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**What is the influence of loyalty programs on customer loyalty and Share of Wallet? The case of  
the Swiss supermarket industry**

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Vancouver, 12.09.2014

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## 1. Introduction

The Supermarket industry in Switzerland is a multibillion Swiss Franc (CHF) industry consisting of two dominant players. The duopoly that exists in Switzerland is between Coop and Migros. Coop boasted 2012 income figures of 27.8 billion CHF, while Migros was slightly behind with 25.0 billion CHF (COOP 2014, MIGROS 2013). The two competitors make up about “70 per cent of the market share for food and drinks in Switzerland” (Swissinfo). Although these two retailing giants have controlled the market for years, the introduction of Aldi and Lidl (two foreign hard-discounters) in the last 10 years has put pressure on Coop and Migros. It should be noted that these two foreign hard discounters do not have loyalty programs. In the ever increasingly cutthroat grocery retailing sector, it is important to obtain and maintain loyal customers and distinguish yourself from the rest to maintain profitability. In the attempt to build and maintain a solid customer base, as well as attain information from their clientele, supermarkets often offer loyalty cards. Loyalty programs offer incentives for customers to continue shopping at their preferred retailer by offering points redeemable for prizes/goods and discounts (Sharp & Sharp, 1997). The effectiveness of loyalty programs has shown mixed results in the literature and empirical studies, and it is not fully accepted that customers are more loyal to a retailer if they hold a loyalty card from that store (Leenheer, van Heerde, Bijmolt, & Smidts, 2007).

According to both Coop and Migros, their respective loyalty programs have been a successful venture to date. Coop reports that there are 2.2 million loyalty card holders and 70% of households use their loyalty card for the store when shopping. Additionally, those card-holders spend more than double than those without one. They also point out that 80% of all sales in Coop supermarkets are used in conjunction with the loyalty card (COOP 2002). Migros reports similar findings with 2.3 million loyalty card holders for their store and the card being used for 65% of all retail sales (MIGROS Newsletter). At first glance, these figures seem quite impressive, but they may not tell the whole story.

The effectiveness of loyalty programs in creating customer loyalty is not a universally-accepted fact. A majority of retailers deem that having a loyalty program is an essential part of their business. However, the success of loyalty programs is difficult to assess and whether their true benefits outweigh their costs is debatable. Regardless, companies that use loyalty schemes spend a lot of money in the programs which have become an integral part of the grocery retail industry (Mauri, 2003). Although a majority of loyalty program initiatives do not produce exclusive loyalty to a brand, they can be a useful instrument in steering customers' purchases to a particular store. Few (if any) retailers or brands have 100% of a customer's wallet. A retailer goal is to obtain a higher share of wallet (SOW) of its

customers' purchases than that of its competitors. Previous empirical research has shown mixed results for the effects of loyalty programs on consumer-buyer behaviour as seen in Table 1. Although the table focuses on the grocery retail industry, it should be noted that several other industries use loyalty programs with similar goals in mind, including the airline, restaurant, credit card, hotel, and telecommunication industries, among others. The outcomes of the loyalty programs were measured by the research studies in varying ways, taking into account different variables, (Meyer-Waarden, 2007) which lead to different interpretations of the results. Studies showing positive outcomes of loyalty programs on purchase behaviour seem to be as frequent as studies that show no effect at all. One must note that most empirical studies were carried out in Australia, Spain, France, Italy, USA, etc. (Table 1) where the number of store's at the customer's disposal is significantly higher than in Switzerland. The grocery retail landscape in Switzerland, with two main companies of Coop and Migros dominating the market, is vastly different than the grocery retail markets in other countries that were previously studied. The limited number of grocery retail chains may influence the effectiveness of loyalty cards in Switzerland differently than in other countries. By having fewer options at which to shop, and with fewer loyalty programs available to sign up for, the customers' behaviour may be affected differently. The particular case of Switzerland was studied in this research paper in order to determine the effects of loyalty cards in the Swiss grocery retail market.

## **2. Research Question**

The objective of this research is to determine whether or not loyalty cards/programs offered by a retailer have an effect on customer loyalty for that particular retailer. More specifically, the research question to be answered is: "What is the influence of loyalty programs on customer loyalty and share of wallet (SOW)? - The case of the Swiss supermarket industry". In order to answer this question, a survey (questionnaire) was conducted in the towns of Fribourg and Bern, Switzerland, and the results were analysed for statistically significant impacts.

## **3. Literature Review**

The focus on the relationship between consumers and service/goods providers has increased in academic marketing literature and practice in the last decade with acknowledgement of its importance (Meyer-Waarden, 2007). The growing number of studies conducted on the effect of loyalty programs on customer loyalty has produced mixed results, with many different variables being assessed. As

noted in **Table 1**, previous studies have looked at different aspects of loyalty programs. The conflicting results call into question the effectiveness of loyalty programs.

Taylor and Neslin (2005) argue that loyalty programs increase sales in two ways: “points pressure” and “reward behaviour”. Point’s pressure (short-term impact) refers to customers purchasing more goods to earn benefits, while reward behaviour (long-term impact) is the phenomenon where customers increase their purchases after they have received a reward. As for the impact on customers SOW, Leenheer et al. (2007) found a small positive effect on SOW in grocery retail in Netherlands, while Meyer-Waarden (2007) showed that loyalty programs had a positive effect on longevity of card use and SOW. However, it should also be noted that they concluded that having multiple loyalty cards decreased the lifetime duration of usage. Lal & Bell (2003) showed that programs are profitable, but only while cherry pickers are present. Cherry pickers is a term used for shoppers that pick and choose where they shop depending on the promotions and sales offered by a retailer. Cortiñas, Elorz, Múgica (2008) and Demoulin & Zidda (2008) found that card holders in a loyalty program were less price sensitive to regular prices, spent more, and purchased more items than those not part of the loyalty program. When consumers are satisfied with the rewards they receive from the loyalty card program, they are more loyal and less sensitive to price than cardholders that are unsatisfied with their

**Table 1 Loyalty Programs Studies**

<b>Authors</b>	<b>Sector, country</b>	<b>Methodology, sample</b>	<b>Results</b>
Sharp & Sharp (1997)	Grocery Retail, Australia	Panel Data Survey, 745 households. Dirichlet model.	No significant results, weak level of excess loyalty.
Lal & Bell (2003)	Grocery Retail, USA	Frequent shopper program data. Hotelling-like model.	Programs are profitable, only with cherry pickers present.
Mägi (2003)	Grocery Retail, Sweden	Share of purchase and share of visits in primary store Survey data – Questionnaire. 643	Mixed support on full impact towards consumer behaviour. Support found on chain level, but not store level.

		households	
Mauri (2003)	Grocery Retail, Italy	Loyalty card database of supermarket. 8357 cards.	Negative overall. High % of people who have card are not loyal.
Taylor & Neslin (2005)	Grocery Retail, USA	Household survey and purchase data. 776 households. 2 years	Positive for short-term impact (“points pressure”) and long-term impact (“reward behaviour”)
Leenheer et al. (2007)	Grocery Retail, Netherlands	Panel Data on purchase behaviour. 1909 households, 2 years. Share-of-wallet	Small positive effect on share-of-wallet.
Meyer-Waarden (2007)	Grocery Retail, France	<i>BehaviorScan</i> single-source panel data. Impact of loyalty programs on customer lifetime and duration. 397,000 purchases, 2476 consumers. 156-week period	Loyalty program has positive effect on consumer lifetime and share-of-wallet. Having multiple loyalty cards decreases lifetime duration.
Cortiñas et al. (2008)	Grocery Retail, Spain	Multinomial logit models. 332,374 purchases at checkout. Monitoring card-holder and non-card-holder	Card holders are less sensitive to regular prices, but more sensitive for price promotions. As a whole, amount spent and number of items is higher for card-holders.

Demoulin & Zidda (2008)	Grocery Retail, Belgium	Survey of 180 consumers for an in-person questionnaire. The logit model was used.	Satisfaction with loyalty program rewards generates more loyal and less price sensitive customers than unsatisfied card holders.
Meyer-Waarden & Benavent (2009)	Grocery Retail, France	<i>BehaviorScan</i> single-source panel data. 451,000 purchases, 2150 consumers, 156-week period	Buying behaviour increases (changes) shortly after joining program, then declines 6-9 months after inscription.

rewards. (Demoulin & Zidda, 2008). This puts great focus on making sure that customers value their rewards. It is one thing for customers to have a loyalty card, but another if they use it and are appreciative of their rewards.

On the contrary, other studies were shown to have unflattering results with weak effects of loyalty programs. Sharp and Sharp (1997) studied the effects of an expansive loyalty program in Australia and concluded that card members behaved the same as non-card members with a few exceptions. A weak level of excess loyalty was observed. The results signify that the program was ineffective because of the oversaturation of loyalty cards in grocery retail. The overabundance of loyalty programs in the market coupled with the diversity of competition keeps customers options open for where they shop. The numerous loyalty programs offered by different retail stores give consumers many options to accumulate “points” and the effects of the programs may be nullified. This is explained by Dowling and Uncles (1997) with the imitation effect, where in competitive markets, competitors match the innovations of other companies to stay on top. If a good program is out there, it is likely to be imitated, thus minimizing the effect of the initial program. In line with these findings, loyalty programs are found to be most effective when customers have only one loyalty card, and do not have competitors’ cards (Mägi, 2003). This however does not guarantee success, as Mauri (2003) pointed out that a high percentage of customers who enrol in a loyalty program, are not in fact card loyal. The loyalty program should motivate customers to alter their purchasing behaviour and overall attitude to the store (Demoulin & Zidda 2008). It was observed that when promotional inducements are used the customers are more likely to remain loyal. Promotional inducements comprise weekly offerings in the store,

percentage off specific purchases, and extra items at the same price. The reward scheme and satisfaction with promotions and offerings must be high in order for customers to remain loyal.

The mixed results of the effectiveness of loyalty cards/programs indicate the difficulty in changing customers' behaviour. The goal of loyalty programs is to "increase customer retention, lifetime duration, and customer SOW; their overall objective is to modify customer repeat behaviour by stimulating product or service usage and retain clients by increasing switching costs" (Meyer-Waarden, 2007). While this is the goal of loyalty programs, it has been seen difficult to achieve solely by being a part of a loyalty scheme. More specifically, the effect of loyalty cards in increasing the SOW of customers has been challenged (Mägi 2003; Meyer-Waarden 2007; Leenheer et al. 2007).

Previous studies have measured the effectiveness of loyalty programs by their impact on SOW and customer loyalty. The notion of loyalty includes two dimensions: Behavioural and Attitudinal (Bandyopadhyay & Martell, 2007). Behavioural loyalty can be defined as repeat purchases and measured by frequent transactions. Attitudinal loyalty is regarded as positive feelings and preference for a brand. Although it is preferable to have both dimensions, grocery retailers (low involvement goods) are more concerned with the behavioural aspect. Behavioural loyalty leads to sales and frequent repurchases, while attitudinal loyalty does not necessarily equate to more purchases. A customer can have great attitudinal loyalty towards a brand/store but show no behavioural loyalty, meaning little or no purchases. On the contrary, a customer can have little or no attitudinal loyalty, but be loyal in their behaviour by frequently purchasing. The behavioural aspect is also much easier to measure and a lot of information can be obtained for the store (Demoulin & Zidda, 2008).

The moderating roles of reward satisfaction, price sensitivity, promotion sensitivity, number of cards, and attitudinal loyalty have all been studied individually to see how they impact store loyalty and SOW, but they have not been analysed all together. Preceding research is lacking in attempting to combine crucial variables that will undoubtedly impact SOW. This study will not only take into account SOW, but several other variables that influence the SOW. Previous studies showed how satisfaction with the rewards received is crucial to store loyalty, but they certainly do not paint the whole picture (Demoulin & Zidda, 2008) as the influence of price and promotion sensitivity brings new dynamics into the equation. We have seen that the degree of sensitivity to price and promotion varies between card holders and non-card holders, but we have not seen the effect combined with a customer's satisfaction in the promotions and rewards garnered (Cortiñas et al. 2008). A customer's attitudinal loyalty shown towards a store and the number of loyalty cards in their possession surely impacts the degree of loyalty a customer holds to their focal store/chain (Mägi, 2003; Mauri, 2003). An increase in the number of cards a customer has can indicate and lead to polygamous loyalty (Dowling



& Uncles 1997), whereby the purchases of a customer are spread out among several stores. And ultimately the degree of attitudinal attachment one has towards a store can deem some of the loyalty programs approaches as meaningless in their usage. This research will attempt to show what factors are of greatest importance for customers and ways in which loyalty programs can be improved.

#### **4. Swiss Loyalty Program Structures**

##### **MIGROS CARD**

The Migros loyalty card offered to customers is called the "Migros Cumulus" card. Signing up and use of the card are free. The card works by offering customers one cumulus point for every Swiss Franc (CHF) spent in the store. Every week there are items in the store that offer additional points (up to 20 times the amount) towards the loyalty program. It is possible to also collect Migros points from the Cumulus loyalty card by shopping at other Migros-owned ventures including Melectronics, SportXX, Micasa, Do it + Garden Migros, Migrol, Migrolino, and others. The customer receives one Cumulus point for each CHF spent in the other Migros-owned stores with a few exceptions where one point is received for every two CHF spent. In addition, the loyalty card can be used with business partners of Migros including Migros Bank, Mobility, Euro Centres, and the Cumulus-MasterCard.

For every 500 Cumulus points customers earn in the store or at one of Migros business partners, they receive a coupon valid for five CHF to spend on their next purchase. Besides earning points and receiving vouchers for future purchases, being a loyalty card holder with Migros allows one to receive discounts for travel, sports, and cultural events, as well as leisure and wellness activities. Migros also has an initiative where customers can donate the vouchers received with points to non-profit organizations recommended by Migros, or an organization of their choice. The organizations include those that help disabled children, refugees in emergency situations, building new gardens in Switzerland, and Rheumaliga Switzerland.

Migros-dedicated customers can go a step beyond the Migros Cumulus card by signing up for the Migros Cumulus-MasterCard. With this special MasterCard, customers still earn one point for every one CHF spent at the checkout at Migros stores, and they also receive one Cumulus point for every two CHF they make with their Cumulus-MasterCard in other purchases, anywhere MasterCard is accepted in the world. So, by using their MasterCard they earn points for Migros, even though they are not shopping at the store. The Cumulus-MasterCard is a fully functional MasterCard and is free of charge, with no annual fees.

In order to receive a five CHF Migros voucher for the store, a customer must have 500 Cumulus points. Without purchasing any items that are on special offer to earn 20X the amount of points, this equates to spending 500 CHF. Breaking it down, this means that by using the Cumulus card you receive 1% cash back in the store. It should also be noted that the items that Migros offers for 20X the amount of points are likely high margin grocery items. By enticing card holders to purchase these items, they will also receive data on how having a promotion during the week that offers more points affected the sales of those products. A UK grocery retailer, Tesco, has been known to expose their Clubcard members to high-margin wines, electrical goods, and lower-margin groceries that were not selling often. This type of cross selling is difficult to achieve in highly competitive markets, and "only a truly exceptional program will change the purchasing behaviour of customers to increase sales revenues significantly" (Uncles, Dowling, Hammond, 2003, p.305).

The Migros loyalty program attempts to create what Taylor and Neslin (2005) call a points-pressure effect whereby customers do not visit another retailer in order to build up their store points at the Migros. Although the amount of points it takes in order to receive a reward with the Migros Cumulus program is quite high, it still creates some effect. The gimmick of giving consumers delayed rewards aims at giving consumers back-loaded incentives that contribute to the main purpose of a loyalty program: increasing the long-term loyalty and retention (Leenheer et al. 2007).

### **COOP CARD**

Much like Migros, the loyalty card for Coop is designed on a points system. The "Coop Supercard" is also free to sign up for and use. The program offers its customers one point for every CHF spent in the Coop supermarket, or in one of its business partners. The Coop loyalty program also features promotional products during the week that earn a card member up to 25X the points if the product is purchased. Card holders are able to use their loyalty card in any of Coop's stores (not just grocery retail) to collect points. These stores include Coop Restaurants, Coop City, Coop Bau + Hobby, Inter Discount, Hertz, among others. These stores also offer one point for every CHF spent.

Members of the Coop Supercard can redeem their points for monetary value, or use the points in the reward shop for Home & Garden items, children & family items, or travel & leisure gifts. For every 100 Superpoints customers earn, they have the option to turn them into one CHF to be used in the Coop stores, or use them in the reward shop. The customer can exchange the points into CHF to be used in the Coop stores for over 40,000 selected items. As with the Migros Cumulus card, the

Supercard can be viewed as giving the customer 1% cashback on their purchases using their loyalty card.

Coop offers customers the ability to sign up for a free Supercard Plus credit card, which is available as either a Visa or MasterCard, and can be used worldwide. The card gives customers one Superpoint for every CHF spent in Coop stores, as well as their partners. When the credit card is used for purchases outside of Coop and business partners, the card offers one super point for every three CHF spent.

The Coop Supercard and Migros Cumulus card are eerily similar to each other in what they offer to their card holders. The design of both programs is based on the points system with the intention of locking in their loyal customers. As Dowling and Uncles (1997) explain, the imitation effect occurs when businesses in competitive markets copy each other in the attempt to not let the competitor get ahead and have an edge in the market. For Coop and Migros, this is exactly the case as these loyalty programs do not offer generous rewards for being a card holder, but they offer nevertheless incentives which are strikingly similar in design.

### **MANOR LOYALTY CARD**

While Coop and Migros dominate the retail grocery landscape in Switzerland, Manor is a grocery store targeting a “higher-end” consumer than Migros and Coop. Manor foods offers a wider range of gourmet foods, selective wines, and exclusive items than Migros and Coop. It is important for Manor to separate themselves from Migros and Coop, as their vision and their strategies are much different from the other two giants. This can also be seen in the loyalty card that Manor offers its customers.

The Manor Card is set up differently than the Migros Cumulus and Coop Supercard. The loyalty card for Manor is also free to sign up for, but instead of offering points, they offer a percentage of bonuses on purchases, of up to 3%. When a card holder uses their Manor Card they are initially offered 1% bonus on every purchase they make in the form of CHF that can be used in any of the Manor stores, as well as some select retailers. The loyalty program is set up in a tier system of rewards, whereby when a customer uses their card and spends between 1-1,999 CHF per year in Manor stores, or partners, they receive a 1% bonus on their purchases. After the 1,999CHF threshold comes the 2,000-3,499CHF mark, where customers receive a 2% bonus on their purchases. The last tier is reached when customers spend over 3,500CHF per year using their Manor card where they are welcomed with a 3% bonus on their purchase. The bonuses received can be used both in Manor stores and partners that

are a part of the Manor program, including companies such as Lacoste, SBB/CFF, Shell, Ticket Corner, and several others.

While Coop and Migros loyalty program divide their customers into card holders and non-card holders, the Manor program goes a step further by having 1%, 2%, 3% card holders, and non-card holders (Arbore & Estes, 2013). Manor offers the more complex tier system to emphasize that they truly value and reward the customers that spend more in their stores. In general being a card holder with a grocery retail chain is regarded as being less exclusive than with other industries such as airlines, hotels, and restaurants. However Manor has not shied away from creating a program different than their competitors to make their program more unique.

## **5. Hypotheses**

The enrolment into a loyalty program is executed by the free will of the consumer and is certainly subject to self-selection (Meyer-Waarden, 2007). Having a loyalty card for a customer's primary store should equate to more purchases at that focal store than at any other stores where the customer does not have a loyalty card. The consumer chose to enrol in the program but that may not be the only program they are involved in. Consumers are often shoppers at more than one store. This is explained as polygamous loyalty, where customers shop at various locations to fill their purchasing needs (Dowling & Uncles 1997). Customers can take advantage of having multiple loyalty cards to take advantage of the offers in all stores. As Meyer-Waarden and Benavent (2009) point out, less loyal customers shop at more than one place and have a high probability of having loyalty cards at multiple outlets. However large differences can be seen in the SOW between card holders and non-card holders with Leenheer et al (2007), with members having a 36% SOW in their focal store, and non-members having only 7%. The same study subsequently took into account the "self-selection" bias which implies that customers who are already loyal sign up for a card, thus overestimating the effect of the loyalty program. People that are already loyal are likely to sign up for the program to take advantage of further offerings by the store. Therefore, SOW is an appropriate measure for behavioural loyalty to determine how consumers' purchases are divided, and if a loyalty program has an effect. Taking into account that previous empirical studies have shown mixed results, this study will test the hypothesis that customers will make a larger share of their purchases in their focal store if they have a loyalty card. It is therefore hypothesized that:

**Hypothesis 1: Having a loyalty card with the primary/focal (most frequented) store leads to a larger share of wallet (SOW).**

Loyalty cards must bring value to card holders in order to justify using them (Mauri, 2003). The promotional offerings increase the likelihood that the consumer will be a loyal one. If the customer visits the store on a regular basis and finds value in the loyalty program, it is a step in the right direction. Additionally, if customers appreciate the rewards they receive, then the loyalty card will be used on each visit. If the consumer does not have high satisfaction with the rewards garnered, then the card is likely to be used less, or only when deemed worthwhile. The important part is creating a loyalty program that is designed in a way that is to the liking of its customers (Dowling & Uncles, 1997). Too often, loyalty programs are too complicated or badly designed and the consumer is not attracted to use it. Empirical studies that have been carried out in the past emphasize the need for a loyalty program to be of value to the customer so they will use it (Demoulin & Zidda, 2008; Mägi, 2003). The programs' intention of swaying customers' purchasing behaviour and attitude will be influenced by how well they value their rewards when using the card (Demoulin & Zidda, 2008). It is therefore hypothesized that:

**Hypothesis 2: The higher level of satisfaction with rewards at the primary/focal store, the greater the SOW at the primary/focal store.**

Since customers shop at a variety of stores, it is understandable to see that they belong to more than one loyalty program. Their desire is to get rewarded for their shopping and to take part in promotions and price discounts that may be available to them. They want to take advantage of all the benefits that are offered from joining a grocery store program. Economic orientation (price sensitivity) was the largest motivational factor on customer share in the study done by Mägi (2003). Comparison shopping is frequently done by highly price sensitive customers, and they are also more likely to be involved in more than one program. Promotional incentives that are available from using a loyalty card are also at the heart of loyalty programs (Mauri, 2003). It is therefore hypothesized that:

**Hypothesis 3A: Loyalty card holders are more price sensitive than non-card holders. In addition, the SOW for price sensitive card holders will be lower than the SOW for non-price sensitive card holders.**

**Hypothesis 3B: Loyalty card holders are more promotion sensitive than non-card holders. In addition, the SOW for promotion sensitive card holders will be lower than the SOW for non-promotion sensitive card holders.**

Measuring the effect of a loyalty program on SOW is not complete without factoring in the moderating effect of attitudinal loyalty. Attitudinal loyalty can lead to reasons for the purchase behaviour displayed and can explain why loyalty is developed along with repurchase behaviour. A customer's loyalty towards a store is the relationship between their attitude to the store and their patronage behaviour (Dick & Basu, 1994). The more committed and attitudinal loyal a customer is towards their focal store the more visits and purchases will be made at that store. It is therefore hypothesized that:

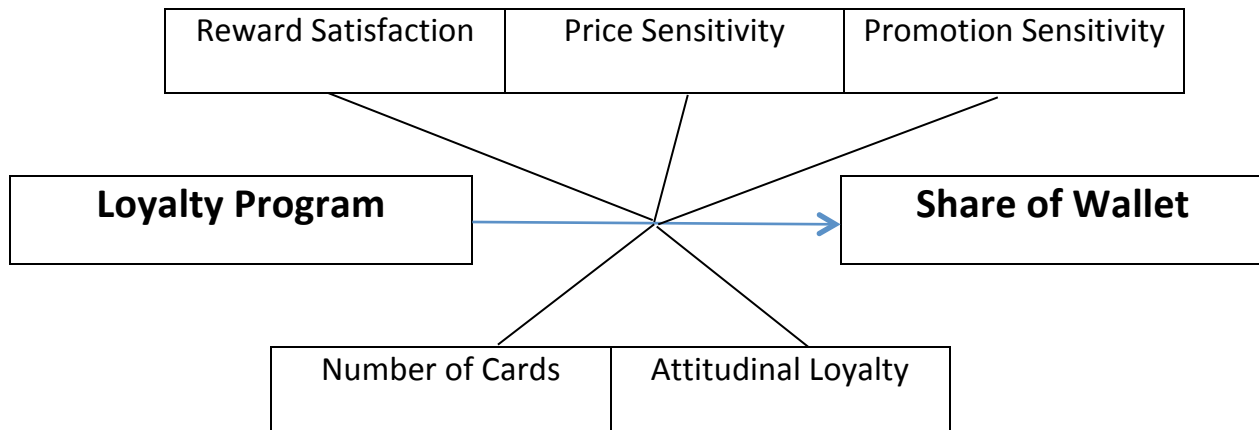
**Hypothesis 4: The more attitudinally loyal a card holder is towards their primary/focal store, the higher SOW at the focal store.**

Grocery shoppers that use many stores to fulfil their shopping needs are likely inclined to subscribe to all loyalty programs available to them. Cherry-picking behaviour may result where customers take advantage of all the offerings different stores have (Lal & Bell 2003). With the finding that consumers in Europe and USA have on average three loyalty cards in possession, cherry-picking is a definite possibility (Meyer-Waarden, 2007). In addition, with the findings from Mauri (2003) that concluded that loyalty card holders are not in fact card loyal, the purchases made by a customer are not likely to be all in one store, and will be spread out among several. It is therefore hypothesized that:

**Hypothesis 5: The more loyalty cards customers have, the lower is the SOW at their focal/primary store**

The development of the five hypotheses above is based on previous studies that have been carried out and on researched literature. A theoretical model is formulated (**Figure 1**) to show how the five variables covered by these hypotheses impact the relationship between loyalty programs and resulting SOW. These five variables (Rewards Satisfaction, Price and Promotion Sensitivity, Attitudinal Loyalty and Number of Cards) will highlight the attributes of consumers and the elements of a loyalty program that are effective in the Swiss context.

Figure 1



## 6. Methodology

### Data Collection

The study was conducted in the towns of Fribourg and Bern, Switzerland, which have populations of 40,000 and 130,000 respectively. These two locations were selected for this study for multiple reasons. Although Switzerland is a country that has four different official languages, French and German speakers make up the vast majority of the country. Given that Fribourg and Bern comprise French and German speakers, surveys were distributed in these locations in an attempt to get a sample of how most Swiss complete their grocery shopping. Both towns have two main grocery retailers in Migros and Coop, much like the rest of Switzerland. In addition to those, there are several local shops and a few large grocery stores, namely ALDI, LIDL, Manor, and Landi. Migros, Coop, and Manor are the only grocery retail stores that offer a loyalty program, and have been doing so for the past several years. Migros and Coop both offer their loyalty card holders points for their purchases. Under the basic program, for each CHF spent, card holders receive one point. Migros gives card holders a five CHF voucher for every 500 points obtained. Coop gives card holders the option of paying for their purchases with their points (100 points = one CHF) or using their points in the “Reward Shop” to exchange their points for various items. Manor’s loyalty program works on a tier system where card members receive 1%, 2%, or 3% bonus off their purchases depending how much they spend in the year.

The data was collected through questionnaires that were given to people at various locations throughout Fribourg and Bern. A questionnaire survey was used to collect the data for this study

because of its simplicity to administer, its ability to reach a large sample of the population, and its familiarity for respondents to complete. Conducting an in-person questionnaire also fosters the ability to create more in-depth questions and the response rate is typically higher with an in-person questionnaire as opposed to email or mail distribution. The results from questionnaires are characteristically easy to analyse and a lot of information can be extracted from the statistical analysis. In addition, further studies can use the same questionnaire as this study to either substantiate or dispute the results. In order to avoid biases, neutral locations around both Fribourg and Bern that were not close to any particular grocery store had to be used. These locations included a post office, a University cafeteria, and a popular street in Fribourg called “Rue de Lausanne”.

People walking in the street were asked if they could spare a few minutes to take part in a grocery survey. The questions were designed to find out how people divided their purchases among grocery stores, which grocery loyalty programs they were involved in, as well as their agreement levels with a number of statements that gauged their attitudinal loyalty, reward satisfaction, price sensitivity, and product sensitivity. In total, 175 people completed the survey, with 57 men and 118 women taking part. The aim of the survey was to find the person in charge of grocery purchases for the household since they would have knowledge about how the household shops. The distribution of people that took part in the survey was predominantly women at 67%. The higher representation of women to men is due to the fact that they represent more often than men the person responsible for household grocery shopping. As for the age of respondents, a balance in surveying young and old was sought after, as can be seen with the mean age of 38.8.

### Questionnaire Design

The questionnaire consisted of questions and point scaled statements/items that have previously been asked in similar studies involving SOW, attitudinal loyalty, card satisfaction, price, and promotion sensitivity. In addition to those there were several scaled items that were specifically formulated for this study (for the scale statements/items see the summary below and for the whole Questionnaire see **Appendix 1**).

Variable	Scaled items	References
Attitudinal Loyalty	I consider my most frequented store to be the best. I consider myself to be a loyal customer of my most frequented grocery store. I am committed to my most frequented grocery store.	Taylor et al. (2004) and Own
Reward Satisfaction	I appreciate the rewards I get from using my loyalty card at	Leenheer et al. (2007)



	my primary store. The loyalty card is very important to me. My loyalty card matches my expectations with rewards and benefits of usage.	and Own
Price Sensitivity	I choose what grocery store to go to on the basis of where I find what I need for the best prices. I compare what I get for my money in different grocery stores. I profit from comparing prices across grocery stores.	Mägi (2003) Gómez et al. (2012)
Promotion Sensitivity	I choose to shop at the grocery store that has the best deals at the time. I know what grocery stores have on promotion during the week. I look for promotions in the store I am shopping in (e.g. 2 for 1, Action items, 50% off).	Mägi (2003) and own
Distance	I choose to shop at the closest grocery store (chain) to my house.	Own

Through an in-depth review of existing literature in similar fields of study, the questionnaire was designed to provide credible results. The scaled statements/items used to test the impact of the four independent variables of attitudinal loyalty, price sensitivity, promotion sensitivity, and reward satisfaction were valid and reliable in previous studies involving SOW. For attitudinal loyalty, the scaled items were adapted from Taylor et al. (2004) which looked at brand equity and the effects on customer loyalty (behaviourally and attitudinally). The reward satisfaction scaled items were reformed from Leenheer et al. (2007) where the study looked at whether or not loyalty programs enhanced behavioural loyalty in the form of SOW. The scaled items for price and promotion sensitivity were amended from Magi (2003) and Gomez et al. (2012) to fit this particular study. The reliability (Cronbach alpha) of all measures in these studies were good, measuring in at above the recommended level of .7. All of these scaled items were valid and reliable in their particular studies and were subsequently chosen for this study. Three scaled items were used to measure each of the following: attitudinal loyalty, reward satisfaction, price sensitivity, and promotion sensitivity. Distance was questioned with a one-scaled item. A 9-point scale was used to determine the degree that respondents agreed or disagreed with items/statements. 1 stood for “completely disagree” while 9 meant “completely agree”.

Responders to the survey were also asked to indicate which grocery store they made most of their purchases at, and which grocery stores they held a loyalty card for. The SOW was calculated in percentage form with the respondents showing how they divided their purchases among grocery stores available to them, totalling 100%. Subsequently they were asked to indicate how much was spent on groceries per week and how many people were in the household. The questions were arranged in a clear and consistent way, and avoided complacency when completing by placing similar questions apart from each other. A pre-test was conducted whereby seven people completed the questionnaire.

The goal of the pre-test was to see how long the questionnaire took to complete as well as making sure all of the questions were understood clearly.

### Methodology

The answers from the questionnaire were used to complete a one-way ANOVA (Analysis of Variance), and a two-way ANOVA in IBM SPSS (Statistical Package for the Social Sciences). ANOVA is used in this study to test the impact of loyalty programs on the SOW of grocery shoppers while also factoring in the moderating effects of reward satisfaction, price sensitivity, promotion sensitivity, attitudinal loyalty, and the number of cards a customer has. The people surveyed were divided in two groups: those that were part of the loyalty program for their primary store, and those that were not. ANOVA is the most appropriate method to use to determine whether there is a significant difference between the SOW of customers in their primary store with or without loyalty cards (and moderating variables). With ANOVA, the ability to also account for the variables of attitudinal loyalty, reward satisfaction, price sensitivity, and promotion sensitivity can be achieved.

The data was analysed to determine whether or not being part of a loyalty program has a positive effect on the SOW of customers. Factors that were measured for were: how many loyalty programs a person is involved in and the five variables listed above. The Questionnaire was translated from English into French and German because Fribourg is a bilingual town. The full survey can be found in **Appendix 1** in English, French, and German.

## **7. Managerial Implications**

The results of this study are intended to assist retail grocery managers in improving their loyalty programs. By determining the main factors that drive customers' purchases in a particular store and finding out how a loyalty program influences their purchasing decisions, managers can find ways to increase their customers' SOW for their store. Although it is not realistic to assume that by improving a loyalty program will immediately and directly result in more customer expenditures and a greater SOW, it can certainly be assumed that it is one of the influential factors. Since customers are likely loyal to more than one store to fulfil their shopping needs, the main goal for managers is to increase the amount that is spent in their store (Meyer-Waarden & Benavent, 2009). This study may assist them in this endeavour.

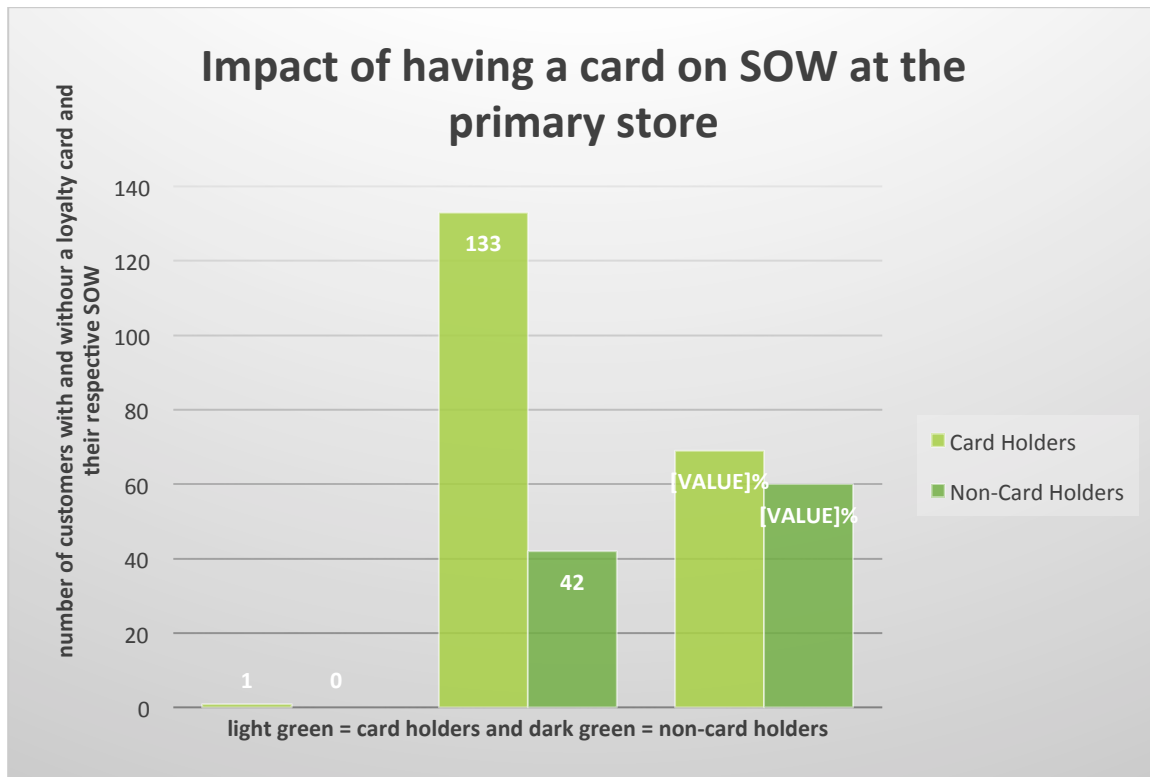
## 8. Data Analysis and Results

The results from the survey show that only 2.8% of customers had a SOW of 100% for their focal store. The average weekly household expenditure on groceries was 149.14CHF, with an average household size of 2.1 people. Among card holders, the loyalty card was used on average 86% of the time. Although it is of no importance in this study to which grocery store the customer directed most of their purchases, they are indicated. For 56.6% of grocery shoppers, Migros was their primary store. For 37.7%, Coop was their primary store, and for 1.7%, Manor was their primary store. An additional 4.0% had their primary store with other competitors that do not have a loyalty program. 26.3% of shoppers had one loyalty card, 52.6% had a loyalty card for more than one store chain, and 21.1% had no loyalty card at all. More than half of grocery shoppers had their primary stores loyalty card as well as a loyalty card for a competing supermarket. The covariates of age and gender showed no effect in the results and were not included in the final model. Most customers shopped within close proximity of their house as can be seen with a mean average of 7.6 (out of 9). This remained consistent for shoppers with no loyalty card, one card, two cards, and three cards.

Customers in possession of a loyalty card for their most frequented supermarket lead to a higher SOW than if they did not have a card, as can be seen in the following graph and the statistical data in **Table 2**.

### Hypothesis 1

**“Having a loyalty card with the primary/focal (most frequented) store leads to a larger share of wallet (SOW)”. ACCEPTED**



In support of hypothesis 1, having a loyalty card with the primary/focal store lead to a larger share of wallet SOW. The 42 customers not having a loyalty card for their most frequented grocery store (24% of people), had a SOW of 60.0% for their focal store, while 133 customers that had a loyalty card for their primary store (76% of people) had a SOW of 69.8% for their focal store. The SOW in a customer's focal store ranged from 30% to 100% for non-card holders and card holders, with a standard deviation of 15.8 for non-card holders and 16.7 for card holders. The one-way ANOVA results were significant with a Sig. value of .001 ( $p=.001$ ), which is less than .05, which is required to make it significant.

**Table 2 – Statistical Data for Hypothesis 1****Descriptives**

SOW

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
0	42	60.048	15.8437	2.4447	55.110	64.985	30.0	100.0
1	133	69.820	16.6701	1.4455	66.960	72.679	30.0	100.0
Total	175	67.474	16.9553	1.2817	64.945	70.004	30.0	100.0

**ANOVA**

SOW

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3048.060	1	3048.060	11.226	.001
Within Groups	46973.574	173	271.524		
Total	50021.634	174			

**Hypothesis 2**

**“The higher level of satisfaction with rewards at the primary/focal store, the greater the SOW at the primary/focal store”. **REJECTED****

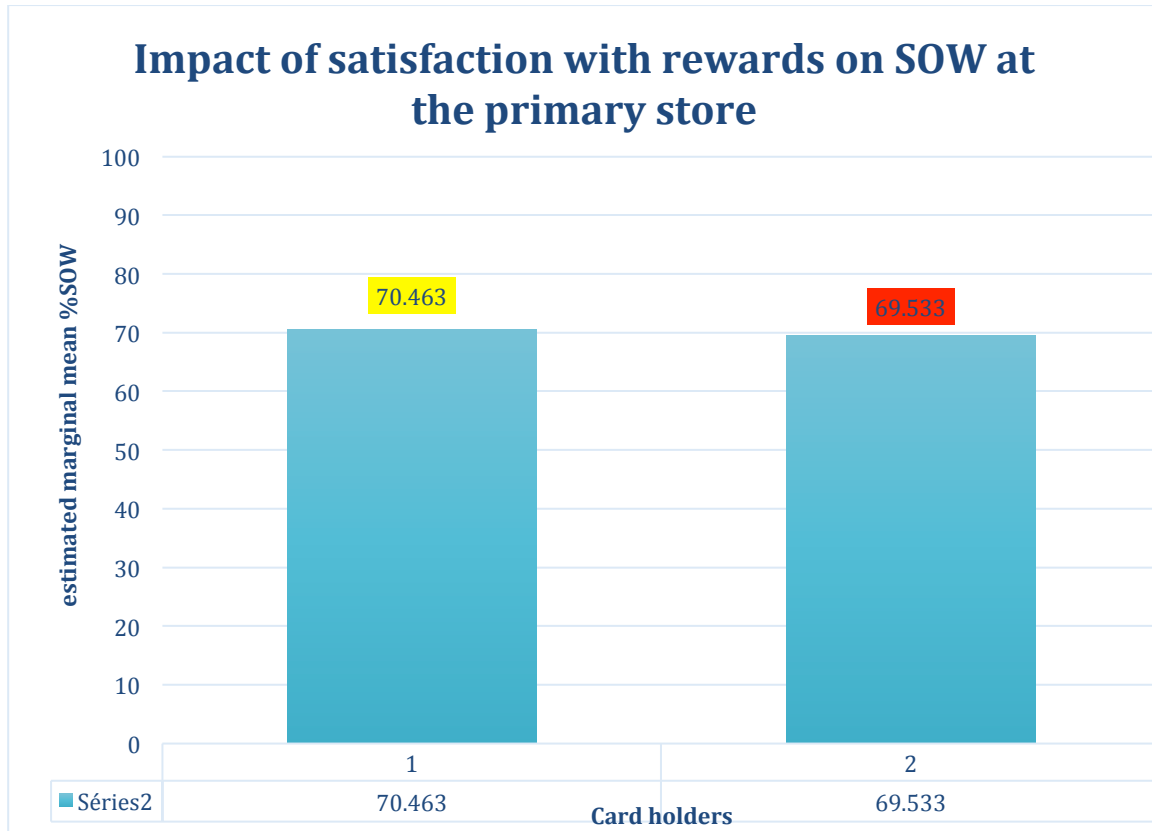
Hypothesis 2 was rejected. The higher the satisfaction of card rewards for card holders did not yield a larger SOW for their primary store than it did for when they were not satisfied with the rewards. In fact, as can be seen in **Table 3**, card holders that were unsatisfied with their rewards had a SOW of 70.4%, while the card holders that were satisfied with their rewards had a 69.5% SOW. The following graph visually shows how the SOW varies between loyalty card members that are satisfied with their rewards and those that are not.

**Table 3 – Statistical Data for Hypothesis 2**

**Member \* reward**

Dependent Variable: SOW

Member	reward	Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
1	.00	70.463	2.550	65.430	75.497
	1.00	69.533	1.702	66.172	72.893



not-satisfied with rewards | satisfied with rewards

### Hypothesis 3A

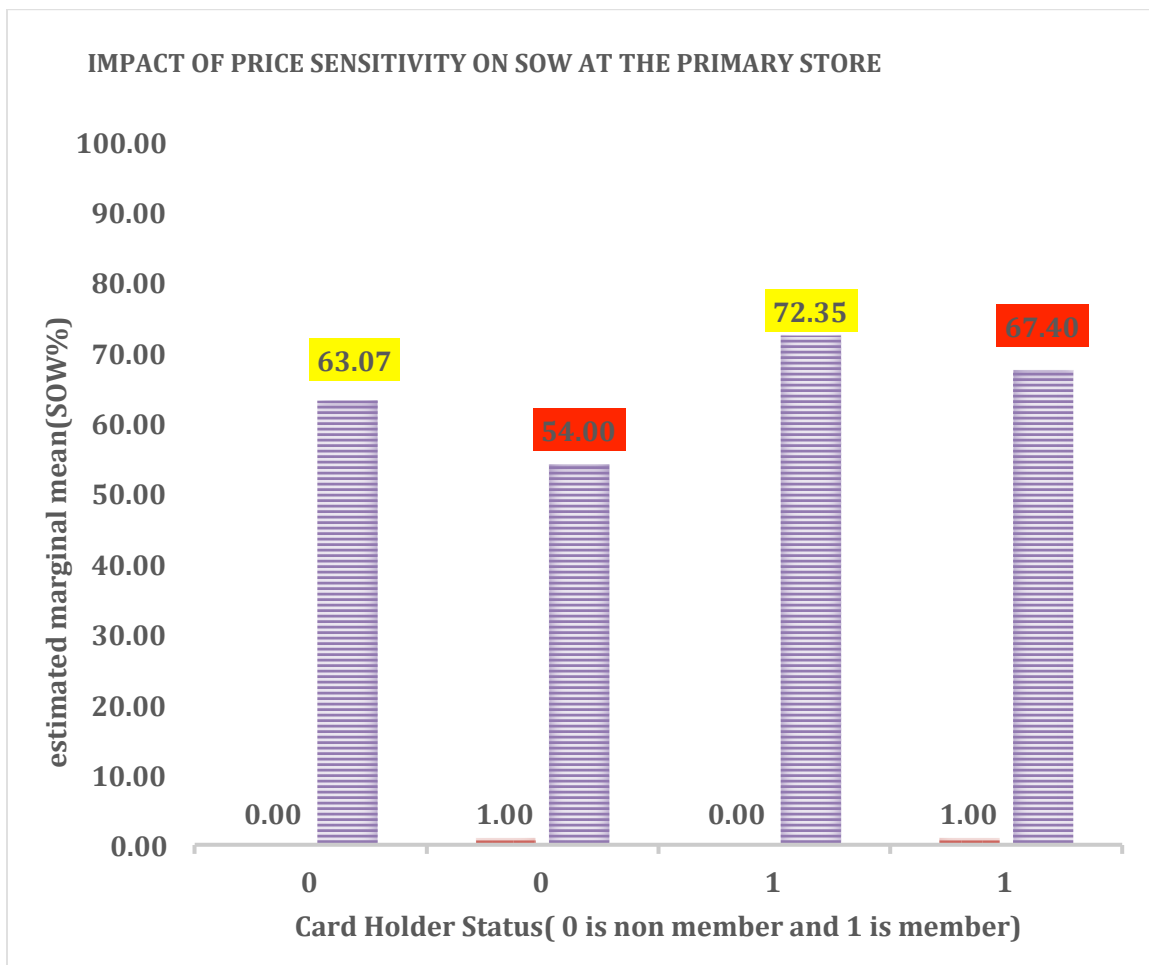
**“Loyalty card holders are more price sensitive than non-card holders. In addition, the SOW for price sensitive card holders will be lower than the SOW for non-price sensitive card holders.”**

**ACCEPTED**

### Hypothesis 3B

**“Loyalty card holders are more promotion sensitive than non-card holders. In addition, the SOW for promotion sensitive card holders will be lower than the SOW for non-promotion sensitive card holders.”** **ACCEPTED**

Hypothesis 3A and 3B were supported. Loyalty card holders are more price and promotion sensitive than non-card holders. Loyalty card holders that are more price and promotion sensitive also lead to a lower SOW than members that are not price sensitive and promotion sensitive. Loyalty card holders had a mean score of 4.8 (out of 9 on Likert scale), and non-card holders had a mean score of 4.0 for price sensitivity. As for promotion sensitivity, card holders had a mean score of 5.0, while non-card holders had a score of 3.8. These numbers confirm that loyalty card holders were more price and promotion sensitive. Both of these results were significant with price at a sig. of .049 and promotion at a sig of .001. It is also shown that loyalty card holders that are price and promotion sensitive had a lower SOW in their primary store than card holders that were not price and promotion sensitive. Card holders that were price sensitive had a SOW of 67.3%, while promotionally sensitive card holders had a SOW of 66.2% in their primary store. Card holders that were not price sensitive had a SOW 72.4% and non-promotionally sensitive card holders had a SOW of 73.9% in their primary store. **Table 4** illustrates the descriptives for card holders and non-card holders, indicating how price and promotion sensitive they were and the significance of the results. **Table 5** indicates the SOW of Card holders and non-card holders taking into the account of the moderating effects of price and promotion sensitivity. The following two graphs graphically demonstrate how grocery shoppers’ SOW in their primary store is impacted with their participation in the stores loyalty program and whether or not they are price and promotion sensitive.



non-price sensitive  
price sensitive



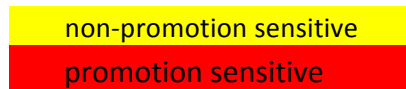


Table 4- Statistical Data for Hypotheses 3A and 3B

## Descriptives

priceMEAN

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
0	42	4.0476	2.06739	.31901	3.4034	4.6919	1.00	8.67
1	133	4.8070	2.18782	.18971	4.4318	5.1823	1.00	9.00
Total	175	4.6248	2.17809	.16465	4.2998	4.9497	1.00	9.00

## Descriptives

promotionMEAN

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
0	42	3.8175	2.13527	.32948	3.1521	4.4829	1.00	8.67
1	133	5.0276	1.87534	.16261	4.7059	5.3492	1.00	8.67
Total	175	4.7371	2.00274	.15139	4.4383	5.0359	1.00	8.67

## ANOVA

priceMEAN

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	18.408	1	18.408	3.946	.049
Within Groups	807.063	173	4.665		
Total	825.470	174			

## ANOVA

promotionMEAN

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	46.742	1	46.742	12.418	.001
Within Groups	651.166	173	3.764		
Total	697.909	174			

Table 5 – Statistical Data for Hypotheses 3A and 3B

### 3. Member \* price

Dependent Variable: SOW

Member	price	Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
0	.00	63.071	3.079	56.994	69.149
	1.00	54.000	4.354	45.405	62.595
1	.00	72.354	2.021	68.365	76.343
	1.00	67.397	1.976	63.497	71.297

### 3. Member \* promotion

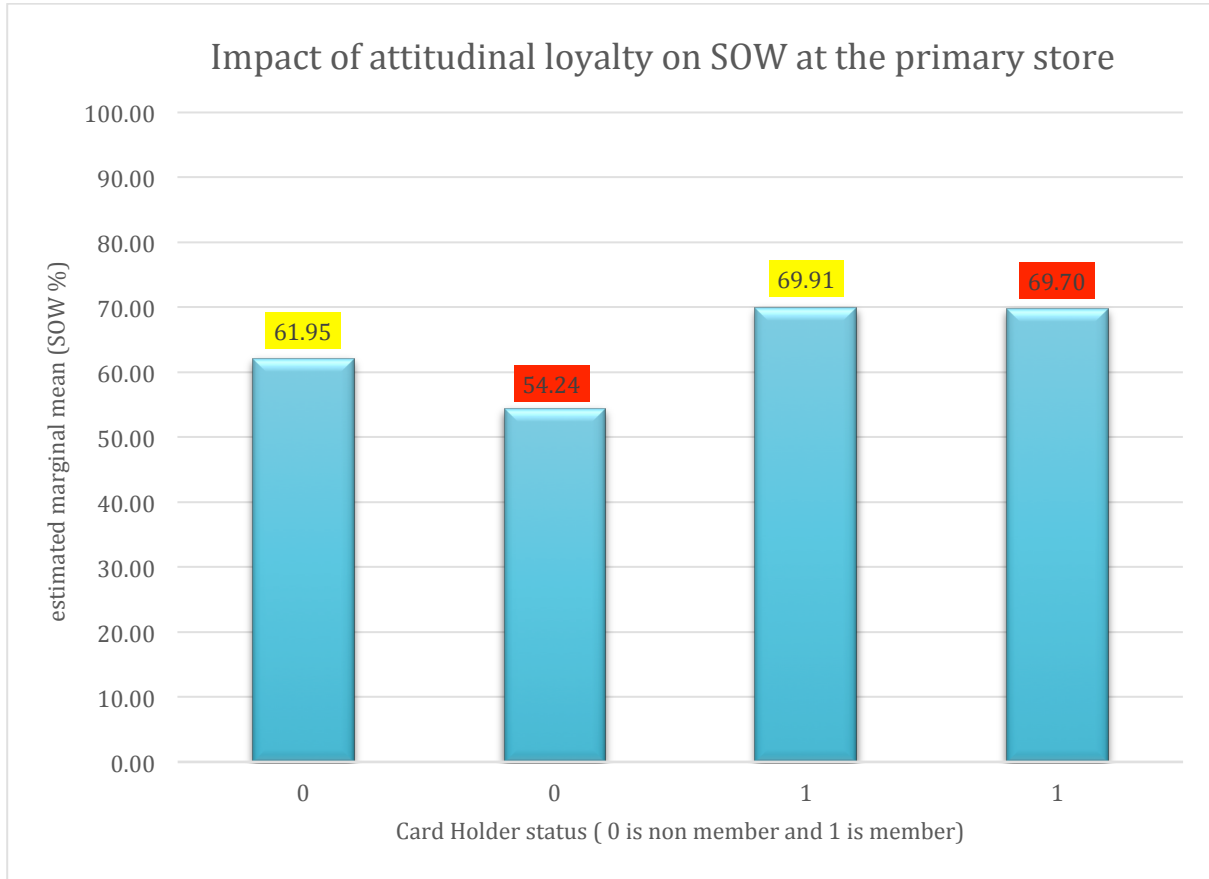
Dependent Variable: SOW

Member	promotion	Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
0	.00	59.714	3.066	53.662	65.767
	1.00	60.714	4.336	52.155	69.274
1	.00	73.919	2.060	69.852	77.987
	1.00	66.239	1.925	62.439	70.040

#### Hypothesis 4

**“The more attitudinally loyal a card holder is towards their primary/focal store, the higher SOW at the focal store.” REJECTED**

Hypothesis 4 was rejected. Unexpectedly, results showed that attitudinal loyalty played no part in increasing a customer’s SOW. Card holders that were not attitudinally loyal had a SOW of 69.9%, while attitudinally loyal card holders had a SOW of 69.7%. **Table 6** indicates these findings and the following graph shows a graphical representation.



non loyal  
loyal

**Table 6- Statistical Data for Hypothesis 4**

**Member \* att**

Dependent Variable: SOW

Member	att	Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
0	.00	61.950 <sup>a</sup>	3.055	55.919	67.982
	1.00	54.241 <sup>a</sup>	5.356	43.667	64.816
1	.00	69.911 <sup>a</sup>	2.109	65.747	74.075
	1.00	69.697 <sup>a</sup>	2.001	65.747	73.647

**Tests of Between-Subjects Effects**

Dependent Variable: SOW

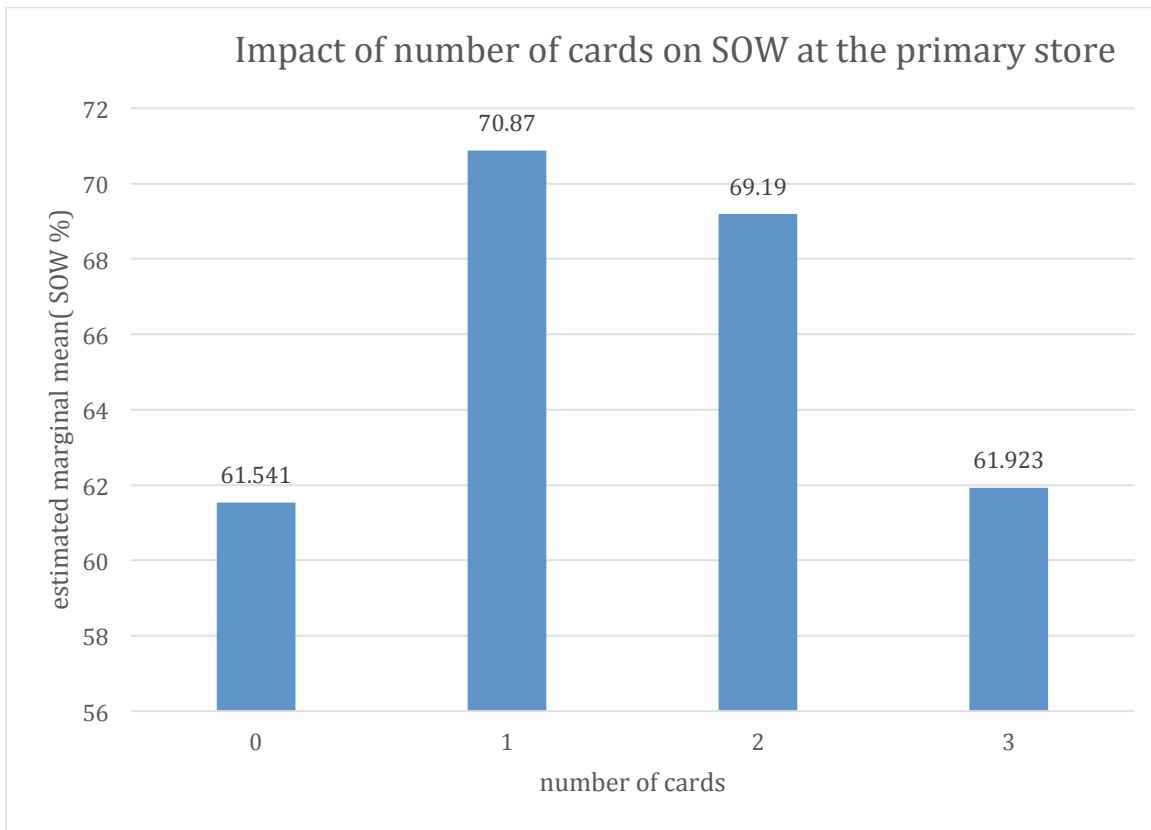
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Member * att Hypothesis	475.028	1	475.028	1.754	.187
Member * att Error	46313.589	171	270.840		

**Hypothesis 5**

**“The more loyalty cards customers have, the lower is the SOW at their focal/primary store.”**

**ACCEPTED**

Hypothesis 5 was accepted. The more loyalty cards customers have, the lower is the SOW at their focal/primary store. When a customer is solely involved with their primary stores loyalty program, they had a SOW of 70.9% in their focal store. When a customer was in possession of two loyalty programs, their SOW for their primary store was 69.2%. Finally, when a customer was a member of three loyalty programs, their SOW for their primary store was 61.9%. The results were significant at .034. The following graph shows a graphical depiction of how the number of loyalty cards a grocery shopper has impacts their SOW in their primary store. **Table 7** contains the statistical data for Hypothesis 5.



**Table 7- Statistical Data for Hypothesis 5**

**Descriptives**

SOW

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
0	37	61.541	15.3471	2.5230	56.424	66.658	35.0	100.0
1	46	70.870	19.1574	2.8246	65.181	76.559	30.0	100.0
2	79	69.190	15.7236	1.7690	65.668	72.712	30.0	98.0
3	13	61.923	16.5250	4.5832	51.937	71.909	30.0	95.0
Total	175	67.474	16.9553	1.2817	64.945	70.004	30.0	100.0

**ANOVA**

SOW

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2466.153	3	822.051	2.956	.034
Within Groups	47555.482	171	278.102		
Total	50021.634	174			

## 9. Construct Reliability and Validity

The reliability of the four constructs of attitudinal loyalty, price sensitivity, promotion sensitivity, and reward satisfaction were tested (Cronbach alpha), with **Table 8** showing the statistical outputs. Three of the constructs (price, promotion, reward) surpassed the minimum recommended level of 0.70, while the construct for loyalty measured in at .629. Although attitudinal loyalty scored .629, it was deemed sufficiently reliable enough for this study. Explanations for the surprisingly low Cronbach alpha may be attributed to the language -to-language translation effect on one of the questions in the attitudinal loyalty construct.

**Table 8 Cronbach's Alpha**

<u>Construct</u>	<u>Cronbach Alpha</u>	<u>Number of items</u>
Attitudinal loyalty	.629	3
Price sensitivity	.807	3
Promotion sensitivity	.733	3
Reward satisfaction	.900	3

## 10. Discussion

The results for hypothesis 1 are consistent with the Leenheer et al. (2007) study which found a small positive effect (significant) of being a loyalty card holder and a customer's SOW. In addition, these results are agreeable with the findings of Meyer-Waarden (2007) that found loyalty card membership is positively related to a customer's SOW in their primary store, and Mägi (2003) which found that customers apart of the loyalty program for their focal store (chain level) have a larger SOP (share-of-purchase) and SOV (share-of-visits) for their grocery chain (when holding only the focal chain's card).

The findings show favourable results in supporting the use of loyalty programs for their purpose of increasing customers' purchases. What these results cannot show is how many of these customers were in fact already shopping at their preferred chain before they were enrolled in the loyalty program. The findings from Leenheer et al. (2007) were able to account for self-selecting members that enrolled in their preferred supermarkets loyalty program while already being considered a behaviourally loyal

customer. By accounting for self-selection, the results obtained were less impressive, but still showed a positive effect on customers SOW in primary store.

The use of loyalty programs is generally seen to be a useful tool in increasing SOW. Loyalty schemes “tend to change the shopping behaviour of some consumer segments after they join the program, even if some already loyal buyers were being rewarded for their established shopping patterns” (Meyer-Waarden, 2007, p.234) Further, the program can thwart card holders from altering their shopping habits, “such as shopping more at competitors’ stores, or creates a purchase concentration effect for the local outlet” (Meyer-Waarden, 2007, p.234).

Although it is true that customers are likely to enrol in a loyalty program in a store they already carry out most of their shopping in, it can still create a sort of barrier against shopping at other competitors. Since they are rewarded for their shopping by using their loyalty card at their retailer, it can also spur increased shopping in that store.

The results for hypothesis 2 do not follow the results of Demoulin and Zidda 2008 that show customers who are satisfied with rewards from their loyalty card have a larger SOW than those who are unsatisfied. Mauri 2003 also concluded that promotional inducements are meaningful in making customers loyal to their card. If customers do not take part in offerings and value their participation in receiving rewards, their loyalty will diminish. As a whole, it is expected that if a customer appreciates their rewards from their loyalty card usage from a store, their SOW will be larger for that store than if they do not value the rewards.

This study shows that customers are having roughly the same SOW in their primary store regardless of their satisfaction level for rewards and it therefore challenges the importance of appreciating the rewards offered. Although previous studies have shown the importance of being satisfied with rewards received, this study does not show an increase in customers’ SOW as a result of additional benefits. Explanations for finding this result may be found in the fact that the grocery store landscape in Switzerland is so different than the ones previously studied, and it may be amplified by people’s preference to shop close to their household. With respect to loyalty cards for grocery chains in Switzerland there are only 3 stores (Coop, Migros, and Manor) that offer loyalty programs. Manor offers a loyalty card to its customers, but their overall representation in the grocery industry in Switzerland is minute. Only 3 of the 175 people surveyed had Manor as their primary store. Coop and Migros are the largest two grocery stores in Switzerland by a wide margin. The duopoly that exists between Coop and Migros has resulted in the two imitating one another when it comes to offerings and benefits from their loyalty schemes. This is evidenced from the structure of their loyalty programs,



which are fundamentally the same. When an attempt is made by either store to improve upon an aspect of their business, the other is quick to follow suit.

The results from this study show that of the 175 people surveyed, 133 people had a loyalty card for their primary store, or 76%. Of the 133 people, it was shown that they used the card 86% of the time. This indicates that people were using the card at a high rate regardless of how they felt about the rewards received. This is a great situation for supermarkets because in the end, they receive useful information from the purchases made by their customers regardless of how customers feel about the rewards they receive.

In Mauri 2003 study it is shown that a high percentage of card holders are not in fact card loyal, as they do not use the card. Card holders that do not use their card but still shop with the store are frowned upon by store managers and marketers as their shopping behaviour is not observed (Mauri 2003). This is failed to be seen in this study, with an 86% usage rate among card holders.

Knowing that the effectiveness of loyalty cards is ambiguous, the information that managers can extrapolate from the use of loyalty cards may be their greatest asset (Cortiñas et al., 2008). The data that is received from card usage can be analysed and used to segment customers, offer different prices, promotions, and special offerings (Pauler & Dick, 2005). This also confers grocers the ability to alter prices and offer different promotions in order to assess shopping behaviours and customers' response to changes in store offerings. While in this study loyalty card holders indicated that they used their card 86% of the time, and this is a high percentage relative to other studies, grocery stores that have loyalty programs need their customers to use the card 100% of the time. This enables them to track the purchases of their clientele more effectually.

It is in the hopes of grocery stores that customers appreciate the rewards that they receive from the store. This should encourage the card usage and a propensity to keep shopping with the store. However, that has not been seen in this study, where satisfied and unsatisfied customers with the rewards show no difference in their SOW. Again, what must be emphasized here is the fact that card holders still used the card in a very high percentage even though they indicated they were not satisfied with the rewards.

Loyalty programs are created to increase spending in the store and to reward and hold on to the loyal customers. By purchasing more, the customer should receive additional benefits. It appears that the rewards system is not appreciated by the Swiss customers. Migros and Coop loyalty programs do not offer increasing benefits with card usage and the two giant retailers may be missing some opportunities to affect a behavioural change in purchases. Customers do receive a reward for their expenditures, but the rewards do not increase in value, and there is no time line on them (Yiu, 2007).

Discordant to the studies by Demoulin & Zidda (2008) and Cortiñas et al. (2008) that show that loyalty card holders are less price sensitive than non-card holders, this study shows that they are in fact more price sensitive. This study does not adhere to one of the claimed benefits of loyalty programs; loyal customers are less price sensitive (Dowling & Uncles 1997). This however should not come as a surprise because most loyalty card holders are in possession of competing grocery retailers programs as well as their primary store. The economic orientation of shoppers (price sensitivity) produced a negative effect on share for Mägi (2003). This can surely lead to price hunting among the stores that they shop at. Most people obtain grocery loyalty cards for stores that they already shop at (Leenheer et al. 2007). In addition, since customers are typically polygamous shoppers, looking for the best prices available is expected.

Consumers who profit from comparing prices among the stores they shop at are expected to scatter their purchases at many stores to take advantage of good prices/deals available to them (Mägi, 2003) This effect can be seen in the current study, as price sensitive card holders had a lower SOW than non-sensitive card holders.

Even though card holders were seen to be more price sensitive, their SOW in their primary store was higher than if they were not in possession of a card. This information can be useful for marketing managers as it shows loyalty cards are still accomplishing their main feat of obtaining more of a customer's wallet than its competitors.

As anticipated, loyalty card holders were more promotion sensitive than non-card holders. Additionally, card holders that were more promotion sensitive had a lower SOW than card holders that were not promotion sensitive in their primary store. These results are not surprising considering cherry-picking behaviour is likely to take place when customers are cognisant of promotions that take place among all stores and are able to alter their purchases accordingly.

Card holders that are promotion sensitive should be targeted by the retailers. Knowing that this segment of customers are sensitive to promotions allows managers to promote certain items in their stores that may have higher margins, or have not been selling well previously.

It has been theorized that attitudinal loyalty alongside behavioural loyalty (repeat purchases) is important in truly defining loyalty (Dick & Basu, 1994). Ideally, an attitudinal loyal customer should display their loyalty in terms of repurchases. Unfortunately for managers, this is not always the case. Attitudinal loyal card holders do not equate to a higher SOW than non-attitudinal loyal card holders in this study. This result points out that, in the grocery industry, while attitudinal loyal is nice, it may mean nothing in regards with to the bottom line. The behavioural aspect of loyalty is certainly more

important to grocery retailers than attitudinal loyalty because money in the cash register is more important than someone feeling good about your store.

Grocery shopping is classified in the low-involvement sector, where customers buy their goods out of necessity rather than a desire that needs to be filled (Dowling & Uncles, 1997). Grocery stores can fit into a consumer's life as a part of a habit and little feeling may be put into the purchases made. In accordance with this point is the finding that customers across the board tend to shop where they live. As a whole, customers tended to go to the closest store to their home, regardless whether or not they held a loyalty card or not, or whether they had several. This information corroborate with the finding that card holders do not seem to care about the rewards received, or that they are having any attitudinal attachment to the store, and they are just conducting their shopping in close proximity to their home.

This study's finding that attitudinal loyalty played no role in increasing the SOW to the card holder's primary store should be of concern, but perhaps not to some marketing managers. Dowling & Uncles (1997) suggest that in order to increase market share, companies should focus on getting more customers to buy in their store rather than focusing on their current customers to buy more frequently. This view on creating a bigger market share may be in the minds of Coop and Migros because they have many stores throughout the whole country, everywhere possible. By saturating the market with their stores, customers are able to visit their preferred store chain easier. This does not necessarily equate to being attitudinally more loyal, it just means they have less distance to go in order to fulfil their shopping needs. The strategy seems to be: get more customers to purchase in your store rather than get your current customers to buy more frequently". This makes a lot of sense because, in the retail grocery industry, most shoppers will purchase the same amount of groceries per week barring any large events they may host. Hence, grocery retailers should focus on attaining more customers and aim at being a part of more customers' SOW.

Cherry-picking behaviour is bound to be seen in customers, especially when they are inclined to sign up for more than one loyalty card. It is rare to find a grocery shopper that dedicates 100% of their wallet to one grocery retailer. Loyalty cards are free for consumers to sign up for and subscription to multiple cards allows customers to take advantage of the benefits offered by every retailer that they visit. This also demonstrates that many shoppers are polygamous loyal customers, whereby they are loyal to more than one retailer. Another point to make is that some customers will shop at different grocery stores depending on what type of products they are looking for. Some grocery stores may have selective types of products that vary from their competitors and that customers want them in particular.

For grocery store managers, preventing customers from subscribing to competitor loyalty programs is not an option and is certainly not in their control. However, creating a desirable

store/brand that customers prefer is in their command. Relationships are important, even at the supermarket level, and they can contribute in creating long term loyalty to a brand (Dwivedi, Merrilees, Miller, Herington, 2012). The goal of grocery retail stores and of other businesses that have a loyalty scheme should be on creating loyalty to the store/brand, and not a loyalty program.

## **11. Managerial Recommendations**

Although this study cannot confirm or dispute approaches that grocery stores utilize in their loyalty programs, it shows how the involvement in a loyalty program can affect their SOW in their primary store. It found that that the appreciation of rewards received and attitudinal loyalty did not have any effect on the SOW. This result is certainly surprising, but creates an opportunity for grocery retailers to experiment with their loyalty programs in the attempt to improve them.

In general, loyalty programs are proven in a majority of cases to be efficacious in creating a larger SOW. In saying that, there are many ways in which the loyalty programs that Coop and Migros specifically employ that can be tinkered with, to potentially become even more effective.

A loyalty program should be designed in a way that augments a card holder's impetus to continue purchasing at that particular retailer (Dowling & Uncles, 1997). One such way that could and should be trialled by Coop and Migros is a tiered loyalty program that would work with different status levels, such as bronze, silver, and gold rewards (much like the Manor program) that rewards loyalty increasingly (Leenheer et al., 2007). With a status loyalty program in place, grocery shoppers may hold fewer loyalty cards and dedicate more of their purchases to the store that rewards them for their behavioural loyalty on a progressive basis. In addition, a limit on the length of time that rewards can be redeemed should be put in place to put emphasis on the fact that the rewards should be used. This feature would also remind customers that they are actually being rewarded for their patronage, and it will be accomplished by the rewards claimed.

Supplementary, it could be more effective to reward customers for their shopping frequency as opposed to just the value of their shopping basket (Mauri, 2003). While the grocery retail programs habitually reward the total value of purchases, the number of visits a customer makes to their preferred store should also be rewarded. This could persuade shoppers to purchase in only one store to take advantage of the additional benefits received.

## 12. Conclusion

This study analysed the influence of loyalty programs on customer loyalty and SOW (share of wallet) in the Swiss retail grocery market. The moderating roles of reward satisfaction, price sensitivity, promotion sensitivity, number of cards, and attitudinal loyalty were accounted for, along with whether or not the grocery shopper was part of a loyalty program. The data for the study was obtained from a questionnaire distributed in Fribourg and Bern that was completed by 175 randomly selected shoppers. The responses were statistically analysed using ANOVA, one-way and two-way methodology. The results indicated a significant positive effect of loyalty program participation on the SOW at a grocery shopper's primary store (most frequented) and confirmed that having more than one loyalty card negatively affects its SOW.

Surprisingly, the study showed that the moderating variables of attitudinal loyalty and reward satisfaction had no significant effect on the SOW at the primary store. The loyalty card holders were also shown to be more price and promotion sensitive than non-card holders. It was also found that the distance to the store from the shoppers' residence seems to play a major role in affecting the size of the SOW. These current findings bring new information on how the loyalty programs are valued by customers and can be used by the grocery industry in the design of future programs.

It is concluded that price and promotions are two current effective mechanisms to retain and increase the SOW of the card holders which is generally true for the non-card holders as well. Another apparent strategy seems to be getting more customers to purchase in the store rather than getting current customers to buy more frequently with both Coop and Migros saturating the market with their stores and enabling customers to visit their preferred store chain easier.

Apart from offering benefits to the card holders, loyalty cards offer invaluable information to the stores, which monitor their use and the shopping patterns of their carded customers. The data received from card usage is then analysed and used to segment customers, offer different prices, promotions, and special offerings.

The loyalty programs are a sales and marketing strategy that is here to stay and will remain a competitive field as retailers, unless prohibited by law, will always copy what works for others and will continue to invent and implement new features in order to appeal more to their customers and attract new ones. The key word here is: "new feature". In order to remain competitive and maintain and/or increase their market share and their customers' SOW, the grocery chains in Switzerland must come up with a continuum of new and attractive features beyond what has been tried and proved successful in

the past. There is no silver bullet: one must innovate, create, and try out new things, and when the others duplicate them, one must again, innovate, create and implement, if one wants to be successful.

### **13. Limitations and Future Research**

This study has limitations that should be dealt with in future research. The dependant variable SOW was measured in this study by respondents writing down how they divided their purchases among grocery stores. Ideally, to get a more accurate measure of SOW, single-source *BehaviorScan* data should be used to get information on how customers purchase in competing grocery stores (Meyer-Waarden, 2007). The study used 3 scaled items to determine the impact of attitudinal loyalty, price sensitivity, promotion sensitivity, and reward satisfaction on customers' SOW. Further studies should have 5-6 scaled items to get a truer picture of where a customer belongs, and a clearer group separation could be made. Also, the respondents were split into groups of 0 and 1 for their relative standing with the impact variables. The median was established by the answers, and then approximately half of the people were classified as a 0, and the other half as a 1. In the future, more ranges should be created to gather further understanding of the differences and impacts. Many people answered around the middle in the survey, creating a blurry representation of a few variables.

Further research should be dedicated individually to the top two chains in Switzerland, Coop and Migros. In this study, their two programs were grouped together because of their similarity in loyalty programs and for generalization sake. However, since they account for the vast majority of grocery sales in the country they should be studied separately. Marketers and analysts for Coop and Migros should conduct further research on their loyalty programs to learn more about their customers and create innovative ways to get a SOW and market share bigger than their competitors'.

Further research should also conduct one-on-one interviews in addition to the questionnaires that respondents are asked to complete. Although questionnaires are a great tool in reaching a large number of people, personal interviews can find and refine some of the reasons for which the people answered the way they did on a form.

**Appendix 1.**

**Grocery Shopping Questionnaire**

1. Which grocery store do you shop at most frequently/your primary store? (CHOOSE ONE)

MIGROS  COOP  ALDI  LIDL  MANOR  DENNER   
 OTHER \_\_\_\_\_

2. Please show in percentage where you shop, totaling 100%.

MIGROS \_\_\_\_\_% COOP \_\_\_\_\_% ALDI \_\_\_\_\_% LIDL \_\_\_\_\_% MANOR \_\_\_\_\_% DENNER \_\_\_\_\_% OTHER \_\_\_\_\_%

3. How much do you spend per week on groceries for the household? \_\_\_\_\_ CHF

4. Number of people in Household \_\_\_\_\_

5. Which stores do you have a loyalty card from? (eg, Supercard, Cumulus, Manor card. . )

SELECT ALL THAT APPLY

MIGROS  COOP  ALDI  LIDL  MANOR  DENNER  NONE  
 OTHERS  \_\_\_\_\_

6. When you grocery shop, how often do you use a loyalty card? (In percentage) \_\_\_\_\_%

7. If you **DO NOT** use your card 100% of the time, please circle the answer that best suits your reason.

- A. My purchase was too low to use it
- B. I was in a hurry
- C. I did not have my card with me
- D. I have not used my card in a long time, and stopped using it
- E. Rewards are insufficient to use the card
- F. I do not have a card
- G. I do not want to give information to the store

8. Please circle the number that best represents your feelings in following statements on a scale between 1 and 9. 1 being COMPLETELY DISAGREE, increasing to 9 being COMPLETELY AGREE

**1 Completely Disagree                      5 Neutral                      9 Completely Agree**

I consider my most frequented store (primary store) to be the best.

1      2      3      4      5      6      7      8      9

I consider myself to be a loyal customer of my most frequented grocery store (primary store).

1      2      3      4      5      6      7      8      9

**1 Completely Disagree****5 Neutral****9 Completely Agree**

I am committed to my most frequented grocery store (primary store).

1      2      3      4      5      6      7      8      9

I appreciate the rewards I get from using my loyalty card at my primary store

1      2      3      4      5      6      7      8      9

The loyalty card is very important to me

1      2      3      4      5      6      7      8      9

My loyalty card matches my expectations with rewards and benefits of usage

1      2      3      4      5      6      7      8      9

I choose what grocery store to go to on the basis of where I find what I need for the best prices

1      2      3      4      5      6      7      8      9

I compare what I get for my money in different grocery stores

1      2      3      4      5      6      7      8      9

I profit from comparing prices across grocery stores

1      2      3      4      5      6      7      8      9

I choose to shop at the grocery store that has the best deals at the time

1      2      3      4      5      6      7      8      9

I know what grocery stores have on promotion during the week

1      2      3      4      5      6      7      8      9

I look for promotions in the store I am shopping in (eg. 2 for 1, Action items, 50% off)

1      2      3      4      5      6      7      8      9

I choose to shop at the closest grocery store (chain) to my house

1      2      3      4      5      6      7      8      9

9. Gender

Male       Female 

10. Age \_\_\_\_\_

**Thank you for taking the time to complete this survey**



### Questionnaire Magasins d'alimentation

1. Dans quel magasin faites-vous le plus régulièrement vos achats alimentaires ? (CHOISIR UNE SEULE REPONSE)

MIGROS  COOP  ALDI  LIDL  MANOR  DENNER

AUTRE (Veuillez préciser) \_\_\_\_\_

2. Veuillez indiquer en pourcentage où vous faites vos achats, totalisant 100%.

MIGROS \_\_\_\_\_% COOP \_\_\_\_\_% ALDI \_\_\_\_\_% LIDL \_\_\_\_\_% MANOR \_\_\_\_\_% DENNER \_\_\_\_\_% AUTRE \_\_\_\_\_%

3. Quel montant dépensez-vous par semaine pour les achats alimentaires de votre ménage? \_\_\_\_\_ CHF

4. Nombre de personnes dans le ménage \_\_\_\_\_

5. Dans quel magasin possédez-vous une carte de fidélité ? (par ex. Supercard, Cumulus, Carte Manor, etc.)

(CHOISIR TOUTES LES REPONSES QUI CONVIENNENT)

MIGROS  COOP  ALDI  LIDL  MANOR  DENNER

AUCUN  AUTRE(S) (Veuillez préciser) \_\_\_\_\_

6. Lorsque vous faites vos achats alimentaires, à quelle fréquence utilisez-vous votre carte de fidélité ? (en pourcentage) \_\_\_\_\_%

7. Si vous n'utilisez pas votre (vos) carte(s) à 100%, veuillez indiquer la proposition (ci-dessous) qui correspond le mieux :

- A. La valeur de mon achat est trop basse pour utiliser ma carte
- B. Je suis trop pressé(e)
- C. Je n'ai pas ma carte avec moi
- D. Cela fait longtemps que je n'utilise plus ma carte, j'ai arrêté de l'utiliser
- E. Les récompenses sont insuffisantes pour utiliser la carte
- F. Je n'ai pas de carte
- G. Je ne veux pas donner d'informations personnelles au magasin

8. Veuillez indiquer votre degré d'accord avec les propositions suivantes en utilisant l'échelle de 1 à 9. le 1 correspondant à « totalement en désaccord » et le 9 correspondant à « totalement en accord ». Encerchez le degré qui correspond.

**1 Pas du tout d'accord**

**5 Neutre**

**9 Tout-à-fait d'accord**

Je considère le magasin que je fréquente le plus souvent comme le meilleur

1      2      3      4      5      6      7      8      9

Je compare ce que je reçois pour mon argent dans différentes épiceries

1      2      3      4      5      6      7      8      9

**1 Pas du tout d'accord****5 Neutre****9 Tout-à-fait d'accord**

J'apprécie les récompenses accordées lors de l'utilisation de ma carte de fidélité dans le magasin que je fréquente le plus souvent

1      2      3      4      5      6      7      8      9

Je me considère comme un client fidèle du magasin que je fréquente le plus souvent

1      2      3      4      5      6      7      8      9

Je choisis de faire mes achats dans un magasin d'alimentation qui permet de faire les meilleures affaires sur le moment

1      2      3      4      5      6      7      8      9

Ma carte de fidélité est très importante pour moi

1      2      3      4      5      6      7      8      9

Je choisis à quel magasin d'alimentation me rendre en me basant sur les prix les plus bas pour les articles dont j'ai besoin

1      2      3      4      5      6      7      8      9

Ma carte de fidélité remplit mes attentes vis-à-vis des bénéfices et récompenses liées à son utilisation

1      2      3      4      5      6      7      8      9

Je sais quelles sont les promotions hebdomadaires faites par les magasins d'alimentations

1      2      3      4      5      6      7      8      9

Je suis convaincu (e) par le magasin que je fréquente le plus souvent

1      2      3      4      5      6      7      8      9

Je tire profit des comparaisons de prix que je réalise entre les différents magasins d'alimentation

1      2      3      4      5      6      7      8      9

Je regarde les promotions du magasin lorsque je suis en train de réaliser mes achats (par ex. 2 pour 1, actions, rabais de 50%, etc.)

1      2      3      4      5      6      7      8      9

Je choisis le magasin d'alimentation (chaîne) le plus proche de l'endroit où j'habite

1      2      3      4      5      6      7      8      9

9. Sexe

Masculin       Féminin

10. Âge \_\_\_\_\_

**Merci d'avoir pris le temps de participer au sondage !**

## Lebensmitteleinkauf Umfrage

1. In welchem der folgenden Lebensmittelgeschäfte kaufen Sie am häufigsten ein? (Wähle eines aus)

MIGROS  COOP  ALDI  LIDL  MANOR  DENNER   
 ANDERE (Bitte geben Sie) \_\_\_\_\_

2. Bitte zeigen Sie in Prozenten an, wo Sie einkaufen. (Total sind 100% zu verteilen)

MIGROS \_\_\_\_\_% COOP \_\_\_\_\_% ALDI \_\_\_\_\_% LIDL \_\_\_\_\_% MANOR \_\_\_\_\_% DENNER \_\_\_\_\_% ANDERE \_\_\_\_\_%

3. Wie viel Geld geben Sie pro Woche für Lebensmittel aus? \_\_\_\_\_ CHF

4. Anzahl Leute im selben Haushalt \_\_\_\_\_

5. Von welchem der folgenden Lebensmittelgeschäfte besitzen Sie eine Kundenkarte? (zum Beispiel Superkarte, Cumuluskarte, Manorkarte etc.) (SIE MEHRERE ANKREUZEN)

MIGROS  COOP  ALDI  LIDL  MANOR  DENNER   
 KEIN  ANDERE(S) (Bitte geben Sie) \_\_\_\_\_

6. Wenn Sie Lebensmittel einkaufen, wie oft benutzen Sie ihre Kundenkarte? (In Prozent) \_\_\_\_\_%

7. Falls Sie ihre Kundenkarte nicht 100% der Zeit vorweisen, bitte umkreisen Sie den Grund, der am meisten auf Sie zutrifft.

A. Der Wert meines Einkaufes war zu niedrig, um die Kundenkarte zu benutzen.

B. Ich war in Eile.

C. Ich hatte meine Karte nicht dabei.

D. Ich habe meine Kundenkarte seit längerer Zeit nicht mehr benutzt und ich habe aufgehört sie vorzuweisen.

E. Die Belohnungen, Aktionen etc. waren meines Erachtens unzureichend, um die Karte weiterhin zu nutzen.

F. Ich habe keine Kundenkarte.

G. Ich möchte dem Lebensmittelgeschäft keine persönlichen Informationen weitergeben.

8. Bitte umkreisen Sie die Nummer auf der Skala von 1-9, die ihre Gefühle am besten repräsentiert. 1 steht für nicht übereinstimmend und die 9 für gänzlich übereinstimmend.

**1** nicht übereinstimmend

**5** neutral

**9** gänzlich übereinstimmend

Ich erachte mein meist besuchtes Lebensmittelgeschäft als das beste

1      2      3      4      5      6      7      8      9

Ich vergleiche verschiedene Lebensmittelgeschäfte, um zu sehen was ich für mein Geld bekomme

1      2      3      4      5      6      7      8      9

**1 nicht übereinstimmend****5 neutral****9 gänzlich übereinstimmend**

Ich schätze die Preise und Aktionen, die ich in meinem meist besuchten Lebensmittelgeschäft dank meiner Kundenkarte erhalte

1      2      3      4      5      6      7      8      9

Ich sehe mich selber als einen loyalen Kunden in meinem meist besuchten Lebensmittelgeschäft

1      2      3      4      5      6      7      8      9

Ich wähle das Lebensmittelgeschäft aus, welches zur Zeit die besten Angebote/Aktionen hat

1      2      3      4      5      6      7      8      9

Die Kundenkarte ist sehr wichtig für mich

1      2      3      4      5      6      7      8      9

Ich wähle mein Lebensmittelgeschäft auf Grund der besten Produktpreise aus

1      2      3      4      5      6      7      8      9

Die Vorteile der Nutzung meiner Kundenkarte stimmen mit meinen Erwartungen überein

1      2      3      4      5      6      7      8      9

Ich weiss, welches Lebensmittelgeschäft während der Woche welche Aktionen hat

1      2      3      4      5      6      7      8      9

Ich bin meinem meist besuchten Lebensmittelgeschäft verpflichtet

1      2      3      4      5      6      7      8      9

Ich profitiere davon, dass ich Preise verschiedener Lebensmittelgeschäfte miteinander vergleiche

1      2      3      4      5      6      7      8      9

Während meines Einkaufs schaue ich bewusst auf Aktionen. (z.B 50%, 2 für 1)

1      2      3      4      5      6      7      8      9

Ich kaufe im Lebensmittelgeschäft ein, welches am nächsten zu meinem Zuhause liegt

1      2      3      4      5      6      7      8      9

9. Geschlecht

Mann       Frau

10. Alter \_\_\_\_\_

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