The Impact of Loyalty and Reward Schemes upon Consumer Spending and Shopping Habits

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Introduction

In the field of retail marketing and consumer goods, there are a numbers of realities taking place with concern for spending and patterns for shopping habits. While one cannot entirely predict how an individual will behave within the retail environment and whether or not, he or she will purchase an item may come down to myriad of variables having little to do with brand identity (Armstrong et al 2014). Purchase of an item, needed or not can be emotional and purely guided by a different degrees of factors that suggest the product is the best possible solution to the need dependent upon quality, price and availability (Oliver 2014). The level of loyalty and satisfaction one feels toward shopping may have little to do with the amount spent but rather a system of complex conditions that must be set into place in order for the consumer to remain loyal and satisfied (Ou et al 2014).

Still if all the above is true, then why do consumers remain loyal to specific brands and continue to purchase the same item over and over for years? Armstrong et al (2014) supports the notion that every company for retail continues a lifecycle, a step by step process for creation, design and deployment of products, some of which may be innovations of existing products but that a combination of factors determine the purchase of the product but that these factors may be assessed at different rates depending upon the demographic profile of the individual. Specific traits found within the consumer can be seen as drivers for the consumer that continued to influence his or her spending behaviours. Gomez, Arranz and Cillan (2012, p. 493) understand the use of reward and loyalty programmes at the retail level can also predict the amount of change the consumer can permit before resistance starts. Also there appears to be a correlation between the amount of loyalty to the retailer and the amount of participation the consumer demonstrates as this may also relate to his or her desire for a reward or incentive. Loyalty programmes have been quick to diffuse through retail as a means of marketing but also creating customer relationship management strategies for data mining trends directly from consumers (Armstrong et al 2014). What makes a consumer continue to return to the same store remains a large segment of defining products, services but also marketing and customer service activities.

Loyalty and Rewards

Gomez, Arranz and Cillan (2012) see rewards programmes as essential to collecting consumer data about the products they buy and continually consume. In a way, the rewards programme is able to track but also seek the participation of the consumer in the form of incentives like discounts and coupons, free items and personal VIP events. Furthermore, Gomez, Arranz and Cillan (2012) see how one's personal attitude toward the experience may directly define the ability to participate or remain loyal. Suh and Yi (2012, p. 549) see possible patterns in terms of incentives, free goods and coupons not working in the favour of revisiting the store because it is the nature of the consumer to purchase just to take advantage of the deal and not remain loyal. This can be especially true of hard times or recession where the consumer must purchase certain needs but desires are seen as luxuries so if the stories offers these consumption goals, the consumer takes advantage not considering brand or price (Suh and Yi 2012, p. 549). However, it has been noted by Suh and Yi (2012, p. 549) such rewards and incentive work more effectively online or during e-commerce transactions because the consumer remembers specific sites by the degree of reward for using that site.

The action of promotion through creating strategies for referrals or recommendations directly from the consumer where word of mouth or social media participation leads to increased purchase behaviour is on the rise and compels retailers to further mechanisms for creating a level of interaction with consumers that is intimate and strong (Verlegh et al 2013, p. 3). Part of creating a lifecycle of sales requires the firm to continue contact with the consumer even long after purchase and the Internet, smart phones and social media give them then tools to drive level of participation up. Blazevic et al (2013, p. 3-4) see the powerful connection between peers and how frequently consumers are influenced by the opinions of others. The level of knowledge and exchange between consumers is higher than ever but to increase life long loyalty, the retailer must continue to influence the consumer in a proactive way to encourage the participation of his or her families and friends, which in turn continues a domino effect to increase the drive for incentives and rewards to consumer. This too acts as a continuous cycle and pattern within marketing (Armstrong et al 2014). Blazevic et al (2013, p. 2) find the best loyal customers never leave the brand and continue to promote the product via word of mouth to extend the product lifecycle and their level of satisfaction with the product.

Still there is criticism of if these reward programmes really create incentive that is worth the time and expense to the retailer as it also defines return customers on a regular

basis (Corstjens et al 2014, p. 4). There is the argument that the expense it takes to promote the incentive such as a coupon does not equal the amount of customer traffic to justify the expense because the value of the reward is simply too low to promote any remarkable cost savings to the consumer at the grocery retail level. Such schemes may work better for higher ticket products such high end luxury goods (Corstjens et al, 2014, p. 3).

Kopalle et al (2012, p. 217) see how some incentive structures that customers sign up for may not work for long term loyalty simply because of the amount of products one must purchase to qualify for the 'free' item. Airline rewards are typical of this structure that require higher priced items to be consumer most frequently to gain a higher level of consumer traffic. Caillaud and De Nijs (2014) sees how continued incentive may not favour the loyal customer as the new customer has better incentive to purchase or start the service than the older customer has to maintain their service or membership. Marketing data with discount pricing will favour the new customer over the loyal customer in terms of expensive to drive the new customer to the retailer. Oliver (2014) sees this as problematic for loyal customers who have felt satisfied with his or her experience but now desire a new degree of satisfaction and they are just not finding it with the current retail situation. This drives them away to seek replacement retailers that may secure this need. What this really means is that the retailer needs to remain connected to the consumer at a level where they can appease this need and the consumer does not leave. Meyer-Waarden et al (2015, p. 202) see an issue for retailers remains saturated markets with fierce competition from diverse levels of brands. There is something for every consumer to a point where the decision is not driven by the retailer but the purchaser. This is one reason why customer relationships remain so important in today's market.

Consumer Spending and Habits

On a whole, Armstrong et al (2014) discusses specific marketing components that contribute to the success of building customer relationships within products and brand image. Part of what remains elusive in terms of determining customer spending and shopping habits in relationship to loyalty and possible benefits of the purchase remains in the consumer themselves. What makes one consumer stick with the same brand over and over for years while another is willing to use the incentive to try another brand remains defined by one's own sense of self and logic. Rungie, Uncles and Laurent (2013, p. 3) surmise a connection between brand reputation and the consumer's trust in the brand within relationship for how powerful those characteristics remain in terms of spending power. One's spending power may be influenced by price but also quality in relationship to paying more for something better. The amount of spending is purely determined by how the consumer perceives the brand performance in relationship to others (Rungie, Uncles and Laurent 2013, p. 3). The close connection between understanding the consumer from this perspective allows the retailer to increase promotion for price over other variables.

With this in mind, Meyer-Waarden et al (2013, p. 202) believe loyalty and reward strategies may not work if price is a prevailing factor for purchase as a return customer. The only factor that may motivate the consumer for reward is savings and how returning increases saving. Purchase power will be high in situations where the consumer perceives a deal to be had but they may also consider convenient as a determining immediacy. For instance, many people like to shop online and will shop retailers that do not have a brick mortar store. This presents an issue if the product is needed immediately. One will notice many brick and mortar stores have online sites but also the option for in-store pick up which is smart. The retailer gets the consumer to shop twice in these situations which may not be governed by purchasing power but rather the immediate need for product use. Cailland and DeNijs (2014, p. 7) suggest this is a moment in the retail experience where opportunity cost drives the purchase and how effective delivery logistics works in the favour of some online retailers to undercut price but also deliver on time. Part of the issue with loyalty is that the consumer has so many choices of which brand to discover and maintain a relationship with for a length of time.

Arbore and Estes (2013) comment upon the correlation between loyalty and the consumer's sense of self with regard to status. How does the brand make them feel special or valued? Many consumers will pay more money for a brand they perceive as higher quality or

of higher social value to his or her peers in order to remain at the same level of status they believe the product affiliates with. Now for example, it used to be that luxury automobiles like Mercedes Benz and BMW, Lexus and Infiniti were the upper tier of status geared purchases. These automobile suggest a certain amount of prestige to the consumer and his or her peers. Nowadays, the credit market has made ownership or even leasing these mobiles more accessible to larger groups of consumers who may not have the financial status in terms of investment power but the brand appeals to their need for prestige. Ivanaukiene and Auruskeviciene (2015, p. 408) see this type of behaviour geared toward consumers making the commitment to remain within the level of purchasing pattern needed to be a member of the brand. This is a powerful connection for the customer as they become affiliated with the brand and see something of themselves in the brand. For example, they start to affiliate their own worth with the brand and not being loyal means they no longer belong to the brand. Either they take step down or up within the status and affiliation of the brand. Part of what has happened today is the powerful saturation of brands that suggests one can get the same product for a different price without compromising quality. If the brand label is important then that determines one's commitment to branding and its elements. Bennett, McColl-Kennedy and Coote (2011, p. 89) promote the idea that customer relationships need to instill trust in the product in order for the consumer to feel committed to returning for further future purchase. Without some level of trust whether there is a degree of value and quality for the price being presented to the consumer, there cannot be a belief in the product. This diminishes the rate of commitment and turns the consumer away from the brand. From this point of view of Bennett, McColl-Kennedy and Coote (2011, p. 89), trust remains an important variable that customer relations management can support and align with further marketing of the brand. If the brand has a strong reputation for quality, this helps image but also it is a high level of interaction that seems to remain powerful in terms of creating long term loyalty.

Consumer Trust and Customer Relationships

Part of what seems to clarify with understanding strong correlations between affiliation and loyalty as well as how such actions result in satisfaction of brand quality seems to remain pivotal to how closely the retailer remains with the consumer. Armstrong et al (2014) will attest to business performance success having little to do with the company's product. A company can have a great product and value for innovation but terrible command of marketing and relating to the targeted consumer. Apple, Inc. for many years had this issue of targeting very specific clients or a niche market which meant there were limitations to who bought the earlier Macintosh computers but attitude changes. Bennett, McColl-Kennedy and Coote (2011, p. 90) see how quality can cloud one' perception of the relationship in the sense that some consumers only see the quality to value dimension of loyalty, and they do not see the lack of relationship. Still if quality is present, the likelihood of increased loyalty is high. Trust plays a large role in determining spending and choices when shopping. The consumer wants to trust the transaction at a level where they feel care. Purchasing retail products is meant to be intimate and building this bond at a service level can not only put the design of quality in the hands of the consumer but also give them a sense of knowledge and control (McColl-Kennedy and Coote 2011, p. 90).

Much of what defines the customer relationship is directly hinging upon how the retailer establishes the bond with the customer and continues to elevate the performance of service at a high level of quality. Laroche, Habibi and Richard (2013, p. 77) notice the importance of social media within the retail experience but also how information available about retail products has closed the gap for many companies that need stronger customer relationship strategies. Social media is not a passive activity but in fact one that is highly intimate and interactive. For the retailer to proactively engage the consumer on this forum also suggests a high level of practicing intimacy. The suggestion here relates to how customer relationships can promote higher rates of loyalty with the use of such tools (Laroche, Habibi and Richard 2013, p. 77). To use the tools where consumers are available to pass on knowledge about value and quality found in products also allows for a closer connection with the consumer. This further allows the retailer to have the customer as the centre of their marketing and seeks to pull the value at the centre to create higher levels of commitment.

The idea that loyalty comes down to trust and creating value for the customer to remain committed to the brand also suggests high levels of building bonds and promoting the brand in a way that supports positive image. The brand reputation and social responsibility

remains important to coincide with the consumer's knowledge of the brand. Ou et al (2014) suggest the first line of promoting these activities starts with customer support channels. With the extent of customer care taking a multifaceted strategy to allow the customer many options for support (i.e. online, social media, texting and email beyond calling a support toll free phone number), this also suggests to the consumer the amount of care they can expect. Kim et al (2012) find that at times, the consumer has difficulty with a shift in attitude toward the brand because of changes to the product or service. They have a harder time adjusting to the change but also accepting that the change will not impact the reputation of the brand. This may present issues without proper customer care and diminish the rate of return purchase or the retailer will see the possibility of switching brands when the customer loses faith in the product.

Conclusion

It remains clear that how the consumer identifies and perceives the value of the reward will directly promote his or her level of loyalty to the retailer. There are many consumers that only purchase from certain brands and they seek affiliation with these brands at a level of great satisfaction whether it is because of price in relationship to value or value in relationship to quality, a lot of the retail experience and someone's ability, likelihood to shop remains focused upon one's own demographic traits. Wirtz et al (2013) sees a direct relationship with how people spend when compared to the perception of not only the product but also how they connect with that product. One constant that is guaranteed more so in today's modern context of information and understanding products on a deeper level remains that, the reasoning behind purchasing may be purely emotional or without valid reasoning. On some level the purchase fulfills a need and if the retailer can capture that need with reward and loyalty programmes at a level where the consumer is selling the product to others by promoting recommendations because of their level of satisfaction, then the hard work is complete. Kim et al (2012) comment upon how many consumers resist change unless a peer supports deciding factors toward seeking different levels of quality and satisfaction. Many consumers can be influenced and brand affiliation can change in terms of loyalty. Still Ou et al (2014, p. 2) suggests the correlation between the consumer perceiving value in terms of quality and if the brand lives up to satisfaction in terms of product variation and diversity, then the level of loyalty is higher because the consumer expectation is being met.