THE PURSUED BENEFITS OF CUSTOMER LOYALTY PROGRAMS

Bachelor´s Thesis

Ilona Reinekoski 0329191
December 15th 2009

TABLE OF CONTENTS

1 INTRODUCTION

Customer loyalty programs have increased in recent decades and customers are members in several loyalty programs. Loyalty programs are seen as a tool of exploiting customer relationship management with the aim of long-term, profitable customer relationships (Uncles et al. 2003). Companies have created such a market where customers are rewarded automatically, even if they are disloyal. In addition, companies are struggling as they try to motivate customers to purchase more and make more frequent visits. (Arantola 2003, 49.)

I have been working in a Finnish hypermarket K-Citymarket for three years as a sales person. My interest in customer loyalty programs has developed during that time as I have experienced many situations concerning the loyalty program Plussa. I have also a deep understanding on how the system works and own experiences from the grass roots. Therefore, it is in my interest to study, if these programs are still a beneficial object to put in marketing efforts and if so, what are the benefits pursued today.

1.1.   Objectives

Since customer loyalty programs were invented all around the world, extensive research has been made on the effects they have on customer behavior and buying habits as well as the impact on customer loyalty. Finns have obviously affiliated loyalty programs as 3.5 million Plussa-cards are distributed and additionally there are 1.5 million S-Bonus households in a country with 5 million inhabitants (Hammarsten 2006). In the hypermarket sector there are three main loyalty programs and it is common for people to be members in all of them in order to get point-of- purchase rewards and other offers targeted only to members. The phenomenon can be called cherry-picking as customers can exploit the benefits of every loyalty program (Meyer-Waarden 2007).

The objective of this thesis is therefore to examine if these loyalty programs offer any benefits to the retailers. In order to find explanations to this complex matter, the subject is approached through literature and theory. As much writing can be found on the subject, it is essential to develop a good understanding of what are the

characteristics, objectives and pursued benefits of loyalty programs in general. Then this theory is compared with the case loyalty program Plussa to discover if the benefits and objectives are present in this particular loyalty program. One objective is also to be able to give suggestions for further research on the topic considering the case company.

1.2. Research problems

Although customer loyalty programs are a widely researched topic, in this thesis the interest is to make a summary of the possible benefits and objectives and especially reflect them to this Finnish example. The main research problem can be stated as:

What are the pursued benefits of the customer loyalty program in a Finnish hypermarket?

In order to be able to answer this question there are few sub problems that need closer examination. These problems include:

- **What constitutes customer loyalty and how can it be defined?**
- **What challenges customer loyalty programs experience today?**

After discussing these matters in the theory part, a thorough overview should be reached on what benefits are possible. Additionally, it is interesting to study what can be concluded from the extensive research made on the topic. In the empirical part Plussa-loyalty program is further studied in order to untangle the benefits it offers.

1.3. Delimitations

As mentioned, a wide research has been made concerning this topic of customer loyalty programs, especially abroad. The focus in this study is on the Finnish market and especially on the environment of hypermarkets. Therefore, the overall perspective in handling the theory is how it suits the context of hypermarkets. Examples, however, are offered from other industries as well as outside Finland.

When discussing loyalty programs as well as customer loyalty, the focus is on consumer markets not on business-to- business environment as customer loyalty presents as a stronger phenomenon in that scene.

Customer relationship management (CRM) is the foundation for loyalty programs. CRM is presented in chapter 3.1 to some depth, but all aspects of it are not central to this thesis and will not be covered.

Profitability and financial aspects of this matter are excluded from this thesis. Examination of those matters would require deeper information on the practical operation of customer loyalty programs as well as more extensive research on the subject.

1.4. Research method

This thesis is conducted with qualitative research with the perspective of a case study. The data collection method is an interview with the areal manager of K-Citymarket. Interview is a suitable method when the researcher seeks undiscovered information and opinions for a certain matter. Especially vital is the possibility for open discussion and the active part of the interviewee. (Eskola & Suoranta 2003, 13-15.)

The material is analyzed with contents analysis and theory orientation. After transcribing the material, it is themed and analyzed further. The research methodology is discussed in more detail in chapter 4 and the results of the empirical part are viewed in chapter 5.

1.5. Theoretical framework
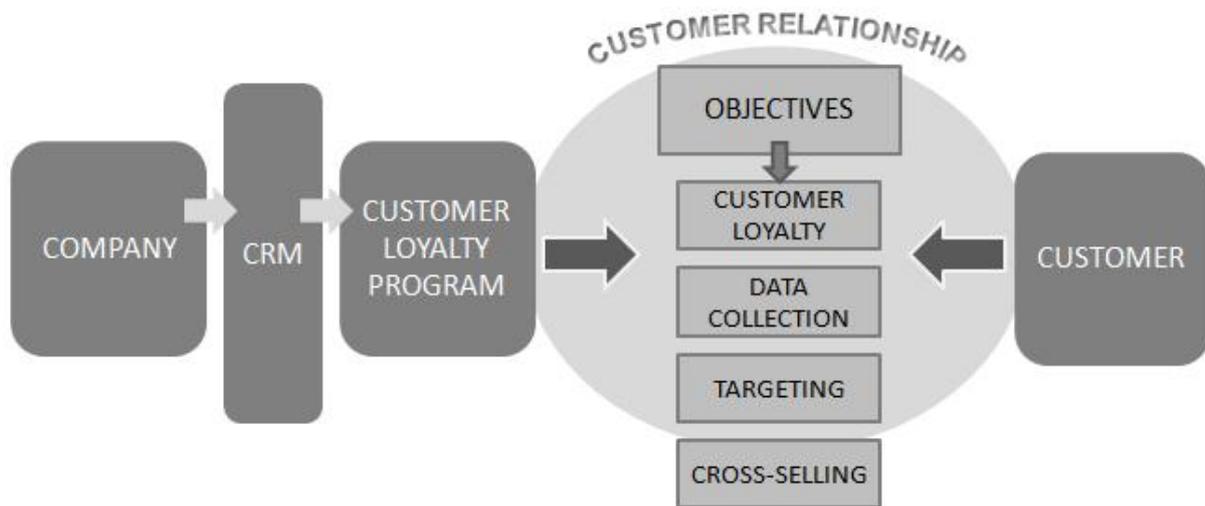
FIGURE 1.Theoretical framework.

Companies pursue relationship management to its different stakeholders, such as partners, suppliers, competitors and especially customers. Customer relationship management (CRM) has been developed since customer relations have raised as the number one priority for companies. Tools for achieving the objective of CRM; profitable, long-term relationships are many, of which customer loyalty programs are covered in this thesis. Especially the objectives and pursued benefits of loyalty programs are examined.

Customers are thought to be loyal to some extent and that is the phenomenon that loyalty programs mainly try to achieve. The thesis examines how loyalty programs might affect loyalty and concludes pursued benefits that relate to customer loyalty programs.

1.6. Literature review

The impacts of customer loyalty programs to customer behavior and loyalty has gained a lot of interest among researchers since these customer loyalty programs were introduced in the beginning of the 90's.

Starting from the positioning of CRM, Payne (2009, 22) places CRM under the field of relationship marketing, which refers to strategic relationship management of all relevant stakeholders. Zablah et al. (2004) on the other hand see customer relationship management as a broader process that is more strategically oriented and relationship marketing just a sub process of it. It sounds more logical to place CRM under relationship marketing if relationship marketing refers to managing all relationships of a firm including acquiring, maintaining, developing and retaining them. CRM constitutes just the part of managing relationships with customers.

Despite the extensive interest, a comprehensive definition of the topic is yet undiscovered due to the vague field of CRM. It can be seen as a process, strategy, philosophy or a technology (Zablah et al. 2004). Also Payne (2009, 22) notes the varying definitions of CRM and suggests that CRM is a strategic approach that focuses on the right customers in order to develop long-term and profitable relationships. CRM is also a way of collecting and employing information to improve marketing activities and in addition, it needs a cross-functional integration in the whole organization.

Customer loyalty is without exception connected to the objectives of customer loyalty programs. Heli Arantola has made extensive research on these two topics in Finland concerning especially consumer markets. Her empirical study from 2000 (162) on Finnish loyalty programs suggests that in grocery retailing the potential of loyalty programs is very restricted. All in all, marketers seem to have limited resources in identifying loyal customers (Arantola 2003, 185). Arantola (2003) also presents good insights to customer loyalty programs, their development, objectives and also takes the customer view to the matter. Also Lars Meyer-Waarden (2007; 2008; 2009) has researched the impact of loyalty programs on customer lifetime duration, purchase behavior and share of wallet (SOW). The findings of these studies will be examined in this thesis.

Although customer loyalty programs are researched from various aspects, it still remains as an interesting phenomenon to investigate. Results suggest pros and cons for the functionality of these programs and the purpose of this thesis is to sum up these findings in order to reflect them to the case company. The scientific

contribution of this paper might remain insignificant, but hopefully it will offer new viewpoints and suggestions for improvement to the case company.

1.7. Definitions and concepts

The key definitions and concepts used in this thesis will be explained below. Some definitions have not reached a consensus among researchers and therefore the best suitable definition concerning this topic and area of research will be chosen or reformulated.

Customer relationship management (CRM)

> CRM is a strategic and ongoing approach that focuses on the right customers in order to develop and maintain long-term and profitable portfolio of customer relationships. CRM is also a way of collecting and employing information to improve marketing activities. (Zablah et al. 2004; Payne 2009.)

Customer loyalty

> *"A deeply held commitment to rebuy or patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior."* (Oliver 1997 cited by Uncles et al. 2003).

Customer loyalty program

> An integrated and interactive system of marketing actions that aims to make customers more loyal by developing personalized relationships with them. (Meyer-Waarden 2007; Arantola 2003.)

1.8.   Structure of the research

The research is divided in theoretical and empirical parts. The theory starts by defining customer loyalty in order to untangle the different views of it. Loyalty can be divided in to different degrees and the classification is presented in chapter 2.2. Also the benefits of loyal customers are discussed as well as the criticism presented on that matter. Chapter 3 continues with customer loyalty programs by first unraveling the history behind CRM and the development of loyalty programs. The characteristic of loyalty programs are examined with closer inspection to the reward systems. The objectives of loyalty programs are summed in chapter 3.4 following a discussion on the research results on the benefits and effects of loyalty programs.

Chapter 4 offers insights to the used research methods guiding the reader to the second part of the thesis: empiricism. The empirical part attempts to follow the structure of the theory, starting from the development of the Plussa-program. The characteristics of the program are examined in the following chapter in order to discover how Plussa differentiates from its competitors. The objectives and benefits are discussed leading to examination of future challenges in the loyalty program. The conclusions are presented in chapter 6 offering possible suggestions for improvement and implications for future research.

2 CUSTOMER LOYALTY

As customer loyalty programs are very central to this thesis and loyal customers can be said to be the goal of loyalty programs, it is important to specifically define what is meant by loyalty. In order for marketers to create practical means for enhancing customer loyalty, also the elements that constitute loyalty need to be discussed (Arantola 2001, 9). The degree of loyalty is also discussed as well as the benefits of having loyal customers.

2.1.   Defining customer loyalty

Customer loyalty has been studied widely since the concept was introduced in the 1920's (Lichtlé & Plichon 2008). The definition has evolved and as many descriptions prevail, one inclusive answer to what customer loyalty is cannot be given. As Lichtlé and Plichon (2008) state, the concept of loyalty has broadened and the current trend is towards a more dynamic, situational and relational approach. The varying definitions still have similar elements that are discussed next in order to develop a good understanding of the different perspectives.

Uncles et al. (2003) present three popular conceptualizations of loyalty: attitudinal, behavioral and contingency approach. Also Lichtlé and Plichon (2008) as well as Peppers and Rogers (2004, 56) identify attitudinal and behavioral loyalty. Lichtlé and Plichon (2008) also add a third approach called mixed/composite approach. Next these different classifications and their differences as well as similarities are disentagled.

The attitudinal approach suggests that a loyal customer is one that has developed a favorable attitude towards the brand (Lichtlé & Plichon 2008). Some researchers argue, that there must be a strong attitudinal commitment to a brand in order for true loyalty to exist (Uncles et al. 2003). This approach is also called emotional loyalty as customers purchases are guided through positive feelings and favorable attitudes towards the brand. Peppers and Rogers (2004, 56-57) define that if attitudinal loyalty would exist, a loyal customer would be willing to pay a premium for the brand

although another brand has a similar, more inexpensive product. This approach also suggests that loyalty is closely tied to customer satisfaction.

Behavioral loyalty can be stated as regular purchases of the same brand. This type of loyalty can be measured by actual purchase behavior such as purchase sequence or retention rate. (Lichtlé & Plichon 2008.) Peppers and Rogers (2004, 57) also define this approach with repurchase activity that does not regard any internally held attitudes or preferences of the brand. Uncles et al. (2003) consider the perspective that few customers are loyal to just one brand, but they are rather polygamous or as Lichtle states loyalty is shared. Therefore Uncles et al. (2003) define loyalty from behavioral perspective as "an ongoing propensity to buy the brand, usually as one of several". What needs to be remembered is that having multiple loyalties is different from disloyalty (Lichtlé & Plichon 2008). Uncles et al. (2003) find that behavioral loyalty can lead only to weak commitment as loyalty to a brand is a result of repeated satisfaction. Customer chooses the brand that s/he has experienced to provide the most satisfaction. The search for an alternative is seen as so much trouble and time consuming that the same brand is bought over and over again without any attitudes or commitment to the brand.

Also Arantola (2003, 26) defines customer loyalty through a behavioral approach. She states that loyalty is an amount of repeat buying from the same supplier under a certain period of time. However, in her doctoral thesis the definition is broader and repeat buying is combined with positive attitude referring to the attitudinal approach discussed above (Arantola 2000, 8).

This definition leads to the mentioned mixed approach introduced by Lichtlé and Plichon (2008) in addition to attitudinal and behavioral approaches. When combining repurchase behavior and favorable attitudes, the vision of loyalty is two-dimensional.

Also Huddleston et al. (2004) favor a definition that depicts loyalty as the relationship between relative attitude and patronage behavior. This framework was originally proposed by Dick and Basu in 1994. They have specified antecedents that affect the relative attitude to a brand that include cognitive, affective and conative antecedents. Also social norms and situational influence are mentioned to affect the loyalty relationship.

Dick and Basu (1994) have identified that the relationship between relative attitude and repeat patronage has three consequences:

- Is the customer likely to search for an alternative?

- Is the customer resistant to counter-persuasion by competitors?

- Is the customer likely to spread positive word-of-mouth?

The above definition stands for the two-dimensional construct of loyalty. In addition to the mixed approach, Lichtlé and Plichon (2008) introduce the ideas of persistence (stability over time) and resistance to switching pressures. This also refers to the second consequence by Dick and Basu of counter-persuasion. Loyal consumer is therefore seen as one, who remains true to the brand despite the efforts of competitors to persuade the consumer to switch. Loyalty can be depicted as biased, constant, persistent and coherent response that resists the initiatives by competitors. (Lichtlé & Plichon 2008.)

In the framework of Dick and Basu (1994) social norms and situational factors are seen to affect the relationship between relative attitude and patronage behavior. Uncles et al. (2003) identified three popular conceptualizations of loyalty, of which attitudinal and behavioral are already discussed. The third model, contingency approach, suggests that the relationship between attitude and behavior is moderated by the individual's circumstances such as budget effects, time pressure or purchase situation e.g. product availability and promotions. This approach proposes that even though a strong attitude towards a brand, these factors determine whether the brand is seen desirable when a need for such product emerges. In comparison to the behavioral approach, the satisfaction was the determinant of the rebuy. This approach suggests a more complex view to predicting the next purchase.

All in all, this discussion proves that loyalty has many definitions and therefore, when talking about loyalty one should determine what type of loyalty is meant. It can be concluded that the concept of loyalty should be seen as something more than just repeat purchases. Although, the attitudinal side is rather difficult to measure, it should be associated in the definition. Also resistance to persuasion to switch and situational factors should be considered. Uncles et al. (2003, 296) present a comprehensive definition of loyalty by Oliver (1997):

"A deeply held commitment to rebuy or patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior."

True loyalty

Bloemer and Kasper (1995) have investigated the relationship between consumer satisfaction and brand loyalty. In their definition of loyalty, repeat purchasing is differentiated from brand loyalty. Repeat purchasing is seen not to take into account the degree of commitment as does brand loyalty. This concept is then further divided into true brand loyalty and spurious loyalty. True brand loyalty is based on commitment and therefore the customer insists on buying the same brand next time there is a need to buy the same product. When spurious loyalty prevails, the buyer lacks attachments to the brand and is easily persuaded to buy some other brand.

The authors state that there is a direct effect between customer's motivation to evaluate their brand choices and true brand loyalty. But, the more capacity the customer has to evaluate his/her brand choice the impact on true brand loyalty becomes negative. This means that when a person is highly involved with a purchase decision, s/he becomes loyal to the brand. When a consumer has many options in mind and a lot of references to compare, loyalty does not develop to be as strong. (ibid.)

2.2.   The degree of loyalty

The degree of loyalty can be divided into different stages of relationship development. Both Arantola (2001, 27) and Payne (2009, 111-115) identify stages of customer loyalty. Payne (2009, 111-115) calls his classifications as the loyalty ladder, where the relationship evolves from prospect to partner. From Prospect the customer becomes a Buyer after doing business with the organization once. Client is a repeat customer with no special feelings towards the organization. Supporter stays passive, but likes the organization whereas Advocate spreads word-of-mouth about the organization. Partnering relationships can be identified especially in B-to-B contexts where both parties seek an ongoing, profitable relationship. Payne (2009, 111-115)

states that to shift the customer from one ladder to another is not effortless, but definitely in the interest of the organization. Especially Advocates can be seen very important marketers of the organization as referrals are seen as the most effective and believable sources of information for other customers.

The classification by Arantola (2001, 27) is based on a continuum of commitment where different stereotypes of customer loyalty can be identified. At the other end customers are seen rational and comparing consumers, who cannot be loyal as they change the supplier whenever it is rational. The next type is a consumer who relies on learned behavior and habits and therefore makes repeat buys from the same supplier.

The third type is loyalty to brands that are experienced better than others. The nature of these consumers can also be described as making decisions based on emotions. The last type is a deep commitment to the customer relationship where the product plays a very strong and ideological role in the consumer's life.

```
┌──────────────────────────────┐
│  Deep commitment to the customer  │
│          relationship          │
└──────────────────────────────┘
┌──────────────────────────────┐
│     Loyalty to good brands      │
│                                │
└──────────────────────────────┘
┌──────────────────────────────┐
│  Repeat buying from the same   │
│           supplier             │
└──────────────────────────────┘
┌──────────────────────────────┐
│    Customers cannot be loyal    │
│                                │
└──────────────────────────────┘
```
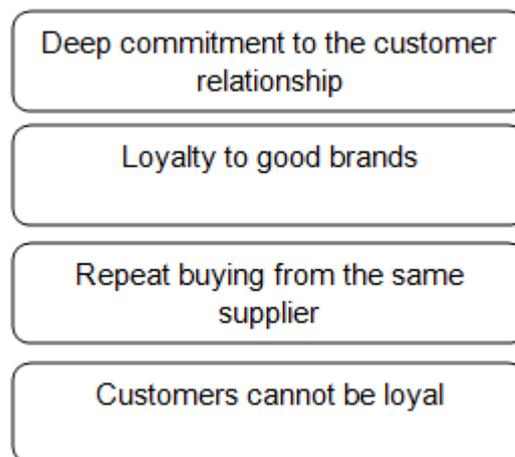
FIGURE 2. The different types of customer loyalty.

(adapted from Arantola 2001, 27.)

2.3. The benefits of loyal customers

As the definition of loyalty is formulated to mean both behavioral and attitudinal aspects, it is essential to discuss the benefits of having loyal customers. Especially in the field of hypermarkets loyal customers are the basis of sales forecast. This is indicated by Huddleston et al. (2004) as they state that consumers spend 78 per cent

of their food dollars at one primary store and loyal customers are noticed to spend 32 per cent more than other customers. It can be assumed that somewhat similar figures are valid also in Finnish grocery retailing and hypermarkets.

First of all, the saying that acquiring a new customer costs five times more than retaining an old one holds its position. Permanent customers are indeed seen very beneficial to the company. They bring continuous cash flow that might even increase as the customer becomes familiar with different services of the company and begins to exploit them. This is called cross-selling and additional selling. When the service situation becomes familiar to the customer, cost advantages can be created as the situation can be handled faster. Loyal customers can also yield operating cost advantages in the form of fewer markdowns and simplified capacity forecasting. Price sensitivity on the other hand can either increase or decrease depending on the customer. (Arantola 2003, 21-25; Huddleston et al. 2004.)

Loyal customers are expected to spread positive word-of-mouth in the form of referrals which can lead even to a growing customer base. Loyal customers are seen to have more interest in helping the company to improve its services in the form of complaints, which should be handled with respect in the company. Loyal customers are also thought to ignore marketing communications by competing firms, which refers to the term of resistance mentioned above. (ibid.)

Criticism towards the benefits of loyal customers

All companies strive for making profit. Having a loyal customer base appears to be one way to cost advantages as well as to other non-measurable benefits. As Reinartz and Kumar (2002) argue, this discussion is not left without criticism. They state that the relationship between customer loyalty and profitability is much weaker and complicated than companies have dared to think.

Loyal customers are thought to be less expensive to serve than other customers. The results of their research suggest that serving loyal and experienced customers is actually more expensive. Loyal customers expect to be rewarded by their loyalty in terms of price discounts or better service. The second argument is that loyal customers are willing to pay premium. This is because changing the supplier would be even more expensive to the customer and due to these switching costs they stay

loyal to the company. The research offers the opposite results, as loyal customers appear to be more price sensitive and indeed assume to deserve price discounts that random customers do not. How about the assumption that loyal customers do effective word-of-mouth marketing for the company? This dimension is very hard to measure, but what stands out from the research is that customers, who are loyal based on their attitude as well as purchase behavior are more likely to market the company than customers, whose loyalty is measured with just purchase behavior. (ibid.)

Reinartz and Kumar (2002) further suggest that companies should segment their customers based on their profitability and potential, because even long-term customers are not always the most profitable. The basic idea in customer relationship management is just that, identifying and focusing on the most profitable customers.

3 CUSTOMER LOYALTY PROGRAMS

This chapter examines different aspects of loyalty programs. The emergence of the programs will be discussed leading to description of the characteristics of these programs. Different types of loyalty programs are presented to create a good understanding of the whole field in order to position hypermarkets to that field. This chapter attempts to answer the central question of what are the many objectives and pursued benefits of customer loyalty programs.

3.1. The evolution from transactional marketing to CRM

Customer loyalty program can be seen as a tool for companies to deploy customer relationship management (CRM) (Uncles et al. 2003). In order to examine loyalty programs further, an introduction to CRM and its predecessor relationship marketing is appropriate.

Since the late 1980's marketing thinking was focused on creating purchases and singular exchanges in order to maximize profits (Grönroos 2000, 8). This approach is called transaction marketing and it relies on the framework of the marketing mix. However, as markets changed there was a need for new marketing approaches. With more mature markets, acquiring new customers became difficult and companies faced pressures on profitability. Also customer needs became more demanding and companies started to globalize. This placed new challenges for marketing as well. The approach started to shift from plain customer acquisition to emphasizing all market domains and especially customer retention. (Payne 2009, 10.)

Relationship marketing focuses on managing the competing interests of the company's different stakeholders such as customers, employees and shareholders. Relationship marketing according to Payne (2009, 9-10) can also be characterized by three principles: emphasis on customer retention, emphasis on multiple markets and the cross-functional nature of marketing. First of all, the ultimate goal of relationship marketing is maximizing customer lifetime value. Therefore, profitable customers need to be identified and strategies should be developed in order to target those profitable customers. Secondly, in order to achieve long-term success in the market

place, companies need to develop relationships with multiple stakeholders. The third characteristic handles with managing these multiple relationships. The organizational culture needs to view marketing as everyone's business, not just the marketing department's.

Customer relationship management is the next level of relationship marketing. The advanced technologies enable collection of customer data and the use of this information in order to achieve one-to-one marketing. Payne (2009, 11) defines CRM as information-enabled relationship marketing. The author mentions multiple benefits related to CRM. As mentioned, relationship marketing evolved in order to focus also on customer retention not just acquisition. With mature markets, firms need to invest on existing customers, which can result in higher revenue and profit at lower cost. The long-term relationship also enables the firm to improve its customer service. When customers are seen as business assets the idea is to identify the most profitable customers and build lasting relationships with them.

CRM is organized around customer lifecycle as this customer centered focus and long-term relationships are related to a greater degree of cross-buying, more transactions and therefore higher profits. To influence customers across their lifecycles, companies have adopted strategies that attempt to develop the relationship through its lifecycle, stimulate product usage and encourage repeat purchase behavior. Such strategies are called customer loyalty programs. (Meyer-Waarden 2008.)

3.2. The development of customer loyalty programs

After the interest in relationship marketing, acquiring and especially keeping customers became the essence in marketing actions. It was discovered that in business-to-business markets suppliers that had close customer relationships also had more loyal customers that gave the suppliers a greater share of their business. (Dowling & Uncles 1997.) Regular customer cards and loyalty programs emerged as a means to handle the relationship and gain the discovered benefits of loyal customers (Boedeker 1997). Already in the 1980's the first steps in these loyalty programs were taken (Arantola 2003 49). With large customer groups in consumer marketing, close relationships with each customer was impossible, but the need for

customer identification was noticed (Dowling & Uncles 1997). In terms of enhancing direct marketing, companies adopted database marketing to gain personal knowledge. Also different forms of customer rewarding were invented, introduced and taught to the customers. The starting point for loyalty programs was found on such industries that offered low involvement products, had intense competition inside the industry and fixed costs dominated compared to variable costs. (Arantola 2003, 49.)

In the next decade the interest in customer retention and customer loyalty started to spread. Programs were branded in order to create competitive advantage, although these programs were carelessly copied and slightly altered. As the interest among customers grew, the demands for the programs were also emerging. (ibid.)

Now in the 21st century the contents of loyalty programs have changed towards emphasizing rewarding and recognition. The implications of customer data are also studied and developed as means of more personalized marketing or even one-to-one marketing. (Arantola 2003, 54-62.) The investments on loyalty programs are also growing all the time. Meyer-Waarden (2008) states, that in 16 European top retailers in 2000 spent more than $1 billion altogether in their programs. This gives indications to the marketing expenditures of Finnish loyalty programs.

3.3.   The characteristics of loyalty programs

As mentioned above, loyalty programs can be seen as means of practicing relationship marketing. Some studies see these programs merely as a part of the execution of companies´ marketing communications actions whereas others consider loyalty programs plainly as CRM systems. (Arantola 2003, 71; Meyer-Waarden 2007.)

Arantola (2003, 50-53) sums that loyalty programs are described as interactive programs that are usually targeted at large customer groups with a customer data base, a way of joining the program and, as mentioned, rewards. She finds that many definitions delimit the idea that the customer needs to be committed or that even the strive for customer loyalty lacks from many definitions. The following definition is more suitable for this thesis as customer loyalty is seen very central to customer

loyalty programs. Meyer-Waarden (2007) defines loyalty program as an integrated system of marketing actions that aims to make customers more loyal by developing personalized relationships with them.

Boedeker (1997) presents more practical features that are typical especially for Finnish loyalty programs. Besides a bonus system, the membership requires a one-time payment. A credit card feature can be included in the membership card and members also receive a promotional magazine. These cards function as a basis for a customer data base as each time the card is used, certain information is collected.

Rewarding in loyalty programs

Rewards in customer loyalty programs are to work as incentives to encourage the customer to center purchases to one store or to purchase more. Dowling and Uncles (1997) have explored how rewards are linked to loyalty programs. They divide the impact of rewards to indirect and direct effects. Indirect effects induce loyalty mainly to the program, not the product itself or store in this case. Especially in low involvement products the incentive is the primary reward and once the incentive is removed, the reason to buy disappears. This could be the case with promotions and freebies. Direct effects on the other hand support directly the value proposition, where the product is the primary reward, not the incentive.

Marketers want to create loyalty towards the product instead of the program. O´Brien and Jones (Dowling and Uncles 1997) suggest elements that are the basis how customers value rewards. These include the cash value of the reward, the variety of rewards, the aspirational value of the reward, the likelihood of achieving a reward and the program´s ease of use. In order for loyalty programs to create loyalty, the timing of the reward is essential. Dowling and Uncles (1997) suggest that immediate rewards should be preferred to delayed ones.

3.3.   Types of customer loyalty programs

Arantola (2003, 83-84) has presented three basic types of loyalty programs. Two customer loyalty programs are discussed here as the third involves business-to-business programs. Programs that use hidden activities in order to increase loyalty are called quiet programs. In quiet programs the company chooses which segments

it wants to take care of and reward based on the behavior the company wants to motivate. These programs do not invite customers to join, they do not give away membership cards neither do they address their customers as members. As Arantola (2003, 83-84) states the challenge in these programs is to create such a communicating and rewarding system that still is noticed by the customer.

Where telephone operators might have a quiet program, grocery retailers among others have open customer loyalty programs. These programs are in a way branded, as they have a name. Members are asked to join or they can join spontaneously. In order to maintain clarity to the members, the rewarding system has an open model of calculation. The main beneficial difference between quiet and open programs is that open programs are difficult to measure as no control groups can be assessed due to their publicity. (Arantola 2003, 83-84.)

Berman (2006) has also developed an interesting typology of loyalty program types that includes 4 types. Type 1 is the most basic and common type of loyalty programs. Memberships are open to all customers and discounts are received just by using the membership card. No data is collected and therefore the company cannot deploy targeted marketing. According to Berman, type 1 programs do not encourage repeat purchases as all customers, occasional ones, cherry-pickers and heavy users, receive the same deals.

Type 2 programs can be characterized with quantity discounts, where customers receive one free item after exceeding a give level of purchases. These programs are very easy to copy and since no customer database is applied, the company cannot offer differential rewards. Unlike the previous types, type 3 programs require a database as rewards are based on cumulative purchases. After exceeding a certain level of purchases, customers gain a reward which stimulates to buy. Type 3 programs also involve partnerships in order to offer complementary products and to facilitate customers´ point collection. (ibid.)

Type 4 programs use information in customer databases most effectively as customer demographics and purchase history are recorded. This information is then used for customer segmenting and even individually targeted marketing. (ibid.)

3.4. Objectives

The objectives of loyalty programs can vary from program to program as they are used in different industries and environments. The objectives that attracted companies to introduce loyalty programs are still present today, although the emphasis might have altered.

Arantola (2003, 72) states that loyalty programs were developed to balance the fluctuations in sales as well as to facilitate the predicting of future revenues. Surely it was in the companies´ interest to attract customers to buy more and to shorten the buying cycle. Also acquisition of new customers was an underlying objective as well as customer loyalty. Dowling and Uncles (1997) add, that loyal customer are thought to be more profitable to a firm through decreasing servicing costs, reduced price sensitivity and increased spending as mentioned in chapter 2.3.

Nowadays as the programs have experienced maturity stage, it could be argued that instead of customer acquisition, customer retention has become a central objective of these programs. Also Uncles et al. (2003) mention maintaining the current customer base as one major objective. Arantola (2003, 72-73) states an interesting factor that instead of goals concerning the number of members, loyalty programs have started to focus on improving the customer experience.

Authors have detected many somewhat similar objectives of loyalty programs that are listed in the table 1.

	Arantola (2000)	Meyer-Waarden (2008)	Berman (2006)	Dowling & Uncles (1997)
VOLUME				
Number of members	X			
Customer retention	X	X		X
Induce rebuy		X	X	
ACTIONS				
Identification	X	X		
Customer loyalty	X	X		X
Cross-selling	X		X	X
Targeting	X		X	
ATTITUDE				
Satisfaction	X			
Brand recognition	X			
INTERNAL				
Better customer service	X			
Data collection		X	X	
Differentiation				X
Pre-emption of competing loyalty schemes				X

TABLE 1. Objectives of loyalty programs defined by different authors.

The classification of objectives to volume-level, action-level, attitude-level and internal-level objectives is adapted from Arantola (2000, 172). To sum up the table, customer retention, customer loyalty and cross-selling were mentioned three times out of four by these authors. The research by Arantola (2000) examined Finnish loyalty programs and the first column in the table presents the most common objectives of those loyalty programs. However, for example satisfaction was not mentioned by the other authors as an objective, although many other aims did get support. Data collection was seen as an objective by Meyer-Waarden (2008) as well as by Berman (2006), who defines it as one of the most significant benefits of loyalty programs. The data enables companies to profile their customers, tailor offerings and to use it for inventory management and pricing. In Arantola´s (2000) research on the other hand surprisingly little emphasis was put on behavioral data collection.

3.5.   Benefits and effects

Throughout the literature used in this study suggests that customer loyalty programs have only limited effects on customer behavior, if any. (e.g. Meyer-Waarden 2006; Dowling & Uncles 1997; Reinartz & Kumar 2002). Lars Meyer-Waarden has made extensive research on the effects that customer loyalty programs have on customer behavior.

In his 2007 published research, Meyer-Waarden studies how loyalty programs affect customer lifetime duration and share of wallet (SOW). Previously it was mentioned that the objectives of loyalty programs are to develop long-term relationships with customers and induce rebuys as the customer focuses his/her purchases to one store. The research suggests that loyalty programs have positive effects on lifetime duration and SOW, but only at the store level. What proved to play a more significant role was the geographic distance of the store. When competitors stores are closer in distance customers are more vulnerable to change stores. It can be concluded that customers are more loyal in terms of lifetime duration and SOW to stores that are geographically closer.

Another study made by Meyer-Waarden and Benavent (2009) assumes that when customers choose a store, their decisions are guided by the aim to reduce uncertainty. They also expect that loyalty program membership, store distance and purchase intensity are associated. They also suggest that loyalty programs reinforce purchase loyalty, instead of influencing long-term attitudes and commitment. Therefore, satisfaction with purchases and habit formation explain most of customer´s rebuys. Their research also indicates that loyalty programs do no attract heavy users of competitors´ stores as the cumulative rewards have created switching costs to those customers. Therefore, it is understandable why companies want to induce repeat buying and gain a greater share of customer´s SOW.

The incentive behind customer´s rebuys is the reward and gratification system. When all programs offer similar rewards as a result of imitation, it is difficult for stores to differentiate and encourage repeat purchases (Meyer-Waarden 2007). The problem is that, when companies see an innovative tactic by competitors, it easily becomes imitated (Dowling & Uncles 1997). Meyer-Waarden and Benavent (2009) imply that

as customer loyalty is motivated by rewards, it causes loyalty only to the program. Once the reward is earned, the incentive to buy disappears. Stores should indeed focus on creating store loyalty, where the customer values the core offerings and store features more than the program and its rewards.

As Arantola (2003, 51) and Meyer-Waarden and Benavent (2009) state, customer store decisions are based on location, inertia, comfort, satisfaction and on features concerning the product selection such as price level and quality of the products. Therefore, based on this examination it can be concluded that companies should especially put effort on creating customer satisfaction and enhancing store attributes.

4 RESEARCH METHOD

This chapter presents the research method used in this thesis. First the concept of qualitative research is explained followed by introduction to chosen methods and data collection. Also the analysis of the interview and reliability of the research are viewed.

4.1.   Qualitative research

This research has been conducted through qualitative research. It is though difficult to find a consensus on the definition of qualitative research. Often it is referred as the opposite of quantitative research, which is described as measuring the object of research in order to receive numeric information. Qualitative research focuses on a small number of cases and attempts to analyze them very thoroughly. The basic principle is the quality of the science, not the amount of it. (Eskola & Suoranta 2003, 13-15.) Qualitative research has been chosen for this research because the objective is to study one case and the information can only be achieved through qualitative methods.

The chosen research perspective is a case study. In a case study one or more cases are under examination and the aim is to define, analyze and solve the named problems. The perspective does not determine the data collection methods or chosen analysis methods and therefore it is called the strategy guiding the whole research process. (Eriksson & Koistinen 2005.)

4.2.   Data collection through an interview

The empirical data has been collected through an interview, which is said to be one of the most common methods to collect qualitative material. The main benefit of an interview is its flexibility. Questions as well as answers can be clarified and the structure of the interview is not fixed. The aim is to gain as much information on a certain topic as possible. The interviewer can also act as an observer of the situation and make notions about the environment and in addition to what is said, focus on

how it is said. An interview is also about interaction, which affects the results of the interview to some extent. (Tuomi&Sarajärvi 2003, 73-74; Jyrinki 1976, 11-14.)

The interview type was a theme interview as questions were formulated based on certain themes derived from the theory part. Theme interview is in the middle of open discussion in a deep interview and fixed questions in a form interview. (Tuomi & Sarajärvi 2003, 76-80.)

The interview in this thesis was conducted with the areal manager of K-Citymarket. Also the websites of related companies were used to offer background information. The interviewee was chosen because of his long work history in K-group and therefore expected knowledge on the development of Plussa-program. The areal manager was also expected to have good insights to the benefits of Plussa-program from the viewpoint of K-Citymarkets. The interview questions can be found in appendix 1.

4.3. Method of analysis and reliability of the research

The method of analysis used was contents analysis. The material was recorded and then transcribed in order to handle the material better. The analysis was guided by theory chapters and the material was themed based on them. This approach is called a theory oriented analysis, which relies on chosen theories that are presented first and the empirical research is then compared to the theories. (Tuomi & Sarajärvi 2003, 99-100.)

The reliability of qualitative research can not be evaluated as straightforward as in quantitative research. In literature there are no univocal guides on how to evaluate the reliability of qualitative research. (Tuomi & Sarajärvi 2003, 135-138.) One validity criterion mentioned is triangulation, which refers to the use and combination of different methods, sources and theories in the study. In this research theory related triangulation is used as many theoretical perspectives are discussed and compared. (Tuomi & Sarajärvi 2003, 140-142.) The results of this study can be said to be valid in the researched context, but cannot be generalized to concern other hypermarkets than K-Citymarket or other loyalty programs than Plussa.

5 EMPIRICAL PART: CASE PLUSSA-LOYALTY PROGRAM AND K-CITYMARKET

This chapter handles the findings and results concluded from the interview. First, the Plussa-program will be introduced in more detail to offer background information on the competitive situation of Plussa as well as its characters. The empirical part is attempted to construct to follow the structure of the theory part. In the end of this chapter the reader can find suggestions for improvement of loyalty programs.

5.1.   Introduction to Plussa-loyalty program

Plussa is the loyalty program of K-Group. More specifically the Plussa-program is managed by a subsidiary of Kesko called K-Plussa Oy. K-group or Kesko is a leading provider of trading sector services in Finland. It operates in food, home and specialty goods, building and home improvement, as well as car and machinery trade. The total net sale of Kesko in 2008 was 9 591 million euros. (Talma 2009.)

K-Citymarket is a hypermarket chain in K-group with 64 stores in Finland. It operates in both food trade and home and specialty goods trade. Net sale of K-Citymarket in food trade was 1 249 million and in home and specialty goods trade 666 million with the total of 1 915 million. The market share of Citymarket in 2008 in food trade was 33.7 %. S-group had 42.4 %, Finland´s Local Store 11.3 % and others 12.6%. (Talma 2009; Kesko.)

The loyalty program of K-group was originally introduced in 1994 in the form of K-Benefit card. Three years later, in 1997, the loyalty program was re-launched as the Plussa-program. The main improvement was the reward system that enabled customer identification and registration of purchases. (Arantola 2000, 147-150.)

Plussa-program rewards customers on a monthly basis, as a certain point limit is exceeded. However, the points accumulate without a time limit until the limit is reached. Customers receive point coupons or the rewards can be directed to the customer´s bank account. Plussa is also marketed as means of receiving store

promotions. For convenience, the Plussa-card can be attached to the debit and credit cards of two Finnish banks. (Plussa.)

Plussa network includes 3500 stores and 40 partners. According to Plussa-website (Plussa), 2 million households are Plussa-members and 3.6 million Plussa-cards are distributed in Finland.

The main competitors of Plussa-program are S-bonus and YkkösBonus. S-bonus is the loyalty program of S-group, which is a co-operative society. More on the local store focused Finland´s Local Store has YkkösBonus as loyalty program. Both groups have also hypermarkets, S-group with Prisma and Finland´s Local Store with Euromarket. (S-kanava; YkkösBonus.)

5.2. Development of the Plussa-program

The Plussa-program was developed mainly due to the current trend and in response to competitors´ actions. S-group had introduced its loyalty program in 1988 and it soon started to gain customer's interest (Arantola 2000, 143). According to the interviewee, until that time K-Citymarket had led the competition in terms of sales volume, but S-group overtook in the end of the 90's. When introducing the loyalty program, especially K-Citymarket was the pioneer in Kesko group to attract customers to join the Plussa-program, since the hypermarket has the biggest customerbase.

S-group evidently gained competitive advantage by being a first mover to introduce a loyalty program in this specific market. However, there are risks in applying such a loyalty program. The costs are extensive when deploying a new system and one risk lies also in customer approval. On the other hand, loyalty programs were introduced already in other countries, which gave indications about customer approval. As a follower the Plussa-program could have been designed to differentiate from S-Bonus to reflect the image and key ideas of K-group.

The motives behind the introduction of the loyalty programs were not discussed in the interview and it seemed that the main reason for introducing the loyalty program was the current trend and competitors actions. The true objectives behind the

program can be assumed to relate to what Payne (2009, 11) stated about CRM. Customer retention and focusing on existing customers as well as profitable, long-term relationships are the benefits mentioned. From this perspective loyalty programs can indeed be seen as a tool for practicing CRM.

5.3.   Differentiation from competitors

The main competitors of K-Citymarket are other hypermarkets in Finland, Prisma and Euromarket. Plussa-program can be said to have these two competitors in the field of hypermarkets. Surely, there are other companies besides these competing from the same purchasing power, but this view is best suitable for this context.

One objective of this thesis is to find out if loyalty programs have such benefits for the companies that they are worth maintaining. Especially in this situation, where all actors in the market possess a loyalty program, it is interesting subject to investigate. There should be some features that differentiate these schemes from each other, but what remains unanswered is if they are diverse enough in the customer's eyes?

First of all, what these programs have in common is the variety inside the group. Customers are offered similar services such as restaurants, hotels and hypermarkets. In addition, they all have of course a reward system.

The interviewee mentions that customer´s are hoped to appreciate the variety of Plussa-stores, which in his words has the biggest cover. Plussa is also strongly involved in the goods side e.g. in terms of the hardware store K-rauta and home goods store Anttila. Also the variety of different kinds of products is hoped to add value for the customer. Plussa has also developed partnerships with Scandic Hotels, an insurance company and mobile operators in order to broaden the overall offering. The in-store promotions that are typical to the Plussa-strategy are thought to differentiate the program, as competitors do not market promotions in the same extent.

In chapter 2.1 the idea of counter-persuasion was introduced. These promotions might work in persuading customers from competitor´s stores assuming that the customers have encountered information on these promotions. But whether the

customer shifts regular purchases to that store based on good promotions is questionable. In chapter 3.3 the ideas of Dowling and Uncles (1997) on reward systems was discussed. They argued that in low involvement products the discount becomes the primary reward and once that reward is received, the reason to buy disappears. Although Dowling and Uncles (1997) further suggest that direct rewards are preferred to delayed ones. However, the purpose of point collection, where the reward is gained monthly is to induce regular purchases not just in case of promotions.

5.4.   Objectives of Plussa

The interviewee stated that the main objective behind every hypermarket and loyalty program is the same, to gain the customer's commitment. Commitment and its definition were not examined in depth in this thesis, but it can be assumed that the interviewee referred to loyalty as it is defined in chapter 1.7. In that case customer loyalty can be proven to be the main objective of Plussa-program.

Customers are also hoped to deploy the different stores that belong to the K-group as widely as possible. The incentive in cross-buying is the reward system and point collection.

One mentioned objective is also data collection on the buying habits of the customer base. The interviewee saw this mainly as means for improving the store's selection. All in all, the Plussa-card works as a means for the customer to help the store in satisfying customer needs. This information is also designated to help predict future sales as well as the potential customer base. Also target marketing can be practiced only through loyal customer databases.

All these objectives including customer loyalty, cross-selling as well as predicting future sales and targeting through data collection were the main objectives mentioned by different authors (table 1). Although, it was not assumed that the aims would have been divergent and as stated different programs can vary in objectives. However, with all these objectives, are they realizing and if so, what benefits can be mentioned?

5.5. Pursued benefits

> *"It cannot be said black and white [how beneficial it is having a program], because all the benefits cannot be converted to money."*

The interviewee finds, that the loyalty program possesses a lot of benefits and possibilities that are yet undiscovered. First of all, as mentioned above, information on customer buying habits and volumes is crucial for today´s hypermarkets. Of course, the law regulates how customer information can be collected and managed. In order to reward customers monthly, the customer´s name and total amount spent can be recorded in one file. The exact products bought cannot be connected to the individual, but the store receives information on what products are bought by the whole customer base. This especially helps the store to improve its selection and predict sales volumes.

Through customer information the company sees, where the most profitable customers come from or where is the biggest potential. This information is the basis for customer segmentation and target marketing. The interviewee yet adds that mass marketing is still the main marketing method for K-Citymarkets. Baby steps in target marketing have been taken, but the effects of it and measurability need to be organized properly. Information is available, but which part of it is relevant and how that relevant information can be exploited is still a mystery. Target marketing might also possess risks among customers as the interviewee states:

> *"Of course in loyalty program marketing you have to weigh the risks and benefits…It might be that the neighbor receives an offer, but the other does not. You have to accept that risk…We have to keep in mind that one basic meaning of loyalty programs is to reward the best customers."*

The interviewee mentioned that research on customer behavior and customer opinions is made by K-Plussa Oy. The mentioned benefits did not include any realized figures on changes in customer behavior, but as cited above, some benefits are rather difficult if not impossible to measure. To sum up, the benefits concerning Plussa-program relate mainly to the data collection and the different uses of that

information. The data collection can be seen as a measurable back process that seeks to create customer loyalty and attract customers to rebuy.

5.6.   Challenges

The loyalty program faces also challenges in the developing environment. The interviewee finds that the main challenges concern with segmentation, differentiation and appealing to customers. Also different applications of collected information are not fully harnessed. Therefore, one challenge is to keep up in the development of exploiting the data. As demographics and customer habits change, also the company and its marketing tactics need to evolve.

> *"The program works well, but the question is how to find the way to use the information and speak the customers."*

Customers receive an ever increasing amount of information through multiple channels, so how can companies distinguish themselves from that information flow. The possibilities are yet limited in terms of expenditures. Also the communication methods are changing as internet is overtaking print media and the time delay is getting even shorter.

In terms of loyalty cards, it is a customer´s market. The interviewee recognized the today´s situation, where customers are polygamously loyal. This term was presented in chapter 2.1 by Uncles et al. (2003) as "an ongoing propensity to buy the brand, usually as one of several". Meyer-Waarden (2007) introduces a phenomenon called cherry-picking, where customers possess many loyalty cards and can exploit the benefits of every loyalty program. This applies especially in terms of promotions as customers are able to hop from store to store. Although, in order for the customer to receive a long-term reward, it is in his/her interest to focus purchases to just one store.

> *"Most consumers have many cards, but the question is which of them are used. At this point it´s about who can be stimulated to use the card and the amount of usage."*

The interviewee has noted the fragmentation of segments, where especially one-person households have increased. This demographical change has set challenges to hypermarkets and loyalty programs as they need to be appealing also to that segment. Of course, one-person households have different needs and wants concerning their shopping experience as well as the loyalty program compared to a big family. Also Huddleston et al. (2004) had noted this fragmentation, which poses new challenges for retailers and has created an even more competitive industry.

> *"In recent years the fragmentation of segments has become a big challenge…you need to approach the customer with the medium that the customer uses."*

Meyer-Waarden (2007) noted that customer information is the key to tailored strategies and appealing to different segments. Customers can be selected, identified and segmented based on their purchase behavior, which is the basis for target marketing.

6 CONCLUSIONS

Customer loyalty is a very complex and even controversial matter. It can be defined with just concerning purchase behavior or an attitudinal approach can be added. In this study it was thought crucial to include positive attitude to the definition, as true loyalty is seen to relate with emotions.

Customer loyalty programs are a means of practicing customer relationship management with the aim of long-term, profitable relationships. However, loyalty programs have many other objectives as well or at least sub objectives that all aim to achieve those long-term relationships. The most common objectives from literature as well as from the empiricism were indeed customer loyalty, data collection, targeting and cross-selling. Data collection was not seen as an objective itself, but rather as a moderator that enabled target marketing, segmenting and identification of customers. Also the interviewee found that with data collection and target marketing the company can pursue to create customer loyalty.

The actual benefits of loyalty programs seem conflicting. First of all, the benefits are hard to measure as they typically involve behavioral changes. The successfulness of target marketing on the other hand can be measured, but only to some extent. In different research the effects of loyalty programs were not straightforward and if some effects were found, they prevail only in certain conditions. Although no proven scientific results of the benefits of loyalty programs, the interviewee saw that the benefits are still greater than if no loyalty scheme was implemented. Data collection and the different, although still undiscovered, implications attracted to maintain such a program.

The environment in which hypermarkets and their loyalty programs compete have become even more competitive. Loyalty programs face challenges that relate to differentiation from competitors in terms of appealing to customers. Although, customer information possesses a lot of benefits, the different applications are not fully harnessed and therefore place great challenges for the future.

Customers are seen to be polygamously loyal, meaning loyalty towards many stores. Therefore, the challenge for hypermarkets is how to activate customers and attract

them to focus purchases to only one store. In addition, a demographic change in fragmentation of segments has created new challenges for targeting and for the whole design of the loyalty program strategy.

Many suggestions for further research arose from this study. As promotions are one of the main features of Plussa-program and K-Citymarkets and a strategy to differentiate from competitors, it poses an interesting research subject. As mentioned in the empirical part, it is questionable if the effects of promotions are long-term. Also customer perspective would be a fascinating object. Loyalty programs could be studied from the customer view if they meet with the goals set by the company.

As satisfaction and store attributes seem to be one of the key determinants behind customer´s store decisions, a study on the antecedents of those factors are assumed to provide practical results. Also the role of customer service seems crucial and it can be further argued if coupons are the marketing tactic of today. The shift is towards improving the whole customer experience and in the context of hypermarkets focus on service might bring some sort of competitive advantage.

REFERENCES

Literary references

Arantola, H. 2003. Uskollinen asiakas – Kuluttaja asiakkuuksien johtaminen. Porvoo: WSOY.

Arantola, H. 2000. Buying Loyalty or Building Commitment- An empirical study of customer loyalty programs. Helsinki: Yliopistopaino.

Berman, B. 2006. Developing an Effective Customer Loyalty Program. *California Management Review* (49) 1: 123-148.

Bloemer, J. & Kasper, H. 1995. The Complex Relationship between Consumer Satisfaction and Brand Loyalty. *Journal of Economic Psychology* 16: 311-329.

Boedeker, M. 1997. Relationship Marketing and Regular Customer Cards: Daily Product Retailing in Finland. *Marketing Intelligence and Planning* (15) 6: 249-257.

Dick, A. & Basu, K. 1994. Customer loyalty: Toward an integrated conceptual framework**.** *Academy of Marketing Science (22) 2: 99-114*.

Dowling, R. & Uncles, M. 1997. Do Customer Loyalty Programs Really Work?. *Sloan Management Review* (38) 4: 71-82.

Eskola, J.& Suoranta, J. 2003. Johdatus laadulliseen tutkimukseen. 6th edition. Jyväskylä: Vastapaino.

Grönroos, C. 2000. Service Management and Marketing- A Customer Relationship Management Approach. 2nd edition. John Wiley & Sons Ltd.

Huddlestion, P. & Whipple, J. & VanAuken,A. 2004. Food Store Loyalty: Application of Consumer Loyalty Framework. Journal of Targeting, *Measurement and Analysis for Marketing* (12) 3: 213-230.

Jyrinki, E. 1976. Kysely ja haastattelu tutkimuksessa. 2nd edition. Helsinki: Oy Gaudeamus Ab.

Lichtlé, M. & Plichon, V. 2008. Understanding Better Consumer Loyalty. *Recherche et Applications en Marketing* (23) 4: 121-140.

Meyer-Waarden , L. & Benavent, C. 2009. Grocery retail loyalty program effects: self-selection or purchase behaviour change? *Journal of the Academic Marketing Science* 37: 345-358.

Meyer-Waarden, L. 2008. The Influence of Loyalty Programme Membership on Customer Purchase Behaviour. *European Journal of Marketing* (42) 1: 87-114.

Meyer-Waarden, L. 2006. The Effects of Loyalty Programs on Customer Lifetime Duration and Share of Wallet. *Journal of Retailing* (83) 2: 223-236.

Payne, A. 2009. Handbook of CRM - Achieving Excellence in Customer Management. 3rd edition.Butterworth-Heinemann.

Peppers, D. & Rogers, M. 2004. Managing Customer Relationships- A Strategic Framework. John Wiley & Sons, Inc.

Reinartz, W & Kumar, V. 2002. Asiakasuskollisuus hallintaan (Mismanagement of Customer Loyalty). *Yritystalous* 5: 45-54.

Tuomi, J. & Sarajärvi, A. 2003. Laadulllinen tutkimus ja sisällönanalyysi. Helsinki: Kustannusosakeyhtiö Tammi.

Uncles, M. & Dowling, G. & Hammond, K. 2003. Customer Loyalty and Customer Loyalty Programs. *The Journal of Consumer Marketing* (20) 4: 294-316.

Zablah, A., Bellenger, D., Johnston, W. 2004. An Evaluation of Divergent Perspectives on Customer Relationship Management: Towards a Common Understanding of an Emerging Phenomenon. *Industrial Marketing Management* 33: 475-489.

Internet references

Eriksson, P. & Koistinen, K. 2005. Monenlainen tapaustutkimus. Kuluttajatutkimuskeskus 4/2005. [www-document]. [retrieved November 23, 2009]. From: http://www.kuluttajatutkimuskeskus.fi/files/4957/2005_04_verkkojulkaisu_tapaustutkimus.pdf.

Hammarsten, H. 2006. Kauppojen korttipeli kovenee. [www-document]. Talouselämä. [retrieved 29 November 2009].From:http://www.talouselama.fi/uutiset/article162543.ece.

Kesko. Financial highlights. [www-document]. [retrieved November 23, 2009]. From: http://kesko.com/index.asp?id=9756F2EF68F84613AC726ED420EC4AE8&data=1,00308B787886459385F296A5AFD4FA74,4677ADD3C49442BAB586A552BD73B4CA.

K-Plussa. Kaikki K-Plussasta. [www-document]. [retrieved November 26, 2009]. From: https://www.plussa.com/wps/portal/plussacom/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/plussacom/Plussacom/Kaikki+Plussasta/.

S-kanava. S-omistajaedut. [www-document]. [retrieved November 26, 2009]. From: http://www.s-kanava.fi/valtakunnallinen/asiakasomistajuus_artikkeli?nodeid=Asom _Asiakasomistajanedut_0000&aid=Asom_Asiakasomistajanedut_0000&exp=true/.

Talma, A. 2009. Kesko roadshow. [pdf-document]. [retrieved November 23, 2009]. From:http://kesko.com/index.asp?id=AE49C10586964569BD2388978163A0C6&data =1,00308B787886459385F296A5AFD4FA74,6CF329E89B854E99A84C3F24356B3 B82.

Ykkösbonus. Tietoa ykkösbonuksesta. [www-document] [retrieved November 26, 2009].From:http://www.ykkosbonus.com/lahikauppa/ykkosbonus.nsf/sivut/index?Ope nDocument&cid=index/.

APPENDIX

Appendix 1. Interview questions.

1. Please describe the development of the Plussa loyalty program. How did the program get started and why? How the program has evolved?
2. What kind of objectives does the program have? What are the most important ones of these goals?
   a. In your opinion, what does customer loyalty mean?
3. Which customer loyalty programs do you see as competitors for Plussa? How does Plussa differ from those competitors?
4. What benefits do you see in Plussa program? Can you mention how those benefits realize in practice?
5. How does Plussa program appear in the marketing of Citymarkets?
6. Do you find that there are areas for improvement/development in the program?
7. How is the actualization of the goals monitored? What is your own view of the functionality of the program?