

Loyalty Programs in Retail Sector

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Abstract

Every business' primary goals should be to satisfy its customers. Businesses understand that retaining their existing clientele is more profitable than trying to get new ones. One retail marketing tactic that offers numerous advantages to both customers and the company is the customer loyalty programme. Retailers must create loyalty programmes that are easier for customers to understand, to increase customer brand loyalty.

The goal of the study is to ascertain the advantages of loyalty programmes among customers and how they affect their intentions to make purchases. Business firms have given continuity/loyalty programmes to keep current consumers and maintain connections because gaining new clients is becoming more expensive day by day. Additionally, it establishes the impact of demographics on participation in consumer loyalty programmes. A survey was carried out to gather information for the sample to meet the study's purpose. A total of 200 questionnaires were given. The results unmistakably demonstrate that store loyalty was found to be more significantly impacted by the loyalty programme than by store satisfaction.

Keywords: Customer Loyalty Programs, Buying Behavior, Customer Satisfaction, Store Loyalty

Introduction

A loyalty programme is a business strategy that rewards and rewards customers for remaining loyal. It assists companies in retaining current clients and boosting product sales. A brand offers to become a part of a reward programme to consumers who do repeat purchases within the company.

Loyalty programmes have remained essential to customer relationship management for the past 20 years. Businesses have realised the programmes' potential for boosting consumer loyalty and repeat business. According to the most recent study, loyalty programmes have drastically changed since the early 1990s and have adjusted to shifting customer expectations and technology improvements.

Loyalty programmes are widely used in a range of industries, including banks, pharmacies, supermarkets, clothes and department stores, and air-

lines. They rank among the most widely used marketing tools used by businesses to gather data, boost client loyalty, and promote customer retention.

Owners of businesses design and manage loyalty programmes to benefit both their customers and their companies. Customers receive exclusive deals, discounts, and gifts while businesses increase customer loyalty, customer lifetime value, and customer retention. Companies profit from loyalty programmes not only by fostering client loyalty but also by receiving vital data on consumer spending patterns and the most tempting goods or offers.

Literature Review

In the retail industry, loyalty programmes are essential since they encourage client retention and cultivate long-lasting relationships. In the retail industry, the effectiveness of loyalty programmes in fostering customer loyalty, boosting sales, and boosting general customer pleasure is examined in this research. To give a thorough analysis of loyalty programmes in the retail sector, the study integrates pertinent academic research from reputable sources and business information.

The article examines the paradoxical nature of customer loyalty and provides guidance on how loyalty programmes should be implemented. It disproves the notion that brand loyalty is primarily influenced by strong views by offering scientific proof that passive brand acceptance also matters a lot. The research paper's three-stage strategy, which emphasises understanding the customer journey, building programme structures, and utilising technology, offers a useful foundation for putting into practise successful loyalty programmes. The research paper underlines the significance of data analytics and technology in enhancing programme effectiveness and suggests personalised experiences and pertinent rewards to create deeper loyalty. In general, the research paper offers insightful viewpoints and recommendations for improving the implementation of client loyalty programmes Jarosz, J. (2022).

(Md Hasib AHSAN et al., 2022)no support was found for the positive impact of intrinsic motivation on customer retention. Customer perceived value (CPV) Their research showed that organizational reward size has a favorable impact on both intrinsic and extrinsic motivation. Extrinsic motivation also has a substantial impact on customer retention. Surprisingly, there was little evidence to support the idea that intrinsic motivation improves client retention. Customer perceived value (CPV) is essential as a moderator in fostering customer loyalty, which strengthens the beneficial relationship between extrinsic motivation and customer loyalty. Contrari-

ly, it was discovered that CPV helped to moderate the adverse relationship between intrinsic motivation and customer retention.

Gupta and Kim (2021) evaluate the efficacy of loyalty programmes in the digital age in a more recent study. In designing loyalty programmes, they stress the growing significance of personalised interactions and customer-centric strategies. The authors contend that in order to increase consumer engagement and loyalty, firms must focus on providing targeted rewards and personalised encounters rather than only using point-based systems.

Preeta H. Vyas and Piyush K. Sinha (2008) came to the conclusion that since acquiring new clients for a business is an expensive endeavour, businesses must continuously offer a variety of loyalty programmes to keep their current clientele and foster relationships with them.

According to Hofman-kohlmeyer (2016), brand loyalty works as a barrier to brand switching notwithstanding issues encountered over the course of business. They went on to define consumer loyalty as a pattern of recurring purchases from one retailer or brand.

According to (Bolton, Kannan, and Bramlett, 2000), "a corporation must assess the program's influence on future purchasing behaviour (e.g., usage levels) to determine the long-term efficacy of a loyalty rewards programme." The current study replies to the proposal by extensively quantifying a loyalty program's efficacy in the convenience store sector. The main enquiry is whether customer patronage patterns and exclusive loyalty to the business are affected by loyalty programmes.

Objectives:

1. To identify the variables of customer loyalty in the retail sector.
2. To analyse the impact of loyalty cards on consumer buying behaviour.

Hypothesis:

H_0 : There is no relationship between loyalty cards on consumer buying behaviour.

H_1 : There is a significant relationship between variables of customer loyalty in the retail sector.

Research Methodology:

Research Design

- The current study is exploratory and empirical in nature. When there is little current information on the issues of concern or how similar concerns might be addressed, exploratory research is conducted. Exploratory research in the field is required to learn more about a

current issue or an intriguing phenomenon. Empirical research is research that gains knowledge about a specific problem or condition through experiments and observations. And it uses real-life experiences and observations to test a working hypothesis.

- **Variables**

When one variable is dependent on or results from another, it is referred to as a dependent variable, and the variable before the dependent variable is referred to as an independent variable. Loyalty cards are the Dependent variable & age, Gender, Occupation, Education, and Income are constant.

1. **Dependent Variable:**

Loyalty Cards: These cards are used by customers in the retail industry to participate in and take advantage of loyalty programmes. It gauges how much patrons participate in and gain from loyalty programmes made available by companies.

2. **Independent Variables:**

Demographic factors

- Age: Reflects the respondents' ages. To better understand how age affects the use of loyalty cards, it divides individuals into age categories, such as those under 15, those between 15 and 25, and those between 25 and 35.
- Gender: Specifies the respondents' gender, separating male and female respondents, to examine any gender-based variances in loyalty card usage.
- Occupation: To investigate the influence of occupation on loyalty card usage, the study identifies the respondents' occupations, encompassing groups like students, independent contractors, employees, and others.
- Education: Refers to the level of education the respondents have acquired, including high school, college, and postgraduate education, to investigate the association between education and the use of loyalty cards.
- Income: Represents the respondents' income level taking into account different income groups, to analyze the influence of income on loyalty card utilization.



1. **Store Attractiveness:**
 - a. Location: The actual location of the store, taking into account elements like customer proximity, accessibility, and ease of access.
 - b. Services: The variety and caliber of extra offerings made available by the shop to improve the client experience, such as individualized help, product demos, easy payment methods, or unique events.
2. **Store Loyalty:**
 - a. Trust: The degree of assurance and dependability that customers have in a business, encompassing factors like its standing, trustworthiness, and consistency in keeping its commitments.
 - b. Customer satisfaction refers to how satisfied they are with their overall purchasing experiences at a store, taking into account aspects like product quality, service quality, and the degree to which their expectations are met or exceeded.
3. **Customers' Service:**
 - a. After-sales service: The assistance and support given to customers following their purchase, including tasks like product returns, swaps, repairs, or addressing any problems or concerns.
 - b. Convenience: The comfort and ease that customers encounter when interacting with the store, including elements like the design of the store, parking alternatives, online shopping possibilities, and the presence of customer service channels.
4. **Product:**
 - a. Quality: The degree of excellence, dependability, and effectiveness of the goods sold by the shop, taking into account elements like toughness, usability, and satisfaction of client requirements and expectations.

- b. **Price:** The perceived benefit buyers believe they are receiving in relation to the cost of the goods, taking into consideration elements like competitive pricing, discounts, promotions, accessibility, and perceived value for money.

These elements work together to shape the overall appeal of the store, foster trust and contentment, deliver top-notch customer service, and provide high-quality goods at reasonable prices, all of which have an impact on customer loyalty. Businesses can increase customer loyalty and create lasting relationships with their clients by concentrating on these factors.

- **Timeframe**

The current survey is a cross-sectional study in which data is gathered only once in order to answer a specific research topic.

- **Sampling**

The sample of this study comprises 200 respondents from Jaipur, India. The population of Jaipur was considered for data collection, comprising both males and females. A total of 250 questionnaires were distributed, and out of those, 218 responses were received. After screening all the responses, 18 were excluded due to incomplete filling by the respondents.

Random sampling was employed to obtain the sample size from the population.

- **Data Collection**

There are numerous methods of data collection, but mainly there were two sources of data collection i.e., Primary source & Secondary source. Here the researcher used only primary data.

Primary data - The study used an online survey questionnaire to gather essential data from a range of respondents' Loyalty Programs in the Retail Sector. The entire male and female population of Jaipur, Rajasthan, was the target population. A survey was distributed to a variety of consumers by email, WhatsApp, Facebook, etc., and their responses were recorded. Google Forms have also inspired graphic presentations.

- **Data Analysis Procedure**

For the data analysis purpose, IBM SPSS 22 was used. For the hypothesis testing regression was applied.

Result analysis

- **Descriptive analysis of demographic factors of respondents**

- a. **Age of respondents:** According to the descriptive analysis, 0.5% of respondents were below the age of 15, 87.5% were between the ages

of 15 and 25, and the final 12% were between 25-35.

- b. **Gender of respondents:** Based on the descriptive analysis, 38.5% of respondents were male and remaining 61.5% of respondents were female.
- c. **Occupation of respondents:** Based on the descriptive analysis, out of the total population, 78% of respondents were students, 14.5% were self-employees, 7% were employed, and the remaining 0.5% had some other type of occupation.

Model Summary

Model	R	R Square	Adjusted R Square	Std. An error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.290 ^a	.084	.061	2.606	.084	3.563	5	194	.004

a. Predictors: (Constant), Income, Gender, Education, Occupation, Age

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	24.756	1.995		12.408	<.001
	Age	1.999	1.327	.249	1.507	.134
	Gender	-.321	.459	-.058	-.699	.485
	Occupation	-1.756	.457	-.420	-3.846	<.001
	Education	.074	.382	.022	.194	.846
	Income	-.279	.654	-.061	-.428	.669

a. Dependent Variable: Loyalty Cards

The R square value of .084 indicates that the independent factors have an 8.4% impact on the loyalty Cards. This demonstrates that Income, Gender, Education, Occupation, and Age have only an 8.4% impact on the loyalty

cards in the retail store. According to the ANOVA table, the significance p-value is .004, which is less than 0.05 so the beta coefficient is having a significant value.

Findings & Conclusion

The study's findings showed that, in contrast to shop satisfaction, loyalty programmes had a considerable impact on store loyalty. This shows that the inclusion of a loyalty programme had a greater impact on customers' decisions to stick with a particular retailer. The study also discovered that greater customer retention was a result of the amount of organisational rewards having a favourable impact on both inner and extrinsic motivation. According to research, the relationship between extrinsic motivation and customer loyalty is moderated by customer perceived value (CPV).

The literature study emphasised the value of perceived value and customer pleasure in promoting loyalty. Businesses have been found to use loyalty programmes as strategic strategies to promote repeat business and client retention. Additionally, brand loyalty was discovered to be a deterrent to switching brands, highlighting the value of consumer loyalty for organisations.

Regression analysis was used for hypothesis testing during the data processing process using IBM SPSS 22. The findings showed that 8.4% of the variation in loyalty cards was explained by the independent variables of income, gender, education, employment, and age. The relevance of the beta coefficient was supported by the ANOVA table.

In conclusion, this study sheds light on the benefits of loyalty programmes in the retail industry and their influence on consumer purchasing decisions. According to the research, loyalty programmes have a big impact on customer loyalty and store loyalty. The study also emphasises how important demographic characteristics, perceived value, and customer satisfaction are in determining a customer's loyalty. These conclusions can help firms create rewarding loyalty programmes that satisfy client preferences and foster enduring relationships with their customers.

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