

MOTIVATION AND CONSUMER BEHAVIOUR IN THE CONTEXT OF LOYALTY PROGRAMS

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Received: November 30, 2011

Abstract

MRKOSOVÁ, K., DUFEK, O., MAJER, L.: *Motivation and consumer behaviour in the context of loyalty programs*. Acta univ. agric. et silvic. Mendel. Brun., 2012, LX, No. 2, pp. 211–216

The paper introduces the partial results of the marketing research on loyalty programs. The aim was to identify the reasons that lead consumers to participate in loyalty programs and the benefits that are the main motivators for participation in the loyalty program. Respondents had the opportunity to create a loyalty program as they wish. The aim of this paper was also to prove the popularity of loyalty programs based on the principles of the deferred compensation.

consumer, consumer behavior, loyalty program, motivation

Loyalty programs (sometimes referred to as loyalty systems) are part of marketing communication, respectively one of the classic tools of sales promotion. Through this tool marketing can effect on customers in order to stimulate their loyalty. The basic principle of loyalty program is to motivate customers to more frequent purchases or multiple purchases whether of goods or services. The essence of this tool is to reward consumers for their behavior. The primary purpose of loyalty programs is to establish and maintain a loyal customer long-term relationship (Zamazalová, 2010).

If customers are involved in loyalty programs they can acquire various forms of rewards for their purchases (Karlíček, Král, 2011). Various kinds of rewards (discounts, gifts or bonuses ...) are key factors on which the loyalty program is built and which are the bases of the motivation. Loyalty marketing is based on the fact that 20% of customers at the company can create up to 80% of sales (Kotler, Keller, 2007). Moreover the most loyal customers are most profitable for the company (O'Brien, Jones, 1995). Loyalty programs are regarded as a tool through which you can build long term loyalty. The essence of a functioning loyalty program is to provide rewards to customers who often buy in a certain amount (Kotler, Keller, 2007).

According to Zamazalová (2010) loyalty programs can be divided into groups:

- Price Loyalty programs – members of loyalty programs can (compared to non-members) obtain goods at a better price.
- Point Loyalty Programs – customers are gathering points for each purchase for which they may subsequently receive a bonus.
- Combined and the partnership model is also based on collecting points with the difference that points can be obtained from various companies that perform as program partners.

In practice, however, rewards are sometimes misunderstood. Regarding the design and implementation of rewards, too many companies are considered an effective reward for loyalty program members is a system of discounts or promotional gifts that can be applied in the short term. This makes it possible to create a motivational value for new or existing customers to try a product or service. But if these rewards shall motivate customers in the long term in order to build loyalty (which is the essence of loyalty program), they will fail because only a fraction of customers will return for another purchase (O'Brien, Jones, 1995).

Rewards are an irreplaceable element of loyalty programs and they are used for several purposes.

First as an inducement to some action by the customer. They should be the immediate reason for the customer to enter the program at all. They are also the simplest argument of personnel to communicate with customers (Hrachovec, 2011).

In 1972, psychologist Walter Mischel from Stanford University conducted so called 'marshmallow experiment', which was focused on the suppression of instincts, strength of will and perception of temporal perspective. The principle of this experiment consisted in the fact that children aged around 4 years, were set into the monitored room. Children can eat marshmallow immediately, but if they lasted for 15 minutes, got another extra marshmallow. Of the more than 600 children who participated in this experiment, only a minority of them took candy immediately. The vast majority was able to postpone their satisfaction with the prospect of additional rewards, but using the substitutes such covering their eyes or kicking the desk. The aim of this study was to understand the significance of deferred gratification (Mitášová, 2010).

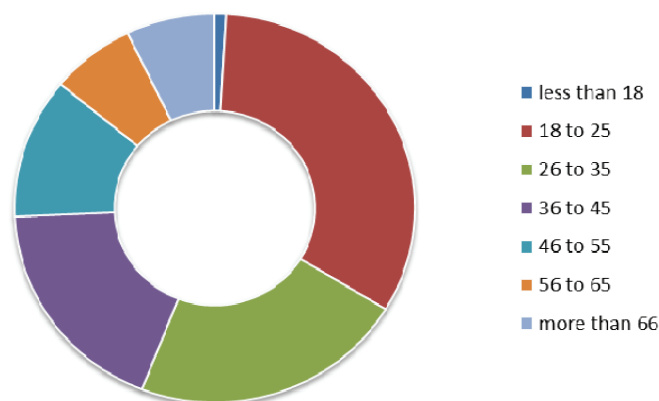
This study shows very well that children are not yet fully able to control their appetite and desire. However, with increasing age their motivation can work efficiently. Ten-year children were able to wait in peace and enjoy the reward. Completely identical

system is also used in loyalty programs, which are based on the deferred compensation (Hrachovec, 2011).

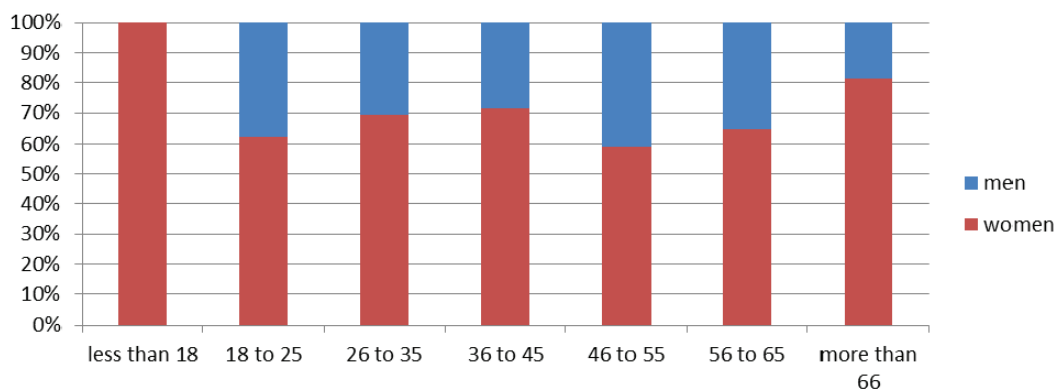
Objective of this paper is to demonstrate on the partial results of the marketing research that the loyalty programs based on the principles of the deferred compensation are very popular among respondents. A sub-objective is to identify which parts of the loyalty program customers expect and what is their pose to these benefits.

METHODS AND RESOURCES

This paper is based on primary data descriptive research on loyalty programs that consumers can use in the Czech Republic. Data were obtained from respondents through a questionnaire survey (online research). Data collection was carried out using server Rela of Mendel University in Brno in March and June 2011. The total number of responses, which are analyzed in this paper, is 1891 – with 758 men (representing 40%) and 1133 women (i.e. 60%). The largest group in terms of age distribution was respondents aged 18 to 25 years (see Figure 1). An important feature of the research is the fact that 1264 respondents in total 1891, which represents about 67%, are members of any loyalty program. If



1: The age distribution of respondents
Source: own survey



2: The distribution of women and men as members of loyalty programs
Source: own survey

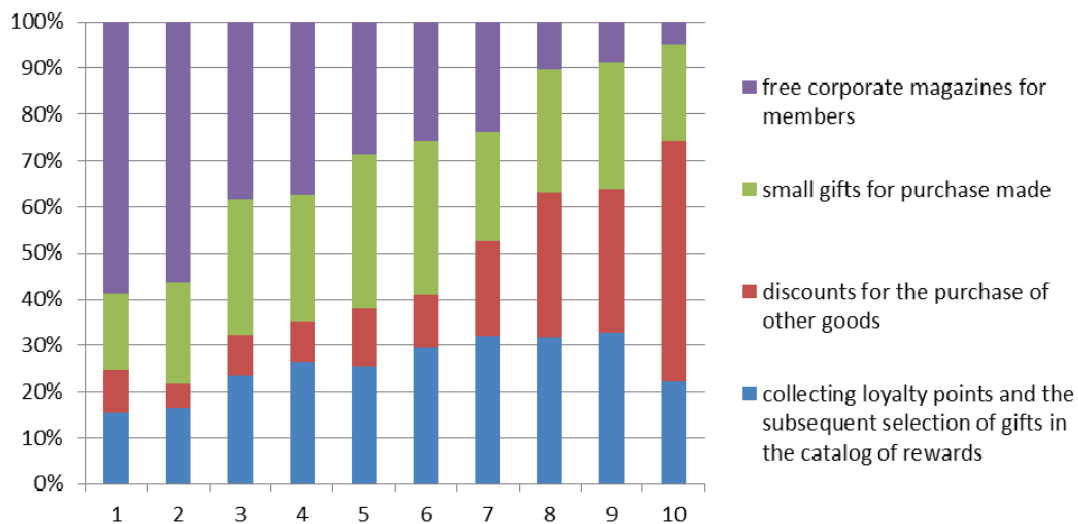
we look at the percentage distribution of members of various loyalty programs among respondents due to gender, it is clear that in all age categories dominate women. In a sample of 1 264 respondents who are members of at least one loyalty program (out of 1891) are women almost 67% regardless of the age group.

We can see that the loyalty systems have generally the same distribution across different age categories between men and women (see Figure 2). Only exception is the age category of respondents who are younger than 18 years represented entirely by women. This figure is however distorted by the fact that this age category is represented only by 17 respondents (representing approximately 0.1% of all respondents). Another significant difference is apparent in the age category 66 years and over, where women represent more than 80% of the members of a loyalty program.

RESULTS

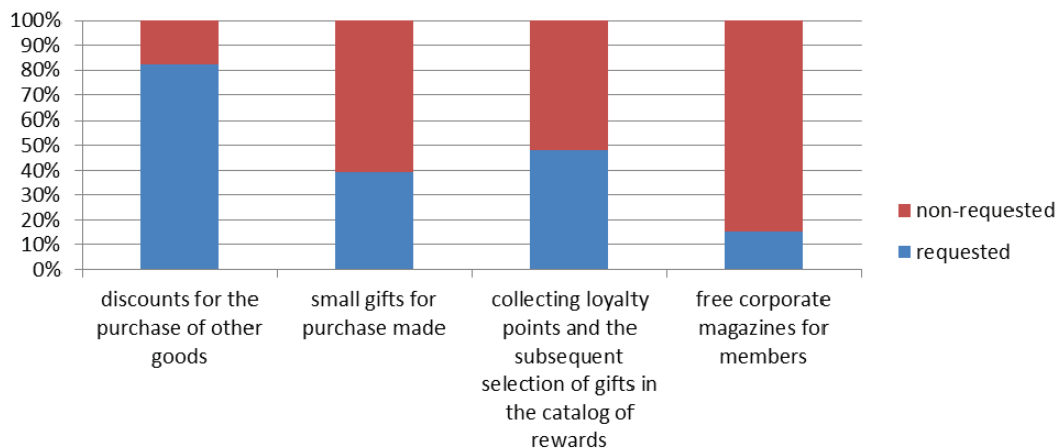
The relationship of respondents to the various benefits arising from loyalty programs was surveyed. On a scale of 1 to 10 (10 being very attractive remuneration) were interviewed to assess their attitude to the various benefits offered. As is shown in Figure 3, for the majority of respondents (52%) is a considerable advantage arising from the loyalty program to receive discounts on the purchase of other goods. Due to the quantitative increase in response to the scale toward the growing importance of the items in the personal attitudes we can then observe the effect of the motivation system for the next visit. The effect of deferred compensation – in this case, collecting loyalty points and their subsequent conversion into gifts – is in the attitudes of respondents represented more or less constant at an average of about 25% at whole scale.

Figure 3 also shows that respondents in general do not attract a benefit in the form of corporate



3: Personal approach to individual benefits resulting from membership in loyalty programs

Source: own survey



4: Requirements of the respondents to the loyalty program

Source: own survey

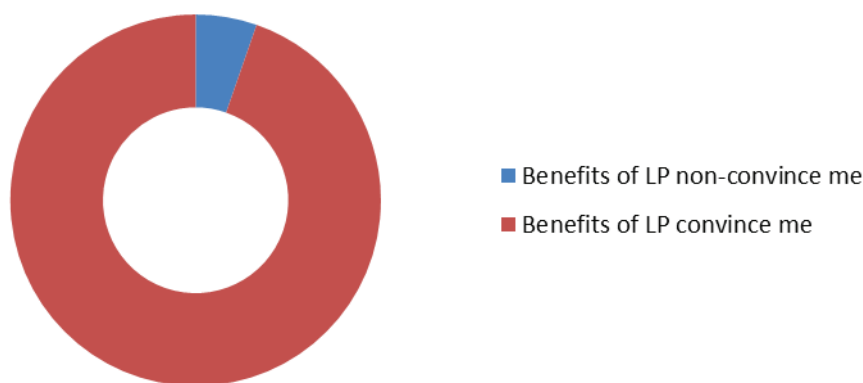
magazines for members of the loyalty program. As a completely uninteresting item it was marked by about 58% of respondents. There is clearly seen declining significance of this benefit with increasing importance in the personal attitudes. From the text mentioned above is also evident that members of loyalty programs have expressed a positive attitude to the system of deferred compensation as one of the main benefits of loyalty programs. In determining the concept of loyalty programs is then advisable to incorporate this tool as part of a long-term marketing strategy to keep customers and stimulate their motivation for further visits and purchases.

Other question is focused on customer requirements, respectively what benefits require from loyalty program, to be ever willing to be members of such a system. The following Figure 4 shows once again that people really want a system of deferred compensation. Advantage of discounts on the purchase of other goods requires more than 80% of respondents. On the contrary, corporate magazines free for members of the program are no longer so interesting and required by only 15% of respondents.

Within the studied benefits arising from membership in loyalty the following items programs were considered:

- discounts for the purchase of other goods,
- small gifts for purchase made,
- collecting loyalty points and the subsequent selection of gifts in the catalog of rewards,
- priority purchase of products compared to non-members of this program,
- free corporate magazines for members,
- priority information (e.g. about sales, new collections, benefits)
- sample products for free,
- invitations to entertainment and social events,
- the ability to share the loyalty card with family / friends
- brochure with information about the news for free.

In general we can say that the benefits of loyalty programs are quite advantageous for 95% of total respondents. Only 5% of respondents said that none of the above-mentioned possibility is to convince them to enter (or to be registered) in the loyalty program. This is shown in Figure 5.



5: Assessment of the benefits of loyalty programs
Source: own survey

SUMMARY

The paper is focused on loyalty programs in the Czech Republic. According to the results of marketing research conducted we can say that loyalty programs are popular tool for sales promotion not only for retailers, but also for customers across all age categories. In comparison with the distribution of respondents as members of loyalty programs we have to note that larger response is recorded in these systems by women. Given that there is a shift from mass marketing to individual approach, loyalty systems concepts get a whole new dimension. In the survey, 67% of respondents expressed positively to being a member of any loyalty program, which makes sales promotion indispensable part of the communication mix. Noticeable differences between members of loyalty systems can be seen between the sexes. These systems are clearly more popular among women who make up about 67% (i.e. 841 out of a total 1 891 research participants). This paper also demonstrates that programs based on the principles of the deferred compensation are more popular among respondents than others. This assumption made in previous studies was confirmed in two different ways:

1. in the relation of the assessment of respondents' attitudes to the benefits that can be expected from existing loyalty programs,
2. as the necessary requirements that would have a loyalty satisfy so the respondents were willing to be its members.

It was confirmed that customers not only expected deferred compensation system from loyalty program but also demand it. More than half of respondents (52%) said the discounts on the purchase of other goods are motivating element in the loyalty program and nearly a quarter (23%) reported to be very motivated to collect loyalty points for the subsequent selection of gifts in the catalog of rewards. Of those questioned 82% are positive in relationship to the possibility of using discounts to purchase other goods, and nearly half from loyalty program requires collecting loyalty points and the subsequent selection of gifts in the catalog of rewards. This is confirmed by the fact that programs providing its members outstanding benefits immediately in the form of percentage discounts do not work so well.

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