

Effective use of sales promotion tools in retail

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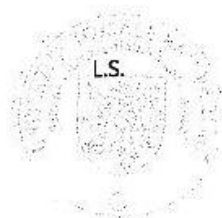
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ABSTRAKT

Bakalárska práca pojednáva o efektívite nástrojov podpory predaja a špeciálne o vernostných programoch. V teoretickej časti je uvedený prehľad o nástrojoch podpory predaja vsadený do kontextu integrovanej marketingovej komunikácie. V praktickej časti sa práca venuje rôznym pohľadom na vernostné programy, ich fungovanie, efektívnosť a prináša pohľad spotrebiteľov v Českej a Slovenskej republike na vernostné programy a ich postoj k poskytovaniu súkromných údajov maloobchodníkom.

Kľúčové slová: podpora predaja, vernostné programy, programy lojality,

ABSTRACT

The bachelor thesis discusses effectivity of sales promotion tools, especially loyalty programmes. In theoretical part, an overview on sales promotion in context of integrated marketing communication is provided. In practical part, the thesis brings different opinions from different perspectives on loyalty programmes, their functioning, effectivity and brings a view from Slovak and Czech consumers on loyalty programmes and their attitude to providing personal data to retailers.

Keywords: sales promotion, loyalty programmes, loyalty schemes

Prohlašuji, že odevzdaná verze bakalářské/diplomové práce a verze elektronická nahraná do IS/STAG jsou totožné.

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INTRODUCTION

The topic of this thesis indicates that it is going to search for effectiveness in sales promotion. There are many tools of sales promotion being used for a long time, however, with rising possibilities in technology, one of them could offer much more than immediate, time restricted results. A loyalty programme can not only be a tool of sales promotion, but also a tool integrating all the other sales promotion tools or a strategic tool of marketing and marketing communications.

In theoretical part of this thesis integrated marketing communications and especially sales promotions are going to be introduced to create a base for exploring possibilities of loyalty programmes.

Many Czech and Slovak retailers already have loyalty programmes or they are launching them. There has been said a lot about loyalty programmes abroad, especially in western countries, where loyalty programmes have a long history. Loyalty programmes are mostly criticised about their functionality and profitability. Many of them have been already canceled for not being reasonable or profitable. However, a route of western loyalty programmes can be inspirational, every culture, every nation has its specifics, so not everything what works abroad can be imported and something what does not work there, can work here. An objective of this thesis is to bring together opinions and experiences about loyalty programmes, compare them with a view of Czech and Slovak consumers and come to conclusion about how loyalty programmes work in Czech and Slovak Republic and what could be improved. The conclusion built on consumers' responses from a research made for this thesis will be made in each chapter of the practical part of this thesis.

I. THEORETICAL PART

1 MARKETING COMMUNICATION

It may seem that marketing communication and promotion, the fourth P from '4Ps' of marketing mix are identical in meaning. These two terms are commonly used interchangeably. However "*marketing communication is a slightly wider concept than promotions*", as Pickton and Broderick state (Pickton, et al., 2005 p. 5). There are few reasons to distinct one from the other. First, promotion often stays for sales promotion as a shortened form. Second, "*all marketing mix elements have a marketing communication impact*" (Pickton, et al., 2005 p. 5) however promotion is a part of marketing mix.

Instead De Pelsmacker, Geuens and Van den Bergh understand marketing communication and promotion as the terms with identical meaning. "*Promotion or marketing communication is the fourth and the most visible tool of marketing mix. It includes all the tools with which the company communicates with target groups to support products or company image.*" (own translation) (De Pelsmacker, et al., 2003 pp. 24-25)

Pickton and Broderick define marketing communication as "*all the promotional elements of the marketing mix which involve the communications between an organisation and its target audiences on all matters that affect marketing performance*" (Pickton, et al., 2005 p. 4).

1.1 Integrated marketing communication

It is believed that a bigger impact can be reached if all the elements are integrated into unified whole, in synergy. "*By integrating the range of promotional mix elements so that they work in harmony or synergy with each other, opportunities are created to improve the effectiveness of the total marketing communications effort*" (Pickton, et al., 2005). That is the main idea of integrated marketing communication.

According to Kotler et al. "*IMC is the concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear, consistent and compelling message about the organisation and its products.*" (Kotler, et al., 2004 p. 913)

The right mixing of all the elements of marketing communication into compact communication can help to build a better image and connection between a customer and a brand likewise incompact communication can harm potential of the brand. Integrated marketing communication has impact on operational efficiency and cost savings, it enables creative integrity, consistent messages and better use of media.

1.2 Marketing communication mix

There are many tools of marketing communication which can be organized into various numbers of groups considering different criteria therefore there are more marketing communication mix models.

Before we mention some of the models let us introduce how communication mix was created. When first Broden introduced his marketing mix it consisted of many 'ingredients' which were supposed to create a product able to satisfy customers, if the ingredients are mixed according to the right recipe. It consisted of 12 elements. Some of these elements like branding, advertising, promotions, display, personal selling and so could be put together into 4th P – promotion as it is used now, after McCarthy simplified this list into 4 P (product, price, place, promotion). However Broden's list fails to make reference to other means of promotion, such as public relations, which have a right to be included in the mix. (Pickton, et al., 2005)

A simple model of marketing communication can consist of public relations, advertising, sales promotion, personal selling. Although they seem to stand alone, they are overlapping. According to this model for example on the overlap of public relations and advertising can be sponsorship or product placement, on the overlap of sales promotion and advertising can be direct response advertising, in between sales promotion and personal selling stand exhibitions. (Pickton, et al., 2005)

Kotler at al. introduce marketing communication mix consisting of 8 models of communication (Kotler, et al., 2009 p. 691):

- Advertising
- Sales promotions
- Events and experiences
- Public relations and publicity
- Direct marketing
- Interactive marketing
- Word-of-mouth marketing
- Personal selling

Probably the most common and popular areas of the mix are (Pickton, et al., 2005 p. 18):

- Public relations

- Advertising
- Direct marketing communications
- Sales promotions
- Personal selling

1.2.1 Public Relations

Position of public relations in marketing is being discussed. There are several views on them as a part of communication mix; separate fragmented activities; separate integrated PR activities; overlapping with marketing but discrete or overlapping and integrated and finally a view where marketing is subsumed into PR.

Wherever we put them, public relations serve organisations. We can define them as planned and sustained communication with publics (inside or outside the organisation) in effort to establish and maintain mutual understanding and goodwill.

1.2.2 Advertising

Kotler et al. define advertising as “*any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor*” (Kotler, et al., 2004 p. 905), what is mostly done through mass media. It is probably the most simple but well fit definition of advertising, which distinguishes it from other elements of marketing communication mix, however, advertising is frequently used in combination with other promotional elements.

The term advertising has been used and popular for a long time and that might be part of the reason, that is often misused as an expression for publicity and for all the others elements of marketing communication mix.

1.2.3 Personal selling

“Personal selling is a presentation or demonstration done by seller or a group of sellers with purpose to sell products or services. Very important and typical is personal contact.” (De Pelsmacker, et al., 2003 p. 27)

Admittedly, it is an important part of marketing communication mix. In spite of this, it is frequently ignored. Not because of lack of respect for its importance, but because it is quiet separate function within organisational management structure.

1.2.4 Direct marketing

“Direct marketing is direct personal contact with customers and potential customers.” (De Pelsmacker, et al., 2003 p. 27) “Direct marketing happens when individual customer details are captured and kept on database, thus allowing that particular customer’s needs to be understood. This enables subsequent approaches to the customer to be tailored according to that customer’s or the business specific need.” (Tapp, 2005 p. 9)

1.2.5 Sales promotion

“Sales promotion is any time limited program of seller trying to make the offer more attractive for its customers while it requires their participation in a form of immediate purchase or other action.” (own translation) (Tellis, 2000 p. 285)

2 SALES PROMOTION

Sales promotion, just like the most of other marketing communication activities, is a process aiming on immediate response and a raise of purchases, but can be also used strategically. Basically, it is communication process which should generate bigger purchases made by current customers and due to some advantages attract new customers. Comparing to other activities of marketing communication mix like advertising, measuring of sales promotion effectiveness is more accurate. The effect comes immediately after sales promotion tools are used and it is visible in accrual of sales or customers. Although, the effect is usually not only the result of sales promotion but also it is the result of the other tools of marketing communication. Nevertheless, sales promotion is reinforced by other means of marketing communication in a sense of integrated marketing communications.

Importance of sales promotion is rising what is showed in bigger investments into this element of communication mix. (De Pelsmacker, et al., 2003 p. 358) (Pickton, et al., 2005 p. 636) There can be more reasons for this tendency.

First, customers are overloaded with communication coming from everywhere especially above the line communication is overwhelming. Then, products are becoming more alike and there are almost no differences between them. Also differences between brands are becoming smaller. Therefore, there are many customers willing to switch and very few loyal ones. The power of distribution channels, retailers is rising and they demand advantages, otherwise brands can disappear from shelves easily. A decision to buy is mostly made at a point of sale. Last but not least, the effect of sales promotion is easily measurable and results are immediate (so easier to push through organisation management) when compared to advertising or PR.

Generally we can divide sales promotion activities into groups due to whom we communicate. Customer sales promotions are where customers are the target group and trade sales promotions where communication is aimed on distributors and retailers. Pickton and Broderick (Pickton, et al., 2005 p. 641) divided objectives achievable by sales promotion into three groups: customer, trade and employee sales promotion. We could say that the third group objectives resemble also personal selling objectives. However, if we think in integrated marketing communication intentions, it is not contradictory. The three groups are following (Pickton, et al., 2005 p. 641):

Consumer sales promotions

- Improve sales of existing products
- Encourage repeat purchase by current users
- Encourage trial by new customers of existing products
- Help introduce new products
- Encourage trial of new products
- Pre-empt competitive marketing communications, i.e. before competitive action
- Counteract competitive marketing communications, i.e. after competitive action
- Increase product usage
- Encourage brand 'loyalty'/ discourage brand switching
- Facilitate collection of customer database information
- Complement other marketing communication 'pull' activities

Trade sales promotions

- Help introduce new products to the trade
- Encourage distribution penetration
- Increase allocation of shelf space
- Improve shelf display positioning
- Encourage use of special display or display features (on or off shelf)
- Provide extra incentives over competing products
- Help stimulate trade sales force motivation
- Help overcome over-stocking problems or slow moving lines
- Help achieve short-term sales targets, i.e. encourage early ordering
- Help in the management of customer payments, e.g. early or prompt payment
- Help 'lock-in' trade buyers to own products in favour of competing products
- Facilitate collection of customer database information
- Complement other marketing communications 'push' activities

Employee sales promotions

- Stimulate sales force stimulation for new, improved or existing products
- Provide extra 'assistance' for sales staff, e.g. create extra sales promotion materials for their use
- Encourage the meeting of sales targets

- Help in the management of customer debt, e.g. reduction of overdue debts
- Encourage sales staff to generate leads
- Improve the quality of leads/qualified leads
- Encourage non/sales staff to generate leads
- Encourage all staff to improve customer contact and relations
- Complement other marketing communications ‘push’ activities

“Having identified what objectives need to be fulfilled, the most appropriate sales promotion activities can be selected.” (Pickton, et al., 2005 p. 641)

Tellis (Tellis, 2000) shows 3 ways through which sales promotions can go through: sales promotion to middleman, sales promotion in retail and sales promotion to consumer. Sales promotion to a middleman is offered by a producer to a distributor, a wholesaler or a retailer. Sales promotion in retail is offered by a retailer to a consumer. Sales promotion to a consumer is offered by a producer directly to a consumer.

Sales promotion activities which are designed to motivate a middleman to use sales promotion to encourage customers to buy the promoted product are called push promotional activities, because they push products through distribution channels. Consumer focused sales promotion activities are trying to create demand on consumer site and therefore ‘pull’ the product which consumer require through distribution channels.

2.1 Sales promotion activities

In the next articles we are going to present mostly just those activities and point out those information, which are important in consumer focused promotion and in sales promotion in retail as an objective is to bring together information relevant to the main topic of this bachelor thesis. More about various sales promotion activities can be found in Advertising and sales promotion strategies by Tellis (Tellis, 2000).

2.1.1 Price promotion

A change of price is one of basic sales promotion activities. Efficiency of price promotions can be based on how well customers can remember prices, so they can compare discount or given value to original price. Some researches (Tellis, 2000 p. 294) show, that the customers do not remember the prices well. However the researches also showed that trade is very

sensitive to prices and just small discount can bring growth of sales. How can it be explained?

First, the market is segmented and some segments are more sensitive to prices than others. Therefore even small price change can switch whole extremely price sensitive segment from one to other brand. Those who are price sensitive look at prices, they can compare them among different shops and they can spend time searching for lower prices. We can call them also informed consumers. Uninformed consumers are those who do not pay much attention to prices and they are not informed about how prices change or how they differ among retailers. In general we could say that those who earn more, value their time more (it is also valued higher by their salary), so they are less willing to spend time searching for lower prices. Time spent searching could cost more than value they would get in price difference.

Second, the customers do not need to remember prices. It is enough if they compare prices in shelves. They use prices of other products as reference price and choose the product in required quality with the lowest price. An absolute value does not need to be as important as a value comparing to other products

For sales promotion is important to recognize among segments highly sensitive and sensitive to price and those loyal or not price sensitive. The best would be to offer lower price to those who are willing to switch brands according to prices and sell in the highest price to those who are willing to pay. **Price discrimination** means to bill different prices to different customers. The objective is to get as much money as one is willing to pay and not to lose money selling under price, one is willing to pay.

Price reductions are therefore a powerful tool to differentiate between informed and uninformed customers.

Beside price discrimination, discounts have also other objectives. They encourage consumers to stock. On the one hand, it could seem as disadvantage, because the consumers buy during price reduction period and do not need to buy during normal price period. On the other hand, bigger demand from consumers makes retailers to buy bigger amount and stock too and once the customers have products of one category from the one producer stocked, they do not need to buy products of other brand. The point is to be the first who offers discount.

There are more ways how to present price reduction. The first one is to compare the ‘old’ and the ‘new’ price. For example ‘the software price dropped from 150€ to 130€’. The second way is to announce discount value, for instance ‘3€ off’ the price of pyjamas. Sometimes is better to present discount value in percentage. Comparing to previous option this is mainly more effective if the price of the product is low. ‘25% off’ sounds better than ‘30 cents off’ (if the price is 1.20€). Another way is to offer more products in the price of one (‘you will get 2 dinners in a price of one’). Tellis (Tellis, 2000 p. 322) suggests that last 3 options are better than the first one where a consumer must calculate the value.

2.1.1.1 Periodic price reductions

Periodic price reductions mean different prices in different price sensitive seasons. A base is price/time discrimination. The consumers who are more sensitive to time than price are made by this strategy to pay higher price to have something among first ones or immediately when they need it. The consumers who are more sensitive to price and who do not need the product immediately are offered discounts at the end of season. A company bills different prices to different segment over different time periods. This strategy is good to use with seasonal products, for example clothes, sports equipment etc.

The pros of this strategy are that it is well known among consumers, everybody who knows about so called ‘sales’ can use them and consumers do not feel tricked or cheated. Also perceived value of product is staying stable as well as a good name of a company.

A company should not start discounts too early because there is a risk to sell products for small price to those who are willing to pay more and discounts should not start too late because the price sensitive segment can spend money at competitors.

2.1.1.2 Random price reductions

This strategy is good to apply when a company wants to discriminate between informed and uninformed consumers. Consumers are comparing costs of searching for price reduction with savings from price reduction. A company can differentiate segment according to consumers’ costs on searching. Random discounts make it difficult for consumers to forecast and increase consumers’ effort and cost of searching. Random discounts should not be too often because of probability that uninformed consumers would get the advantage.

Random discounts also differentiate between loyal and ‘turn-coaters’. They help to grab consumers from competing brand. However, random price reductions can please loyal con-

sumers, so they get rewarded for their loyalty or upset loyal consumers when they find out they had bought a product for normal price and next day it was sold for discounted price.

Random price reductions when announced have a big potential to attract consumers from other shops so bigger revenue is not created only by consumers stocking the goods, but from new customers.

This strategy should be, however, used carefully, because too often price reductions can decrease perceived value of a product.

2.1.1.3 Rebates and discounts on secondary markets

This strategy is good to apply under two conditions. The company should already be on a market and have expenses covered already on this market, then a company needs a new market isolated by geographical or demographic criteria for example. Usually companies using this strategy are good also without a new market. (Tellis, 2000 p. 300)

As an example we can name discounts for students or pensioners.

2.1.2 Merchandising / point-of-sale displays

“These promotions are anything that entices customers to buy or take action through display and atmospherics.” (Pickton, et al., 2005 p. 647) It is what makes customers comfortable in a shop, so they would visit repeatedly. The good atmosphere can be created by music, light and smells (a smell of freshly baked bakery products). It is the way how a shop is organised inside and how goods are displayed, so customers would notice them and buy them.

2.1.3 Sales promotion announcement

Sales promotion announcement often overlaps with other communication mix activities. Sales promotion can be announced by PR, direct mail and TV advertisement, leaflets and so on. It is a very important tool for retailers, if they want to attract new customers from competing retailers. Only informed price sensitive consumers can decide to change the place where they shop.

2.1.4 Coupons

Coupons are printed discount offers offered to a consumer by a producer of a product or a retailer. They offer fixed discount from a retail price which is redeemed at the time of paying for discounted product when presenting the coupon.

When coupons are issued by producers, coupons ensure that advantage is given to consumers, not to distributors (unlike when price discounts are offered by producer but not given to consumers; the advantage is kept by retailers). However, process of refunding coupons is toilsome and creates space for frauds. Frauds are made when redemption of coupons which were not actually used by consumers, is required.

On the edge is also sponging on competitors. A company issues coupons and carries all expenses connected with it. A competitor company can announce that coupons of the competitor are valid also for their products and save money on expenses.

Coupons issued by producers can be doubled by retailers. Retailers at this case have to cover just expenses of the actual added value offered in the coupons. Expenses of production and distribution of coupons and original discount are already covered by producers, original issuer of the coupon. Doubling of coupons helps to offer bigger advantage for consumers and attract new consumers into a shop. Stores using this strategy usually have slightly higher prices than stores not using this strategy. (Tellis, 2000 p. 323)

Tellis (Tellis, 2000) divided coupons according to mean of distribution into 4 kinds. Media and direct mail distributed coupons, package coupons and coupons distributed by retailers.

Coupons in media are usually distributed to consumers through printed media. They can be printed in freestanding inserts or run-of-press newspapers. Use of particular media can help to target better on consumers and therefore lower costs. Use of coupons requires consumers to pay attention for them, cut them out, keep them and carry them to shop. This effort contributes to more efficient price discrimination.

Second way of coupon distribution is through direct mail. They are distributed to households by mail using public or special mailing lists.

Package coupons can be distributed as on-pack, in-pack coupons or inside a package. They can be used for immediate use when buying the product with coupon or they can be made to be used for next purchase of other product or same product, thus in the last case they can contribute to customer loyalty.

Coupons issued and distributed by retailers are valid just for particular stores. They are distributed in announcements about sales promotions. These coupons can be found for example in leaflets, on shelves in stores, in loyalty programmes mailings.

2.1.5 Lotteries and contests

Lottery is a type of gambling where winners are picked by chance, usually drawing from lots. Competitions on the other hand pick winners on legal rules. In sales promotions contests are used to increase interest in a brand and attract new consumers. They can also build customers loyalty, especially, when they are connected for example with collecting promo codes from products packs.

When using contests one should be careful with setting the right rules. Too big response, when the rules are too easy to fulfil and not enough prizes can bring disappointment or big losses instead of profits.

2.1.6 Bonus packs and banded packs

“Bonus packs include an extra quantity of the product in the pack for no extra price increase.” (Pickton, et al., 2005 p. 646) Added value to customer is in saving, although, there is no price reduction. According to Tellis (Tellis, 2000) advantages of bonus packs comparing to coupons are in bigger response, because they do not require that much effort. On the other hand, bonus packs have lower discrimination power and communication value. Their main objective is to increase sales immediately.

According to Lowe’s research (Lowe, 2010) bonus packs or BOGOF – ‘buy one get one free’ are better to use for low on performance risk products. In that case they offer bigger perceived value to consumer than price reduction. To low on performance risk products belong for example well known products or daily products. Discounts better motivate consumers to buy new, unknown product or products high on performance risk. It is also obvious that 1+1 microwave oven offer would motivate consumers less than a discount from just one oven; they probably need just one.

2.1.7 Premiums

Premiums, according to Tellis, are something like gifts, they are something valuable for consumer what a consumer would not buy himself/herself. According to Pickton and

Broderick premiums are also extra free items of products such as BOGOF – ‘buy one get one free’ which we already mentioned talking about bonus packs.

A successful premium would be the one, which might be cheap for a company but valuable for a consumer and which s/he could not normally buy. As an example we can mention kids’ meals at Mc Donalds. Children get with the meal also a toy, usually from a movie, which they cannot buy anywhere else. A successful premium should also match with a product, should be useful or please the same segment as the product users.

There are few objectives of premiums. A premium can help keeping good relationship and express the same as presents do. When a premium is attractive and not easy to get anywhere else, it motivates consumers to purchase. Premiums can call repeated purchases when collectable. The fourth objective is to remind consumers the brand, a premium should be therefore connected somehow with product, so every time a consumer uses the premium, remembers also the product or the brand.

In-pack premiums can be found in a pack or they are put into pack when product is being purchased. Some premiums are sent by mail to a consumer when s/he proves purchase. *“Self-liquidating premiums are offers where consumers are given the opportunity to buy a promotional item at an attractive price, usually accompanied with one or more proofs of purchase.”* (Pickton, et al., 2005 p. 643)

2.1.8 Sampling

Sampling is probably the most efficient way to spread knowledge about a new product. Samples of the brand are provided for free or at reduced price to encourage trial. Samples can be distributed at the place of sale (for instance food samples at supermarkets) or they can be packed with other products, added to printed media or sent by mail in a small version of original pack or in special pack. Samples can be distributed also through sample coupons. The coupons usually are of bigger value than other coupons, sometimes covering whole purchase price of the product. Distribution of coupons is much cheaper than distribution of samples, but they require some effort from consumers what might be a barrier. Some companies can offer trying a new product out for free. This is often used with cars or also with electronics – consumers can try a product at home and if they are not satisfied they can return it.

Sampling is one of the most expensive sales promotion activities. (Tellis, 2000 p. 392) To be most effective, sampling should be used, when product has one or more comparable attributes, advantages comparing to competing brands and consumer is not aware of that. Another good reason to use sampling is when introducing a new product to a market. Sampling can be also used, when a product is modified and a company wants consumers to try it. A good reason for sampling can be, when a brand is not well known comparing to the well known brands using advertising and sales promotion. It is a good tool to make the 'invisible' brand more visible.

2.1.9 Cause-related sales promotions

Cause-related sales promotions are sales promotions where benefits from buying a product are given to the third side for worthy cause as a part of the promotion. As an example we can mention nappies providing drinking water or vaccines to the third world for each pack sold.

2.1.10 Joint promotions, tie-in promotions

"Tie-ins are where multiple products are involved in sales promotions." (Pickton, et al., 2005 p. 646) Intra-company tie-ins use products from the same company, inter-company tie-ins use product from different companies. An example of inter-company tie-in has been already mentioned above. McDonald's kids meals give out products from Mattel, Toys'R'Us, Disney and Pixar Studios. (Pickton, et al., 2005 p. 646)

The difference between joint promotion and premiums is in sharing expenses and benefits. For instance we can show a joint promotion between a hotel and a restaurant. When a customer books a room for 2 in the hotel he can get a coupon for the restaurant (2 dinners for the price of one). A free dinner can add a value to the hotel room and a restaurant gets new customers.

2.1.11 Loyalty schemes

Barlow suggests that loyalty scheme *"identifies, maintains and increases the yield from best customers through long-term interactive value added relationship"*. (Barlow, 1992)

Purdie defines them as *"programmes which make use of modern retail systems and other new technologies to persuade individual shoppers to prefer one retail group to its competitors, through spending related rewards, direct marketing or both."* (Purdie, 1999)

Possibilities in designing a loyalty programme:

- Opt-in or automatic
- Anonymous or personalized
- Flat-rate or top-down
- Rewards-on-demand or cumulative value

Opt-in or automatic

Automatic loyalty programmes automatically include everyone who is a customer. As Humby et al. state (Humby, et al., 2003) this approach is often used by credit card issuers. However, a company does not need to recruit, still, it needs an agreement from customers for legally using their data for a new reason and a company needs to encourage members to use the loyalty programme. Another option is an opt-in programme, where customers choose to join or not. Humby et al. see opt-in programmes as a better alternative, because: *“In many ways it is much better to be a ‘chosen’ than a ‘given’”* (Humby, et al., 2003 p. 28).

Anonymous or personalized

Both of these two approaches can be profitable, but for different applications. If a company does not expect from a loyalty programme more than return of customers and more business and there is a little advantage in generating customer data, anonymous programme is better. An example of anonymous programme is a coffee shop with cards for collecting stamps. Data about customers are not so important for a shop, because the use of them is small and costs for managing them outweigh the value to the business. However, for a supermarket it might be better to adopt personalized loyalty programme, because *“if it does not capture customer data about which shoppers are taking advantage of the discounts, it may not be pleasing enough customers, or generating business value from its anonymous scheme”* (Humby, et al., 2003 p. 28).

Flat-rate or top-down

A question stands on which bases a loyalty programme should reward a customer. Big rewards to high-value customers and small or none to low-value customers or flat-rate approach awarding everyone? It probably depends also on a brand, whether it is ‘democratic’ or ‘hierarchical’. Hierarchical top-down programme might work well in some companies, the high-value customers get a silver card and even more valuable customers get a golden card with more or better privileges, what can provide a strong sense of being valued. Al-

though, it is not pleasant to tell a customer about being downgraded due to a small value a customer provides to a company recently.

Rewards-on-demand or cumulative value

Some loyalty programmes allow customers to decide, when they saved enough to withdraw their reward. For example, there is a list of things they can get for a particular number of points and it is up to customers to choose a reward and save up to it. In this case an advantage for a customer is a sense of control, but a company loses this control. Due to this a liability of a company can rise to very big numbers. On the other hand, when a company allows customers to take their reward at check out, it can downgrade an effect of cumulative reward. Getting a bigger reward once a quarter can bring a feeling of being rewarded with a present and it is also an occasion to write a direct mail to customers.

Loyalty programmes according to currencies they use:

- Points-led
- Discount-led
- Information-led
- Privilege-led

Points-led programmes

“This is a generic description for schemes that encourage members to collect and spend their units of value, either at a fixed or variable issuing rate, or at a fixed or variable redemption rate.” (Humby, et al., 2003 p. 30) Customers understand these units (points, stars, miles, cents etc.) as an operating currency. There is a link between how much and on what they spend and points collected and a value at redemption.

Discount-led programmes

These programmes offer different prices to members than non-members. All or some of the stocked items have literally two prices – a lower one for members and a normal price for non-members. On the one hand it can attract customers to bigger loyalty, because the more they shop the less they pay. On the other hand, customers who would happily pay full price for a product get discounts. When a retailer gives discounts just on some products, it can encourage product substitution or motivate customers to buy the stuff they usually would not. Not suitable marking of prices can also lead to misunderstandings and harming image of a retailer, when non-members buy a product thinking the low price is a special offer for

everyone and then find out it was a price just for loyalty programme members as sometimes happen at Billa (a food retailer).

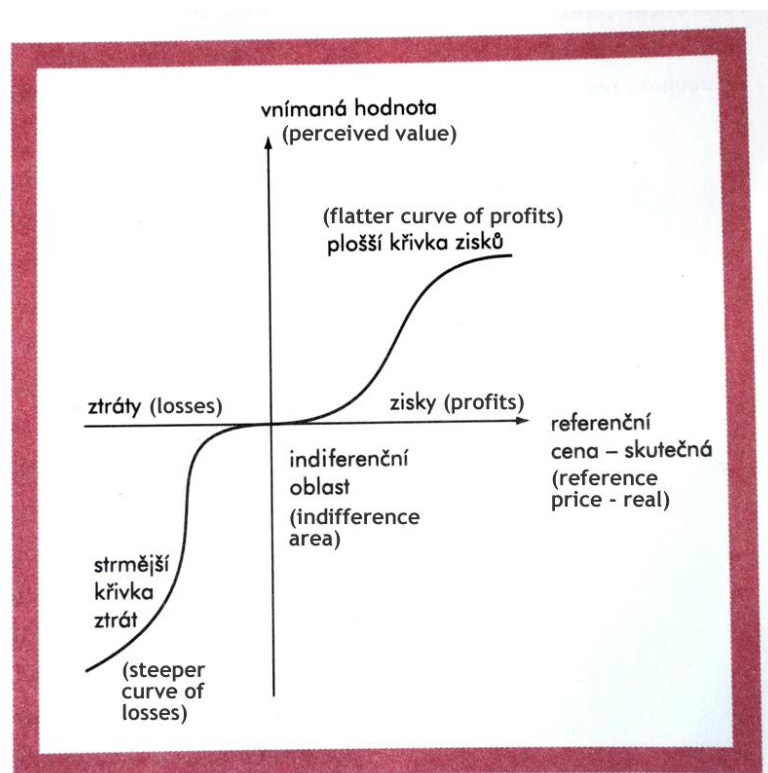
Information-led programmes

Help and information can be valued as much as cash. Some loyalty programmes offer clubs, where customers get advices or information on topics. *“Tesco has found that when it provides information that is objective and useful, it deepens the trust among those customers who have opted-in to that part of the programme.”* (Humby, et al., 2003 p. 31)

Privilege-led

Some companies give privileges to members of their loyalty programme, when they fulfil their part of a deal. Privileges are not monetary, rather they offer benefits of limited capacity. An example can be airlines offering special lounges to their loyal club members or faster check-ins or bigger weight allowances for luggage. There is a restricted capacity of a lounge, so it cannot be offered to everyone.

2.2 Behavioural curve of consumer response to sales promotion



Obrázek 9-5 BEHAVIORÁLNÍ KŘIVKA REAKCE NA CENU

Picture 1 - Behavioural curve of the reaction to the price (Tellis, 2000 s. 301)

The research showed, that customer behavioural response is quiet complicated and can be expressed by behavioural curve (on the picture 1). (Tellis, 2000)

Horizontal axis of the graph on the picture 1 is a reference price minus real price. Perception of real prices by a consumer is bonded with reference prices. When a real price is bigger than a reference price, a customer sees it as a loss and when it is smaller than a reference price, it is a profit for a consumer. (Tellis, 2000) From the curve it is obvious that perceived loss by consumers has a big effect on perceived value. From the curve it is also visible that there is an interval in which a discount can rapidly change customer behaviour. It is not always true that the bigger discount a retailer offers the bigger perceived value for a customer and therefore the bigger response in sales as it is visible on tendency of the curve of profits.

2.3 Evaluating sales promotions and cost benefit analysis

Profitability of sales promotion stands on difference between profits from sales accrual and costs on sales promotion. There are two types of costs: fixed, which do not change according to products sold and alternative or opportunity costs. As business dictionary defines, opportunity cost is *“a benefit, profit, or value of something that must be given up to acquire or achieve something else”* (Unknown). These costs are costs of losing profits which would be made by customers willing to buy for an original price.

Tellis (Tellis, 2000 p. 332) introduces this formula for counting profitability of sales promotion:

$$(b_1 + b_4)(m - d) > (a_2 + b_2 + b_3)d + f_1 + f_2$$

a stands for regular sales in each week

a_2 stands for sales in the second week, the week when sales promotion was applied

b is a number of units sold

Accrual of sales is caused by more reasons. The first reason is accrual of consumption and in the formula is the amount accrual caused by this reason expressed by b_1 . The second reason is brand substitution (b_2 in the formula). This does not really bring profit to a retailer, because customers just buy a different brand of something they would buy anyway and it can be seen in drop of profits of other substituting brands. b_3 in the formula expresses an accrual caused by piling up products. Because of the sale promotion, customers

buy more of the product and store it at home. Although, this increases sales during sales promotion, it also causes sales drops before and after the promotion. b_4 is accrual as an result of getting customers from competitors, what is desirable and brings real profit.

$(m - d)$ is profit a retailer has per unit. m stands for margin and d for discount. An accrual of profit is therefore margin minus discount multiplied by number of items sold b .

f_1 are costs of displays of products and sales promotion announcements minus contribution from the producer of the promoted product and f_2 are costs of managing sales promotion.

From the formula it is obvious, that sales promotions can be profitable for a retailer when they help to gain new customers (from competitors) and/or cause bigger consumption. In the practical part of this bachelor thesis it is going to be described, how loyalty programmes can contribute to gaining new customers from competitors, encouraging loyal customers to buy more or redirect sales from one brand to another when needed.

3 METHODOLOGY

The whole marketing communication mix works the best when all the parts are integrated and support each other. It brings better effectivity and efficiency. Also sales promotion uses various sales promotion tools to bring the best results. Can be also these tools integrated and work in synergy? How loyalty programmes can integrate sales promotion tools is going to be discussed in the practical part.

The hypothesis 1: Loyalty programmes can be used for sales promotion optimization.

There are some contradictory opinions about loyalty programmes. Some authors see loyalty programmes as a part of sales promotion (Tellis, 2000) (Pickton, et al., 2005), some as database or direct marketing (Evans, 1999) (Tapp, 2005). Loyalty produced by loyalty programmes and its effectiveness is also being doubted (Dowling, et al., 1997) (Peterský, 2009) (Smith, 2011). Some authors (Humby, et al., 2003), however, believe in effectivity of loyalty programmes when approached right. In the practical part it is going to be explored, whether loyalty programmes can produce loyal customers and cause uplifts of sales and profits.

The hypothesis 2: Loyalty programmes can produce loyal customers and cause uplifts of sales and profits

If loyalty programmes use database marketing, they collect a lot of personal data from customers. Consumers might not know about how data are being collected and used and they might not approve.

The hypothesis 3: Consumers do not know about how data are being collected and used and if they would know, they would not approve.

Methods

In this thesis contradictory opinions are brought together and compared with the research results made for this thesis to bring an overview on loyalty programmes in general and in Slovakia and Czech Republic which are culturally very close.

Opinions of consumers are going to be explored by mostly qualitative questionnaire. The research is anonymous and it will question indirectly customers' loyalty, barriers of joining a loyalty programme, attitude to privacy; it will question perceived advantages and disadvantages of loyalty programmes and functioning of loyalty programmes.

The questionnaire will use opened and closed questions and scales. The questionnaire is to be seen in appendices as an appendix 1.

The questionnaire is going to be distributed through a research website on the Internet (VypIno.cz) and in a paper form in Czech Republic and Slovakia. Representativeness cannot be guaranteed, because the research uses random selection of respondents but the number of respondents is not big enough and it is not distributed in the paper form evenly in whole Czech Republic and Slovakia.

To bring quantified results from open questions, answers are going to be put into groups according to similarities.

The research was completed with 122 respondents. Structure of respondents whose questionnaires were used for analysis is showed in appendix II.

II. PRACTICAL PART

4 LOYALTY PROGRAMMES

Some authors (Tellis, 2000) (Pickton, et al., 2005; et al.) put loyalty programmes into sales promotion, some see them more like direct marketing tools. Maybe it is connected with an evolution of loyalty schemes and rewarding loyal customers.

Rewarding customers for their loyalty is old as a trade itself. Those customers who were known by a retailer and who paid well would be allowed to pay later or would be awarded with presents. (Peterský, 2009) A retailer knew his customer, he had an opportunity to talk with customers and get feedback.

When retailers lost opportunity to know their customers in person due to getting their ventures bigger, there was an opportunity to reward customers according to how much they spend through collecting points or stickers as a currency and retain their loyalty. European example from past can be Tesco's Green Shield Stamps in UK. *'From 1963, shoppers at Tesco were rewarded with a sheet of stamps of proportional value to the amount they spent, which they saved by licking and sticking into books.'* (Humby, et al., 2003 p. 40) This Tesco's strategy was, however, approximately 15 years later beaten by every-day-low-prices strategy of its competitors. (Humby, et al., 2003) Latter days we can see this strategy of getting customers to come back again in smaller ventures, where other loyalty programme would be economically questionable. For example, after having 9 stamps representing coffees in a book a customer is rewarded with 10th coffee for free.

Beginning of supermarket loyalty schemes we can see also in co-operative The Rochdale Equitable Pioneers' Society (founded 1844), ancestor of today's Co-op supermarket chain. One of the company's principles was to divide in proportion to members' contribution and distribute surplus back to the members. The retailer considered his customers as members. (Humby, et al., 2003)

All the examples above show loyalty schemes as sales promotion and customer relationship marketing (CRM), direct marketing tools to retain customers. However new technologies opened a new way to acquiring and retaining customers. The new technologies allowed tracking customers' behaviour and therefore they allowed companies and their offers to adjust to what customers wanted and to create direct marketing campaigns. At this point loyalty programmes became powerful tool for better targeting and direct communication and a big part of marketing information system (MIS).

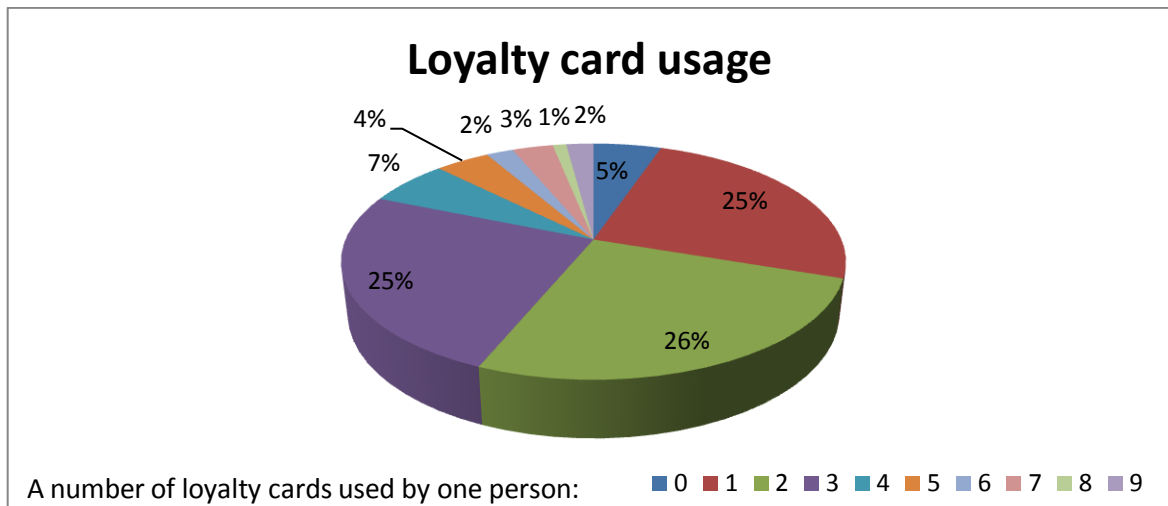
There are couple of aims loyalty programmes have. According to Uncles (Uncles, et al., 2003 p. 294), there are two aims which stand out. The first one is to increase sales revenues, the second is to build a bond between the brand and the customers and it is hoped to maintain current customer base.

4.1 Loyalty

When talking about loyalty programmes, it is important to know, what loyalty means in this context. Many people can imagine devotion, an exclusive loyalty, monogamy. Still, loyalty in business can be different.

“Ehrenberg, in what he dubbed the "leaky bucket theory," observes that many marketing strategies seem to be designed to replace "disloyal" customers who leak away with new ones in order to keep the sales level steady.” (Dowling, et al., 1997) Some loyalty programmes seem to be designed that way. They are trying to get new loyal customers to replace those, who leak through a whole. It is not thought to work this way only among creators of the idea and some loyalty programmes. Also our research showed that customers see loyalty programmes as a way to attract new customers and possibly make them regular or loyal. 40% of respondents think that loyalty programmes attract new customers, motivate people to become customers or even regular customers. But how many loyal customers can a brand have? Dowling and col. (Dowling, et al., 1997) suggest, according to researches, only about 10% of buyers are 100% loyal to a particular brand, but it also depends on a type of product. The presented research also shows that *“customer loyalty is divided among a number of brands, as if there were long-run propensities to buy brands A, B, and C, say, some 70 percent, 20 percent, and 10 percent of the time.”* (Dowling, et al., 1997). Hence, customer behaviour can be better described as polygamous loyalty.

According to our research, people who are members of at least one loyalty programme have 3.6 cards per person in average and they use 2.6 cards per person actively. 26% respondents who are loyalty programme members use actively 2 cards, 25% respondents use 3 cards and 25% use just one card. More data are presented in a graph (graph 1) below. Percentage shows an amount of loyalty members who use a particular number of cards.



Graph 1 - A graph shows in percentage how many loyalty programme members own and use the particular number of loyalty cards. (source: own research)

4.2 Possibilities in data mining

Martin Evans (Evans, 1999) in his research paper describes possibilities of data collection and use in loyalty schemes. Not only loyalty schemes enable collecting data from customers, but also this data can be linked with geo-demographic and lifestyle databases via integrating geographical information systems (GIS). “*GIS are a powerful technology in terms of data storage, analysis, and visualisation, with the ability to combine information and mapping systems as analytical and modelling tools.*“ (Evans, 1999 p. 137)

One of the data analysing tools described in Evans research paper is VIPER software, which can link and analyse different databases. When VIPER links for example company’s own database on customers with GIS and geo-demographic database, one could request to select those who like drinking beer above average and eat semi-prepared food and live in particular area like Prague. As a result one would get a topographical print, where these people live and a tabular print with names and addresses of people concerned. VIPER is not the only interrogator on the market and it is quiet old, but it can illustrate the sort of capability which is available.

Another interesting system used is Catalina. It is a checkout-based system rewarding customers according to analysis of items they have in shopping baskets. The baskets are scanned and Catalina detects product codes and automatically print related coupon offers. (Humby, et al., 2003) Catalina does not detect customers, it just helps to target better and the effect on loyalty would be the same as an effect of coupons.

“There is also clear evidence of a trend toward the creation of strategic alliances between non-competing companies based on sharing data.” (Evans, 1999 p. 140)

As we can see there is a range of sophisticated tools for observing customers, collecting and precisely analysing data. In the next chapters the use of these analyses is going to be discussed.

4.3 Measuring loyalty

“It is proved by many studies that it is more costly to acquire than to retain customers.” (Chuang, et al., 2008 p. 168)

When a loyal customer buys repeatedly, s/he brings value to the company which is calculated through customer's lifetime value (CLV). *“The definition of CLV is the net present value (NPV) of the future profit that can be created at a particular duration.”* (Chuang, et al., 2008 p. 168) Crucial is to evaluate customer's lifetime value and retain valuable customers and not to let go vulnerable customers to rivals.

4.3.1 RFV / RFM analysis

One of the most used methods to measure CLV is RFM (Recency – Frequency – Monetary) or RFV (Recency – Frequency – Value). According to Chuang et al. (Chuang, et al., 2008) recency means a length of the period after recent purchase. The longer period, the higher is probability of repeated purchase. However, Humby et al. (Humby, et al., 2003) suggest that the longer period, the surest sign that a customer is deserting the retailer. Therefore when a company sees this happening it should try to communicate with those vulnerable customers before it loses them to rivals. Frequency shows how often a customer shop and according to Chuang et al. (Chuang, et al., 2008) it also indicates loyalty. Humby et al. (Humby, et al., 2003) explains that this might be misleading. Some people do their shopping as a big shopping twice a week, some visit almost every day. Frequency informs about quantity, not about quality. Monetary means the money spent over certain period of time. *“Value is an indication of the profitability of your customer base.”* (Humby, et al., 2003 p. 96) Decline in value means decline in basket size and that means that more purchases are being made elsewhere.

RFV analysis quantifies data collected by loyalty scheme systems and provide empirical base for decision making and early warnings as we explained above. Customers can be

segmented according to the results and communication with them can become more targeted and accurate.

4.3.2 Loyalty cube: contribution – value – championing

RFV analysis can be done when retailer can collect, store and analyse data about times when a customer shops and about a value of one's basket. Knowing what exactly a customer buys can provide better understanding and segmentation. For Tesco and other clients a company named dunhumby created another loyalty measure – the loyalty cube. The following articles will introduce this measure according to how it is described in Scoring points (Humby, et al., 2003).

Company's customers can be placed into 3-dimensional cube. The first axis represents customer's profitability. Whereas some very loyal customers can make a very low contribution, some less loyal, who pop in store few times, can make more profit. An incredibly loyal pensioner who, however, buys low margin products (as milk, flour, bread) brings less profit than a customer who buys high margin products though once a week.

“Should more profitable customers be the main focus of a loyalty programme? Not necessarily. They may take more rewards from it. Yet it may not be possible to influence their behaviour a great deal, other than to stop them defecting.” (Humby, et al., 2003)

The second axis of the cube represents commitment and measures future value. First it says how likely the customer is to remain a customer. A defecting customer is unlikely to create value in future. Maybe a store does offer a product, which s/he buys somewhere else because s/he does not know about it. This customer could be saved through well set loyalty programme. This axis also measures 'headroom'. If customers buy as much as possible from one retailer, they have small headroom. They cannot possibly buy more. A way here is to offer complementary areas and expand departments. This is important in mature loyalty programmes, which do not primarily recruit, because the effect of a profitable loyalty programme should be to change behaviour among customers.

Championing is the third axis. Customers with little headroom can act as ambassadors of a brand. They can spread good word and make new customers to start to shop or join loyalty programme.

4.4 What about privacy?

RFV method does not require fine data on every purchased basket. Today, till technology can also provide data on what one buys thanks to barcodes detecting the particular item and loyalty card detecting particular customer and link them together. According to what one buys can be one put into more defined segments of lifestyle than RFV combined with socio-demographical data do. This certainly is an advantage for a retailer. A retailer can target customers according to their real needs. However, there is a question rising. Does a customer know about it and does a customer approve? Is this sharing of privacy more than one would wish? Of course, when customers are recruited, they are asked about their names and contact details so they could be contacted. They also give permission to use this data under some circumstances. For example, when we look into application form for Tesco Clubcard (appendix III), Tesco also asks for permission to use information about customer behaviour. No one can object not being informed. Yet, people do not realize what they are giving permission for as the research shows.

3.2% of a loyalty programme members spontaneously mentioned personal details and watching what they shop for as disadvantage of the loyalty programme with the loyalty card they use the most. This might indicate that people do not care if a company watches them or knows their personal data and they do not perceive this as disadvantage or it might indicate that people are not informed enough, however about 6% of loyalty programme members know that loyalty programmes are for watching customer behaviour. 23.7% of a loyalty programme members did not know to answer the question ‘What disadvantages does this card (the card of the loyalty programme they use the most) have?’ what they expressed by answering ‘I do not know’ or by ‘?’. 19.4% do not know about any disadvantages.

When asking respondents whether they agree that a retailer or a service provider has a right to ask for any personal details, 60% of all respondents replied yes or rather yes. Yes or rather yes replied also 58.3% of loyalty card holders and 65.4% non-members. This is not surprising as there are many reasons personal details can be asked for. There is also number of things one can imagine as personal details. However, when asking specifically for each information which can be and is used in loyalty programmes in exchange for some benefits and discounts, respondents were more careful about what would they provide.

Most of the respondents were willing to provide their names (87.7%) and surnames (80.3%), gender (86.9%), e-mail (77.9%) and information on education (52.5%). When looking just on loyalty card holders, the most of them are willing to provide their name (94.8%), gender (92.7%), surname (86.5%), e-mail (83.3%) and information on education (58.3%).

According to research on loyalty programmes done by Mrkosova and collective from Czech Marketing Institute (Mrkosova, et al., 2011), 90% of researched companies handle some personal details on their loyalty programme members. In approximately 2/3 of cases information on name and surname are to be filled in application forms compulsory. Names and surnames were important to programmes with non-transferable loyalty cards. Furthermore, more than 60% of researched companies require an e-mail address. Information on gender is useful for addressing direct mail, because in Czech language there is difference in declension.

It might be surprising, that in our research almost 7% customers who already are in some loyalty programme are not willing to offer the most asked information as name and as much as 13.5% surname. This might be explained by membership in loyalty programmes, which do not require this information. For example coffee shop cards for collecting stamps for the 10th coffee for free.

As we mentioned above, data, which a loyalty programme using electronic card is able to collect, are used for marketing research and customer behaviour research. A book *Scoring points: How Tesco continues to win customer loyalty* (Humby, et al., 2003) describes precisely how data can be handled and used. According to what one buys a company can guess, what kind of person this customer is. When one buys a lot of organic and bio food, this person probably cares for nature or own body and likes healthy lifestyle. When you see many purchases of nappies, you can assume this person has a baby. A lot of low calories food choices might mean that one is on a diet and possibly overweight or having eating disorder problems. Not buying any meat indicates vegetarian (although it might also mean that this person prefers buying meat at butcher rather than with other products in a supermarket). Purchases on cat food indicate that a person is an owner of a cat. Buying toy cars or buying dollies can indicate whether one has a boy or a girl child and different kinds of toys tell also about different hobbies of children. When one buys lactose free milk, probably s/he is lactose intolerant or someone who s/he shares a household with is. Sending this customer offers on products full of lactose would be showing him / her no interest. In

short, from what we buy a company can learn about our lifestyle, health, habits and eating habits, hobbies and interests, professions. A company can learn also about our family, children, partners and pets. Due to how much we spent on how expensive products and luxuries a company can estimate our income or spending allowance. According to types of products or brands we choose or promotions we respond to (for example buying the brand of nappies which would provide for every pack 1 liter of drinking water or vaccine for a third world country) a company can guess our values. Getting to know our brand preferences and sensitivity to price promotions and other sales promotion responses is easy. Would we be eager to provide this information in exchange for discounts and other benefits, when asked directly?

Only 32.3% loyalty programme members from our research would provide information about their brand preference. 27% would share information about their profession. 25% would provide information about their hobbies and interests, 19.8% about their pets, 15.6% would tell about their values, 15.6% would inform about ownership of a vehicle. 14.6% would tell how many children they have, 10.4% would tell children's gender and 5.2% children's hobbies and interests. Surprisingly only 13.5% would provide information about their eating habits. 98% would not inform about their health and the same number about their income. A table below (Table 1) shows all the information people were asked if they would provide in exchange for benefits, bonuses, discounts, gifts, extra services etc. to a retailer or a service provider and percentage of people willing to share information.

Table 1 - Willingness of sharing information (source: own research, 2011)

information to be provided	all respondents (%)	members of any loyalty programme (%)	respondents who claim not to be members of any loyalty programme (%)
name	87,7	94,79	61,54
gender	86,89	92,71	65,38
surname	80,33	86,46	57,69
e-mail	77,87	83,33	57,69
education	52,46	58,33	30,77
address	33,61	39,58	11,54
brand preference	30,33	32,29	23,08
tel. number	27,87	32,29	11,54
profession	22,13	27,08	3,846
hobbies and interests	22,13	25	11,54
information on pets	19,67	19,79	19,23
religion	14,75	16,67	7,69

value scale	14,75	15,63	11,53
number of children	14,75	14,58	15,38
eating habits	14,75	13,54	19,23
ownership of vehicle	13,93	15,63	7,69
employment	13,11	16,67	0
sexual orientation	13,11	14,58	7,69
measure, height, weight	11,48	9,38	19,23
gender of children	9,02	10,42	3,85
willingness to have muscle, water and fat percentage in a body measured	6,56	5,21	11,54
quality of housing	5,74	6,25	3,85
willingness to have blood pressure taken	5,74	6,25	3,85
employer contact information	4,92	6,25	0
interests and hobbies of the partner	4,92	5,21	3,85
interests and hobbies of the children	4,92	5,21	3,85
contact information of family, friend or acquaintance	4,92	5,21	0
account number	2,46	2,08	3,85
income	2,46	2,08	3,85
photo	2,46	1,04	7,69
health	1,64	2,08	0
ownership of estate	1,64	1,04	3,85
health of the family members	0	0	0
wealth	0	0	0

One might object that it is the same as if we would walk through a shop and look into people's baskets. But people in a shop are anonymous while loyalty card members (of loyalty programmes where data are collected) are not. Is it ethical? Our goal on this research was to point at getting and using personal information like orwellian big brother. Now, they are claimed to be used for a good purpose, as we will write about in next chapters, but cannot they be misused? A company thinking of introducing own loyalty programme should consider this in intentions of corporate social responsibility.

The research was done on Slovak and Czech respondents, who have close to each other on uncertainty avoidance dimension described by Hofstede (Hofstede, 1996). An extension of this thesis could be a research on this topic to compare different cultures because a level of uncertainty avoidance and also other of Hofstede's cultural dimensions could affect customers' willingness to provide personal data and their view on legitimacy of their use.

4.5 Loyalty programmes as sales promotion optimization

Why is knowledge of each customer, mentioned above, relevant to a company or a retailer? We suggest that a company can optimize its sales promotion. When someone is a vegetarian, offering him/her coupons on meat is a waste of money on coupon production and distribution and it can be taken also as an insult. A company can also see what else might be of interest of a loyalty programme member what s/he does not already buy and encourage him/her also through sales promotion to try a new thing. Simply, information on customers can help to fulfil all the sales promotion aims we mentioned in the theoretical part.

Loyalty programmes can make sales promotions announcements more efficient. Due to personal data collected, a company can send announcements directly to customers as direct mail. As we mentioned in a theoretical part, sales promotions announcements are important for consumers who are not already customers, for attracting new customers to a shop. Nevertheless, it is also important to let price sensitive customers know about price cuts, so they can come to buy products they would not buy otherwise or they would buy them elsewhere, but not to let not so price sensitive customers know, who would buy the products also for original price, but due to sales promotion announcements they would postpone their purchase or buy in advance. Thanks to a loyalty programme database these customers can be sorted out in segments and sales promotion announcements can be targeted accurately on relevant segments with relevant information. Some of our respondents (2.1% of loyalty programme members) mentioned newsletter to be an advantage of being a part of loyalty programme. When a retailer knows addressee, a retailer can change perception of sales promotion announcements as junk mail to reasonable information and value for a customer and a loyalty programme to communication channel.

Loyalty programmes can cut expenses on coupons and bring better response. Again, this has something to do with targeting and price discrimination. First, coupons are sent to customers, who might be interested in them according to data collected. Sending coupons on products in a category one does not buy or cannot buy is a waste and can create bad feelings on customer's side. An unused coupon can be perceived as a loss. Second, coupons sent through loyalty programme scheme can create an impression that a retailer gives presents to its loyal customers, that a retailer values a customer. Yet, a retailer does not need to pay for the reward. Simply, a retailer can use coupons offered by producers to motivate consumers to switch brands. It is a win-win-win game. A consumer gets a relevant coupon

and can be encouraged to try a different brand for a thing s/he buys repeatedly, a producer gets better redemption rate and possibly a new future customer and a retailer enhance relationship with a customer offering value. Sending coupons directly to specific persons make it harder for frauds being committed.

Vouchers are kind of coupons which offer price discount on any product or whole shopping in a particular shop. Many loyalty programmes send vouchers to customers for exchange of points they collected. It might be thought that sending vouchers to loyal customers who would spend their money in a shop anyway is uneconomical. Tesco's case shows otherwise. *"The incremental sales benefit from mailing was a like-for-like sales boost of £17.8 million, 40 % of which was from customers redeeming their Clubcard vouchers, and then spending more on that visit than usual."* (Humby, et al., 2003 p. 75) People did not spend their vouchers on basics but treated themselves to something special they might not have bought before. The overall incremental sales uplift caused by vouchers and coupons together was enough to cover the cost of Clubcard and it made profit and it does ever since. (Humby, et al., 2003 p. 76)

Coupons and vouchers are one of the most used sales promotion tools within loyalty programmes offering value to customers as our research shows. 16.7% of loyalty programme members and 18.3% of members, who claim to know all benefits of their loyalty programme, mentioned vouchers and coupons as advantage their membership offers them. As open question was put to the respondents, it is possible, that they did not perceive coupons and vouchers as benefits, but price reduction they achieved through them they saw as value. 80.2% loyalty programme members mentioned price reductions or discounts as an advantage from loyalty programme. Part of them might be referring to coupons, part of them might be referring to lower prices a retailer sells products for to loyalty programme members (for instance Billa club).

One of the aims of sales promotion in retail is to attract new customers into a store. Can loyalty programme possibly attract new customers or increase sales? The respondents (26.2%) from the research which was made for this bachelor thesis claim, that after joining the loyalty programme, they started to shop more often and more than before. Thus, loyalty programme can fulfil sales promotion aim to attract new customers or increase sales.

4.6 Zero sum effect

Loyalty programmes are very costly. Some of the costs are technologies, databases and analysis, employers, mailings, vouchers and coupons, promotion, distribution etc. So far we introduced loyalty programmes as sales promotion or sales promotion optimization or a strategy to retain and gain customers. Would not it be more effective to use just other sales promotion tools? When competitors join the 'loyalty programme wave', would not they cancel out each others' effect and leave an entire industry with a new cost?

"Given the amount of research" ... "it seems unlikely that a loyalty program could fundamentally alter this behaviour, especially in established, competitive markets." (Dowling, et al., 1997 p. 74) Dowling at al. also suggest that once a competitor launches similar scheme, patterns of divided loyalty re-emerge. But once a loyalty programme has been launched, it is difficult to stop it. It would produce a lot of disappointment on customer's side and damage to the brand. For example, what about points one has been sparing on reward? A person would feel cheated.

The way out of the zero sum game is to change a view on and expectations from loyalty programmes. If we look at a loyalty programme as just a part of sales promotion or as a programme to drag loyalty, it would disappoint. It should be seen more like company's strategy. It can bring valuable information not for altering rapidly customer behaviour, but to alter company's behaviour and offers and through that change customers behaviour. More than sales promotion it serves direct marketing and it is an important tool for marketing information system and research. Guiding a company according to marketing research and customers' demands can bring profit.

Primary goal of loyalty programme is to change customer behaviour. First, it was thought to motivate customers to being loyal, then it was a way of saying 'thank you' through presents and a way to build goodwill, maybe it should motivate people to shop more often and buy more etc. Again, an inspiration was taken from Tesco's story described in Scoring points (Humby, et al., 2003). When you already have most of your customers in your loyalty programme offering presents, vouchers, coupons etc. through the programme to them, what else can you do to change their behaviour? Can they buy even more? What else can you do for your customer? Tesco's data tracks who buys 'free from' range, which is for allergy sufferers and how committed they are and the results make a strong case for continuing to invest in the range. (Humby, et al., 2003 p. 147) Some customers like to buy

organic food, but must buy not organic, because organic is not available. From data a retailer can see how many of the customers behave this way and what they miss in the range. Basically, loyalty programmes can help to innovate and bring new products and they can show to a retailer how and in which direction a retailer can broaden product portfolio. These are the effects, which cannot be cancelled out by competitor's loyalty programmes, because the effects do not come directly from a loyalty programme, but from company's decisions based on good data analyses of loyalty programme generated data.

4.7 Do loyalty programmes really work?

4.7.1 What loyalty programmes are for?

Loyalty programmes has been already described from academic and retailer perspective. How they are, indeed, seen by customers? The research we have realised asked consumers an open question: 'What are, according to you, loyalty programmes for?'

The most of the answers pointed at the aim of attracting new customers. About 40% of respondents included getting new customers into their answers. There is, however, interesting difference between answers of respondents, who have already joined a loyalty programme – 'members' and those who are not members of any – 'non-members'. While members see loyalty programmes more like a way to attract new customers, most of non-members think loyalty programmes help to retain customers and support repeated purchases. Put in numbers, around 47% members think that loyalty programmes are for attracting new customers and around 38% think they are for retaining customers; while approximately 15% non-members think the programmes attract new customers and about 23% think they help to keep customers.

About 5% respondents did not know to answer or did not answer the question. 4% members and 8% non-members did not know or did not answer.

According to the respondents, loyalty programmes are for getting information about customers, consumers and some mentioned also marketing information system. Some respondents mentioned that data a company collects are used for sending leaflets, direct mail and for targeting. One respondent wrote: „*Sběr dat, rozřídění zákazníků podle potřeb, celkově marketing*“ to be translated as “*data collection, sorting out customers according to their needs, marketing*”. Around 13% of respondents think the loyalty programmes are for collecting information about customers and about 7% respondents saw loyalty programmes as

a way of getting to know customer behaviour. Around 11.5% non-members see them as a tool to collect information about customers and 11.5% see them as a way to see customer behaviour while 13.5 % members perceive loyalty programmes as data collection opportunity and around 6% members as a way to see customer behaviour.

Only about 11.5% respondents see loyalty programmes as a way to provide benefits to customers. Around 6% respondents mentioned that loyalty programmes are for getting loyalty in exchange for benefits. This might support zero-sum game advocates, who think of loyalty programmes as bribery. If someone else offers a better bribe, a customer would redirect his / her loyalty. Around 4% respondents think of loyalty programmes as a reward for loyal customers. Maybe something like saying ‘thank you’?

Respondents also think loyalty programmes are for getting devotion to a brand, loyalty, exclusive loyalty and preference from customers and increasing loyalty. It is interesting, that people think of loyalty as something what can be decreased or increased. Nevertheless, around 6% respondents think it can be increased and loyalty programmes are designed to increase it. Some respondents take loyalty programmes as obligation: *„Když budu mněť věrnostní program, podle mně je to tak trochu povinnost tam nakupovat“*, what can be translated as: *„If I have a loyalty programme, in my opinion, it is a little bit like obligation to shop there“*.

Another important thing for loyalty programmes is to increase sales and profit. Around 6% respondents think loyalty programmes are for that reason. Around 3% respondents think loyalty programmes are for fighting competitors.

Importance of relationship with customers shows another interesting finding. Around 5% respondents think loyalty programmes are for gaining and enhancing relationship and connection. While only 4% of members think so, 8% of non-members see loyalty programmes aim to be building relationship. Can this mean that people are simply not willing to have relationship or connection with a brand or a shop where they shop?

Around 2% respondents consider branding and customers’ engagement in it as a purpose of loyalty programmes.

From respondents’ answers and all mentioned above a list of loyalty programme objectives can be created. Loyalty programmes are for:

- motivation for new customers, loyalty programmes attract new customers

- retaining customers
- encouraging repeated purchases
- getting information about a customer, a consumer
- marketing information system and marketing itself
- giving benefits to customers
- learning about customer shopping behaviour
- increasing loyalty
- increasing sales and profits
- getting loyalty in exchange for benefits
- gaining and enhancing relationship and connection with a customer
- reward for customers, for their loyalty
- fighting competitors
- getting to know customers better, segmentation and targeting
- direct marketing and direct mail
- getting exclusive loyalty
- branding, getting customers involved in a brand
- gaining preference

4.7.2 Who does get the biggest advantage from a loyalty programme?

According to the respondents, loyalty programmes are for both parts of the contract (customers and retailers or service providers) beneficial evenly. 55% respondents agreed. 36% think they are more beneficial to retailer or service provider and 9% respondents think a customer benefits more.

62.5% members of loyalty programmes consider loyalty programmes to serve customers and retailers the same. 31.3% think the programmes serve more to retailers and service providers and 6.3% see customers as those getting more from a loyalty programme. It is interesting, that even though such a considerable number of the respondents think a retailer profits on their loyalty contract more, they are still staying members of the programme. However, when answering this question, people were replying about loyalty programmes and customers in general, not about themselves in particular. The answer to the question speaks more for the image of loyalty programmes among members and non-members than for real condition.

Non-members, on the other hand, think a retailer or a service provider gets more advantage of loyalty programme. As much as 54% think so. 27% non-members think loyalty programmes bring the same value of benefits to both, customers and retailers. 19% see customers getting bigger advantage.

We can say that the image of loyalty programmes is worse among non-members than members of any loyalty programme. Retailers and service providers still have a big space for improvement to cover by bringing value to customers through loyalty programmes.

74% respondents agree or rather agree that a loyalty programme or a loyalty card is something extra what a retailer or a service provider offers them. 18% rather disagreed and 7% disagreed. 80% of loyalty programme members agree or rather agree, 17% members rather disagreed and 2% disagreed. The same number of non-members expressed agreement and disagreement. 27% think a loyalty programme or a loyalty card is something extra offered and 27% disagree. 23% non-members rather agree and 23% non-members rather disagree.

4.7.3 Do loyalty programmes build loyalty, increase sales or frequency of shopping?

The research shows that well-built loyalty programmes might have an effect on increasing revenue, which is one of the standing out loyalty programmes aim. The research questioned respondents about the programme with loyalty card they use the most and they were given 3 options: 'after becoming a member of loyalty programme I shop or I use services more often or/and in bigger amount than before; same often and/or in the same amount as before; less often and/or smaller amount than before'.

26.2% respondents claimed to shop more often or in bigger amount than before getting into loyalty programme. As the research asked about their most used card, we can assume that those programmes the respondents have chosen work well, because they motivated customers to use their cards and they motivated quiet a big part to start to shop more often or more.

About 52% respondents seemed not to change their behaviour after joining a loyalty programme. They claim to shop the same or in the same amounts as before. However, those customers might have gone to a competitor if not recruited. Nobody can tell for sure. Nevertheless, from this we can assume that loyalty programmes can help to keep their maybe loyal customers.

Less than 1%, which represents just one respondent from the research, claims to shop less or in smaller amount than before joining the loyalty programme. This person is a member of just one loyalty programme (Blažek) which, the person writes into questionnaire, is about to finish, so it is not going to be possible use it anymore.

Loyalty programmes can motivate consumers to become customers. Approximately 34.4% respondents would start shopping at a retailer or using service provider's services because of loyalty programme. 29.5% disagreed and 35.3% rather disagreed.

Stronger power than in attracting new customers have loyalty programmes in gaining preference from customers. 63.1% respondents admit that loyalty programmes could motivate them to prefer a retailer or a service provider. 36.9% disagreed or rather disagreed.

The least power loyalty programmes have in gaining exclusive loyalty. Only 4.9% respondents would be motivated by a loyalty programme to an exclusive loyalty, 17.2% would be rather motivated. 77% would not be motivated or rather would not be motivated to start to shop exclusively at the retailer.

4.8 Loyalty programmes in Czech and Slovak Republic

According to the research made for this thesis, most of the respondents are a member and have a loyalty card from Tesco. The second most popular or most recruiting loyalty programme is by dm drogerie markt and the third is Billa Club. The most used card is again Tesco's Clubcard launched just recently, the second most used among the respondents is Billa Club Card and the third most used is a card from DM active beauty loyalty programme. The results, however, cannot be presented as valid for Czech and Slovak Republic. For accurate results there should be a quantitative research done covering more evenly whole geographic area. The research for this thesis had more qualitative character.

For the purposes of this thesis these results should be mentioned, because the most of advantages and disadvantages of loyalty programmes the respondents mentioned, were about those most used loyalty programmes. If the reader would like to see exactly which advantages and disadvantages for each loyalty programme were mentioned there is a file with hard data on CD attached to this thesis.

4.9 Perceived advantages of current Czech and Slovak loyalty programmes by Czechs and Slovaks

The research on Czech loyalty programmes by Mrkosova (Mrkosova, et al., 2011) shows that in more than a half of loyalty programmes (56%), customers collect points which can be later exchanged for various benefits and/or presents which are offered in newsletters or catalogues of rewards. A big part of the programmes (70%) rewards customers by various discounts systems founded on loyalty of a customer towards the company or the brand – with more often shopping in bigger amounts, thus, bigger amount of points collected, level of discounts rises. Programmes further use presents, special offers and special events to reward customers.

In the research made for this paper just the respondents who are members of any loyalty programme were asked about advantages their most used loyalty programme with a loyalty card offers them. They were not asked in general about advantages loyalty cards (as reification of loyalty programmes) offer, because the research wanted to avoid generalization and assumptions about what loyalty programmes offer to the others. Therefore, the respondents were first asked if they know about all the advantages their card offers them and in the next question they were asked to name them. This might put pressure on the respondents to write all the advantages they remember after admitting they are informed (or uninformed). 62.5% admitted, they know about all the advantages. Although in many cases advantages they wrote into the questionnaire were not the all the loyalty programme offers. We can say that 62.6% respondents, members of any loyalty programme, feel informed about advantages they can receive from the membership. Another reason the respondents did not name all of the benefits loyalty programmes claim to offer is that those benefits are not seen as benefits by customers.

The most answers on offered and perceived advantages contained discounts and price-cuts (80.2%), the most often used sales promotion tool. However, some respondents did not seem to recognize between voucher and price discount and between voucher and coupon. Perceived benefit from vouchers and coupons is still discount. 20.8% mentioned discounts just for some products, selected by a retailer. Yet, 2% respondents mentioned discounts just on selected items as a disadvantage. 4% specified discounts as discounts on any product. 14.6% respondents receive vouchers and coupons and see them as a benefit from a programme, 2% respondents mentioned vouchers.

33.3% saw collecting points as an advantage. Points are currency of some loyalty programmes and probably collecting and saving can bring a kind of pleasure to a customer. Points might also contribute to moving power and control on customer's site. A customer has a control on how many points s/he gets, so s/he has also a bit of control over what s/he gets for exchange for the points, unlike in programmes where customers are rewarded relatively the same.

Presents and 'surprises' were mentioned as an advantage of some loyalty programmes by 15.6% of respondents. It is no surprise that surprises and presents can bring happiness and goodwill. They would not be so popular among people during Christmases and birthdays if not. 8.3% mentioned, they can get presents and premiums in exchange for money or points. 4.2% appreciate in their programmes floating rewards as discounts. So if the customers get more points, they get bigger discounts.

2.1% respondents receive and like receiving newsletters from their loyalty programme. Also 2.1% mentioned discounts and benefits at loyalty programme partners.

More than 2% claim to get bigger benefits, but they did not specify them.

Further, respondents mentioned as benefits and advantages opportunity to participate and win in contests; special events; premiums as BOGOF; collecting money instead of points; extra services and a transferable loyalty card.

From mentioned above it is visible that loyalty programmes use various tools of sales promotion to attract, keep and motivate customers. The most used are price offers, discounts. There is, however, question rising, whether every-day-low-price strategy is not more effective and profitable than loyalty programme discounts. Discounts can be copied by loyalty programmes of competitors easily and cancel out each others effect as it was mentioned in a chapter about zero sum effect. However, it might be wiser to collect points just at one retailer to collect enough for a valuable prize than have few points on every loyalty programme card. Yet, customers often collect points on more cards. Tesco, Billa, Interspar, Coop Jednota and CBA are food retailers respondents mentioned in the survey. 48% respondents are members of Tesco loyalty programme, 29.2% participate in Billa Club, 6.3% in Coop Jednota, 1% in Interspar, 4.2% in CBA.

16.7% respondents are members of Tesco and Billa loyalty programme, 5.2% of Tesco and Coop Jednota, 4.2% of Tesco and CBA. 2.1% are members of Billa Club and CBA loyalty programme and 1% respondents are members of Coop Jednota and CBA at the same time.

From the research it is obvious there is still enough space to use other sales promotion tools for loyalty programmes which cannot be copied so easily.

When asking loyalty programme members about disadvantages, the most of respondents (66.7%) did not know to answer, did not know any, have not found yet any or claimed there are not any. Next, respondents do not like to carry a card always with them, because sometimes they forget it and it takes space in a wallet. The following most mentioned disadvantages were about collecting points. It either take too many points to collect or too long time to collect. The same number of people saw disadvantage in sharing privacy and watching what one buys and in restrictions on which products they could use benefits; they would get coupons on particular products or they could buy just some products with discount. Respondents mentioned also poor promotion and poor promotion by staff. Respondents found also sales persons unpleasant when asking for the card all the time and often in an unpleasant way. Some respondents would welcome, if it would be possible to also pay with their loyalty card and possibly use it in another stores. Few respondents mentioned the bottom limit per purchase for gaining points. Uninteresting and small benefits were also mentioned. Respondents further mentioned restricted redemption time, discounts for products in which a customer is not interested in, design, no possibilities to see how many points has been already collected, untransferable card, no possibility to use a card and collect point at the same company / brand abroad and that points are not rewarded for all the products. All this together bring tips on what can be improved or thought of when designing a loyalty programme.

4.10 Barriers of joining a loyalty programme

According to common sense, if one does not know about loyalty programme one cannot join it. Would a person join a loyalty programme when s/he is offered? Would a customer be eager to spend effort on searching information about loyalty programmes and requiring membership himself / herself? How important is, therefore, to promote loyalty programmes?

6.6% respondents join loyalty programme every time it is offered to them. Interesting is that 3.9% of respondents who are not members of any loyalty programme would join when asked to. Did promotion of loyalty programmes miss them?

12.3% respondents would join a loyalty programme when asked to. They rather agreed with a sentence: 'I always become a member of a loyalty programme, when it is offered to me'. 7.7% answered 'rather not'. 61.5% would not join a loyalty programme always when it is offered to them.

Thus, should a retailer offer a membership in a loyalty programme always, when finds out a customer is not a member yet? Telling employees to offer membership is not very costly and there are almost 20% customers who are likely to accept an offer. On the other hand, there are about 80% of customers who would not accept an offer. Constant asking to join the programme by staff might be really bothering and obtrusive.

If it is not so desirable to offer a membership every time at a counter, would customers themselves require and search information about a loyalty programme and apply for a membership?

Only 11.5% respondents would search for information on loyalty programme and apply for a membership. None of non-members of any loyalty programme would do so. 68% respondents (84.6% of non-members and 63.5% of members) do not search for information and ask for membership themselves at all.

After what has been said, it is difficult to decide whether it would be more effective to give information and ask for joining the programme every time when there is an opportunity and get bad reactions from customers or not to offer them membership at all and lose customers who might want to get involved. This decision also stands on a kind of venture. Being offered a membership everyday every time paying for food shopping is different than being offered it after one visit in a shop selling stuff for fishing.

49.2% respondents would become loyalty programme members only when they already shop at the retailer or use services of the service provider. 32% respondents would consider becoming a member, when they are already customers of the retailer or the service provider. 10.7% respondents would probably become members of a loyalty programme even if they do not already shop or use services, because they completely disagreed with a claim: 'I would become a loyalty programme member only when I already shop at a retailer or use services of a service provider'. Although, 1.6% respondents agree a loyalty

programme could motivate them to start shopping at a particular retailer or use services of a service provider and 32.8% rather agree. From mentioned above it seems that not shopping at a retailer or not using services is not such a big barrier for joining a loyalty programme, what is more, a loyalty programme can motivate customers to start shopping, as respondents expressed.

Can be a commitment to a loyalty programme a barrier for joining one? As one of the respondents said: „*If I have a loyalty programme, in my opinion, it is a little bit like obligation to shop there*”. Do customers enrol in loyalty programmes just because of immediate advantage or do they see a commitment in it?

Just 5.7% respondents fully agreed they would enrol a loyalty programme for an immediate advantage even though it would commit them to something (for example they would give an approval to a company to contact them in future with an offer). 27% respondents rather agreed and 67.2% respondents disagreed or rather disagreed.

If the respondents would be offered immediate advantages of loyalty programme without commitment, 66.4% would enrol or would rather enrol and 32.8% would not or rather not enrol. That makes it 33.7% respondents for which commitment would be a barrier.

The research also asked non-members of any loyalty programme why they are not participating in any loyalty programme. The answers were put into groups according to similarity summarizing answers to these reasons:

- There has not been an opportunity to join yet, nobody offered it
- Laziness, repulsion to fill in application forms and ask for membership
- A consumer thinks s/he does not need it
- Advantages and benefits are not sufficient, interesting
- Privacy
- Not enough space in a wallet
- A consumer does not use the same services regularly
- Another member of a family already is a member of the loyalty programme
- Undecided “ *I have not found a company to which I would want to commit yet, I am choosing between competitors*”
- A customer simply does not want
- Some respondents did not know why they are not members

5 VERIFICATION OF THE HYPOTHESES

H1: Loyalty programmes can be used for sales promotion optimization

As stated in the theoretical part, today's possibilities in data mining help to make precise targeting. Purchases are being monitorized, linked to particular customers and analysed. There is a big number of customers who are willing to become loyalty programme members or they already are members. Many of them have already given permission for the use of the data. Therefore, loyalty programmes can be used for sales promotion optimization and as for example Tesco's case shows, loyalty programmes increase redemption rates of coupons.

The hypothesis 1 was confirmed.

H2: Loyalty programmes can produce loyal customers and cause uplifts of sales and profits.

As the research introduced in the practical part showed, many consumers are motivated by loyalty programmes to start shopping at a retailer or prefer a retailer. A number of loyalty programme members confirmed, they shop more at the retailer than before joining the programme. The biggest part of loyalty programme members shop in the same frequency or amount than before joining the programme. However, these customers might have gone to competitors, if not recruited in the loyalty programme. Therefore, loyalty programmes can produce loyal customers and cause uplifts of sales and profits.

The hypothesis 2 was confirmed.

H3: Consumers do not know about how data are being collected and used and if they know, they would not approve.

There have been few paradoxes in customers thinking and behaviour found. Although, by joining some loyalty schemes customers give permission for using their personal data and research consumer behaviour, when asked directly about particular information a retailer can get from a loyalty programmes, many of the information they would not provide. Although, some consumers know about the use of loyalty programmes for tracking customers behaviour and getting information about a customer, just a really small number see this as disadvantage of loyalty programmes (when asked about disadvantages to mention spontaneously).

The hypothesis 3 cannot be either confirmed or disproved.

SUMMARY

Although, many authors are sceptic about loyalty programmes, loyalty programmes seem to be quiet popular in Czech Republic and Slovakia among consumers. Consumers mostly see advantages of loyalty programmes and a big part of them does not recall any disadvantages. Still, there are some flaws in this area which can be fixed as not all consumers are 100% satisfied and about $\frac{1}{4}$ think, loyalty programmes serve more retailers than consumers.

Loyalty programmes bring together many tools of sales promotion and can optimize their performance mainly because of better targeting on relevant consumers.

Better targeting, however, costs consumers some privacy. Slovak and Czech consumer behaviour and thinking, though, brings some paradoxes. Although, by joining some loyalty schemes they give permission for using their personal data and monitoring their consumer behaviour, when asked directly about particular information a retailer can get from a loyalty programmes, many of the information they would not provide. Although, some consumers know about the use of loyalty programmes for tracking customers behaviour and getting information about a customer, just a really small number see this as disadvantage of loyalty programmes (when asked about disadvantages to mention spontaneously). Privacy, which loyalty programmes take away, is also one of the barriers for joining loyalty programmes.

A number of consumers think, loyalty programmes attract new customers, help to retain customers and enhance loyalty. More than $\frac{1}{3}$ of respondents admitted, the loyalty programme would motivate them to start shopping at the reatailer. Loyalty programmes seem to be also strong in gaining customers' preference. They have a power in persuading customers to shop more or in bigger amount, however, the research presented in this thesis cannot say whether it is because of encouraging consumption or because of gaining customers from competitors.

However, loyalty programmes are called 'loyalty' programmes, an exclusive loyalty is more a dream than reality for the programmes. For effective use, they need more than giving rewards for repeated visits, because this can be copied easily by competitors and bring just new costs into the industry. Loyalty programmes should be used wise for a whole range of marketing activities (MIS, research, CRM, direct marketing, product development, PR etc.) as a strategic tool.

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LIST OF USED SYMBOLS AND ABBREVIATIONS

MIS	Marketing information system
RFV	Recency-frequency-value
RFM	Recency-frequency-monetary
CLV	Customer's lifetime value
GIS	Geographical information systems
BOGOF	Buy one get one free – kind of sales promotion premium

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13. Uved'te Váš súhlas alebo nesúhlas s nasledujúcimi tvrdeniami:

	súhlas			
	áno	skôr / spíše áno	skôr / spíše nie	nie
Myslím si, že predajca / poskytovateľ služieb nemá právo odo mňa žiadať akékoľvek osobné údaje.				
Členom vernostného programu sa stanem vždy, keď mi je to ponúknuté.				
Sám vyhľadávam informácie o vernostných programoch a žiadam o členstvo.				
Členom vernostného programu sa stanem len vtedy, ak už u predajcu nakupujem alebo využívam služby poskytovateľa služieb.				
Vernostný program a kartu chápem ako niečo navyše, čo mi predajca / poskytovateľ služieb ponúka.				
Vernostný program a karta ma dokážu motivovať aby som uprednostňoval určitého predajcu / poskytovateľa služieb.				
Vernostný program a karta ma dokážu motivovať aby som výlučne nakupoval u určitého predajcu / poskytovateľa služieb.				
Vernostný program a karta ma dokážu motivovať aby som začal nakupovať u určitého predajcu / poskytovateľa služieb.				
Členom vernostného programu/ držiteľom vernostnej karty by som sa stal, kvôli okamžitej výhode (akcii, zľave, darčeku a pod.), aj keby ma to k niečomu zaväzovalo (napr., že ma budú môcť v budúcnosti kontaktovať s ponukou/nabídkou).				
Členom vernostného programu/ držiteľom vernostnej karty by som sa stal, kvôli okamžitej výhode (akcii, zľave, darčeku a pod.), ale len ak by ma to k ničomu nezaväzovalo .				

14. Som ochotný výmenou za výhody, bonusy, zľavy, darčeky, služby navyše a podobne predajcovi alebo poskytovateľovi služieb poskytnúť nasledujúce informácie:

Vyplňte oba stĺpce/sloupce.

↓ označte	↓ označte
meno	kontaktné informácie na zamestnávateľa (ak ste nezamestnaný, berte túto otázku hypoteticky, čiže ak by ste boli zamestnaný, poskytni by ste túto informáciu?)
priezvisko	kontaktné informácie na člena rodiny/ priateľa/ známeho
pohlavie	počet svojich detí (ak deti nemáte, berte túto otázku hypoteticky, čiže ak by ste deti mali, poskytni by ste túto informáciu?)
sexuálna orientácia	pohlavie svojich detí (ak deti nemáte, berte túto otázku hypoteticky)
vierovyznanie / víru	záujmy a záľuby svojich detí (ak deti nemáte, berte túto otázku hypoteticky)
presnú adresu bydliska	záujmy a záľuby svojho partnera (ak partnera nemáte, berte túto otázku hypoteticky)
e-mailovú adresu	informácie o domácich miláčikoch (ak domáceho miláči-

		ka nemáte, berte túto otázku hypoteticky)
telefónne číslo		informácie o zdravotnom stave
príjem		informácie o zdravotnom stave svojich rodinných príslušníkov
svoje záľuby a záujmy		informácie o krvnom tlaku po tom, čo Vám ho predajca/poskytovateľ služieb odmeria
číslo účtu		informácie o pomere svalov, vody, tuku v tele po tom, čo mi ho predajca/poskytovateľ služieb odmeria
fotografiu		o stravovacích návykoch
profesiou		miery, výšku, váhu
vzdelanie		hodnotový rebríček
zamestnanie		informácie o kvalite bývania
veľkosť majetku		vlastníctvo motorového vozidla
preferenciu značiek		informácie o vlastníctve nehnuteľnosti

17. Vek v tomto kalendárnom roku:

- a) 15-17 b) 18-24 c) 25-29 d) 30-39 e) 40-49 f) 50-59 g) 60-69 h) 70-79 i) 80-89 j) 90 a viac

18. Pohlavie:

- a) žena b) muž

19. Najvyššie dosiahnuté vzdelanie. Ak ste študent, označte to, čo práve študujete:

- a) primárne (základná škola) b) sekundárne (stredná škola, gymnázium, odborné učilište) c) terciárne (vyššia odborná škola, vysoká škola, univerzita)

20. Národnosť:

21. Veľkosť miesta bydliska:

- a) sídlo pod 2000 obyvateľov
b) vidiecke mesto (2001 - 5000 obyvateľov)
c) malé mesto (5001 - 20 000 obyvateľov)
d) stredne veľké mesto (20 001 - 100 000 obyv.)
e) veľkomesto (100 001 - 1 000 000 obyvateľov)
f) miliónové mesto (viac ako 1 mil. obyvateľov)

22. V súčasnosti som:

- a) zamestnanec b) samostatne zárobkovo činná osoba c) študent d) nezamestnaný e) dôchodca

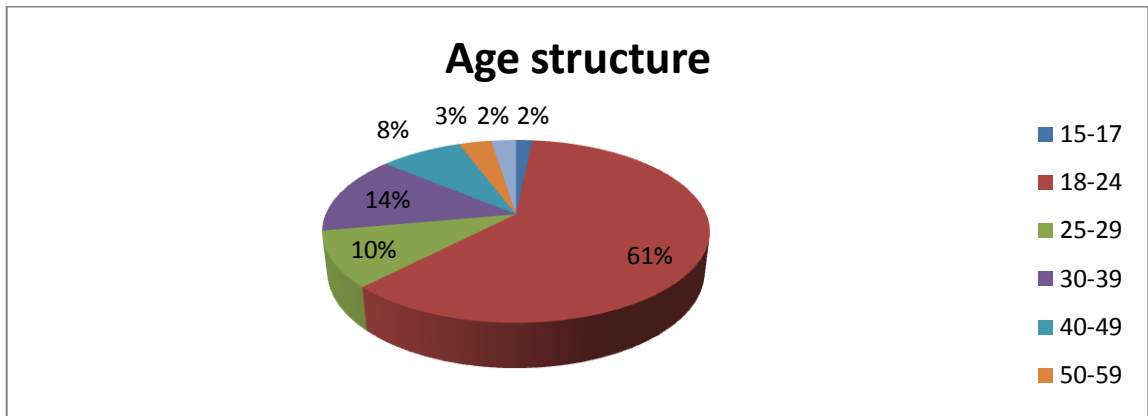
Ďakujem za Váš čas!

Ak Vás zaujíma výsledok výskumu alebo máte nejaké pripomienky, môžete ma kontaktovať na nasledujúcej e-mailovej adrese: Lvaskova@juko.sk

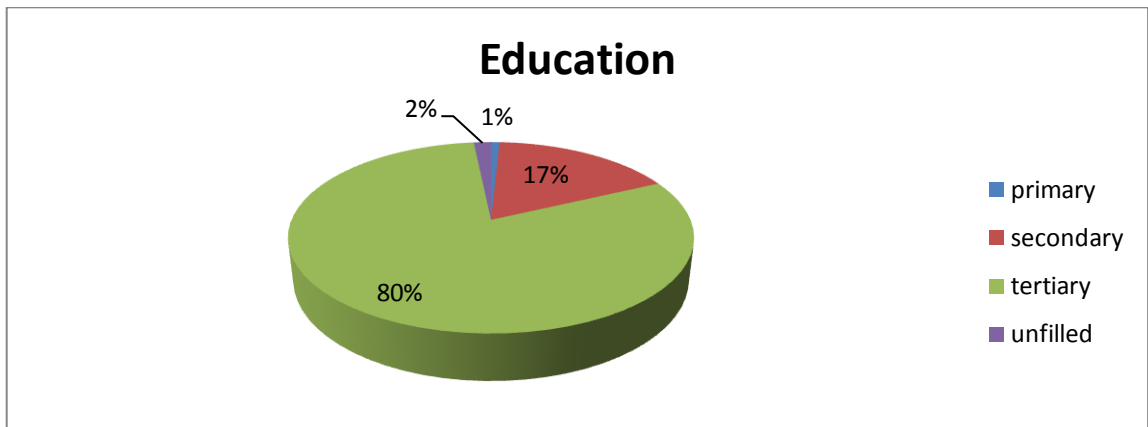
APPENDIX II: STRUCTURE OF THE RESPONDENTS

The research used 122 questionnaires from respondents. After the research has been made the following structure of the respondents appeared.

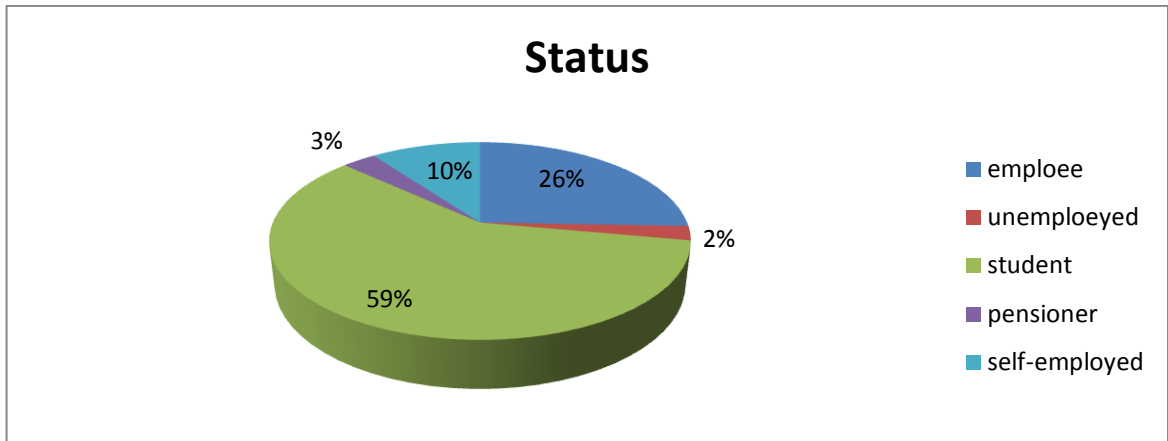
79% respondents claim to be members of at least a one loyalty programme, 21% respondents claim not to be members of any loyalty programme. 24.6% respondents are men and 75.4% women. 57.4% respondents were Czechs, 41% Slovaks and 1.6% Moravians. 1 respondent has both, Czech and Slovak nationality.



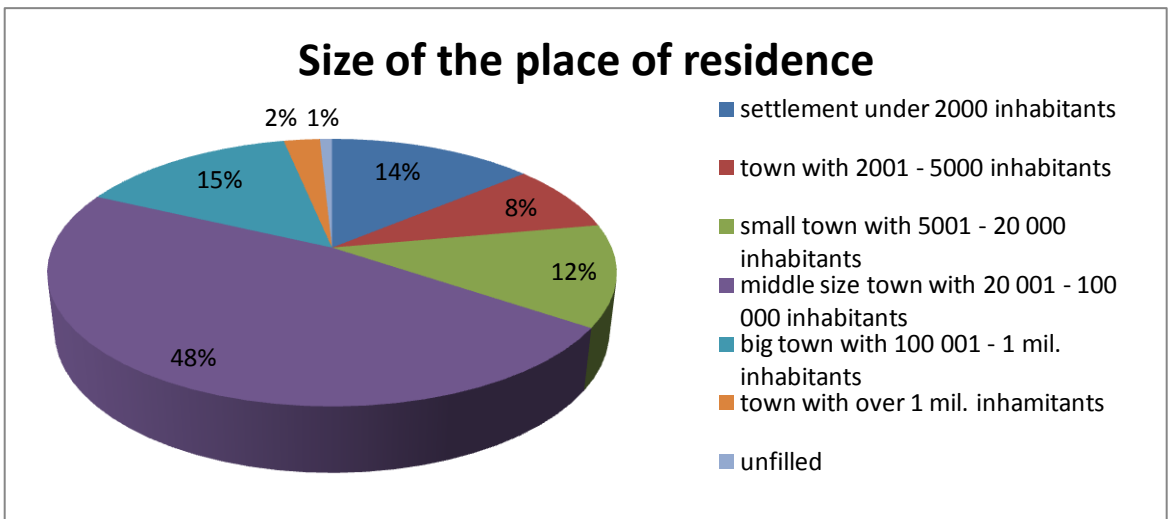
Graph 2 – Age structure of the respondents (source: own research)



Graph 3 – Educational structure of the respondents (source: own research)




Graph 4 – Status of the respondents (source: own research)



Graph 5 – Size of the place of residence (source: own research)

APPENDIX III: TESCO CLUBCARD APPLICATION FORM

Prihlasovací formulár



Tesco Clubcard
Ochrana osobných údajov

Svojím podpisom na príhláške dobrovoľne udeľujem prevádzkovateľovi spoločnosti TESCO STORES SR, a. s., Karmenné nám. 1/A, 815 61 Bratislava, IČO: 31321828, v súlade s § 7 zákona č. 428/2002 Z. z. o ochrane osobných údajov svoj súhlas na to, aby uvedené osobné údaje a rovnako údaje o mojich nákupných zvyklostiach počas trvania môjho členstva vo vernostnom programe Tesco Clubcard spracovával na účely:

- zaradenia do databázy vernostného programu Tesco Clubcard,
- účasti na vernostnom programe Tesco Clubcard v súlade s jeho všeobecnými podmienkami členstva,
- zasielania ponúk tovarov a služieb poskytovaných spoločnosťou Tesco alebo jej obchodnými partnermi,
- vykonávania marketingových prieskumov.

Ak nechcete, aby sme vám zasielali ponuky produktov a služieb alebo vás oslovovali pre marketingové prieskumy, zaškrtnite príslušné políčko v príhláške.

Súhlasím, aby moje osobné údaje boli poskytované tretím stranám, t. j. subjektom spolupracujúcim so spoločnosťou Tesco na vernostnom programe Tesco Clubcard, ako sú spoločnosti skupiny Tesco, reklamné agentúry, zasielateľské agentúry, tlačiarenské spoločnosti a podobne.


Zároveň súhlasím, aby moje osobné údaje boli poskytované takýmto tretím stranám, subjektom spolupracujúcim so spoločnosťou Tesco na vernostnom programe Tesco Clubcard, aj za predpokladu, že pri tomto poskytnutí osobných údajov dôjde k ich prenosu mimo územia Slovenskej republiky.

Spoločnosť TESCO STORES SR, a. s., vyhlasuje, že uvedené osobné údaje použije len na uvedené účely.

Poučenie:

- Udeľený súhlas možno kedykoľvek odvolať listom doručeným do sídla spoločnosti.
- Poskytnutie týchto údajov je dobrovoľné a prevádzkovateľ nemá právny nárok na ich získavanie. Máte právo na informácie, odpis, opravu Vašich osobných údajov vedených v informačnom systéme, a to v sídle spoločnosti TESCO STORES SR, a. s., alebo na bezplatnej tel. linke 0800 222 333.
- Ochrana Vašich osobných údajov sa spravuje zákonom č. 428/2002 Z. z. o ochrane osobných údajov a máte zachované všetky práva v zmysle § 20 tohto zákona.

V prípade neaktuality Vami poskytnutých údajov, po splnení účelu, po podaní námietky alebo v prípade zrušenia členstva v Tesco Clubcard budú tieto údaje zlikvidované. Poskytovateľ osobných údajov vyhlasuje, že ním poskytnuté údaje sú pravdivé a ich zmenu bezodkladne ohlásí spoločnosti TESCO STORES SR, a. s.



Ďakujeme, že ste s nami | **TESCO**

**Začnite s ňou ešte dnes.
Je úžasná!**

Vypíšte tento formulár
a získajte svoju už aktivovanú kartou!