

# A STUDY OF THE MOTIVATION AND EXPECTATIONS BEHIND LOYALTY SCHEMES FOR BUSINESS TO ATTRACT CUSTOMERS IN LONG RUN

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## **Abstract**

Customer loyalty presents a paradox. Many see it as primarily an attitude-based phenomenon that can be influenced significantly by Customer Relationship Management initiatives such as the increasingly popular loyalty and affinity programs. However, empirical research shows that loyalty in competitive repeat-purchase markets is shaped more by the passive acceptance of brands than by strongly-held attitudes about them. From this perspective, the demand enhancing potential of loyalty programs is more limited than might be hoped. We review three different perspectives on loyalty, and relate these to a framework for understanding customer loyalty that encompasses Customer Brand Commitment, Customer Brand Acceptance and Customer Brand Buying. This framework is used to analyze the demand-side potential of loyalty programs. We discuss where these programs might work and where they are unlikely to succeed on any large scale. The data gathered from the respondents were put in the SPSS to analyse the various factors and dependability of the variables. ANOVA, regression and multiple response are used in this study. Therefore, it is concluded that there are no factors that affect customer loyalty towards customer buying behavior in dehradun city.

**Keywords:** Customer relationship management; Customer loyalty; Customer loyalty programs; Affinity programs; Buyer behaviour

## **1. INTRODUCTION**

Customers are the key elements to run the business. According to Business Dictionary Customer is defined as, "A party that receives or consumes products and has the ability to choose between different products and suppliers". Customers can be both individual and business that spend their money on those goods and services from companies that meet their needs. Attracting such customers by excellent products should be the primary goal of every business because it is the customers who create demand and spend the money on those goods and services. The customers who feel happy with the companies' goods and services are always expected to buy the products continuously. It means satisfied customers are the companies' loyal customers who come for repurchase again and again from the same company over a long period of time.

Customer loyalty is essential to sustain the business. The business sectors' progress and success depends on their loyal customers. The business sectors must give first priority to their customers then only think about the profit. They must have the motto of 'Serve first, sell second'. Customer satisfaction is the key element or leading indicator of every business to uplift as well as to create loyal customers. Therefore, the needs of customers should be cared by every business. In this 21st century, many companies are getting established to compete with each other. In this competitive environment if the company gets success to build a solid and loyal customers by providing the excellent services or products with affordable price then it is not far to be a number one company with high volume of customers as well as name and fame.

## 2. LITERATURE REVIEW

•Androulidakis ; G. Kandus (2011) correlated the brand of mobile phone to users' security practices,. Users show different behavior in an array of characteristics, according to the brand of the mobile phone they are using. As such, there is a categorization of areas, different for each brand, where users are clearly lacking security mind, possibly due to lack of awareness.

•Tajzadeh Namin A. A. ; Rahmani Vahid ; Tajzadeh Namin Aidin (2012) analysed that the process of deciding over (choosing) a brand may be influenced by situation and content. The findings suggest a significant relationship between the variables “brand attitude”, “corporate attitude”, and “product (cell phone) choice”

. •Serkan Aydin, Gökhan Özer, Ömer Arasil, (2005) had focused on to measure the effects of customer satisfaction and trust on customer loyalty, and the direct and indirect effect of “switching cost” on customer loyalty.

•Jonathan, Lee ,Janghyuk, Lee and Lawrence, Feick, (2001) analysed that moderating role of switching costs in the customer satisfaction-loyalty link; and to identify customer segments and to retain them. Thus the purposes of this paper are: to examine the moderating role of switching costs in the customer satisfaction-loyalty link; and to identify customer segments and then analyze the heterogeneity in the satisfaction-loyalty link among the different segments.

•M

ehran Rezvani; Seyed Hamid Khodadad Hoseini; Mohammad Mehdi Samadzadeh (2012) investigates the impact of Word of Mouth (WOM) on Consumer Based Brand Equity (CBBE) creation. WOM characteristics such as, volume, valence, and source quality are studied to find how intensely they each affect brand awareness, perceived quality, and brand association. The results suggested that volume and valence, two elements of WOM, affect CBBE and no significant relationship between source type and brand equity was seen.

•Shibashish, Chakraborty and Kalyan Sengupta (2008) endeavors to make a detailed study on important demographic variables of customers affecting brand switching of customers. This study will highlight pertinent aspects of prediction of switching proclivity of customers from one service provider to another.

•Harsha de Silva, (2011), generally shows that adoption of (primarily) mobile telephones has significant benefits not just to the adopter, but to the community at large. In this context, the objective of the current article is to examine, from a user perspective, the influences (as well as the interplay of these influences) on mobile phone adoption by the poor in a selected set of countries in the emerging Asian region.

•Brenda, Mak, Robert Nickerson and Henri Isaac (2009),investigates the factors affecting the attitudes towards the social acceptance of mobile phones in public places and how this attitude affects its usage Results of the analysis indicate that the attitudes about mobile phone use in public places depend on country, and age factors. This attitude in turn significantly affects the usage frequency of mobile phones. In addition, usage frequency also is affected by gender and work status.

•Luca Petruzzellis (2010), referred and concluded that technology nowadays is overcome by customer preferences and needs. In particular, the role of the brand is to be analysed with respect to its influence in shifting customer preferences from the technical performances (tangible elements) to the emotional/symbolic ones (intangible elements). The researchers had provided an analysis of the brand attitude and perception tested and viewed through user eyes.

•Chu-Mei Liu (2002), inferred that Branding is important to manufacturers, retailers and consumers. Brands with higher brand equity have higher sales. The growth of mobile phone subscriptions is considerably faster in the Philippines. Advertising and promotion are undertaken through cooperation between the service providers and mobile phone manufacturers. The study tries to find out the effects of the different activities on consumer choice of mobile phone brands.

### 3. RESEARCH OBJECTIVES

1. To study and compare customer loyalty and customer satisfaction.
2. To study how customer loyalty affects consumer buying behaviour.
3. To study the appropriate loyalty schemes for long run.
4. To study the effectiveness of loyalty schemes.

### 4. RESEARCH METHODOLOGY

As such this study employed a cross sectional self-administered survey design using a questionnaire instrument to collect data on consumers' perception and motivations on smartphone usage and consumer buying behaviour toward smartphone in the Indian market in different situation. This addresses both the descriptive and explanatory aspects of the research. The data collected was then analysed and thereby addressing the confirmatory aim of the research.

#### **Sample Plan:**

A part of a population or a subset from a set of units which is provided by some process or other.

- Sample Size: The sample size considered was 100.
- Method of Sampling: Convenience sampling.
- Sampling Area : Dehradun

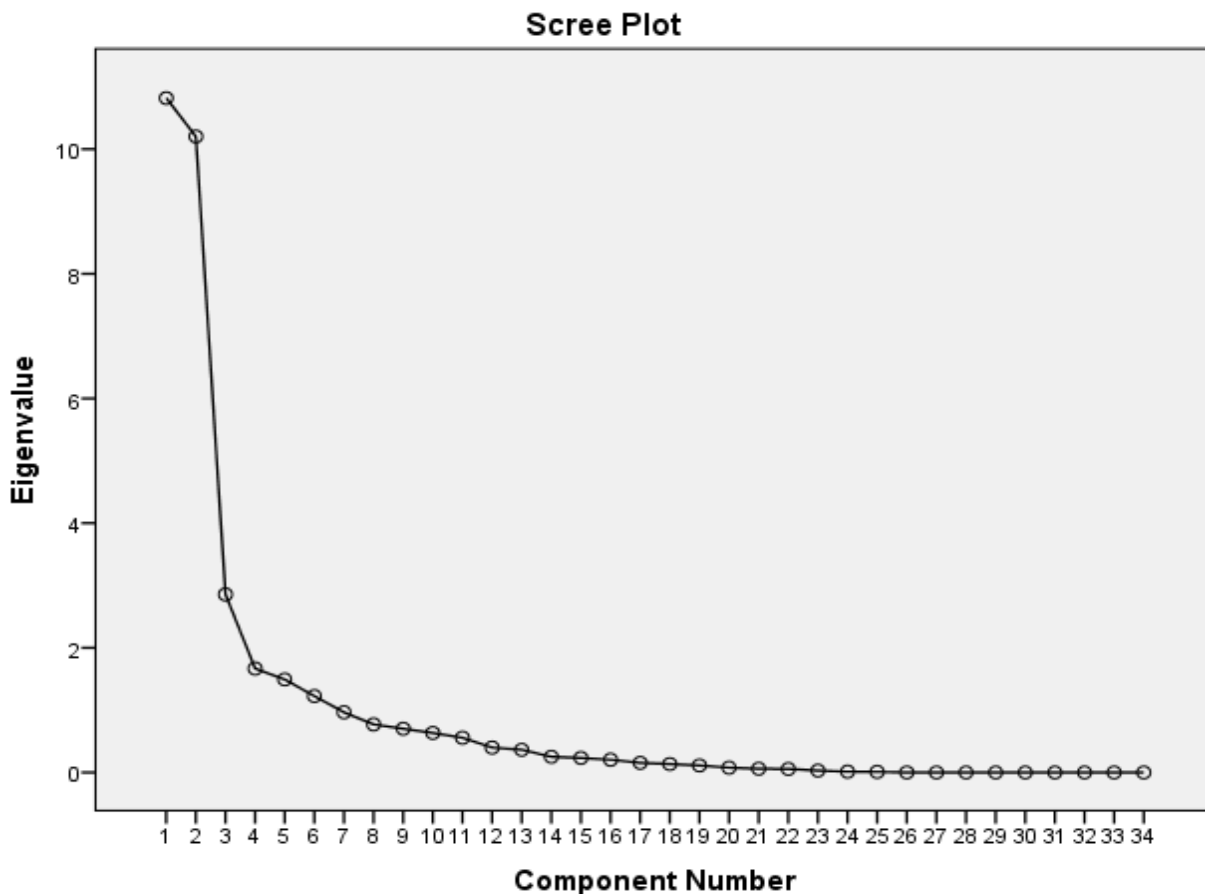
### DATA ANALYSIS

**Total Variance Explained**

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.819	31.820	31.820	10.819	31.820	31.820
2	10.203	30.009	61.829	10.203	30.009	61.829
3	2.856	8.400	70.230	2.856	8.400	70.230
4	1.668	4.905	75.135	1.668	4.905	75.135
5	1.492	4.389	79.523	1.492	4.389	79.523
6	1.226	3.606	83.129	1.226	3.606	83.129
7	.966	2.842	85.971			
8	.771	2.266	88.237			
9	.702	2.065	90.303			
10	.635	1.867	92.170			

11	.557	1.637	93.807		
12	.399	1.174	94.980		
13	.365	1.074	96.054		
14	.252	.743	96.796		
15	.234	.687	97.483		
16	.205	.603	98.086		
17	.155	.455	98.541		
18	.135	.398	98.939		
19	.114	.335	99.273		
20	.076	.225	99.498		
21	.060	.177	99.675		
22	.056	.165	99.841		
23	.030	.089	99.930		
24	.014	.040	99.970		
25	.009	.027	99.998		
26	.001	.002	100.000		
27	1.002E-013	1.005E-013	100.000		
28	1.000E-013	1.001E-013	100.000		
29	1.000E-013	1.000E-013	100.000		
30	-1.000E-013	-1.000E-013	100.000		
31	-1.000E-013	-1.001E-013	100.000		
32	-1.001E-013	-1.002E-013	100.000		
33	-1.001E-013	-1.003E-013	100.000		
34	-1.002E-013	-1.007E-013	100.000		

Extraction Method: Principal Component Analysis.



Component Matrix<sup>a</sup>

	Component					
	1	2	3	4	5	6
Gender	.254	.407	.031	-.216	-.053	.546
Age	.025	.205	-.099	-.330	.062	.678
Educational Qualification	.351	.047	-.059	-.418	.073	.297
Marital Status	.502	.616	-.117	.347	.020	.189
You are a loyal customer to Banks/Building Societies operating in the sector	.528	.641	-.125	.335	.064	.174
You are a loyal customer to Supermarkets operating in the sector	.572	.704	.029	.005	.042	-.013
You are a loyal customer to Mobile phone/land line companies operating in the sector	.582	.743	.023	-.070	.002	-.105
You are a loyal customer to Restaurants/Coffee operating in the sector	.582	.743	.023	-.070	.002	-.105
You are a loyal customer to Insurance companies operating in the sector	.574	.744	.054	.004	.026	-.100

You are a loyal customer to Clothes shops operating in the sector	.497	.712	.108	-.347	-.060	-.258
You are a loyal customer to Department Stores operating in the sector	.497	.712	.108	-.347	-.060	-.258
You are a loyal customer to Garden centres/DIY stores operating in the sector	.499	.632	.046	-.376	-.037	-.103
You are a loyal customer to Cinemas/Theatres operating in the sector	.470	.698	.038	.066	-.041	-.079
You are a loyal customer to Bars/pubs/clubs operating in the sector	.370	.450	-.145	.599	.080	.153
You are a loyal customer to Electrical and IT retailers operating in the sector	.370	.472	-.211	.473	.053	.080
You are a loyal customer to Travel/Transport/Car hire operating in the sector	.579	.687	-.050	.002	-.012	.114
You are a loyal customer to Hotels operating in the sector	.566	.782	.050	.038	-.008	-.097
Are you currently a member of a loyalty scheme offered by Shops operating in the their sectors	-.076	.050	.817	.065	.238	-.020
Are you currently a member of a loyalty scheme offered by Financial services operating in the their sectors	.002	.008	.565	.102	.729	-.014
Are you currently a member of a loyalty scheme offered by Entertainment & going out services in the their sectors	.017	.001	.772	.050	.349	.054
Are you currently a member of a loyalty scheme offered by Travel & Hotels operating in the their sectors	.039	-.023	.743	.097	-.505	.132
Are you currently a member of a loyalty scheme offered by Other organisations operating in the their sectors	.079	-.019	.735	.040	-.467	.187
And generally speaking, how satisfied or dissatisfied are you with the benefits shopping and retail loyalty schemes offer to customers like you	.705	-.523	-.073	-.137	.214	.074
And generally speaking, how satisfied or dissatisfied are you with the benefits financial services loyalty schemes offer to customers like you?	.783	-.565	.049	.050	-.112	.016

And generally speaking, how satisfied or dissatisfied are you with the benefits of loyalty schemes for entertainment and going out offer to customers like you?	.755	-.566	-.039	-.041	.133	-.009
And generally speaking, how satisfied or dissatisfied are you with the benefits of loyalty schemes for travel and hotels offer to customers like you?	.779	-.573	.034	.081	-.087	-.004
Since the recession started, loyalty schemes have had more influence on what I've chosen to spend money on	.770	-.539	.057	.089	-.131	-.072
Loyalty schemes make me more loyal to particular brands	.710	-.552	-.095	-.141	.215	-.006
Since the recession started, I have taken more advantage of the benefits from loyalty schemes	.772	-.518	.028	.034	-.150	-.039
I trust companies who run loyalty schemes to keep my personal information safe	.705	-.523	-.073	-.137	.214	.074
I feel that loyalty schemes often benefit companies more than customers	.783	-.565	.049	.050	-.112	.016
Most companies care more about keeping their existing customers happy than attracting new ones	.755	-.566	-.039	-.041	.133	-.009
I always remember to use loyalty cards	.779	-.573	.034	.081	-.087	-.004
From this list, which aspects of a loyalty scheme, which is the most likely to encourage you to spend with a business or organization?	.770	-.539	.057	.089	-.131	-.072

Extraction Method: Principal Component Analysis.<sup>a</sup>

a. 6 components extracted.

Result:

H1(Alternate Hypothesis) : There are no factors that affect customer loyalty towards consumer buying behavior.

## INTERPRETATIONS

From the above tables and it is found that the mean values range from 3.13 to 3.99, with standard deviations posses the minimum value 1.01 to the maximum of 1.44. It is inferred that the 0.05% level of significance is 10.81, 10.203, 2.856, 1.668, 1.492, 1.226.

Therefore, it is concluded that there are no factors that affect customer loyalty towards customer buying behavior in dehradun city.

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## FINDINGS

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- 1 From this research, there is majority no. of customers who buys more than 3 times in a month as compare to other customers. So these customers are loyal customers for the company. No of other customer who buys more than 2 times, 1 time in a month is also there. These are also the targeted customers for the company.
- 2 There were higher percentages of customers who like to buy from the company as compared to other competitors. (Pyramid, shoppers etc.) Means majority of customer like to shop from the company' which also reflects the loyalty of the customers. So by organizing some events or with good product range & discounts, these remaining customers get diverted towards the company.
- 3 As per the data collected through this survey, we can say higher no. of customers is youngsters. Along with professionals, businessmen etc. between the age group 25 to 35.
- 4 Majority of females customers are there, as compared to male customers.
- 5 As per income range is concern, majority of customers are high class customer's means income (30000+/month).who loves to shop in the company's. They are really brand conscious and loyal customers.  
There is higher no. of customers who spend more than Rs. 3000 or above for their one time shopping. Some customers even shop for more than RS.10000 also which again reflects the loyalty of the customers

## CONCLUSION

This research has gone into depth to understand the importance of customer loyalty in business as well as also pointed the requirements to improve customer loyalty. The author has come to know building the customer loyalty gives the business a high return. Understanding the customers' needs and desire, providing them good product or service, building good loyalty programs to reward the customers and staying in touch with the customers will help to improve the customer loyalty. During the report writing the author figured out customer satisfaction with the quality product or service leads the customer loyalty in business. The questionnaire method of research carried out during the report writing helped to analyze and determine the importance of customer loyalty in business as well as the students' views on improving it. Although the author figured out various differences in the answers of the respondents, it seems all the respondents know about customer loyalty and its importance in the business.

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