

Multi Partner Loyalty Programs: Perception and Preferences

Shriram S. Dawkhara*

Department of Business Management, STES, Sinhgad Academy of Engineering, Kondhwa - Saswad road, Kondhwa, Pune – 411048, Maharashtra, India; ssdawkhara@gmail.com

Abstract

Background/Objectives: This research is conducted to know whether customer likes to enroll and use loyalty program to determine their preferences over Multi Partner Loyalty Program and to find ranking of various store patronage factors.

Methods/Statistical Analysis: The research was conducted by collecting 201 customer's data, who are member of at least one Multi Partner Loyalty Program. Respondents were selected by disproportionate stratified random sampling from various supermarkets. Data analysis was done with the help of Binomial test and Friedman Test in IBM SPSS 20.

Findings: The result has shown that a customer likes to enroll and use loyalty programs. Customers prefer Multi Partner Loyalty Program over single vendor. While determining the preference ranking among various store patronage factors i.e. Price, Quality and Loyalty cards as a, it has been found that most important factor influencing store patronage is Quality of goods followed by Price and Loyalty card. Researcher has used MPLP as a store patronage factors for the first time.

Applications/Improvements: By knowing the customer's likeness and preferences with respect to loyalty programs it can be reengineered to increase its preferences among retail customers. This will ultimately increase a profit for all the partners in long run.

Keywords: Customer's Perception for Loyalty Programs, Loyalty Program, Multi Partner Loyalty Program, Preferential Ranking of Store Patronage Factors

1. Introduction

Attracting and retaining customers has significant impact on retail sector. As overall competition is rising dramatically, most marketers are considering loyal customers are one of the critical component for increasing profitability and overall success. Thus the term loyalty came into marketers focus. Loyal customers are the customers who tend to purchase more often and generally spend more money as well as enhance positive word-of-mouth. Thus marketers are keeping their focus on identifying and retaining loyal customers. Loyalty programs are the popular tool to increase customer loyalty. Almost every marketer is member of some loyalty scheme or card for the customers.

Further in order to make convenience to handle and present at the time purchase many noncompeting firms are joining to Multi Partner Loyalty Programs. Thus, with the help of MPLP, a single card can be used to earn

reward points in all the partner stores. Nowadays MPLP's are becoming more popular due to certain advantages over Single Vendor Loyalty Programs. Thus it is quite relevant and appropriate to understand customers overall perception about Multi Partner Loyalty Programs. This research is a sincere effort to understand member customer's perception about MPLP. Further researcher has also studied their preferences over Single Vendor Loyalty Programs and found MPLPs are more preferred. By considering loyalty program as one of the store patronage factor, customer preferences for Multi Partner Loyalty Program were studied over price and quality but it is observed that the preference for MPLP comes after price and quality.

Thus in conclusion customer loyalty programs are gaining importance for holding customers for long term. So these loyalty programs can be studied systematically for enhancing their outcomes. It can also be considered as one of the store patronage factor.

* Author for correspondence

1.1 Loyalty Programs

Marketing researchers have defined loyalty programs in various ways by trying to demonstrate the importance of various aspects of loyalty programs in their definitions. Loyalty programs are “structured marketing efforts that reward and therefore encourage, loyal buying behavior which is potentially beneficial to the firm”¹.

“Any institutionalized incentive system that attempts to enhance consumer’s consumption behavior over time beyond the direct effects of changes to the price or the core offering.”². Loyalty program can be defined as “a program that allows consumers to accumulate free rewards when they make repeated purchases with a firm”³.

Loyalty card or loyalty program is a system of the loyalty business model. It is also referred by different names in different countries viz. Loyalty card in United Kingdom, rewards card or point card in Canada and Club card or discount card or reward card in United States. Loyalty cards generally have a barcode or magistrate that can be easily scanned by scanner. There is also presence of few chip cards or proximity cards.

Further there is also influence of brand oriented factors to ensure customer retention and enhancing loyalty⁴. Another study done on Korean teachers show that teachers’ perception of the innovative capacity is very important because it is an eventful precondition that increases the loyalty⁵. In recent years, loyalty schemes have attracted considerable interest of the marketers.⁶ According to 2015 COLLOQUY Loyalty Census in United States consumers hold 3.3 billion memberships in customer loyalty programs which shows a 26% increase over 2013 census study⁷.

1.1.1 Importance of Loyalty Programs

New customer acquisition cost is three times more than the costs to retain an existing customer. The loyal customers typically bring the repeated business and at the same, they also recommend and bring new customers⁸. In addition to that, generally loyal customers cost less to serve, as they are familiar with supplier’s products and services. In addition to the nurturing and rewarding most of the loyal customers they fulfill two key objectives, i.e. to protect market share and to improve profitability with proactive management of the profitable customers and satisfied customers. Generally we measure most loyal customers in terms of volume of purchases and may not necessarily be the most profitable⁸. However the importance associated with visibility into the most profitable customers cannot

be understated. Satisfied customers are not always loyal customers. Loyalty programs are the tool for converting satisfied customers to loyal customers and to protect market share over the long term.⁸ Thus loyalty programs are extremely important to hold customers for long term. Since from many years programs to secure customer loyalty have been used by marketers.

1.1.2 Benefits of the Loyalty Programs for Firms

Firm will get following benefits from loyalty programs/cards:

- It lowers price sensitivity and strengthen store attitude which can create switching barriers^{9,10}.
- It allows firms to access the important information about consumers and consumer buying patterns which helps firms to design appropriate loyalty/reward programs leading to greater satisfaction and commitment. This gives competitive advantage to a firm¹¹.
- It builds loyal customers which bring higher average sales per customer due to cross selling and up-selling opportunities than a non-loyal member¹¹.
- It enables targeting particular customer segments by analyzing purchase history with demographic and other information. Available database facilitates implementation of product recalls and it also believed that loyal customer is profitable because servicing existing customer is less costly than new customers¹².
- For firms profitability is generated because of reduced serving cost, less price sensitivity and increased spending and favorable recommendations passed on to potential customers¹³.
- It increases referrals/advocacy. Satisfied customers are not only loyal but they advocate and refer to their family/friends/reference groups and social circle¹¹.
- It creates long term relationship with customers¹¹.

1.2 Multi Partner Loyalty Programs

MPLP is form of loyalty program which includes a coalition of two or more than two companies with a specialized operator independent of the coalition partners that manages the LP¹³. Such coalitions are known as Multi Vendor or Multi Partner Loyalty Programs or Coalition Loyalty Program. Obviously the coalition comprises partnerships of noncompeting firms or brands, usually in frequently purchased sectors (e.g., grocery, apparel, fuel, credit card services). Few prominent examples of Multi Partner Loyalty Programs include Nectar, Payback, Fly

Buyers and Air Miles.

Multi Partner Loyalty Programs are considered as an effective tool for customer loyalty in various markets. In addition to generic benefits of regular Stand Alone Loyalty Program, Multi Partner Loyalty Program provides many additional benefits for program partners and customers¹⁴.

It is also sometimes referred as Coalition Loyalty Program or Multi Vender Loyalty Program is a multi-company shopper rewards program. Consumers who are members of these programs are rewarded with a common currency (usually reward points) for shopping at exclusive all partners within each major consumer spending category: E.g. a single supermarket sponsor, a fuel sponsor, a department store sponsor, a credit or debit card sponsor, etc. Every time consumer does shopping across the sponsor network; points are earned by consumers and accumulate in one common account in a singular currency.

The points can be redeemed by consumer for a variety of rewards such as travel, events, merchandise, gift cards or discounts at coalition sponsors. Few well known Multi Partner Loyalty Programs are Payback in Germany and India, Air Miles in Canada, Nectar in the UK, Dotz in

Brazil and Fly Buys in New Zealand. These MPLP have reached penetration of over 60% of households¹⁵. How these loyalty programs are valuable is clearly demonstrated by the majority of households in the target countries choosing to take part. There are many well-known Multi Partner (Coalition) Program present worldwide¹⁵. Few leading Multi Partner Loyalty Programs are shown in the Figure 1.

2. Materials and Methods

2.1 Research Design and Sampling

Researcher has used a descriptive (Cross-Sectional) research design for this study. Here various variables related to Multi Partner Loyalty Program were measured at a single time. 201 customers having membership of at least one Multi Partner Loyalty Programs were selected for study. Researcher has used Disproportionate Stratified random Sampling. Details about research design are shown in Table 1.

Data collected summary with respect to demographic and other attributes are shown in Table 2.

World's Leading Coalition Loyalty Programs			
Coalition Loyalty Program		Country	Household Penetration
 Travel Club*		Spain	70%
 AIR MILES Canada*		Canada	70%
 Nectar*		U.K.	68%
 Payback		Germany	60%
 Fly Buys		Australia	60%
 AIR MILES Netherlands*		Netherlands	60%
 Dotz		Brazil	46%**
 Avios (f/k/a AIR MILES UK)*		U.K.	18%

* Coalition loyalty programs developed by Sir Keith Mills, SLI Chairman
 ** Based on markets where Dotz operates as of 9/19/13
 Source: SLI estimates based on publicly available data

Figure 1. World's leading coalition programs.

Table 1. Research design and methodology

Particulars	Method / Type used
Research Design	Descriptive
Data used	Primary
Sampling Method	Probability –Stratified random Sampling. (Disproportionate)
Sample Size	201
Sample Unit	Customers who are members of Multi Partner Loyalty Programs.
Research Instrument	Structured Questionnaire
Area Covered	Pune City

Table 2. Summary of data collected for demographic variables

Sr. No.	Demographic Variables	Subgroups	Number of Respondents	Percentages (%)
1	Gender	Male	140	69.7
		Female	61	30.3
2	Marital status	Single	135	67.2
		Married Without Children	48	23.9
		Married With Children	18	9.0
3	Age	20 to 30 years old	144	71.6
		31 to 40 years old	46	22.9
		41 to 50 years old	11	5.5
4	Education	Graduation	13	6.5
		Post- graduation	123	61.2
		Professional	65	32.3
5	Profession	Student	8	4.0
		Self Employed	8	4.0
		Salaried	161	80.1
		Professional	17	8.5
		Any Other	7	3.5
6	Income	20000 or less	70	34.8
		20001 to 40000	27	13.4
		40001 to 60000	60	29.9
		60001 to 80000	16	8.0
		80001 to 100000	20	10.0
		100001 and above	8	4.0
7	Work sector	Private Sector	184	91.5
		Govt. or Semi government sector	8	4.0
		Own Business	6	3.0
		Not Working	3	1.5
8	Membership to MPLP	Yes	201	100
		No	0	0
9	No. of programs /MPLP holds	1 Program	96	47.8
		2 to 5 programs	99	49.3
		More than 5 programs	6	3.0
10	Member of MPLP since years	1 Year	17	8.5
		2 Years	24	11.9
		3 Years	55	27.4
		4 Years	54	26.9
		5 Years	23	11.4
		6 Years	8	4.0
		7 Years	17	8.5
		8 Years	3	1.5

2.2 Reliability Test (Cronbach's Alpha)

Before proceeding for data analysis researcher has measured internal consistency by Cronbach's alpha. Alpha values were found above 0.7, which is widely accepted as an adequate reliability for a construct. Actual reliability scores are shown in the Table 3.

Table 3. Reliability test score

Sr. No.	Construct	No. of Items	Chronbach's Alfa	Result
1	Like to enroll & use	5	0.959	Reliability Supported
2	Prefer MPLP over Single Vendor	4	0.866	Reliability Supported
3	Store patronage factors	3	0.853	Reliability Supported
4	Ego Pleasure benefits	6	0.713	Reliability Supported

The reliability test results as shown in the Table 3 indicates that calculated values for Cronbach's alpha for all the variables were statistically significant.

2.3 Hypothesis Prepared

2.3.1 H1

Customer likes to enroll and use loyalty programs.

2.3.2 H2

Customer prefers Multi Partner Loyalty Program over Single Vendor Loyalty Program.

2.3.3 H3

There is difference in the importance respondent attached to the various store patronage factors.

2.4 Hypothesis Testing

2.4.1 Hypothesis 1

Statistical Test: Binomial Test.

Test Proportion: 75%.

Level of significance $\alpha = 0.05$.

2.4.1.1 H0

The proportion of responses indicating customer

willingness to enroll and use loyalty program is less than or equal to 0.75. ($P \leq 0.75$).

2.4.1.2 H1

The proportion of responses indicating customer willingness to enroll and use loyalty program is greater than 0.75. ($P > 0.75$).

Table 4. Binomial test output for hypothesis - 1

		Cate- gory	N	Observed Prop.	Test Prop.	Exact Sig. (1-tailed)
like to to enroll	Group 1	<= 3	201	1.00	0.75	0.000
	Total		201	1.00		
like to use	Group 1	<= 3	201	1.00	0.75	0.000
	Total		201	1.00		
feel happy	Group 1	<= 3	201	1.00	0.75	0.000
	Total		201	1.00		
use regu- larly	Group 1	<= 3	201	1.00	0.75	0.000
	Total		201	1.00		
happy to redeem	Group 1	<= 3	201	1.00	.75	0.000
	Total		201	1.00		

From the Table 4 it can be seen that for the entire five variables the test is significant and null hypothesis is rejected.

Hence it can be conclude that 75% respondents agree on the following:

- Generally I Like/will like to enroll loyalty cards/ program.
- Generally I like/will like to use loyalty program.
- I feel happy to use loyalty programs.
- Generally I use loyalty cards regularly.
- I feel happy to redeem points of loyalty program.

Hence the hypothesis "Customer likes to enroll and use loyalty programs" stands proved.

2.4.2 Hypothesis 2

Statistical Test: Binomial Test.

Test Proportion: 75%.

Level of significance $\alpha = 0.05$.

2.4.2.1 H0

The proportion of responses indicating customer willingness to prefer Multi Partner Loyalty Program over Single Vendor Loyalty Program is less than or equal to 0.75. ($P \leq 0.75$).

2.4.2.2 H1

The proportion of responses indicating customer willingness to prefer Multi Partner Loyalty Program over Single Vendor Loyalty Program is greater than 0.75. ($P > 0.75$).

Table 5. Binomial test output for hypothesis - 2

		Cate- gory	N	Ob- served Prop.	Test Prop.	Exact Sig. (1-tailed)
Guaran- teed more benefit	Group 1	<= 3	201	1.00	0.75	0.000
	Total		201	1.00		
Iprefer- mvlp over sing.	Group 1	<= 3	201	1.00	0.75	0.000
	Total		201	1.00		
its won- derful to use MPLP	Group 1	<= 3	201	1.00	0.75	0.000
	Total		201	1.00		
provides more benefit	Group 1	<= 3	201	1.00	0.75	0.000
	Total		201	1.00		

From the Table 5 it can be seen that for all four variables the test is significant and null hypothesis is rejected.

Hence it can be concluded that 75% respondents agree on the following:

- Use of MPLP guarantee more benefits than the use of Single Vendor Programs.
- Generally I prefer Multi Vendor Loyalty Cards over Single Vendor Loyalty Program.
- It is wonderful to use MPLP than Single Vendor Loyalty Program.
- MPLP provides more benefits than Single Vendor Loyalty Program.

Hence the hypothesis “Customer prefers MPLP over Single Vendor Loyalty Programs” stands proved.

2.4.3 Hypothesis 3

2.4.3.1 H0

There is no difference in the importance respondent attached to the various store patronage factors.

2.4.3.2 H1

There is significant difference in the importance respondent attached to the various store patronage factors.

2.5 Statistical Test: Friedman Test

The Friedman test was conducted to test the hypothesis. The test has shown following observations:

2.5.1 Observations

$$\chi^2 (2) = 191.61, P = 0.000, N = 201.$$

2.5.2 Interpretation

Since the P value (0.000) is less than level of significance (0.05) null hypothesis is rejected and hence it is concluded that there is significant difference in the respondent attached to the various store patronage factors. In order to find where the difference lies we refer to the rank Table 6.

Table 6. Rank output

	Ranks
	Mean Rank
Price	1.67
Quality	1.54
Loyalty Card	2.79

From the Table 6 we can see that Price has mean rank 1.67, Quality has mean rank 1.54 and Loyalty card having mean rank 2.79, hence it is concluded that the most important factor influencing store patronage is Quality of goods followed by Price and Loyalty card.

3. Conclusion

Customer likes to enroll and use loyalty programs and hence it can be considered as one of the important tool for customer attraction and retention. Customers feel happy

to redeem the points collected on loyalty programs. It has been also observed that customer prefers Multi Partner Loyalty Programs over single partner due to convenience for carrying it. They also feel MPLP gives more benefits than single vendor's card. Even loyalty programs are very popular still while ranking customer ranked it on third rank. Thus it is reconfirmed that Quality and Price are more important store patronage factors over Multi Partner Loyalty Programs.

4. References

1. Sharp B, Sharp A. Loyalty programs and their impact on repeat-purchase loyalty patterns. *International Journal of Research in Marketing*. 1997 Dec; 14(5):473–86.
2. Palmatier R, Gopalakrishna S, Houston M. Returns on business-to-business relationship marketing investments: Strategies for leveraging profits. *Marketing Science*. 2006 Oct; 25(5):477–93.
3. Liu Y. The long-term impact of loyalty programs on consumer purchase behavior and loyalty. *Journal of Marketing*. 2007 Oct; 71(4):19–35.
4. Joshi S, Chirputkar A, Jog Y. Influence of brand oriented factors on customer loyalty of prepaid mobile services. *Indian Journal of Science and Technology*. 2015 Mar; 8(S6):43–9.
5. Yoo J, Huh K. Role of relationship marketing in raising the loyalty of teachers of private English institutes in Korea. *Indian Journal of Science and Technology*. 2015 Mar; 8(S5):15–21.
6. Dowling GR, Mark DU. Do customer loyalty programs really work. *Sloan Management Review*. 1997; 38(4):71–82.
7. U.S. Customer Loyalty Program Memberships Top 3 Billion for First Time. 2015 COLLOQUY Census Shows. February 9, 2015. Available from: <https://www.colloquy.com/latest-news/2015-colloquy-loyalty-census/>
8. Vinod B. Unleashing the power of loyalty programs – The next 30 years. *Journal of Revenue and Pricing Management*. 2011; 10(5):471–6.
9. Bose S, Rao V. Perceived benefits of customer loyalty programs: Validating the scale in Indian context. *Management and Marketing Challenges for the Knowledge Society*. 2011 Jan; 6(4):543–60.
10. Stone M, Bearman D, Butscher SA, Gilbert D, Crick P, Moffett T. The effect of retail customer loyalty schemes detailed measurement or transforming marketing? *Journal of Targeting, Measurement and Analysis for Marketing*. 2004 Feb; 12(3):305–18.
11. Vyas P, Sinha P. Loyalty programs: Practices, avenues and challenges. *Indian Institute of Management*; 2008 Dec. p. 1–24.
12. Mathur D. Influence of customer loyalty programs. *International Research Journal of Management and Commerce*. 2015 May; 2(5):1–16.
13. Blattberg R, Kim B, Neslin S. *Why database marketing?* New York: Springer; 2008.
14. Dawkhara S, Shende A. Customer loyalty programs: From single partner to multi partner. *International Journal of Research in Social Sciences*. 2014 May; 5(2):49–64.
15. Coalition Loyalty: A model with sustainable advantages for retailers. 2015. Available from: <http://www.sli21.com/?whitepaper=coalition-loyalty-a-model-with-sustainable-advantages-for-retailers>