

## LOYALTY PROGRAMS AS MARKET GAME ELEMENT

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**Abstract:** Competitive fight, permanent market rivalry, more and more ambitious sales plans, permanent tendency to achieve better and better financial results cause that organizations fight for their clients at all cost. A few years ago corporations used to focus on winning new and new customers, at present they stake on those they have in their portfolios. Therefore, care about customers' loyalty and building loyalty programs have become so important. This paper is going to be devoted to the questions related to creating client loyalty.

**Key Words:** loyalty, program, market

**JEL Classification:** M31, D40

### 1. THE DEFINITION OF LOYALTY

The discussion needs to be started with presenting the term 'loyalty'.

Loyalty, according to L. Garbarski, I. Rutkowski, W. Wrzosek is understood as buying products of the same brand, buying at the same point of sale or from the same vendor<sup>1</sup>. In the opinion of T. Sztucki loyalty towards products and brands means attachment of the buyer to the type of products purchased and the points of their sale, expressed by regular purchases and good opinion about them<sup>2</sup>.

However, S. Sudoł, J. Szymczak, M. Haffer define the loyalty towards a product/brand as the extent to which the consumers consistently maintain their positive attitude towards a specific product, organization, point of sale and is willing to purchase, in spite of economic factors supporting the purchase of a competitive offer<sup>3</sup>.

A.Sudolska distinguished three types of loyalty:

- loyalty towards a product (brand),
- loyalty towards manufacturer (service provider),
- loyalty towards the point of sale<sup>4</sup>.

Analyzing this classification more extensively, the loyalty towards a product is based on the client's maintaining positive attitude towards a brand and declaration of will to purchase, despite various inconveniences. Such inconveniences may include, for example, low price of the products offered by competitors, promotion campaigns carried out by other entities on the market, long time of waiting for the product or its limited availability.

Loyalty towards the manufacturer is based on repeated purchases of products offered by a specific manufacturer.

The last variety of loyalty correlated with location concerns the selection of products sold in the same place – mega-store, kiosk or a specific internet store.

We may also distinguish actual, customary or forced loyalty<sup>5</sup>.

Actual loyalty occurs when a specific product, service or sales person are acknowledged to be the best by the client and thus they fully satisfy his/her expectations. Customary loyalty, in turn, is the effect of habits and a kind of convenience, related to avoiding situations when novelties are tested.

Forced loyalty takes place when the consumer, in spite of willing to change a brand, cannot do it for reasons beyond his/her control.

A.S. Dick and K. Basu are further academics who explore the question of loyalty. They made a classification of loyalty by types of clients:

1. a „neutral” client – one who does not use the organization's offer or does it sporadically, being unaware of the brand or not remembering it,
2. a „supporter” client – one who does not use the organization's offer or does it sporadically, however, his opinion on the brand is very good,
3. a client „waiting for better offers” – decides to choose the organization's offer due to no alternatives
4. a client „catching a bargain”
5. a „bad habit” client - the contact with the organization evokes negative emotions in such client,
6. a „hostage” client – a client who cannot terminate the contract with the supplier,
7. a „terrorist” client – a „hostage” client who has found a method to terminate the contract without consequences,
8. a „vampire” client – the loyalty towards the organization is only due to access to special offers that bring him/her short-term benefits,

<sup>1</sup> L. Garbarski, I. Rutkowski, W. Wrzosek, *Marketing. Punkt zwrotny nowoczesnej firmy*, Państwowe Wydawnictwa Ekonomiczne, Warszawa 1999, s. 138

<sup>2</sup> T. Sztucki, *Encyklopedia marketingu*, Agencja Wydawnicza „Placet”, Warszawa 1998, s.153

<sup>3</sup> S. Sudoł, L. Szymczak, M. Haffer (red.), *Marketingowe testowanie produktów*, Państwowe Wydawnictwo Ekonomiczne, Warszawa 2000, s. 139

<sup>4</sup> S. Sudoł, L. Szymczak, M. Haffer (red.), *Marketingowe testowanie produktów*, Państwowe Wydawnictwo Ekonomiczne, Warszawa 2000, s. 145

<sup>5</sup> L. Garbarski, I. Rutkowski, W. Wrzosek, *Marketing. Punkt zwrotny nowoczesnej firmy*, Państwowe Wydawnictwa Ekonomiczne, Warszawa 1999, s. 348

9. a „bought” client – buys a product of a specific organization, because he/she has been „paid” for it,
10. a „true loyalty” client – a client who has a good opinion on the organization and who promotes the brand<sup>6</sup>.

True loyalty is expressed both in the behavioral aspect – frequent purchases and in the positive attitude towards the loyalty objects. The concealed loyalty means a positive attitude towards specific loyalty objects and simultaneously the lack of any purchasing activity.

False loyalty is a type of clients who present intensive loyalty behaviors and a negative attitude, at the same time. Its motor may be a habit. The lack of loyalty is when the client makes purchases relatively seldom with low level of commitment. A stimulus inducing the client to make a purchase may be an attractive price.

The classification of clients by loyalty typology as suggested by T.O. Jones, W.E. Sasser jr. and W. Earl, is also worth noticing. They diagnosed the following types of clients – loyalists and apostles, deserters and pests, mercenaries and hostages.

Loyalists and apostles are clients who are fully satisfied and continue relationships with the organization.

Deserters can originate from satisfied and dissatisfied clients as well as neutral clients.

Pests have negative experiences with the organization, pass their reluctance and aversion among other people. Troublesome, however, are satisfied, but disloyal clients, while hostages experience compulsion to continue the relationships with the organization, disregarding the satisfaction level.

Curasi and Kennedy suggested suggested the extension of the above classification and distinguished five types of clients:

1. Prisoners – clients forced to continue relationships with an organization, mainly due to its monopolist position;
2. Bought loyalists – clients continuing the relationships with the organization in spite of dissatisfaction, mainly due to orientation on financial benefits;
3. Separated loyalists – clients continuing the relationships with the company, in spite of dissatisfaction, due to their wish for comfort;
4. Satisfied clients – clients feeling satisfaction due to the organization’s offer matched to their needs, which makes them continue their relationships with the organization;
5. Apostles – in addition to high satisfaction level and repeating purchases, such clients disinterestedly pass their positive opinion on the loyalty objects among other people<sup>7</sup>.

Tomasz Demski suggests still another division and specifies the following types of clients:

1. Probable buyers – people who may potentially buy a given product or service,

2. Potential clients – people who find the offer attractive, but have not taken up any actions,
3. Occasional clients – people who bought a product or service few times and have no sense of bonds with the supplier,
4. Regular clients – multiple purchasers feeling certain bond towards the supplier, however their support is rather passive,
5. Followers – regular clients recommending the organization to other potential clients
6. Partners – utmost degree of loyalty<sup>8</sup>.

David Aaker, in turn, an American professor of brand management points out the client loyalty towards a specific brand:

1. A disloyal buyer (*switcher, price buyer*) – has no precise brand on his mind, the goods availability or price are the only determinants of his choice.
2. Habitual buyer – the level of dissatisfaction is in not so high that it could lead to switching a brand. Brand switching required effort and therefore the competitors should try to make the brand switch beneficial for the client.
3. A buyer satisfied with the brand with high cost of switching into other – such costs may include time, money or risk related to the functioning of an unknown product. In such case the appropriate strategy consists in offering the clients financial stimuli or benefits conspicuous enough to justify brand switching.
4. Buyers who like a brand and treat it as a friend – their preferences are stimulated by the experiences related to a given brand or highly perceived quality. However, liking is not of any substantial nature. The consumer cannot define the reasons for his attachment to the specific brand.
5. Zealous consumers - are proud of discovery and being the users of a given brand. The brand is of functional and symbolic meaning to the buyer. This type of consumers is important because of the impact they may have on other consumers through their recommendations<sup>9</sup>.

The clients representing sole loyalty or multiloyalty.

Sole loyalty is characterized by purchases of one brand only.

Multiloyal clients purchase at least two brands that are equally accepted by them or totally substitutional towards one another<sup>10</sup>.

## 2. LOYALTY PROGRAMS AND THEIR ROLE

Analyzing the aspect of organization’s loyalty further, being aware of the clients’ loyalty, the organizations implement diversified loyalty programs.

They may include one-time premium selling actions and multi-stage competitions lasting even for a few years. The

<sup>6</sup> P. Kwiatek, 2007, *Programy lojalnościowe: budowa i funkcjonowanie*, Wydawnictwo: Wolters Kluwer Polska, Kraków-Warszawa 2007 s. 35-37

<sup>7</sup> W. Urban, D. Siemieniako, *Lojalność klientów*, Wydawnictwo Naukowe PWN, Warszawa 2008, s. 84

<sup>8</sup> N. Hill, J. Alexander, *Pomiar satysfakcji i lojalności klientów*, Wydawnictwo: Oficyna Ekonomiczna, Warszawa 2003, s. 178

<sup>9</sup> M. Jędrzejak, *Programy nagradzania lojalnych nabywców*, 2004, <http://aneksy.pwn.pl/marketing/?id=144> 2012-04-04

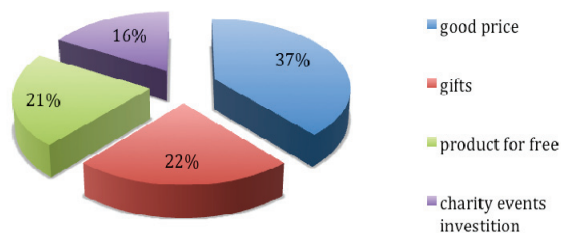
<sup>10</sup> N. Hill, J. Alexander, *Pomiar satysfakcji i lojalności klientów*, Wydawnictwo: Oficyna Ekonomiczna, Warszawa 2003, s 181

choice mainly depends on the targets intended by the organization and its financial potentials. Usually, the main motif for taking up such action is obviously the wish to increase sales and enhancing the relationships with the buyers or brand image improvement.

The confirmation of the loyalty program role may be the surveillance carried out by ARC Rynek i Opinia [Market and Opinion] in 2008.

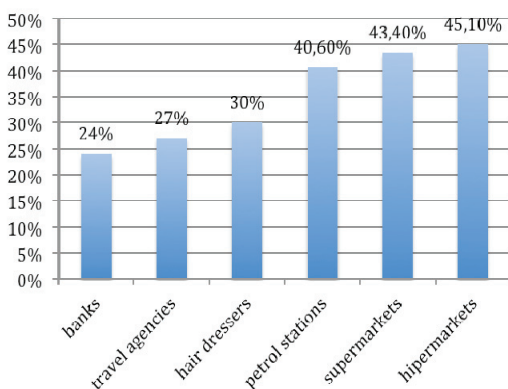
The interesting thing is that the clients usually expect loyalty programs from specific entities.

The percentage of expectations for loyalty systems from particular sectors has been presented in the picture below.



Legend: 16% investment in charity action, 21% - free product, 22% prizes, 37% - good price.

**Figure 1** The role of loyalty programs  
Resource: [4]



Legend: 24% banks, 27% travel agents, 30% hairdressers, 40,60% filling stations, 43,40% discount stores, 45,10 – megastores.

**Figure 2** Loyalty system expectations from specific sectors  
Resource: [8]

Numerous marketing analysts notice phenomena that enhance the need to manage an organization oriented on building client loyalty. They include – growing meaning of information on the market, buyers, products, services and competitors in making right entrepreneurship and consumption decisions, development of marketing, from local to international and global, replacing mass marketing with customized and diversified marketing, the necessity for rationalizing marketing and reducing its costs and transfer from the buyer's needs to satisfying his desires and switching to non-price competition, most of all thanks to the grow-

ing attractiveness of the product as the expression and ability to enrich marketing methods and techniques.

Organizations take up various actions related to soliciting loyal clients, from setting a strategy, through improvement of the product and service quality, improving the standards of service, up to loyalty programs that are to bind the clients with the organization. Their key target is to maintain the present level of sales, profits and margins, increase the loyalty and potential purchase power in the existing clients, the increase of level of sales of supplementary products in the existing clients or preventing other brand from being launched on the market.<sup>11</sup>

### 3. VARIETIES OF LOYALTY PROGRAMS

Building client loyalty very often takes place basing on a certain set of tools, representing a stimulus to shop with a specific organization. Even various classification of such tools have been carried out.

Dariusz Siemieniako and Wiesław Urban developed a set of loyalty programs that has been enhanced by certain tools presented below. They determined that the most important classification of loyalty programs is based on three varieties:

- Benefit based program (POLP: Price Oriented Loyalty Programs) – they are based on material benefits and are easiest to be carried out. The most frequently offered benefit in such program includes points exchanged for prizes (coupons, discount cards, regular client cards).
- Emotion based program (PRMLY: Person Relationship Maintenance Loyalty Programs) – such program should create emotional bonds with the client. These are long-term programs, require substantial expenses and well organized strategy. The benefits offered in such program include, for example: elite consumer clubs (clubs, prized competitions, periodicals or guidebooks).
- Program based pm benefits and emotions (PARP: Price And Person Relationship) – It consists in inducing the client to regular purchases in exchange for prizes and creating and maintaining an emotional bond. It combines material benefits with those related to the client's emotions. In this variant collecting points is correlated with various competitions<sup>12</sup>.

The above classification may be supplemented by the list of client attitudes against the type of loyalty, presented in the table below.

Numerous types of surveillance also indicated the set of tools most frequently used in the loyalty programs. Usually, these are special discounts for loyalty (Apart, W.Kruk), competitions with prizes (Metro Group, Bahlsen), bonus programs based on collecting points that can be exchanged for specific prizes, (e.g. Orlen filling stations), regular client discount card obtained after the purchase at a defined price (Ski Team), couponing – giving the consumers coupons enabling purchase of goods at a lower price or free (Yves Rocher)<sup>13</sup>.

<sup>11</sup> W. Urban, D. Siemieniako, *Lojalność klientów*, Wydawnictwo Naukowe PWN, Warszawa 2008, s. 17

<sup>12</sup> W. Urban, D. Siemieniako, *Lojalność klientów*, Wydawnictwo Naukowe PWN, Warszawa 2008, s. 21

<sup>13</sup> Knecht, Z., *Zarządzanie i planowanie marketingowe*, Wydawnictwo C.H. Beck, Warszawa 2005, s. 77

#### 4. CONCLUSION

It needs to be pointed out that creation and implementation of a loyalty program is a real expense and effort for an organization. However, it may bring a measurable effect in the form of a new client, who is priceless nowadays. Particularly in a situation when the cost of winning a new client is several times a high as that of maintaining an existing client. Therefore, it is worthwhile to create and implement elaborated loyalty programs. Thus our segment of

clients needs to be diagnosed and appropriate loyalty building solutions matched to it. It may happen that a given organization should implement more than one tool for client loyalty building. It may happen when serving various market segments. The procedure of building optimum, good loyalty programs may represent a topic of another paper, representing the continuation of the considerations presented herein.

**Table 1** Type of loyalty against client attitude.

Category	No loyalty	Apparent loyalty	Concealed loyalty	True loyalty
Relative evaluation	Low	Low	High	High
Purchase repeatability	none/scarce	High	none/scarce	High
Buyer's attitude and behavior	does not and does not want to use the organization offer	uses the organization offer, but evaluates it low (...)	wants to use the offer, but cannot do so for some reasons	uses the organization offer only and finds it the best

Reference [7]: The authoress in virtue of L.O. Malley, *Can Loyalty Schemes really built loyalty?*, "Marketing Intelligence & Planning" 1998 (16), nr 1, s. 50.

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