AN IMPACT OF LOYALTY CARDS ON CONSUMER PURCHASING BEHAVIOUR IN APPAREL INDUSTRY

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ABSTRACT: *Apparel manufacturing is one of the most desired businesses today. With the advancements in the technology, there are huge scopes for the apparel industry to make great strides soon and reap in rich rewards. India ranks among the top target countries for any company sourcing textiles and apparel. Indeed, apart from China, no other country can match the size, spread, depth, and competitiveness of the Indian textile and apparel industry. Moreover, the global elimination of quotas at the end of 2004 has greatly enhanced the opportunities for sourcing from India. This special report focuses on the opportunities which India now offers as a source of textiles and apparel. Based on a detailed examination of the performance of a large number of apparel and home textile products in the US and EU markets in 2005, the report identifies those which offer the greatest scope for sourcing from India. The report includes profiles of Indian textile and apparel companies which are potential partners for sourcing or collaboration. It also examines the competitiveness of India's yarn and fabrics industry, identifies opportunities for foreign collaboration, and provides a wealth of statistical data*

Limited research on loyalty programs, it is still unclear to what extent and failure of different programs. Although some studies have examined the moderating effects of program and consumer characteristics, existing research tends to put a loyalty program in a vacuum that is void of impact from rival firms and programs. This omission of competitive influence is undesirable; prior research has shown that myopic profit maximization without considering competition can lead to suboptimal firm decisions (e.g., Carpenter et al. 1988). It also counters the marketplace reality of loyalty program proliferation within many industries. Questions still remain as to Whether competitive loyalty programs in such industries really cancel one another's effects out, creating a zero-sum game, or whether some firms may enjoy asymmetric advantages with their loyalty programs due to their competitive positioning. Answers to these questions are critical to a complete understanding of loyalty programs. Incorporating competition will also offer more useful decision support to loyalty program managers and to firms that are pondering the establishment of a new loyalty program in the presence of existing rival program.

I.   INTRODUCTION

Loyalty programs are everywhere in business. Customers interact with them multiple times almost every day—whether shopping at a grocery store, buying a cup of coffee, flying on an airline, staying at a hotel, or paying a cell phone bill. In other words, companies have become convinced that it is possible to buy customers' loyalty. Do loyalty programs really work, or are these companies just wasting their money? Can a loyalty program change how people behave and get them to spend more money with that company? Can loyalty programs reduce the likelihood that customers will move their business to a competitor? This report attempts to answer these questions and takes a detailed look at the current environment for loyalty programs and the strategies businesses are using in implementing these programs. In addition, the paper presents a series of best practices that can create meaningful competitive advantages for companies that offer loyalty programs (that is, "host companies"), their partners, and their customers.

Consumer tastes and the comparative manufacturing costs are the two major causes that play an important role in creating demand of apparels in the market. A company, engaged in the production of garments will earn profit or not purely depends on its operational efficiency and its ability to carry an agreement with the clothing marketers especially in the clothing wholesale and clothing retail sector. A large number of work done in the apparel industry is mainly labor intensive. Large number of the skilled laborers is required as they are very important for a company producing garments. Without them even dream of competing with the larger garment companies cannot be fulfilled

The study is focused to find out the impact of loyalty cards on consumer purchase behavior. It is found that the consumer today is demanding higher level of Service than products. Retailers need to focus on delivering (selling) experience along with products. By this project a suggestion is given like it is essential to

offer more convenient way to use the loyalty card. We have indicated few options that can be adopted, such as: One card for all, Code based usage, Integrate it with the credit card etc.

Statement of the Problem

The garments manufacturing firms mostly specialize in manufacturing only one or two types of clothing. This is because different varieties of skills and machineries are required to make various types of clothes. In apparel industry market, apparel manufacturers are also of different types. One is the integrated manufactures who primarily design and manufacture garments in their manufacturing plants. These manufacturers promote or market their finished clothing products in the various geographical locations of the world under license from the other apparel brand owners. There are another type of manufacturers known as contract manufacturers who make different varieties of clothing under contracts from independent designers. These designers promote their own brand of clothing's in which the manufacturers do not have any role to play. Hence the present study is essential to analyse the impact of loyalty card on consumer purchasing behaviour.

Objectives of the Study

The Prime objective of the research is to identify the impact of loyalty cards on consumer purchase behavior, the factors affecting customer's loyalty and to find the relationship between loyalty card and customer loyalty.

Scope of the Study

By studying the importance of loyalty cards it help the business gain competitive edge and can hence increase profitability. The retailers can ensure that their programs offer both value and other customer benefits. Understanding the effectiveness of loyalty cards option helps in customer retention.

Limitations of the Study

The results could be skewed because of a small sample size of 200 only. The scope of the research is limited to the city of Chennai only. For convenience purpose, the population taken for the study refers to the consumers of 5 retail outlets of (Apparel Industry) only. The Accuracy of the data depends on the answers given by the respondents.

II.   Literature Review

Prior research has documented mixed outcomes of loyalty programs operating in the same markets. For example, Meyer-Waarden and Benavent (2006) compare a consumer panel's observed purchases at seven grocery stores with Dirichlet predictions and find excessive loyalty attributable to loyalty programs for only three stores. The loyalty programs that Leenheer and colleagues (2007) study also varied on their share-of-wallet impact and profitability. A natural question from these mixed findings is why loyalty programs exhibit diverse performance. Although this phenomenon may not be surprising, a systematic understanding of the factors contributing to diverse loyalty program performances is important because it can aid in managers' assessment of whether a loyalty program is appropriate in a certain context and can help identify ways of improving the effectiveness of such programs

(Bolton, Kannan, and Bramlett 2000).

In studying loyalty program performance, it is important to recognize that loyalty programs do not operate as separate entities in an isolated environment. Their success depends not only on the programs themselves but also on other facilitating or inhibiting factors present in the environment. Specifically, we propose three sets of factors that represent the main market entities involved: the focal loyalty program, the consumers (i.e., target market), and rival programs and firms (i.e., competition). Figure 1 lists the factors and sample studies within each set. Of these, program related factors explain a firm's internal strategies that can contribute to the success of a loyalty program, whereas consumer and competition factors represent things in the external environment that are equally important to loyalty program performance.

We argue that it is the joint force of all these factors that determines the eventual outcome of a loyalty program. This line of thinking resembles other studies of marketing strategy, in which the initiation and outcomes of marketing strategies are affected by both the internal environment of the firm and external market and industry environments (Varadarajan and Jayachandran 1999).

Figure 1
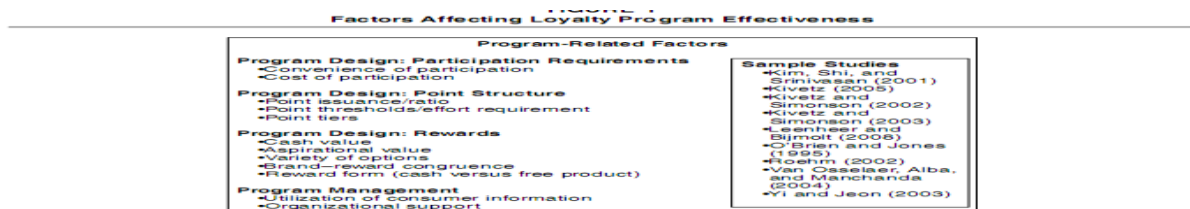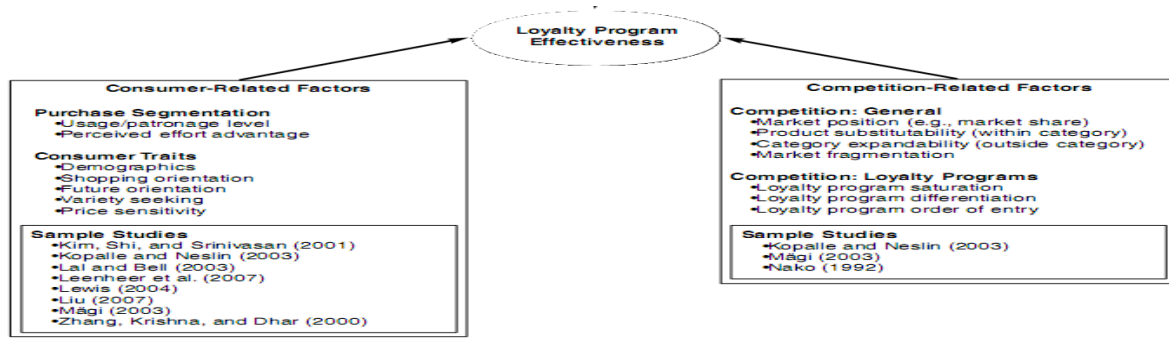
Factors Affecting Loyalty Program Effectiveness

Competing Loyalty Programs: Impact of Market Saturation, Market Share and Category Expandability: Journal of Marketing Vol. 73 (January 2009), 93–108

Before we turn to the literature, however, it is important to note that loyalty program performance can be measured in multiple ways. Nunes and Drèze (2006) suggest that loyalty programs can serve different goals, such as retaining customers, increasing spending, and gaining customer insights. Therefore, each program should have its own unique set of success measures depending on its intended goals. For cross-comparison purposes, however, it is also useful to examine some standard measures. Prior research has used consumer level outcomes, such as purchase frequency, transaction size, and share of wallet, as well as firm-level factors, such as store sales and traffic. Although all these measures are useful, because each measure may be driven by different underlying mechanisms, caution should be taken before directly comparing some of the existing studies.

Existing Research on Loyalty Program Performance

Program-related factors:

Program-related factors include both program design and management. From the design perspective, a loyalty program needs three key specifications: (1) participation requirements, (2) point structure, and (3) rewards. The first element pertains to the convenience and cost of participation. Participation modes can be differentiated by voluntary versus automatic enrollment and free versus fee-based membership. Programs also differ in terms of how convenient it is for consumers to participate (O'Brien and Jones 1995). For example, some programs automatically accumulate points, whereas others require more effort from consumers, such as manual code entry required by My Coke Rewards. O'Brien and Jones (1995) suggest

that the convenience of participation can affect the appeal of a loyalty program. So far, however, the effects of participation requirements have not received much empirical examination.

The second aspect of a loyalty program, point structure, involves how reward points are issued, what the point thresholds are for redeeming rewards, and whether a tiered structure is used. Regarding the issuing of reward points, Van Osselaer, Alba, and Manchanda (2004) find that though point threshold stays the same, the way points are issued over each purchase (ascending points versus same points per purchase) affects consumers choices. This suggests that point issuance is not a nuisance to consumers and should not be determined arbitrarily. Point threshold is another important aspect of point structure, and it has been tied in to program relevance (O'Brien and Jones 1995). If the point threshold for a free reward is too high, it will be considered unobtainable for the average consumers and thus will be dismissed as irrelevant. The final aspect of point structure involves tiered structures (e.g., gold and platinum memberships based on spending levels). Taking this tiered structure into account, Kopalle and colleagues (2007) find that program tiers create a point pressure effect on purchases by both price-conscious and service-oriented consumers, whereas the frequency reward itself creates such an effect only for price-conscious consumers.

The third design element, choice and availability of rewards, has received the most extensive attention in existing studies. This design element includes reward value and cost, actual rewards offered, and their compatibility with the focal brand. For example, O'Brien and Jones (1995) suggest reward ratio, variety of reward redemption options, and aspirational value of rewards as important considerations. Kivetz and Simonson (2002) test the aspirational value aspect in an experimental setting and find its effects to be moderated by effort requirement. A luxury reward is preferred when effort requirement is high, whereas a less aspiration necessity reward is preferred when effort requirement is low. A few studies have considered the congruence between rewards offered and the focal brand and find that, in general, brand-congruent rewards are more effective than incongruent rewards though this effect is moderated by factors such as consumer involvement and promotional reactance (Kivetz 2005; Roehm, Pullins, and Roehm 2002; Yi and Jeon

2003). Focusing more from a firm strategy perspective, Kim, Shi, and Srinivasan (2001) use game theory to identify the optimal conditions for offering cash versus free products as rewards. They find that the former is better if there are few price sensitive heavy buyers, whereas the latter is more effective when the heavy buyer group is large or not very price sensitive.

In addition to program design factors, research has shown the impact of program management on the success of a loyalty program. For example, from a survey of 180 retailers, Leenheer and Bijmolt (2008) conclude that the success of a loyalty program is affected by the effort spent on capturing and analyzing consumer intelligence derived from the program. It may be surmised that the success of a loyalty program also depends on organizational support of the program and the amount of resources dedicated to program empirical testing.

Consumer characteristics:

Although proper program design and management are critical, it is consumers' reactions to a loyalty program that ultimately determine program success. Fewer studies have examined the impact of consumer characteristics on loyalty program effects. Consumer characteristics can be crudely classified into firm specific attitudinal and behavioral factors versus traits and characteristics that carry across firms. In the former category, Lal and Bell (2003) and Liu (2007) examine the moderating effect of consumers' usage levels. Contrary to traditional wisdom of loyalty programs as a defense mechanism mainly for heavy buyers, these studies find the biggest increase in spending and purchase frequency among light buyers. This is attributed to loyalty programs' ability to eliminate cherry-picking (Lal and Bell 2003) and to encourage cross-selling (Liu 2007). Within this category of studies, Kivetz and Simonson (2003) also examine the effect of perceived effort advantage.

Rather than treating point threshold as a program design factor, as we discussed previously, Kivetz and Simonson find that it is not the effort required per se but the perceived effort advantage a consumer has over other consumers that affects his or her likelihood of joining a program. This perceived effort advantage again can be driven by consumers' usage levels. However, note that this effort advantage effect may drive program joining decisions but may not carry over to what consumers do after they have joined a program.

Additional studies have segmented consumers according to their generic traits or characteristics, such as socio-demographics (Leenheer et al. 2007), shopping orientation (Mägi 2003), future orientation (Kopalle and Neslin 2003), variety seeking (Zhang, Krishna, and Dhar 2000), and price sensitivity (Kim, Shi, and Srinivasan 2001; Kopalle et al. 2007). However, few of these factors have received empirical support. This may be attributed to the over generalized nature of these variables.

So far, two factors, future orientation and price sensitivity, have received some support. Because loyalty programs reward consumers' current behavior at some point in the future, it is not surprising that such programs are found to be more appealing to consumers who do not heavily discount future benefits (Kopalle and Neslin 2003). Corroborating this view, Lewis (2004) finds that treating consumers as dynamically oriented better explains their purchase decisions in the presence of a loyalty program. The second factor, price sensitivity, has been found to moderate consumers' reactions to program design elements (Kopalle et al.2007).

Overall, existing studies of consumer-related factors appear to suggest that firm specific behavior and attitudes are better predictors of consumer reaction to a loyalty program. However, further research is needed to identify and test other consumer traits before a final conclusion can be drawn. We also note that though consumer-related factors have been mainly used to explain differential responses to the same loyalty program, they can also contribute to the diverse performances across programs by considering the varying composition of program members. Examples of this approach can be found in two game-theoretic models related to loyalty programs (Kim, Shi, and Srinivasan 2001; Zhang, Krishna, and Dhar 2000), in which individual characteristics, such as variety seeking and price sensitivity, are translated into market characteristics.

Competition-related factors:

One problem with considering only program- and consumer-related factors is that it puts the program-offering firm and consumers in an isolated setting. In reality, however, most loyalty programs face competition from rival programs that offer similar benefits, and enrollment in multiple programs is common. In the retail industry, for example, consumers hold an average of three loyalty program cards (Meyer-Waarden 2007). This has led to the suggestion that firms need to "take into account cardholders' 'card portfolios' when evaluating the effectiveness of loyalty programs" (Mägi 2003, p. 104). However, research on this type of influence is scarcest, as is apparent in the shortest list of published studies in this set shown in

Figure 1. A majority of existing studies have examined a single loyalty program in isolation. Among the few studies that have considered simultaneously the performances of multiple loyalty programs (e.g., Leenheeret al. 2007; Meyer-Waarden and Benavent 2006), most treat the programs as parallel strategies and do not explain the inter- action among those programs. Only four published studies have considered loyalty programs in a competitive setting. Two of these studies (Mägi 2003; Meyer-Waarden 2007) find that consumers' holding loyalty program cards from competing chains reduces the share of wallet and customer lifetime for the focal chain. However, they do not consider the direct effect of competition on program performance, nor do they identify the reasons for competitive influence. Two earlier studies offer more specific examination of loyalty program competition and study the effect of firm-level factors. Nako (1992) analyzes travel records from three firms in the Philadelphia and Baltimore metropolitan areas. The results show that the value of a frequent-flier program increases with the airline's share in a traveler's main airport, suggesting the

influence of a firm's market position on the success of its loyalty program. Along similar lines, Kopalle and Neslin (2003) model loyalty program competition and demonstrate that free rewards offered by firms charging higher prices are valued more by consumers. However, this proposition is not empirically tested and is likely to be constrained by model assumptions about market conditions and consumer behavior.

Research Design: A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose on the relevant research problem. In this study descriptive research method is used to carry out the research.In this research the population relates with reference to Chennai city. It specially refers to the consumers of Pantaloons, Life Style, Globus, Westside, and Shoppers stop.Simple Random sampling is used in this research. It is constituted according to the convenience of the researcher. The sample size was taken for this survey is 200.

Source of Data

Both primary data and secondary data are used. Primary data was collected through Questionnaire and Personal interview likewise the secondary data collected form Company Profile, Books, Magazines, websites, Broachers' and Pamphlets'

Tools for Analysis

The tools used in the study for analysis of data are simple percentage analysis and Chi Square. Percentage method is used in making comparisons between two or more series of data. The percentage method is adopted to analyze the data in most comprehensible way. The percentage data was shown through the pie charts, bar diagrams and tables.

Percentage Conversion   = $\underline{\text{No. of response}}$ x 100
                                        Total response

Chi-Square

The chi-square is one of the most popular statistics because it is easy to calculate and interpret. There are two kinds of chi-square tests. The first is called a one-way analysis, and the second is called a two-way analysis. The purpose of both is to determine whether the observed frequencies (counts) markedly differ from the frequencies that we would expect by chance.

Chi-square test χ^2 = $\sum \dfrac{(O-E)2}{E}$

Where,

O	=	Observed frequency
E	=	Expected frequency
d.f.	=	Degrees of freedom = (r-1) (c-1)

III. ANALYSIS AND DISCUSSION
TABLE NO. 3.1
GENDER OF THE RESPONDENTS

S.No.	Gender	No. of respondents	Percentage
1	Male	69	34.5
2	Female	131	65.5
	Total	**200**	**100**

Source: Primary data.

The above table clearly shows that 34.5% are male respondents and 65.5% are female respondents. It shows that female is more interested in shopping compared to male.

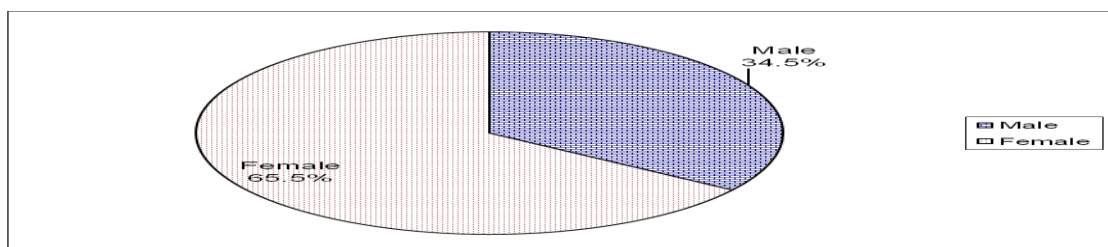**Fig. 3.1**
GENDER OF THE RESPONDENTS

TABLE NO. 3.2

AGE OF THE RESPONDENTS

S.No.	Age	No. of respondents	Percentage
1	Below 20 years	92	46
2	21-30 years	88	44
3	31-40 years	13	6.5
4	41-50 years	4	2
5	51 years and above	3	1.5
	Total	**200**	**100**

Source: Primary data.

The above table shows that 46% of the respondents are below 20 years of age, and 1.5% are at the age group of 51 years and above. Its shows that youth spend much in shopping and major purchasing decisions are made by them respondents above 51 yrs restrict themselves in shopping may be due to health reason are change in culture and fashion.

Fig. 3.2
AGE OF THE RESPONDENTS
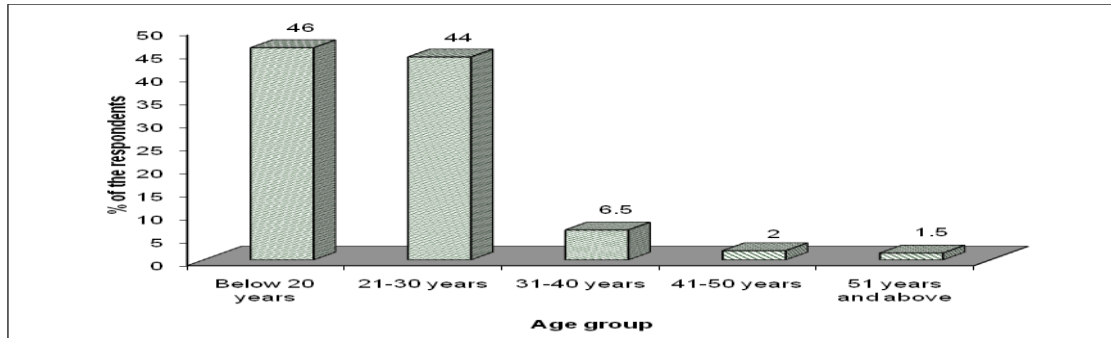
TABLE NO. 3.3
OCCUPATION OF THE RESPONDENTS

S.No.	Occupation	No. of respondents	Percentage
1	Student	90	45
2	Govt. employee	17	8.5
3	Private employee	52	26
4	Business	33	16.5
5	Others	8	4
	Total	**200**	**100**

Source: Primary data.

It is viewed from the above table that majority i.e. 45% of the respondents are students, who don't actually earn but they are the one mostly spend time in shopping.4% are other categories.

Fig. 3.3
OCCUPATION OF THE RESPONDENTS
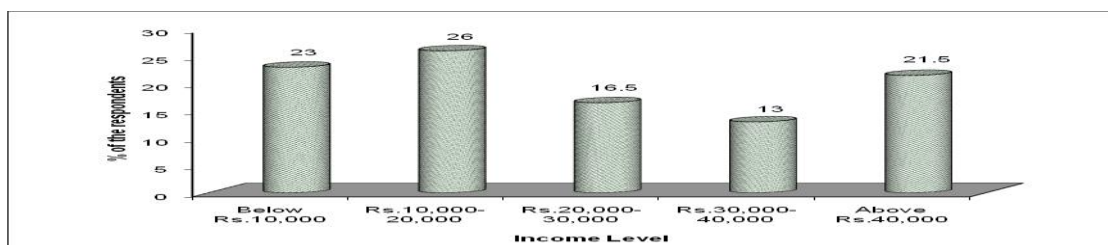

TABLE NO. 3.4
INCOME OF THE RESPONDENTS

S.No.	Income	No. of respondents	Percentage
1	Below Rs.10,000	46	23
2	Rs.10,000-20,000	52	26
3	Rs.20,000-30,000	33	16.5
4	Rs.30,000-40,000	26	13
5	Above Rs.40,000	43	21.5
	Total	**200**	**100**

Source: Primary data.

It is derived from the above table that the respondents income level between Rs.10,000-20,000 are 26%, is because of economic growth and nuclear family size were both the members in the family earn and the income above Rs.40,000 are 21.5% of the respondents.

Fig. 3.4
INCOME OF THE RESPONDENTS

TABLE NO. 3.5
FREQUENTLY SHOPPING MADE BY THE RESPONDENTS

S.No.	APPAREL OUTLETS	No. of respondents	Percentage
1	Shoppers Stop	32	16
2	Globus	47	23.5
3	Pantaloons	35	17.5

4	Life Style	26	13
5	West Side	60	30
	Total	**200**	**100**

Source: Primary data.

It is observed from the above table that highly 30% of the respondents are make shopping frequently at West Side, 23.5% of the respondents are make shopping frequently at Globus, 17.5% of the respondents are make shopping frequently at Pantaloons, 16% of the respondents are make shopping frequently at Shoppers Shop and very few (13%) of the respondents are make shopping frequently at Life Style.

Fig. 3.5
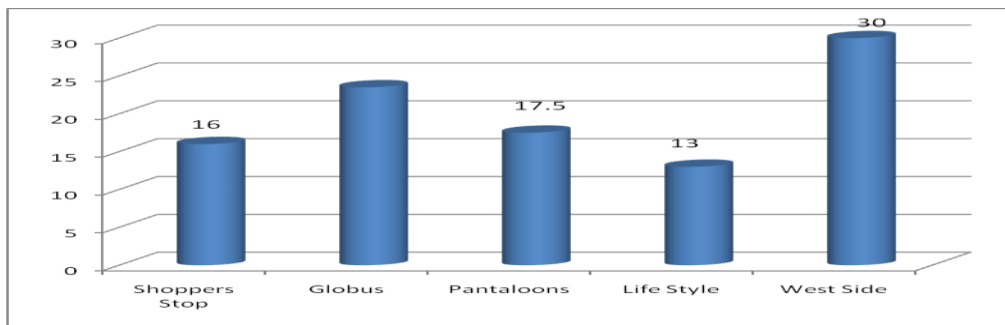
FREQUENTLY SHOPPING MADE BY THE RESPONDENTS

TABLE NO. 3.6
OPINION ABOUT THE FEATURES THAT MAKE THE RESPONDENTS TO REVISIT THE STORE

PARTICULARS	Strongly agree		Agree		No opinion		Disagree		Strongly Disagree		Total	
	Nos	%	Nos	%	Nos	%	Nos	%	Nos	%	Nos	%
Price	95	47.5	75	37.5	2	1	25	12.5	3	1.5	200	100
Quality	99	49.5	54	27	22	11	19	9.5	6	3	200	100
Service	93	46.5	77	38.5	26	13	4	2	0	0	200	100
Loyalty Cards	109	54.5	59	29.5	15	7.5	14	7	3	1.5	200	100
Ambience	88	44	58	29	32	16	18	9	4	2	200	100
Convenience	69	34.5	64	32	32	16	22	11	8	4	200	100
After sales Service	19	9.5	67	33.5	94	47	15	7.5	5	2.5	200	100
Discounts	105	52.5	73	36.5	4	2	18	9	4	2	200	100
Product	66	33	85	42.5	31	15.5	14	7	4	2	200	100
Location	68	34	74	37	34	17	13	6.5	8	4	200	100
Total	811	405.5	686	343	292	146	162	81	45	22.5	2000	1000

Source: Primary data.

The above table shows that the opinion about the features makes respondents to revisit the stores, that 47.5% of the respondents strongly agree with price, 49.5% of the respondents strongly agree with quality, 46.5% of the respondents strongly agree with service and 54.5% of the respondents with loyalty cards, 44% of the respondents with ambience, 34.5% of the respondents with convenience, 52.5% of the respondents with discounts are all strongly agree, and 47% of the respondents goes with after sales service, 42.5% of the respondents goes with product, 37% of the respondents goes with location and they all agree with these features.

Fig. 3.6
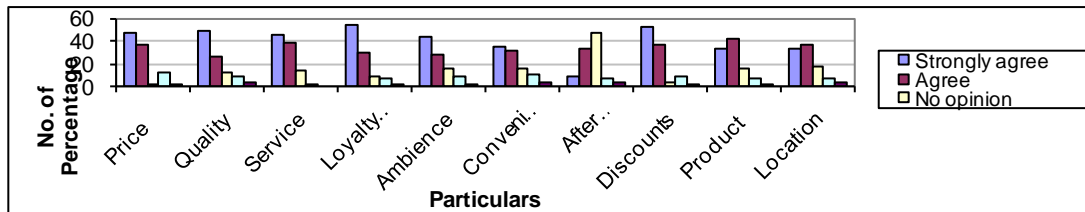**OPINION ABOUT THE FEATURES THAT MAKE THE RESPONDENTS TO REVISIT THE STORE**

TABLE NO. 3.7
FREQUENCY OF SHOPPING MADE BY THE RESPONDENTS

S. No.	Frequency of shopping	No. of respondents	Percentage
1	Ones in a week	30	15
2	Twice in month	43	21.5
3	Once in a month	67	33.5
4	Once every 2 months	49	24.5
5	Once every 6 months	11	5.5
	Total	**200**	**100**

Source: Primary data.

The above is consequent that 33.5% of the respondents are shopping frequently once in a month, 24.5% of the respondents are shopping frequently once in every two months, 21.5% of the respondents are shopping frequently twice in a month, 15% of the respondents are shopping frequently once in a week and very few 5.5% of the respondents are shopping frequently once in every six months.

Fig. 3.7
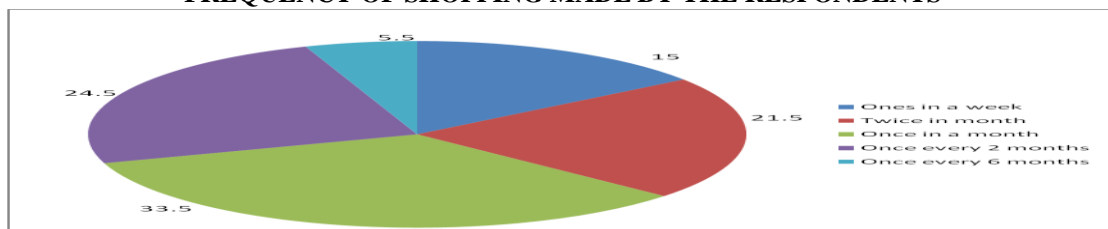**FREQUENCY OF SHOPPING MADE BY THE RESPONDENTS**

TABLE NO. 3.8
AVERAGE AMOUNT SPENT EACH TIME FOR SHOPPING BY THE RESPONDENTS

| S.No.	Average amount spent	No. of respondents	Percentage
1	<500	11	5.5
2	500-2000	63	31.5

3	2000-5000	72	36
4	>5000	54	27
	Total	**200**	**100**

Source: Primary data.

It is interpreted that 36% of the respondents spent Rs.2000-5000 as average amount for shopping, 31.5% of the respondents spent Rs.500-2000 as average amount for shopping, 27% of the respondents spent Rs.5000 and above as average amount for shopping and 5.5% of the respondents spent below Rs.500 as average amount for shopping.

Fig. 3.8

AVERAGE AMOUNT SPENT EACH TIME FOR SHOPPING BY THE RESPONDENTS
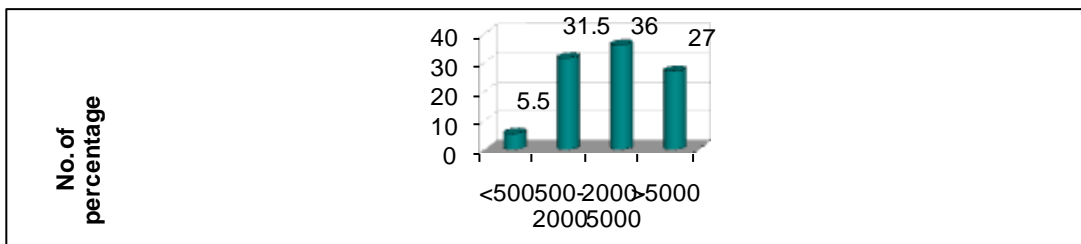
TABLE NO. 3.9
AWARENESS ABOUT LOYALTY CARDS BY THE RESPONDENTS

S. No.	Particulars	No. of respondents	Percentage
1	Yes	120	60
2	No	55	27.5
3	Interested in knowing	25	12.5
	Total	**200**	**100**

Source: Primary data.

It is derived that 60% of the respondents have awareness about loyalty cards, 27.5% of the respondents don't have awareness about loyalty cards and 12.5% of the respondents are interested to know about the awareness on loyalty cards.

Fig. 3.9
AWARENESS ABOUT LOYALTY CARDS BY THE RESPONDENTS
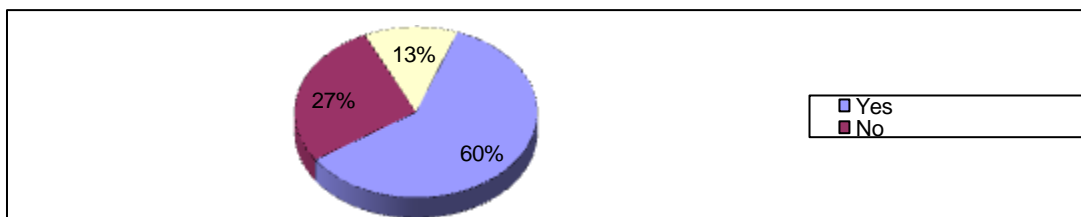
TABLE NO. 3.10
INTERESTED IN KNOWING ABOUT LOYALTY CARDS IN DIFFERENT MODES BY THE RESPONDENTS
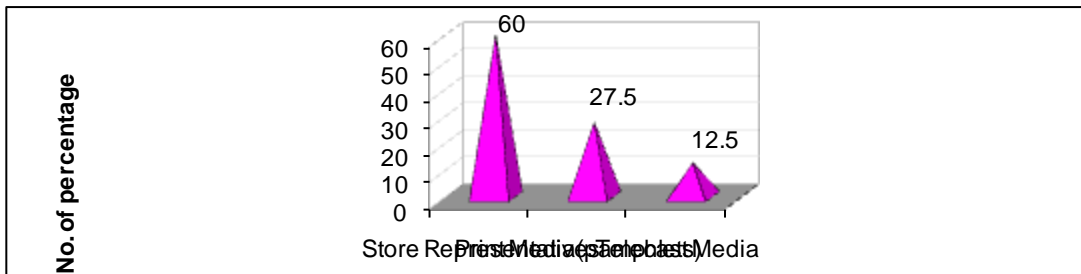
S. No.	Particulars	No. of respondents	Percentage
1	Store Representatives	120	60
2	Print Media(pamphlets)	55	27.5
3	Telecast Media	25	12.5
	Total	**200**	**100**

Source: Primary data.

The above table shows that 60% of the respondents are interested to know about loyalty cards by store representatives, 27.5% of the respondents are interested to know about loyalty cards through pamphlets and 12.5% of the respondents are interested to know about loyalty cards through telecast media.

Fig. 3.10
INTERESTED IN KNOWING ABOUT LOYALTY CARDS IN DIFFERENT MODES BY THE RESPONDENTS

TABLE NO. 3.11
NUMBER OF LOYALTY CARDS OWNED BY THE RESPONDENTS

S. No.	Particulars	No. of respondents	Percentage
1	1	109	54.5
2	2-4	47	23.5
3	>4	25	12.5
4	NONE	19	9.5
	Total	**200**	**100**

Source: Primary data.

By the above table it is consequent that 54.5% of the respondents are have only one loyalty card, 23.5% of the respondents are owned 2 to 4 loyalty cards, 12.5% of the respondents own more than 4 loyalty cards and 9.5% of the respondents don't own any loyalty card.

Fig. 3.11
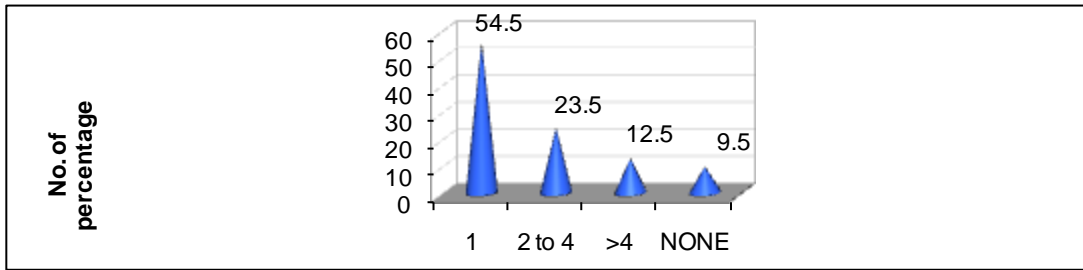**NUMBER OF LOYALTY CARDS OWNED BY THE RESPONDENTS**

Fig. 3.12

OPINION ABOUT LOYALTY CARDS BY NON OWNED RESPONDENTS

S. No.	Particulars	No. of respondents	Percentage
1	Never heard about it	7	36.84
2	Waste of time	2	10.53
3	Waste of money	1	5.26
4	Excess of personal information sharing	9	47.37
	Total	**19**	**100**

Source: Primary data.

It is interpreted that 47.37% of the respondents opinion is that excess of personal information sharing, 36.84% of the respondents opinion is that they never heard about it, 10.53% of the respondents opinion is that this is waste of time and 5.26% of the respondents opinion is that it is waste of money.

Fig. 3.12
OPINION ABOUT LOYALTY CARDS BY NON OWNED RESPONDENTS
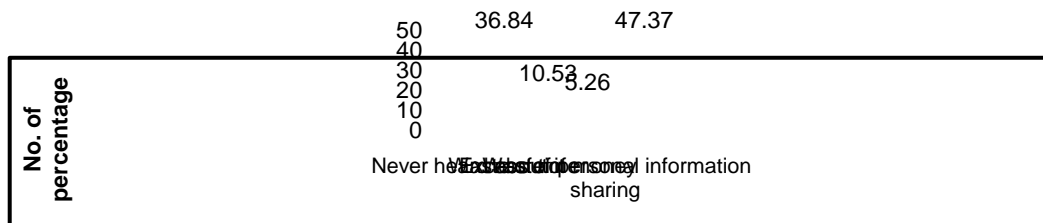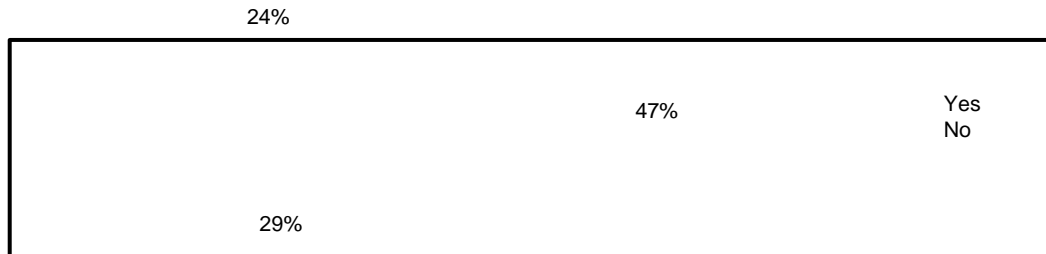

TABLE NO. 3.13

OPINION ABOUT MAKING SHOPPING IN FAVOURITE STORE WITHOUT THE PROVISION OF LOYALTY CARDS

S. No.	Particulars	No. of respondents	Percentage
1	Yes	95	47.5
2	No	57	28.5
3	No Idea	48	24
	Total	**200**	**100**

Source: Primary data.

It is interpreted that 47.5% of the respondents opinion about making shopping in favourite store without the provision of loyalty cards are 'yes', 28.5% of the respondents opinion are 'no' and 24% of the respondents have no idea.

Fig. 3.13
OPINION ABOUT MAKING SHOPPING IN FAVOURITE STORE WITHOUT THE PROVISION OF LOYALTY CARDS

24%

47%   Yes
           No

29%

TABLE NO. 3.14
OPINION TO INCREASE THE PURCHASE FROM A PARTICULAR STORE SINCE THEY POSESS THE LOYALTY CARD

S. No.	Particulars	No. of respondents	Percentage
1	Yes	176	88
2	No	14	7
3	Possibilities are there	10	5
	Total	**200**	**100**

Source: Primary data. It is interpreted that 88% of the respondents opinion is to increase the purchare from a particular store since they possess the loyalty card are 'yes', 7% of the respondents opinion are 'no' and 24% of the respondents say that possibilities are there.

Fig. 3.14
OPINION TO INCREASE THE PURCHASE FROM A PARTICULAR STORE SINCE THEY POSESS THE LOYALTY CARD

88%

☐ Yes
■ No

5%
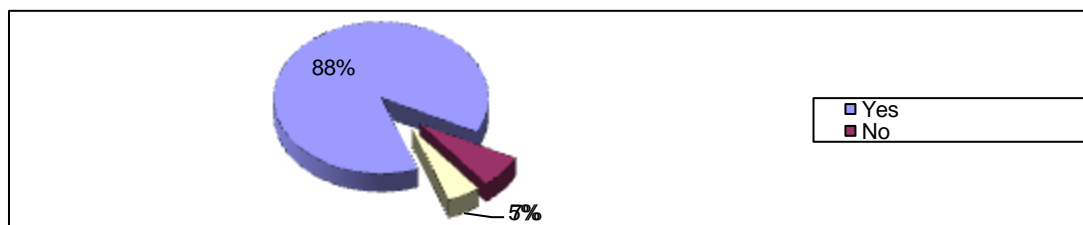
TABLE NO 15
OPINION ABOUT RETAILER'S LOYALTY CARD OPTION BY THE RESPONDENTS

S. No.	Particulars	No. of respondents	Percentage
1	Beneficial in terms of offers, gifts etc.	92	46
2	Quick/easy access to promotional information	30	15
3	Waste of time	15	7.5
4	Excess Sharing of personal information	17	8.5
5	Inconvenience in carrying cards	46	23

	Total	200	100

Source: Primary data.

It is derived the respondents opinion about retailer's card option that 46% of the respondents feel that beneficial in terms of offers, gifts etc, 23% of the respondents feel that inconvenience in carrying cards, 15% of the respondents feel that quick/easy access to promotional information, 8.5% of the respondents feel that excess sharing of personal information and 7.5% of the respondents feel that its a waste of time.

Fig. 3.15
OPINION ABOUT RETAILER'S LOYALTY CARD OPTION BY THE RESPONDENTS
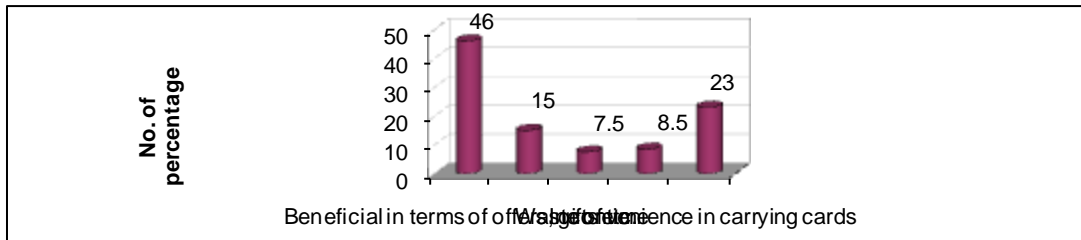
TABLE NO. 3.16
OPINION ABOUT MAKING ADDITIONAL PURCHASE TO GET LOYALTY CARD

S. No.	Particulars	No. of respondents	Percentage
1	Yes	187	93.5
2	No	13	6.5
	Total	**200**	**100**

Source: Primary data.

It is observed that 93.5% of the respondents feel that they have to make additional purchase to get loyalty card and 6.5% of the respondents feel that they don't need to make additional purchase.

Fig. 3.16
OPINION ABOUT MAKING ADDITIONAL PURCHASE TO GET LOYALTY CARD
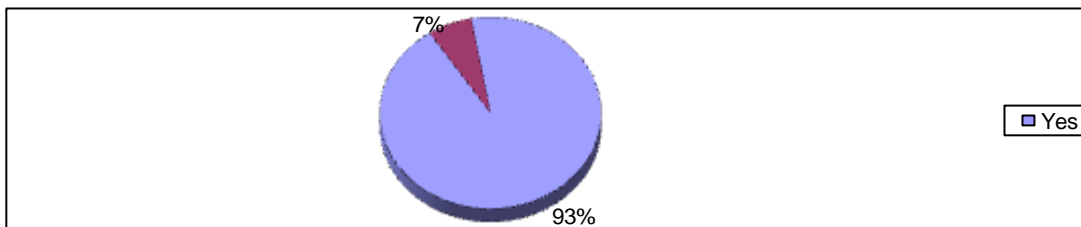
TABLE NO. 3.17
NEED OF A LOYALTY CARD OF A PARTICULAR STORE

Particulars	Strongly agree		Agree		No opinion		Disagree		Strongly Disagree		Total	
	Nos	%	Nos	%	Nos	%	Nos	%	Nos	%	Nos	%
Discounts	109	54.5	59	29.5	15	7.5	14	7	3	1.5	200	100
Special offers	99	49.5	54	27	22	11	19	9.5	6	3	200	100
New arrivals	93	46.5	77	38.5	26	13	4	2	0	0	200	100

Preferential treatment	95	47.5	75	37.5	2	1	25	12.5	3	1.5	200	100
Status symbol	88	44	58	29	32	16	18	9	4	2	200	100
Total	484	242	323	161.5	97	48.5	80	40	16	8	1000	500

Source: Primary data.

The above table shows that the need of loyalty cards of a particular stores, that the respondents strongly agree the features are 47.5% with discounts, 49.5% with special offers, 46.5% with new arrivals, 54.5% with preferential treatment and 44% of the respondents with status symbol.

Fig. 3.17
NEED OF A LOYALTY CARD OF A PARTICULAR STORE
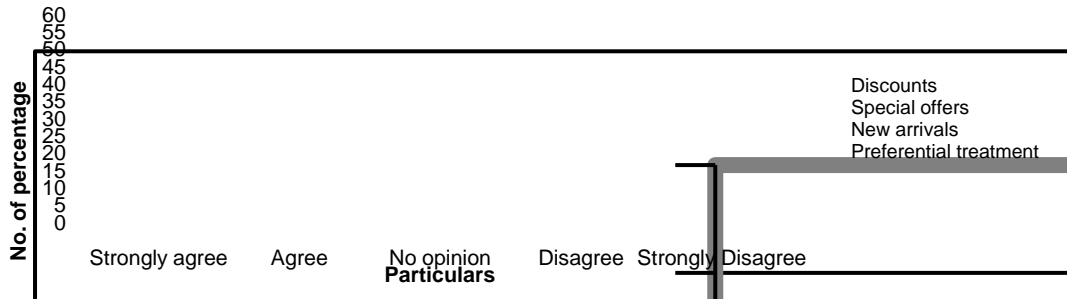
TABLE NO. 3.18
OPINION TO THE FOLLOWING STATEMENTS BY THE RESPONDENTS

| OPINION	Agree		No opinion		Disagree		Total	
	Nos	%	Nos	%	Nos	%	Nos	%
I have loyalty cards which I don't use	66	33	17	8.5	117	58.5	200	100
I would shop in any store that suits me regardless of whether they have a loyalty scheme	122	61	38	19	40	20	200	100
I Save a lot of money by using my loyalty vouchers	162	81	26	13	12	6	200	100
I shop wherever I get better discounts	152	76	28	14	20	10	200	100
I usually get better discounts from in-store promotions than loyalty schemes	98	49	77	38.5	25	12.5	200	100
I am nervous about how the organization uses the personal information I give	74	37	36	18	90	45	200	100
I think a loyalty scheme is worthwhile and I am willing to give my personal details	172	86	12	6	16	8	200	100
I spend less in stores where I don't have a card	55	27.5	47	23.5	98	49	200	100
I am member of loyalty scheme but have no intention of using my loyalty card	72	36	48	24	80	40	200	100
I wouldn't change where I shop for the sake of a loyalty scheme	115	57.5	23	11.5	62	31	200	100
TOTAL	1088	544	352	176	560	280	2000	100

Fig. 3.18
OPINION TO THE FOLLOWING STATEMENTS BY THE RESPONDENTS
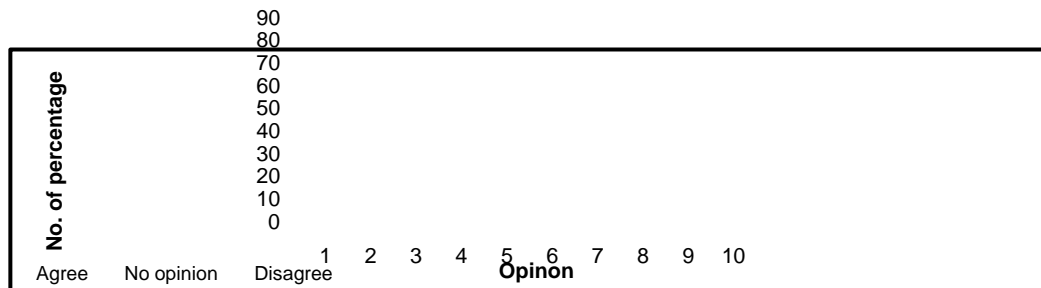
TABLE NO: 3.19

CHI-SQUARE TEST

S. NO	Average amount spent	Shopping frequency					
		Once a week	Twice a week	Once a month	Once every 2 months	Once every 6 months	Total
1	<500	5	3	2	1	0	11
2	500-2000	8	14	25	18	58	63
3	2000-5000	9	13	26	22	2	72
4	>5000	8	13	14	18	1	54
	Total	30	43	67	49	11	200

Source: Primary Data

OIJ   :   Observed Frequencies

EIJ   :   I= 1, 2, 3, 4

                         J = 1, 2, 3, 4, 5

EIJ   :   Ri x Cj   Ri – Row Total Frequencies

        N   ——   Cj – Column Total Frequencies

                         N – Over all Total Frequencies

                         N = 150.

$$\chi^2 = \Sigma(O-E)^2 / N$$

TABLE NO: 3.19(a)

EXPECTED FREQUENCIES

S. NO	Average amount spent	Shopping frequency					
		Once a week	Twice a week	Once a month	Once every 2 months	Once every 6 months	Total
1	<500	2	2	4	3	0	11
2	500-2000	9	14	21	15	4	63
3	2000-5000	11	15	24	18	4	72
4	>5000	8	12	18	13	3	54
	Total	30	43	67	49	11	200

CHI-SQUARE TEST

Null Hypothesis:

Ho: There is no significant relation between the respondent average amount spent and the shopping frequency.

Alternative Hypothesis

H1:   There is significant relation between the respondent average amount spent and the shopping frequency.

TABLE NO: 3.19(b)

OBSERVED	EXPECTED	(O-E)	$(O-E)^2$	$(O-E)^2 / E$
5	2	3	9	4.500
8	9	-1	1	0.111
9	11	-2	4	0.364
8	8	0	0	0.000

3	2	1	1	0.500
14	14	0	0	0.000
13	15	-2	1	0.267
13	12	1	1	0.083
2	4	-2	4	1.000
25	21	4	16	0.762
26	24	2	4	0.167
14	18	-4	16	0.889
1	3	-2	4	1.333
8	15	-1	49	3.267
22	18	4	16	0.889
18	13	5	25	1.923
0	0	0	0	0.000
8	4	4	16	4.000
2	4	-2	4	1.000
1	3	-2	4	1.333
			Total	**22.388**

$\chi^2 = 22.388$

Level of significant

$\qquad = (c-1) \times (r-1)$

$\qquad = (4-1) \times (5-1)$

$\qquad = 3 \times 4 = 12.$

At 5% degree of freedom: 0.05 = 5.99.

χ^2 > table value

$\qquad = 22.388 > 5.99$ hence the null hypothesis theory is rejected.

TABLE NO: 3.20
CHI-SQUARE TEST

S. No	Make shopping in favorite store even if no loyalty card	Increases purchase value if the shop provide loyalty card			
		Yes	**No**	**Possibilities are there**	**Total**
1	Yes	91	3	1	**95**
2	No	54	1	2	**57**
3	No idea	31	10	7	**48**
	Total	**176**	**14**	**10**	**200**

Source: Primary Data

OIJ   :   Observed Frequencies
EIJ   :   I= 1, 2, 3, 4
                J = 1, 2, 3, 4, 5
EIJ   :   Ri x Cj   Ri – Row Total Frequencies

$$E_{IJ} = \frac{R_i \times C_j}{N}$$

Cj – Column Total Frequencies
N – Over all Total Frequencies
N = 150.

$$\chi^2 = \Sigma(O\text{-}E)^2 / N$$

TABLE NO: 3.20(a)
EXPECTED FREQUENCIES

S. No	Make shopping in favorite store even if no loyalty card	Increases purchase value if the shop provide loyalty card			
		Yes	**No**	**Possibilities are there**	**Total**
1	Yes	84	6	5	**95**
2	No	50	4	3	**57**
3	No idea	42	4	2	**48**
	Total	**176**	**14**	**10**	**200**

CHI-SQUARE TEST
Null Hypothesis:
Ho: There is no significant relation between the loyalty card option and the purchase made by the respondents in the favorite store

Alternative Hypothesis:
H1:   There is significant relation between the loyalty card option and the purchase made by the respondents in the favorite store

TABLE NO: 3.20(b)

OBSERVED	EXPECTED	(O-E)	$(O\text{-}E)^2$	$(O\text{-}E)^2 / E$
91	84	7	14	0.167
54	50	4	16	0.320
31	42	-11	121	2.880
2	6	3	9	1.500
1	4	-3	9	2.250
10	4	6	36	9.000
1	5	-4	16	3.200
2	3	-1	1	2.383
7	2	5	25	12.500
			Total	**34.150**

$\chi^2 = 34.150$
Level of significant
      = (c-1) x (r-1)

$= (3-1) \times (3-1)$

$= 2 \times 2 = 4.$

At 5% degree of freedom: 0.05 = 5.99.

χ^2 > table value

$= 34.150 > 5.99$ hence the null hypothesis theory is rejected.

H1: Store purchase frequency and average amount spent by the respondents

For testing of this hypothesis store purchase frequency was measured by two Variables: the frequency of their visit to the shop and the amount of money they spent when they visit such shops. All the respondents whether a loyalty program member or non member were considered for this study.

All the respondents who had more than one loyalty card were classified as members and the ones who had zero cards were non members. For the frequency of visit we could observe the following: All the respondents who shopped for once in a week, once in a month or twice in a month were classified as high frequency shoppers while the ones who shopped for once every two months or once every 6 months were classified as low frequent shoppers. For the amount spent each visit the following data was collected: The amount of less than 500 and within 500-2000 was classified under low frequency and above 2000 was high frequency. It is found that the most frequent visitors were the loyalty card members and there is a significant relationship between these two variables. The Pearson Chi Square coefficient value is 0.003 which was less than 0.05 which proves that the variables are significantly related.The similar test was conducted for amount spent each visit and frequency. The Pearson Chi Square coefficient value is 22.38 which were more than 0.05 which proves that the variables are not significantly related.

H2: Loyalty precedes loyalty cards.

Through this hypothesis we wanted to test what is more important for a consumer - the loyalty for a store or loyalty card of a store. If a consumer is loyal towards a particular store but if he is offered a loyalty card of a different store so will he change his shopping preference or continue being loyal to the same store.Response for the question like 'Will you shop in your favourite store even if you don't have loyalty card of the same" and "Do you tend to increase your purchase from a particular store even if you don't have a loyalty card of the same" were tabulated in excel. Cross tabbing was done on the two variables and no significant relationship was found between the two variables.

H3: Discounts are significant features for a loyalty program.

One of the major aims of our study was to design an ideal loyalty card program. For this I tested various features like discounts, special offers, preferential treatment etc., in order to measure their relative impact on consumers. I did this mainly so that I could find out which feature was most important for the consumers and which feature would appeal to them most while purchasing a loyalty card.Accordingly, that feature could be included in our ideal loyalty card program which could be of use to retailers. For this I asked the consumers a question like "You would want a loyalty card of a particular store because they offer:"

1. Discounts
2. Special Offers
3. Preferential treatment
4. Updates (New arrivals etc.)
5. Status Symbol

We asked them to rate the above features on a Likert scale with strongly agree being coded as 5, agree being coded as 4, neutral being coded as 3, disagree being 2 and strongly disagree being 1. The results we obtained are shown in the following bar graph.

Using the above codes, we also calculated the means of all the features, which were as follows:

Features	Discounts	Special offer	Updates	Preferential Treatment	Status Symbol
Mean	4.1100	4,0092	3.4771	3.6422	2.8807

From the above table it is clear that discounts have a highest mean which shows that it is the most preferred feature moreover that can also be pictorially seen in

the bar chart. Thus I concluded that discounts are the most important features of a loyalty card program.

H4: Significance of loyalty card on consumer purchase behaviour

Our last hypothesis was to find out if loyalty cards had any significant impact on consumer purchase behaviour. For this we asked them their opinion on various

questions, the responses to which are shown below:

Questions were as follows:

1. I would shop in any store that suits me regardless of whether they have a
loyalty scheme
2. I shop wherever I get better discounts
3. I usually get better discounts from in-store promotions than loyalty schemes
4. I think a loyalty scheme is worthwhile
5. I have loyalty cards which I don't use
6. I am nervous about how the organization uses the personal information I
give
7. I buy products if they earn me extra points
8. I spend less in stores where I don't have a card
9. I wouldn't change where I shop for the sake of a loyalty scheme
10. I am member of loyalty scheme but have no intention of using my loyalty card
From the above the implications drawn were as follows:

• Consumers do not tend to increase their purchase from a particular store just
  because they have loyalty card of the same.
• Consumers shop in stores which provide better discounts, regardless of
  whether they have loyalty card of the same

IV. SUGGESTIONS

Retailers need to focus on delivering (selling) experience along with products. customers find it difficult to carry different loyalty cards every time they go for shopping;**One card for all:** This would ease the burden of carrying many cards at the same time;**Code based usage**: The second option is to remove the card system and allot the customers special codes. This would just require the customers to remember the code every time they go for shopping. **Integrate it with the credit card**: The best possible option is to integrate the loyalty card with the credit card. Customers always carry their respective credit card for shopping this will ensure that customer is not required to make any additional effort to avail the benefits of a loyalty card.

V. CONCLUSION

Retailers are exploring how to leverage technology such as predictive software to uncover subtle buying patterns and identify customers who may be likely to buy in categories they have never bought in before. Many are making greater use of the Internet to promote their loyalty program through accessible and informative Websites and targeted e-mail.Even while harnessing technology, growing numbers of retailers are stepping up efforts to reconnect with consumers and to meet their changing needs on a more "local" level. In the past, store owners knew their shoppers well and could easily anticipate needs. Today, we use computers and data to help do the same. These include using loyalty programs to support community initiatives, encouraging staff to get to know customers personally, and otherwise making cardholders feel that the store values their business and respects their right to limit access to their personal information.As customer loyalty being one of the most important factors for the business today, loyalty programs – loyalty card and other value added service, if well designed and implemented, can help the business gain competitive edge and can hence increase profitability.

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