

## FUNCTIONING OF LOYALTY PROGRAMMES

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### 1. Introduction

The article aims at general presentation of loyalty programmes in the present market, in which sectors of the economy are expected to be the most and which attracting the clients to use them.

Loyalty can be considered in numerous aspects, however, loyalty of clients towards a brand, enterprise or other institution is the most interesting. It is worth defining what loyalty is and what characterises it. First, it is attachment and devotion. Despite its long tradition in the marketing literature, nevertheless, it is still defined in many different ways. This depends on the approach to that issue. One of the widely accepted definitions of loyalty characterises it as behavioural results of client preferences in relation to a given brand, “manifesting at a certain time and representing the result of the valuating decisive process” [1, p.3].

Enterprises that want to base their market advantage on the loyalty effect should assure possessing devoted supporters both within the organisation and in its external environment. The organisation must find and win specific clients, employees and investors [2, p.87–92]. The advantages of that approach are presented in table 1.

**Tab. 1. Advantages from loyal members of enterprise environment**

Loyal investor	Loyal employee	Loyal client
<ul style="list-style-type: none"><li>• shares the organisation values</li><li>• possesses business knowledge</li><li>• considers long-time perspective in the decisions</li></ul>	<ul style="list-style-type: none"><li>• has motivation for development</li><li>• decreases costs of the enterprise</li><li>• builds long-term partnership relations with clients</li></ul>	<ul style="list-style-type: none"><li>• provides necessary cash flows,</li><li>• influences long-term profitability,</li><li>• cumulates the streams of references</li></ul>

Focussing exclusively on the attitudes of clients and implications of their behaviours, the author can identify different loyalty types starting with full loyalty through hidden, superficial and ending with total lack of loyalty (table 2).

**Tab. 2. Buyer attitude and loyalty type**

Category	True loyalty	Hidden loyalty	Superficial loyalty	No loyalty
Relative evaluation	High	High	Low	Low
Repeatability of purchase	High	No/minor	High	No/minor
Client attitude and behaviour	Consumer uses the offer of a given organisation only and considers it the best	Consumer expresses willingness to use the offer but he cannot use it	Consumer uses the offer but he has low opinion concerning it	Consumer is unwilling to use the offer of the enterprise and does not use it

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The above-presented loyalty categories combine the emotional and behavioural approach to that issue [3, p.14]. Complete loyalty (exceptional) is demanded the most by organisations because the client representing that attitude is less susceptible to looking for competitive opportunities and presents the positive attitude to the seller. The consumers representing “hidden loyalty” prefer the product range of the given organisation but buy it rarely. This does not result from antipathy or unwillingness but from diverse situational causes. Passive loyalty is characteristic to people possessing weak ties to the enterprise but high repeatability of purchases, which may result from convenience of conducting transactions at a given place or lack of opportunities for selecting a different offer. Disloyal buyers do not see the contrast between substitute products and frequently change the range of brands purchased [4, p.17].

Considering the increasing interest in the outcome, that has the form of clients’ loyalty, and the opinion concerning different development stages of that phenomenon, the attention of scientists was cumulated thanks to continually introduced programmes for repeated buyers related to repeating the transactions [5, p.2]. The business tool, which the loyalty programme is, aims at maintaining the current cash flows or generating new cash flows on the base of the current clients [6, p.68]. It involves creating by the manufacturer of a process that would allow constructing lasting attachment of the consumer to a given brand, product or service [7, p.24]. Such activities may assume a variety of forms. Most frequently, they take the form of discounts, prizes or promotions that refer to the finance of the client directly. Activities focusing on building ties with consumers take the form of special events, publications, conditions of purchase or promoting limited series of products. In addition, elite consumer clubs are established that aim at building the favourable image of the organisation. It is obvious that organisations should award their loyal buyers but it happens sometimes that new users are offered more privileges and better conditions [8, p.78].

## 2. Popularity of loyalty programmes – results of studies

Statistics inform that an increasing number of Poles express willingness to participate in loyalty programmes. The number of consumers actually using such forms of inducing repeated purchases also increases. Figure 1 presents the level of clients’ interest in participation in loyalty programmes. The survey BTL Monitor (report 2010) prepared yearly by the research institute ARC Rynek i Opinia [ARC Market and Opinion] was conducted during the summer of 2010 on the representative sample of the Poles aged 15–49.

Filling stations as well as super and hypermarkets record the largest numbers of participants in programs for regular clients (over a half of the population surveyed). In that second case, this is the consequence of implementing the Clubcard option by, among others the Tesco and emergence of the Payback programme. Mobile network operators recorded the largest decrease. The clients could decide that the offers by the operators did not meet their expectations or were entirely unprofitable. On the other hand, Polish distributors of wireless communication services are considered uncaring for the current customers, because they offer better conditions to new clients.

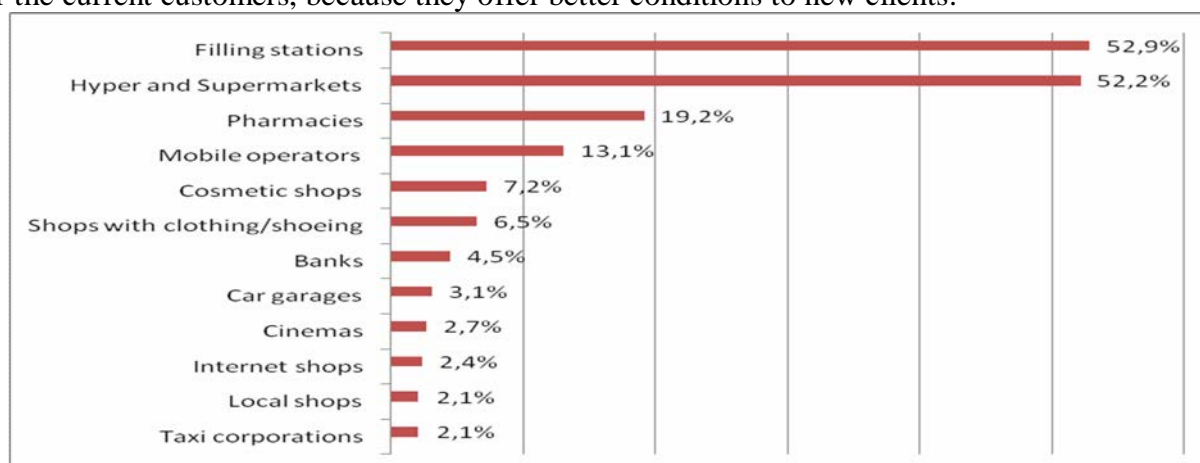
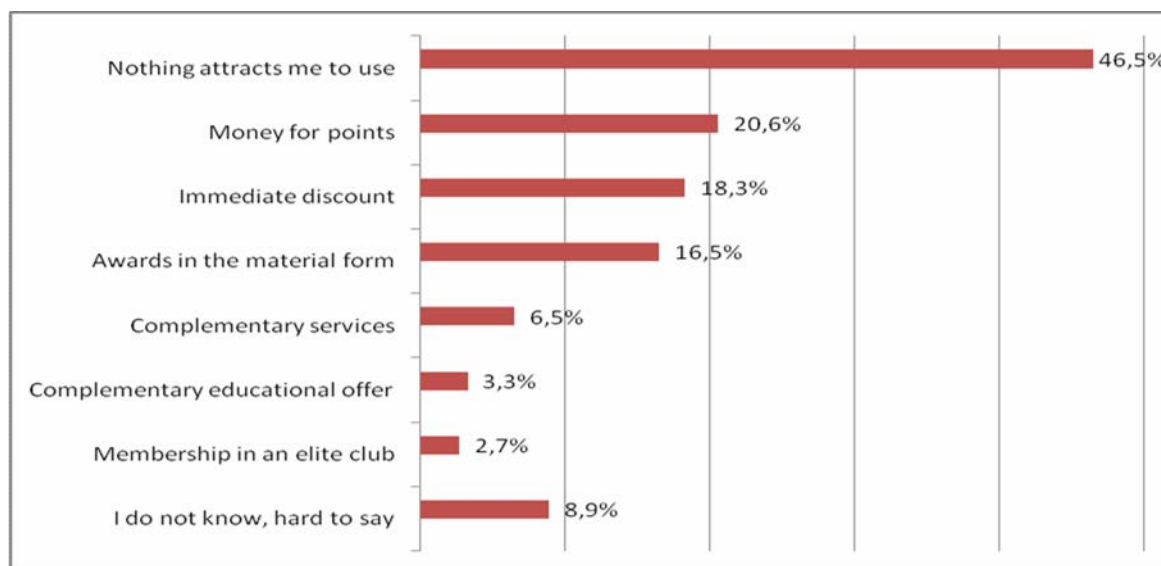


Fig. 1. Participation in loyalty programmes

Another analysis (commissioned by On Board PR ECCO Network) aiming at surveying the communication services community and based on the national public opinion showed that almost every second respondent did not see any motivations to use the loyalty programmes. One person in five declared that the programmes were just an option to exchange points for cash while 18% think that the immediate discount would be the stimulus and 16% preferred awards in kind. Those are real and tangible benefits resulting from participation. The survey also showed that people aged 18 – 39 years form the group with the highest interest in the programmes offered. Consequently, the target segment of the programme should be chosen for the appropriate age group in the offer satisfying the needs of such persons. The distribution of responses is presented in figure 2.



**Fig. 2. Factors encouraging respondents to use the loyalty programme**

The existing satisfaction surveys may be helpful in designing and implementing various loyalty programmes for appropriate markets. Thanks to them people responsible for marketing have the opportunity of obtaining information on the determinants for joining loyalty options and can select the appropriate moment for offering such an opportunity to those interested.



**Fig. 3. Reasons for lack of interest in the programme**

Almost a half of the respondents do not use any loyalty programme, because they expressed unwillingness to complete the required document. In case of 44% of the respondents, no offer was presented to them while 43% think that such programmes do not offer tangible benefits to the participants. Figure 3 illustrates the structure of those responses.

### **3. Conclusion**

Consumer loyalty is the status of his attitude to the enterprise offering products. That attitude is based on durability, acceptance of goods and services. A loyal consumer is tied to the enterprise products and indifferent to the activities of the competitors [9, p.295]. Satisfaction and loyalty of clients influence the financial results of the enterprise undoubtedly.

The highest interest in loyalty programmes occurs in case of the filling stations and retail shops (supermarkets) that is in case of the outlets where purchases are relatively frequent and repeatable. A large group of clients is not interested in participation in any loyalty programme as they do not see any benefits resulting from that or they are discouraged by administrative requirements (completing a form). The others that join loyalty programmes expect immediate financial or material benefits. They are usually middle-aged persons.

It should be assumed that loyalty programmes would continue developing in the increasingly professional formats. They are worth using for consolidating mutual relations between the enterprise and its clients.

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### **Summary**

The article aims at general presentation of loyalty programmes present in the market, in which sectors of the economy are expected the most. The factors attracting the clients to use them are investigated. The highest interest in loyalty programmes occurs in case of filling stations and retail shops (supermarkets) where purchases are relatively frequent and repeatable. Consumers joining loyalty programmes expect immediate financial or material benefits. They are usually middle-aged persons.

**Keywords:** loyalty programmes; enterprise environment.

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