reward system should attract consumers who are heavier buyers and discourage opportunistic buyers who have a more promiscuous behavior. (Meyer-Waarden, 2008) Determining the right mixes of rewarding elements can lead to differentiation loyalty; it can foster loyalty beyond mere repeat purchase. (Bridson, Evans & Hickman, 2008)

Practitioners tend to distinguish between "hard" and "soft" rewards when classifying the benefits that loyalty programs offer their customers. The ones called hard rewards are generally including elements like discounts and gifts while soft rewards includes such things like special communication and privileged treatment. (Capizzi & Ferguson, 2005; Barlow, 1996). The latter benefits are usually more emotional oriented with the intention to give the consumer a feeling of recognition and uniqueness. Another distinction is that the soft values do not bring economic value like the hard rewards does. (Capizzi & Ferguson, 2005; Barlow, 1996)



Loyalty programs are used more often in sectors where customers purchase frequently and where the retailers offer similar assortment (Leenheer & Bijmolt, 2008). Retailers use loyalty program as a CRM tool and give economic and non-economic rewards to their customers; such as coupons or invitations to special events, in order to retain them (Leenheer et al. 2007). In return the retailer gets loyal customers through higher customer expenditure in the store (Meyer-Waarden, 2007) and data about their shopping behavior which help the retailer to understand their customers (Kumar & Shah, 2004).

Some researchers doubt the benefits of loyalty programs. Meyer-Waarden (2007) claims that loyalty programs are only efficient when applied to a limited number of customers and hence many grocery loyalty programs may fail since they are not able to segment and target customers as specific as necessary. Mägi (2003) found that competing loyalty programs can eliminate each other due to the large number of multi-card holders out there. She suggests that retailers take into account the amount of cards their customers do have when evaluating the efficiency of loyalty programs. (Mägi, 2003) Multi-card holders, who have loyalty cards at several retailers, might just join a loyalty program to take advantage of their benefits (Meyer-Waarden, 2007; Mägi, 2003). No one could ever claim that a card based loyalty scheme is a credible substitute to regular components like offering the right price, customer care, service, and a good assortment and so on. (Humby, 2004; McGoldrick, 2002)

Nordfält (2000) compared members and non-members of a particular ICA store in Sweden. He found several differences between the two groups, for instance the members did have a more positive attitude towards the general impression of the store, its range of products and the personnel. At the same time Nordfält claims that it might as well be that the loyalty program attracts already loyal customers, in that case the differences found between members and non-members depend on something else than the loyalty program itself. (Nordfält, 2002)

Mägi (1999) found that customers with more than one membership card, belonging to more than one loyalty program, allocated a lower share of the total purchase budget in the primary store compared to customer that did not belong to the loyalty program of that store. On the other hand she also found that customers with one single membership card put a bigger share of their purchase budget in the primary store compared to customers that had no membership



card. (Mägi, 1999) Those researchers who object to loyalty programs do doubt that customers cares about which retailer they shop with and stresses the fact that consumers usually carries more than one loyalty card. They also emphasizes that the data collected on these loyalty cards erodes consumers privacy and creating a bad feeling of being observed. (Humby, 2004)

The final argument is about the loyalty programs' ability to build and promote trust. The success of Tesco Personal Finance and Sainsbury's Bank have shown that it is possible to win the so-called "trust war". It is when supermarkets can connect with customers in a personal manner they get to know what each of them want and do not want and in the end cares about providing it to them. This is one of the explanations of why Tesco have succeeded to sell other products and services than just food; because once they have won the customers trust it will be easier to provide other services as well. In return the retailer will earn more of the customers' loyalty and respect. (Humby, 2004)

### **3.5. One-to-one Marketing**

To create loyalty it is not enough to simply satisfy a customer. In the process towards loyalty it is a necessity that the firm remembers which factors the customer find important in order to create a special bond with the individual customer. The next step would then be to anticipate the customer's needs. To be able to handle these two steps towards loyalty there is a need for building an IT-system, a customer database, which has the ability to remember the customer and his/her needs. (Söderlund, 2001) Nunes & Marrihue (2007) argues that today's consumers are tired of advertising that has nothing to do with their lifestyle and interests, consequently consumers prefer personal marketing.

Even though many studies shows that customers belonging to a loyalty program are more fruitful than non-members, it is not proven that the loyalty program is the force behind these results. Then again, a loyalty program generates data about customers' behaviors which can be useful in the process of creating a suitable offer to the individual customer, enabling an indirect loyalty effect. (Söderlund, 2001)

Humby (2004) means that big retailers are exceptionally vulnerable to changes in consumers taste and behavior and organizational changes and adoptions cannot be made over night but the data can contribute with insights that can work as warning signals and threats and



mistakes can be avoided. Another stated argument is the minimized waste that is possible through creating more timely and attractive offers to the individual customer (Kotler & Keller, 2009) By gathering customer information in a loyalty program database it is possible to personalize the advertisements to fit customers' interests (Weng & Liu, 2004). According to Peppers, Rogers and Dorf (1999) the four steps in a one-to-one marketing program are; "identifying customers, differentiating among them, interacting with them and customizing your product or service to meet each customers needs" (Peppers et al., 1999:152).

Today's loyalty programs offer an important step towards one-to-one marketing and significantly more personally defined segments. (cp Kotler & Keller, 2009) The phenomenon of loyalty programs is not new but new technology enables the retailers to store and mine the purchase data. This has become a new way for the retailer to differentiate themselves from others in order to get loyal customers. (McGoldrick, 2002) McGoldrick (2002) further reveals four different levels at which loyalty programs can operate. The first one regards profit uplift from increased sales, the second is about targeted promotion tool while the third represent strategic decision support from better understanding of customer behavior and the fourth and last one stresses the basis of customer relationships, competitive strategy, company culture, store format and location decisions. What customers get in return for their loyalty differs between stores, by remembering customer preferences companies can send personalized coupons, gifts or reading material etcetera to build an interest (Kotler & Keller, 2009).

The consumer data and the knowledge gathered from it can be integrated with product and marketing knowledge that can serve as an important asset for product development. If it is well used enterprises can gain a competitive edge through customer-oriented goods that provides better satisfaction to customer needs and might also speed up the product development process. (Liao, Chen, Hsieh & Hsiao, 2009) Chen et al. (2001) found that loyalty and the size of loyal customers increase with the level of targetability. They mean that a higher targetability increases the pay-off from loyal customers and the retailer can invest even more in loyalty programs. (Chen et al., 2001)



Shih and Liu (2008) take the opportunity with customer data further in their product recommendation approaches. They combine customer demands and past purchase preferences to identify similar customers, called collaborative filtering. This method aims to come up with new high quality recommendations that should influence the buying behavior. (Shih & Liu, 2008)



## **4. Analysis**

*This analysis will be divided into three main parts; attitudes, tangible values and intangible values. In the first section we will start building our analysis around the Customer Loyalty model by Dick and Basu (1994) to distinguish the three antecedents affecting loyalty. This model highlights the impact of attitude which we will use in a context of loyalty programs. In the second section we will look at the effects of tangible rewards that is connected to loyalty cards, this is a pre-requisite for the third part of the analysis that is investigating the intangible values that are connected to loyalty programs as a strategic tool for targeting individual consumers, in a grocery retail setting. With this we are aiming to find out which parts of a loyalty program that creates perceived customer value and affects customers attitudes.*

### **4.1. Loyalty Programs Impact on Relative Attitude**

A high relative attitude towards a brand or store is significant in order to maintain loyal customers. With the help from a loyalty program the attitude building communication towards customers can become more personal and reminding them of previous purchases, hence increasing the strength of the relative attitude. To be able to build this high relative attitude it is important to take into consideration the impact of the three antecedents; cognitive, affective and conative, which plays an important part in the attitude building process. (Dick & Basu, 1994)

#### **4.1.1. The Cognitive Antecedent**

The cognitive antecedent has to do with how well the company manages to communicate to the customer and how successful this communication is (Dick & Basu, 1994). Urde (2003) as well as Kapferer (2008) also raise the importance of a well communicated brand in order to create a coherent brand image in the mind of the consumer.

The respondents have distinguished several values that they associate with this particular case company. The most common values that the respondents associate with the case company are: high quality, a large assortment, familiarity/genuine, professionalism, food, simplicity and efficiency. These values comport with the core values, vision and mission statements of the case company (Appendix 1). We thus assume that the case company has managed to communicate its values accordingly which increases the cognitive antecedent mentioned



above. A loyalty program plays an important part in this successful communication since it provides the retailer with data about customers shopping behavior (Kumar & Shah, 2004). By gather customer data through a loyalty program, just like the case company does the retailer can adapt its customer approach to better fit the consumers and hence create a stronger relationship to its customers (Liu, 2007; Hunt et al., 2006). All of the respondents express a positive approach towards the personal marketing sent by the case company. Four of the respondents claim that they do not think of this personalized marketing as regular advertising and does not find it intrusive. As the 45 years old female respondent claimed:

*“I do not consider a lot of other advertising. But this is addressed to me personally and there is a difference between addressed and unaddressed marketing.”*

The loyalty program can be used to strengthen the company’s relationship to its customers. To reflect the brand core values in the loyalty program is of importance in order for the program to be successfully implemented. (Humby, 2004) As distinguished in the quotation above we can assume that the case company’s core values; personal, simple, inspiring and safe (Appendix 1) has been communicated in a successful way through the loyalty program. This can also be further stressed in a comment made by the 22 year old female respondent who referred back to the old days when you went to small local country stores and the merchant immediately knew what you wanted, you where recognized. She expressed that this was the feeling she felt that the case company was communicating by personalizing their marketing. With this advertising she got the feeling that the case company wished to take care of their customers. This caring feeling is also reflecting in theory stating that with the help from a loyalty program a company can build on a personal interaction with their customers (Liu, 2007; Kotler & Keller, 2009). This is further connected to the second antecedent in the model by Dick and Basu (1994) read up on previously, called affective antecedent.

#### **4.1.2. The Affective Antecedent**

The affective antecedent includes emotions; intense states of arousal (Dick & Basu, 1994). All of the respondents express a positive feeling towards the personalized marketing, three of the respondents even expressed the feeling of being appreciated and seen by the retailer through this kind of personalized offering. The 67 years old female respondent stated that her first reaction when receiving this personal advertisement in the mailbox for the first time was:



*“That they knew me and that it felt personal when they wrote my own name on the advertisement.”*

It is interesting to notice that even though all of the respondents were positive towards this personalized marketing only three of them chose to consider it when shopping. According to Grönroos (2007) retailers should use a customer database to develop the service and through this they will be able to reach the individual customer and build a relationship to its customers that will help their brand to become successful. Melin (2008) stress the importance of being unique and add value to the customers. By considering these theories we can assume that the respondents positive associations towards the personalized marketing sent out by the case company has to do with the fact that this way of advertising has worked as a relationship booster and something that they are not used to getting from other retailers; a feeling that has strengthen the respondents bond to the case company’s brand. This reflection can be further drawn from the expression made by the 62 years old male respondent:

*“The phenomenon with “Mina Varor” (“My Groceries”) is quite new and the fact that they know that I buy Kalles caviar etc...It is important to create the feeling that someone cares about you. It is just like with the corner shop where the customers get a bag of oranges when it is Christmas and such a gesture makes you happy. Then you might not reflect over the fact that you have spent 15000 Swedish kronor in that shop, instead you get a feeling that someone cares about you.”*

This feeling of satisfaction when being recognized, as expressed in the quotation above, can be a reason not to change retailer since the added value offered at the primary store is worth more then changing to a competitor’s store (McGoldrick, 2002; Flavian et al., 2001, East et al., 1995; Reynolds, 1995). Other factors also comes into play when choosing a primary store over it competitors, these factors has to do with the conative aspect which leads us to the third and last antecedent stressed by Dick and Basu (1994).

#### **4.1.3. The Conative Antecedent**

Within the conative antecedent the aspect of switching costs come into play. These are the costs associated with switching from one supplier to another, such as when repeat purchases are rewarded or the frustration over having to learn a new store layout. (Dick and Basu, 1994) As loyalty programs gather data about customers habits in a database these programs can help



the retailer to design a customer oriented retail setting, preventing customers to switch retailer (Taylor & Neslin, 2005). Four of the respondents stress the value of self-scanning as important for them in a retail setting since it enables them to be more efficient in the store, a service that the respondents claim was only possible to use when signing up for a loyalty card in a particular store. The 62 year old male respondent claimed that:

*“Ones you have learned how to shop with the self-scanning system it becomes extremely efficient to shop. I love self-scanning because I hate to have to stand in line.”*

These respondents claim that efficiency is one of the reasons why they do not visit competitors’ stores; which enables us to assume that this efficient self-scanning service act as a switching cost; preventing customer to visit competitors. Another act by the retailer that will prevent customers to switch is the design of the store layout, as mentioned above (Dick & Basu, 1994). The importance of a well designed store layout is further stressed by eight out of the respondents, enabling them to find what they need and avoiding the annoyance of search time. The 27 year old female respondent in our study emphasize that her primary store has taken into account their customers wants when designing the store lay-out; enabling the customers to more easily walk between parts of the store without having to walk through the whole store. As expressed by the 71 years old female in our study:

*“The store where I shop is good because they never change place on their goods so I always know where to go to find what I need.”*

The quotation above is also closely connected to the research made by Humby (2004) where he states that when a retailer knows what each of its customers wants and can provide them with that then they will win the customers trust. The value of trust is also distinguished by Hunt et al. (2006) as an important element in the customer relationship building. We believe that the later quotation is closely connected to the element of trust since this respondent express a certainty about where to find the different products inside the store. She further stated that:

*“At my primary grocery store there is a box where you can post comments about ICA that you might have and suggestions on what they can do to improve themselves, I think that is a good initiative.”*



We believe this statement show that the retailer is taking the customers opinions into consideration, which creates the feeling of trust and strengthen the customer relationship as expressed by Humby (2004) and Hunt et al. (2006). This also stress the importance of a well used loyalty program since a loyalty program, just like the box of comments referred to in the later quotation, provides retailers with valuable insights about customers that can be used to strengthen the relative attitude (Dick & Basu, 1994)

Apart from these three antecedents, social norms and situational factors also influence customers' attitudes, either in a complementary or contradictory way. With the use of a customer database tangible and intangible values important to the customer can be distinguished, hence providing the retailer with the opportunity to affect the social norms and situational factors in a complementary way. (Dick & Basu, 1994) The impact of these tangible and intangible values leads us to our second and third part in the analysis.

## **4.2. Loyalty Programs –the Impact of Tangible Rewards**

As we learned from the theory, the term loyalty does not have only one definition or answer to how it will affect the consumer. It is an ongoing debate whether the profit that derives from loyalty comes from a simple behaviour including routines and purchase patterns or the combination of behavioural and attitudinal measures based on emotions. (McGoldrick 2002; Beatty, 1988; Dick & Basu, 1994) According to Capizzi & Ferguson (2005) it is possible to make a distinction between the nature of the reward, hard and soft values, and how that will affect the consumer. Nordfält (2000) argues that a comparison between members and non-members of loyalty programs have shown differences in consumers' attitude to a particular store, which does not necessary have to do with the loyalty program itself. But as mentioned earlier, this case study focuses on the value that comes from personalized loyalty programs and the attitudes towards its content and whether it influence any perceived consumer value.

### **4.2.1. Purchase Loyalty**

In theory there is not only a distinction between what Capizzi & Ferguson (2005) call hard (tangible) values and soft (intangible) values but also the time-dimension where economic incentives like discounts and collected loyalty points are classified as drivers of loyalty in a short-time perspective. Loyalty can be achieved by “points pressure” and “purchase loyalty”



where the former is classified as the first phase in the process of creating long term loyalty. (Leenheer et al 2007; Taylor & Neslin 2005; Reichfield 1996; Nako 1997; Bolton et al. 2000)

Nordfält (2000) together with Sharp and Sharp (1997) claims that there is only a little evidence of changes in customer behavior due to companies reward systems that is associated with loyalty programs. Meyer-Waarden and Benavent (2009) has also discerned these kinds of changes among customers who are so called “late adopters” of loyalty programs. Among our respondents there are seven persons who claim that they were loyal customers to their primary store even before they obtained their loyalty card and they believe that they have not changed their behavior because of the card. The other ones have different motives for their perceived changed behavior, which will be discussed in detail later in this analysis. Those who acquired the card found the discounts and bonus checks as crucial incitements, something they would get in return for a purchase pattern they already had. But at the same time seven of the respondents expressed a sense of aiming for the bonus points that will be turned into a bonus check after reaching a certain level of points during a given period of time.

The satisfaction of receiving the bonus check that can be used as payment in the store seems to be one of the drivers and an incitement when choosing between the primary store and a competitor. Mägi (1999) discussed how a loyalty card affect the share of total purchase budget and concluded that those with only one club card, compared to non-members, put a bigger share in their primary store. The respondents in this study valued the fact that they got an amount of money they could spend on whatever they want in the store. The 22 years old female respondent said:

*“When I get this check it feels like I got this money for free, and I really want to indulge myself with something extra.”*

All of the respondents said that they bring this bonus check to the store due to its tangible value, the amount of money they will get back in return. None of them would let this check go to waste. Only one respondent found this kind of reward a bit pushy while all the other respondents thought it was reasonable that they got rewarded in relation to how much they



spend which also seems to drive their frequency; an opposite factor to the findings in the theories mentioned above in this chapter. But it can be brought up to questions whether this is affecting true loyalty or just repeat purchases?

#### **4.2.2. The Loyalty Card**

Nine out of our ten respondents puts their largest share of wallet in their primary store and seven out of the respondents had no other loyalty card than the card of the case company and could therefore be seen as what Liu (2007) and Meyer-Waarden & Benavent (2009) refers to as heavy-buyers which are less opportunistic than light-buyers also referred to as cherry-pickers. When comparing the club card of this case company to others within the retail sector as a whole we find that it is the buying frequency that is associated with a grocery retailer that encourage the respondents to gather the card and use it in a long-term perspective. The respondents are aware of that they are spending a lot of money on food and therefore find it valuable to get something in return. Leenheer & Bijmolt (2008) emphasize the importance of a loyalty program within the grocery retail sector as it can separate one grocery retailer from another by adding a desired value. Other cards that the respondents had were mainly obtained due to a favorable discount when signing up, which we mean is an example of a more opportunistic and promiscuous attitude compared to their attitude towards a grocery retailer. The most valuable form of economic reward was the kind of reward where the respondent got a gathered “kick-back” sent home, that encouraged many of them to repurchase.

Humby (2004) claims that those who object the impact of loyalty cards and whether consumers are loyal carrying more than only one loyalty card does not significantly affect the buying behaviour. Mägi (1999) is also claiming that those with more than one loyalty card are spending a lower share of budget in their primary store and is critical to the efficiency of purchase behaviour. No one of our respondents find the club card itself intertwined with any value at all. They claim that they do not like the concept of plastic cards; they find it annoying to have too many cards to keep track on. Two of the respondents said that they sometimes forget to bring their loyalty card to the store, something that easily creates a feeling of frustration. The driver behind collecting points seems to be a bit eroded when they spend thousands knowing it will not be registered. Everybody tried to keep as few club cards as possible, where the case company’s card was one of the few. This, they claimed, was because



groceries is something you shop for more frequently than anything else, and hence a reward within this retail market is more easily earned than within the other retail contexts visited less frequently.

#### **4.2.3. Discounts**

Other kind of economic rewards, like discounts on certain products loaded on the club card, was perceived as too small for the respondent to bother and that is in line with what Nordfält (2000) and Sharp & Sharp (1997) found. Seven of our respondents did not think that such a small amount of money saved was worth the effort associated with seeking up and bringing a coupon to the store. During the interviews many started to think of how much 20 percent of a product at a cost of 20 Swedish kronor really was, and did not find that kind of offer motivating enough to create any value. There was an attitude towards not regarding oneself as “coupon-person”, but still if there was an essential value like the bonus-check there was a positive attitude. The 39 years old male respondent did summarize these values by the following quote:

*“I do not care so much about if Heinz beans are three kronor cheaper, it means more to me to get a check, something physically you can cash in on whatever you want. ‘Exchange the check here and get a bath sponge’... or something else I can give to the children or used in another way. To get 5 percent off on everything would also be nice.”*

It seems that it is only bigger amounts of discounts that are affecting our respondents, which is indicating that the loyalty has a “point’s pressure”-character (cp. Taylor & Neslin, 2005) since seven of the respondents perceived themselves as encouraged to shop knowing that they will get a tangible reward in return. Because the tangible rewards are on a monthly basis we consider it to have a short-term impact on loyalty.

#### **4.2.4. Economic Incitement Encourage New Habits**

According to Humby (2004) there is a possibility that an economic value might encourage new ways of shopping, this strategy is called “push loyalty”. The club card at the case company enables the customers to use self-scanning in their primary store, as mentioned in the first section of the analysis. We believe that this new way of shopping or self-service means that the customer is taking care of the whole shopping process themselves, parts that



previously belonged to the cashier, which now saves both effort and time by avoiding double work. This was the 62 years old male respondent's only reason for gathering the card in the first place, he saw a potential of making the shopping trip more efficient. Another respondent appreciated that the company encouraged her to try this service by giving her ten percent discount off the entire purchase. Those four respondents who once tried it valued this kind of service highly and expressed that it had become one of the main criteria when choosing their primary store. This kind of value, about saving time, reflects the soft rewards that might create loyalty in a long-term perspective (cp. Reichheld 1996; Nako 1997; Bolton et al., 2000), which leads us to our next chapter about intangible values within one-to-one marketing oriented loyalty programs, where the offers are based on previous purchase patterns and not only money spent.

### **4.3. Loyalty Programs – the Intangible Values of a Magazine and Personalized Offers**

A first step towards creating differentiation loyalty is when the rewards will be more non-economic oriented focusing on benefits that are more emotional driven through a long-term “rewarded-behavior” impact. Customers becomes less price sensitive and less willing to visit competitors if the retailer can provide a valuable reward program combined with good service. (cp. Meyer-Waarden 2007; Taylor & Neslin, 2005; Reichheld 1996; Nako 1997; Bolton et al. 2000)

When taking part of a loyalty program there will also be some spin-off services that seek to add extra value for the customer, which also can be regarded as a soft reward. (Capizzi & Ferguson 2005). It was shown that six of the respondents had a significantly positive attitude towards the monthly members' magazine called Buffé that is sent to loyal consumers together with the bonus check and personalized offers (Appendix 2). This magazine, according to these six respondents, spreads joyfulness around food and is a valuable source of inspiration that encourage them to try new things and create new purchase patterns. A 45 years old female respondent is touching upon the impact of social norms that is affecting the attitude towards this part of the loyalty program (cp. Dick & Basu, 1994), talking about the magazine:



*“I have actually started to like the recipes in this magazine. It is mainly my friends who influenced me, often when I’m invited to dinner at some friends place and think that the food is delicious the hostess usually respond that she found the recipe in Buffé. Then I always think that I should start to read even more of it.”*

The magazine in itself is a tangible asset but the attitude towards the value that it creates in terms of the inspiration that it evokes is in line with the theory about differentiation loyalty and a “rewarded-behavior” impact. Next part is the third step that represents the most personalized part of a loyalty program and will address the perceived consumer value of “Mina Varor” which is our case company’s’ personalized offer (Appendix 3).

#### **4.3.1. The Value of Personalized Offers**

Nunes & Marrihue (2007) argues in favour for personalized marketing, which is one of the advantages that is possible through loyalty programs, due to customers will to receive promotions that is in agreement with their interest and lifestyle. The data that comes from the club cards will provide the retailer with information about shopping behaviours, which should increase the understanding of each customer (Kumar & Shah 2004). This will ultimately give the consumer a sense of recognition and uniqueness, a soft reward that theoretically should strengthen the bond between the grocery store and the customer. (cp. Barlow, 1996; Capizzi & Ferguson, 2005)

Similar to Nunes & Marrihue (2007) there are four of the respondents who express a sense of not being as intrusive like regular mass-marketing and think it is a service and a value in itself that they get advertising sent home that is relatively relevant for them and more precise. When talking about the concept of this personalized offers, seven of the respondents do not bring up tangible economic values (cp. Capizzi & Ferguson, 2005; Barlow, 1996), the value is related to the fact that they realizes that the company is making an effort and claims that they feel a bit more encouraged to go back because of this. Even if they have a positive attitude and think it is a good initiative. There are three of these respondents who are a bit cynical due to the fact that they are aware of that computers are making this kind of communication and do not find it very personal in the end. But they are still pleased with the fact that the company are at least



making an effort towards being more personal. The 22 years old female respondent did spontaneously express the following when showing the personalized offer to her:

*“I really think it is a great way to reward their customers if they have shopped a lot, definitely a good initiative.”*

All our respondents think that the personal offers usually, only with a few exceptions, is in line with what they actually use to buy. The halves of all respondents are a bit fascinated while the others just think it is an obvious development due to technology available. This is in line with Hunt et al. (2006) when they mean that with the help from information technologies a firm can nurture the customer relationship which corresponds with the fascinated feeling expressed by half of the respondents when being personally targeted. The attitude towards the value this kind of offer adds is initially positive but when digging deeper other reflections appears.

#### **4.3.2. The Potential Value of Accuracy**

Kotler and Keller (2009) argues in favour of personalized marketing and highlights that these are more attractive, which also will minimize waste that comes from less relevant mass marketing. The targeting precision can be improved over time and the offers can therefore be more precise which can lead to a deepen customer loyalty. (Kotler & Keller, 2009) In the study performed by Chen et al. (2001) it is found that loyalty and the size of loyal customers increase with targetability. They mean that a higher targetability increases the pay-off from loyal customers, which should encourage the firm to invest more in their loyalty programs to secure this win-win situation.

The case company offers a percentage discount up to 20 percent on six products that the respondents usually buy (Appendix 3). When discussing whether they use these personal offers sent home there are only three of the respondents who make an active choice and use the offers and take them into account when visiting the store. These respondents did consistently talk about tangible economic values like better prices and relevant discounts during the interview and appreciated the targetability within these particular offers. The fact that the offers concerns products that they usually buy, they also like the simplicity with the



offers being loaded on to the card already which emphasizes previous research stated by Kotler and Keller (2009). The other seven respondents, who had a positive attitude towards the idea of personalized offers, were reluctant to the small amount they would actually save in the end. They appreciate the idea of more than the tangible economic value in itself, it can thus be questioned if building a relation to the store is more appreciated and this might be an indication of reaching towards what Reichheld (1996) calls differentiation loyalty where the price is less important.

An interesting opinion according to us, raised by those respondents who claimed that they did not use the personalized offers appreciating a so-called mistargeting-effect. The personalized offer became even more interesting if there was a “joker”, a new interesting product among the more familiar ones. Their reasoning can be interpreted as if they have an opinion that advertising should aim to generate new desires and not encourage old ones. One of the respondents said:

*“I do not get the point, what is the idea of showing me six products that I already buy? Show me something new instead. I prefer to get some inspiration and I do find the weekly advertising more inspiring than this personal offer.”*

The reasoning corresponds with Humby’s (2004) idea of “pull loyalty” that aims to offer customers new products that is similar to those they use to buy. It was clear that our respondents found inspiration as a key to enhancing value in the long run and are therefore a new aspect of the win-win situation stressed by Chen et al. (2001). A 28-year old female respondent stressed the following idea that would be more meaningful and value creating to her:

*“I would appreciate to get a recipe sent home rather than the ten percent discount on popcorn. ‘Hi Johanna, we have seen that you have not bought goulash soup in a year, here you have a recipe for a delicious soup’, that is what I call innovative.”*

This part have discussed the value of getting individual discounts sent home on products our respondents use to buy where it can be concluded that they appreciate the sense of being seen



and to gain retailers gratitude. The respondents are expressing a lack of inspiration, a soft value (cp. Capizzi & Ferguson, 2005), within this specific reward and the importance of targetability that Kotler and Keller (2009) where stressing above does not seem to be valued as high as the value of being introduced to new products. In the next part we will discuss the respondents attitudes towards the retailers access to the data gathered from each and every loyalty card-holder and whether the respondents can see any personal gain for the future.

#### **4.3.3. How to Transform Customer Data in the Long Run**

Previous studies (Liao et al. 2009; Weng & Liu 2004; Peppers et al. 1999) maintain that data can be used as an important asset when developing new and better products that suit the individual customer and lead to higher satisfaction. It also helps the retailer to reduce an assortment that does not enhance any value for the consumer and can therefore adapt to new trends more quickly and avoid the risk of having a non-updated assortment. (Liao et al. 2009; Weng & Liu 2004; Peppers et al. 1999) But on the other hand; those researchers who object to loyalty schemes and is sceptical to the efficiency means that it creates a sort of “big brother-culture” that erodes privacy and is convinced that the money could be spent better elsewhere (Humby 2004).

In contrast with the integrity threat mentioned by Humby (2004) none of the respondents in our study expressed any concern over the privacy issue as long as it stays at current levels, but at the same time they did not see any value in an even more detailed profile. The respondents found the data gathered from the grocery industry quite harmless as it is right now and all expressed, in one way or another, an understanding that data collection is essential to formulate an individualized offer. An insight that is in conformity with that of Liao et al. (2009), Weng & Liu (2004) and Peppers et al. (1999). Half of them did also refer back to the fact that they made an active choice when they got the card and this is a consequence of that action which seems quite natural. Three of the respondents were tired of people who were still dwelling on the integrity-issue and thought it was pointless to do that in these times. On the other hand these respondents also expressed that they for that matter do not want their everyday life in a predicted pattern that could be used for other purposes than today. A 39-year old male respondent stated the following thoughts about this issue:



*“I do not think that the retailer knows too much about me, even if they do it does not matter anyway, but still I think it is for a good cause. Many elders think that it is a bit scary, many do not really understand. I think it’s good but it cannot go too far. The limit is when they can distinguish behaviour and demonstrate that ‘this is you’. Maybe the technique is there already, but they must not show it to me, then I would feel that they are getting too close.”*

Whether the respondents could see a personal gain, due to the data collected, in the long run was not explicitly expressed by all of our respondents. But there were reflections made by three of the respondents who emphasized that the information is something that the retailers benefits from more than the consumer. On the other hand these respondents did see a potential gain in getting a better shopping experience because they hope that they eventually would be provided with a more valuable assortment and that the retailer would keep their favourite products in stock and reduce costs that is related to products that does not get sold. These respondents reflections is in conformity with the theory by Liao et al. (2009) when they state that the knowledge gathered about customers can be used to speed up the product development process and hence offer customers the products that they demand.

Only one respondent, a 28 years old female, was reflecting upon costs and efficiency regarding the value of this personalized marketing:

*“Regarding my club card at City Gross I cannot remember why I got it. It is pointless and not personal at all. But I assume that it costs a lot to administrate something like “Mina Varor” (“My Groceries”). But for that matter it does not mean that I shop less at City Gross because they do not offer this kind of promotions. I say less administration and more joy of food.”*

This kind of reasoning is in our opinion connected to what was said earlier about the respondents’ attitudes towards the high value of inspiration. It was a general concern about the assortment, which they thought might be narrowed down due to the aim of being precise in the range of products. That was the reason why five respondents were ambivalent to the use of data and how it will affect in the future. They could not see that this kind personalized marketing would replace mass marketing but rather complement it. This reasoning is in line with Bridson et al. (2008) and Meyer-Waarden (2008) who stress the importance of



considering the right mix of different rewards when designing or re-designing loyalty programs, at least if the retailer want to achieve a long term loyalty. This leads us to our next part that emphasizes the value of establishing a two-way dialogue and the importance of inspiration rather than limitation in order to increase perceived customer value.

#### **4.3.4. A Two-way Dialogue as Perceived Customer Value**

Giving people a special offer on products that are closely related to what they would normally buy encourage them to try something new and hence evolves the customer relationship (Humby, 2004; Shih & Liu, 2008). As mentioned in previous chapter our respondents express a need to get inspiration from their retailer in order to feel affected by the advertisements handed to them. One of the respondents', the 39-year-old male reflects on the following:

*“Why should I get discount on something that I already buy? Is it not better that I get discount on Spirali pasta if I am already buying Spiral pasta? A substitute to what I am already buying. This would be a way to make me try a new product that I would probably like.”*

Still the respondents find it more valuable to be recognized than to be treated like one in the crowd. All of the respondents expressed a need of a two-way dialog in one way or the other. That your retailer recognizes you and remembers what you usually are buying creates a special bond with that retailer, a bound that these respondents connect to persons rather than to a company, which evokes their loyalty feelings in a greater sense they said. This corresponds with Meyer-Waarden and Benavent's (2009) theory when they stress the importance of a two-way dialog between the retailer and its customers. Through such a dialog the retailer can satisfy the customers purchase wants and needs and hence affects customers to continue to shop in the store. The 62 years old male respondent claimed “you create a loyalty feeling towards people” ahead of to a company. Another respondent said that with the personal marketing sent home the company manages to build on this feeling of a convenient store. This reasoning strengthens the theory of the importance of having different elements that creates value in order to make the consumers stay loyal (cp. Bridson et al., 2008).

A majority of the respondents claim that a lot of their shopping decisions are made while they are shopping. There is thus a need for the two-way dialog to continue inside the store and not



just through the personal leaflet in your mail. Here the time aspect come into play again, only two of the respondents, one student and one senior citizen, consider themselves to have time to take part in a dialog with the retailer. The rest of the respondents express the time saving aspect as crucial when it comes to buying groceries at the same time as they emphasize the wish to take part in a two-way dialog with the retailer more extensively then they are today. McGoldrick (2002) states that the time-saving aspect is an important factor when choosing one store ahead of another. Here the importance of a retailer being unique as expressed by Melin (2008) also comes into play; when retailers' offers an added value, such as time saving, they can keep more loyal customers.

When reflecting upon how this would be possible the respondents expressed a potential extend of using technologies such as your cell phone in the store setting. The respondents say that they are always wearing their phone, sometimes even more then they are wearing their wallet. To be able to use your phone, when for instance reaching your special offers, was expressed as valuable by the respondents. As stressed by Hunt et al. (2006) technologies can facilitate a relationship since it push the customers to take part in the process, this is in line with three of the respondents statements when emphasize internet banking as a technology through which you interact with the your bank; a technology that they are accustomed to use and do not mind using. All of the respondents wished to be able to affect their own special offers or spin-off services to a larger extent then today. Our youngest respondent the 22-year old woman meant that, in terms of marketing in general:

*“To me it is important to feel that you are making your own decisions in the store. If I have to choose between only two different options then the retailer has already made the decision for me.”*

This respondent is not the only one who stresses the importance of making your own choices. All our respondents are in one way or another opening up for new solutions where they express a need for having a more interactive part when receiving rewards within loyalty programs. As Melin (2008) states; to keep attracting customers it is important to offer an added value. Some researchers doubt that it is possible to offer this added value when the card holders are many which make it even harder to target single individuals (Meyer-Waarden,



2007). The large amount of multi-card holders today makes it even harder for companies to add value, when simply adopting a loyalty program no longer is enough (Mägi, 2003).

An added value expressed by half of the respondents is the concept of home-delivery. These respondents said that they would gladly skip the coupons if they were offered to exchange their bonus points into services like home-delivery, where the price aspect becomes less important (cp. Reicheld, 1996). Both the respondents that lived in a family household as well as those who live in a single household felt a need for this kind of service. The time aspect was once again the main argument for home-delivery but it was not the only aspect that played a part. One of the respondents, the 67 years old female, who are a senior citizen, expressed that home-delivery would be perfect for elderly people who might have problems walking etc. Also the opinion of grocery shopping as boring was stress by two male respondents; hence they meant that with home-delivery they could avoid this boring activity. This means that by creating a certain level of perceived customer value it is possible to get a tangible value like economic benefits out of customers' minds and replacing it with intangible benefits like services that could be traded for bonus points (cp. Nako, 1997; Bolton et al, 2000). Before summing up this analysis we will now see whether there are any demographic aspects of this study that can be distinguished.

#### **4.3.5. Loyalty and Demographics**

It is hard to seek patterns in the connection between loyalty and different factors (Söderlund 2001), according to Söderlund there is no such things like demographics or personality of the consumer that seem to have any correlation with loyalty.

Among our respondents there is a tendency that the men find hard values that is intertwined with saving time and money as crucial, they are also more open to using new technology both in and outside the store compared to the female respondents. The women on the other hand did on a larger extent value soft values that inspired them, five of the six female respondents had a positive attitude towards the monthly magazine compared to one of four amongst the men. One of the most significant elements which was mutual for both male and female respondents were the fact that they found themselves driven by collecting bonus points.



Regarding age as a factor it seemed like it is the situation that is related to age rather than the age itself that appears to affect the behaviour. Students and pensioners with lower income and more spare time were more price sensitive and considered the discounts more than the respondents between 30 and 60 who were working; and thus valued other factors not directly related to loyalty programs such as a wide assortment, quality and efficiency.

Despite the findings stated above it is hard to announce whether these similarities and differences has to do with the demographical factors or if it is just a coincidence (cp. Söderlund, 2001). The respondents are in different stages in life and have different economic situations, meaning that the price factor is a driver that have an individually impact on each single respondent in this study and ultimately different levels of value. Regardless of price sensitivity, a majority expressed that in the context of groceries the price was valued as more important than the service level but nevertheless a question of either or.

To sum up what kind of components that has been perceived as customer value there are attitudinal drivers of value and loyalty that can be regarded as both tangible and intangible values. The respondents appreciate the principle of getting individual attention and rewards in return of their loyalty, but there is only a few who said that they are using their personal offers. The respondents stress the importance of inspiration, not limitations. These insights will be further investigated and reflect upon in the next and final part of the study where we aim to, based on our research questions, clarify the customers' perceived value adding process.



## 5. Reflections & Conclusions

*In this final part we will present our findings about value creating elements within a loyalty program. Five values have been identified which all will be examined further to give an understanding of how these affects the consumers attitude towards the different element available in todays loyalty programs. We will start with presenting the more tangible economic values and move towards more intangible values that might affect more of a long-term loyalty. The chapter will end with suggestions of future research. But first we will go back to our research questions and start from there:*

How can today's loyalty programs, with more focus on the individual, strengthen the perceived customer value for the consumer and increase their loyalty?

Which tangible and intangible attributes does the consumer find valuable within a loyalty program with a one-to-one marketing approach, and is it affecting their attitude towards the store?

In this study we have investigated three elements that build up our case company's loyalty program which has an approach towards one-to-one marketing; bonus checks, the customer magazine Buffé and the personalized offers "Mina Varor" ("My Groceries"). Based on these components we have distinguished five different values, both tangible and intangible, associated by the respondents as related to a loyalty program with personalized targeting; *economical rewards, efficiency, feeling of appreciation, inspiration and dialog.*

The importance of *economical rewards* were stressed as an incitement for most of the respondents for joining the loyalty program in the first place even though they were late adopters and already frequent customers. The respondents expressed a tangible value when stressing the larger kickback obtained from the retailer in forms of a bonus check ahead of other discounts. This means that the respondents appreciate the economic values, leading to a purchase loyalty, which might have a short-term impact due to its tendency to repeat purchases. But since these rewards comes on a monthly basis it might have a long-term impact on the respondents loyalty and the attitude might then also be strengthened by the costs that is intertwined with switching costs. Our respondents emphasizes the theories about



creating a more sustainable long-term loyalty when they claim that it is the buying frequency which is related to the retail grocery setting that makes the loyalty card with its economical rewards valuable to them. They feel that they receiving a constant appreciation that leads to greater rewards than it would do at a less frequently visited retailer like the clothing industry.

Once the respondents became members of the loyalty program other values than solely the tangible were valued. The *feeling of appreciation* that is experienced through personalized offers became an added value within this kind of personalized reward, an affection that might deepen the relationship to the retailer. It is the gesture in itself that creates an intangible added value that makes the respondents set aside the economic values and might be a reason not to switch to a competitors store and makes a tangible value like price less important.

Apart from the feeling of being appreciated the value of *efficiency* also played an important role in avoiding switching costs for the respondents. Previous studies have stressed the location of the store as time saving but for the respondents in our study the importance of saving time even when being inside the store were expressed. The time saving factor available through new technology, which could only be used by customers obtaining the loyalty card, acted as another incitement to add intangible value to the loyalty card customer; such as self-scanning, a well planned store layout and a more efficient assortment that might contribute to a lower price level was stressed. It can be assumed that the more intangible values the more differentiated loyalty which can be assumed to have a long term impact on the choice of store. The vision stated by ICA; make everyday a little easier, corresponds with the respondents values of time when it comes to choosing one store over another, stressing the importance of store efficiency.

The respondents further emphasize the time saving aspect when express a need for home-delivery ahead of a tangible value such as a bonus checks. This can be interpreted as the respondents attitudes is pointing towards the value of transforming tangible rewards, like the bonus points based on money spent in the store, into services that creates this intangible value. We realize that this kind of insights can be hard to obtain through only looking at customers past purchases. There is a fear identified among the respondents that if the retailer is paying to much attention towards purchases in the past, the level of innovation and new services might



stagnate and having a negative impact on inspiration. How far is it possible to predict future wants and needs only by looking at existing data?

Hence we identify that the respondent expressing a need for a *two-way dialog* or a more interactive role as a consumer where they can express new needs and wants. This would make them feel more committed to the store and would increase the targetability even more and be more extended than what “Mina Varor” (“My Groceries”) offers today. The respondents have got used to the new technology that already have increase their activity in related businesses, like internet banking. The vast majority does not see interactivity as a burden but rather a way to make services and the retail offer more tailored.

A higher degree of dialogue or responsiveness in the relationship to the retailer can also be identified, as a way to secure that their personal interests will be respected. This goes hand in hand with the ambivalent attitude towards personalized offers. On one hand the respondent had a positive attitude towards the feeling of being recognized and appreciated but at the same time they fear a lack of *inspiration* if future range of products will be too precise and hence not give them the added value that comes with new products and needs they were not aware of before. Here we can see a balance act take form and it is clear that a strategic targeting tool like these personal offers not only have advantages in the consumers opinions. Inspiration was also the reason why the respondents found traditional mass marketing valuable, not actually the money saved.

Based on these values, we can see that the particular one-to-one marketing approach that personalized offers represent cannot create an added value for the consumers in itself as a targeting tool. The way that the tangible and intangible values work and balance each other is a key to enhance value and seems to create both a hard economic bond and an emotional bond to the retailer. Is it the fact that personalized marketing was expressed as a new way to communicate compared to mass marketing, since it is perceived as less pushy, that makes the retailer appear less opportunistic which might increase a positive attitude towards the particular store?

One thing is clear, there is no such thing as information overloaded, neither filter failure; it is rather a grey zone where the sense of a wide range of choices will avoid the customer to feel limited due to the power of the retailer. This creates a balance between the tangible as well as



intangible values in loyalty programs that has an impact on the perceived customer value. For the customer the values in a loyalty program lies in inspirations, not limitations.

### **5.1. Future Research**

Our study acts as a pre-study to a larger research within the area of loyalty programs and thus we believe that the same kind of study as ours can be made but in a larger extent. For future research it can be interesting to further look into the actual acts of the consumers and their behaviors when being personal targeted through advertising. It would also be interesting to widen the geographical area of our study and for instance take into account the whole country of Sweden. The case company in this study has now also introduced a new service called “Mina Nyheter” (“My News”) which aims to move the personalized targeting another step forward and this area could be an additional area to investigate ones it is launched in the Swedish market. The results of such kinds of future studies could possibly be compared to the findings of our study in order to distinguish similarities and differences in the results.



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## **Appendix 1**

### **The ICA Company**

#### The ICA Vision:

We make every day a little easier.

#### The ICA Mission:

We want to be the leading retailer with a focus on food and meals.

#### The ICA Core Values:

ICA is a personal, simple, inspiring and safe choice

The ICA corporate group is one of Europe's leading retail company's with stores in Sweden, Norway and the Baltic states. The ICA corporation is a joint venture owned to 40 percent by the Swedish Haakon Invest AB and to 60 percent by the Dutch Royal Ahold N.V. ICA Sweden runs general dealers around the country together with independent ICA-merchants. The independent merchant own and run the shop themselves but have an agreement with ICA Sweden who makes the shared buy-ins to the stores and the mutual market communication. ICA Sweden works with four different store profiles to meet the customers needs in different situations; ICA Nära, ICA Supermarket, ICA Kvantum and Maxi ICA Supermarket. By the end of 2009 there were 1359 ICA stores on the Swedish market and the company's market share amount to 36,5 percent within the store link.

Good relationships with the customers are according to ICA a prerequisite for success. The company is working hard to deepen the customers trust and loyalty by:

- Listening to the customers and deliver according to their needs and wants.
- Offer good prices and a wide assortment in order to live up to the different customer demands.
- Put quality before anything else and constantly seek new knowledge and technique in order to raise the customers safety and quality experience step by step.
- Create a personal total offer since no customer is ever the same.



During the autumn of 2008 ICA introduced the personalized offers “Mina Varor” in Sweden, which was sent out to the customers that had an ICA loyalty card. This idea arose since a lot of customers had submitted their opinions to ICA about the offers sent to them did not suit their needs asking if it would be possible to receive offers on groceries usually bought instead. In October 2008 the company did correspond by giving discounts on a selection of products that loyal customers used to buy with the intention to reduce prices and win loyalty. The personalized offers are still a new concept for ICA and will be further developed in the future. ([www.ica.se](http://www.ica.se))



## Appendix 2



*Image 1: Club Card - "Ica Kundkort"*



*Image 2: Monthly Members Magazine - "Buffé"*



## Appendix 3

# Hej Jessica!

Här får du lägre pris på varor du brukar köpa.

Gäller från fredag 14/5 t o m söndag 30/5

Mina varor baseras på tidigare inköp. Varorna hittar du i de butiker där du brukar köpa dem. Du får rabatten för att du är stamkund och för att våra främsta leverantörer vill belöna dig, som tycker om deras märken.

*Rabatten är laddad på ditt kort!*



**Mer fibrer. Mindre socker, salt och fett. Färre tillsatser.**

*Läs mer på ICA.se och på förpackningarna.*

**ICA gott liv**

**ICA Bonuscheck**

Rabatten inlöses i ICA-butiker (ej Statoil)  
Bonuschecken är personlig

JESSICA FLINK

25:-

Bonuschecken kan användas som betalningsmedel vid ett köptillfälle. Kontant återbetalning medges ej. Bonuscheckens värde är inte bonusgrundande och kan inte lösa in mer kontanter.

Giltig t o m 2010-11-15

**20% lägre pris**

från Santa Maria

Dinner kit, valfri  
213-347 g

Max 1 st.  
Gäller 14/5 - 30/5 vid ett köptillfälle



**20% lägre pris**

från Blå Band

Vid köp av 2 st.  
Torra säser, valfritt  
3-pack  
3x2,2-3x3 dl

Gäller 14/5 - 30/5 vid ett köptillfälle



**20% lägre pris**

från Malaco

Gott&blandat / truly,  
valfri  
130-350 g

Max 1 st.  
Gäller 14/5 - 30/5 vid ett köptillfälle



**20% lägre pris**

från ICA

Riven ost, valfri  
150-500 g

Max 1 st.  
Gäller 14/5 - 30/5 vid ett köptillfälle



**20% lägre pris**

från Keso

Keso, valfri  
250-500 g

Max 1 st.  
Gäller 14/5 - 30/5 vid ett köptillfälle



**15% lägre pris**

från ICA / ICA Ekologiskt

Morötter, valfri  
1 kg

Max 1 st.  
Gäller 14/5 - 30/5 vid ett köptillfälle



**15% lägre pris**

från President

Getost, valfri  
120-200 g

Max 1 st.  
Gäller 14/5 - 30/5 vid ett köptillfälle



**15% lägre pris**

från Brämhuults

Smoothie, valfri  
380 ml-1 l

Max 1 st.  
Gäller 14/5 - 30/5 vid ett köptillfälle





Image 3: One-to-one marketing, Personalized offers: "Mina Varor" ("My Groceries")



## **Appendix 4**

### **Respondents – Demographics**

#### **Interview 1**

Sex: Man

Age: 32

Employment: civil engineering

Civil Status: single-person household

Educational Background: civil engineering

#### **Interview 2**

Sex: Man

Age: 22

Employment: student

Civil Status: single-person household

Educational Background: studying psychology

#### **Interview 3**

Sex: Woman

Age: 45

Employment: Marketing/Sales Management

Civil Status: family household

Educational Background: economics



#### **Interview 4**

Sex: Man

Age: 62

Employment: recruiter

Civil Status: two-person household

Educational Background: Bachelor in mathematics

#### **Interview 5**

Sex: Woman

Age: 67

Employment: pensioner

Civil Status: two-person household

Educational Background: flight attendant

#### **Interview 6**

Sex: Man

Age: 39

Employment: Hotel Manager

Civil Status: family household

Educational Background: economics

#### **Interview 7**

Sex: Woman

Age: 28

Employment: coordinator



Civil Status: family household

Educational Background: economics/service management

### **Interview 8**

Sex: Woman

Age: 22

Employment: student

Civil Status: single-person household

Educational Background: studying landscape architect

### **Interview 9**

Sex: Woman

Age: 71

Employment: pensioner

Civil Status: single-person household

Educational Background: nurse

### **Interview 10**

Sex: Woman

Age: 27

Employment: student

Civil Status: single-person household

Educational Background: teacher student



## **Appendix 5**

### **Interview Questions**

Name:

Age:

Employment:

Civil Status: single-person household/two-person household/family household

Educational Background:

### **Initial Background Questions**

1. How much of your food budget would you say that you put in your primary grocery store?
2. How many store cards to grocery stores do you have?
3. Do you expect a difference in reward depending on how long you been a loyal customer?
4. What are your views on ICA? / What is the first thing on your mind when you hear ICA? / What is ICA for you?
5. What do you expect from ICA? Does ICA live up to your expectations?
6. Do you feel that you can rely on your store, you feel confidence in ICA? How?
7. What are your views on the service provided at ICA? Good / bad?
8. How satisfied are you with the range of products that ICA offers?
9. Do you buy ICA's own products (private label)?
10. What do you think of the prices that ICA offers?
11. Do you consider the price or service as most important when choosing grocery store?



## One-to-One Marketing Questions

1. Why you chose to get yourself an ICA store cards?
2. How long have you had your ICA store cards?
3. Have your choice of grocery store affected you since you got your club card at ICA?
4. Are you familiar with ICA's "Mina Varor"? (For answers to the question, show off 'my products' distribution) if no to previous question, do you recognize them?
5. Do you take advantage of these offers when you shop at ICA? Why / why not?
6. Have you started to shop differently since you started using my products?
7. What is your opinion on these mailings? What do you think that the offers are based on what you bought before?
8. What is your opinion on these personalized offers in comparison with standardized offerings that are the same for all customers?
9. Do you think there is any benefit to you as a consumer that the retailer get to know your individual needs better?
10. What do you think about your food purchases are stored in a database?
11. What do you think about the other types of mailings that the ICA sends out like the members magazine Buffet, etc?
12. Have you taken note of other service functions that ICA offers as example the credit card, etc? Why / why not? If yes, how do you think will work?
13. Do you have an interest that could affect your offers more than you do in the current situation?
14. (Do you think there is a need of a forum on the internet where the customer is given the opportunity to discuss customer card / influence and its offerings with the company in question?)
15. How would that be done?
16. If a service like this existed (see example above) do you think you had used it in that case?
17. Do you think that you should shop more often in ICA than you do in the current situation if such an extended service existed?
18. Do you remember if you ever talked to people ICA store cards to someone you know? What do you do? (Word-of-mouth)
19. Have you thought about who gets to pay for this type of personal offers like "Mina Varor"?
20. What do you think about this kind of offers in the future, where you had wished that the development was about 10 years with regard to this kind of personalized marketing?
21. Do you have customer cards in any other retail chain (other than food) that you are particularly satisfied / dissatisfied with?