

THE EFFECTIVENESS OF LOYALTY PROGRAM TOWARDS CUSTOMER LOYALTY

Mohammad Zaim Mohd Salleh¹, Nor Sara Nadia Muhamad Yunus², Nadiah Maisarah Abdul Ghani³,
Norafifa Arifin⁴ and Ainunnazlee Mohd Ali⁵

¹²³⁴⁵Faculty of Business and Management, Universiti Teknologi MARA, Shah Alam, Malaysia

zaim3085@puncakalam.uitm.edu.my

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ABSTRACT

In the business field it is very important to win the customer heart and the success of the loyalty program offered to the customers depends on particular rewards given by the service provider. Loyalty and customer loyalty in previous research has shown a significant relationship. There are problems occurs in loyalty program where the customers has a low awareness about the loyalty program, and the delayed in receiving the rewards. Loyalty program are divided into two parts. The first part is soft attribute loyalty program and second part is hard attribute loyalty program. Soft attributes loyalty program are ways of doing things or code of conduct that are intangible and was meant to give customer sense of recognition. Hard attributes loyalty program are basically tangible elements such as discounts card and free gift. A total of 100 respondents were chosen from one selected retailers in Penang and a purposive sampling technique was used. The result shown that both hard and soft attribute has a significant relationship with customer loyalty.

Keywords: Customer Loyalty, Hard attributes, Soft attributes, Loyalty program

INTRODUCTION

Winning customer's heart is important in business field. Nowadays, modern techniques on fascinate customer loyalty where brand name and attractive offers do not adequate to retain customer at all. Therefore, marketing gurus introduce a customer loyalty program with the intention to earn rewards and benefits to customers and enhance loyal buying behaviour. According to the Ibbrahim (2014), the success of the loyalty program depends on particular rewards with the purpose to reward loyal or frequent buyer. Service provider must be smart on how to reward their customer as sign of appreciation and at the same time to attract customers to become loyal and satisfied with the product or services. Other than that, the organization believes loyalty program is one of important mechanism strategic to increase revenue growth and the key component of Customer Relationship Management (CRM) (Nor Asiah Omar, 2014). This is because by having loyal customer, organization will generate more profit by increase purchases, reduce operating cost and increase profit margin (Ibbrahim, 2014).

The previous study according to Mlenga (2014), has shown that loyalty program has significant relationship on customer loyalty. From previous research by the researcher had found that there are problems occur in loyalty program such as low awareness of customer about the loyalty program and delayed reward that mostly causing customer to lose interest in participating for a loyalty programs offer by company. Despite all that there have been arguments among researchers on how to measure the effectiveness of certain loyalty program

being practice by marketer as it is unclear on what basis can be used to differentiate a successful loyalty program apart from the one that is not success (Kumar & Reinartz, 2006).

Researchers also found that from various loyalty programs that being offered to customer throughout the world, there is company likely to take advantage of loyalty program to squeeze out their customer's money for worthless value added feature. Customer loyalty is a valuable and priceless, but to treat them accordingly to their expectations, that is a challenge for the sake of improving service, thus creating loyalty with customers. This is proven as loyalty program play vital role in order to increase overall value of the product or serviced as the program motivate loyal buyer to repeat their purchase (Dowling & Uncles, 1997)

LITERATURE REVIEW

Customer Loyalty

Loyalty has been widely regarded as being of highest importance in marketing literature (Oliver, 1999). Loyal customer refers to the customer who repurchases from the service providers whenever possible and they are the customer who continues to preserve or recommend a positive attitude towards service providers. They are tends to pay less attention to competing brands and they are fewer prices sensitive and create positive word-of-mouth (WOM) (Desai & Mahajan, 1998). In addition, loyal customers demonstrate greater resistance to counter persuasion and negative word of mouth because loyalty can increases repurchase behaviour.

The value of customer loyalty for service industries has been recognized by many researchers. According to Keaveney (1995); Gremler and Brown (1996); Caruana, (2002); Asuncion et al., (2004), they underlined its potential effect on the development of sustained competitive edge for the service organizations. Formation of customer loyalty is a through process that involves a series of customers' evaluative judgments and other psychographic variables that stem from these service evaluations.

Loyalty Program

Loyalty program has been defined as a program run by the marketer that allows consumers to accumulate free rewards as incentives for making repeat purchase with a firm (Liu, 2007). The success of the program lies in providing customer with specific rewards and the intention is to reward loyal, frequent buyers with every purchases they made as it also help to differentiate between loyal customer and regular customer (Peelen, 2005).

Loyalty program are divided into two parts. The first part is soft attribute loyalty program and second part is hard attribute loyalty program (Barlow, 1996). Hard attributes and soft attributes loyalty program have different characteristics which can lead to different behavioural changes of customers (Bridson & Evans, 2007). Loyalty program had created a scenario to the store and marketer whether customer repurchase due to store loyalty or customer were keen to get reward from the loyalty program being offered (Bridson, et al., 2007).

Marketer need to evaluate on how they are offering their soft attributes loyalty program and hard attributes loyalty program carefully to customer, this is because marketer's original purposed was to retain customer and convert them in becoming loyal to marketer (Capizzi, et al., 2005).

Soft Attributes Loyalty Program

It is stated that soft attributes is not being valued so much by customer to compare to hard attributes and this is one of the reason why marketer keen to offered hard attributes loyalty program to customer (Harris, 2000). Soft attributes loyalty program referred as the way employee or staff who worked at the firm treated customer by practicing special communications and fulfilling customer referral needs (Capizzi, et al., 2005). Such example of soft attribute is when cashiers at Tesco said "Thank You" to you as you paid for your merchandise.

Soft attributes loyalty program are ways of doing things or code of conduct that are intangible and was meant to give customer sense of recognition (Barlow, 1996). It also don't offer any economic values to customer as it focus more on the way staff treats and retains customer with company (Braidson, 2009).

Hard Attributes Loyalty Program

On the other half, hard attributes loyalty program are basically tangible elements such as discounts card and free gift (Barlow, 1996). This type of loyalty program attract more customer attention due to the tangible reward that customer receives from marketer. This happened because customer attracted more to the reward to compare to than the brand itself (Roehm, 2002). Discount card referred as a mechanism used by marketer to enhance customer to purchase more by setting a mind set to customer that by owning a discount card from the marketer able them to enjoy merchandise at a lower price to compare with customer with no discount card (McLaughlin, 2003). Example is when customer swipes their membership card in the checkout line, and the next thing you know a receipt prints out saying something like: "You just saved \$21.83." Message: You are being rewarded with deals so special, they are reserved for members only. Meanwhile free gift referred as the act of rewarding customer with another merchandises with one selected merchandise that customer purchase, it literally means that customer are able to get two product for one price (Carr, 2012). Example is Brands Outlet gift their product for free with every one purchase that customer made.

Therefore the following hypothesis were proposed

- H1: There is a relationship between soft attribute loyalty program and customer loyalty.
- H2: There is a relationship between hard attribute loyalty program and customer loyalty.

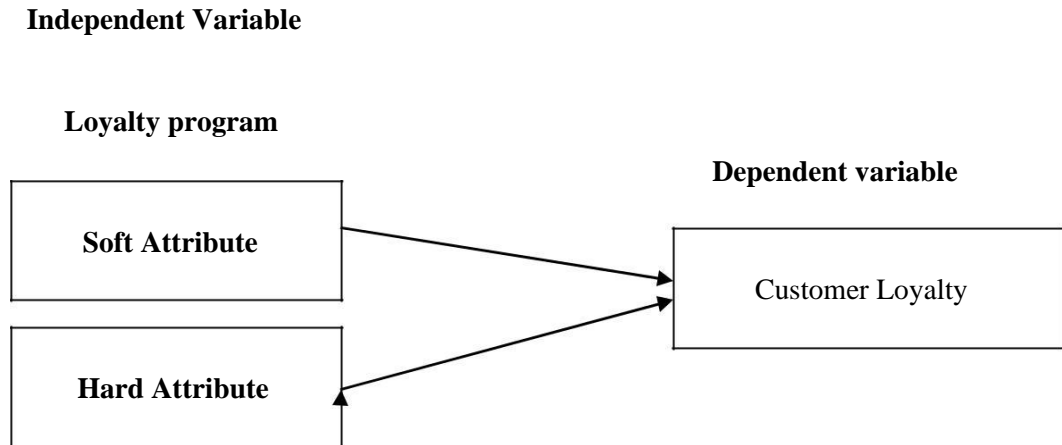


Figure 1: Conceptual Framework

METHODOLOGY

This study was conducted by using correlational research technique which describes the relationship among variables (Salkind, 2014). This research is designed to investigate the relationship between loyalty program and customer loyalty. A total of 100 respondents were chosen from the customers who visit one of the selected retailers in Penang. A purposive sampling technique was used in this study to collect the data from customers who owns the loyalty program card only. The data were collected using self-administrated questionnaire with items related to loyalty program and customer loyalty.

Findings

This study involved both male and female respondents who shop at one of the selected retailers in Penang. Majority of the respondents were female and age between 18 years old and 30 years old and above. Most of them were Malay which represents 87% from all the respondents. 60% of the respondents were single and majority of them received salary RM 1001.00 - RM 2000.00 with 53%. As for their educational level the highest percentage is SPM with 43%.

Table 1.0 *Correlation between loyalty program and customer loyalty*

Variable	Customer Loyalty	
	r	Sig. (2-tailed)
Soft Attribute	.474**	.000
Hard Attribute	.509**	.000

Note: **Correlation is significant at the 0.01 level (2-tailed)

Based on the table there is a significant relationship between soft attribute and hard attribute loyalty program and customer loyalty at the organization which is ($r=.474$; $r=.509$, $p<0.01$). The degree of correlation between soft attribute and hard attribute loyalty program and customer loyalty can be consider as moderate relationship as strong correlation range from .6 and .8. (Sakind, 2014).

Soft attributes loyalty program can be referred as the employee or staff who worked at the firm treated customer by practicing special communications and fulfilling customer preferable needs (Capizzi, et al.,2005). The result of the research also indicates that there is strong relationship between soft attribute loyalty program and customer loyalty. Soft attribute is one of a crucial part in delivering good service to customer and at the same time it helps to retain customer with the company. This is because soft attributes loyalty program are ways of doing things or code of conduct that are intangible and was meant to give customer sense of recognition (Barlow, 1996). According to Jokinen (2014), relationship between hard attribute loyalty program and customer loyalty is really vital because customer is more attracted to tangible service rather than the intangible ones.

CONCLUSION

In a conclusion, this study aimed to investigate the determinants of effective loyalty program impact customer loyalty among 100 of a customer from the selected local retailer in Malaysia. Both soft and hard attribute of the loyalty program has a significant relationship with customer loyalty. Company should design a loyalty program that offered more benefits to customer in many ways. What it means is loyalty program nowadays can't only focused on giving discounts to customer as it must also act as a way for company to interact with customer. Company needs to eliminate the feeling of uncertainty among customer as they wanted to own loyalty card or already have one. This can be achieve by offering combination of both hard attribute loyalty program and also soft attribute loyalty program to customer. Both of this loyalty program need to be well balanced as it will complement each other and make customer feels more welcome and appreciated by the company.

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