An analytical study on the Impact of customer loyalty programs on the small and medium size business

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Abstract

The loyalty program has been increasingly important in recent consumer interaction activities. Although loyalty program are widely used in the small and medium size corporations, experts have doubts about their ability to keep customers coming back. Customers who continue to buy from a firm after participating in a loyalty program are rewarded for their continued support. Promotions may include price reductions, cash back, freebies, and other perks. Rewarding repeat customers is a key component of every successful customer loyalty program. Understanding client loyalty in the context of small and medium-sized enterprises is the focus of this study. Descriptive research study has been applied in this research to analyze the impact of customer loyalty program. Primary data collection method has been used in this study. Data has been gathered through survey research with the use of a suitable questionnaire and grading scales. The essential properties of the data collected via questionnaire are described using descriptive statistical analysis. Customers of a few SME's firms have been considered as a sample. To derive conclusions from the data collected, simple mathematical tools and procedures such as measures of central tendency and dispersion were used. According to the findings, most businesses use promotional strategies to attract new customers. Having a customer loyalty program is a great way for small and medium-sized businesses to expand their customer base. Customer loyalty may be increased through the use of e-commerce, online portals, and referral program.

Keywords: Customer Loyalty Program, marketing management, e-commerce, small and medium size business

Introduction

A method where a firm awards clients who make regular sales is known as a loyalty programme. It's a strategy employed in advertising to entice clients to make more purchases from you. There are many different kinds of customer loyalty programmes, including based incentive systems, programmes that do provide freebies, and correspond programmes that give clients discounts if their buddies join up or purchase purchases. By recognizing your consumers for using your items and/or services, a club card helps you develop deeper ties with them (Mulhern & Duffy, 2004). A retail loyalty and reward programme focuses on customer retention by strengthening current connections, establishing new ones, and converting one-time visitors, buyers, and prospects into repeat customers and long-term

members. A loyalty programme (LP) is "an integrated and interactive system of marketing actions to increase consumer loyalty via personalization." LPs provide several marketing benefits (Malthouse & Mulhern, 2008). Customer loyalty and contentment are important for two reasons. First, consumers are a precious resource, and getting one from an existing customer is easier than a new one. Second, customer loyalty and satisfaction boost firm profits and sales. Customer satisfaction is key to corporate success. Customer satisfaction is a product or service's overall rating based on the whole purchase and consumption experience. Marketing establishes client expectations for how organisations deliver goods and services via customer satisfaction. Actionable knowledge on improving customer satisfaction is a key result (Berman, 2006).

New customers cost more than existing ones. Loyal customers will recommend you to others and won't move to competitors. Customer loyalty is developed via sourcing and design. When designing for customer loyalty, consider customers' goals and needs. Over time and via several transactions, customers become loyal. Customer loyalty is founded on a firm's relationship with its customers, and this requires the company to act in a larger environment that stretches beyond itself. This research categorised customer loyalty as behavioural, deliberate, and emotional. "Behavioral loyalty" relates to repeat purchases, whereas "intentional loyalty" is the potential of buying. When a customer feels a brand shares their beliefs, viewpoints, and passions, they feel emotionally loyal (Lazarevic, 2012).

This study examines customer trust as a significant factor of customer loyalty and commitment. Our research adds customer satisfaction and perceived value as additional explanatory factors to better understand why online clients are loyal to a single e-service provider (Butscher, 2002). This research aims to identify the factors that impact e-service customers' commitment and loyalty (such as customer happiness, trust, and perceived value). It's structured like this. First, define e-service. The study then identifies relevant constructs and models their connections. Marketing literature provides a theoretical basis for defining structures. After that, hypotheses were given. Procedures, measurements, and conclusions were provided. The findings' scientific and management importance were examined. This study's findings will help Internet marketers justify spending on consumer loyalty.

Literature Review

The investigation, according to Khan, Salamzadeh, Iqbal & Yang, (2022)**,** assesses the optimal membership program (LP) models for shoppers in two retail contexts—supermarket retailing industry cosmetics industries varying degrees of user involvement. The research used in-store complete portfolio en droit evaluation only with following qualities: duration of the rewarding, reward graphic congruence with the shop, and solidity. Our results show that the fundamental effects of incentive types on preferences and planned shop loyalty rely on the level of individual customer engagement. In industries with high levels of direct connection, conformity with the supermarket's brand and subjective advantages increase LP affinity and retention intention. No difference exists between instant and delayed rewards in

terms of how long it needs to get them. In industries where there is little personal connection, immediate and tangible benefits increase LP selection and allegiance expectations. The reputation of the retailer is unrelated to interoperability.

Card-Linked Loyalty employs a credit Gudonaviciene & Rutelione claim that loyalty programmes may use a card as a distinctive identifier (2009). With this strategy, customers may buy things and get bonus points at the same time. Faster processing completion was the extra intangible incentive we suggested in our study. Depending on the circumstances of the present payment, the contextualize risk assessment system may decide that customer identification is necessary. The company risk may also be preserved. Findings demonstrated what data might be gathered by simulating the advised approach with entire transaction logs from credit card readers.

Any business, no matter how large or little, may best protect itself from rivals by fostering lifelong loyalty among its clientele, as suggested by Joseph & Menon, (2019). The key to customer loyalty is finding and giving the appropriate combination of financial and non-financial incentives to your consumers, as Stephan Butcher's step-by-step lesson shows.

Berman, B. (2006) stated that, shoppers' preferences for several In two main retail settings (stores and specialty stores) with differing levels of consumer interaction, loyalty programme (LP) concepts were examined. This study used in-store full profile en droit assessment that used the following elements: reward empathy and responsiveness, prize periodicity, and incentive compensation alignment also with retailer's image. According to our study, the degree to which consumers participate in the assistance program determines the actual impact of different reward kinds on their desires and expected level of store attributes. In highly emotionally invested industries, LPs are more likely to shop at a store whose image and intangible advantages align with their own. There is no difference between the two types of rewards in terms of their time of delivery (immediate or delayed). Loyalty and preference in low-involvement fields tend to increase when workers are rewarded with something they can use right away. No correlation can be shown between the store's perceived quality and compatibility.

Dawkhar & Shende, (2015) A look at how the impression of a brand's religiousness might influence consumers' loyalty. One hundred seventy customers of Islamic banks in Makassar, South Sulawesi, were interviewed between December 2019 and January 2020 to make up the sample for this study. This is a quantitative investigation using SmartPLS 3 and the structural equation model (SEM) for data analysis. This research shows that direct satisfaction and brand religiosity image have significant effects on customer loyalty, and that indirect satisfaction influences brand religiosity image and, hence, consumer loyalty.

Research Objective

To analyse the impact of customer loyalty programs on the small and medium size business.

Research Hypothesis

H1: There is significant impact of customer loyalty program on small and medium size corporation

Material and Methods

Research Design

Research design plays a very significant roe in the entire investigation It helps to understand the research subject and address accurate results. In this study, descriptive research design has been applied to analyze the impact of customer loyalty program on the small and medium size business.

Data Collection

Data collection is very important method in the study to collect the data. The information can collect through primary and secondary sources. In the study, primary data collection method has been used. The primary data is an important component of our study. It has been gathered through survey research with the use of a suitable questionnaire and grading scales.

Analytical Tool

The essential properties of the data collected via questionnaire are described using descriptive statistical analysis. The objective of tables and charts is to represent data. The pre-tested questionnaire is used to get the client views who were designated as specimen responders. Using a five-point interpretation Scale questions from strongly agree, the views of the customer loyalty programme were analysed. Tools and approaches from the fields of mathematics, statistics, and graphics were used to analyse the data. Tables were also used to arrange and organise the content so that it was understandable to the reader. Simple quantitative techniques and tools, also including measures of central tendencies and spread, were employed to draw inferences from the data acquired. The mean is one of the most regularly employed measures of central tendency in this study to determine the central value of the customer opinion. The standard deviation, on the other hand, is used to determine how far a customer's opinion deviates from its recognised centre value.

Results and Discussion

Table 1: Loyalty program helpful for small and medium size business

Response		Reliance One	Payback	Clubwest	Clubmore	First Citizen	CC Value	_P'Value
Strongly disagree	F	7	7	6	6	5		
	%	5.8	5.8	5	5	4.2		
Disagree	F	12	9	11	17	14		
	%	10	7.5	9.2	14.2	11.7		
Undecided	F	35	42	36	34	23	0.113	0.957
	%	29.2	35	30	28.3	35.8		
Agree	F	35	37	39	33	29		
	%	29.2	30.8	32.5	27.5	24.2		
Strongly agree	F	31	25	28	30	29		
	%	25.8	20.8	23.3	25	24.2		

Table No. 1 : Loyalty program helpful for small and medium size business

The findings of the study, as shown in table, show that 28.83 percent agree, with 23.83 percent strongly agreeing, with the statement loyalty programmes have significant impact

upon the small and medium size business. It helpful for the small and medium size business. However, 28.33 percent of people were unsure about the same assertion. Merely 10.50% of respondents and 5.16 % of them vehemently disagree, which again is a small percentage. Despite the fact that when the two stands (agree and strongly agree) are combined, 52.66 percent of customers believe the loyalty programme is more advantageous to small and medium size business. Table shows that CC (600) = 0.113, demonstrating that the connection between client satisfaction and specific individuals is relatively tenuous, as well as p = 0.957, which is greater than 0.05. From the data analysis, it has been analysed that customer loyalty program is very helpful for companies. It provides several growth benefits to the small and medium size business. The retention of loyal customers is essential to any business that wishes to be successful over the long run and flourish in today's cutthroat marketplace. Loyalty on the part of consumers is one of the primary instruments that may be used to influence current clients' purchases of products or services provided by an organisation.

Conclusion

The retention of loyal customers is essential to any business that wishes to be successful over the long run and flourish in today's cutthroat marketplace. Loyalty on the part of consumers is one of the primary instruments that may be used to influence current clients' purchases of products or services provided by an organization. It has been proven that the clarification and analysis of the behavioral features of an entrepreneur's most loyal clients serves as the basis for the establishment of an appropriate marketing policy for an entrepreneurial firm. In order to ensure that the appropriate managerial choices are made about loyal consumers, it is essential to have knowledge of the elements that influence their behavior to varied degrees. Few small and medium-size clients in the area of trade have developed successful customer loyalty programmes, which is indicative of the lack of adequate targeted action in relation to loyal customers. The use demonstrates that this modest quantity. The results of the most recent study show that some interviewees must not give the assessment of the factors that affect the degree of customer loyalty enough concern. It is obvious that consumers currently do not fully see the need of doing study into any of these areas for the smooth functioning of their business. Repeat business is shaped by a number of essential variables, including the group's standing and reputation, pricing rivalry with several other comparable merchandise and services, and mailing lists that provide comprehensive and simple-to-understand material. It is critical to consider such crucial elements that influence client loyalty. When conducting an analysis of the components that contribute to the level of service provided, it is essential to take into consideration the favorable impression left by the ambiance of the retail location.

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