



Drivers of customer likelihood to join grocery retail loyalty programs. An analysis of reward programs and loyalty cards

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ABSTRACT

This paper aims to identify which personal features of customers may determine their likelihood to join a grocery retail loyalty program. We consider five aspects: price sensitivity, search for variety, shopping enjoyment, attitude toward loyalty schemes, and one personality trait: privacy concerns. Some of these variables have already been explored in the literature. Where our research breaks new ground is in establishing the difference between profiles of customers attracted by two of the most common types of loyalty programs currently used by grocery retail firms: a reward program and a loyalty card. The two kinds of program evidence differences in how they are managed, and we posit that the drivers of likelihood to take part in each are different. The study was carried out using logistic regression with a sample of 600 clients of a Spanish supermarket chain. Findings show that one particular type of customer is more likely to take part in these schemes: those displaying little shopping enjoyment, who are greatly concerned with privacy, and who show a favorable attitude toward loyalty programs in general. Furthermore, as expected, differences were observed between drivers of participation likelihood in reward programs and loyalty cards.

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1. Introduction

The increasing importance of customer loyalty has in recent years led to the mass introduction of loyalty programs by businesses in a range of sectors. Service stations, airlines or supermarkets are just a few examples of areas where this marketing tool is applied. The bulk of academic research on loyalty programs focuses on exploring the consequences of implementing these programs. Variables used to measure loyalty scheme efficiency include: store sales or performance (Lall and Bell, 2003; Reinares and Reinares, 2005; Leenheer et al., 2007), customer purchasing behavior at the store – such as frequency of visits or share-of-wallet (SOW) – (Meyer-Waarden and Benavent, 2006; Mueller, 2007; Kim et al., 2009) or affective responses, such as customer satisfaction or trust in the retailer (García et al., 2006; Schijin and Daams, 2007; Yuping, 2007; Bridson et al., 2008; Demoulin and Zidda, 2008, 2009; Mimouni and Volle, 2010).

Another line of inquiry linked to loyalty programs aims to reveal subjects' characteristics which may determine their participation therein. Work conducted in this line of research seeks to

answer two questions: which clients at the store adopt new programs more quickly, those who are more loyal or less loyal, and, which characteristics make individuals more prone to adopt a loyalty program, perceptions, attitudes, behaviors, sociodemographics. The answers to these questions will prove extremely valuable to managers responsible for introducing loyalty programs in retail stores, as they will help to gauge the usefulness of such programs and to define future schemes that more closely reflect the drivers identified.

Research conducted to date exploring determinants of loyalty program participation follows one of two strands, depending on the variable analyzed (Demoulin and Zidda, 2009) adoption timing or adoption likelihood. As regards studies exploring adoption timing, some authors hold that loyalty program enrollment may reflect an innovation adoption, these studies being based on Rogers' innovation diffusion theory (1983) (Meyer-Waarden and Benavent, 2003, 2009; Demoulin and Zidda, 2009). All studies into speed of program diffusion amongst store clients draw on panel data and concur that loyalty programs with long-term cumulative rewards attract heavy store purchasers first (e.g., those with larger mean basket sizes, those with greater share-of-wallet), because they buy enough to expect quick and substantial benefits in relation to cost. Late adopters display lower purchase levels as they expect lower program utilities and higher associated costs (Mueller, 2007; Meyer-Waarden and Benavent, 2003, 2009; Demoulin and Zidda, 2009). The results of Meyer-Waarden and

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Benavent (2003, 2009) state that adoption timing is also influenced by certain sociodemographic traits such as social class, age, and the number of loyalty cards held. Demoulin and Zidda (2009) demonstrate that customers' commitment to the store, the number of loyalty cards customers own and the distance they must travel to the store significantly affect adoption timing.

Regarding the study of customer adoption likelihood, previous research has examined the differences between cardholders and non-cardholders and has elaborated on those differences to infer potential adoption drivers (e.g., Galguera et al., 2006; Leenheer et al., 2007; Mueller, 2007; Demoulin and Zidda, 2006, 2009). It is worth highlighting that the works of Demoulin and Zidda (2006, 2009) also base their approach on the innovation diffusion theory. Determinants of adoption likelihood dealt with in the literature include: relationship proneness (e.g., Mueller, 2007), demographics (e.g., Demoulin and Zidda, 2006, 2009; Galguera et al., 2006; Mueller, 2007), perceived attributes of the new loyalty card (e.g., Demoulin and Zidda, 2006, 2009), attitudes toward loyalty programs in general (e.g., Demoulin and Zidda, 2006) or attitudinal loyalty toward the retailer (e.g., Demoulin and Zidda, 2006, 2009). The works of Leenheer et al. (2007) and Demoulin and Zidda (2006, 2009) also evidence the self-selection bias according to which loyalty program members are already behaviorally loyal to the store and are among its best customers.

In sum, studies seeking to pinpoint adoption timing and adoption likelihood concur on one finding that is a key to understanding how grocery retailer loyalty programs function and therefore their utility: loyalty programs select the most valuable customers of a retailer and, thus, serve as a tool to reward established purchase patterns (Magüi, 2003). The same conclusion has also been reached in other research (e.g., Wright and Sparks, 1999; Kim et al., 2001; Demoulin and Zidda, 2008; Meyer-Waarden, 2002, 2006 among others). Yet, as the literature has shown, client loyalty to a store is necessary although in itself is not enough to ensure participation in grocery retailer loyalty programs. The present work analyses five characteristics of store clients which may impact likelihood to join loyalty programs: price sensitivity, search for variety, shopping enjoyment, attitude toward loyalty schemes in general and personality traits—privacy concerns.

The contributions to the extant literature made by the present work are the following.

First, bearing in mind that price sensitivity, search for variety and shopping enjoyment form part of consumer shopping motives, we draw on the motivation theory to explain how they influence a retail store's likelihood to hold a loyalty program. This theoretical approach has to date not been used in the literature exploring determinants of loyalty program adoption. Second, all studies examining determinants of adoption likelihood or adoption timing have been based on grocery retailer loyalty cards. In some instances, this is a new loyalty card recently launched by a retailer (e.g., Mueller, 2007; Demoulin and Zidda, 2006, 2009) whilst in others panel data is used covering grocery purchases from a sample of consumers over an area that includes several retail stores and therefore various loyalty cards (e.g., Galguera et al., 2006; Leenheer et al., 2007; Mueller, 2007). In the present work we consider a loyalty card and a reward program employed by a chain of Spanish supermarkets. These are the two most common kinds of programs in the food retail sector worldwide and evidence certain differences in how they are run (e.g., reward programs operate for a limited period and consumers are not required to provide any information if they wish to participate, whilst loyalty cards work in totally the opposite way). Our proposal is that because of these differences, drivers of likelihood to join those loyalty programs differ.

This work draws on a sample of 600 supermarket chain customers located in a city in central Spain with nearly 500,000 inhabitants, and comprises subjects who participate in the store's

loyalty program as well as those who do not (i.e., loyalty card and reward program). As a result, in the present work, the dependent variable considered is likelihood to join the loyalty program. We used logistical regression to analyze the impact of the five personal traits dealt with in the work concerning likelihood to join a loyalty program (both in general and for each kind of program).

The findings to emerge allow us to draw up a profile for the segment of a store's customers who join general loyalty programs as well as for each individual scheme in place. This information has particular relevance for firms since it provides a clearer insight into how they work and in some instances may guide them with regard to what action to take in an effort to encourage most of the store's clients to join the loyalty programs.

The paper is organized into the following sections. In the first section, we review the literature addressing drivers of adoption likelihood and outline the proposed hypotheses. We then explain in detail the methodology used in the research and the findings to emerge from the analysis carried out. The paper ends by discussing the main conclusions drawn, together with a number of recommendations for business management.

2. Research background and hypotheses

Table 1 describes the drivers which have a major impact on adoption likelihood of store loyalty cards in various studies conducted into the topic. These drivers cover a wide range of aspects which may be grouped into the following blocks: perception of the store (store satisfaction and attitude toward the store, attitudinal loyalty), purchase behavior at the store (behavioral loyalty, shopping frequency), perception of the loyalty card (attitude toward the new loyalty card, customers' perceived advantage of the new loyalty card, customers' perceived complexity of the new loyalty card), attitude toward loyalty programs as a whole (attitude toward loyalty cards, positive attitude toward loyalty programs in general), individuals' psychological traits (behavioral control, subjective norm, perceived behavioral loyalty, privacy concerns,

Table 1
Review of literature addressing determinants of adoption likelihood of retail store loyalty cards.

Study	Results (variables impacting loyalty program participation likelihood)
Demoulin and Zidda (2006)	Attitude toward loyalty cards Attitude toward the new loyalty card Subjective norm Perceived behavioral control Behavioral loyalty Attitudinal loyalty Perceived behavioral loyalty Store satisfaction and attitude
Galguera et al. (2006)	Education, gender, urban vs. suburban, age (negative effect) Shopping frequency
Leenheer et al. (2007)	Loyalty program membership in other industries (positive effect) Positive attitude toward loyalty programs in general Privacy concerns (negative effect)
Mueller (2007)	Age, income (negative sign) Competitive membership (positive effect) Innovativeness Relationship proneness (negative effect)
Demoulin and Zidda (2009)	Customer distance to the store Customer perceived advantage of the new loyalty card Customer perceived complexity of the new loyalty card (negative effect) Number of loyalty cards owned by customer (positive effect)

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