

**An Empirical Study into the potential of a
“Multi-Loyalty Card” for a Business and Consumer.**

Author: Fionnuala Faherty

Research Supervisor: Monica Nielson

This Master’s thesis is submitted in partial fulfillment of the requirements for achieving a Master of Business in Strategy and Innovation Management at Galway-Mayo Institute of Technology

I hereby declare that this thesis is my own work, except where acknowledged and has not been submitted to any other institute for grading/examination

Fionnuala Faherty 01/09/11

Fionnuala Faherty

September 2011



Acknowledgements

I would like to thank my supervisor Monica Nielson for all of her help and support to me throughout the course of my thesis. Thank you for your constant advice and encouragement.

Thank you to all of the interviewees who assisted me in understanding how loyalty cards worked and the benefit they had to their businesses, especially John O'Brien from Tesco Galway.

I would like to thank all of my family and friends, who were always there for me during the year when I needed them most, especially my amazing sister Anne; Deirdre, Imelda and Michelle.

Thank you for always being there for me.

Finally, I would like to thank my Mum and Dad for their constant love and support my whole entire life, I wouldn't be where I am today without you. Thank you for everything, I love you both very much.

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Introduction

Introduction

Purpose of the Study

The aim and purpose of this research is to identify additional benefits that may be available with the use of a multi-loyalty card to businesses within the various industries and also to consumers. Loyalty card holders are aware of the benefits that loyalty cards provide if they are used in the right manner. However, there are a lot of “loyalty points” not being spent by each loyalty card holder and I want to identify a method where the loyalty points may be distributed in a manner that will benefit the loyalty card holder and in addition to industries who issue the loyalty cards as a method of rewarding their loyal consumers. I wish to determine if there is a method of combining one loyalty card that can be used in multiple stores. The points could be collected in each store by the consumer and redeemed in any of the other stores that are attributed to the card. The participant stores can vary from department stores to pharmacies. The idea is to have a website where consumers can identify five shops where they purchase goods on a regular basis. There will be a wide range of stores that participate. The consumer will “click” on the five shops that they wish their card to be affiliated with. They will be issued with the “multi-loyalty card”

and be able to use the one card in the various five shops. The points that they receive in each shop can then be redeemed in any one of the other four shops. One of the main problems that many retailers have identified is that many consumers join up to their loyalty card schemes but the consumers don't follow through with using the loyalty cards. The purpose of my study is to determine if there is a need for a multi-loyalty card that would be beneficial and more user friendly to consumers and also a method of helping retailers use the multi-loyalty cards in order to make their various businesses more successful and to also build up a more loyal customer base.

Justification of the Study

As a loyalty card holder myself, I feel that I do not get full use from the various loyalty cards that I possess. When I purchase goods, I feel that I do not get sufficient value from the loyalty cards as on various occasions, the points/rewards that are available are not specific for my shopping needs. Sometimes the offers that I receive are not beneficial and I don't use the points that I have obtained and accumulated. From having this discussion with fellow peers, I found that they also possessed the same problem. I identified that there may potentially be a method of combining stores to rectify the problem that would benefit the consumer and also benefit businesses also as it may lead to additional customers wishing to avail of this innovative multi-loyalty card. During these recessionary times, there are numerous shops closing down and one of the main reasons is they don't possess a loyal customer following. One of the reasons for this may be that consumers feel that their loyalty to these shops is not being redeemed properly and adequately.

Perhaps if this problem was rectified, customers would feel that they are being appreciated; businesses would have a data base of potential customers as this would be accumulated when potential customers sign up for the various loyalty cards and also the various businesses would have a regular income as customers would be more inclined to shop where their loyalty is being recognised. Presently, the most successful loyalty card that is in operation in Ireland is the Tesco loyalty card. One of the main reasons for this is because customers can use their loyalty points and redeem them with shops that are affiliated with Tesco, customers do not solely have to spend their rewards in Tesco. However, the shops that are affiliated with the Tesco card can not operate with other shops as Tesco is the link in the chain. My aim is to investigate if there is the potential of amalgamating shops in various localities to a multi-loyalty card, where the shops included in the new innovative idea would be able to adjust the rewards of the cards to their own wants, ensuring that their businesses become more profitable and also that their customers enjoy the benefits of purchasing products/services with the points that they accumulate and in turn redeem as they wish whenever they choose.

Literature Review

Literature Review

Definition of Loyalty cards

A loyalty card is defined as an identity card issued by a retailer to its customers as part of a consumer incentive scheme, whereby credits are accumulated for future discounts every time a transaction is recorded. (Oxford Dictionary, 2010). Loyalty programs are structured marketing efforts that reward, and therefore encourage loyal buying behaviour from your customers.

Loyalty cards, gift cards and Electronic Gift Cards are convenient and versatile. They can be used for one-off rewards, tactical, seasonal or timed-out promotions, product launches, or long-term loyalty programmes. (Keith Reid, 2007). At their most basic, points are awarded according to how much customers spend. Customers can then use these points for a discount on future purchases at the store in which they were earned. Typically, a loyalty scheme uses some form of membership card which is presented at the point of sale so as to record the value of the purchase and/or the value of the rewards earned. Long-term loyalty is one of the hardest qualities to build among customers, yet is critical to the success of any business. Customer loyalty schemes are now accepted as part of contemporary life worldwide (Worthington, 1996).

Loyalty cards are used by businesses in order to administer rewards to their customers. Customers use their loyalty cards to redeem points that they have accumulated over a period of time. Rewards include vouchers; free gifts and also reduced prices in various products.

However, despite the ability to generate a more accurate picture of where and how much customers are spending, it has been argued that “loyalty implies a commitment to a brand that may not be reflected by just measuring continuous behaviour” (Assael, 1992, p. 87). In particular, behavioural measures are limited in determining the factors which influence repeat purchase (Dick and Basu, 1994). “Behavioural measures are insufficient to explain how and why brand loyalty is developed and/or modified... high repeat purchase may reflect situational constraints, such as brands stocked by retailers, whereas low repeat purchase may simply indicate different usage situations, variety seeking, or lack of brand preference within a buying unit” O’Malley, 1998)

Loyalty Card History

Airlines were among the first businesses to introduce loyalty programs to their frequent flier customers in the early 1980’s. American Airlines started the now iconic American Advantage (AAdvantage) program in May 1981. The aim of this programme was to reward frequent fliers through a points system. Customers accumulated points through travel and were able to redeem the points in future bookings with the company. Through the Sabre computer reservations system, American Airlines had amassed a database of around 150,000 of its best customers. This database enabled American Airlines to have a method of retaining customer information and to view methods and trends of their travel structure. It gave the airline a strategic marketing

advantage over their competitors. (Robert Crandall, former chairman of American Airlines, 1981) The “AAAdvantage Programme” was quickly copied by other airlines, hotels and even credit cards in the USA (O’Brien and Jones, 1995). Similar programmes became popular in Europe by the early 1990s, and have since been developed in Asia and the Far East (Gilbert, 1996). On the one hand, the phenomenal up-take of LSs suggests that they must be effective. Alternatively, however, there is the argument that loyalty programmes are seriously over-rated, that is, despite the exaggeration surrounding them, it seems that all FFPs and guest LSs have not been successful, and have often proved too expensive to implement (Gilpin, 1996). Indeed, although FFPs appear to represent a very powerful tool for airlines, there are a number of potential problems which should be a warning for similar schemes (Gilbert, 1996). These include corporate hostility towards FFPs; government threats to tax FFPs; the potential impact of unredeemed miles; and the proliferation of “me too” schemes. The first three of these are directly related to the airline industry, while the final problem is more universal, in that the “me too” criticism is clearly problematic for all industries where loyalty programmes are in operation. That is, “the failure to consider that when everyone offers similar rewards there is no competitive advantage and the cost of retaining existing, or winning new customers, may increase” (Gilbert, 1996)

Tesco Loyalty Card

Following the success of AAdvantage, Tesco identified that this method may be of benefit to their company. In the past Tesco had a loyalty program called “Green Shield Stamps”. It was used as a promotional tool which rewarded people for visits and spend but the program gained no customer information. Tesco marketers needed to identify an alternative method in data could be collected of each customer and the method in which they spent. Tesco also need to identify a method in which customers would still receive the same benefits as before. In 1993, they launched “Tesco Club card”. The club card offered the same benefits to customers as before. However the significant change was that each customer was issued a magnetic swipe card, which possessed personal data of each customer. Data included the customer’s name, personal contact detail and most importantly weekly expenditure patterns of each individual.

Benefits of Loyalty Cards to a Business

The benefits to a business outweigh the benefits to a customer. Businesses are capable of viewing the purchasing patterns of each individual customer. This is a vital tool that can enable businesses to increase their profitability. Cards need minimal administration so there are low implementation and running costs. It is vital that a business does everything possible to create customer loyalty and encourage them not only to return to your establishment but to also bring their friends and family as well. Loyalty cards can assist you with this. If you offer your

customer a discount card after they have purchased a certain amount of goods or services, then you are encouraging loyalty. By forming this bond with your customer they feel that you are giving them something for free for their loyalty to your establishment. Loyalty cards are also flexible. Cards can have a set value for a one-off promotion, or can be continually updated for an ongoing scheme. You can design your own card to fit with your company branding, ensuring that you are kept top of mind at all times. For example, some stores appear to raise their base prices after introducing a card, and simply have the "discount" from the card reduce the price to its pre-card level. If you have a card, you're saving compared to the people who don't have cards--but not when compared against the prices before cards were introduced (www.articlesbase.com/business-articles/the-benefits-of-loyalty-cards-for-your-business, 2010)

Everyone is drawn to things that are free. Everyone wants to spend their hard earned money where they know they are appreciated. The bottom line is loyalty cards drive return traffic to your business. When you build customer loyalty that customer is more likely to recommend you to an associate. The rewards of loyalty cards in your business cannot be underestimated (articlesbase.com/business-articles 2010). Petrol retailers have had to contend with the "no loyalty" situation. For example, research carried out by Shell in the early 1990s suggested that 85 per cent of petrol buyers were not loyal to any brand or location (Dignam, 1996). Competing offers are generally perceived as being undifferentiated, and petrol retailers have attempted to increase customers' switching costs in order to increase retention. One effective method of achieving this is through "point accrual programmes" as used within many existing LSs (e.g. Tiger Tokens, and Premier Points). These programmes aim to tie the customer into a particular

supplier through the promise of future rewards, where the points already accrued represent switching costs. Thus, in no loyalty situations, managers can attempt to generate spurious loyalty through such means as in-store promotions, loyalty clubs and special offers (Dick and Basu, 1994).

Threats to Businesses Internationally

Businesses need to take into consideration that competition within the industry is increasing dramatically and customers are becoming more aware that there are alternative shops where they can purchase their goods and services, for example online. Businesses need to identify an area where customers will be enticed to remain loyal and remain purchasing products from their business. Research from “Accenture” shows that 85 percent of customers are willing to shop elsewhere if properly enticed. In response, some retailers have adjusted their loyalty programmes to align them better with what they believe matters most to their target customers. In the summer of 2007, Accenture conducted ten independent but related surveys to assess behavioural loyalty of US retail customers in specific retail product categories (that is, retail segment markets). The ten surveys were conducted online simultaneously and were administered by a third-party research vendor “Practical implications”. The paper offers this checklist for managers: align loyalty strategy with what matters most to target customers; recognize that price only buys volume but service earns continued loyalty; and use your loyalty strategy as both a defensive and an offensive weapon. (Accenture, 2007)

The recent interest in loyalty schemes is a result of the recognition that generating more business from existing clients may be cheaper and more effective than simply trying to create new customers or win them from the competition. There may also be defensive reasons, “locking” customers into a business. A growing body of research showed that loyal customers purchase more frequently and spend more (Uncles, 1994; Rayer, 1996) A growing body of market research shows that loyal customers buy more, pay premium prices and introduce new customers through referrals (Rayer, 1996) One of the main advantages of a loyalty card for a business is advertising. Each loyalty card has the company’s name, logo and contact details on it. Every time your customer pulls out his or her loyalty card they are advertising your business to a potential nearby customer. It puts your brand out there each and every time the loyalty card is pulled out of a wallet or purse. Most importantly your loyalty card rewards your customer’s loyalty. If a customer holds a loyalty card for a business, it encourages them to bring family and friends with them on the next occasion they enter the business. This generates additional advertising and more importantly, revenue for the business. (Catherine Williams, Articles Base 2009).

Disadvantages of Loyalty Cards to a Business

Even though there are many advantages for a business to distribute loyalty cards to its customers, there are also disadvantages involved in the process. The main disadvantage is the high level of cost in the implementation and promotion of the loyalty card. Additional staff also needs to be employed to ensure the success of the loyalty card. The employment of staff is necessary at the initial phase to administer the loyalty cards, but there is a continuous cost in the maintenance of the process also, including administering the loyalty card rewards to each customer. When customers apply for the loyalty cards, there is the risk that all personal information given may not be precise and accurate, which may lead to inaccurate data being collected by the business.

Originality/Value.

All loyalty programs are not equally effective. Retailers that ensure that their loyalty strategy is truly customer-centric and use this strategy to both retain and acquire loyal customers will be the winners in retail's zero sum growth game (JANET, L. H. & ERIC, M. L. 2008). Research shows that 73% of customers are not aware of the amount of loyalty rewards that their card possesses. This is a major saving to businesses financially. Customers feel that if the amount of value on their loyalty cards is not sufficient enough to redeem, they feel that it is not acceptable to redeem them. (DAVID, B., ARTHUR, W. A., LENITA, D. & RICHARD, M. G. 2006). However, if

there was a method that customers could accumulate all of their loyalty cards onto one special card, they would feel that this process is worthwhile and in turn remain loyal to the companies that are affiliated with their card.

Statistics of Loyalty Card Users and Trends Worldwide

Three out of four Americans are members of at least one retail loyalty card program

- The majority of American consumers (62 percent) join retail loyalty programs so they can get discounts on the things they buy most, yet only about one third of Americans (36 percent) received a reward or promotion that made them come back to the store again, and 1 in 4 (27 percent) of consumers complain they have received a reward or promotion for something they would never buy.
- 27 percent of Americans have received a loyalty programme reward or promotion that made them feel valued as a customer.
- Eighty one percent of American loyalty program members are enrolled in a program that they don't completely understand. They don't even know the basics, such as "What benefits do I get and when do I get them?"

- Many loyalty programmes leave consumers feeling underappreciated; 85 percent of members report that they haven't heard a single word from a loyalty program since the day they signed up.
- Whether it was a reward they didn't want (27 percent) or a reward that was too small to take seriously (22 percent), more than 2 in 5 (44 percent) consumers have had a negative experience from a loyalty programme. (Erika Stevens, Loyalty Marketing, 2011)
- 86 percent of consumers quit doing business with a company because of a bad customer experience, up from 59 percent four years ago. (Harris Interactive, Customer Experience Impact Report).

Only 17 percent of consumers choose where to shop based on their participation in loyalty card programs and 93 percent of consumers would continue to shop somewhere, even if the retailer scrapped its loyalty scheme.

- About 13 percent of dissatisfied customers tell more than 20 people. (White House Office of Consumer Affairs, Washington, DC)

These statistics undermine the benefits customer loyalty can provide for your business; particularly the statistic regarding lack of communication from the loyalty programme. If your loyal customers give you their information, it is vital that a business uses it to ensure the future success and growth of the business. Customers expect communication when



they join a loyalty programme. Most importantly, customers want rewards and discounts that are relevant to them.

Loyalty Cards, Ireland

Loyalty cards have been in operation since 1993 in Ireland. Superquinn was the first company to introduce its SuperClub loyalty card scheme. This is regarded as having been the prototype for such schemes in Europe. However, loyalty cards did not expand until 1997, when Tesco Ireland introduced its Clubcard scheme, shortly after its purchase of Power Supermarkets. This was essentially a simple expansion of the UK scheme. Dunnes Stores responded with the introduction of their own ValueClub scheme in June 1997. Today these are three main schemes operating in Ireland. All five major petrol station chains in the country operated a scheme during the late 1990s - Esso had "Tiger Miles" (with Tesco ClubCard points offered as an alternative), Maxol had "Points Plus", both of which operated on the principle of getting items from a gift catalogue, with Shell using Dunnes' scheme, Texaco using the SuperQuinn system, and Statoil operating a cash-back system, "Premium Club". However, due to increasing oil prices and tightening of margins, all of these schemes ended by the end of 2005. Tesco Ireland's petrol stations still, however, give Clubcard points. (www.consumeraffairs.com)

Threats of Loyalty Cards to the Consumer

Many shoppers are increasingly aware that loyalty cards are being used to compile profiles of their shopping habits for later use, and that this data can be farmed out to business partners, telemarketers, and direct-mail solicitors. What isn't public knowledge, however, is how often

discount card programmes themselves are outsourced to other companies. Supermarkets and retailers who have profiles on their customers via loyalty cards often outright admit to trading or sharing data with "preferred partners." Safeway's privacy policy, for instance, states the following: *The information we receive depends on what you do when you visit our stores and use your card. We collect and store your name, address, home telephone number, and birth date if provided by you. If you are in an area where we offer electronic checking and apply for this service, we also ask for information such as your driver's license number and bank and credit card account numbers. When you make purchases, we record data about the transaction; including the amount and content of your purchases and the time and place these purchases are made.*

Benefits of Loyalty Cards to a Business

Loyalty cards have your logo and business information written all over it. In addition the loyalty card will only offer the benefits to your customer that you program on it. If you own a

restaurant or a coffee shop loyalty cards can greatly benefit you. The first way that this happens is with advertising. Every time your customer pulls out his or her loyalty card they are advertising your business to a potential nearby customer. It puts your brand out there each and every time the loyalty card is pulled out of a wallet or purse. Most importantly your loyalty card rewards well loyalty. You can see very often these days' restaurants and coffee shops offering loyalty cards that reward you after you have bought so many sandwiches or various cups of coffee. This creates a bond between you and the customer. If they can buy 5 sandwiches from you and get the 6th one free than they are more likely to avoid the competitor and eat from you until they get their free sandwich. (Roger Cox, 2005)

If you own a retail outlet the loyalty card is equally valuable and beneficial. You still have the same opportunity of advertising through the card and perhaps drawing in a few additional customers. As anyone who has ever owned or managed a business knows there is no better advertising than word of mouth. It is vital that you do everything possible to create customer loyalty and encourage them not only to return to your establishment but bring their friends and family as well. Loyalty cards can assist you with this. If you offer your customer a discount card after they have purchased a certain amount of product than you are encouraging loyalty. (Roger Cox, 2005)

You can see this type of loyalty in use every day in retail outlets, restaurants, coffee shops, department stores and grocery stores. Many different types of business can benefit from a loyalty card. By forming this bond with your customer they feel that you are giving them

spend (above the line marketing costs can be reduced by targeting offers more specifically) and the sale of data to manufacturers.” It also examines the different schemes operated by Tesco, Safeway, Sainsbury, Asda and Bugdens in the UK and Irish chain Superquinn, as well as looking at the US market. *The Customer Loyalty Report*

It is commonly known that there is a positive relationship between customer loyalty and profitability. Reichheld and Sasser (1990) found that when a company retains just 5 percent more of its customers, profits increase by 25 percent to 125 percent. Their study caught the attention of both practitioners and researchers, arousing a great interest in customer loyalty. Gould (1995) helped consolidate the interest in loyalty through his research that supported Reichheld and Sasser’s work. Today, marketers are seeking information on how to build customer loyalty.

The increased profit from loyalty comes from reduced marketing costs, increased sales and reduced operational costs. Loyal customers are less likely to switch because of price and they make more purchases than similar non-loyal customers (Reichheld and Sasser, 1990). Loyal customers will also help promote your hotel. They will provide strong word-of-mouth, create business referrals, provide references, and serve on advisory boards. Raman (1999) states, loyal customers serve as a “fantastic marketing force” by providing recommendations and spreading positive word-of-mouth; those partnership-like activities are the best available advertising a company can get. Loyal customers increase sales by purchasing a wider variety of the hotel’s products and by making more frequent purchases. Bowen and Shoemaker (1998) found loyal hotel customers had higher food and beverage purchases than non-loyal customers. Finally, loyal

customers cost less to serve, in part because they know the product and require less information. They even serve as part-time employees. The authors have collected anecdotes from service employees, stating how loyal customers are eager to serve as employees. Loyal customers have been observed in hotels, telling other guests about the great restaurants in the hotels. In casinos, customers explain games and how the player's club works to other customers. Passengers on planes have explained the lightning system or the audio/visual system to other passengers. Therefore loyal customers not only require less information themselves, they also serve as an information source for other customers. Building customer loyalty is one of the biggest challenges for the hotel industry (Yesawich, 1997). *International Journal of Contemporary Hospitality Management*.

Tesco Clubcard

The use of the Clubcard induced an increase in shopping frequency at the Tesco store. The results show that the majority of the total sample (55 per cent) “strongly agreed” or “agreed” that the Clubcard made them shop at Tesco more often. However, this figure includes those respondents who do not own a Clubcard, when these individuals are removed, the results show that 70 per cent of Clubcard owners “strongly agreed” or “agreed” that the Clubcard influences the frequency of visits to store.

A research paper undertaken by Jason J. Turner, *University of Abertay, Dundee, UK* showed a total of 70 per cent of respondents who owned a Clubcard “strongly agreed” or “agreed”, that they are loyal to Tesco, with 11 per cent “disagreeing” or “strongly disagreeing”. To consider whether customers are more loyal to Tesco because of the Clubcard loyalty scheme, the research indicated that the Clubcard does have an influence on customer loyalty, but alludes to the point that it is not the single most important factor in making a customer loyal.

When respondents were asked if they considered themselves loyal, 65 per cent of the total sample, “strongly agreed” or “agreed” that they are loyal to Tesco, with 15 per cent “disagreeing” or “strongly disagreeing”. This indicates that customers are more likely to be loyal to Tesco if they own a Clubcard. The research showed a significant relationship between Clubcard ownership and store loyalty between Clubcard returns and customer loyalty to Tesco. It showed that consumers are loyal to the Clubcard which would give rise to the assertion that the loyalty in this case is more related to that of repeat purchase rather than meaningful loyalty

where there exists an “emotional attachment to or connection with the firm; a necessary condition for a relationship to exist” (Barnes, 2003). The research also illustrated that the main reason why consumers were loyal to Tesco was because of the benefits that they received with regards to other stores by using their Tesco club points. When consumers benefit in shopping with other stores, they are highly more likely to stay with the shop where they benefit the most.

Impact of Recession on Irish Businesses

The impact of a recession on small businesses is similar to large businesses. Without major cash reserves and large capital assets as collateral and with more difficulty securing additional financing in trying economic times, smaller businesses may have a harder time surviving a recession. Bankruptcies among smaller businesses may therefore occur at a higher rate than among larger firms.

The bankruptcy or dissolution of a small business that serves a community - a franchised convenience store, for example - can create hardships not only for the small business owners, but for residents of the neighborhood. In the wake of such bankruptcies or dissolutions, the entrepreneurial spirit which inspired someone to go into such a business may take a hit, discouraging, at least for a while, any risky business ventures. Too many bankruptcies may also discourage banks, venture capitalists and other lenders from making loans for startups until the economy turns around.

In an article in the Irish Examiner, Cónall Ó Fátharta(2010) stated that “*businesses are being urged to re-evaluate how they interact with customers, as research indicates consumers no longer take information communicated to them via advertising and marketing at face value.*”

The Irish Lifestyles report, carried out by Mintel Ireland, examined the impact that the recession has had on Irish consumers' lifestyles in terms of their shopping behaviour, spending habits and attitudes towards value, big business and fiscal responsibility.

The findings of the report suggest Irish consumers are now bypassing traditional methods when searching for information, with 48% turning to the internet as the first port of call rather than taking at face value the message they have been given by an organisation.

The survey found that 43% cited shopping habits as a key area in which the recession is impacting upon their lives and today's Irish consumer is more price conscious than at any stage in the last decade.

In the post-credit crunch era, consumers will require claims and guarantees to be backed up with proof before parting with their cash.

Insight product manager at Mintel Ireland Emer Denny said the report showed that the days of the passive Irish consumer were at an end.

"The difficult economic climate has made consumers much more aware of not only their spending and saving habits but also the information that they are surrounded by on a daily basis through advertising and other marketing mechanisms," she said.

"The rise and popularity of consumer websites shows that in order to prosper in this difficult

climate, organisations big and small need to recognise the change in consumer thinking, attitudes and behaviours. (O Fátharta, 2010)

National Consumer Agency Survey, October 2010

In a survey conducted by the National Consumer Agency, (2010), almost 3 in 4 (73%) respondents stated they will continue to shop around for better deals when the economic situation improves. 2 in 3 (66%) consumers say that they have learnt to manage their finances better as a result of the recession and will continue to do so going forward.

When examining spending thrift, 72% of consumers believe that the recession has focussed them into thinking carefully about what and when to buy with just under 7 in 10 (67%) believing the recession is a good opportunity to pick up bargains in the sales. In all, 3 in 5 consumers (61%) are actively seeking out cheaper ways of living, while 59% would prefer to switch between brands of things they buy than do without them at all. When asked how their behaviour has changed as a result of the recession, 44% of consumers are budgeting for household expenses more and buying an increased proportion of goods on special offer. 34% are spending more time “bargain hunting” when buying groceries with 31% spreading their shopping across a number of shops and 30% of consumers spending less on groceries overall. The research also showed that there had been an increase in the number of consumers who have experienced a reduction in their household income in the previous 12 months, compared with the previous wave of research (62% versus 53%). (NCA, 2010) (66%) consumers say that they have learnt to manage their

finances better as a result of the recession and will continue to do so going forward. (67%) believe that the recession is a good opportunity to pick up bargains in the sales, and a similar proportion are consciously trying to buy fewer things nowadays and are putting off buying large spend items until the current situation improves. (61%) are actively seeking out cheaper ways of living while 59% would prefer to switch between brands of things they buy than do without them at all.

Outlook on the performance of Irish Consumer Spending

A new survey conducted by research firm RED C reveals that Irish consumers fear that Ireland is still facing into a prolonged period of recession, and have hit the pause button in relation to their future spending intentions. This latest in a series of credit crunch tracking surveys carried out by RED C indicates that Irish consumers have reacted negatively to the downturn in Greece and other EU States, believing that this 'external' deterioration of European economies will prolong the period of Ireland's recovery.

RED Research conducted research and found the following information. When consumers were asked how they felt the Irish economy might perform over the next 6 months, 50% of respondents said that they believe that the economy will fare worse, while only 25% believe that the economy will improve (it is worth noting that this latter figure is quite an improvement on a similar survey of 12 months ago, when only 10% of consumers indicated a positive outlook).

This pessimistic outlook on the recovery in the Irish economy appears to have damaged consumer confidence, with more people now believing that the recession will have a high impact on them personally, and as a consequence showing reluctance to increase their spending on groceries, consumer goods and services, entertainment and holidays.

The negative outlook on the World economy combined with the increased fear of being hit personally by the recession has reduced increases in spending.

More than 70% of the respondents said that - over the next 12 months - they do not envisage increasing their spending across the following categories; entertainment, grocery spending, consumer goods and services and holidays.

Those most likely to increase their spend come from the 18 to 34 age demographic. Notably over 40% of this segment plan to spend more on entertainment and holidays/short breaks during the coming year. (*RED C Research, 2010*)

Grocery Shopping Survey

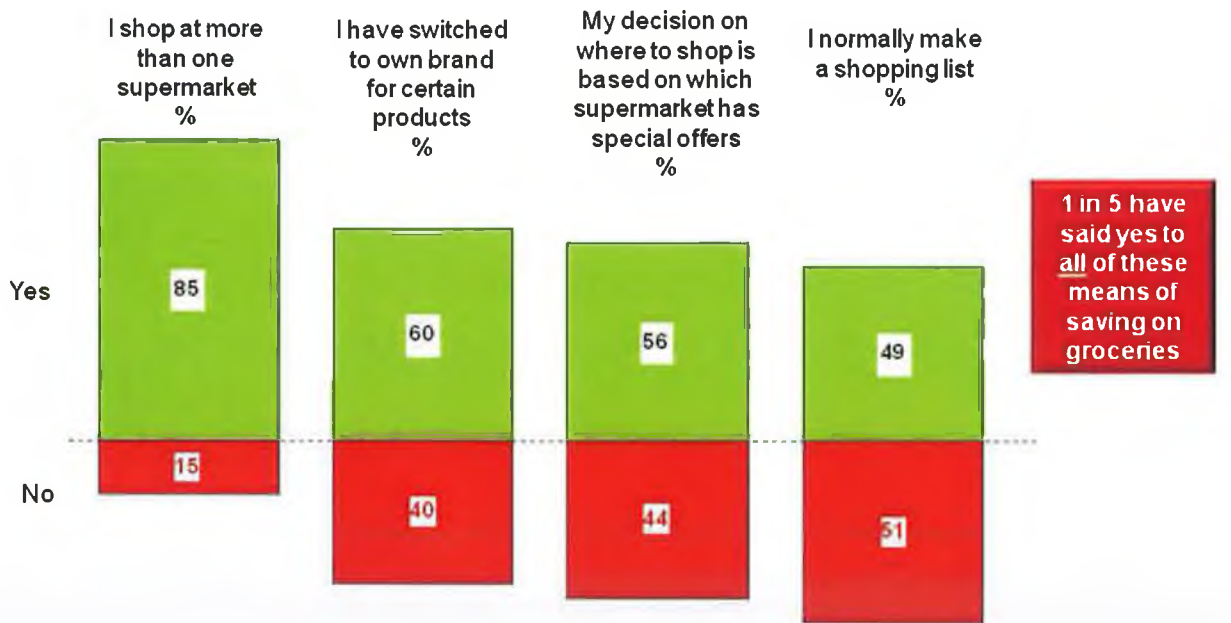
Research undertaken this month by SaveAFewBob.ie has shown that 96% of Irish consumers are cutting back on their grocery bills. The research, commissioned by RED C research firm, investigated the various measures which Irish consumers are undertaking to save money on their groceries. It also examined consumers' attitudes towards buying Irish and their willingness to shop for groceries north of the border.

Findings concluded that the majority of consumers are shopping in more than one supermarket, switching to own brand for certain products, availing of special offers and drawing up shopping lists. Survey results also indicated that 25-44 year olds appear to be most 'value conscious', while women employ more cost saving measures than men.

Money saving measures

Means of Saving on Groceries – Which, if any, do you normally do?

(Base: All Adults 18+ - 1,011)



(Q.1)
(3)

Almost all grocery shoppers (96%) have used at least one of the above methods of making savings on their grocery shopping while 1 in 5 use all the above methods. This figure rises to 1 in 4 (25%) for those with dependent children.

Shopping around

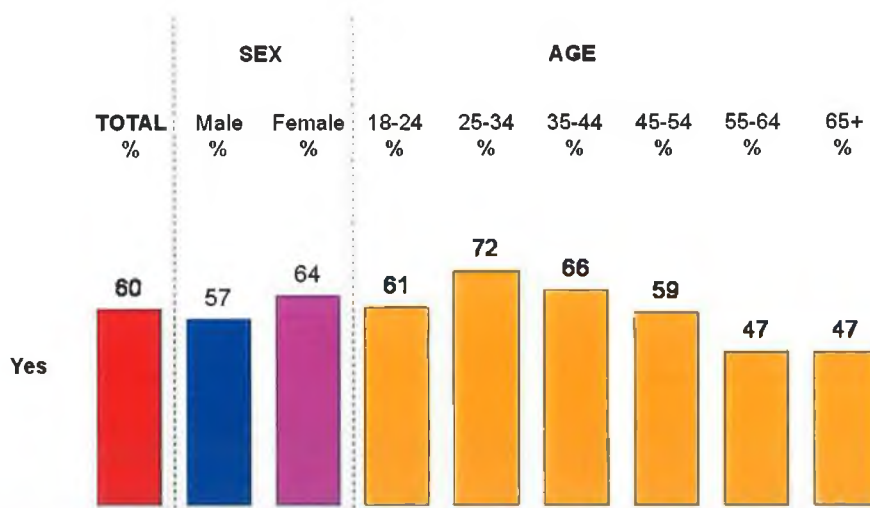
Shopping at more than one supermarket is the most popular means of making savings with 85% of respondents claiming to split their shop across stores. Interestingly, more men than women claim to shop at more than one supermarket. (RED Research, 2010)

Switching to own brand

The majority of shoppers (60%) have switched to own brand for certain products. This rises to 70% for those in the 25-44 yr age bracket and falls to 47% for those aged over 55.

Means of Making Savings on Groceries – I Have Switched to Own Brand for Certain Products

(Base: All Adults 18+ - 1,011)



(0.1)
(5)

Availing of special offers and buying in bulk

Most shoppers are influenced by the availability of special offers. 56% of those surveyed decide where to shop based on current offers, with this figure rising to over 60% for those under 45.

59% of shoppers buy in bulk where possible to take advantage of special offers but this rises to 66% for those under 45. (RED Research, 2010)

Shopping at discount stores

65% believe that shopping at discount stores (Aldi & Lidl) leads to greater savings than shopping at other supermarkets. However, with this statement we cannot tell if this is for a few key products or a full shop. (RED Research 2010)

Pro-active Methods of Increasing Profitability for a Business in a Recession

Recessions can severely affect the performance of firms, and even their very survival. However, all firms are not equally affected by a recession. Some firms view recessions as opportunities to strengthen their businesses, invest aggressively and establish their advantage over their weaker competitors, whereas others cut back, waiting for the recession to pass. The results of a survey of 154 senior marketing executives show that some firms do indeed adopt proactive marketing during a recession. . (Gary L. Lilien et al, 2005) *Both organisational and environmental contexts influence firms' proactive response to a recession. Firms that have a strategic emphasis on marketing, an entrepreneurial culture, and slack resources are proactive in their marketing activities during a recession, while the severity of the recession in the industry negatively affects*

proactive marketing response. In addition, firms that have a proactive marketing response in a recession achieve superior business performance even during the recession.

Those firms with a strategic emphasis on marketing already have programs in place (e.g., well-recognized brands, differentiated products, targeted communications, loyalty cards programmes, good support and service, etc.) that enable them to derive benefits from a proactive marketing response during the recession. (Gary L. Lilien et al, 2005)

Conclusion

The literature review highlights the benefits of loyalty cards to the consumer, but more importantly it highlights the benefits to a business. In today's recessionary times, many businesses are closing down. From the statistics illustrated above from Tesco, it is evident that consumers remain loyal to a business if they receive discounts/benefits that they actually need, instead of benefits that they do not redeem as appropriate for themselves personally. There is a niche market where businesses can come together and set up their own loyalty programme which will benefit their business and also the consumer. The literature review highlights the significant importance of databases to a business in order for success in the future. It also identifies the way in which consumers will remain loyal if the businesses fulfill their needs. As some of the statistics illustrated in the literature review show, the majority of consumers are extremely

cautious of where they spend their money and they feel that if they are not treated as a valued customer in any shop, they will take their custom elsewhere.

Research Methodology

Research Methodology

Primary Research Objectives:

The objectives for the primary research are as follows:

- To identify the amount of loyalty cards that a consumer possesses and how often the consumer avails of the benefits that each loyalty card provides. This objective will be met through an open ended and multiple choice questionnaire as I feel that I will get more accurate information through questionnaires.
- To identify the benefits of loyalty cards to an established business. This will be conducted with Tesco through an interview process. I have chosen this method because Tesco are the most established business in Ireland who operates a loyalty card system.
- To identify how many consumers are aware of the additional benefits of a loyalty card that are available to them from various industries. This objective will be met by conducting open questions in a questionnaire. The benefit of this is that I hope to get a varied response and this will allow me to receive more accurate data.

- To determine how effective a multi-loyalty card would be to various businesses within the retail industry. This objective will be met through a semi-structured interview with various managers from various industries and also a focus group. The benefit of this method will be to allow the participants being interviewed to speak freely and honestly and they will be more enticed to give a more accurate response as the communication process will enable me to get a response immediately to all of my questions.

- To determine how effective a multi-loyalty card would be to customers. This objective will be met through an open ended and multiple choice questionnaire.

Introduction

The primary research consists of one semi-structured personal interview held with the general manager of Tesco to determine the benefits of their loyalty card. This information may then be used in order to determine the benefits that other businesses within the sector may also receive if they incorporate the multi-loyalty card system. A semi-structured personal interview will also be conducted with businesses within the sector to identify if there is a need for a multi-loyalty card within their various businesses. A questionnaire will be completed by consumers who use loyalty cards.

Semi –Structured Interviews

An interview is an interpersonal situation, a conversation between two partners about a theme of a mutual interest. It is a specific form of human interaction in which knowledge evolves through a dialogue (Steinar Kvale, 1996). In semi-structured interviews, questions may be open-ended which means the respondent is completely free to frame their own answers. This differs from closed questions, which limit the respondent to expand on a point with various probing techniques. According to Kvale (1996), a semi-structured interview has sequence of themes to be covered, as well as suggested questions. Personal interviews may produce bias or error and it

may be difficult to obtain permission to conduct the interviews. However, a distinctive feature of interviews is that they offer flexibility and control. They are regarded by researchers as one of the best ways to obtain detailed qualitative data (Frey and Oishi 1995)

Advantages and Disadvantages of Semi-Structured Interviews

Advantages	Disadvantages
<ul style="list-style-type: none">• Obtains relevant information.• The audience is specifically targeted.• Structured so as to allow comparisons.• Gives the freedom to explore general views or opinions in more detail.• Can use an external organisation so as to retain independence.• Can be used for sensitive topics	<ul style="list-style-type: none">• Interviewing skills are required.• Need to meet sufficient people in order to make general comparisons.• Preparation must be carefully planned so as not to make the questions prescriptive or leading.• Need to have the skills to analyze the data.• Time consuming and resource intensive.• You have to be able to ensure confidentiality.

I decided that a personal interview was a superior choice than a telephone interview, as the telephone interviewer has got no ability to determine whether the respondent is following and comprehending and whether the pace of the questioning is appropriate. Ten interviews were carried out, one with the general manager of Tesco, eight with various businessmen with the retail industry and one focus group consisting of five various businesses within the Galway community.

The Questionnaire

The questionnaire was conducted among forty loyalty card holders, randomly selected between the ages of twenty to sixty five years within the four provinces of Ireland. I chose to randomly select consumers within the four provinces in order to determine if the results would be conclusive within each area of Ireland. A structured questionnaire was used, as this is the most effective and inexpensive method of extracting information in a fast and efficient process. I decided to personally distribute the questionnaires rather than mailing them as this would avoid a low response rate. The response rate was 83%

The Questionnaire Design

The question is made up of 15 questions. It includes three basic types of questions: multiple choice, open-ended questions and closed questions. I chose consumers from the four provinces of Ireland to determine if the statistics showed a various trend within the usage of loyalty cards within the country.

Multiple-choice Questions

Multiple choice questions help the interviewer analyse and evaluate data (Fink 1995). There is only a selected range of answers available to the respondent.

Open-ended Questions

Open-ended questions allow the respondents to give answers in their own way (Fink 1995). These questions are useful in getting unanticipated answers, and may describe more closely the real views of the respondents.

Closed Questions

Closed questions are more difficult to write, as the answers or response choices must be known in advance (Fink 1995). With this type of question it is easier to quantify and measure the data. Also the respondent can perform more reliably the task of answering the question when the response alternatives are given (Floyd J. Fowler 2002)

Focus Groups

Focus groups are a form of group interview that capitalizes on communication between research participants in order to generate data. Although group interviews are often used simply as a rapid and convenient way to collect data from several people simultaneously, focus groups primarily use group interaction as part of the method. This means that instead of the researcher asking each participant to respond to a question in turn, the participants are encouraged to talk to one another, asking questions, exchanging information and commenting on each other's experiences and points of view. The method is particularly useful for exploring people's knowledge and experiences and can be used to examine not only what people think but how they think and why they think in that manner (D.W.Stewart, 2006). Focus groups can be used at the preliminary or exploratory stages of a study (Kreuger 1988); during a study, perhaps to evaluate or develop a particular programme of activities (Race et al 1994); or after a programme has been completed, to assess its impact or to generate further avenues of research. They can be used either as a method in their own right or as a complement to other methods, especially for triangulation (Morgan 1988) and validity checking.

Focus groups are more appropriate for some situations than others. Morgan & Krueger (1993)

discuss instances when focus groups are beneficial:

- When the security provided by the group allows members who are lower in the 'power hierarchy' within an organization to express feelings and experiences that they would not otherwise share.
- When the target audience is so different from decision makers that different terminology and points of view can be illuminated and understood
- When desired information about behaviours and motivations are more complex than a questionnaire is likely to reveal. Through a series of well designed questions, focus groups can often get a more honest and in depth insight.
- When a researcher is interested in finding out the nature of consensus. While several respondents completing a questionnaire may indicate that they 'agree' with an item, focus groups may reveal fundamental differences among group members concerning the conditions of that agreement.
- When target audiences may not take questionnaires seriously or answer them honestly. Effective focus groups will communicate a desire to obtain meaningful, honest information. Superficial or patronizing responses as well as critical responses can be challenged and or put into an appropriate context.
- In situations where there is organisational conflict and or alienation, members of focus groups and their constituencies may feel 'listened to'. This may result in an honest and meaningful exchange of information. (Morgan & Krueger, 1993)

Questioning Strategies

Focus groups typically involve approximately ten clearly worded open ended questions. Because of the group process, several hours could be spent discussing the key questions. The researcher must manage the process so that essential information can be obtained in a reasonable amount of time (usually 60 to 90 minutes). Questioning strategies can be used to seek essential information and manage the process. Questioning strategies can also help to manage the group process. Focus group moderators have the difficult task of leading the group through a process that if unmanaged could take several hours (or be cut short by serious disagreement). Moderators must be empathic and not dominate the group, while at the time exert enough pressure to prompt the group along on its mission. Several questioning strategies allow moderators to subtly influence the group process without taking it over. Krueger (1994) describes a series of questions that get the group off to a good start, focus on key questions and provide closure:

1. The group is introduced and begins sharing information with an opening question (e.g., everyone responds to the grade and setting of their school).
2. Introductory questions start the group off by having them respond with their experience with the general topic of the focus group.
3. Transition questions help the group to see the topic on a broader scope and how opinions on various aspects may be diverse.
4. Key questions (usually five or six) are carefully crafted to get at the essence of the desired information.

5. Ending questions prompt the participants to summarise their positions, provide feedback concerning the moderator's interpretation of the group results and seek any information that may have been missed. (Krueger, 1994)

Advantages of Focus Groups

Kitzinger (1994, 1995) states that interaction is the crucial feature of focus groups because of the interaction process between participants. Interaction also enables participants to ask questions of each other, as well as to re-evaluate and reconsider their own understandings of their specific experiences. (Race et al 1994) also states that focus groups can become a forum for change both during the focus group meeting itself and afterwards.

Disadvantages of Focus Groups

Focus groups involve "stories" about behaviour and do not examine actual user/stakeholder behavior. The data from focus groups are self-report data which depend on the participants' truthfulness and recall accuracy. What people report may be quite different than what they actually tend to do. Another disadvantage is that dominant participants can distort the results of the focus groups. Conflicts and power struggles can arise among participants and any quantitative conclusions from a focus group may be suspect because the participants are often chosen from a convenience sample.

Ethical issues

Ethical considerations for focus groups are the same as for most other methods of social research (Homan 1991). When selecting and involving participants, researchers must ensure that full information about the purpose and use of participants' contributions is given. Being honest and ensuring participants are informed about the expectations of the group and topic, and not pressurising them to speak is important. A particular ethical issue to consider in the case of focus groups is ensuring confidentiality is consistent given that there will always be more than one participant in the group. Researchers need to clarify that each participant's contributions will be shared with the others in the group as well as with the researcher. Participants need to be encouraged to remain confidential with respect to what they hear during the focus group and researchers have the responsibility to ensure all data from the group remains anonymous and confidential. Goss J.D., Leinbach T.R. (1996)

Mixed methods research is an approach to inquiry that combines or associates both qualitative and quantitative forms. It involves philosophical assumptions, the use of qualitative and quantitative approaches, and the mixing of both approaches in a study. Thus, it is more than simply collecting and analyzing both kinds of data; it also involves the use of both approaches in tandem so that the overall strength of a study is greater than either qualitative or quantitative research (Creswell & Plano Clark, 2007).

Philosophical Assumptions

Although philosophical ideas remain largely hidden in research (Slife & Williams, 1995), they still influence the practice of research and need to be identified. I suggest that individuals preparing a research proposal or plan make explicit the larger philosophical ideas they espouse. This information will help explain why they chose qualitative, quantitative, or mixed methods approaches for their research. In writing about worldviews, a proposal might include a section that addresses the following:

- the philosophical worldview proposed in the study
- a definition of basic considerations of that worldview
- how the worldview shaped their approach to research

The Post positivist Worldview

The post positivist assumptions have represented the traditional form of research, and these assumptions hold true more for quantitative research than qualitative research. This worldview is sometimes called the *scientific method* or doing *science research*. It is also called *positivist/post positivist research*, *empirical science*, and *post positivism*. This last term is called post positivism because it represents the thinking after positivism, challenging the traditional notion of the absolute truth of knowledge (Phillips & Burbules, 2000) and recognizing that we cannot be “positive” about our claims of knowledge when studying the behavior and actions of humans. The post positivist tradition comes from 19th-century writers, such as Comte, Mill, Durkheim,

Newton, and Locke (Smith, 1983), and it has been most recently articulated by writers such as Phillips and Burbules (2000). Post positivists hold a deterministic philosophy in which causes probably determine effects or outcomes. Thus, the problems studied by post positivists reflect the need to identify and assess the causes that influence outcomes, such as found in experiments. It is also reductionistic in that the intent is to reduce the ideas into a small, discrete set of ideas to test, such as the variables that comprise hypotheses and research questions. The knowledge that develops through a post positivist lens is based on careful observation and measurement of the objective reality that exists “out there” in the world. Thus, developing numeric measures of observations and studying the behavior of individuals becomes paramount for a post positivist. Finally, there are laws or theories that govern the world, and these need to be tested or verified and refined so that we can understand the world. Thus, in the scientific method, the accepted approach to research by postpositivists, an individual begins with a theory, collects data that either supports or refutes the theory, and then makes necessary revisions before additional tests are made. In reading Phillips and Burbules (2000), you can gain a sense of the key assumptions of this position, such as,

1. Knowledge is conjectural (and antifoundational)—absolute truth can never be found. Thus, evidence established in research is always imperfect and fallible. It is for this reason that researchers state that they do not prove a hypothesis; instead, they indicate a failure to reject the hypothesis.

2. Research is the process of making claims and then refining or abandoning some of them for other claims more strongly warranted. Most quantitative research, for example, starts with the test of a theory.

3. Data, evidence, and rational considerations shape knowledge. In practice, the researcher collects information on instruments based on measures completed by the participants or by observations recorded by the researcher.

4. Research seeks to develop relevant, true statements, ones that can serve to explain the situation of concern or that describe the causal relationships of interest. In quantitative studies, researchers advance the relationship among variables and pose this in terms of questions or hypotheses.

5. Being objective is an essential aspect of competent inquiry; researchers must examine methods and conclusions for bias. For example, standard of validity and reliability are important in quantitative research.

The Social Constructivist Worldview

Others hold a different worldview. Social constructivism (often combined with interpretivism; is such a perspective, and it is typically seen as an approach to qualitative research. The ideas came from Mannheim and from works such as Berger and Luekmann's (1967) *The Social Construction of Reality* and Lincoln and Guba's (1985) *Naturalistic Inquiry*. More recent writers

who have summarized this position are Lincoln and Guba (2000), Schwandt (2007), Neuman (2000), and Crotty (1998), among others. Social constructivists hold assumptions that individuals seek understanding of the world in which they live and work. Individuals develop subjective meanings of their experiences—meanings directed toward certain objects or things. These meanings are varied and multiple, leading the researcher to look for the complexity of views rather than narrowing meanings into a few categories or ideas. The goal of the research is to rely as much as possible on the participants' views of the situation being studied. The questions become broad and general so that the participants can construct the meaning of a situation, typically forged in discussions or interactions with other persons. The more open-ended the questioning, the better, as the researcher listens carefully to what people say or do in their life settings. Often these subjective meanings are negotiated socially and historically. They are not simply imprinted on individuals but are formed through interaction with others (hence social constructivism) and through historical and cultural norms that operate in individuals' lives. Thus, constructivist researchers often address the processes of interaction among individuals. They also focus on the specific contexts in which people live and work, in order to understand the historical and cultural settings of the participants. Researchers recognize that their own backgrounds shape their interpretation, and they position themselves in the research to acknowledge how their interpretation flows from their personal, cultural, and historical experiences. The researcher's intent is to make sense of (or interpret) the meanings others have about the world. Rather than starting with a theory (as in post positivism), inquirers generate or inductively develop a theory or pattern of meaning. For example, in discussing constructivism, Crotty (1998) identified several assumptions:

1. Meanings are constructed by human beings as they engage with the world they are interpreting. Qualitative researchers tend to use open-ended questions so that the participants can share their views.

2. Humans engage with their world and make sense of it based on their historical and social perspectives—we are all born into a world of meaning bestowed upon us by our culture. Thus, qualitative researchers seek to understand the context or setting of the participants through visiting this context and gathering information personally.

3. The basic generation of meaning is always social, arising in and out of interaction with a human community. The process of qualitative research is largely inductive, with the inquirer generating meaning from the data collected in the field.

The Advocacy and Participatory Worldview

Another group of researchers holds to the philosophical assumptions of the advocacy/participatory approach. This position arose during the 1980s and 1990s from individuals who felt that the post-positivist assumptions imposed structural laws and theories that did not fit marginalized individuals in our society or issues of social justice that needed to be addressed. This worldview is typically seen with qualitative research, but it can be a foundation for quantitative research as well. Historically, some of the advocacy/participatory (or emancipatory) writers have drawn on the works of Marx, Adorno, Marcuse, Habermas, and Freire (Neuman, 2000). Fay (1987), Heron and Reason (1997), and Kemmis and Wilkinson

(1998) are more recent writers to read for this perspective. In the main, these inquirers felt that the constructivist stance did not go far enough in advocating for an action agenda to help marginalized peoples. An advocacy/participatory worldview holds that research inquiry needs to be intertwined with politics and a political agenda. Thus, the research contains an action agenda for reform that may change the lives of the participants, the institutions in which individuals work or live, and the researcher's life. Moreover, specific issues need to be addressed that speak to important social issues of the day, issues such as empowerment, inequality, oppression, domination, suppression, and alienation. The researcher often begins with one of these issues as the focal point of the study. This research also assumes that the inquirer will proceed collaboratively so as to not further marginalize the participants as a result of the inquiry. In this sense, the participants may help design questions, collect data, analyze information, or reap the rewards of the research. Advocacy research provides a voice for these participants, raising their consciousness or advancing an agenda for change to improve their lives. It becomes a united voice for reform and change. This philosophical worldview focuses on the needs of groups and individuals in our society that may be marginalized or disenfranchised. Therefore, theoretical perspectives may be integrated with the philosophical assumptions that construct a picture of the issues being examined, the people to be studied, and the changes that are needed, such as feminist perspectives, racialized discourses, critical theory, queer theory, and disability theory

Ethnography

Ethnography is a strategy of inquiry in which the researcher studies an intact cultural group in a natural setting over a prolonged period of time by collecting, primarily, observational and

interview data (Creswell, 2007). The research process is flexible and typically evolves contextually in response to the lived realities encountered in the field setting (LeCompte & Schensul, 1999).

Limitations

I decided to personally distribute the questionnaires to various loyalty card holders within the Connaught and Ulster region as I have easy access to both provinces rather than mailing them in order to increase the response rate. However, I had to email the questionnaires to consumers within the other provinces and I was anxious that an individual may keep hold of the questionnaire and not return the information that I need in order to continue with my statistics. This occurred with regard to a few consumers, as on a few occasions they held onto the questionnaires for a longer period and I had to request that the questionnaires be returned as soon as possible. The response rate was 83%

Eight businesses were contacted for interviews. However, it was difficult to arrange an interview with the General Manager of Tesco in Galway and it was also difficult to arrange a focus group as many of the nights that were suggested for the various members to attend was not suitable for everybody on the various nights chosen. When the focus group was conducted, the owner of the

pharmacy was unable to attend so this distorted the meeting because I wanted every business within the community to attend. This limited the primary research to only seven businesses.

*Findings of
Questionnaire, Focus
Group and Semi-
Structured Interviews*

Findings of Questionnaire and Semi-Structured Interviews

Introduction

The primary research was carried out with consumers within all regions of Ireland. The research consisted of questionnaires, which were completed by consumers in each of the four provinces and an interview, which was conducted with eight various retailers and a focus group with was conducted with seven various shop owners. The main objective of the primary research was to determine if there was a need for a multi-loyalty card for consumers and also if various retailers saw the need for a multi-loyalty card for the future success of their business and to determine how effective the multi-loyalty card would be for their consumers. The structure of the empirical findings comprises of initially, providing general information about the overall use of loyalty cards in the sample size of forty consumers and then presenting the findings from the questionnaires and the interview in the form of the primary objectives. The findings of the consumers' responses are firstly highlighted and this is then compared to what the various retailers said during the interviews and focus group session.

General Information

Sex

In general, it was found that a higher percentage of the consumers with loyalty cards were female rather than male. Ulster comprised of 40% male (n=20%) and 60% female, Connaught comprised of 60 % female and 40% male, Munster comprised of 60% males and 40% female and Leinster comprised of 80% female and 20% male.

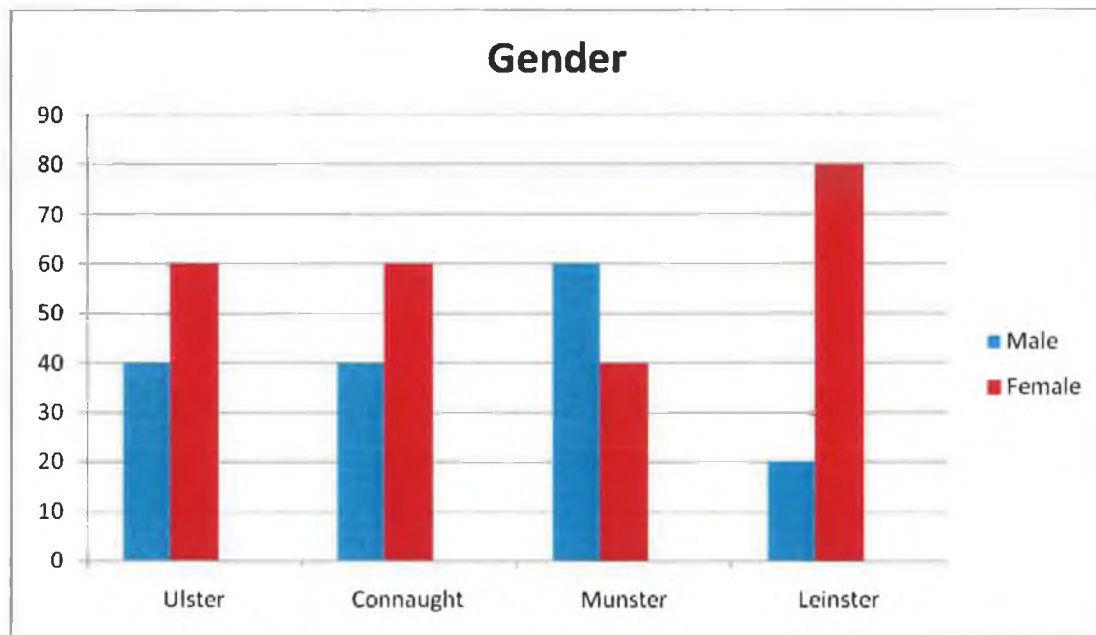


Fig 1. Gender

Age Distribution

In Ulster, 60% (n=20%) of the consumers are over the age of fifty, 20% of the consumers are between the age of twenty and twenty nine and 20% of the consumers are between the age of thirty and thirty nine. In Connaught, 40 % of the employees are between the ages of twenty to twenty nine, 40% of the consumers are between the age of thirty to thirty nine and the remaining 20% are between the ages of forty to forty nine. In Munster, 60% are over the age of fifty, 20% are between the age of forty to forty nine and 20% are between the ages of thirty to thirty nine. In Leinster, 20% are over the age of fifty, 20% are between the ages of thirty to thirty nine and 40% are between the ages of forty to forty nine.

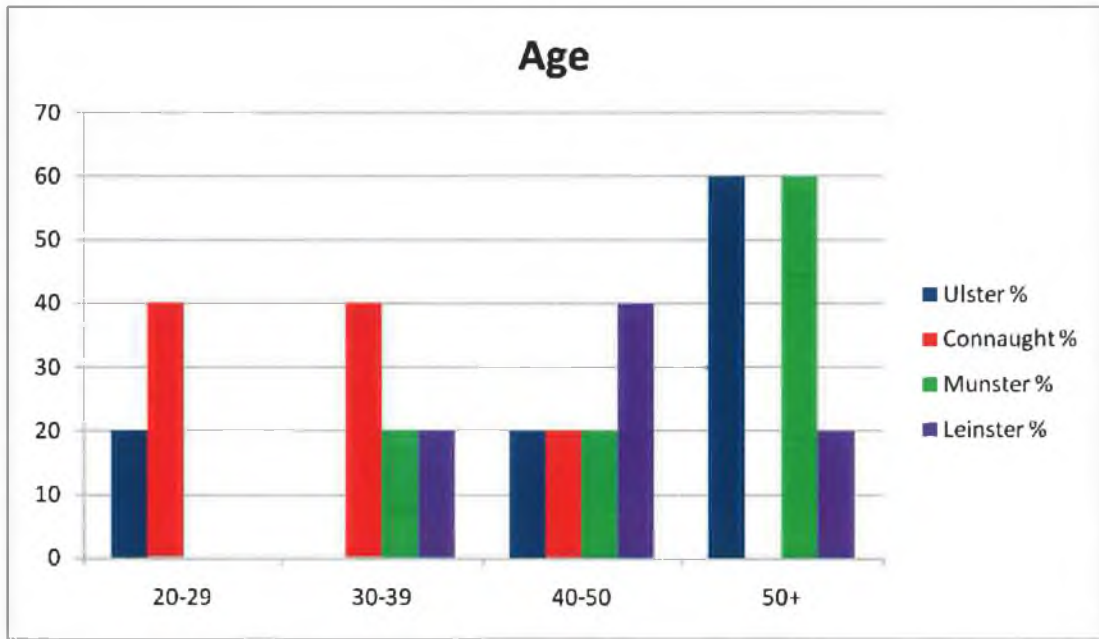


Fig 2. Age Distribution

Knowledge of Loyalty Card Benefits

The overall majority of the consumers (n= 5%) stated that they were not aware of all of the benefits that they could receive with their various loyalty cards. Many of their views were that they didn't receive the information from the various shops in time and that this was a disadvantage for them. 65% of the consumers stated that they did not feel that all of the special offers that were available to them were adequate as they did not purchase some of the goods/services that were on special offer and therefore the special offers were not beneficial to them. 55% of the consumers questioned felt that they impulse purchased when a special offer was available to them, but then felt that it was not a saving to them personally as they did not actually need the product/service in the first place.

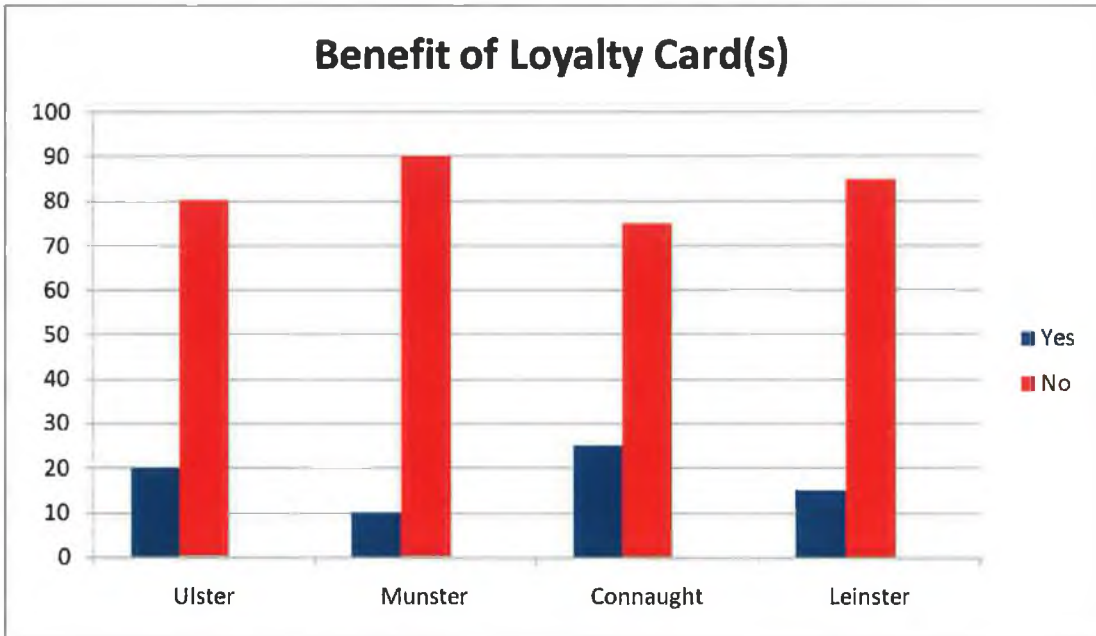


Fig 3. Benefit of each loyalty card

Weekly Expenditure

The following results show the average weekly pattern of the consumers (n=5%) with regards to the following:

Groceries/household goods: On average, the weekly expenditure on groceries averaged 175 euro a week for a household of three. This varied between each province, with consumers in Ulster spending 125 euro a week, Leinster spending 150 euro a week, Connaught spending 160 euro a week, while Munster on average spent 145 euro a week.

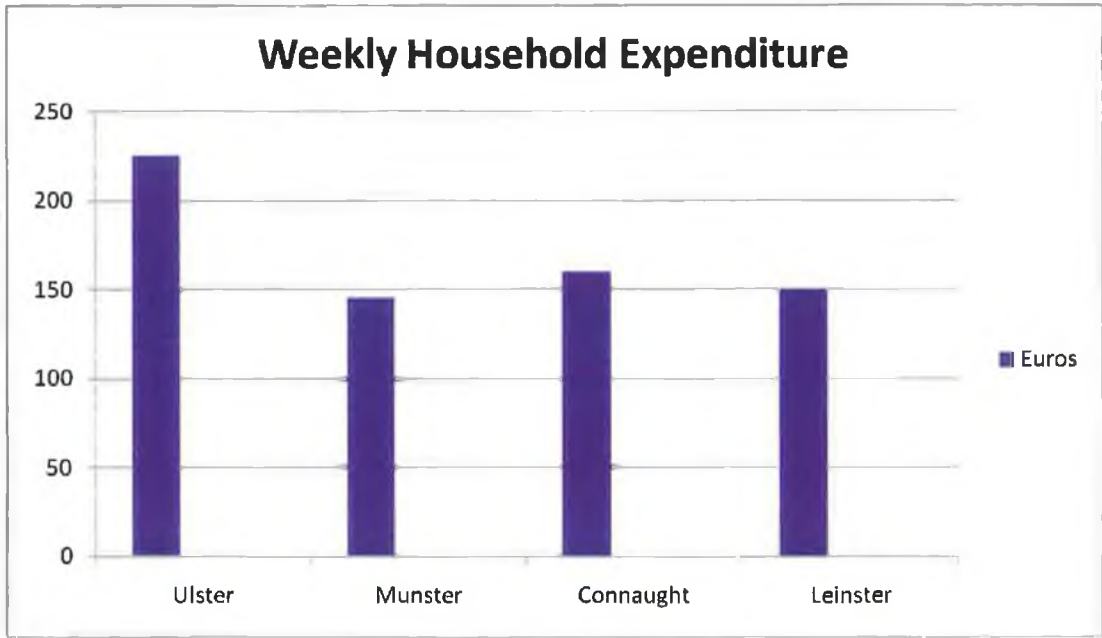
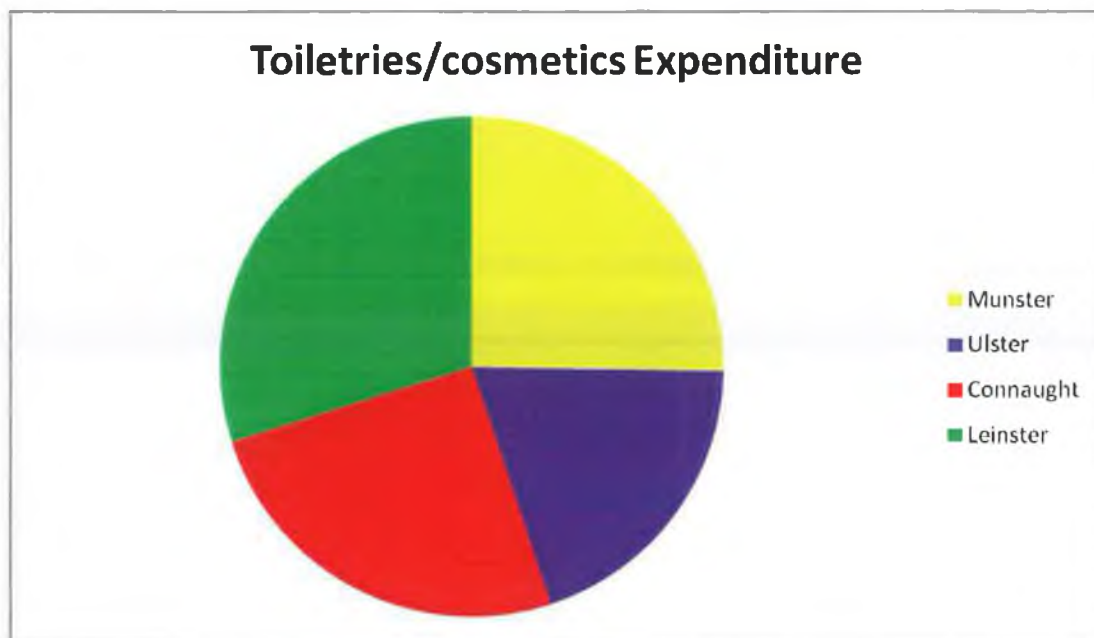


Fig 3: Weekly Expenditure Groceries

Toiletries/cosmetics: On average, the weekly expenditure on toiletries averaged at 25 euro a week, with Leinster having the highest average of 32 euro a week and Ulster having the lowest average of 21 euro a week. Munster and Connaught both spent on average 27 euro a week on toiletries.



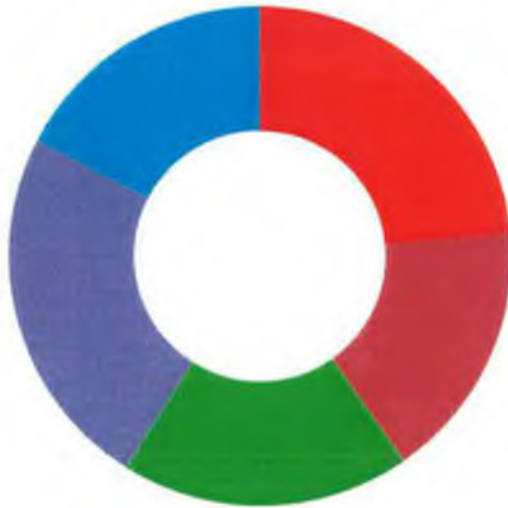
Eating Out: This segment provided the most interesting results as it varied from all consumers (n=5%). The majority of consumers stated that they on ate out on special occasions, which usually consisted of once a month. One of the main reasons for this is because they felt that it is very expensive to eat out, even though many restaurants now provide an early bird menu. However, they still felt that it was a “luxury item” that should only be indulged in foe special occasions. The majority of consumers (70%) felt that it was just as nice to have dinner at home, mainly because there was a reduced cost to them compared to eating out. When asked if they benefited from eating out with their loyalty cards, an astounding 84% stated that they did not benefit because the majority of restaurants that they frequent do not provide a loyalty card scheme. 87% of consumers also stated that if they did receive benefits from a loyalty card, then they would be inclined to eat out on a more regular basis.

Benefits of amalgamating cards to a multi-loyalty card to the

Consumers

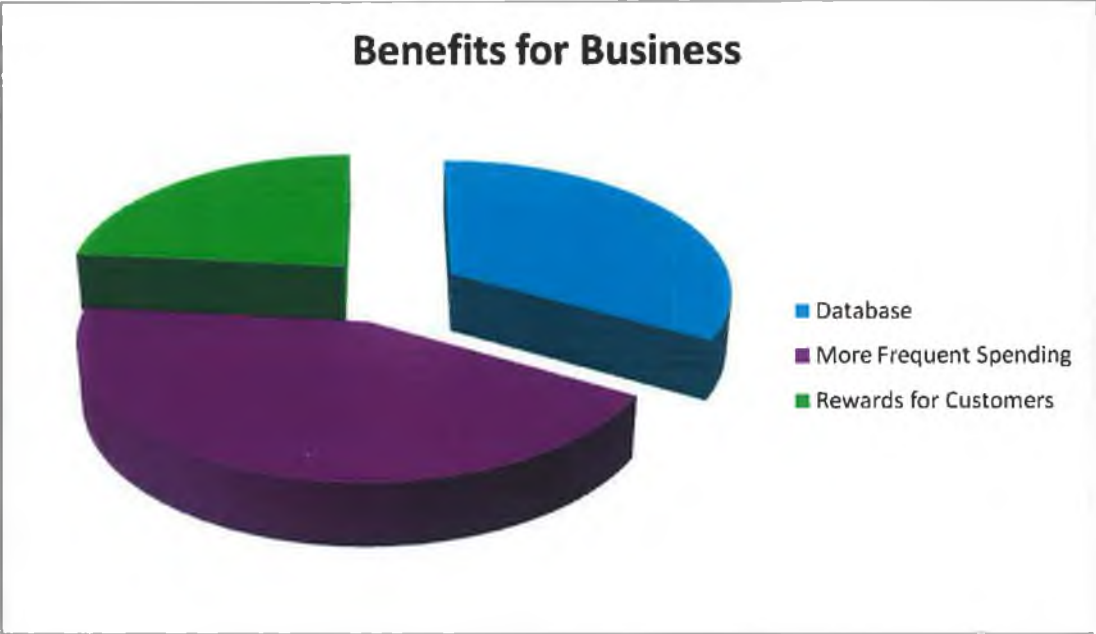
When each of the consumers (n=5%) were asked if they would benefit from accumulating all of their loyalty cards and just using one loyalty card instead, 91% said yes. 65% stated that they wouldn't mind spending a little extra in shops that provided a multi-loyalty card as they felt that they would get reductions in the future that benefited them individually. They perceived the extra expenditure as a saving in the long-term. 72% stated that they would be happy to have a multi loyalty card as they felt that they would have knowledge of all the benefits that they were entitled to and that it would be easier for them to use their accumulated points/ savings in the future. 92% felt that the main benefit of having a loyalty card was that their personal data would not be used by various businesses and that they could control who had their personal information and that it wouldn't be given to other third party businesses/companies. 92% of the consumers stated that they did not know who presently had access to their private details. 67% stated that they would be more inclined to shop at the same shops every week if they knew that they were accumulating points on a regular basis and another reason for this was that they felt that the customer service would be better if they continued to stay loyal to the same shops on a daily basis.

Benefit of a Multi-Loyalty Card to Consumers



- benefit from accumulating all of their loyalty cards
- get reductions in the future that benefited them individually
- knowledge of all the benefits that they would be entitled to
- personal data would not be safe
- Higher standard of customer service

Benefits of a “multi-loyalty card” to Businesses



More frequent spending

Businesses who were interviewed (n=5%) that the most important benefit for them with regard to the multi-loyalty card would be to acquire additional consumers. As numbers are steadily falling across the board with various businesses, it is paramount that they have a loyal customer base in order for the success of their business. If the businesses know that they will have a steady flow of

consumers into their business on a daily basis, then the likelihood is that everybody will benefit because the more customers that come into each of the businesses, the easier it will be for the businesses to ensure that their prices remain low as they can buy larger quantities of products from the wholesaler at a reduced rate and then in turn, these savings will be passed on to the consumer.

Database

The majority of the businessmen (n=5%) claimed that the main benefit that the loyalty card would have to their various businesses was that they would constantly have an updated database of loyal customers. Presently, the main factors that they identified as a hindrance to their loyalty card scheme was that various people from all over the country were joining up to their loyalty card programme (this was a factor was a large retailer in Galway city) and then the consumers were not continuing to shop there (an example of this was that a some of the loyalty card holders were not residents in Galway, they were only passing through, but still signed up for a loyalty card) This problem was causing additional expense on various businesses and therefore they did not have accurate details of their customer base.

Correct loyalty Rewards for Customers

During the focus group, the majority of business owners (n=5%) highlighted that they were aware that the majority of customers did not receive the complete benefits that were on offer to them on certain occasions. Some of the businesses admitted that their loyalty scheme was more financially beneficial to themselves, rather than to their consumers. The businessmen in general

admitted that if there was multi-loyalty card in place with a method that consumers could accumulate all of their points and rewards, their customers would constantly be receiving the rewards when they were spending their money in various shops and also that the customers would be more inclined to remain loyal to the shops that would be affiliated with their individual multi-loyalty cards.

Disadvantages identified with the multi-loyalty card to businesses

Cost

One of the main disadvantages that arose with interview that I conducted was the cost of the multi-loyalty card. One of the main issues was how the cost would be distributed between the various businesses that were affiliated with each of the loyalty cards. Also to be taken into consideration was the fact that administration costs would also have to be undertaken to ensure that the data base was constantly updates and that customers were made aware of the points/rewards that they constantly had to spend. A new loyalty system would also have to be introduced to every business that was affiliated with the card, so it may be a disadvantage for businesses if they lost potential customers who would have no interest in the new multi-loyalty cards.

Advertising

Another problem that was highlighted within the focus group (n=5%) was how the advertising of each business would be conducted if a few businesses were affiliated with one card. They identified that all of their company's logos would have to be administered on each multi-loyalty

card to ensure that each business was advertised correctly. As identified in the literature review, one of the main benefits of loyalty cards was the benefit of advertisements.

Discussion

Discussion

Comparative Study of Research Findings to Literature Review

Introduction

The objective of this chapter is to discuss if there is a need for a multi-loyalty card for consumers and businesses in today's current climate, by comparing and contrasting what was found in the empirical findings and what is stated in the literature review. It will be presented in four major areas.

Lack of Loyalty Rewards for Consumers

Through an examination of the research findings, the lack of return on loyalty points/benefits is one of the main reasons why consumers do not regularly use their loyalty cards. As stated in the literature review, Arthur, et al stated that research shows that 73% of customers are not aware of the amount of loyalty rewards that their card possesses. This is a major saving to businesses financially. Customers feel that if the amount of value on their loyalty cards is not sufficient enough to redeem, they feel that it is not acceptable to redeem them. (DAVID, B., ARTHUR, W. A., LENITA, D. & RICHARD, M. G. 2006). The main emphasis for consumers was they did not

receive benefits that were specific to their needs and wants. On analyzing the responses from the questionnaires, the majority of consumers stated that if there was a method that they could accumulate all of their loyalty cards onto one special card, they would feel that the process was worthwhile and in turn remain loyal to the companies that are affiliated with their card. The statistics from the questionnaires also showed that consumers would consider paying a higher price for their goods and services if they knew that they were constantly accumulating points/rewards on their multi-loyalty card.

Benefits of a multi-loyalty card to Consumers

In the literature review, one of the main concerns identified for consumers with regards to the use of loyalty cards was the use of their personal data with third parties. During the findings of the questionnaire, the majority of the sample size stated that one of the main benefits with a multi-loyalty card would be that they would be aware of what businesses had access to their personal information. Within the literature review, Safeway's stated that "we admit to trading or sharing data with "preferred partners." The findings from the questionnaire identified that 92% of the consumers stated that they did not know who presently had access to their private details and that they would be enticed to sign up to a multi-loyalty card if the threat of third parties using their information was eliminated.

Benefits of a Multi-Loyalty card to Businesses

As identified from statistics within the literature review, statistics from White House Office of Consumer Affairs, Washington, DC, 2009) stated that the majority of American consumers (62 percent) join retail loyalty programs so they can get discounts on the things they buy most, yet only about one third of Americans (36 percent) received a reward or promotion that made them come back to the store again, and 1 in 4 (27 percent) of consumers complain they have received a reward or promotion for something they would never buy. From my findings from the qualitative research that I conducted through semi-structured interviews, the owners of various businesses were unanimous in stating that “it is paramount that they have a loyal customer base in order for the success of their business.” Findings from the focus groups found that the main benefit that the loyalty card would have to their various businesses was that they would constantly have an updated database of loyal customers. As identified by one business owner, many potential consumers subscribe to a loyalty card programme but do not reside in the area to benefit from the programme. The information they provide through the sign up stage of the loyalty programme is not beneficial to the business because these potential consumers are actually not relevant to the business as they would not be frequent spenders.

Research that was identified by (Barnes, 2003) in the literature review also illustrated that the main reason why consumers were loyal to the Tesco loyalty card were the benefits that they received with regards to other stores by using their Tesco club points. *When consumers benefit in shopping with other stores, they are highly more likely to stay with the shop where they benefit the most.* From the research findings that were conducted from the questionnaires, findings

showed that 67% of consumers stated that they would be more inclined to shop at the same shops every week if they knew that they were accumulating points on a regular basis and another reason for this was that they felt that the customer service would be better if they continued to stay loyal to the same shops on a daily basis. This figure is extremely important for businesses as the figure portrays that customers are willing to overlook the fact that smaller businesses prices may be a little higher than large multinational stores, but if consumers are constantly reaping benefits, there is a greater chance that consumers will remain loyal to smaller businesses. The research by Barnes which was stated in the literature review also showed that consumers are loyal to the Clubcard which would give rise to the assertion that the loyalty in this case is more related to that of repeat purchase rather than meaningful loyalty where there exists an “emotional attachment to or connection with the firm; a necessary condition for a relationship to exist” (Barnes, 2003) The findings of the questionnaire also concluded with this as findings showed that 67% stated that they would be more inclined to shop at the same shops every week as they felt that the customer service would be better if they continued to stay loyal to the same shops on a daily basis.

*Summary and
Conclusion*

Summary and Conclusions

Objections of the Thesis

The aim and purpose of this research is to identify additional benefits that may be available with the use of a multi-loyalty card to businesses within the various industries and also to consumers.

Literature Review Conclusions

The literature review concludes that there is a need for a method to be implemented in order for consumers to fully benefit from the use of their loyalty cards, procedures need to be put in place in order to protect consumers data and also businesses need a new method in order to entice new and existing consumers to their various shops in order to ensure profitability is maintained and that the chance of them having to close their shops down is prevented. The literature also expresses how it is the businesses that benefit the most from the use of loyalty cards and not the consumer. The literature concludes that the method in which loyalty cards have been introduced to Tesco in Ireland states that there is a paramount need for customers to be capable of using all

of the loyalty points/rewards that they have accumulated in order for them to remain loyal to a business.

Primary Research Findings and their Objectives

The research findings revealed that there was a positive reaction to the proposal of a multi-loyalty card with businesses and consumers. However, there are a few critical challenges that have been associated with the proposal of a multi-loyalty card for businesses. One of the main areas highlighted that may pose problems is the advertising aspect. One of the main advantages for a business having a loyalty card for its business is the fact that it advertises the businesses logo. The findings suggested that it is paramount that a pragmatic solution is found to this if a business was to amalgamate with other businesses. However, the findings showed that the majority of businesses would be considerably interested in amalgamating with various other businesses and use a multi-loyalty card. The main benefit of this for businesses was that they would accumulate a database of potential loyal customers. The main businesses that were extremely encouraging with the new aspect were businesses within local areas, who felt that their customers were shopping in multinational companies who were providing cheaper goods/services. The businesses felt if there was a way in which everybody would benefit; including the consumers, then the multi-loyalty card would be quite beneficial for everybody concerned. The sample size of consumers agreed that the use of one card would be more beneficial to them and that they would be inclined to stay loyal to the shops that would be affiliated with their card; especially if the consumers were allowed to choose what shops would be affiliated with the multi-loyalty card.

Limitations of the Thesis

During the empirical research, a number of limiting factors were encountered. The most restrictive limitation was the time constraint. In relation to the questionnaires, one of the consumers held onto them for a longer period than the others and it had to be requested that they be returned as soon as possible. Perhaps, if more time were available for the completion of questionnaires by consumers, more qualitative information would have been available. Also as this thesis was relatively new theory for businesses to amalgamate together, the business owners may have been reluctant to share their personal information of the way in which loyalty cards are beneficial to them and their business. This may have limited the insight into whether they would fully introduce the multi-loyalty card to their business if it was available to them.

Recommendations for Further Research

Further analysis could be carried out in relation to the challenges of administering the costs of setting up a multi-loyalty card for businesses and how the advertising could be shared between everybody concerned. This would enable the businesses involved to fully concentrate on their customers' needs and wants in the future as businesses need to develop a deep understanding of their potential customers in order for the business to continue being successful.

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Appendix

Questionnaire

1. Please state your gender male female
2. I am in the following age bracket: 20/30 30/40 50+
3. What region do you reside? Ulster Munster Leinster Connaght
4. Please state the number of loyalty cards you possess _____
5. What loyalty card(s) do you use most frequently(Please list in order of most frequent usage)
 1. _____
 2. _____
 3. _____
 4. _____
 5. _____
5. Do you know the benefits that you receive with each loyalty card that you possess?
 Yes No
6. Do you feel that you fully receive all the benefits from your loyalty cards
 Yes No
7. How much do you spend a week wit regard to the following:
Groceries _____
Household Goods _____
Cosmetics _____
Eating Out _____
Petrol _____
Healthcare _____

Childcare _____

8. Do you feel that your loyalty cards benefit you in each of these areas?

Yes No

9. What areas benefit you the most with regard to your loyalty card?

10. What has been the greatest challenge to you with regards to using your loyalty card(s)

11. Do you feel that you receive enough knowledge on the benefits of your loyalty card(s)

Yes No

12. If **no**, how do you think this could be improved?

13. Do you feel that a multi-loyalty card would be beneficial to you wher e you could emalgimate

all of the shops and just use one loyalty card Yes No

14. Have you any other suggestions with regards to the benefits that a multi-loyalty card would have to you.
